Mutual Credit Fund (MCF)

Fund Report | October 2026

Mutual Limited

Performance

	3 Mth	6 Mth	1 Yr	3 Yr *	5 Yr *	Incep. *
Fund Net Return	1.00	2.64	5.24	7.05	5.85	5.00
AusBond Bank Bill Index	1.11	2.23	4.14	4.23	3.41	2.58
Relative Performance	**-0.11**	**0.41**	**1.10**	**2.82**	**2.44**	**2.42**

*Returns greater than 1 year are per annum

Gross Running Yield

6.98%

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

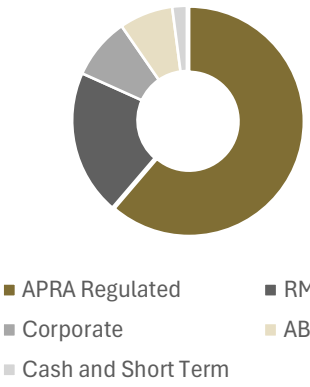
Distribution
Quarterly

Buy/Sell Spread
Nil / Nil

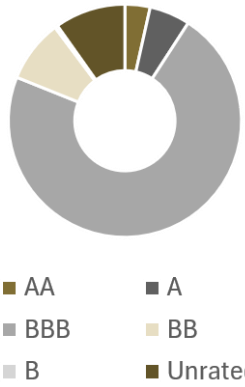
Minimum Investment
$20,000 ($1 via IDPS)

Ratings
Zenith Recommended
Lonsec Recommended

Portfolio Allocation



Rating Exposure



Monthly Commentary

MCF returned 0.11% (net) in October. The 6 month net return was 2.64% and the 12 month net return was 5.24% at the end of October. Over the past 12 months the fund has returned 1.10% above the Ausbond Bank Bill Index, against a fund target of 2.20%.

With no RBA meeting in October, the market focus was on domestic economic data. September employment figures showed a fall of 39,300 versus a 20,000 gain expected. The unemployment rate rose to 4.7%, above the RBA's 4.5% forecast for December. Following the data, the market briefly priced almost no chance of a November rate hike. But inflation refused to cooperate. September CPI rose to +4.3% YoY against +4.2% expected, and for the quarter headline prices rose +1.3% QoQ while the trimmed mean lifted to +3.7% YoY, +10 bps versus consensus. This left the RBA with little choice, and at the November meeting the board decided 6 votes to 3 to lift the cash rate for the 5th time this year to 4.85%.

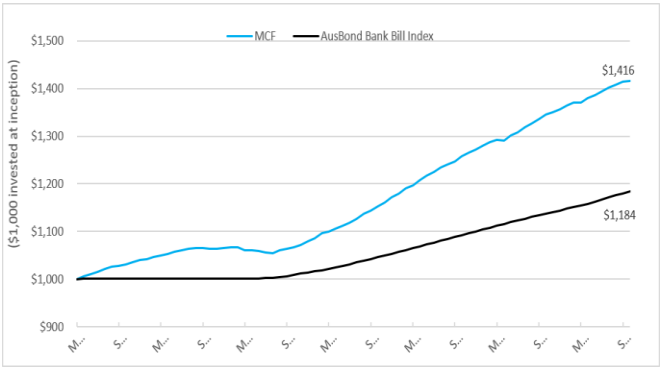
The December meeting is not considered live now the RBA have delivered consecutive hikes. At the press conference, Governor Bullock highlighted the 3 votes to hold were looking for more information. Bullock described now as a good place to "take stock" and see if the data shows "we are travelling more or less in line with the forecasts". The market still has some chance of another hike priced in, around 30% probability by March 2027.

Credit spreads drifted wider through October, more on the expectation of new issuance post the US mid terms and major bank reporting period, both due in the first week of November. 5 year major bank senior has settled around +70bps, a few bps above the ANZ print in August that priced at +66bps. It was left to Mutual Banks and Bank of Queensland to deliver supply in October. BoQ printed a 10NC5 year subordinated transaction at +158bps. Pricing at the time looked ok at around +25bps over the major bank equivalent, however post the rating downgrade delivered by S&P on October 19th spreads widened +10bps. S&P lowered the BoQ long-term rating by one notch to BBB+, citing weaker loan growth reported in FY26 results.

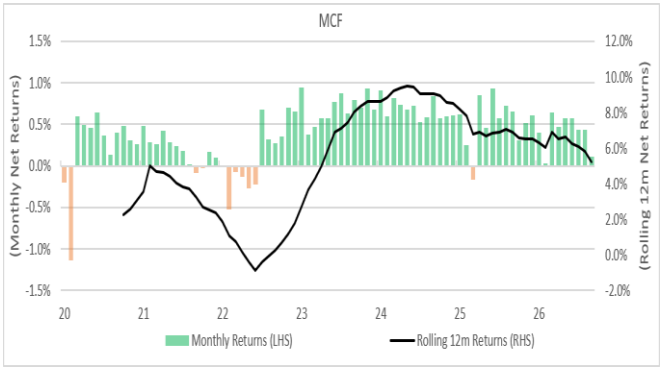
In securitisation, the weight of supply finally broke investors appetite, particularly for mezzanine notes. The October issuance across 21 deals added A$13bn+ of volume to the 2026 total, on top of A$17.5bn issued in September. Spreads were wider across the capital stack, up to +18bps in senior and +30-40bps in sub-investment grade mezzanine. For context, S&P B rated non-conforming RMBS priced at +390a in September. Deals priced in a +420bps to +460bps range in October. The pipeline of new deals is slowing, which we expect will support credit spreads at current wider levels.

Higher short-term interest rates helped lift the running yield on the portfolio in October. While credit spreads were modestly wider in October which detracted from income, we think the credit spread widening has largely run its course so income should drive returns into year end.

Performance Comparison



Monthly Net Return



Portfolio Statistics

Running Yield	6.98%
Yield to Maturity	6.65%
APRA	63%
Structured	28%
Corporate	9%
Interest Duration	0.09 years
Credit Duration	2.43 years
Investment Grade	81%
Av. Weighted Credit Rating	BBB-
Fund size	$827.27m

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

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Important Information:

Past performance is not a reliable indicator of future performance. Total returns assume the reinvestment of all distributions. The performance is quoted net of all fees and expenses. The reference indices do not incur these costs. This information is provided for general comparative purposes.

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