



Mutual Limited

Security with Performance

November 2019 Update

MIF – Mutual Enhanced Cash

All figures as at 29 November 2019

Fund Performance

	3 months %	6 months %	12 months %	3 years % p.a.	5 years % p.a.	Since Inception % p.a.
MIF (pre-fees)	0.68	1.55	3.49	3.32	3.39	3.59
MIF (post-fees)	0.58	1.35	3.10	2.93	2.97	3.14
Bloomberg AusBond Bank Bill Index	0.25	0.58	1.58	1.75	1.95	2.17
Relative Performance (Net)	0.33	0.77	1.52	1.18	1.02	0.97

Investment Objective and Investment Strategy

To actively manage a portfolio of debt instruments offered by Australian ADIs, with a minimum of 60% invested in the major Banks. Mutual manage the Fund to provide investors a high level of capital preservation and outperform the Bloomberg AusBond Bank Bill Index, generating net returns to investors in excess of cash alternatives.

Performance

For credit markets in November the focus was on Westpac. On the 20th AUSTRAC filed in the Federal Court a statement of claim against them outlining over 23 million breaches of the AML/CTF Act. Included in the breaches was Westpac failing to carry out appropriate customer due diligence on transactions to the Philippines and South East Asia that have known financial indicators relating to potential child exploitation risks. By the end of the month the Westpac CEO had lost his job and forgone all short and long term incentives, and the Westpac Chair had brought forward retirement plans. Prior to this news, among the best performing securities in the portfolio for the month were Westpac 2023 call Tier 2 lines. Once the news hit, Westpac credit spreads widened, led by US AT1 and Tier 2 lines that were out as much as 15bps. In AUD, a week after the news Westpac is trading 3-5bps wider in Tier 2, and 1-3bps wider in senior. Across other ADI names it was a positive month, the highlight being Regional Bank Tier 2 that outperformed.

Outlook

Leading into November we expected one more AUD Tier 2 transaction from NAB, but were surprised they went with an inaugural issue in the 12NC7 year format. Investors were not put off by the extra tenor, with the initial price guidance of 3m BBSW +210bps compressing to a final price of 3m BBSW +202bps. On the break the trading margin quickly settled under +200, however follow-up bids disappeared at the +195 level. At the end of the month Tier 2 looks to have found a level for now, with the 2024 calls (excluding Westpac) trading around +170 and the NAB 12NC7 year around +198. With the year coming to an end, we expect the market to go on holidays and trade quietly until well into January. Of course, there are some risks to this. Trump's twitter account is one, likely on the negative side. On the positive, the RBA told us in late November that 0.25% is the effective lower bound for policy rates in Australia. The led economists to shift their interest rate call to two further rate cuts in 2020. We expect this to keep driving the investor 'hunt' for yield, which will be supportive for the assets held in the portfolio.

Liquidity

Up to 5 days

Authorised Investments

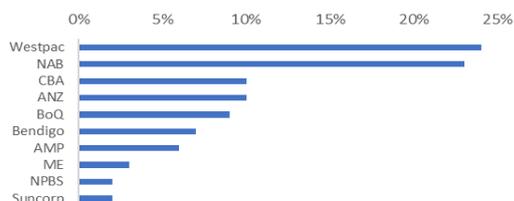
Debt Instruments with Australian ADIs
Minimum 60% exposure to Big 4 Banks

Yield

Running Yield 2.59%
YTM 2.40%

Current Portfolio Diversification

Senior ADI Risk	43%
Subordinated ADI Risk	57%
Interest Duration	0.09 years
Credit Duration	2.41 years
Investment Grade	100%



Portfolio Manager

Mutual Limited

Inception

2 April 2013

Fund Size

\$1,037.5 million

Month End Price

\$1.036065

Benchmark

Bloomberg AusBond Bank Bill Index

Distribution Frequency

Quarterly

Minimum Investment

\$1 through IDPS
\$20,000 for Retail &
Wholesale Investors

Minimum Investment Term

Longer than 5 days
(suggested)

Management Fees

0.38% p.a. (exclusive of GST)

Buy / Sell Spread

Nil / Nil

APIR Code

PRM0015AU (Class A)
PRM0017AU (Class C)

ISIN

AU60PRM00152 (Class A)
AU60PRM00178 (Class C)

Ratings

Zenith

Platforms

Asgard
BT Panorama
BT Wrap
Firstchoice
Firstwrap
Hub 24
Powerwrap
Netwealth
Praemium

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