

# Fact Sheet: MBS Mantra, LLC - MBS High Income/Absolute Return Strategy

Aug 2020

## Alpha Through Analysis® Founder's Portfolio

Benchmark 1 (BM1): Barclays US Aggregate Bond ETF (Barc AGG/AGG)

Benchmark 2 (BM2): Barclays US Securitized Total Return Index Unhedged MBS/ABS/CMBS (Barc MBS/BMBS)

Benchmark 3 (BM3): Barclays US Corp High Yield Total Return Index (Barc HY)

Benchmark 4 (BM4): S&P 500 ETF (SPY)

MBS Mantra (MBSM) seeks to achieve superior returns with maximal Alpha and minimal Beta by investing in Income producing MBS. Our key insight is that MBS are Variable Income Securities (and mis-classified as Fixed Income because they are bonds). Our research and focus on understanding MBS returns has led to the conclusion that the majority of excess investment returns (Alpha) in MBS derive from realized cashflow income returns and not from price change. MBS Mantra uses its proprietary analytical methodology, strategies, and a comprehensive understanding of MBS structures and markets, macro economics, money flows, and benchmarks, developed over 25+ years (see [www.mbsmantrallc.com/analysis](http://www.mbsmantrallc.com/analysis)), to construct High Income producing portfolios with lower-than-market volatility. Ours is a steady growth process of compounding Income at high rates.

MBS Mantra systematically process securities in the marketplace to identify bonds that generate High Income. Over time, the accumulated income of the portfolios dampens volatility from price changes, and also reduces duration and correlation risk. The portfolios invest in Non-Agency RMBS and MBS derivatives, with diversification through both the number of bonds owned, with multiple sub-strategies. Portfolios and strategies are customized to meet the needs of clients.

The flagship unlevered MBS High Income/Absolute Return Strategy described here is most suited for patient capital that is seeking higher long term Income returns with lower volatility than traditional income strategies, and who seek diversification of portfolio risk through reduced Beta and correlations.

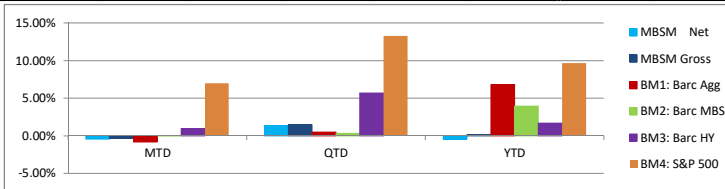
### Performance - MBS Mantra Founder's Portfolio - MBS High Income/Absolute Return Strategy

#### Net Monthly Total Returns (Fees simulated)

Aggregated MBS	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD MBSM	YTD BMBS
2020	1.96%	1.74%	-12.56%	4.40%	2.08%	1.59%	1.77%	-0.42%					-0.48%	3.94%
2019	0.39%	-0.47%	1.94%	-0.03%	1.44%	1.15%	-1.60%	2.55%	-0.10%	-0.06%	0.41%	0.08%	5.78%	6.44%
2018	1.61%	-0.68%	2.01%	-0.21%	0.61%	-0.13%	-0.08%	-0.07%	-0.53%	0.06%	0.46%	1.12%	4.21%	0.99%
2017	1.68%	0.45%	-0.24%	0.75%	2.54%	0.55%	0.24%	2.16%	-1.11%	0.97%	-0.22%	-0.73%	7.21%	2.51%
2016	-0.48%	-0.66%	-0.46%	1.23%	0.92%	1.47%	1.76%	1.02%	1.36%	1.17%	0.12%	0.34%	8.03%	1.77%
2015	4.24%	0.34%	0.55%	0.04%	2.33%	1.50%	0.76%	0.81%	0.08%	-0.24%	1.10%	-0.35%	11.65%	1.47%
2014											1.17%	-0.91%	0.25%	0.78%

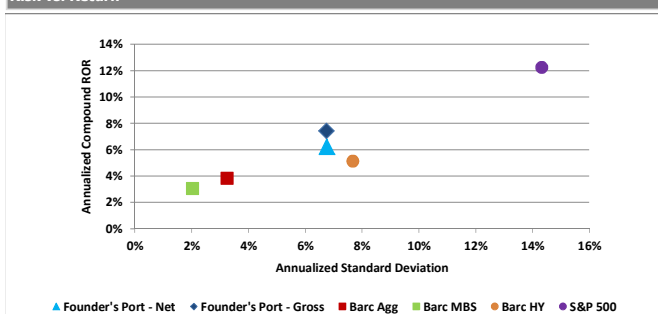
#### Returns - Comparisons to Benchmarks

	MBSM Net	MBSM Gross	BM1: Barc Agg	BM2: Barc MBS	BM3: Barc HY	BM4: S&P 500
MTD	-0.42%	-0.35%	-0.82%	0.05%	0.95%	6.98%
QTD	1.3%	1.5%	0.5%	0.3%	5.7%	13.3%
YTD	-0.5%	0.2%	6.8%	3.9%	1.7%	9.7%
1 Year	-0.2%	0.8%	6.3%	4.6%	4.7%	21.9%
ITD	42.2%	51.9%	24.6%	19.2%	33.9%	96.2%

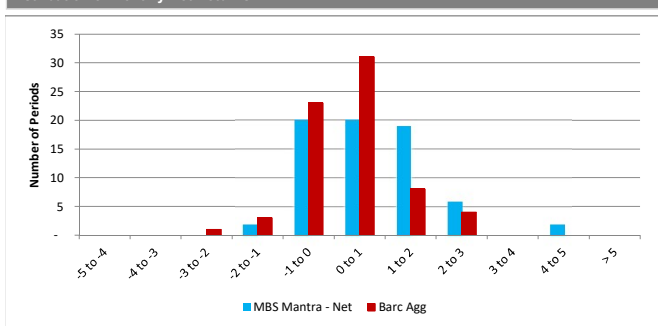


#### Risk/Statistics

##### Risk vs. Return



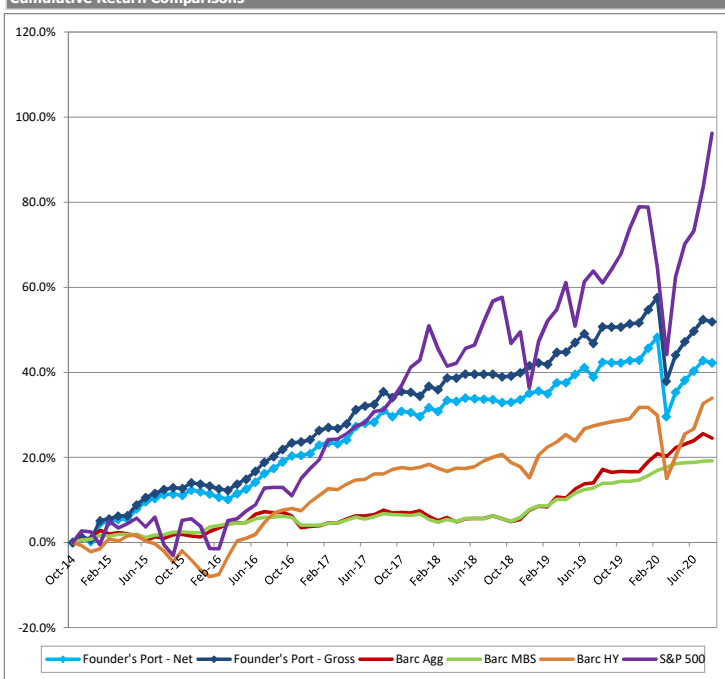
##### Distribution of Monthly Net Returns



##### Net Returns - performance statistics vs benchmarks (since inception)

	BM1: Barc Agg	BM2: Barc MBS	BM3: Barc HY	BM4: S&P 500
Alpha (Monthly)	0.3%	0.4%	0.3%	0.4%
Annualized Alpha	3.4%	5.3%	3.5%	4.4%
Beta	0.77	0.38	0.54	0.15
R-Squared	0.14	0.01	0.37	0.11
Correlation	37%	11%	61%	33%

##### Cumulative Return Comparisons



##### Statistical Analysis

	MBSM Net	MBSM Gross	BM1: Barc Agg	BM2: Barc MBS	BM3: Barc HY	BM4: S&P 500	Port 50/50 MBS+S&P
Ann Ret	6.2%	7.4%	3.8%	3.1%	5.1%	12.3%	9.3%
Cum Ret	42.2%	51.9%	24.6%	19.2%	33.9%	96.2%	67.7%
Std Dev	6.8%	6.7%	3.2%	2.0%	7.7%	14.3%	9.0%
Sharpe	0.9	1.1	1.1	1.4	0.7	0.9	1.0
Best Mth	4.4%	4.5%	2.8%	1.8%	4.7%	12.7%	8.4%
Worst Mth	-12.6%	-12.5%	-2.6%	-1.7%	-11.5%	-12.5%	-12.6%
Positive %	67%	73%	61%	71%	67%	73%	74%

\*Please refer to the important notes and disclosures on the next page.

Statistical Analysis calculated using eInvestment's (formerly Pertrac) methodology.

MBS Mantra SMA Returns methodology was reviewed by S&Z Fund Services, LLC in 2016. ([www.szfundservices.com](http://www.szfundservices.com))

Profile			
	<b>Phone:</b>	203-388-8356	<b>Contact:</b> Samir Shah
	<b>Mobile:</b>	203-273-0360	<b>Email:</b> <a href="mailto:sshah@mbsmantrallc.com">sshah@mbsmantrallc.com</a>
			<b>Website:</b> <a href="http://www.mbsmantrallc.com">www.mbsmantrallc.com</a>
<b>Inception Date</b>	November 2014	<b>Lockup</b>	1 Year
<b>Management Fee</b>	1% (institutional)	<b>Redemption</b>	Quarterly
<b>Hurdle Rate</b>	6% gross (institutional)	<b>Redemption Notice</b>	90 days
<b>Incentive Fee</b>	25% (institutional)	<b>Reporting Style</b>	Quarterly
<b>Minimum Account</b>	\$1,000,000	<b>Inv Structure</b>	Separate Accounts
<b>Subscription</b>		<b>Strategy</b>	Investments in Structured Products (primarily MBS)
		<b>Custodian</b>	National Alliance/Hilltop Securities

**Standard Deviation** - Measures the degree of variation of returns around the mean (average) return. Standard Deviation is often used as a measure of Investment risk.

**Sharpe Ratio** - Measures the excess return (or risk premium) per unit of deviation in an investment asset or a trading strategy (using 0.75% risk free rate)

**Alpha** - The Alpha statistic is the difference between a Manager's return and the Benchmark's return, adjusted by the Manager's exposure to the Benchmark's risk. Alpha is typically used to measure the Managers investment skill relative to the Benchmark. A positive alpha indicates that the Manager has produced risk adjusted returns that exceed the benchmark's return. Annualized Alpha is the measure of the annualized value added.

**Beta** - A way to measure the "risk" or price volatility of a particular stock or fund as it compares to the market as a whole. A beta of 1.0 indicates that a security's risk measurement is on par with the market. A beta of 1.20 indicates that a security is 20% more volatile than the market, while a beta of 0.80 indicates that a security is 20% less volatile than the market.

**R** - Correlation (R) measures the extent of linear association of two variables.

**R-Squared** - A measure of how much of a fund's past returns can be explained by the returns from the market in general, as measured by a given index. If a fund's total returns were precisely synchronized with an index's returns, its R-squared would be 1. If a fund's returns bore no relationship to the index's returns, its R-square would be 0.

#### Past performance is not indicative of future results.

The performance returns and statistical data are estimates computed by the manager, based on unaudited figures using monthly separate account statements from the custodian. The figures above are indicative performance figures for the MBS portfolio as a whole, and are not specific to any separate account. Actual performance for your account will be provided to you in your periodic account statements. Actual performance will vary for investments made in different fee classes, or at different times of the year. The portfolio returns methodology was reviewed by S&Z Fund Services LLC in July 2016, with the same computational process using separate account statements being used for subsequent monthly returns.

**Please Note: As indicated above, past performance may not be indicative of future results.** Therefore, no current or prospective investor should assume that future performance will be profitable, or equal either the past performance results reflected or any corresponding historical index.

#### Benchmarks

**The Bloomberg Barclays US Aggregate Bond Total Return Index (Barclays Agg)** - A broad-based flagship benchmark that measures the Total Return of the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

**The Bloomberg Barclays US Securitized Total Return Index (Barclays MBS)** -represents the Total Return of the Securitized section of the Barclays US Aggregate. This includes MBS, ABS, CMBS and Covered bonds, and is unhedged.

**The Bloomberg Barclays US Corporate High Yield Total Return Index (Barclays HY)** -represents the Total Return of the The Bloomberg Barclays US Corporate High Yield Bond Index. This measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

**The S&P 500 Index Total Return** - The 500 stocks in this index are selected by Standard and Poor's selection committee and are based on industry representation, liquidity, and company stability and assumes that any cash distributions, such as dividends, are reinvested back into the index. The stocks in the S&P 500 are not the 500 largest companies in the united states, but is an index designed to capture the returns of many different sectors of the U.S. economy. The index consists of approximately 400 industrial firms, 40 utility companies, and 20 transportation companies. This index is market capitalization weighted.

#### Disclosures:

This overview is being provided to you by MBS Mantra, LLC ("MBS Mantra" or the "Firm" or the "Adviser"), for informational purposes only, on a confidential basis and is intended solely for use by the company or individual to whom it is being delivered. Potential investors are advised to request and carefully read and review MBS Mantra's Firm Brochure (Form ADV Part 2), and other documents, if any, provided by MBS Mantra (the "Documents").

Under no circumstances should this overview be used or considered as an offer to sell, or a solicitation of any offer to buy, interests in any securities, funds, other financial products or investment strategies managed by MBS Mantra, nor shall it or its distribution form the basis of, or be relied upon in connection with, any contract for advisory services or otherwise. The information contained with this brochure has not been audited and is based upon estimates and assumptions. No reliance should be placed, for any purpose, on the information or opinions contained in this overview. The information contained in this brochure is based upon proprietary information of MBS Mantra and public information, but it may not be comprehensive, and it should not be interpreted as investment advice. No representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained in this overview by MBS Mantra or by its affiliates and any of their principals, members, managers, directors, officers, employees, contractors or representatives.

Investors must make their own investment decisions based on their specific investment objectives and financial position. Charts, tables and graphs contained in this overview or in the Documents are not intended to be used to assist an investor in determining which securities to buy or sell or when to buy or sell securities. While this overview may contain past performance data, PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS, WHICH MAY VARY. There can be no assurance that any investment strategy will achieve its investment objective or avoid substantial or total losses. Except as required by law, MBS Mantra assumes no responsibility for the accuracy and completeness of any forward-looking statements. Further, MBS Mantra does not provide legal and tax advice; MBS Mantra recommends that investors consult with their own independent tax and legal advisers.

Any example represents an actual trade made by Samir Shah, MBS Mantra's principal, and/or MBS Mantra; any hypothetical represents a possible trade. None of the examples, whether actual or hypothetical, contained in this overview and the Documents should be viewed as representative of all trades made by MBS Mantra, but only as examples of the types of trades MBS Mantra expects to complete for its customers. None of the examples provided can in and of themselves be used to determine which securities to buy or sell, or when to buy or sell them. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities used as examples in these Documents. To the extent that this document contains statements about the future, such statements are forward looking and subject to a number of risks and uncertainties, including, but not limited to, the impact of competitive products, product demand and market risks, fluctuations in operating results and other risks. (A complete list of trades made by Samir Shah and/or MBS Mantra is available upon request.)

This overview and all Documents provided by MBS Mantra should only be considered current as of the date of publication without regard to the date on which you may receive or access the information. MBS Mantra maintains the right to delete or modify the information without prior notice; MBS Mantra undertakes no obligation to update such information, including, but not limited to, any forward-looking statements, as of a more recent date, except as otherwise required by law.