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December 2013 Quarterly Update

Realm High Income Fund Ordinary Class

Fund Statistics as at Dec 2013

Credit Risk	2.96 years
Term Risk	0.19 years
Running Yield	7.60%
Sharpe ¹	5.84
Standard Deviation ²	0.89
Apps/Redemptions	Weekly
Retail Fee	1.20% inc GST
Minimum Inv.	\$25,000
APIR Code	OMF0001AU

Investment Objectives

To deliver regular income, while preserving capital over the medium term. The fund targets a return of 3% over the RBA cash rate after fees through the cycle.

Platform Availability

Powerwrap	OneVue	IAS
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The Realm High Income Fund Ordinary Class ("the Fund") returned 1.90% for the quarter net of fees inclusive of franking. The quarter was particularly eventful from a sector allocation perspective, with the fund maintaining a tactical overweight to cash through October and November. Towards year end we began reducing this overweight, with the fund increasing its allocation to listed debt and capital securities. This was driven by the relative underperformance of listed markets versus over the counter credit markets, providing a strong risk adjusted opportunity.

The Funds **Government Debt** positioning over the quarter was active. In October the Government debt weighting was increased to approximately 9% of fund assets. We removed this position, taking capital gains due primarily to price movement coupled with a continued improvement in economic indicators. As yields rose higher, in late November, we increased the weight again to approximately 11%, before closing the position prior to the FOMC meeting as yields traded lower. The reduction in short positioning coupled with strong relative Australian outperformance versus US bonds drove our decision to close this position.

Corporate Senior Unsecured Credit performed well for the quarter both domestically and overseas. All in all the commencement of the taper was taken in the credit markets stride, which certainly wasn't the case in the dress rehearsal for taper around mid -year. With senior bank spreads sitting around 80 basis points ("bps") and ITRAXX now around the 100 bps, credit markets have enjoyed a quarter where a number of key risks seemingly turned benign. Ultimately this strength was well reflected within spreads. The fund maintains a lower weight towards senior unsecured credit. This is driven by relative value versus asset backed and listed markets. We note however that as these markets outperform this relative value differential becomes less pronounced.

The allocation towards **Asset Backed Debt** has been maintained over the period. This sector has performed well across the whole capital structure, over the last quarter. We feel the quality of risk written remains solid, and while pricing has tightened, current levels could still be characterised as fair.

The **Listed Debt and Hybrid Capital** sector presented particularly good value through the second half of the quarter. New issuance along with a weaker dollar and equity markets drove a moderate widening in margins. This saw Realm's listed debt index decline in value through this period, just as Australia's ITRAXX index rallied through the 100 bps level. The fund was repositioned to take advantage of this occurrence, with our weighting increased to approximately 35% as at quarters end.

Performance	One Month	Three Month	Six Months	One Year
Fund Return ³	0.94%	1.85%	4.13%	8.32%
Fund Return including Franking ⁴	0.94%	1.90%	4.29%	8.65%
RBA Cash Rate	0.21%	0.62%	1.28%	2.74%
Excess Performance vs RBA Cash Rate	0.73%	1.23%	2.85%	5.58%

¹Is a measure of risk-adjusted performance and is calculated by subtracting the risk-free rate (RBA Cash Rate) from the rate of return for the Fund and dividing the result by the standard deviation of the funds returns.

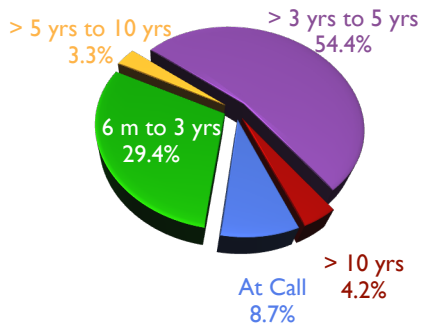
²A measure of volatility, variability or dispersion around a return series.

³The Responsible Entity (One Managed Investment Funds Limited) and the Investment Manager provide no guarantee or assurance as to the future performance of the Fund. Accordingly, the Responsible Entity recommends that prospective investors obtain and read a copy of the PDS for the Fund before deciding whether to invest in the Fund.

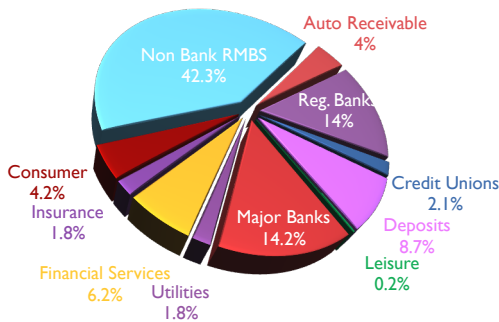
⁴Returns inclusive of franking credits are calculated by attributing a cash value to each franking credit. Figures including franking credits should not be relied upon an exact indication of performance or be compared to returns of other managed funds which do not include amounts for franking credit. The level of franking distributions may vary. Past performance is not a reliable indicator of future performance. The total net fund returns shown are prepared on the mid unit price basis (i.e. they include ongoing fees and expenses). They do not take your personal taxation into account. The returns do not take your personal taxation position into account.

Contact Us: Should you have any questions or comments relating to fund performance or positioning, Wholesale Investors and Advisor can contact Realm Investment House on 03 9008-7290 or by email at admin@realminvestments.com.au. Retail Investors should contact their advisor or One Investments on info@oneinvestment.com.au or 02 8227 0000. A Product Disclosure Statement is available from the Trustee, One Investment, or can be obtained upon request by email from admin@realminvestments.com.au.

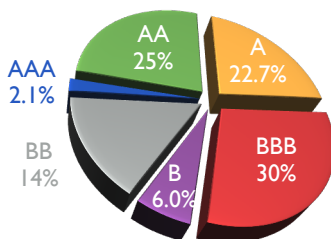
Term Allocation



Sector Allocation



Credit Quality



Fund Outlook: At the commencement of 2014, what is clear is that the myriad of risks that beset the markets last year, be they economic or geopolitical, seems to have been largely mitigated or temporarily avoided. The impact being that the credit market moves into the year in a buoyant mood. The relatively benign and calm near term outlook is something of a recent abnormality, this was punctuated by the manner in which the market adjusted to the commencement of the tapering of the Federal Reserve's asset purchase program, and has been further supported by the continued recovery in economic data in the US, Japan, China the UK and of course here domestically.

All of that said, market performance in general can very often be counter-intuitive, while the last twelve months was driven by data which beat very low expectations, the coming year sees us starting from a point of relative comfort perhaps bordering on complacency, meaning that negative surprises have the potential to drive more significant underperformance.

Our outlook for 2014 could be characterised with one word, "fluid". This recognises the confluence of factors, many of which are contradictory. On one hand we have a number of economies improving off low bases, we have improving confidence that is driving a virtuous circle in confidence and is belatedly bleeding into consumer and corporate behaviour and markets that could only be characterised as buoyant, on the other hand we have the unresolved European crisis, plausible concerns relating to Chinese growth and credit quality, an enormous monetary experiment in Japan, the withdrawal of monetary accommodation in the US coupled with budget cuts and an Emerging World that is wrestling with the effect of a resurgence in the US dollar and US yields.

Going into 2014 the Australian environment provides similar challenges. There are a number of diverging outcomes possible. If the Asian century hits a significant road bump in the current year, lower rates could almost be assured, as would a significant rally in long term yields. On the other hand if global risks remain benign, we could see the narrative dominated by domestic data. For example if recent property price rises drive an increase in permits and construction development and the early year momentum in retail sales continues, you would be hard pressed to argue that the rate cutting cycle has not run its course. This is based on an expectation that lower rates continue to drive asset price outperformance, with the gains most evident in residential property prices.

One observation we would make is that household P&L's as well as our poverty line are particularly vulnerable to the effects of higher asset prices (rental and interest expense). This effect will be compounded if any rise is not compensated for by a commensurate increase in Average Weekly Earnings (as was the case over the last decade).

On our own positioning, the Fund strategy maintains the flexibility necessary to navigate this type of environment. The funds investment allocations will continue to be driven by value for risk approach, in addition to the forward looking risk assessment which remains central to our deliberations as an investment management team. .

Disclaimer

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