



**Oct 2020 – MBS Mantra MBS High Income/Absolute Return Strategy returns:**

	% Net Return	% Gross Return	Since 4/1/2020 Net %	2020 YTD Net %	2020 YTD Gross %	Trailing 1 year Net %
<a href="#"><u>Aggregated SMAs</u></a>	+0.42%	+0.49%	+12.0%	+0.4%	+1.2%	+0.6%
<a href="#"><u>Founder's Portfolio</u></a>	+0.65%	+0.73%	+12.1%	+1.7%	+2.5%	+3.2%

**Oct 2020 Income: +1.38%; Annualized: ~18% (Aggregated SMAs @ recent marks)**

**Oct 2020 Cashflow % of invested value: 2.8% ( ~ 34% annualized rate)**

**Oct 2020 Loss rate: -0.2%**

Hello.

**Our Aggregated SMA's had a portfolio net total return of ~+0.4% in Oct 2020. Overall Income continued its streak since April, generating ~1.4% in Income. However election related volatility impacted marks in the last week of October, lowering returns by about -0.9% from price change. As expected, the High Income buffered the price mark declines, resulting in positive total return, and outperforming most of our benchmarks once again.**

**The Income performance of the MBS portfolio has been very stable over the past few months, ~1.4% in Income, ~18% annualized, from 2.8% in cashflow for the month, and has been responsible for recovering from the MTM loss in March – our return since April has been around 12%.**

**I would like to point out our low loss rate of -0.2%.** Many of our competitors call themselves 'Structured Credit' or 'Securitized Credit' funds. This is because they seek to generate income from taking on credit risk in MBS, some with up to 95% in subordinated bonds, as they do not seem to have the knowledge or awareness to sort and identify MBS by Income. Others that call themselves 'Income Funds' or 'Opportunistic Income' are often generating Income from low income assets by leveraging them, and should be called 'Leveraged Funds' to properly describe their risks. Many REITs fall into this category as well. We track many of these funds, and compared our returns to theirs in our September and March newsletters. Our High Income strategy is not like them, and is not your generic MBS Credit product. Our returns are significantly less volatile than most others, as we do not use either kind of leverage.

**We strictly focus on Income with the insight that stable High Income is generated by avoiding Credit losses.** Our portfolios are constructed by selecting bonds and deals that demonstrate low credit losses relative to their income. **This does not mean that we are sacrificing any upside leverage to the housing market** compared to 'Credit Funds'. We benefit from housing curing through prepayment management and exploitation.

As always, we welcome your questions and comments. Please stay safe.

Regards, Samir Shah

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