Realm Capital Series 2018-1

December 2018

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 Features

Quarterly application windows are available to accept new monies into the Fund. Please note whilst application forms can be received at anytime, due to anti-money laundering requirements monies can only be received 30 days prior to the opening of an application window. 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) as new applications are received.

Gross Running Yield*
8.92%

* 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.

Net Performance

Period	2018-1 Units	RBA Cash Rate Return
3 Month	1.74%	0.38%
6 Month	3.76%	0.75%

Fund details

Distribution Frequency: Quarterly
Applications: Quarterly Application Windows (2 business days prior to last business day of the calendar quarter)
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: $25,000
Minimum Investment Timeframe: 5 years (22.6.23)
Inception Date: 22.6.2018
Fund size: AUD $27 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

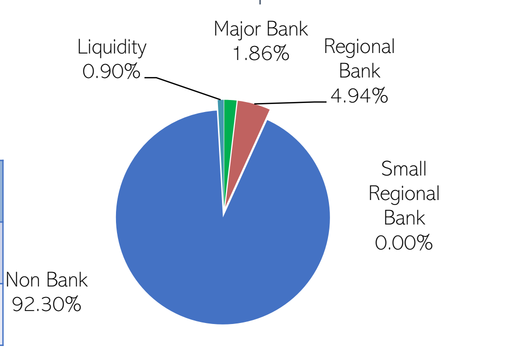
Fund Statistics

Running Yield	8.92%
Targeted Running Yield	7.50%
Credit Duration	2.21
Average Credit Rating	BB+
Number of positions	17

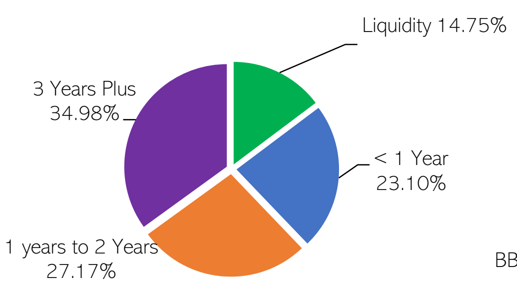
Platform Availability

Managed Accounts   Mason Stevens

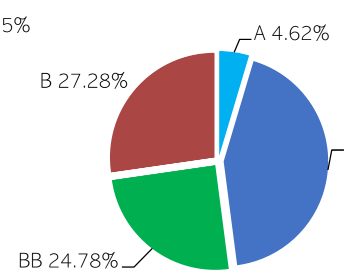
Portfolio Composition



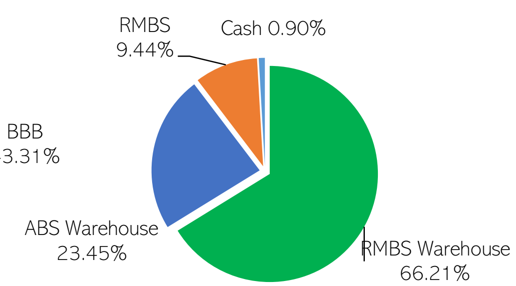
Maturity Profile



Credit Quality



Asset Type



Portfolio Managers: Andrew Papageorgiou andrew.p@realminvestments.com.au | Rob Camilleri rob.c@realminvestments.com.au | Client Services: 03 8560 7297 clientservices@realminvestments.com.au

Fund Update – Ramp Up

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 quarter end approximately 86% of the capital series is invested within syndicated warehouse and structured RMBS notes, with approximately 10% 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 2.17 years and a pre fee running yield to maturity of 8.82%.

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.

Domestic Economic Performance & System Risk

Our Australian system health monitor which tracks risk at the Australian household level now sits at -0.78%, this is the weakest number in 6 years and speaks to a financial system that continues to reduce aggregate risk (which is of course being reflected in weaker house prices). That said this deleveraging of sorts remains orderly, and is well supported by an economy that is stable but soft.

Our domestic economic monitor indicates our economy is growing near trend. Although risks look to be skewed to the downside, we expect employment to hold up and rates to remain low. These are the two greatest threats to rising arrears, while they remain stable so will loan performance. On property now, the momentum in property prices sits at near -3 standard deviations on our measure, which speaks to property prices deteriorating by a magnitude and speed that has been unprecedented in a period of nearly 18 years. Despite this, there is no clear sign of a bottoming yet, although our measure would indicate that absent meaningful economic weakness from here, it will be hard to maintain the cadence of the most recent decline. We would anticipate a levelling off in prices in the medium term all else being equal.

Housing arrears & portfolio performance

S&P SPIN data for the September Quarter was released last month. It showed that total Prime arrears declined modestly from 0.99% to 0.97%, meanwhile non-conforming SPIN remained below its 18 year average of 9.88%, coming in at 3.01% (up from 2.97% in prior quarter). Despite weak and visibly deteriorating confidence around housing prices, loan performance remains solid on the back of record low interest rates, a full employment environment and the first tentative signs of wage growth. In terms of our underlying holdings, once again arrears performance is stable, with no signs of instability emerging.

Realm Investment House ABN 34 155 984 955 AFSL 421 336	Level 17 500 Collins St Melbourne VIC 3000	Email: clientservices@realminvestments.com.au Website: www.realminvestments.com.au Tel: 03 8560 7297