Security with Performance

Investment Update - March 2024

MIF - Mutual Income Fund

Mutual Limited

All figures as at 28 March 2024

Fund Performance

	3 months %	6 months %	12 months %	3 years % p.a.	5 years % p.a.	Inception % p.a.
MIF (pre-fees)	1.70	3.55	7.04	3.30	2.94	3.17
MIF (post-fees)	1.60	3.35	6.65	2.91	2.55	2.74
BBerg AusBond Bank Bill Index	1.09	2.15	4.19	2.08	1.51	1.90
Relative Performance (Net)	0.51	1.20	2.46	0.83	1.04	0.84

Investment Objective and Investment Strategy

Mutual's objective is to source and 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.

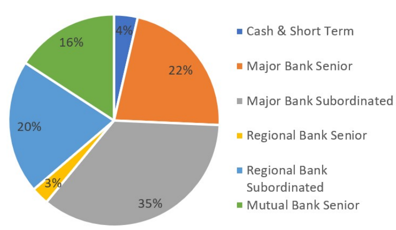
Portfolio

Liquidity	**Authorised Investments**	
Up to 5 days	Debt Instruments with Australian ADI	
	Minimum 60% exposure to Big 4 Banks	
	Yield	
	Running Yield	5.74%
	YTM	5.63%

Fund Statistics

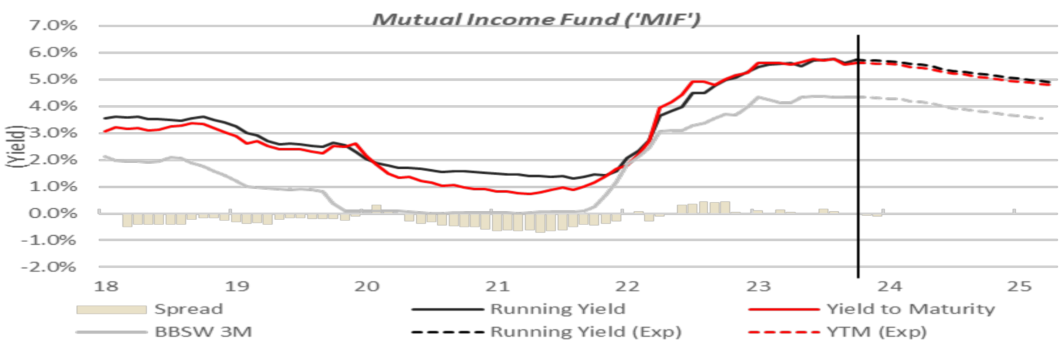
	Senior ADI Risk	44%
	Subordinated ADI Risk	56%
	Interest Duration	0.14
	Credit Duration	2.40
	Investment Grade	100%

Current Portfolio Diversification



Month in Review

Performance: MIF returned 0.41% (net) in March, a more subdued result following a period of strong returns. The 6 month net return lifted slightly to 3.35% and the 12 month net return was 6.65% at the end of March, comfortably above the fund target of the bank bill index plus 1.20% (net).



Overview: A solid month of gains across markets globally, with stocks, bonds and credit all advancing. Data was varied, with evidence the economy is losing momentum, consumer confidence continues to wane, but countering these weaknesses we have resilience in labour markets. On the inflation front, there is persistent evidence of price stickiness. Similar themes were observed across key offshore markets. Geopolitical risk persists, with the situations in Gaza and Ukraine far from improving. Add to this the US Presidential Election later in the year, and there remains fertile ground for some shocks.

Looking at key data prints, domestic GDP (Q4'2023) printed at +0.2% QoQ and +1.5% YoY, well down on Q3'2023, which printed at +2.1% YoY. Consensus expects further loss of momentum in coming quarters, with growth bottoming out at +1.0% YoY in Q2'2024 before recovering to +1.6% YoY by Q4'2024 and then +2.2% YoY by mid-2025. The other main print for the month was labour data, which staged a stronger than expected recovery from an anaemic January. Jobs grew +116.5k through February, almost three-times consensus expectations, which saw the unemployment rate drop to 3.7% from 4.1%, well under consensus estimates of 4.0%. Labour data has been choppy, but trend data has generally remained constructive.

Portfolio Manager
Mutual Limited

Inception
23 April 2013

Fund Size
$539.4 million

Month End Price
$1.045399

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
0.3905% p.a. (inclusive of GST)

Buy / Sell Spread
Nil / Nil

APIR Code
PRM0015AU

ISIN
AU60PRM00152

Ratings
Zenith
Lonsec

Platforms
AMP MyNorth
Asgard
BT Panorama
Colonial First State
Hub 24
Macquarie
Mason Stevens
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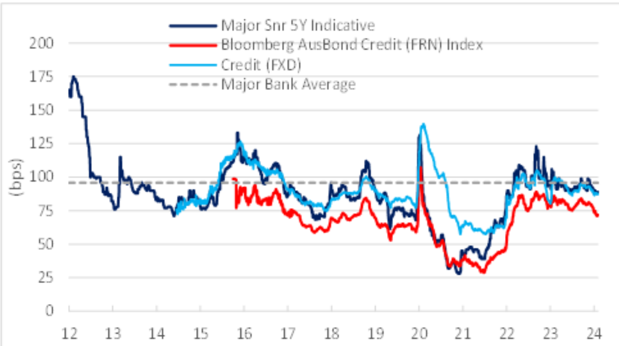
Outlook

March was another busy month for new issuance, the third month in a row where markets have absorbed relatively heavy volumes with minimal spread indigestion. As opposed to January and February, where financial issuance performed very well on the break, March was more orderly pricing close to issue immediately after in the secondary. Westpac priced a $1.25bn dual tranche fixed and floating 10NC5 year Tier 2 late in the month. Despite the order book topping $4.3bn, performance post pricing was subdued with the bid only 1bps inside reoffer at month end. Given total A$ Tier 2 supply for 2024 so far is over A$8bn, the largest quarter ever, a month of consolidation is no surprise.

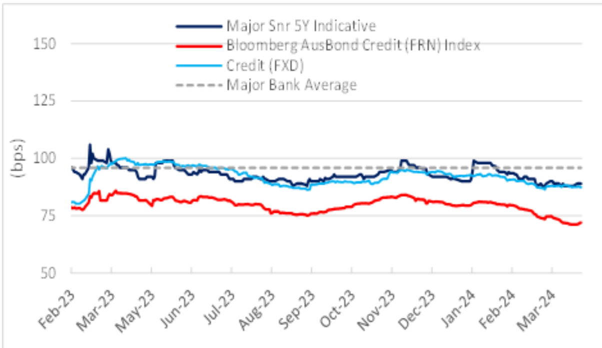
In the senior space there was just the one A$ benchmark transaction from NAB, pricing a $3.5bn dual tranche transaction at just the 5 year tenor and a spread of +90 bps. A couple of major banks were active in shorter tenors, appearing to respond to reverse enquiry printing new deals around 1 year. ING Bank Australia returned to markets with a 3 year deal, pricing at +95 bps which looked attractive versus the major bank curve. Overall senior spreads remain within longer term ranges, although now tracking towards the lower end, so if we see a period of quieter issuance we could be in for a break lower in credit spreads.

Credit Spreads – long run history



Source: Bloomberg, Mutual Limited

Credit Spreads – short run history



Source: Bloomberg, Mutual Limited

At time of writing, it is worth noting S&P upgraded Australia's Banking Industry Country Risk Assessment (BICRA) from 3 to 2 (10 to 1 scale). This resulted in an upgrade to S&P's baseline ratings and thus standalone credit profiles for all Australian banks. For the MIF portfolio, the largest impact was the one notch upgrade for major bank Tier 2 securities from BBB+ to A-. The upgrade drove a 10+ bps compression in Tier 2 spreads, with the market looking primed for more performance from here.

Given 3 of the 4 major banks have issued Tier 2 in the Australian market so far this year, we were not expecting another deal until well into the 2H and we are positioned accordingly. The rating changes from S&P add a further tailwind to the technical backdrop, and give us a high degree of confidence that barring no macro shocks we can look forward to a period of strong performance for the fund.

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