



Mutual Limited

Security with Performance

Investment Update - August 2020

MIF - Mutual Enhanced Cash

All figures as at 31 August 2020

Fund Performance

	3 months %	6 months %	12 months %	3 years % p.a.	5 years % p.a.	Since Inception % p.a.
MIF (pre-fees)	1.71	0.80	2.02	2.75	3.17	3.38
MIF (post-fees)	1.61	0.61	1.63	2.36	2.78	2.94
Bloomberg AusBond Bank Bill Index	0.03	0.26	0.66	1.44	1.66	1.98
Relative Performance (Net)	1.58	0.35	0.97	0.92	1.12	0.96

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 to outperform the Bloomberg AusBond Bank Bill Index, generating net returns to investors in excess of cash alternatives.

Performance

August was a month of two halves. The strong performance of credit in the prior two months looked to run out of steam towards the end of July. This quickly reversed in early August, in particular in Tier 2 paper, with stellar gains across the longer AUD lines. MIF delivered 0.42% for August, 88% of the return generated in the first 10 trading days of the month. New supply was the theme for the back half of the month, with 3 new insurance Tier 2 trades, ANZ pricing a A\$1.25bn 10.5NC5.5 year Tier 2 and CBA announcing at the end of August a new 10NC5 year Tier 2 transaction, the first time they have been in public AUD markets for Tier 2 paper since 2016. Senior paper lagged Tier 2 in August with buyers disappearing as spreads for major bank senior 2025 paper tried to break into the high 30bps region. This head wind for senior and solid supply in Tier 2 paper saw spreads widen off the low points set early in the month, and stalled gains in the portfolio during the second half of August.

Outlook

Globally the COVID-19 pandemic lingers as a weight on risk markets, however the 'whatever it takes' mantra from governments and central banks continues to do the heavy lifting. This is despite growing infections in the US, albeit the rate of growth is slowing, second and third waves evident in Europe and India emerging as the latest hotspot. Australia has experienced its own problems with a second wave taking hold in Victoria, and consequently the state put into lockdown, which has added considerable uncertainty to the recovery of Australia's second largest economy. Against this backdrop risk markets are performing. US equities touched new highs in August, up between $\uparrow 7.0\%$ - $\uparrow 9.6\%$. The ASX200 finished the month $\uparrow 2.2\%$, despite aggregate earnings from the latest round of profit results being $\downarrow 6.2\%$. In AUD credit, the overriding theme remains strong bank deposit growth and moderating credit growth. With all of the majors committing to fully drawing their share of the RBA's Term Funding Facility, we don't expect meaningful senior issuance for 12 - 18 months. The major banks requirement to issue Tier 2 remains, and we have seen two strongly supported benchmark AUD transactions in the month. Once these trades are absorbed, we expect Tier 2 lines to restart the strong performance we have seen over the past 2 ½ months.

Liquidity

Up to 5 days

Authorised Investments

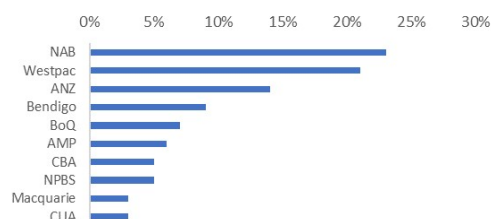
Debt Instruments with Australian ADIs
Minimum 60% exposure to Big 4 Banks

Yield

Running Yield 1.70%
YTM 1.33%

Current Portfolio Diversification

Senior ADI Risk	44%
Subordinated ADI Risk	56%
Interest Duration	0.13
Credit Duration	2.24 years
Investment Grade	100%



Portfolio Manager

Mutual Limited

Inception

2 April 2013

Fund Size

\$665.9 million

Month End Price

\$1.034112

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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