

Mutual Credit Fund (MCF)

Fund Report | July 2026



Performance

	3 Mth	6 Mth	1 Yr	3 Yr *	5 Yr *	Incep. *
Fund Net Return	1.62	2.72	6.25	7.51	5.66	5.03
AusBond Bank Bill Index	1.11	2.06	3.94	4.21	3.19	2.50
Relative Performance	0.51	0.66	2.31	3.30	2.47	2.53

*Returns greater than 1 year are per annum

Gross Running Yield

6.76%

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

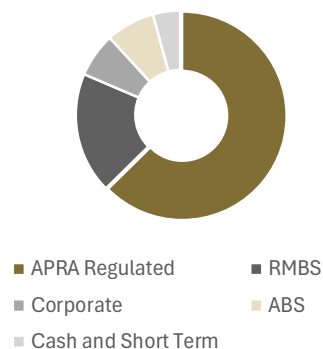
\$20,000 (\$1 via IDPS)

Ratings

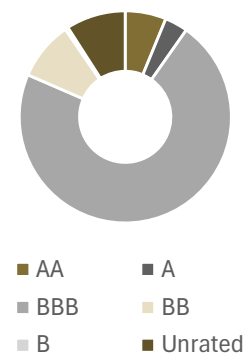
Zenith Recommended

Lonsec Recommended

Portfolio Allocation



Rating Exposure



Monthly Commentary

MCF returned 0.57% (net) in July. The 6 month net return was 2.72% and the 12 month net return was 6.25% at the end of July. Over the past 12 months the fund has returned 2.31% above the Ausbond Bank Bill Index, against a fund target of 2.20%.

July handed back June's disinflation dividend. Brent crude surged 23.6% to US\$90 as the Iran vs US ceasefire agreement was torn up and hostilities recommenced anew. The July move almost exactly reversed June's 21% fall. The return of energy driven inflation risk at precisely the moment underlying inflation was finally improving is an awkward combination. The bond market reacted with rates moderately higher. Australian 3-year yields rose 13bps to 4.49% and 10-year yields rose 21bps to 4.93%.

In local data, employment rose +76k in June against a consensus of +15k, following a +44k gain in the prior month. The participation rate climbed to 67.0% from 66.7%, allowing the unemployment rate to hold steady at 4.4%. Beneath the headline numbers underemployment, under-utilisation and youth unemployment rates all rose, which points to a gradual easing in labour market conditions. Australian inflation data was also a tale of two measures. Headline CPI eased to 3.8% year-on-year, undershooting the 4.0% consensus and improving on the prior 4.0% - genuinely encouraging. But the trimmed mean, which is what the RBA targets, firmed again to 3.6% from 3.5%.

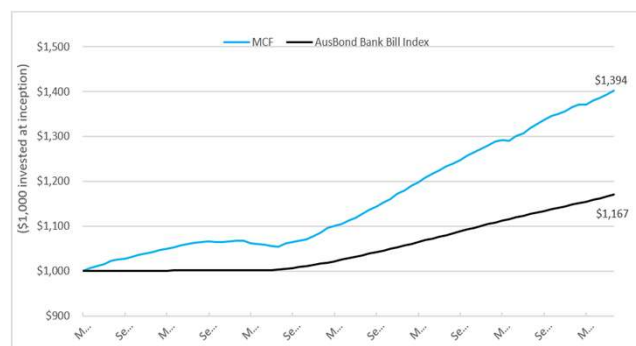
The RBA did not meet in July, with the next scheduled monetary policy meeting on August 10 – 11. Market pricing is now pointing to the RBA being on hold, which is now the position of most economists. All of the 4 major banks have no more rate hikes in their forecasts, with CBA and NAB looking for the first rate cut to land in Q2 2027.

It was a relatively quiet month for bank credit. On balance major bank senior and tier 2 spreads continue to benefit from the lack of new issuance. Primary activity included CBA issuing A\$2.5b of 5-year senior FRN at 3mBBSW +67bps with a modest fixed tranche of A\$250 million. NAB followed with a A\$2.5b 3-year senior FRN at 3mBBSW +57bps. In Tier 2 approximately A\$5.4 billion of AT1 and Tier 2 securities were called in June. The sole Australian bank issuance in T2 was Bank of Queensland's A\$350 million FRN 10NC5 at 3mBBSW +158bps.

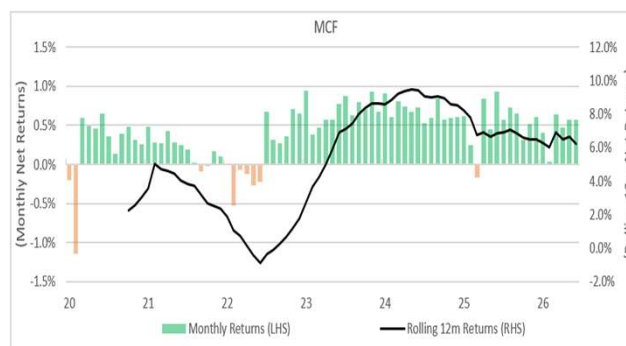
The topic making headlines in mainstream media throughout July was the direction of house prices. The official data showed national house prices fell by 0.7% over the month. There is now a clear trend with the housing market under increasing pressure from higher interest rates and weakening sentiment following the tax changes all weighing on demand. Since the March peak, national house prices are down 2%, however still up 5.3% for the year to July. There is a lot to watch in the numbers going forward. Auction clearance rates and medium time on the market are all pointers to underlying sentiment.

With 3m BBSW to remain at a premium to the cash rate and credit spreads anchored around current levels, consistent fund returns around target are our base case for the second half of calendar year 2026.

Performance Comparison



Monthly Net Return



Portfolio Statistics

Running Yield	6.76%
Yield to Maturity	6.23%
APRA	67%
Structured	26%
Corporate	7%
Interest Duration	0.09 years
Credit Duration	2.37 years
Investment Grade	81%
Fund size	\$749.97m

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



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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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