



**February 2024 – MBSM High Income Strategy Returns and newsletter**

	<b>% Net Return</b>	<b>2024 YTD Net %</b>	<b>Trailing 1 year Net %</b>	<b>2023 YTD Net %</b>	<b>2022 YTD Net %</b>
<a href="#"><u>MBSM Aggregated SMAs</u></a>	<b>+1.24%</b>	<b>+1.6%</b>	<b>+11.5%</b>	<b>+11.5%</b>	<b>-3.8%</b>
BB Barc Agg	-1.48%	-1.6%	+3.3%	+5.6%	-13.0%
BB Barc MBS	-1.56%	-1.9%	+2.5%	+5.1%	-11.7%
BB Barc HY	+0.29%	+0.3%	+11.0%	+13.5%	-11.2%
S&P 500	+5.22%	+6.9%	+30.2%	+26.2%	-18.2%

**MBSM High Income Strategy:**

**Feb 2024 MBS Income: +1.28% (~16.5% annualized)** (Aggregated SMAs @ month end marks)

**Feb 2024 Loss Rate: 0.5%**

**Feb 2024 MBS Cashflow: +1.5%. ~18.4% annualized** (implying a short weighted average life/duration)

Hello

**After a strong year in 2023, we’ve had a second strong month, with positive returns compared to Fixed Income’s negative returns, outperforming fixed income benchmarks, in spite of higher rates.**

**YTD, we’re ahead of the MBS ETF by 3.5%!**

**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 1.3% for Feb, ~16% annualized.**

**We had a mixture of marks, with most fixed rate bonds down, but with some of our floaters appreciating, resulting on average to a negligible change in price returns from marks. The positive returns were a result of the High Income of the portfolio, which differentiates our portfolios from other Fixed Income products, most of which I'd consider to be "low income" and thus exposed to price volatility for their returns.**

**As the year progresses, I'd expect faster prepays and higher income in our portfolios starting in March or April, through summer, as the home sales season starts. This should result in higher Income given the deep discount and convexity of our portfolios.**

**I had 2 clients ask me about Japan this week - I'll try and do some macro updating in the near future.**

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 construct portfolios that generate total returns with low correlations to Fixed Income as well as with other assets. High Income MBS can be an Absolute Return component of a portfolio, or a diversifier. High Income also protects capital by lowering Breakeven Prices rapidly. This is explained in detail in our white paper, [The MBS Income Factor](#).

Regards, Samir.

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