



# Security with Performance

## Investment Update - August 2024

### MIF - Mutual Income Fund

Mutual Limited

All figures as at 30 August 2024

#### Fund Performance

|                               | 3 months % | 6 months % | 12 months % | 3 years % p.a. | 5 years % p.a. | Inception % p.a. |
|-------------------------------|------------|------------|-------------|----------------|----------------|------------------|
| MIF (pre-fees)                | 1.66       | 3.41       | 6.99        | 3.99           | 3.19           | 3.26             |
| MIF (post-fees)               | 1.56       | 3.22       | 6.60        | 3.60           | 2.80           | 2.84             |
| BBerg AusBond Bank Bill Index | 1.11       | 2.22       | 4.39        | 2.69           | 1.75           | 1.99             |
| Relative Performance (Net)    | 0.45       | 1.00       | 2.21        | 0.91           | 1.05           | 0.85             |

#### 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.

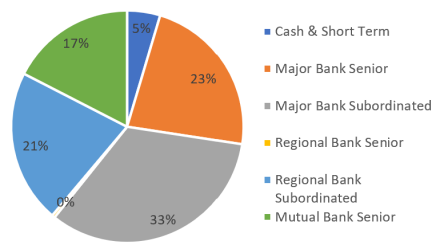
#### Portfolio

|                  |                                      |
|------------------|--------------------------------------|
| <b>Liquidity</b> | <b>Authorised Investments</b>        |
| Up to 5 days     | Debt Instruments with Australian ADI |
|                  | Minimum 60% exposure to Big 4 Banks  |
| <b>Yield</b>     |                                      |
| Running Yield    | 5.74%                                |
| YTM              | 5.49%                                |

#### Fund Statistics

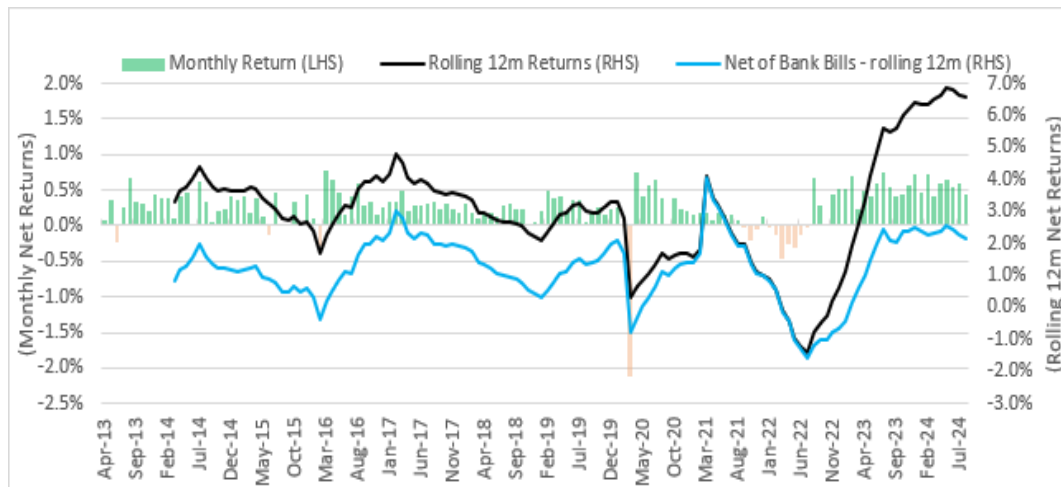
|                       |      |
|-----------------------|------|
| Senior ADI Risk       | 46%  |
| Subordinated ADI Risk | 54%  |
| Interest Duration     | 0.14 |
| Credit Duration       | 2.36 |
| Investment Grade      | 100% |

#### Current Portfolio Diversification



#### Month in Review

**Performance:** MIF returned 0.44% (net) in August. The 6 month net return was 3.22% and the 12 month net return was 6.60% at the end of August. Over the past 12 months the fund has returned 2.21% above the Ausbond Bank Bill Index, versus a target of +1.20%.



**Overview:** The RBA monetary policy decision from the August meeting was as expected, rates unchanged at 4.35% and despite market expectations, Governor Bullock signalled, no rate cuts this year. In the accompanying statement the board flagged continuing concerns as inflation remains elevated and persistent, commenting "quarterly underlying CPI inflation has fallen very little over the past year." The commentary also noted "the economic outlook is uncertain and recent data has demonstrated that the process of returning inflation to target has been slow and bumpy." In keeping with recent RBA statements, anything is on the table, with getting inflation under control their primary objective. Accordingly, rate hikes cannot be completely discounted, supported by the RBA stating "policy will need to be sufficiently restrictive until the Board is confident that inflation is moving sustainably toward the target range."

**Portfolio Manager**  
Mutual Limited

**Inception**  
23 April 2013

**Fund Size**  
\$491.0 million

**Month End Price**  
\$1.053813

**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**  
Lonsec  
Zenith

**Platforms**  
AMP MyNorth  
Asgard  
BT Panorama  
Centric  
Colonial First State  
Hub 24  
Macquarie  
Mason Stevens  
Netwealth  
Powerwrap  
Praemium

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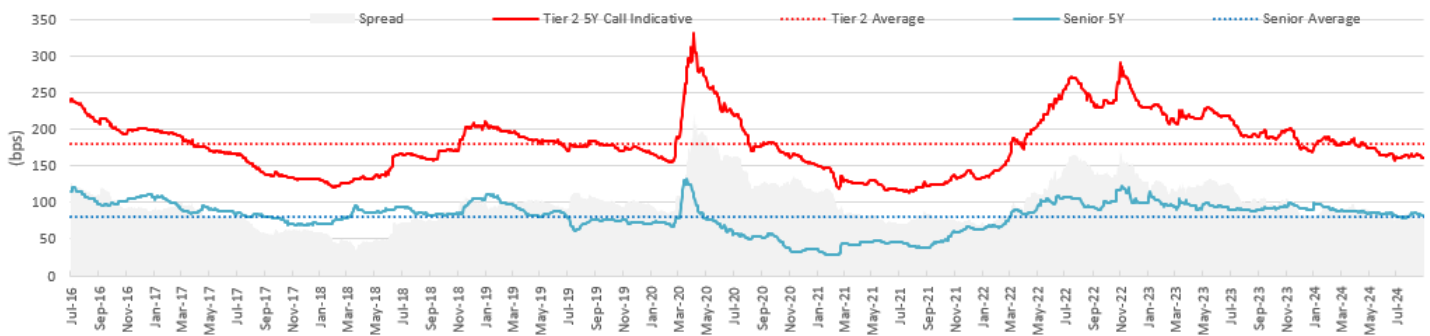
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#### Outlook

For senior credit spreads, the technical backdrop continues to be the dominant theme despite mid month volatility in risk assets. July and August combined had a total Senior/Covered redemption profile from the banks of \$18.5bn. According to data from Westpac, net supply fell in the same period by A\$4.5bn. Year to date, net supply is running at circa 60% of last year's run rate for Senior and Covered credit, hence supply is diminished. The latest reporting from CBA and the regional banks highlighted ongoing strong funding inflows from deposits. CBA lifted deposit funding to 77%, and in their latest results presentation chose to compare this to 2008 and 2019, where deposit funding was 55% and 69% respectively. There appears no end to the growth in deposit funding for the banks, suggesting the wholesale funding task is not a pressure point bank boards will need to be thinking about.

#### Credit Spreads – Senior and Subordinated



Source: Bloomberg, Mutual Limited

In Tier 2 it was a busy month with 3 new deals pricing, one from Macquarie and two more Kanga A\$ Tier 2 deals from BNP and Lloyds. The issuance did lead to some spread widening across the complex while the issuance volume was absorbed. Once the issuance was digested and equity markets recovered from the mid-month volatility, credit spreads trended back towards the levels seen in mid-July prior to the Westpac A\$ Tier 2 deal. Looking forward to the rest of calendar year 2024, the only meaningful bank issuance we expect is from CBA. They could defer this issuance into 2025, however we favour the view they will come to the market for a modest sized standard 10NC5 in 2024.

5-year major bank senior spreads, the barometer for A\$ credit, are trading below long run averages however are not making much headway inside +80bps. We expect further credit spread performance to be limited, and a period of consolidation. This will support fund returns into year end.

If you would like more information on MIF please visit [www.mutualld.com.au](http://www.mutualld.com.au) or contact Mutual on + 61 3 8681 1900

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