Realm Capital Series 2018-1

August 2019

REALM investment house

Fund Strategy

The Realm Capital Series 2018-1 (Fund) will invest in balance sheet funding and syndicated bank warehousing facilities. Realm Investment House (RIH) will partner with the major banks and best of breed non-bank corporate lenders to acquire exposures in these newly capitalised facilities. RIH's assessment of the opportunities will generate good risk adjusted income returns, particularly when compared to the 'public term out market' for the same level of risk. Diversification within the Fund will be achieved by diversity of banking partners, facility sponsors and the number of individual facilities. RIH's risk management and assessment overlay are used in assessing eligible exposures. RIH will actively manage & monitor the risk of each funding facility exposure during the term of the fund.

Fund Objective

The strategy targets a return of 4.75% p.a. over the RBA cash rate over the life of the strategy. The Fund may suit investors seeking a high yield return with a moderate to high risk tolerance.

Fund Feature

While the termination and return of investor funds is available on the 5th anniversary (22.6.23) the manager will help facilitate off market transfers (Application Liquidity) on a case by case basis.

Net Performance

Period	2018-1 Units	RBA Cash Rate Return
1 Month	0.72%	0.08%
3 Month	2.07%	0.28%
6 Month	4.01%	0.65%
12 Month	8.49%	1.40%

Fund details

Distribution Frequency: Quarterly
Applications: Closed
Transfers: Units can be transferred to an existing/new investor upon the completion of required documentation as per the PDS (Section 4.5)
Pricing & Reporting Frequency: Quarterly
Minimum Investment Timeframe: 5 years (22.6.23)
Inception Date: 22.6.2018
Fund size: AUD $30 million
Benchmark: RBA Cash Rate
Buy/Sell: Nil
APIR Codes: OMF8680AU
Management Fees: 1.25% plus GST
Responsible Entity: One Managed Investment Funds Ltd
Custodian: Mainstream Funds Services Pty Ltd
Unit Pricing and Unit Price History: www.realminvestments.com.au/media/4

Fund Statistics

Running Yield	8.18%
Targeted Running Yield	7.50%
Credit Duration	1.90
Average Credit Rating	BB+
Number of positions	17

Gross Running Yield* 8.18%

*Past performance is not indicative of future performance. The Gross Running Yield is the pre-fee income attributable to the portfolio, total return will be a function of this yield minus the fee. Please note the unit price can also experience modest variance as pay out of distributions sit at 95%. All outstanding amounts will be paid at the 30th of June.

Credit Fundamentals explained

The Fund invests in syndicated bank warehouse facilities (Facilities). These Facilities are lines of credit which major banks provide senior funding to and the Fund invests alongside or in a junior position to the bank as the senior funder. In all cases these Facilities also have equity capital that is funded by the Originator or Sponsor, "skin in the game". These Facilities have an number of term features which help mitigate risk that can exist when investing in warehouse syndication. These terms can vary from deal to deal and can include:-

- underlying assets (the mortgages) are security against the drawdown of the facility
- increased level of equity enhancement when compared to securities that trade in the over the counter market
- favourable intercreditor rights
- short credit terms
- additional covenants
- in many instances originator balance sheet cover to make good losses and Non-Performing Loans (NPL)
- higher financing rate of return due to the structure, and the inability of the Facility to be traded quickly

Furthermore, where the total number of Non-Performing Loans (NPLs) breach arrears covenant limit, the originator is required to add additional capital to offset the breach. If there is a default and a loss on any loan, this is charged off against the excess income or capital of the originator in the facility. The originator must make this loss good and maintain a minimum capital balance NPL's can be removed from the facility, back onto the originators balance sheet in some instances.

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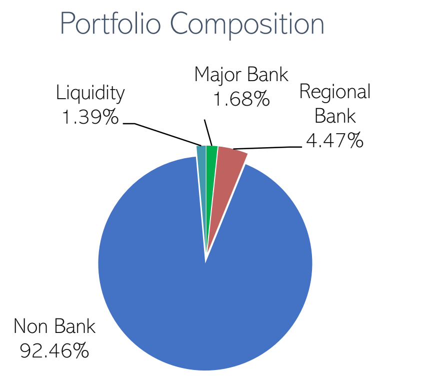
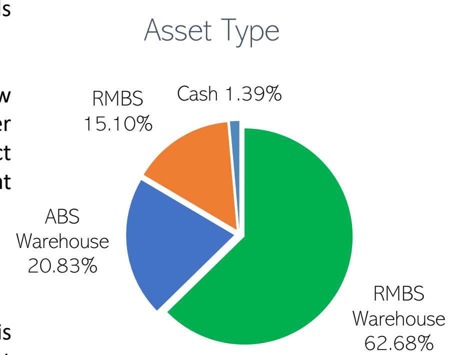
Fund Update

The portfolio is invested across a range of syndicated mortgage and asset backed warehouses, as well as public residential mortgage backed securities (RMBS) transactions. At month end approximately 70% of the capital series is invested within syndicated warehouse and structured RMBS notes, with approximately 28% of the fund held in public RMBS securities. The weighted average credit rating of the portfolio sits at BB+, with a short weighted credit duration of 2.29 years and a pre fee running yield to maturity of 7.71%.



Domestic Economic Performance & System Risk

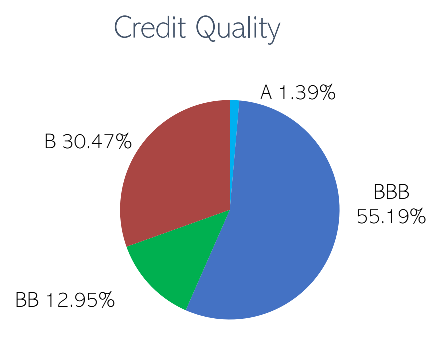
Realm System Risk Monitor: Our system risk indicator recovered to -0.57%. Strength in interest only and investor lending drove this modest recovery in our measure. This is pointing to growth in lending as low rates and greater confidence around the outlook for property is starting to see volume growth head back in a positive direction. We would expect to see this measure continue to move higher on the back of strength in property prices as loan approvals translate to a rise in settlements.



Realm Australian Eco Monitor: Our domestic economic monitor is tracking modestly below trend. On balance the data improved modestly over the month on the back of stronger employment and a modest recovery in property prices . Our base case remains that we expect the Aussie Eco measure to recover as property stabilises and rate cuts drive employment outcomes. We expect this to also be assisted by the recently passed tax cuts.

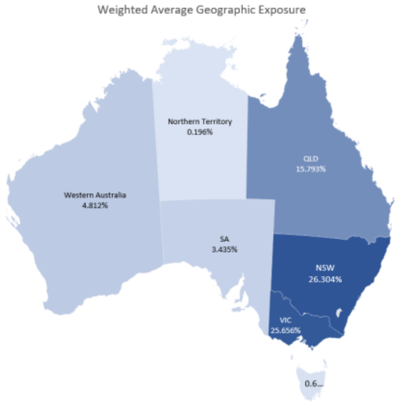
Housing arrears & portfolio performance

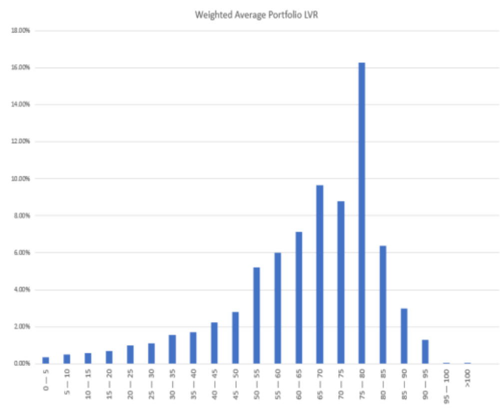
Portfolio arrears performed very well over the month, decreasing to 1.07% from 1.52%. This was entirely due to substitution of higher risk pools out of the portfolio which no longer met our internal risk/return criteria.

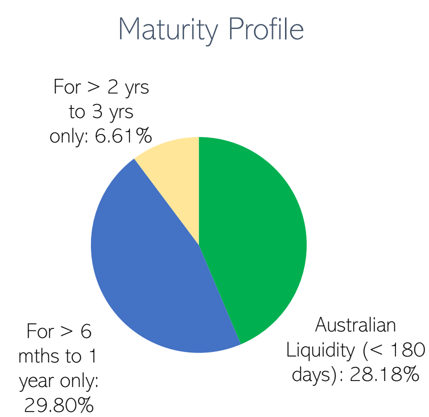


The S&P arrears index (SPIN) for the month showed prime arrears remained static at 1.11%. Non-conforming arrears improved dropping 25bps to 3.55%, again driven by improvements in both domestic and cross border arrears. Major bank arrears weakened slightly from 1.18% to 1.24%, while regional banks improved 5bps to 1.96%. Prime non-bank financials weakened 3bps to 0.5% while prime non-bank originators improved, falling 6bps to 0.67%.

Geographically, NSW weakened slightly falling 2bps to 1.26% while VIC remained steady at 1.4%. WA also weakened this month, increasing 5bps to 3.05%, while the NT continued to improve, falling a further 20bps to 2.90%. All other states improved slightly with the exception of TAS, slipping to 1.27% from 1.2%. These geographies continue to be closely monitored and managed throughout the portfolio.







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