



Mutual Limited

Security with Performance

Investment Update - June 2024

MCTDF - Mutual Cash

All figures as at 30 June 2024

Fund Performance

	3 months %	6 months %	12 months %	3 years % p.a.	5 years % p.a.	Since Inception % p.a.
MCTDF (pre-fees)	1.28	2.50	4.86	2.87	2.10	2.67
MCTDF (post-fees)	1.22	2.37	4.61	2.62	1.85	2.37
Bloomberg AusBond Bank Bill Index	1.08	2.18	4.37	2.44	1.64	2.21
Relative Performance (Net)	0.14	0.19	0.24	0.18	0.21	0.16

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.

Month in Review

Performance: MCTDF returned 0.39% (net) in June, lifting the 12 month net return to 4.61%. The RBA left the cash rate on hold at their June meeting, however following the monthly CPI print later in the month another rate hike in August is a live possibility. The RBA meet next on August 5 – 6, and will have the latest quarterly CPI figures released on 31 July to include in their decision. The market has priced in the possibility of a rate hike in August while market economists remain split on the outcome.

Overview: Macro growth and inflation trajectories, combined with the path of monetary policy settings remain the core dominating themes for markets, with geopolitical risk re-emerging as a factor through the month. While geopolitical risk escalated, the market impact was brief, and largely limited to French securities – bonds, stocks and credit, a result of the snap election called by Macron that risks the far right taking a majority control of the government. Locally, interest rates are back centre stage following the monthly CPI print in June that showed inflation accelerating to +4.0% YoY, up from +3.6% YoY a month earlier and well ahead of the consensus at +3.8% YoY. This surprise to the upside added to the RBA's hawkish commentary following the decision in early June to leave the cash rate unchanged at 4.35%. The RBA board left all options on the table and reiterated their absolute focus on containing inflation. They are traversing a narrow and perilous path, hike here and risk a recession, or hold rates and eventually cut and risk inflation re-accelerating.

Outlook

We were going into the second half of the calendar year thinking the cash rate was firmly on hold. Now, another hike is a real possibility. Market pricing has moved this way, pricing in +10bps of a hike at the August meeting and +17bps at the December meeting. In percentage terms, this means the market thinks a +25bps hike in August is about a 40% chance and a +25bps hike by December is a better than 50:50 chance. Economists are more divided, but generally have shifted towards the possibility of another hike. At Westpac, they side with rates being on hold, citing the RBA's desire to maintain the gains in employment coming out of COVID. They do caveat this with a view that a strong June quarter CPI release together with strong labour market data could tip the balance and force a rate hike. At Citi, they are of the view the quarterly inflation figure will print 0.3% higher than the RBA's forecast for Q2, and in order to maintain credibility around its inflation target the RBA Board needs to hike at least once more. July will be a month of speculation with interest rate pricing the centre of attention.

For the fund, higher rates bodes well for returns. The 3m BBSW is already higher, rising 10bps during June. This will translate into higher term deposits rates and keep the weighted average yield on the portfolio elevated.

Liquidity	Yield	Authorised Investments	Current Portfolio Diversification
Up to 5 Days	4.90%	Big 4 Banks 100%	No. of Counterparties 4
Duration	100 days		No. of Deposits 42

Portfolio Manager Mutual Limited
Inception 7 September 2011
Fund Size \$528.6 million
Month End Price \$1.043016
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
ISIN AU60PRM00103
Ratings Lonsec Zenith Canstar 5 stars
Platforms AMP MyNorth Asgard BT Panorama Centric Colonial First State Expand Hub 24 Macquarie Mason Stevens Netwealth Powerwrap Præmium
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