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MBSM Agg Plus Alpha Dec 2017 returns - Optimal Portfolio of Fixed Income Funds

Happy New Year!

NEW!

We now have both Institutional and Retail versions of our Agg Plus Alpha strategy. Both Fact Sheets are attached. These can be accessed from our [website](#) as well.

This strategy creates a substitute for the Bloomberg Barclays Aggregate Index (and AGG ETF), by applying finance and statistics to create an optimal portfolio of Fixed Income Funds. **This portfolio has the same standard deviation as the Agg, but generates Alpha and outperformance over the Agg, (while lowering Beta and correlations) making this Fixed Income strategy and portfolio compelling for CIOs and PMs that conduct Asset Allocation as part of their portfolio construction.**

Recent research from AQR has implied that fixed income managers outperform the Agg by taking on high yield exposure.

We have replaced our Index benchmarks with ETF benchmarks, including HYG instead of a corporate bond ETF, to propose and demonstrate an alternative lower risk fixed income portfolio.

Both our institutional and retail portfolios outperform the AGG (and most other bond indices and benchmark ETFs) in absolute terms with half the standard deviation, fewer drawdowns, and double the Sharpe Ratio! Our institutional portfolio outperforms HYG after fees, while the retail portfolio has outperformed HYG over a long period, but bracketed it during 2017.

Of note is 13 straight months of positive returns for both versions, (ie 0 drawdowns in 2017, in spite of rates rising), all "out-of-sample" from our modelling period (2012-2016).

For researchers, these results should provide compelling proof that at least some Active Managers in Fixed Income can outperform ETFs in spite of higher fees.

Summary of performance:

	Agg Plus Alpha Insttional (net)	Agg Plus Alpha Retail (net)	AGG ETF	HYG ETF
Dec 2017	0.26%	0.06%	0.47%	0.25%
YTD 2017	6.47%	5.08%	3.55%	6.07%

Drawdowns 2017	0	0	4	2
Sharpe Ratio	1.9	1.5	0.3	0.7
Standard Deviation	0.80%	0.77%	0.80%	1.60%
Alpha to AGG	5.60%	4.50%		
Beta to AGG	0.4	0.5		
Correlation to AGG	0.5	0.5		
Alpha to HYG	5.10%	4.07%		
Beta to HYG	0.3	0.3		
Correlation to HYG	0.6	0.6		

We can also customize a bond fund portfolio based on desired risk, creating an optimal portfolio for any targeted standard deviation - the Efficient Frontier.

Besides direct investors, this is also an ideal product for investment consultants, wealth managers, and others that are seeking Fixed Income Beta as part of an asset allocation process, but seek greater returns/Alpha than a broad market ETF. We can invest and manage this strategy on a sub-advisory basis.

We can also provide this portfolio as a consulting service to Investment Consultants and independent Investment Managers that are seeking outperformance for their clients but need to execute in house.

Please call with questions.

Regards, Samir.

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

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