



June 2021 – MBS Mantra MBS High Income/Absolute Return Strategy returns:

| | % Net Return | % Gross Return | Since 4/1/2020 Net % | 2021 YTD Net % | 2021 YTD Gross % | Trailing 1 year Net % |
|-------------------------------------|--------------|----------------|----------------------|----------------|------------------|-----------------------|
| Aggregated SMAs | +1.11% | +1.19% | +19.3% | +4.8% | +5.2% | +10.1% |
| Founder's Portfolio | +1.39% | +1.47% | +20.0% | +5.4% | +5.9% | +10.9% |

Annualized 2021 returns to date: 9.83%

June 2021 Income: +1.48%; Annualized: ~19.2% (Aggregated SMAs @ recent marks)

June 2021 Cashflow % of invested value: +2.9% (~34% annualized rate)

June 2021 Loss rate: -0.02%

Hello.

Another positive month, making it 15 in a row since March 2020. Income was high, at 1.48%, with negligible losses, while marks were down about -0.3% on average (some up, some down).

Once again, our High Income (1.48% in June, 19% annualized) allowed us to outperform our fixed income benchmarks (B-AGG +0.83%; B-MBS -0.03%) and were in line with High Yield (B-HY +1.34%), in spite of slightly lower marks.

YTD, at +4.8% net return, we are outperforming High Yield as well (B-HY +3.6%, B-AGG -1.7%, B-MBS -0.7%).

Since March 2020's deleveraging selloff our net return has been 19.3%. By comparison, over the same period, the B-AGG has returned 2.5% while B-MBS has returned 0.7%.

Portfolio cashflows remain strong, at 2.9% of the portfolio (34% annualized), reinforcing our contention that our portfolio's duration is short and that our strategy thus maximizes risk adjusted returns.

We will reiterate that we are NOT a Fixed Income strategy, as the returns comparisons above demonstrate. Our research has demonstrated that MBS is a Variable Income bond product, and we therefore focus on the 'right tail' of the MBS Income distribution, creating a unique High income strategy and product. Our current high Income of 19% annualized allows us to overcome significant price declines and creates self-healing portfolios, as the breakeven prices of our holdings continually decline monthly with realized MBS income. This allows us to reinvest and compound over long periods – a very old-school investing process.

While we are acutely aware of MBS credit and opportunities, unlike typical MBS Credit strategies that invest in low income/low yield bonds with leverage, we mostly invest in senior bonds and have very low loss rates,

creating an unlevered portfolio with lower volatility than most other MBS portfolios (see our [March 2019 newsletter](#) for a comparison to the credit risk of other MBS funds).

Please stay safe, and wishing you good health.

Regards, Samir Shah

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