Mutual Credit Fund (MCF)

Fund Report | August 2026

Mutual Limited

Performance

	3 Mth	6 Mth	1 Yr	3 Yr *	5 Yr *	Incep. *
Fund Net Return	1.59	2.76	6.11	7.36	5.72	5.04
AusBond Bank Bill Index	1.15	2.16	3.99	4.21	3.26	2.53
Relative Performance	**0.44**	**0.60**	**2.12**	**3.15**	**2.46**	**2.51**

*Returns greater than 1 year are per annum

Gross Running Yield

6.69%

Risk Profile

Low-Medium

Key Facts

Fund Objective
To source and actively manage a portfolio of fixed interest credit assets across APRA regulated institutions, corporate and structured assets. Targeted portfolio construction is to hold assets with a shorter credit duration to ameliorate periods when risk assets sell-off.

Benchmark Index
AusBond Bank Bill Index

Inception Date
February 2020

APIR/ISIN
PRM8256AU/AU60PRM82564

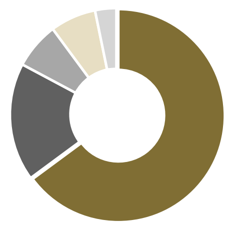
Distribution
Quarterly

Buy/Sell Spread
Nil / Nil

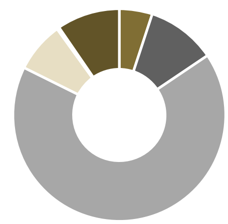
Minimum Investment
$20,000 ($1 via IDPS)

Ratings
Zenith Recommended
Lonsec Recommended

Portfolio Allocation



Rating Exposure



Monthly Commentary

MCF returned 0.44% (net) in August. The 6 month net return was 2.76% and the 12 month net return was 6.11% at the end of August. Over the past 12 months the fund has returned 2.12% above the Ausbond Bank Bill Index, against a fund target of 2.20%.

July CPI was the main act in August, with a repricing of the interest rate outlook driven by July CPI that beat on both measures. Headline CPI eased to +3.5% YoY but exceeded the +3.3% consensus, while the trimmed mean held at +3.5% YoY against +3.5% expected. The RBA held the cash rate at 4.35% unanimously alongside dovish forecasts, but the press conference ran the other way, the Governor naming excess demand and inflation expectations as key risks and saying she personally thought it quite possible the Board would need to go again.

Adding to the CPI data, the household sector showed a refusal to slow, even as the labour market softened. July household spending accelerated to +7.0% YoY against +5.7% YoY expected, with sentiment up +6.0% to 88.9 — consumers accepting higher prices and firms passing costs on without losing volume. Against that, employment fell 15,800 and unemployment rose to 4.5%.

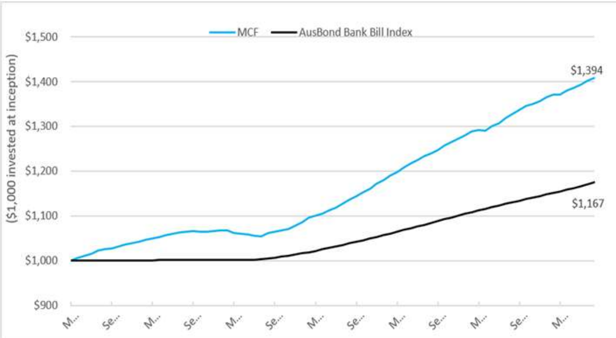
Credit spreads widened modestly in August, driven by the inaugural hyperscaler issuance from Alphabet that more than doubled the largest A$ corporate deal previously issued. Rated at AA+, the 3 and 5 year FRNs at +65bps and +90bps respectively dragged some demand away from major bank senior in secondary. By the end of the month, major bank senior spreads were 2-4bps wider.

It was a busy month for issuance in Tier 2 with Westpac pricing A$1.5bn 10NC5 at +127bps. This deal was quickly followed by ANZ with a dual tranche deal across NC10 and 20y tenors. The final bank transaction for August was Bendigo Bank, printing A$300m of 10NC5 at +157bps which replaces their A$125m October call and potentially a partial refinance of the AT1 call due in mid 2027.

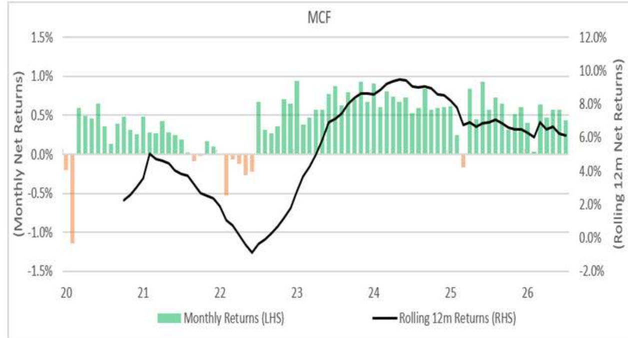
New issuance in securitisation was also busy with nine transactions pricing for a total value of almost A$8bn. At the top of the structures the AAA tranches are pricing wider than the February levels across the different asset classes, while down the mezzanine stack pricing is at or inside levels from earlier in the calendar year. This is peculiar given we have seen two rate hikes and ongoing softness in house prices. On the latter, the latest data showed a fall of 1.1% in capital city prices in August, taking prices 4.6% below the March 2026 peak. Price declines are broadening across suburbs, however data for the 3 months to July shows larger declines in the top 25% of sales by value. These properties typically have higher loan values which are unlikely to be funded in an RMBS pool.

With a flurry of T2 deals in August we expect issuance to taper off into the remainder of the year. Higher base rates are contributing to fund returns, and the potential for further hikes from the RBA will keep upward momentum on returns.

Performance Comparison



Monthly Net Return



Portfolio Statistics

Running Yield	6.69%
Yield to Maturity	6.22%
APRA	68%
Structured	25%
Corporate	7%
Interest Duration	0.10 years
Credit Duration	2.45 years
Investment Grade	82%
Fund size	$842.54m

Why Mutual?

Trusted Expertise
Highly experienced Australian investment manager specialising in cash, credit, and fixed income investments.

Capital Stability with Regular Income
Our defensive investment approach prioritises capital preservation and steady returns.

Daily Liquidity and Low Fees
Benefit from the accessibility of daily liquidity across all our Funds, along with a cost-effective fee structure.

Platform Availability

Asgard, BT Panorama, Centric, CFS, Hub24, Netwealth, Powerwrap

Zenith RECOMMENDED

Recommended Lonsec Research

Signatory of: PRI Principles for Responsible Investment

Mutual Limited

For more information, contact Copia

1800 442 129 | clientservices@copiapartners.com.au | mutualltd.com.au