



Computations of Monthly Returns

March, 2016

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Notes on Computations of Monthly Returns

- Returns are not audited or certified as GIPS-Compliant
- S&Z Fund Services was hired to review the return computation methodology in July 2016, and verified the returns computed from 2013 to July 2016. The computation process for gross returns has remained consistent since inception
- The custodian was First Southwest Securities, now Hilltop Securities
- Returns are based on the aggregated MBS holding balances and total balances in Separate accounts, as reported in monthly statements by the Custodian
- Prices and balances are based on the Custodian's month end 'marks'
- For month's in which the custodian did not mark certain securities, marks were interpolated from the prior and subsequent months mark's for the specific securities. This happens very rarely and is not significant as the holdings of such bonds are very small.
- Adjustments are made for cash deposits and withdrawals from the accounts
- For the computation of monthly Gross returns, we also adjust the balance in the accounts by the average cash balances for the month
- For the computation of net returns, we assume the fee structure that we are proposing for institutions, shown on the Fact Sheets. The proposed fee structure was changed in Jan 2019, and now incorporates a hurdle rate, with prior net returns recomputed.
- Fees are customized for clients based on their accounts – their returns and net returns differ from the net returns shown for the Aggregated SMAs

- Every effort has been made to accurately and fairly portray the results. Although computational and transcribing errors are certainly possible, they are not intentional, and are corrected when found.

Notes on Separate Accounts

- The accounts are long only, and no leverage or hedging has been used
- Prior to April 2017, returns are based on the Shah family investment accounts. Mr. Shah's accounts were transferred to First Southwest (now Hilltop Securities) in 8/2013.
- Mr. Shah was registered with a broker-dealer till 12/2015; his fiduciary responsibilities to his employer and clients resulted in part-time management of his portfolios, as he primarily traded bonds he identified to his clients, and only purchased bonds for himself that did not sell. As a result, cash balance percentages were sometimes as high as 47% in his investment accounts, and averaged 23.7% from 2013 to 2015, resulting in the decision to adjust for average monthly cash to better reflect the performance of MBS. For consistency, we have continued making this adjustment.
- We produce 2 sets of Fact Sheets: Founder's Portfolio and Aggregated SMAs (that includes the Founder's Portfolio)
- MBS Mantra was registered in November 2014, and the 'track record' starts on November 2014. More history is available for the Founder's Portfolio, however.

Notes on the Founder's Portfolio

- **Mr. Shah's personal MBS investing can be broken up into 3 discreet time periods: pre-2005, 2011-2013, and post-2013.**
- The portfolio was dormant and in run-off mode between 2005 until 2011 – Mr. Shah's employers would not allow for personal trading in the same securities that Mr. Shah was trading and selling to his clients.
- Mr. Shah's MBS investments have been primarily based on his own strategy recommendations to his institutional clients. When possible, Mr. Shah co-invested in his own ideas, alongside his clients (with their permission), with Mr. Shah investing in a portion of the bond at the same price as the client.
- Due to fiduciary responsibilities to his broker-dealer employers, ideas and bonds had to be first traded to customers, and only unsold bonds, usually smaller and micro lots, were available for personal investing.

Contact and Additional Information

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Mr. Shah's FINRA CRD: 1742813

MBS Mantra's FINRA CRD: 173533



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