



Mutual Limited

# Security with Performance

## January 2020 Update

### MIF – Mutual Enhanced Cash

All figures as at 31 January 2020

#### Fund Performance

	3 months %	6 months %	12 months %	3 years % p.a.	5 years % p.a.	Since Inception % p.a.
<b>MIF (pre-fees)</b>	0.74	1.30	3.73	3.29	3.34	3.57
<b>MIF (post-fees)</b>	0.64	1.10	3.34	2.90	2.92	3.12
<b>Bloomberg AusBond Bank Bill Index</b>	0.24	0.49	1.40	1.70	1.88	2.46
<b>Relative Performance (Net)</b>	0.40	0.61	1.94	1.20	1.04	0.66

#### 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

Credit markets performed well in January, with the investor 'hunt for yield' continuing despite several global events such as coronavirus out of China and geopolitical tensions between the US and Iran adding to risk. Australian major Bank Tier 2 issues were the best performing assets in the portfolio, with the NAB 11/31-26 T2 the leading security. The major Banks were active in January, with ANZ opening the year with a three tranche AUD senior issue launched in the first week of January. NAB followed with a fixed and floating 5-year issue in mid-January, priced at +77bps, 1bps wider than the ANZ issue. Both senior trades were well supported, and have traded well finishing January in the low +70bps region. An interesting move by ANZ and Westpac was to take advantage of the pricing benefit on offer in the US, with both going to that market for new T2 funds. ANZ issued a 10.5NC5.5 year trade at T+133, and Westpac issued a 10NC5 year trade at T+135. Across both trades, almost A\$4bn of T2 issuance was fulfilled, further adding to the comfort that the TLAC requirements will be met.

#### Outlook

An assumption around the T2 issuance required for TLAC was the Banks would look to the depth of the US market for longer tenor issuance. This was the case in 2019 where 20-year bullet and 15NC10 year trades were completed. With both ANZ and Westpac issuing 10NC5 year trades in the US in January, it has forced investors to re-think. While the economics remain in favour of offshore issuance, you can expect the majors to focus their attention there. This may take away supply from domestic markets. It is still only January, so way too early to make grand predictions around whether each of the majors tap investors for AUD T2 in 2020. NAB have called their March 2020 security, and will return A\$1.1bn to investors. CBA report results in February, providing the perfect platform to launch a new deal. With investors looking for return, and available inventory of existing T2 low, any new transaction will be very well supported. It is a similar case in major Bank and regional/mutual Bank senior. Supply is seen as limited while credit growth is subdued, and while cash continues to build in portfolios there will be keen bidding into any new deals that come to market.

#### Liquidity

Up to 5 days

#### Authorised Investments

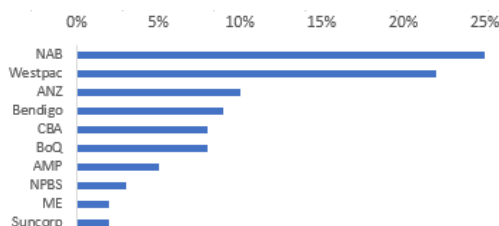
Debt Instruments with Australian ADIs  
Minimum 60% exposure to Big 4 Banks

#### Yield

Running Yield 2.59%  
YTM 2.40%

#### Current Portfolio Diversification

<b>Senior ADI Risk</b>	<b>49%</b>
<b>Subordinated ADI Risk</b>	<b>51%</b>
<b>Interest Duration</b>	<b>0.12 years</b>
<b>Credit Duration</b>	<b>2.30 years</b>
<b>Investment Grade</b>	<b>100%</b>



#### Portfolio Manager

Mutual Limited

#### Inception

2 April 2013

#### Fund Size

\$1,118.8 million

#### Month End Price

\$1.036209

#### 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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If you would like more information on MIF please visit  
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