



February 5, 2018

MBS Mantra Jan 2018 returns: +1.09% Net, +1.34% gross, 1.09% YTD, 1.7 Net Sharpe, 0.19 Agg Beta

Hello. Please find attached the January 2018 Fact Sheet for our MBS Absolute Return Strategy. This can be accessed from our [website](#) as well.

Our January 2018 returns are +1.09% Net, +1.34% Gross, bringing our net Sharpe ratio since inception to 1.7, and gross Sharpe ratio to 2.1%. The overall portfolio total cashflow was in the expected range, at 2.46%.

Our primary benchmark, the Barclays Agg, was down -1.15% in January, as market rates rose, resulting in a net outperformance of our portfolio of 2.24%! We outperformed our other bond benchmarks as well, including MBS and HY.

We sold a number of positions in January whose current returns-from-cashflow were below our target, and reinvested the proceeds. The absolute holding period total returns on the bonds sold averaged 32%, (annualized 12.3%), with 27.4% of the holding period return coming from cashflows received, and 4.6% from price change.

An important characteristic of our cashflow-driven process is that our MBS portfolio results tend to have low betas and correlations to other assets. This data is displayed in the 'Net Reutns - performance statistics' table in the left column of our Fact Sheet. This has important implications - the addition of our strategies to other strategies, such as an equities portfolio, results in a reduction of portfolio volatility, and an improvement in the Sharpe Ratio. This can be seen in the 50/50 MBSM + S&P portfolio in the Statistical Analysis table in the right column. This is also the concept that has resulted in the creation of our Standard Value Equity + Income strategy.

Regards, Samir.

Samir Shah
President and CIO
MBS Mantra, LLC (a CT Registered Investment Advisor)
"Alpha Through Analysis"

[203-388-8356](tel:203-388-8356) P

[203-273-0360](tel:203-273-0360) C

sshah@mbsmantrallc.com

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

Please visit our website www.mbsmantrallc.com for important disclosures.

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