



Mutual Limited

Security with Performance

Investment Update - August 2021

MHYF - Mutual High Yield Fund

All figures as at 31 August 2021

Fund Performance

	3 month %	6 months %	1 year %	2 year % p.a.	Inception % p.a.
MHYF (pre-fees)	2.07	4.30	10.10	6.10	6.62
MHYF (post-fees)	1.81	3.77	9.08	5.07	5.59
BBerg AusBond Bank Bill Index	0.01	0.02	0.04	0.35	0.66
Relative Performance (Net)	1.80	3.75	9.04	4.72	4.93

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 MHYF a net return of 0.72% 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. Total securitisation issuance year to date is almost 25% higher than at the same time in 2019, and almost double for the same period in 2020. 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. We are seeing secondary spreads tighten on the back of the new pricing set by the latest issuance and liquidity is also very good, indicating new money is being put to work into the new issues rather than switching out of existing assets. This backdrop is positive for the assets in the fund and will underpin returns in the period ahead.

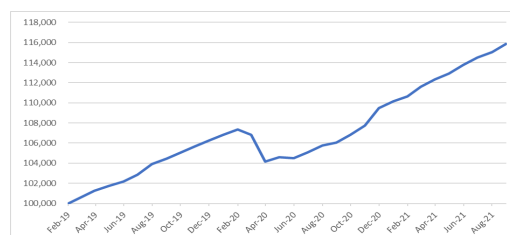
Liquidity

Minimum 21 days

Fund Statistics

Running Yield: 5.94 %
Yield to Maturity: 4.13 %
Credit Duration (years): 1.83
Interest Rate Duration (days): 11

Value of \$100,000 invested since inception *



* \$100,000 investment at inception has grown to \$115,862 net of fees and assuming income reinvestment.

Portfolio Manager
Mutual Limited

Inception
1 February 2019

Month End Price
\$1.059731

Benchmark
Bloomberg AusBond Bank Bill Index

Distribution Frequency
Quarterly

Minimum Investment
\$20,000

Minimum Investment Term
6 months (suggested)

Management Fees
1.00% p.a. (exclusive of GST)

Buy / Sell Spread
Nil / 0.25%

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Platforms:
Powerwrap

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