



January 2024 – MBSM High Income Strategy Returns and newsletter

	% Net Return	2024 YTD Net %	Trailing 1 year Net %	2023 YTD Net %	2022 YTD Net %
<u>MBSM Aggregated SMAs</u>	+0.35%	+0.35%	+11.1%	+11.5%	-3.8%
BB Barc Agg	-0.15%	-0.15%	+2.1%	+5.6%	-13.0%
BB Barc MBS	-0.38%	-0.38%	+1.4%	+5.1%	-11.7%
BB Barc HY	0.00%	0.00%	+9.3%	+13.5%	-11.2%
S&P 500	+1.59%	+1.59%	+20.6%	+26.2%	-18.2%

MBSM High Income Strategy:

Jan 2024 MBS Income: +1.48% (~19% annualized) (Aggregated SMAs @ month end marks)

Jan 2024 Loss Rate: 0.01%

Jan 2024 MBS Cashflow: +1.6%. ~19% annualized (implying a short weighted average life/duration)

Hello

After a strong year in 2023, we’ve also started this year outperforming fixed income benchmarks, with positive average returns in spite of higher rates and lower marks.

As usual, this outperformance is a result of the High Income of our portfolios, which offset the negative return from price change. Income was about 1.5% for Jan, 19% annualized.

As the year progresses, I’d expect faster prepays and higher income starting in March, through summer, as the home sales season starts.

With the Fed apparently done raising rates, we are starting to reinvest in the Fixed Rate MBS and derivatives that we sold in recent years to adjust our portfolio risk posture when Powell started raising rates.

Regards, Samir.

Feb 7, 2024

Samir Shah

President and CIO

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