



Mutual Limited

Security with Performance

Investment Update - October 2024

MIF - Mutual Income Fund

All figures as at 31 October 2024

Fund Performance

	3 months %	6 months %	12 months %	3 years % p.a.	5 years % p.a.	Inception % p.a.
MIF (pre-fees)	1.69	3.56	7.30	4.44	3.34	3.30
MIF (post-fees)	1.59	3.36	6.91	4.05	2.95	2.87
BBerg AusBond Bank Bill Index	1.12	2.23	4.45	2.94	1.87	2.03
Relative Performance (Net)	0.47	1.13	2.46	1.11	1.08	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.

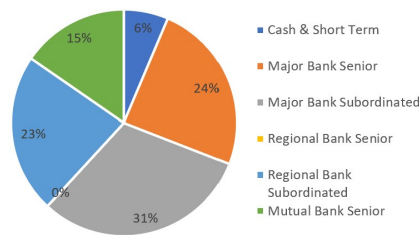
Portfolio

Liquidity	Authorised Investments
Up to 5 days	Debt Instruments with Australian ADI
	Minimum 60% exposure to Big 4 Banks
Yield	
Running Yield	5.71%
YTM	5.38%

Fund Statistics

Senior ADI Risk	46%
Subordinated ADI Risk	54%
Interest Duration	0.12
Credit Duration	2.37
Investment Grade	100%

Current Portfolio Diversification

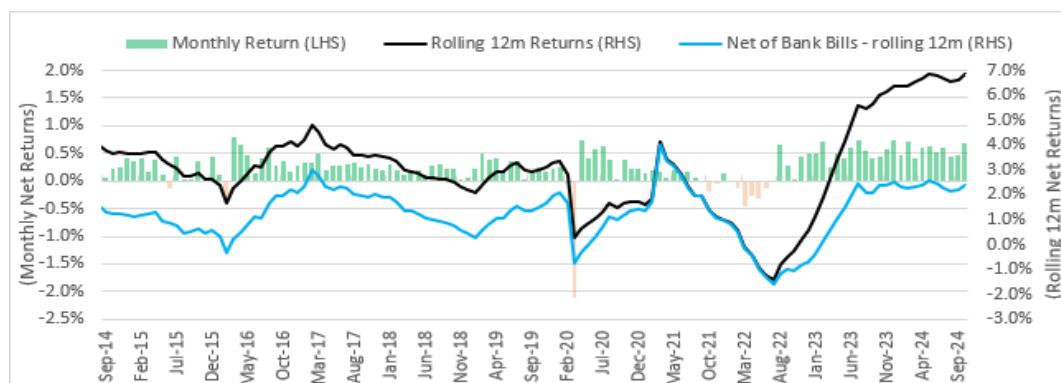


Month in Review

Performance: MIF returned 0.69% (net) in October. The 6 month net return was 3.36% and the 12 month net return was 6.91% at the end of October. Over the past 12 months the fund has returned 2.46% above the Ausbond Bank Bill Index, versus a target of +1.20%.

We're thrilled to announce that Lonsec has rated all Mutual Limited Funds as 'Recommended'.

The Mutual Income Fund, Mutual Credit Fund and Mutual High Yield Fund each received ratings upgrades, joining the Mutual Cash Fund, which retained its recommended rating. This recognition highlights the strengths of our Funds and the dedication of our team.



Overview:

Towards the end of the month the markets focus narrowed to key events due in the first week of November – the RBA decision, US election result and the US Fed decision. Within this backdrop, despite a down-month in equities, stocks continued to hover around their all-time highs, with questionable ability to absorb disappointment over the near to medium term. Add to the mix major ongoing global conflicts – Israel vs Iran and Russia vs Ukraine, and the potential for escalation, and there are plenty of downside triggers ahead for risk assets.

Portfolio Manager
Mutual Limited

Inception
23 April 2013

Fund Size
\$533.5 million

Month End Price
\$1.051123

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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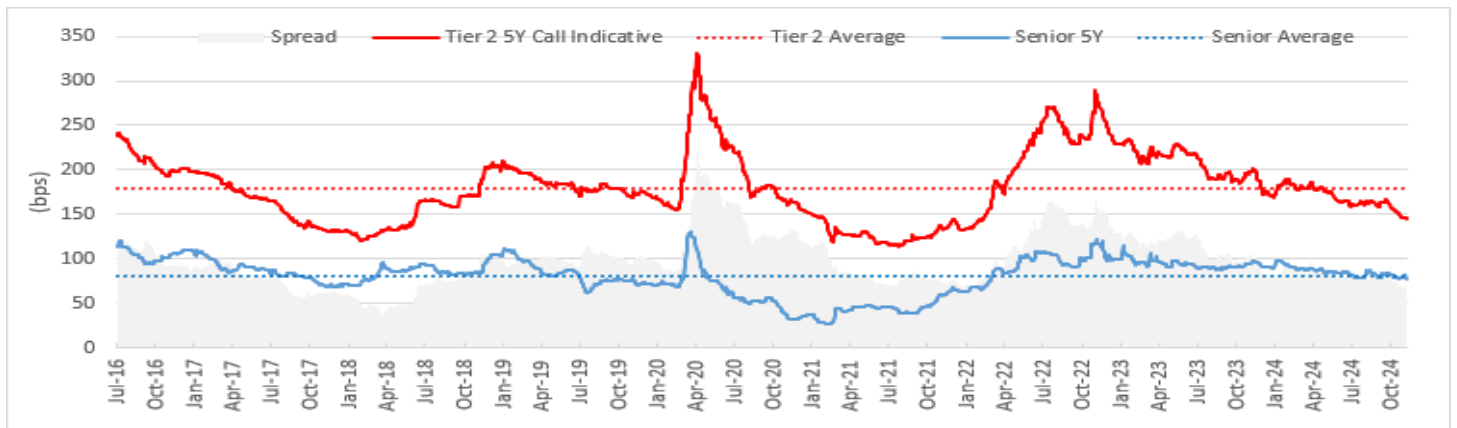
All figures as at 31 October 2024

Outlook

On the first Tuesday in November, the other key event was the RBA interest rate decision. The market went into the meeting not expecting any change in rates, with conjecture now reserved for when the first move lower will occur. The accompanying statement with the no change result highlighted the RBA Board remains concerned that underlying inflation is still above target and quarterly outcomes are declining only slowly. The language on remaining vigilant to upside inflation risks and not ruling anything in or out was maintained. We do not think this points to any risk of rates being raised but does add to the risk the first rate cut will be pushed further into 2025.

Despite rising uncertainty within stock and bond markets, credit spreads tightened strongly, with a relatively busy issuance period also met with minimal headwinds. All deals were well supported, with books comfortably over-subscribed. The regional banks were busy with Bendigo & Adelaide Bank printing senior and Bank of Queensland printing a subordinated deal. NAB was the only major to issue in AUD, printing a 3 year security at +70bps. This continued a recent trend of the major banks coming to market with single tenor transactions versus the standard 3 and 5 year trades coupled together.

Credit Spreads – Senior and Subordinated



Source: Bloomberg, Mutual Limited

In tier 2 we spent the month waiting for CBA to come to the AUD market but ended up disappointed. Now we are in November and of the three major banks reporting only ANZ has tested appetite in Tier 2. However, for diversification they elected to go to the SGD market for a benchmark 10NC5 year trade. This left just Bank of Queensland issuing Tier 2 at +183bps, just +20bps back from the major bank curve. The book was 8x oversubscribed, highlighting the current excess demand for higher yielding assets. Looking back at October, given the lack of issuance from the majors since July, major bank 10NC5 year FRNs closed the month 17bps tighter at +150bps. This level is approaching the lows since COVID, which is tempting to sell in to, but given the technical backdrop of excess demand versus limited supply despite the proposed changes to AT1 issuance, our recent positioning to shift Tier 2 holdings higher has delivered solid returns.

Last month we wrote there are emerging global risks that credit markets appear to be comfortable with. The election was a key risk, which for now the result has been comfortably absorbed by the market. With term rates trending higher again, demand for fixed interest looks set to continue, and for now there appears no trigger that will reverse the recent trend.

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

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