



Mutual Limited

Security with Performance

Investment Update - August 2021

MIF - Mutual Income Fund

All figures as at 31 August 2021

Fund Performance

	3 months %	6 months %	12 months %	3 years % p.a.	5 years % p.a.	Inception % p.a.
MIF (pre-fees)	0.47	1.01	2.38	2.54	2.85	3.22
MIF (post-fees)	0.38	0.81	1.99	2.15	2.46	2.78
BBerg AusBond Bank Bill Index	0.01	0.02	0.04	0.84	1.22	1.74
Relative Performance (Net)	0.37	0.79	1.95	1.31	1.24	1.04

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

Credit markets range traded with a modest tightening bias in August, delivering MIF a net return of 0.07% 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'. Liquidity remains high, with the RBAs Exchange Settlement Account continuing to hold over \$350bn in balances. APRAs banking statistics for August delivered ongoing growth in both housing and business credit, with business lending starting to show signs of strong growth. How credit growth plays out over the rest of the year will be the most important determinant of how quickly the banks return to normal wholesale issuance patterns.

Outlook

NAB surprised credit markets in August with the first major bank senior deal in over 18 months, printing \$2.75bn of 5 year FRNs at +41 bps. The last 5 year deal from a major was also the NAB in January 2020, on the eve of COVID 19, at a margin of +77 bps. The banks were significant buyers of the new NAB senior, taking advantage of the volume available from primary to put excess liquidity to work. The print at +41 bps looked 3 -5 bps above the secondary curve, however it had no impact on secondary spreads. From the performance of the new NAB senior we expect the market would easily consume another bumper senior print around these levels. It was a similar story with Tier 2 following the CBA coming to the market immediately after their full year results with a 10NC5 year transaction. The issue size of A\$1.5bn, from a final book build of A\$1.9bn, was larger than we expected, however the market has absorbed with spreads across the curve back to or even inside levels pre the launch. With base rates remaining low the chase for yield is strong and will continue to support the assets held by the fund.

Liquidity

Up to 5 days

Authorised Investments

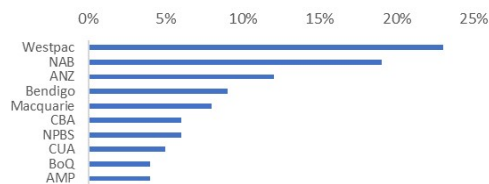
Debt Instruments with Australian ADIs
Minimum 60% exposure to Big 4 Banks

Yield

Running Yield 1.40%
YTM 0.74%

Current Portfolio Diversification

Senior ADI Risk	41%
Subordinated ADI Risk	59%
Interest Duration	0.14
Credit Duration	2.38
Investment Grade	100%



Portfolio Manager

Mutual Limited

Inception

23 April 2013

Fund Size

\$609.4 million

Month End Price

\$1.038933

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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