Realm Capital Series 2018-1

May 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.

Net Performance

Period	2018-1 Units	RBA Cash Rate Return
3 Month	1.90%	0.38%
6 Month	3.91%	0.75%
9 Month	6.29%	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 $29 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	8.34%
Targeted Running Yield	7.50%
Credit Duration	2.39
Average Credit Rating	BB
Number of positions	22

Platform Availability

Managed Accounts   Mason Stevens

Gross Running Yield* 8.34%

*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:-

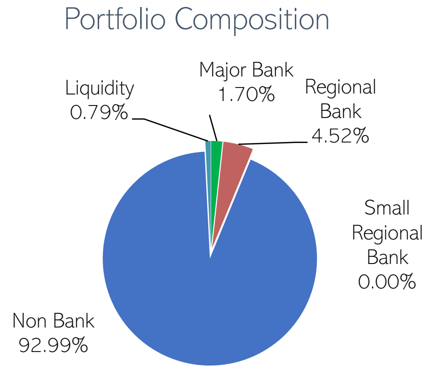
- underlying assets (the mortgages) are security against the drawdown of the facility
- increased level of equity enhancement when compared to securities that trade in the over the counter market
- favourable intercreditor rights
- short credit terms
- additional covenants
- in many instances originator 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.

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

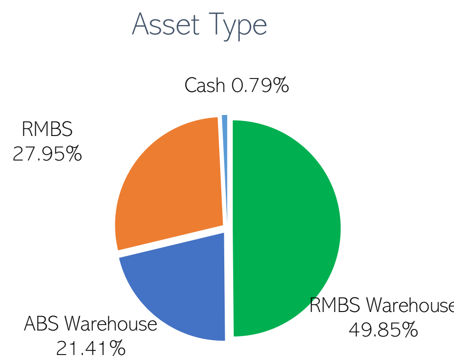
Fund Update

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%.

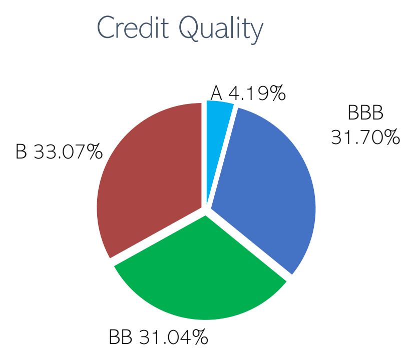


Domestic Economic Performance & System Risk

Realm System Risk Monitor: Our system risk indicator sits at -0.17% rising from -0.40%, this is on the low side of normal. This kind of environment is positive from an underlying perspective in that risk written is better on balance, however equally it speaks to the fact that property prices are moderating. We find that a movement beyond -0.50 generally drives the RBA to adopt an accommodative stance. Over the month the RBA's decision to cut and APRA's decision to look at repealing the serviceability cap(in addition to the negative gearing threat subsiding) were all seen as positives for the property market. We believe that this will likely see the weakness in system loan growth and collateral prices subside which will see our system risk measure rise above zero for the first time since September of 2018. The risk might be that a highly accommodative environment leads to some imbalances occurring down the line, however in the shorter term we believe the impact will be confined to stemming seller capitulation.



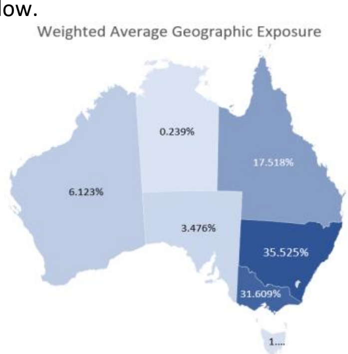
Realm Australian Eco Monitor: Our domestic economic monitor is tracking modestly below trend. This measure has weakened on the back of property prices , retail sales, private sector credit growth and wages all remaining soft or weakening. This is counteracted by employment and biz confidence measures which remain resilient. On balance the data is painting the picture of a soft economy that is seemingly weakening. We would expect the Aussie eco measure to recover as property stabilises and rate cuts drive employment outcomes, we expect this to also be helped with at least one more cut out of the RBA. The risks are global for the most part, however we see our domestic environment as being in a good position to deal with moderate economic global momentum over the shorter term.

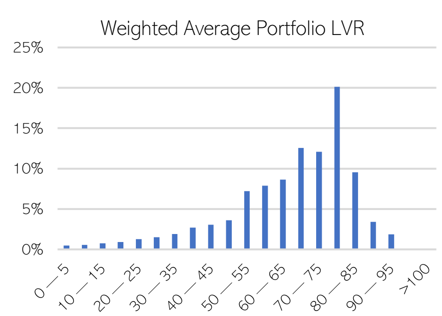


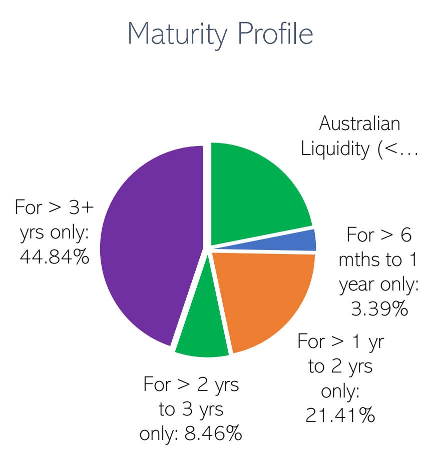
Housing arrears & portfolio performance

Arrears within the portfolio ticked upwards slightly over the month to 1.58% from 1.38%. Bond performance continues to remain stable within the portfolio and well within a normal range.

The S&P arrears index (SPIN) for the month for prime issuance increased slightly (2bps), in line with the same period last year, while non-conforming arrears outperformed the same period last year easing 29bps over the month. On a state basis, arrears in New South Wales and Victoria remained steady, while Western Australia and the Northern Territory slipped slightly. Exposures to these geographies remains limited and closely monitored, as shown in the chart below.







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