



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

	% Net Return	2024 YTD Net %	Trailing 1 year Net %	3-year Net	5-year Net	2023 YTD Net %	2022 YTD Net %
<b><u>MBSM Aggregated SMAs</u></b>	+1.60%	+3.2%	+12.9%	+19.3%	+27.7%	+11.5%	-3.8%
BB Barc Agg	+0.90%	-0.7%	+1.6%	-7.3%	1.5%	+5.6%	-13.0%
BB Barc MBS	+1.04%	-0.9%	+1.6%	-7.9%	-1.3%	+5.1%	-11.7%
BB Barc HY	+1.18%	+1.5%	+11.2%	+6.7%	+22.9%	+13.5%	-11.2%

**MBSM High Income Strategy:**

**Mar 2024 MBS Income: +1.3% (~17.6% annualized)** (Aggregated SMAs @ month end marks)

**Mar 2024 Loss Rate: 0.07%**

**Mar 2024 MBS Cashflow: +1.3%. ~16.1% annualized** (implying a short weighted average life/duration)

**Hello. Happy Total Eclipse Day.**

**After a strong year in 2023, we've just had our best month in 2024, and our 6<sup>th</sup> positive month in a row. While Fixed Income in general rallied, we eclipsed the benchmarks, including HY, by between 40bps and 70bps.**

**YTD, we are ahead of the MBS ETF by 4.1%!**

**As usual, this outperformance is a result of the High Income of 1.3% (~17% annualized), which added to the mixed price returns of our portfolio. Income was very slightly higher than in Feb. The breakeven prices of the bonds in our portfolio continue declining thanks to the Income, providing capital protection.**

**We had a mixture of marks, with no consistency or trend among the bonds, resulting in a small positive change in price returns from marks. The positive Total 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 still consider to be "low income" even with the recent hike in yields, and thus exposed to price volatility for their returns.**

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

Japanese-driven global delevering risk appears to be off the table for now. BoA is talking about Yen going to 160 if Powell does not cut. Measured rate cuts by the Fed are unlikely to lead to a deleveraging and another Great Crisis, as the interest rate differential is still high.

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.

April 8, 2024

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