

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.

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 | 8.73% |
| Targeted Running Yield | 7.50% |
| Credit Duration | 1.53 |
| Average Credit Rating | BB+ |
| Number of positions | 16 |

Platform Availability

Managed Accounts Mason Stevens

Gross Running Yield*

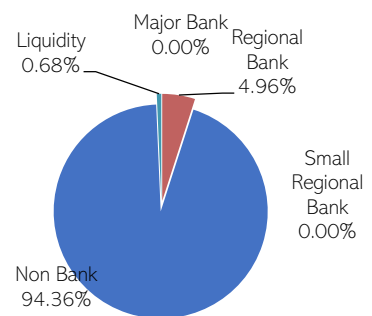
8.73%

Net Performance

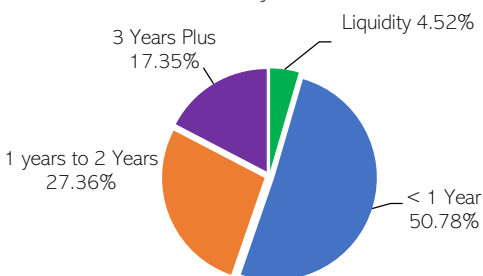
| Period | 2018-1 Units | RBA Cash Rate Return |
|---------|--------------|----------------------|
| 3 Month | 2.11% | 0.38% |

* Past performance is not indicative of future performance.

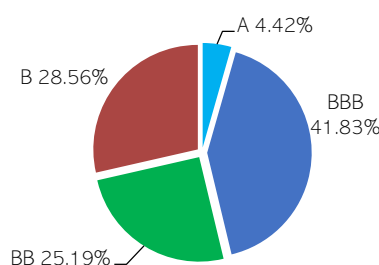
Portfolio Composition



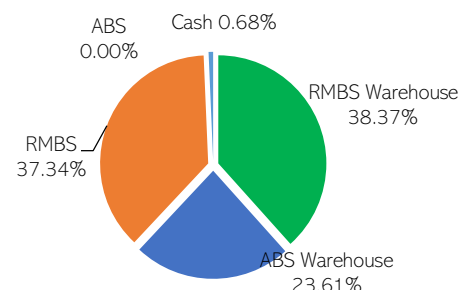
Maturity Profile



Credit Quality



Asset Type



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 80% of the capital series is invested within syndicated warehouse and structured RMBS notes, with approximately 18% 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 1.63 years and a running yield of 8.70%.

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, a NPL is generally managed within the collateral backing of these Syndicated Warehouse Facilities where the total number of NPLs breach a arrears covenant limit, the originator is required to add additional capital to the amount of the breach as equity financing. 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.

Domestic Economic Performance & System Risk

The Realm Investment Team's (Team) Australian top down macro screen dipped into negative territory for the first time in nearly two and a half years. The primary contributing factor comes from softness in the broader housing sector. This is also reflected within our Australian system health monitor which is now beginning to point to downside risks to collateral prices. These indicators are speaking to heightened risk that our economy grows below trend over the medium term, meaning that economic risks are skewed to the downside. Despite this the system remains stable, indeed we would take the view that these developments make a near to medium term rise in interest rates extremely unlikely, when combined with a stable employment environment. This supports the idea that arrears will remain stable in the shorter to medium term. Beyond this we will remain focussed on economic conditions and system risks. Our view being that housing will continue to deliver a down draft to the broader economy.

Housing arrears & portfolio performance

There are challenges on the horizon, with economic momentum remaining soft and the real estate market suffering on the back of wholesale cuts in bank lending levels. We feel that this will inevitably feed into household and small business confidence, as the reality is that the primary residence of Australians acts as a significant source of business collateral as well as a source of stored value for discretionary purchases. That said low interest rates and stable employment conditions, as well as the very low absolute level of arrears means that risks would need to build considerably from here. Tactically speaking regulators would argue that its probably not a bad time to let the heat out given broader economic and interest rate stability. While deleveraging in household balance sheets is on balance a good thing for the system, it will come at the cost of a stodgy economy absent tax concessions or government expenditure. All of that aside, arrears performance of our pools was benign over the month, with no evidence as yet that housing weakness is driving an increase in arrears in our current portfolio.

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