



Mutual Limited

Security with Performance

Investment Update - March 2022

MCTDF - Mutual Cash

All figures as at 31 March 2022

Fund Performance

| | 3 months % | 6 months % | 12 months % | 3 years % p.a. | 5 years % p.a. | Since Inception % p.a. |
|--|---------------|---------------|----------------|-------------------|-------------------|---------------------------|
| MCTDF (pre-fees) | 0.09 | 0.18 | 0.36 | 0.99 | 1.53 | 2.58 |
| MCTDF (post-fees) | 0.03 | 0.05 | 0.11 | 0.74 | 1.28 | 2.28 |
| Bloomberg AusBond Bank Bill Index | 0.01 | 0.02 | 0.04 | 0.46 | 1.11 | 1.99 |
| Relative Performance (Net) | 0.02 | 0.03 | 0.07 | 0.28 | 0.17 | 0.29 |

Investment Objective and Investment Strategy

Mutual's objective is to source and actively manage a portfolio of the best term deposits offered by the Big 4 major Australian banks with small cash and NCD holdings to provide Fund liquidity. The Fund capitalises on the competition between the Big 4 banks for deposits, targeting capital security for investors and net returns that outperforms the Bloomberg AusBond Bank Bill Index and cash alternatives.

Performance

The first quarter of calendar year 2022 was challenging for investors. Inflation continued to be a strong theme with rising interest rates no longer a question of when, but a question of how high. Added to this economic backdrop was the dramatic events in Ukraine, with Russia engaging in open and aggressive military operations across the border. A theory was Russia expected Ukraine to lay down weapons and agree to demands, but the reality more than a month into the conflict is Russia may have underestimated their enemy and the stance from the West in terms of both sanctions and supply of equipment to aid Ukraine's defence. While the conflict rages on it will impact risk appetite across markets. The aggressive rise in bond yields was not tempered by the risk off tone, driven by the first hike in rates by the Fed and their signaling of many more to follow in 2022. As at the end of March market pricing was for at least seven rate hikes in the US by year's end. The official stance in Australia from the RBA was more a wait and see approach, but this may have changed at the latest April RBA meeting. In the statement from Governor Lowe following the March RBA meeting they maintained the cash rate will not be increased until actual inflation is sustainably within the 2 to 3 per cent target range, and 'while inflation has picked up, it is too early to conclude that it is sustainably within the target range'. In the statement following the April meeting, the term 'patient' was dropped triggering economists to bring forward expectations for the first rate hike to June. Bond markets had already priced in a series of rate hikes. 3-year Government bonds rose from 1.09% at the start of the quarter to 2.34%, and 10-year Government bonds rose from 1.69% to 2.84%.

Outlook

The rising interest rate theme is also creeping into short term rates, with 3m BBSW rising sharply over the quarter, albeit from historically low levels. 3m BBSW ended March at 0.23%, up 15 bps for the month after remaining steady for January and February. Part of the rise is the bringing forward of expectations of the first interest rate increase, however this does not fully explain the move. If you consider the move higher in the RBA's overnight funding rate that occurred at the end of the quarter, there appears to be a squeeze on short term funding with demand rising quickly. We are seeing this in deposits rates offered by the banks. A 1-year Term Deposit bottomed at around 0.25% in the second half of 2021. Banks are now paying between 1.50 – 2.00% for the 1-year tenor. While we are not yet back at deposit spreads pre COVID, the normalisation of funding is now entrenched in deposit pricing. We are participating selectively in these better rates, but are not extending the maturity profile too far as we believe higher rates are still to come and this will drive additional returns going forward.

| | | |
|------------------|---|-----------------------|
| Liquidity | Authorised Investments | Yield |
| Up to 5 days | Cash, Term Deposits and NCD's Counterparties are Major Australian Banks only | 0.40 % |
| | Current Portfolio Diversification | |
| | No. of Deposit Counterparties | 3 |
| | No. of Deposits | 17 |
| | Duration | 82 days |
| | Security | % of Portfolio |
| | Big 4 Banks | 100% |

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

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|--------------------------------|--|
| Portfolio Manager | Mutual Limited |
| Inception | 7 September 2011 |
| Fund Size | \$223.6 million |
| Month End Price | \$1.026326 |
| 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 | 0.25% p.a. (inclusive of GST) |
| Buy / Sell Spread | Nil / Nil |
| APIR Code | PRM0010AU (Class A) PRM0013AU (Class B) PRM0014AU (Class C) |
| ISIN | AU60PRM00103 (Class A) AU60PRM00137 (Class B) AU60PRM00145 (Class C) |
| Ratings | Zenith Canstar 5 stars |
| Platforms | Asgard BT Panorama BT Wrap Firstchoice Firstwrap Hub 24 Macquarie Wrap Netwealth Powerwrap Praemium |

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