

### 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 5<sup>th</sup> anniversary (22.6.23) the manager will help facilitate off market transfers (Application Liquidity) as new applications are received.

### Net Performance

Period	2018-1 Units	RBA Cash Rate Return
3 Month	2.29%	0.37%
6 Month	4.07%	0.75%
9 Month	6.13%	1.12%

### 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](http://www.realminvestments.com.au/media/4)

### Fund Statistics

Running Yield	8.62%
Targeted Running Yield	7.50%
Credit Duration	2.50
Average Credit Rating	BB+
Number of positions	21

### Platform Availability

Managed Accounts      Mason Stevens

## Gross Running Yield\* 8.62%

\*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 30<sup>th</sup> 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.

## 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 75% of the capital series is invested within syndicated warehouse and structured RMBS notes, with approximately 24% 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 2.50 years and a pre fee running yield to maturity of 8.63%.

## Domestic Economic Performance & System Risk

**Realm System Risk Monitor:** The Realm system risk monitor came back to a balanced position over the month. Our monitor expresses over exuberance in the system as a strong positive number and excessive concern as a negative number. Both extremes can be considered problematic for a debt investor. While absolute leverage remains high, the burden of servicing is at near record lows. At the same time we have seen a reduction in speculative lending products and a decline in the rate of growth in household indebtedness. We are also starting to see signs of the rate of property price declines abating.

**Realm Australian Eco Monitor:** Our domestic economic monitor is tracking modestly below trend. This measure has weakened on the back of property prices, retail sales, private sector credit growth and wages all remaining soft or weakening. This is counteracted by employment and biz confidence measures which remain resilient. On balance the data is painting the picture of a soft economy that is seemingly weakening, however equally the data is not bad enough to signal the need for the RBA to act. Our view is that the data does not justify any kind of bias at present. In addition systemic risk to the downside seems to be moderating somewhat also.

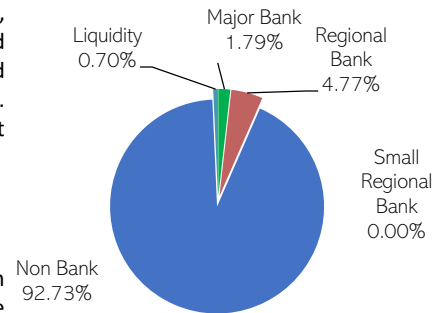
On balance the top down environment continues to be accommodative. While property price weakness is having a meaningful impact on the economy, the various economic counter levers is seeing us remain in balance.

## Housing arrears & portfolio performance

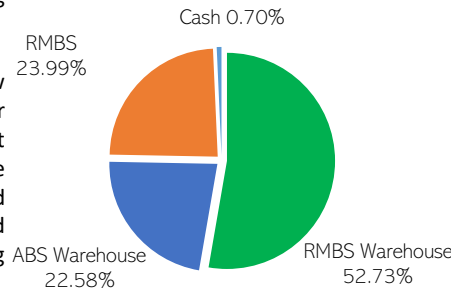
Portfolio arrears increased slightly to 1.56% from 1.33% over the month. RMBS arrears were mainly driven by changes to portfolio composition, but are still well within the bounds of the broader market. As the portfolio continues to mature, a rising arrears profile towards the market is expected, as newly written loans begin to season. We continue to view asset performance as below mid cycle expectations, given our current asset blend.

Moody's reported 30+ day delinquencies increased from 1.49% to 1.58% in Dec 2018 for Australian RMBS, noting its expectations for moderate increases in delinquencies in the coming quarters. As noted last month, we believe positive momentum in both employment and wages growth will continue to drive a reduction in leverage ratios.

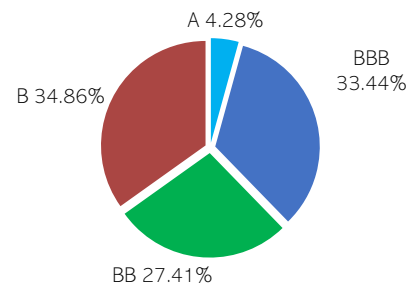
## Portfolio Composition



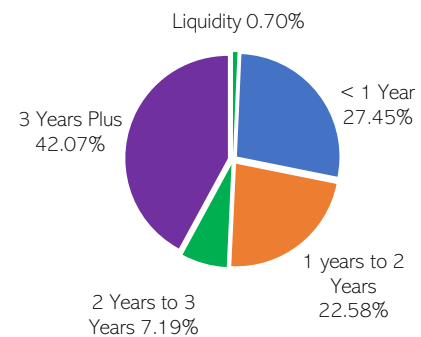
## Asset Type



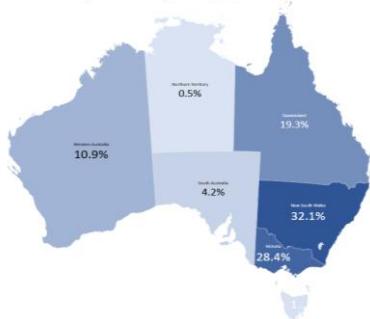
## Credit Quality



## Maturity Profile

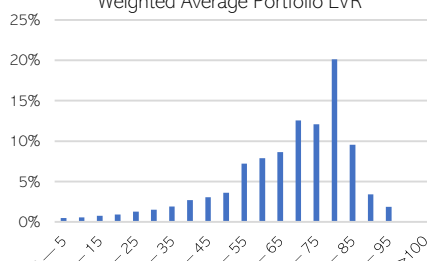


Weighted Average Geographic Exposure



Realm Investment House  
ABN 34 155 984 955  
AFSL 421 336

Weighted Average Portfolio LVR



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