



**March 2025 – MBSM High Income Strategy Returns and newsletter**

	Mar% Net Return	2025 YTD Net %	1 year Net %	3-year Net	5-year Net	10-year Net	2024 YTD Net %	2023 YTD Net %
<a href="#"><u>MBSM Aggregated SMAs</u></a>	-0.09%	+1.2%	+5.5%	+16.2%	+46.2%	+76.0%	+7.7%	+11.5%
BB Barc Agg	-0.03%	+2.7%	+4.9%	+1.6%	-2.1%	15.1%	+1.3%	+5.6%
BB Barc MBS	-0.00%	+3.0%	+5.5%	+2.1%	-2.6%	12.6%	+1.5%	+5.1%
BB Barc HY	-1.02%	+1.0%	+7.7%	+15.7%	+42.2%	63.1%	+9.1%	+13.5%

**Mar 2025 MBS Income: +1.3% (~17.1% annualized)** (Aggregated SMAs @ month end marks)

**Mar 2025 Loss Rate: 0.3%**

**Mar 2025 MBS Cashflow: +1.4%. ~17% annualized**

**2025 (YTD) Income: 15.9%**

**Hello. I’ve decided to do the MBS Strategy newsletters on a quarterly basis. The monthly Fact Sheets will continue to be posted to our website as usual.**

March was a flat month for our MBS portfolios. High Income of 1.3% was offset by mark-to-market declines, in combination with an loss from in one CMO from a foreclosed loan being resolved.

**Basically, the salient features of the strategy remain unchanged, and are working well:**

- **High Income, which protects Capital and [lowers the Breakeven Price](#) of each bond – see our Dec 2018 newsletter**
- **High percentage of positive return months, on our Fact Sheets: 73% vs 54% for the AGG  
(this also results in Postive Skewnes)**
- **Low Beta and Correlations to any other sector – on our Fact Sheets  
Beta to AGG: 0.29; MBS: 0.18; HY: 0.41 and S&P: 0.10  
Correlations: AGG: 19%; MBS: 11%; HY: 39%; S&P 20%**

**The trailing 12mo Betas are negative to AGG (-0.2) & S&P (-0.3).**

**This strategy is a Diversifier like no other.**

We thought calm had descended in January, and started reinvesting our cash into more legacy RMBS for most clients, including one new client. This assumption was blown out of the water in the past few weeks.

It's really impossible to predict what will come next in the markets. So far, the portfolios are holding up well, but not much is trading. One thing is sure, high volatility implies staying short, and our high cashflowing portfolios, with a high allocation to floaters, accomplish that. Rising UST benchmarks will imply declining marks on Fixed Rate MBS.

A number of people have reached out to me to see if I am going to restart the 'Crisis Notes', as they did not find any new papers on the website.

Currently I post my thoughts on LinkedIn, as risk events happen too fast to publish in notes on the website. The link to my profile is below.

It'll be critical to watch what happens in the Bessent-Trump negotiations with Japan.

Neither side knows that Japan holds a Royal Flush, as they can easily destroy the world's leverage and asset prices by simply raising rates, causing Japanese institutions to sell their many Trillions of US bonds (not just USTs), and refusing to roll over existing debt as it matures (this is what happened in the GFC when Bernanke cut rates)

There were already concerns about this, as Norinchukin was accused of causing the Treasury selloff.

<https://www.bloomberg.com/news/articles/2025-04-14/norinchukin-dodges-trump-s-market-chaos-after-selling-treasuries>

<https://asia.nikkei.com/Business/Markets/Bonds/How-Japan-s-Norinchukin-Bank-ended-up-battling-Treasury-sales-rumors>

Nochu is the canary for what the rest of Japan is likely to do. I would advise everyone to set up a google alert:

To set up a Google Alert for "norinchukin", you would first go to Google Alerts and enter "norinchukin" in the search box. Then, click "Create Alert". You can customize the alert settings (frequency, sources, region, etc.) by clicking "Show options".

### **Our MBS boilerplate:**

MBS is a Variable Income asset class and product, and not Fixed Income, as it is widely viewed and categorized. Unlike traditional managers that understand MBS as Fixed Income and do not differentiate between Low-Income and High-Income MBS, we systematically identify and harvest High-Income MBS to construct portfolios that generate total returns with low correlations to Fixed Income as well as with other assets. High Income MBS can be an Absolute

Return component of a portfolio, or a diversifier. High Income also protects capital by lowering Breakeven Prices rapidly. This is explained in detail in our white paper, [The MBS Income Factor](#).

**Regards, Samir.**

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**Samir Shah**

**President and CIO  
MBS Mantra, LLC (a CT Registered Investment Advisor)  
(dba) Alpha Research and Management  
Alpha Research and Consulting, LLC**

**"Alpha Through Analysis"®**

**203-388-8356 P**

**203-273-0360 C**

<https://www.linkedin.com/in/samir-shah-6a9096a>

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