

Monday, October 24, 2022

We have performed an analysis of the effect where the existing allocation to the Metrics Master Income Trust (MXT) is augmented by an allocation to the FHIM Opportunity Strategy (FHIM) from January 2018 to the end of September 2022.

Comparison

We have examined the overall portfolio performance, pre and post the inclusion of FHIM. We are using daily Unit pricing as our base valuation data. For MXT, we are not including Fees or spreads and have assumed that all distributions are retained (not re-invested). For FHIM, this strategy is net of fees and all distributions are retained and not reinvested.

Historical monthly correlation of FHIM to MXT: **-0.0456 (-4.56%)** R Squared: **0.002 (0.2%)**

On a hypothetical allocation of 50% (MXT) and 50% (FHIM) there is an improvement to the risk adjusted returns. Sharpe and Sortino improves by 0.65 (229%) and 0.96 (248%) respectively. The max draw down decreased by 8.51% (an improvement of 56%) while improving returns 58%. This can be explained by the FHIM strategy where investments are made into strong stable income streams that are uncorrelated to equity or credit markets.

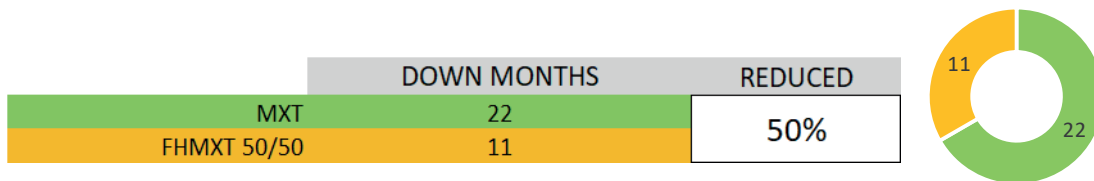
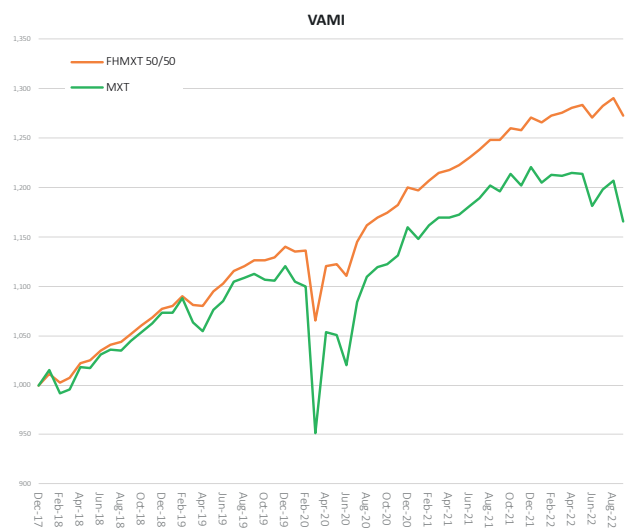
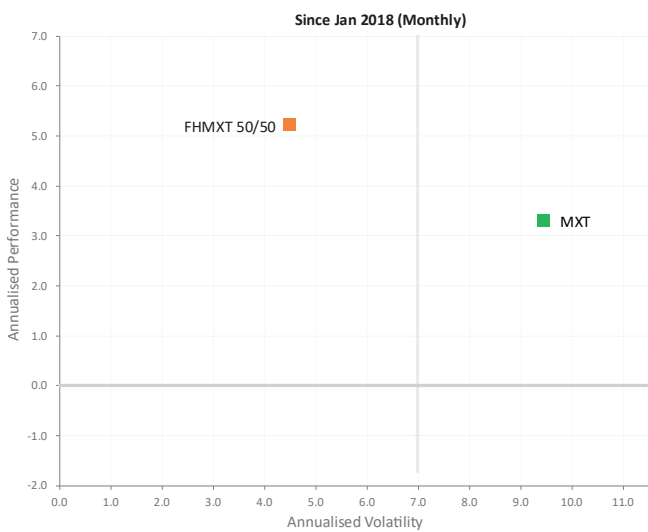
The FHIM returns are asset backed and fixed at 8% as an example which supports a defensive approach to managing a basket of Fixed Income holdings.

The improved risk adjusted returns are reflected in the smoothing of the overall returns (refer Table of results)

	MXT 100% allocation	MXT with 50% FHIM allocation	Change
CAGR	3.28%	5.21%	+1.93%
Sharpe Ratio	0.28	0.93	+0.65
Sortino Ratio	0.39	1.34	+0.96
Max Drawdown (EOM)	-15.00%	-6.49%	+8.51%
2018	7.35%	7.67%	+0.31%
2019	4.31%	5.87%	+1.56%
2020	3.54%	5.25%	+1.71%
2021	5.25%	5.87%	+0.62%
2022 End September	-4.47%	0.21%	+4.68%

The noticeable examples of FHIM’s positive impact with an allocation of 50% MXT and 50% FHIM is:

1. 1.93% increase in CAGR - Improved 58%
2. 8.51% reduction in Max Drawdown - Improved 56%
3. 0.65 increase in the Sharpe Ratio - Improved 229%
4. 0.96 increase in the Sortino Ratio - Improved 248%



The analysis supports the conclusion that downside volatility is reduced whilst increasing the return in this scenario.

In maintaining a consistent fixed income revenue, improvements in the overall risk adjusted return were seen.

Regards



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Data sourced from: [Investing.com](https://www.investing.com)