



April 2022 – MBS Mantra MBS High Income/Absolute Return Strategy returns

	% Net Return	% Gross Return	2022 YTD Net %	2021 YTD Net %	Trailing 1 year Net %
<a href="#">Aggregated SMAs</a>	-0.72%	-0.65%	+0.4%	+10.0%	+6.9%
<a href="#">Founder's Portfolio</a>	-1.13%	-1.05%	+0.0%	+10.1%	+6.6%

Apr 2022 Income: +1.59%; Annualized: +21% (Aggregated SMAs @ recent marks)

Apr 2022 Cashflow: +2.6% (~31% annualized rate)

Apr 2022 Loss rate: -0.5%

Hello

We had a mixed month, with some pretty severe mark downs on our fixed rate MBS and some of our derivatives. However, the portfolio cashflows and income were higher than last month, offsetting a significant proportion of the negative returns from marks. In essence, the High Income Strategy is working as expected to protect capital, with a relatively minor TRR decline in a very adverse volatile environment.

With a -0.7% net return for the month, +0.4% YTD, we continue to outperform all our benchmarks. Fixed income investments continued their decline in April in response to rising rates - Agg: -3.8%; MBS: -3.4%; HY: --3.56%; S&P: -8.78%. For the year, we are also outperforming all of these benchmarks (YTD: Agg: -9.4%, MBS: -8.2%, HY -8.2%, S&P -13%).

Our duration was still slightly long, and we sold some fixed rate bonds during the month to reduce duration, and have some cash on hand to take advantage of any severe selloffs.

Liquidity has been low post-Powell, and US Rates continued their selloff, with the 10 year breaching 3%, as the Fed raised rates and detailed their QT plans.

Our boilerplate: MBS is a Variable Income asset class and product, and not Fixed Income, as it is widely viewed and categorized. Unlike traditional managers that understand MBS as Fixed Income and do not differentiate between Low-Income and High-Income MBS, we systematically identify and harvest High-Income MBS to generate total returns that have low correlations with Fixed Income as well as with other assets. High Income MBS can be an Absolute Return component of a portfolio, or a diversifier.

Regards, Samir Shah

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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](mailto:sshah@mbsmantrallc.com)

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

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