



Mutual Limited

Security with Performance

Investment Update - August 2021

MCF - Mutual Credit Fund

All figures as at 31 August 2021

Fund Performance

	3 month %	6 months %	1 year %	Inception % p.a.
MCF (pre-fees)	0.84	1.94	4.29	3.76
MCF (post-fees)	0.71	1.69	3.79	3.27
BBerg AusBond Bank Bill Index	0.01	0.02	0.04	0.25
Relative Performance (Net)	0.70	1.67	3.75	3.02

Investment Objective and Investment Strategy

Mutual's objective is to source and actively manage a portfolio of fixed interest credit assets across, ADIs, corporates and structured finance. Targeted portfolio construction is to hold assets with a shorter credit duration to ameliorate periods when risk assets sell-off. Mutual manages interest rate risk by predominately investing in assets that reset their reference rate every 30 or 90 days.

Performance

Credit markets range traded with a modest tightening bias in August, delivering MCF a net return of 0.19% for the month. The lockdown of NSW and Victoria persisted through August, and despite the combined economic activity of both States representing almost 60% of Australia's GDP, there was minimal impact on investor sentiment with risk assets up across the board. The ASX 200 reached record highs through the month, with a dip on concerns globally around COVID mid month seen as a buying opportunity for investors. The RBA maintained a positive outlook for the economy in their August meeting minutes, forecasting growth of a little over 4 % in 2022 and 2 ½ % in 2023. They highlighted the short term outlook is uncertain and will depend upon the health situation, but added 'the experience to date has been that once virus outbreaks are contained, the economy bounces back quickly'.

Outlook

Credit spreads continued to tighten in August with average A\$ financial spreads tightening 3 bps, outperforming non-financials which were flat on the month. Structured credit was again busy over the month, with total issuance just under the post-GFC record set in July. Investor demand for RMBS/ABS assets is keeping up with the increase in issuance, a theme most noticeable in the lower tranches of new issues. Recent deals have seen coverage of over 9 times the volume offered in the BBB and BB rated lines. While issuance is not expected to slow, it is also unlikely we will see demand fall away given the chase for yield is seeing new investors look to this asset class. Issuers are benefitting from the increased demand, typically being able to tighten spreads across the deal from initial guidance. Spread tightening while current issuance volumes remain is something we are monitoring closely. The chase for yield theme is also being seen in insurance subordinated debt, but without the new issuance to help absorb the demand. With insurance names reporting strong financial results in the latest period, while pricing of their sub debt remains well above the major bank curve it is as attractive asset to hold. Pricing of insurance sub gapped tighter in August, and has further room to move tighter again with new issuance the only near term risk to the outlook. Fund returns for the remainder of the year are expected to be supported by holdings in structured credit and insurance sub.

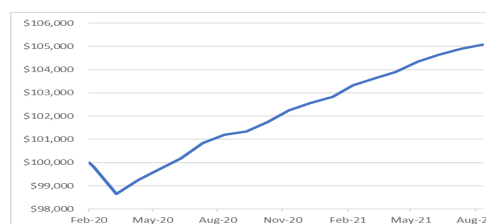
Liquidity

Up to 5 days

Fund Statistics

Running Yield:	2.51 %
Yield to Maturity:	1.59 %
Credit Duration (years):	2.30
Interest Duration (years):	0.09

Value of \$100,000 invested since inception *



* \$100,000 investment at inception has grown to \$105,085 net of fees and assuming income reinvestment.

Portfolio Manager
Mutual Limited

Inception
21 February 2020

Fund Size
\$650.2 million

Month End Price
\$1.025739

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
0.48% p.a. (exclusive of GST)

Buy / Sell Spread
Nil / Nil

APIR Code
PRM8256AU

ISIN
AU60PRM82564

Ratings
SQM Research

Platforms
Colonial First State
HUB24

Mutual Limited

ABN 42 010 338 324

AFSL No. 230347

Level 17, 447 Collins Street

Melbourne VIC 3000

P: +61 3 8681 1900

F: +61 3 9670 6446

E: mutual@mutualld.com.au

W: www.mutualld.com.au

If you would like more information on MCF please visit www.mutualld.com.au or contact Mutual on + 61 3 8681 1900

This Quarterly Update is intended to provide general advice and information only and has been prepared by Mutual Limited ("Mutual") ABN 42 010 338 324, AFS license number 230347 without taking into account any particular person's objectives, financial situation or needs. Investors should, before acting on this general advice and information, consider the appropriateness of this general advice and information having regard to their personal objectives, financial situation and needs. Investors may wish to consider the appropriateness of the general advice and information themselves or seek the help of an adviser. Mutual makes no guarantee, warranty or representation as to the accuracy or completeness of the general advice and information contained in this flyer, and you should not rely on it. The financial products referred to in this flyer are interests in the registered managed investment scheme known as MCF, ARSN 635 925 996 ("product"). Mutual is the Responsible Entity and issuer of the product. Investments can go up and down in value. Past performance is not a reliable indicator of future performance.