



Mutual Limited

Security with Performance

Investment Update - May 2024

MCTDF - Mutual Cash

All figures as at 31 May 2024

Fund Performance

	3 months %	6 months %	12 months %	3 years % p.a.	5 years % p.a.	Since Inception % p.a.
MCTDF (pre-fees)	1.24	2.46	4.80	2.74	2.05	2.66
MCTDF (post-fees)	1.18	2.34	4.55	2.49	1.80	2.36
Bloomberg AusBond Bank Bill Index	1.10	2.20	4.32	2.32	1.59	2.19
Relative Performance (Net)	0.08	0.14	0.23	0.17	0.21	0.17

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 0.40% (net) in May, lifting the 12 month net return to 4.55%. Interest rate policy expectations changed over the month, with the RBA meeting minutes more hawkish than expected. So much so the merits of a further interest rate hike were discussed at the May RBA meeting. In the end, the cash rate was left on hold, but the prospect of future hikes is not completely off the table.

Overview: Core themes evolved a touch over May with ebb and flow in markets around macro data prints and corresponding central bank policy expectations. Locally, inflation is moderating, but doubts are building on whether it is moderating fast enough. Consequently, RBA signalling – via meeting statements and minutes – took a hawkish turn in recent weeks.

Domestic labour market conditions are cooling. The unemployment rate ticked up to 4.1% from 3.8%, a surprise versus consensus estimates, which expected a more modest increase to 3.9%. Nevertheless, the unemployment rate remains well below post GFC averages (5.6%) and well into expansionary territory. The monthly annual CPI data series surprised to the high side, +3.6% YoY vs +3.4% YoY consensus, and up on the prior reading of +3.5%. Trending in the wrong direction and presenting a headwind to investor hopes of RBA rate cuts this year. Rent, finance, education and insurance costs remain core headwinds. Beyond these core data series, Home Loan values rose +3.1% YoY vs +1.5% YoY prior, with Investor Loans +3.8% YoY vs +1.2% YoY prior. Building Approvals (-0.3% MoM) again weaker than consensus (+1.8% MoM) and down on the prior month (+2.7% MoM), but the series is notoriously volatile. On a net basis, there are insufficient dwellings being built to meet demand, which is causing upward pressure on house prices. Retail sales (+0.1% MoM) remain subdued, while credit growth advanced a touch (+0.5% MoM vs +0.4% MoM prior).

Outlook

Market pricing for the end of year cash rate was largely unchanged through May, with no rate cuts priced in until well into 2025, likely around mid-year at this stage. The recent inflation data has further cemented the growing belief that rate cuts are not imminent. While markets are not pricing in rate cuts for 2024, median consensus expectations are for one cut by year end, either at the November or December meeting. However, confidence in this view is not high. Of the 36 economists surveyed by Bloomberg, 42% expect a cut (at least one) by year end, while 36% expect no cuts. A smaller 22% expect at least two cuts by year end.

The RBA's next meeting is June 17 - 18th, at which point the board is expected to leave the cash rate unchanged, at 4.35%. Our expectations around the timing and scale of rate cuts this year varies to consensus. We expect no rate cuts this calendar year, whereas consensus expect one in Q4. Markets are more in line with our thinking, with no full rate cut priced in until June 2025. We see risk of a rate hike as being very minor, but not zero.

This 'higher for longer' outlook for the cash rate will maintain deposit pricing around current levels. Any further strength in economic data that leads to expectations of another cash rate increase will be used as an opportunity to extend the weighted average maturity on the fund, with a view to prolong returns once the inevitable rate cuts do occur.

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	Portfolio Manager Mutual Limited
Inception 7 September 2011	Inception 7 September 2011
Fund Size \$533.3 million	Fund Size \$533.3 million
Month End Price \$1.051618	Month End Price \$1.051618
Benchmark Bloomberg AusBond Bank Bill Index	Benchmark Bloomberg AusBond Bank Bill Index
Distribution Frequency Quarterly	Distribution Frequency Quarterly
Minimum Investment \$1 through IDPS \$20,000 for Retail & Wholesale Investors	Minimum Investment \$1 through IDPS \$20,000 for Retail & Wholesale Investors
Minimum Investment Term Longer than 5 days (suggested)	Minimum Investment Term Longer than 5 days (suggested)
Management Fees 0.25% p.a. (inclusive of GST)	Management Fees 0.25% p.a. (inclusive of GST)
Buy / Sell Spread Nil / Nil	Buy / Sell Spread Nil / Nil
APIR Code PRM0010AU	APIR Code PRM0010AU
ISIN AU60PRM00103	ISIN AU60PRM00103
Ratings Lonsec Zenith Canstar 5 stars	Ratings Lonsec Zenith Canstar 5 stars
Platforms AMP MyNorth Asgard BT Panorama Centric Colonial First State Expand Hub 24 Macquarie Mason Stevens Netwealth Powerwrap Praemium	Platforms AMP MyNorth Asgard BT Panorama Centric Colonial First State Expand Hub 24 Macquarie Mason Stevens Netwealth Powerwrap Praemium
	Mutual Limited ABN 42 010 338 324 AFSL No. 230347 Level 17, 447 Collins Street Melbourne VIC 3000 P: +61 3 8681 1900 E: mutual@mutualtd.com.au W: www.mutualtd.com.au

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

This Monthly Update is intended to provide general advice and information only and has been prepared by Mutual Limited ("Mutual") ABN 42 010 338 324, AFS license number 230347 without taking into account any particular person's objectives, financial situation or needs. Investors should, before acting on this general advice and information, consider the appropriateness of this general advice and information having regard to their personal objectives, financial situation and needs. Investors may wish to consider the appropriateness of the general advice and information themselves or seek the help of an adviser. Mutual makes no guarantee, warranty or representation as to the accuracy or completeness of the general advice and information contained in this flyer, and you should not rely on it. The financial products referred to in this flyer are interests in the registered managed investment scheme known as MCTDF, ARSN 152 623 106 ("product"). Mutual is the Responsible Entity and issuer of the product. Investments can go up and down in value. Past performance is not a reliable indicator of future performance.