

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.

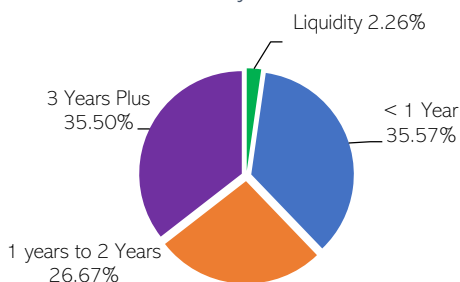
Gross Running Yield*
8.83%

*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.

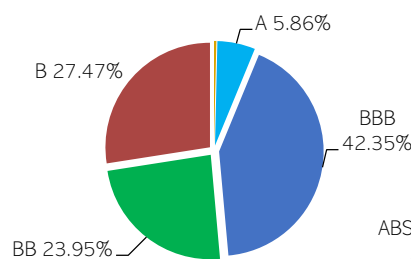
Net Performance

Period	2018-1 Units	RBA Cash Rate Return
3 Month	1.88%	0.37%
6 Month	4.22%	0.74%

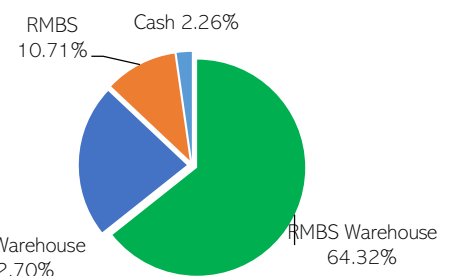
Maturity Profile



Credit Quality



Asset Type



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

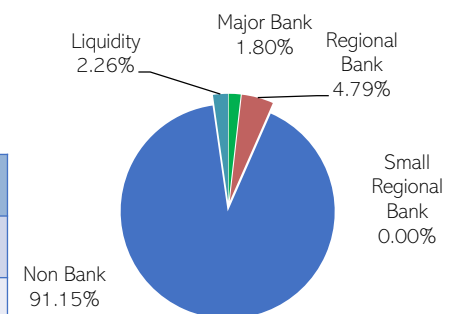
Fund Statistics

Running Yield	8.83%
Targeted Running Yield	7.50%
Credit Duration	2.04
Average Credit Rating	BB+
Number of positions	19

Platform Availability

Managed Accounts Mason Stevens

Portfolio Composition



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 88% 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 2.04 years and a pre fee running yield to maturity of 8.83%.

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

The Realm Australian system risk monitor remains in negative territory, sitting at -0.5% which is consistent with a market where a lot of the imbalances which had been a cause for concern are working their way through the system. We have seen a loss of momentum in average mortgage debt, personal loan growth and a range of other leverage metrics. At the same time wages and employment are holding firm and even showing some signs of growth. The wages story is critically important, as wages continue to rise in this full employment environment it will drive a reduction in total leverage rates bringing the economy closer to a point of equilibrium. Over building will also moderate over the next few years bringing housing capacity back to a point of equilibrium, we expect to see rental rates stabilise and then rise as this occurs. It is still early however there is a possibility that we might be washing through the worst of the housing concerns in the current period. Our Australian top down economic monitor indicates that our economy is likely to grow moderately below trend, that said we are encouraged by the uptick in wages and believe that we may be seeing the beginning of a recovery in this number as full-time employment increases and hours worked rises. In the meantime we note that forecasters have now overwhelmingly moved towards pricing in 2 rate cuts. Our view is that the economy may not be weak enough to justify it, especially if we are seeing the worst of the property price declines.

On to the market now, syndicated RMBS demand for capital is at the highest level we have seen in 2 years. We currently have 9 transactions under review, and this is expected to grow given our analysis of the majority of the issuers, based on growth forecasts will see capital needs peak in 2022. In addition, Realm has published a response to the article "Suncorp mortgage bond failure 'a canary'" published by The Australian, which has amassed concern among investors within the securitised space. The published response can be found [here](#).

Housing arrears & portfolio performance

Our portfolio weighted arrears sit at a low 1.33%. We view the asset performance as well below our modelled mid cycle expectations. Given pool subordination and our asset mix. We continue to closely monitor all of our transactions and the market as a whole for any signs of deterioration.

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