



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

	% Net Return	% Gross Return	Since 3/31/2020 Net %	2021 YTD Net %	2021 YTD Gross %	Trailing 1 year Net %
Aggregated SMAs	+1.62%	+1.69%	+25.2%	+10.0%	+10.9%	+10.0%
Founder's Portfolio	+2.03%	+2.10%	+25.4%	+10.1%	+11.1%	+10.1%

2021 net returns to date: 10.0%
 2021 Income (annualized BEY): 16.6%
 Annualized Income since 3/31/2020: 14.9%

Dec 2021 Income: +1.89%; Annualized: +25.1% (Aggregated SMAs @ recent marks)
 Dec 2021 Cashflow: +3.1% (~37% annualized rate)
 Dec 2021 Loss rate: -0.08%

Happy New Year!

Well, that’s a wrap: **10% YTD net return in 2021 for our Aggregated SMAs**, handily outperforming anything “Fixed Income” (Agg: -0.1%; MBS -0.4%; HY 0.7%). This makes it 21 positive months in a row since March 2020’s deleveraging driven drawdowns. Since then, we’ve returned 25%. For the month, we returned 1.6%.

Cashflows (3.1%; 37% annualized), and Income (1.9%; 25% annualized), were higher than in recent months, and significantly higher than what would be expected from most MBS or Fixed Income portfolios. Yes, this implies a short duration.

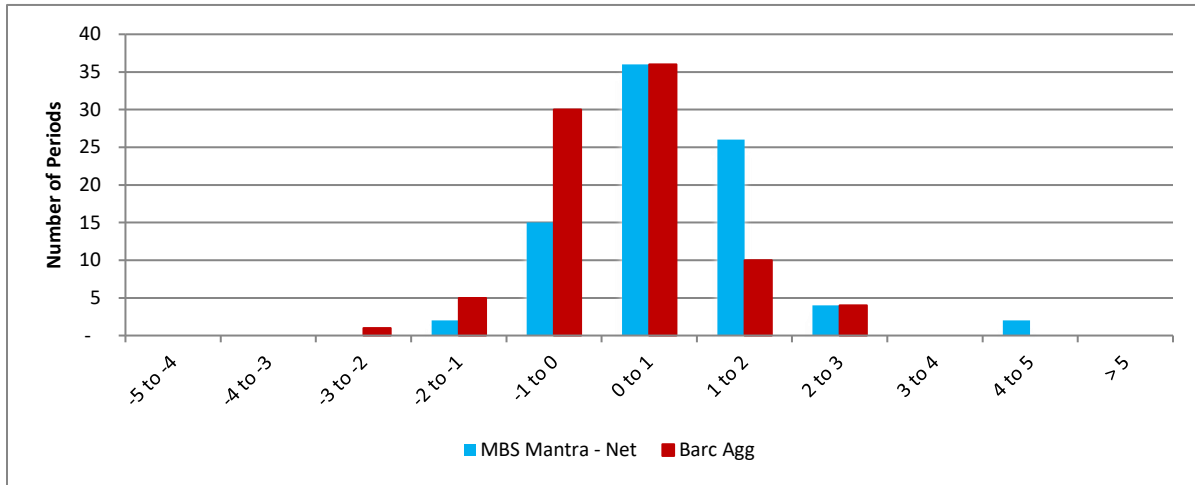
Returns were helped by the dramatic marking upwards by 14.2% (!) of one of our floating rate bonds (which is still marked too low in our opinion). Other similar floaters were marked down however, ignoring market trading that is higher than the marks.

Marks on our fixed rate bonds (and some derivatives) continue declining with rates rising as the pricing services continue to treat this Variable Income product as Fixed Income. However the Income has dominated price change once again, resulting in positive and high net returns.

The following graph from our Fact Sheet graphically demonstrates the unique and important statistic the MBS High Income Strategy generates: **a positive Skewness in the returns distribution**, with more monthly returns in the right tail than in the left. This is different from the returns distribution of most other strategies that depend on

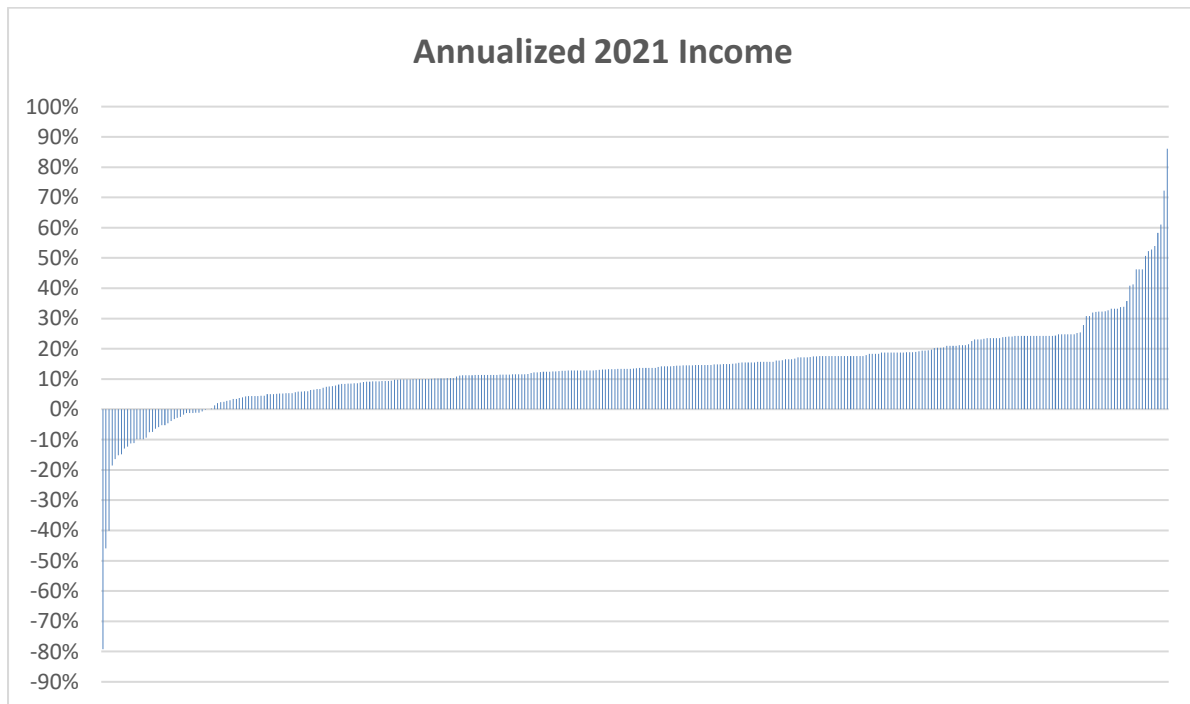
price change, which exhibit typically normal distributions with close-to-zero skewness. A table with skewness statistics for numerous MBS funds can be found on pages 19-20 of our white paper– [The MBS Income Factor](#).

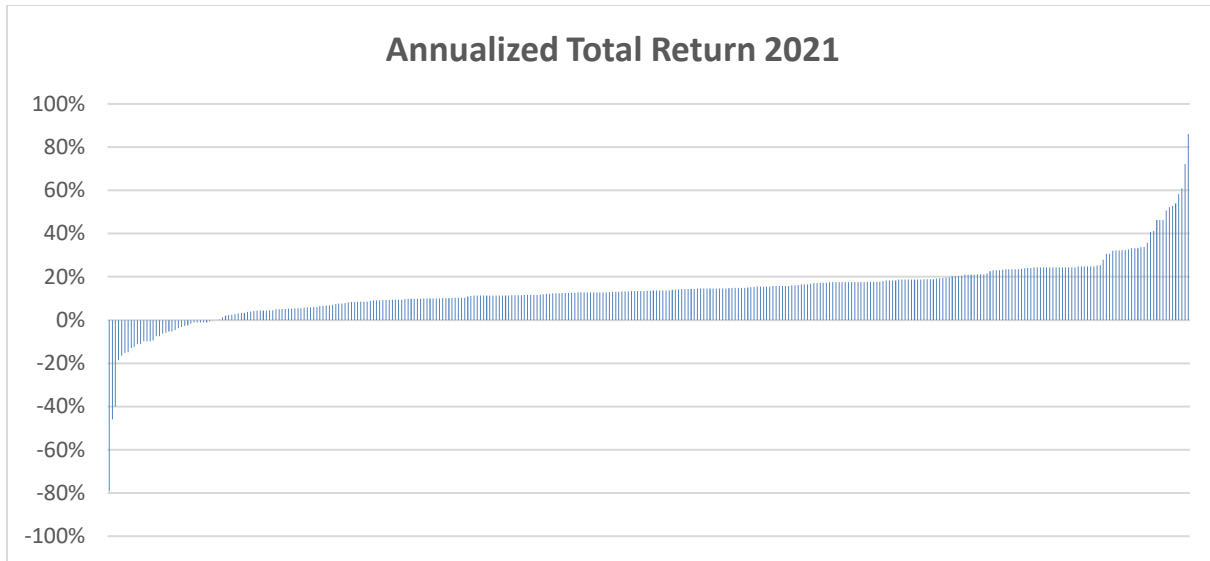
Monthly Total Returns – 2014 - 2021



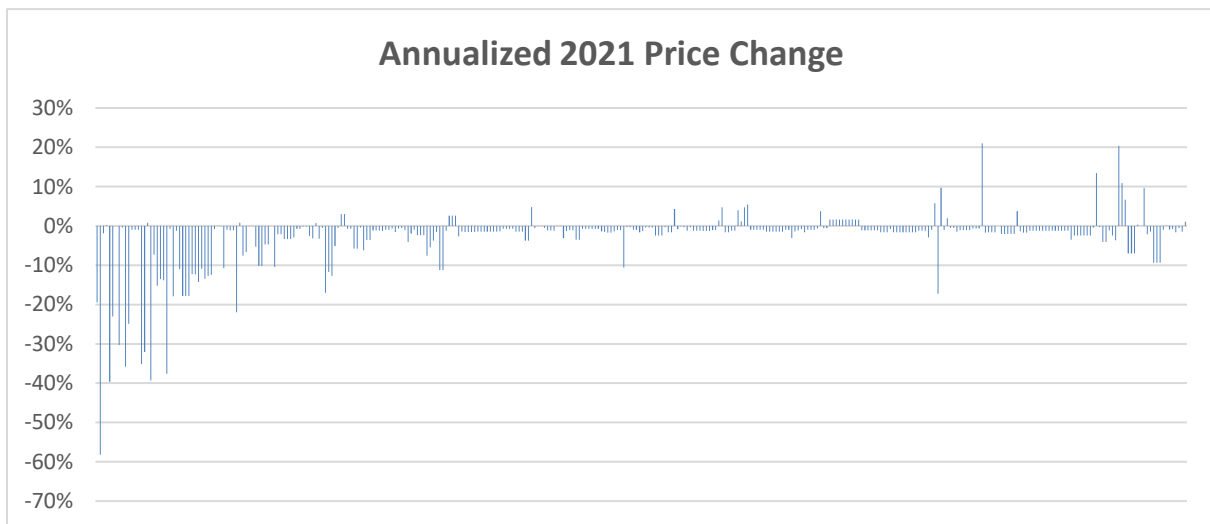
Our returns are driven primarily by MBS High Income, that dominates price change monthly and especially over longer holding periods.

The following charts show the Income Return, Total Return and Price change of our individual MBS positions (a few outliers with short holding periods that resulted in exaggerated returns due to annualization are removed).





The total returns are driven by the High Income, and not by the returns from Price Change (mostly negative over 2021).



We will reiterate that we are NOT a Fixed Income strategy, as the returns comparisons of different MBS 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 ~15+% High Income 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 our strategy to create portfolios with positive skewness in returns, a rare outcome in finance where returns tend to be normally distributed and dominated by price change with skewness close to zero. The high cashflow returned allows us to reinvest at high income levels and compound over long periods – a very old-school investing process.

With income greater than inflation, we believe that our strategy can also be viewed as a good inflation hedge in addition to being an absolute return strategy. Since we manage in SMAs, we can also customize portfolios to solve for specific concerns, such as negative duration or rising rates, while maintaining High Income.

Please stay safe, and wishing you good health in 2022.

Regards, Samir Shah

January 4, 2022

Samir Shah
President and CIO
MBS Mantra, LLC (a CT Registered Investment Advisor)
"Alpha Through Analysis"®

203-388-8356 P

203-273-0360 C

sshah@mbsmantrallc.com

<https://www.linkedin.com/in/samir-shah-6a9096a>

Please visit our website <https://www.mbsmantrallc.com> for important disclosures.

Important Notice - Disclaimer

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.