

Fund Objective

The Realm High Income Fund is a fixed income strategy, that invests in domestic investment grade asset backed securities, bank-issued securities and corporate & government bonds. The objective of the Fund is to deliver investors a consistent return (net of fees and after franking) of 3% over the RBA cash rate through the market cycle.

Net Performance

Period	Ordinary Units (incl. franking)	Wholesale Units (incl. franking)	RBA Cash Rate Return
1 Month	0.30%	0.34%	0.08%
3 Month	2.01%	2.11%	0.28%
6 Months	3.34%	3.55%	0.65%
1 Year	4.50%	4.94%	1.40%
2 Years p.a	3.53%	3.97%	1.45%
3 Years p.a	3.78%	4.23%	1.47%
4 Years p.a	4.12%	4.57%	1.58%
5 Years p.a	3.92%	4.38%	1.71%
Since Inception p.a*	5.02%	4.90%	1.99%

* Past performance is not indicative of future performance. *Ordinary units Inception 26 September 2012. Wholesale units Inception 2 October 2013.

Fund Update

Cash and Short-Term Liquidity Weighting: ↓ Decreased to 15% from 19% as cash was made to work more efficiently without sacrificing liquidity.

Interest Rate Duration Position: ↓ Decrease in IRD positioning to 0.72 from 1.17. A range of geopolitical factors saw rates plummet in the first half of the month, this coincided with a general sell off in risk markets. Our exposure to bonds provided a stabilising impact for the portfolio however as bonds rallied we curtailed our position to reflect the lower absolute levels of rates. Our positioning is at benchmark given portfolio composition. While term premium seems low by historical standards given prevailing market conditions, the environment does remain uncertain with risks skewed to the downside.

Corporate & Subordinated Debt Allocation: ↑ Weighting to corporate and sub debt increased to 40% from 37%. The increase is entirely attributable to corporate bonds, as there was a net decrease in our subordinated-debt holdings. The increase in corporate paper resulted mostly from additions to senior securities. The month of August saw a healthy amount of primary issuance from financials taking advantage of an accommodative environment, with multiple regionals issuing senior paper. We also saw Westpac and CBA issue large USD Tier 2 transactions. The banks have now issued large volumes into the market, primarily relying on USD investors out of Asia. We think the reliance on Asian real money might be problematic down the road, however in the here and now it is allowing the Big 4 to make a reasonable hole in what is a significant funding task. On the corporate front issuance remains anaemic, meaning that when deals do come they are well sought after. We remain constructive on credit given the prevailing rate environment.

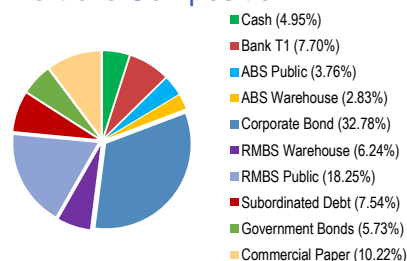
Residential Backed Securities (RMBS): ↑ RMBS increased by approximately 1% over the month, driven by our participation in new public RMBS deals. Market pricing continued to strengthen with strong bids continuing to be seen across the capital structure. With respect to performance, the S&P arrears index (SPIN) for the month showed prime arrears remained in line with last month at 1.11% while non-conforming arrears improved, dropping 25bps to 3.55%. Major bank arrears weakened slightly, increasing from 1.18% to 1.24%, while regional banks improved 5bps to 1.96%.

Fund Statistics

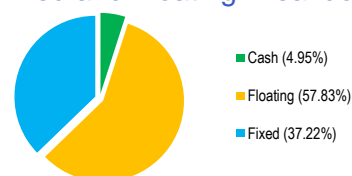
Running Yield	4.63%
Volatility†	0.71%
Interest rate duration	0.72
Credit duration	3.55
Average Credit Rating	BBB+
Number of positions	178
Average position exposure	0.37%
Worst Month*	-0.47%
Best Month*	1.22%
Sharpe ratio [‡]	3.15
Information Ratio [‡]	3.24

Calculated on Ordinary Units unless otherwise stated. *Since Inception 26 September 2012. †Trailing 12 Months Calculated on Daily observations. ‡Since Inception Calculated on Daily observations

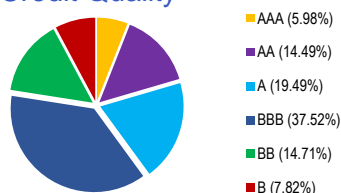
Portfolio Composition



Fixed and Floating Breakdown



Credit Quality



Maturity Profile



Geographically, NSW weakened 2bps to 1.26%, while VIC arrears remained steady at 1.4%. WA saw a slight increase in arrears, 5bps to 3.05%, while the NT continued to improve, falling a further 20bps to 2.90%. All other states improved slightly with the exception of TAS, weakening 7bps to 1.27%

Additional Tier 1 (AT1) Exposures: ↓ AT1 exposures decreased to 7.7% as we continue to lighten our domestic hybrid positions opportunistically. The volatility in this sub sector is more pronounced than higher rated senior paper, hence we have been patient in decreasing our holdings. We have maintained our exposure to Aussie USD T1 assets as they still provide relative over value over domestic securities. We also see the potential for supply to increase as AT1 at current prices could provide a cost effective source of TLAC for our major banks.

Asset Backed Securities (ABS): ↑ Our ABS allocation increased slightly to just over 6.5%.

Targeted risk across the Fund: ↓ Targeted portfolio risk decreased from 1.23% to 1.15%. The movement over the month resulted from the portfolio decreasing its listed hybrid allocations and into higher rated senior paper. The slight decrease in our sub-debt allocation (due to a maturity) also aided in decreasing our targeted risk.

Market Outlook

The month was marked by a cross section of geopolitical factors, which saw expectations around a US and Chinese détente evaporate. The idea that there is a quick solution here is quickly evaporating. The points of disagreement go to the heart of Chinese objectives and the entire system. The circumstances in Hong Kong speak to a cultural disconnect and an absence of alignment that isn't likely to be fixed quickly.

At the same time the vulnerabilities of the soft Chinese underbelly are starting to become evident, with asset performance in their regional banking sector concerningly poor. The likelihood that China could use more inefficient leverage to offset a deepening trade confrontation is a real worry in the medium term.

In Europe data continues to soften, with all eyes on the ECB with a further rate cut and the potential for asset purchases well telegraphed. Europe's bankers are pushing back, pointing to the damaging impact of negative rates on bank profitability as well as its lack of effectiveness in delivering economic outcomes. Unfortunately Europe has little choice given the larger part of the economy remains mired in debt, burdened by unaffordable social safety nets and deteriorating demographics. There are no bright spots, this is likely to see the ECB move its activities to ludicrous speed in an attempt to support asset performance.

Add Japan and India to the pile of economies that are now starting to deliver some troublesome economic output. Global economic momentum has slipped to a post GFC below trend level, despite the fact that US data remains resilient.

This increases the likelihood that central banks will remain active. Despite the protestations that rates are not delivering outcomes, central bankers will continue to cut, with those that can adding asset purchases to the mix. The market seems to have priced this likelihood also, with asset prices remaining remarkably resilient despite the geopolitical risks and economic underperformance.

This will likely support the outlook for risk markets in the shorter term. There are some real risks starting to emerge, however with rates low and heading lower and with defined benefit pensions starting to develop significant funding gaps it is likely that yield will continue to be sought by investors.

Sector Allocation

Sector	Asset Allocation Range	SAA Target
Cash	0% - 100%	10%
Government Bonds	0% - 100%	10%
Corporate Bonds	0% - 60%	10%
Corporate Hybrids	0% - 10%	5%
Bank Tier 1 Hybrids	0% - 25%	15%
Sub Debt Hybrids	0% - 25%	15%
RMBS	0% - 60%	30%
ABS	0% - 20%	5%

Fund details

Distribution Frequency: Monthly

Liquidity: Daily

Buy/Sell: 0.05% / 0.05%

Direct Minimum Investment:

Ordinary Units - \$25,000

Wholesale Units - \$1,000,000

Adviser Units - \$25,000

mFund Units - \$25,000

Inception Date: 26.9.2012

Fund size: AUD \$519 million

APIR Codes:

Ordinary Units - OMF001AU

Wholesale Units - OMF009AU

Adviser Units - OMF0018AU

mFund Units - OMIF1394AU

Management Fees (inc. GST):

Ordinary Units - 1.20%

Wholesale Units - 0.77%

Adviser Units - 0.77%

mFunds Units - 0.77%

Responsible Entity: One Managed Investment

Funds Ltd

Custodian: JP Morgan

Unit Pricing and Unit Price History:

www.realinvestments.com.au/media/4

Platform Availability

- BT Wrap
- BT Panorama
- Credit Suisse
- Crestone
- First Wrap
- Hub24
- Macquarie Wrap
- Managed Accounts – IAS
- Netwealth
- Powerwrap
- Praemium
- uXchange
- mFund Settlement Service - mFund code: RLM03

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