Mutual Credit Fund (MCF)

Fund Report | 28 February 2025

Mutual Limited

Performance

	3 Mth	6 Mth	1 Yr	3 Yr *	5 Yr *	Incep. *
Fund Net Return	1.82	3.81	7.90	5.96	4.52	4.46
AusBond Bank Bill Index	1.10	2.21	4.48	3.44	2.10	2.10
Relative Performance	**0.72**	**1.60**	**3.42**	**2.52**	**2.42**	**2.36**

*Returns greater than 1 year are per annum

Gross Running Yield

6.97%

Risk Profile

Low-Medium

Key Facts

Fund Objective
To source and actively manage a portfolio of fixed interest credit assets across APRA regulated institutions, corporate and structured assets. Targeted portfolio construction is to hold assets with a shorter credit duration to ameliorate periods when risk assets sell-off.

Benchmark Index
AusBond Bank Bill Index

Inception Date
February 2020

APIR/ISIN
PRM8256AU/AU60PRM82564

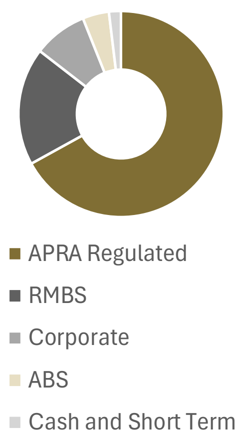
Distribution
Quarterly

Buy/Sell Spread
Nil / Nil

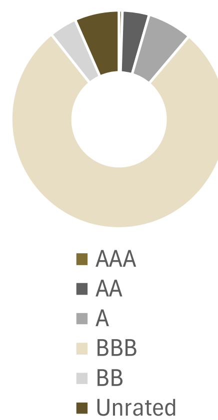
Minimum Investment
$20,000 ($1 via IDPS)

Ratings
Zenith Recommended
Lonsec Recommended

Portfolio Allocation



Rating Exposure



Monthly Commentary

MCF returned 0.62% (net) in February. The 6 month net return was 3.81% and the 12 month net return was 7.90% at the end of February. Over the past 12 months the fund has returned 3.42% above the Ausbond Bank Bill Index, versus a target of 2.20%.

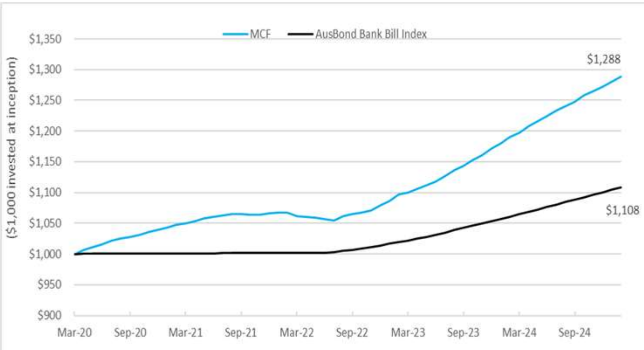
The RBA met market expectation in February and cut the cash rate by -0.25bps. It was widely considered a hawkish cut, with the RBA Governor urging caution around future rate cut expectations. With the first cut now out of the way, market economists and trading desks quickly turned their attention to when the next cut will come, and how many will there be in this cycle. On the latter question, consensus is for 3 cuts in 2025. Some voices are looking for back to back cuts, with the next meeting outcome to be announced on 1 April. This will be the first decision under the new rate setting board and also likely in the middle of the Federal election campaign, so we think highly improbable.

Primary activity again dominated our focus. ANZ issued a 3Y and 5Y senior line early in the month, with $2.4bn of the shorter line at +68 bps and $1.9bn of the 5Y at +81 bps, which was 5 bps inside guided levels and 3 bps inside the prior major bank senior line. Both lines priced inside long run averages, but not at historical lows. In the tier 2 space, WBC priced a vanilla 10NC5 ($1.25bn) at +152 bps vs +160 bps guidance – their third in 12-months. By month end the line was quoted around +143 bps.

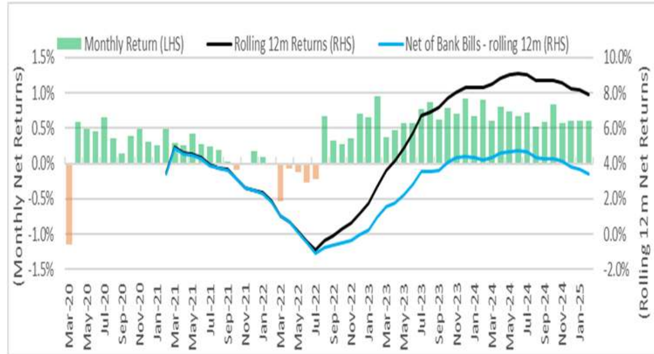
Structured credit markets are now well and truly up and running for 2025 with deal after deal being mandated. Pricing has tightened again since the levels seen at the end of 2024, with ORDE Financial pricing their second public non-conforming deal at +117bps for the senior AAA tranche versus Think Tank pricing at +125bps in November. It is a similar theme in the lower rated mezzanine notes, with pricing of BB and B notes -20bps tighter since the end of 2024. Demand is again the theme, with coverage ratios on these notes >5 times covered.

Credit spreads feel tight at current levels, however against an uncertain macro backdrop with geopolitical risks rising and the threat of a full scale trade war, demand remains at record levels and only growing. With this demand dynamic in place, we expect the fund to continue to perform.

Performance Comparison



Monthly Net Return



Portfolio Statistics

Running Yield	6.97%
Yield to Maturity	6.32%
APRA	68%
Structured	23%
Corporate	9%
Interest Duration	0.09 years
Credit Duration	2.37 years
Investment Grade	89%
Fund size	$745.15m

Why Mutual?

Trusted Expertise
Highly experienced Australian investment manager specialising in cash, credit, and fixed income investments.

Capital Stability with Regular Income
Our defensive investment approach prioritises capital preservation and steady returns.

Daily Liquidity and Low Fees
Benefit from the accessibility of daily liquidity across all our Funds, along with a cost-effective fee structure.

Platform Availability

Asgard, BT Panorama, Centric, CFS, Hub24, Netwealth, Powerwrap

Zenith RECOMMENDED

Recommended Lonsec Research

Signatory of: PRI Principles for Responsible Investment

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