Realm Capital Series 2018-1

January 2019

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*
8.94%

* 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

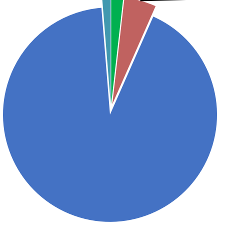
Fund Statistics

Running Yield	8.94%
Targeted Running Yield	7.50%
Credit Duration	2.13
Average Credit Rating	BB+
Number of positions	19

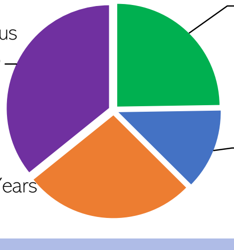
Platform Availability

Managed Accounts   Mason Stevens

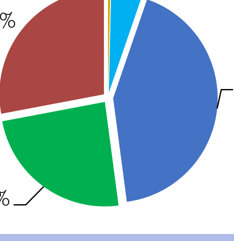
Portfolio Composition



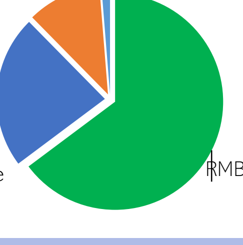
Maturity Profile



Credit Quality



Asset Type



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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 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 2.17 years and a pre fee running yield to maturity of 8.94%.

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 continues to point to softening market momentum (and in our opinion risk concentration). A loss of momentum in personal loans and household debt is as we have said in the past a positive, however it is having an impact on underlying property prices which has of course raised market concerns. Counteracting this is a push to loosen financial conditions with governor Philip Lowe indicating that the next move in interest rates could just as easily be lower. The bond market agrees , assigning a near zero chance to a rate rise in the current year, with a likelihood of up to 40% that we see one or more rate cut.

Our Australian top down monitor indicates that our economy is likely to grow moderately below trend. Business capex, wages , retail, property prices and building approvals are all providing headwinds to the economy, however at this stage we seem to be navigating through the travails without any adverse impact to aggregate employment levels. That said there is no room for complacency, which means that we can expect regulators to look the other way as banks ramp up once more to create risk aided by a dovish Reserve Bank of Australia. In the more immediate term this will deal with emerging risks around property prices, while serviceability criteria will ensure that we do not lurch into excess in risk creation over the medium term as has occurred in the past.

Housing arrears & portfolio performance

S&P SPIN data for November was benign without any real notable change. While numbers are modestly higher than a year ago, this was off an extremely low base. While employment conditions remain solid and rates remain low there is no systematic concern at a portfolio level given the absolute diversity at a program and pool level.

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