



October 2019 - MBS Mantra MBS High Income/Absolute Return Strategy returns:

	% Net Return	% Gross Return	2019 YTD Net	Trailing 1 year Net
<u>Aggregated SMAs</u>	+0.31%	+0.38%	+5.50%	+5.7%
<u>Founder's Portfolio</u>	-0.06%	+0.02%	+5.27%	+6.9%

Oct 2019 Income: +1.05%; Annualized: ~13.9% (Aggregated SMAs @ recent marks)

Oct 2019 Cashflow: 2.0%

Hello.

The average income rates for October were slightly higher than the recent past, with some bonds outperforming and others underperforming, as is typical. The weighted average income for the Aggregated SMA portfolio was 1.05%, almost 14% annualized, higher than in September. The monthly income range was -3.7% to +22% (non-annualized). Total cashflow received was 2.0% of the portfolio value at the start of the month, slightly less than in September. Overall, a nice boring month with our portfolio behaving as expected.

Our custodian's pricing service continued grinding down marks on legacy RMBS, lowering returns, and our income was offset by additional unrealized mark downs on many of our bonds. We also purchased some bonds we like at prices slightly higher than the marks – we think the marks are light in general. Fixed rate MBS similar to those we own are trading well, with bid-offer spreads bracketing the marks (typical bid-offer spreads for most of these bonds are 1% to 3%). Reinvestment of November cashflows will likely also entail purchasing above the marks.

At the end of October, we updated and expanded on our strategy white paper, '[The MBS Income Factor](#)'. V3 contains many new sections and analysis comparing our strategy to a variety of MBS and Income funds. We highlight the positive skewness of our strategy, as well as its uniqueness. You should have received an email a few weeks ago, but you can follow the link above to download a fresh copy from our website.

We welcome your questions and comments.

Regards, Samir

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