

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 \$23 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 | 8.70% |
| Targeted Running Yield | 7.50% |
| Credit Duration | 1.63 |
| Average Credit Rating | BB+ |
| Number of positions | 15 |

Platform Availability

Managed Accounts Mason Stevens

Gross Running Yield*

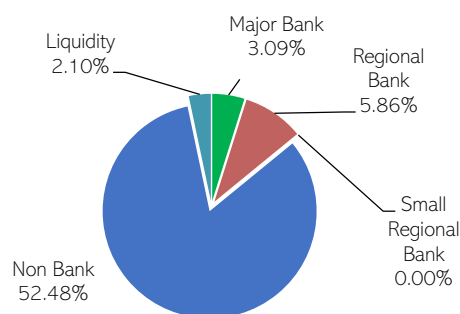
8.70%

Net Performance

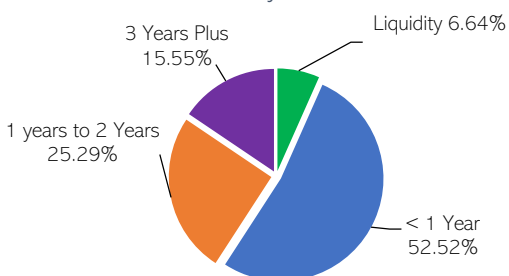
| Period | 2018-1 Units | RBA Cash Rate Return |
|---------|--------------|----------------------|
| 3 Month | 1.99% | 0.38% |

* Past performance is not indicative of future performance.

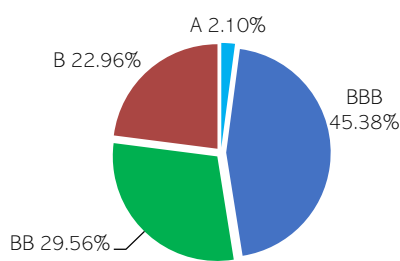
Portfolio Composition



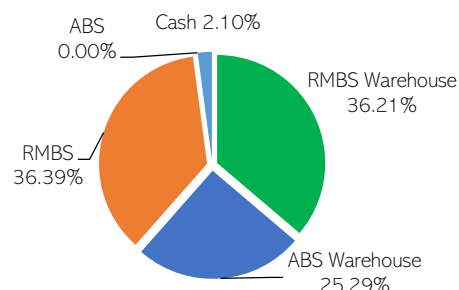
Maturity Profile



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) top down macro screen continues to point to a domestic economy that is growing modestly above trend. This is despite stagnant wage growth and softer private sector investment. The economy could be characterised as stable, not withstanding the impact of macro-prudential and regulatory headwinds. Despite this the Team view the regulatory developments as a net positive for the system and note that the changes are in many ways a necessary action which seeks to pre-emptively stop the formation of risk concentration within the Australian housing market. The Team's Australian system risk monitor which tracks build ups in systemic risk has declined back towards zero. This speaks to the moderation of said systemic risk. This has been driven by a decline in investor, interest only and personal lending as well as weakness in the momentum of household leverage. Despite this, absolute leverage does remain elevated in absolute terms. However, equally the system remains stable and underwriting rigour is improving which mitigates any immediate concerns.

Housing arrears & portfolio performance

On asset performance, our process sees us review arrears performance of all existing holdings across the Realm portfolios on a monthly basis. Put simply there is absolutely nothing coming through in the arrears performance of our current and monitored transactions that is leading us to increase our level of concern. In addition, we continue to see the outperformance of non-banks versus big 4 and regional banks from the perspective of arrears and we are also observing solid performance within non-conforming pools. To re-iterate prior sentiments, we think the focus on improving underwriting and dealing with system imbalances is a positive. While the market will debate whether the regulators have gone too far in crimping credit growth, the fact is it was necessary and will see this part of the economy move in a narrower and more sustainable channel moving forward. As a buyer of systemic risk we view this as a positive development.

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

DISCLAIMER

Realm Investment Management Pty Ltd ACN 158 876 807, a corporate authorised representative (number 424705) of Realm Pty Ltd ACN 155 984 955 (AFSL 421336) (Realm) is the investment manager of the Realm Capital Series Fund (ARSN 624 861 589). One Managed Investment Funds Limited (ABN 47 117 400 987) (AFSL 297042) is the responsibility entity of the Fund (OMIFL). The information contained in this document was not prepared by OMIFL but was prepared by other parties. While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information contained therein cannot be warranted or guaranteed. Anyone reading this report must obtain and rely upon their own independent advice and inquiries. Investors should consider the product disclosure statement (PDS) issued by OMIFL before making any decision regarding the Fund. The PDS contains important information about investing in the Fund and it is important investors obtain and read a copy of the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. A copy of the Ordinary Units and Wholesale Units PDS, Adviser Units PDS, Additional PDS (Dated 12 December 2017) and continuous disclosures may be obtained from <http://oneinvestment.com.au/realm/> or <http://www.realminvestments.com.au/>. Realm believes that the information contained in this document is accurate when issued. Realm does not warrant that such information or advice is accurate, reliable, complete or up-to-date, and to the fullest extent permitted by law, disclaims all liability of Realm and its associates. This document should be regarded as general information only rather than advice. In preparing this document, Realm did not take into account the investment objectives, financial situation and particular needs of any individual person. The information contained in this document must not be copied or disclosed in whole or in part without the prior written consent of Realm, and Realm accept no liability whatsoever for the actions of third parties in this respect. It is presented for informational purposes only and is not to be construed as a solicitation or an offer or recommendation to buy or sell any securities. Any opinions expressed in this document may be subject to change. Realm is not obliged to update the information. The information must not be used by recipients as a substitute for the exercise of their own judgment and investigation. Neither Realm nor any of their directors, employees or agents accept any liability for any loss or damage arising out of the use of all or part of, or any omission, inadequacy or inaccuracy in, this document. OMIFL and Realm do not guarantee the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law, neither OMIFL nor Realm, including their directors, senior executives, employees, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising from the contents of this document. Realm only provides services to wholesale clients, as defined in section 761G of the Corporations Act. Past performance is not indicative of future performance. Information in this document is current as at 30 September 2018.