

Fund Objective

The Realm High Income Fund is a fixed income portfolio, 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	-0.33%	-0.30%	0.13%
3 Month	-0.52%	-0.41%	0.38%
6 Months	0.49%	0.70%	0.75%
1 Year	1.33%	1.77%	1.50%
2 Years p.a	2.39%	2.84%	1.50%
3 Years p.a	3.55%	4.00%	1.58%
4 Years p.a	3.33%	3.79%	1.71%
5 Years p.a	3.92%	4.39%	1.87%
Since Inception p.a*	4.80%	4.55%	2.06%

* Past performance is not indicative of future performance. *Ordinary units Inception 26 September 2012.
Wholesale units Inception 2 October 2013. Adviser Units Inception 8 September 2016

Fund Update

Cash and Short-Term Liquidity Weighting: → Remained in line with month prior sitting at approximately 25%.

Interest Rate Duration Position: ↓ Our Interest rate duration positioning reduced from 0.3 of a year to 0.2 of a year over the month. We saw a strong rally in government bonds globally. It is impossible to ascertain how much of this is made up of safe haven buying driven by weakness and volatility in risk markets and how much of it is a function of a collapse in economic expectations. As things stand future implied interest rate probabilities derived from the US futures market indicate that by end 2020 the prospect of a cut in the US is approximately 10 times higher than the probability of a hike (30% vs 3.4%). If we were to purely assign the move over the last 2 months to the real economy, you would argue that the bond market is almost certainly calling for a recession in 2020 (perhaps as early as end 2019), however its more likely that this move has been exacerbated by week year end liquidity combined with significant volatility in risk markets. On this basis we have modestly reduced our interest rate exposure.

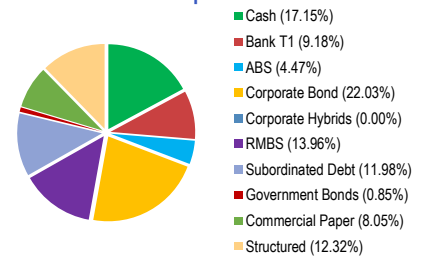
Corporate & Subordinated Debt Allocation: ↑ Increased by 5% to 35% at month end. As credit continued to deteriorate and liquidity dried up into the holidays we purchased a range of Australian corporate names in USD over this period, including QBE, Ausnet, Newcrest, Woodside, Macquarie Bank, BHP and Bluescope. USD markets underperformed AUD markets yet again, with US 5 year BBB corporate bonds now yielding 0.26% more than Aussie BBB corporate bonds on a hedged basis (historically US credit has traded at a healthy discount). Even though we own Australian assets, the fact that they are in USD, see's them move in line with US credit markets (rather than Australian markets), this has been the primary contributor of portfolio weakness over the month. The only thing stopping Australian credit sitting wider, is the absence of any meaningful corporate issuance. We are underweight AUD credit for this reason, and deem it to be very expensive on a relative basis versus the USD market. We feel our corporate unsecured portfolio is well positioned across a range of quality Australian names in USD. Current holdings within our corporate allocation present strong value and position the fund well to meet its objective over the coming year.

Fund Statistics

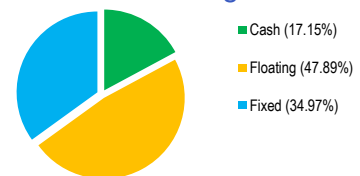
Running Yield	5.23%
Volatility†	0.45%
Interest rate duration	0.20
Credit duration	3.13
Average Credit Rating	A-
Number of positions	158
Average position exposure	0.36%
Worst Month*	-0.47%
Best Month*	1.22%
Sharpe ratio [‡]	2.75
Information Ratio [‡]	2.82

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

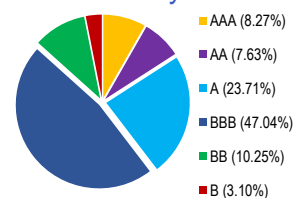
Portfolio Composition



Fixed and Floating Breakdown



Credit Quality



Maturity Profile



Residential Backed Securities (RMBS): → RMBS remained static at 26% over the month. RMBS performance is generally heavily influenced by movements in financial credit spreads. While highly rated bank debt is weaker today than it was a month ago, in general this sub-sector has outperformed. All things being equal we would expect RMBS to move wider through 1H 2019, unless there is an improvement in sentiment. Our RMBS allocation is well positioned for this kind of a turn, with only 13% of the RMBS portfolio sitting in public RMBS with a maturity of greater than 12 months. Another 7% of the RMBS allocation matures in the next 12 months, meaning that any weakness will see positions re-set at higher yields.

On performance of underlying asset pools, we have seen close to 25 transactions and close to 70 securities upgraded by rating agencies over the last quarter. We expect this theme to continue into the coming year, despite concerns around property prices and the potential for moderate economic weakness. This speaks to the high amount of credit support provided to RMBS transactions over the last three years, which underpin these rating increases, and is also evidence that the growth in non-bank lending is backed by well capitalised structures.

Additional Tier 1 (AT1) Exposures: ↑ We made a modest increase to our AT1 allocation going from 8.5% to 9.2%. We increased our USD AT1 exposure by adding to our ANZ and QBE holdings. As mentioned in previous monthly notes, our exposure in this sector is held through USD markets, which have meaningfully underperformed Australian listed tier 1 securities. We assess Australian USD markets as cheap, while we view listed AT1 securities as expensive, especially when reconciling the risks around franking credits and changes relating to distribution rules.

Asset Backed Securities (ABS): ↑ Allocation increased to a little under 5%. We like ABS as an asset class. Pools are made up of liabilities which pay down quickly and deliver a healthy yield.

Targeted risk across the Fund: ↑ Portfolio risk increased from 0.93% to 0.98%. Credit markets have weakened materially over the last three months, with the market moving from fair to modestly cheap.

Market Outlook

A risk off month on all fronts, with S&P 500 off near 10%, Volatility indices higher and credit markets weaker, meanwhile government bonds have enjoyed a very strong rally which has carried into January.

This has been reflected in our quarterly performance numbers which came in at - --%. This is despite risk being at or even a touch under benchmark. That said we have used this weakness to build our risk positions, and retain ample risk budget and liquidity to continue to increase our portfolio exposure if markets weaken further. The nature of the strategy sees us buy at times of heightened volatility, as these are the times where liquidity and market premiums are highest, this generally creates a degree of volatility in the strategies returns over short periods as the portfolio is repositioned for growth, which is what is occurring now.

We believe the portfolio is well positioned, we maintain the ability to increase risk further, however equally with a yield to maturity of approximately 5.2% the portfolio is also well positioned to deliver on its stated objectives of 3% over cash through the cycle.

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

Inception Date: 26.9.2012

Fund size: AUD \$426 million

APIR Codes:

Ordinary Units - OMF0001AU

Wholesale Units - OMF009AU

Adviser Units - OMF0018AU

Management Fees (inc. GST):

Ordinary Units - 1.20%

Wholesale Units - 0.77%

Adviser 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 IDPS
- Managed Accounts – IAS
- Netwealth
- Powerwrap
- Praemium
- mFund Settlement Service - mFund code: RLM01

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