Realm High Income Fund

February 2016

Investment Objective

- Provide a Net Return of 3% over cash.
- Preserving the value of your investment.

Net Performance

Period	Ordinary Units (incl. franking)	RBA Cash Rate	Excess Return (incl. franking)	Wholesale Units (incl. Franking)
1 Month	0.10%	0.16%	-0.06%	0.13%
3 Months	0.02%	0.49%	-0.47%	0.14%
6 Months	0.93%	0.99%	-0.06%	1.17%
1 Year	1.96%	2.05%	-0.09%	2.42%
2 Years p.a	3.89%	2.27%	1.62%	4.36%
3 Years p.a	5.34%	2.40%	2.94%	N/A
Since Inception p.a*	5.63%	2.49%	3.14%	4.91%

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

Fund Statistics

Running Yield	4.67%
Volatility*	1.19%
Interest rate duration	0.37 years
Credit duration	3.28 years
Average Credit Rating	BBB+
Number of positions	67
Average position exposure	1.49%
Worst Month*	-0.47%
Best Month*	1.12%
Sharpe ratio*	2.64
Information Ratio*	2.66

Calculated on Ordinary Units unless otherwise stated
*Since Inception 26 September 2012

Fund Update

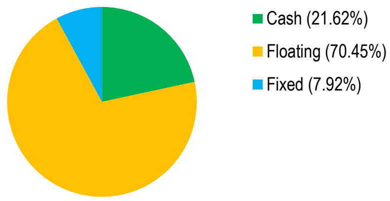
Our **cash** weighting increased to 22% as at the end of February. We saw a reduction in our RMBS and ABS allocation, and a moderate increase in hybrids and corporate bonds.

Our **fixed rate** exposure ended the month close to zero, with most of our fixed rate exposure hedged. We were active through the month, using government bonds as our first line of defense against negative market movement. We maintained a long position between 6 months to a year for the majority of the month. Positive attribution to our government bond exposure of 14 basis points, being a key in delivering a positive portfolio return in very weak market for credit. Fundamentally speaking, rates remain expensive based upon our stochastic modelling, to the tune of approximately 0.2 to 0.3% at the long end of the curve. We continue to manage our allocation to rates dynamically in an opportunistic manner.

For the third month in a row, our **corporate bond allocation** experienced the greatest amount of activity. In the previous month, we noted that we had taken a conviction position to the debt of the resource sector, through the purchase of senior corporate debt in BHP and Rio Tinto, as well as taking an overweight position to the subordinated debt of BHP, this decision had been funded through the reduction of our subordinated debt exposure to Australian banks. Over the month, resource allocation added approximately 0.29% just as the Bank sub debt market plunged by almost -1.5%. By the end of February, we had reduced our resource allocation by approximately 2.5%, and had re-invested these proceeds into the bank subordinated debt market. The corporate market is presenting the best value since fund inception. The market's reaction to disappointment or credit rating action is to sell assets at levels that could be described as distressed. The reason is simple enough, there is a vacuum in liquidity for any uncertainty on a name basis. Credit managers sell the rumor and buy the fact, leading to herding and risk concentration. Our approach is contrarian, our size and commitment to cap our strategy allows us to engage using smaller parcels. This is consistent with the views of the BIS and the current regulatory narrative, that liquidity is horrible the larger the trade parcel and better for smaller parcels. This is deliberate on our part and allows us to stay active, opportunistic and deal with a mercenary intent in how we deal with the market for the benefit of our clients.

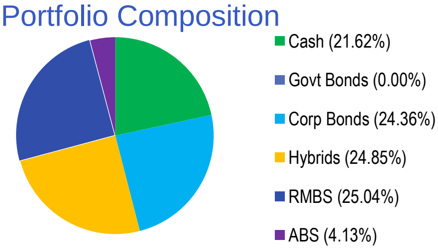
Our **Hybrid allocation** increased moderately, taking a small allocation to the new CBA issue. With the majority of the big 4 bank issues trading comfortably north of 5% over the bill rate, we are more than comfortable in maintaining our view and positioning. Our conviction is based on our own fundamental modelling, our proprietary approach is used in assessing the risk for return in all of our investable markets. However, hybrids is the one area where market dynamics and the motivation of participants drive price. With liquidity and supply having done its worst over the last two years in particular, we can focus on where the risk is priced and perhaps even anticipate a reversal in supply side pressures as banks and regulators rethink where our biggest banks source their Additional tier 1 capital from. In the meantime the spreads are at levels that would drive us to maintain our allocation just on the basis of their yield to call.

Fixed and Floating Breakdown



The fixed rate exposure is calculated based on the portfolios interest duration expressed as a percentage of the Bloomberg 0+yr Composite Bond Index.

Portfolio Composition



Sector limits

	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%

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APIR Code: OMF0001AU- Retail
APIR Code: OMF0009AU-Wholesale

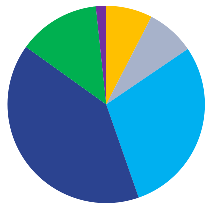
Fund Update Continued

Our **RMBS** allocation has declined from 38% to 25% over the last quarter. Our decision to reduce our exposure was driven by the majority of RMBS buying being driven by major banks funding their own liquidity books. As banks filled up their capacity, their incentive to remain active participants has waned leaving a significant vacuum. Couple this with broader credit market weakness and the result was somewhat inevitable. The RMBS market has gotten off to a very slow start in 2016. We feel current spreads are cheap fundamentally, but fair when the liquidity considerations and the regulatory environment is considered. We are happy enough with the sector at current spreads and are likely to now maintain if not increase our exposure from here, depending on new issuance, risk and price.

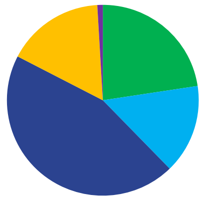
Our **ABS** allocation reduced from 6.8% to 4.1% over the month. There was no concerted effort on our part to reduce the allocation, rather it was driven by market demand for some of our assets. These positions were divested profitably, and provided a positive attribution to the fund.

Portfolio insurance was driven through the use of our government bond allocation over the month. Despite strong negative price action in equity markets over the month volatility remained subdued, this was anomalous given the broader market weakness.

Credit Quality



Maturity Profile



Fund Outlook

Australia's benchmark CDS index widened by another 20 basis points over the month, primarily due to weakness within senior bank credit. Our biggest banks saw their spreads blow out by as much 0.40% through February (translates to a 2% reduction in price), with spreads ending 0.35% higher as at the end of Feb. For context, major Australian bank spreads are trading at levels seen during the onset of the Lehman brother failure and the worst of the Euro crisis. Indeed, credit markets have been on balance weaker than other markets, and are reflecting rising concerns relating to solvency in various markets and economic activity. Over the month, concerns relating to China remained front of mind, in addition to rising concerns relating to the European Tier one and subordinated debt market.

Our macro top down monitors continued to paint a picture of a very weak environment. The epicenter of weakness remains China and a number of emerging markets, especially those that are commodity focused in their economic output. Meanwhile, European economic indicators have begun to deteriorate also, after what had been a reasonably solid six-month period. Countering that we have seen the US economy hit a purple patch into the end of February, as consumption and wages started to counteract some of the weakness in manufacturing and services. Indeed, our short term indicators are illustrating that short term US economic momentum is as strong as it has been in some time. We will watch with interest as to whether these gains are consolidated, however what it does tell us is that the US is likely to outperform.

Our top down market monitors meanwhile are painting a picture of a market that is adequately pricing the prevailing risks, with credit and equity indices, rates markets, commodity markets and global bank equity performance all showing signs of weakness if not distress. Indeed, our aggregate investment committee score is as high as it has been in the funds life, despite the anemic economic environment.

The credit market has been rather responsive to the new status quo. For us right now, the numerous dislocations at an issuer and sector level present opportunity, the key being the avoidance of the losers, of which there will be many. A number of markets will face elevated default rates in the year to come, which means that a focus on balance sheet integrity and corporate buffers is key in assessing opportunity. For our part, we feel the current environment is a positive one, in that it presents an opportunity for the fund to allocate meaningfully across all of the funds target sectors, in particular corporate credit. Spreads are at levels that would allow the fund to meet its return target of 3% over cash by simply taking a passive approach, this has been a rarity over the funds life and illustrates the value presented by a number of our target markets at present. In these kinds of conditions, the focus is on taking the right risks with the objective being positioning the fund to exceed its return target over the medium term.

Fund details

- Distribution Frequency: Monthly
- Liquidity: Daily
- Ordinary Units Management Fee: 1.20% (inc. GST)
- Wholesale Units Management Fee: 0.77% (inc. GST)
- RE: One Managed Investment Funds Ltd
- Custodian: JP Morgan
- Unit Pricing: www.oneinvestments.com.au/Realm
- Unit Price History: www.realminvestments.com.au/media/4

Platform Availability

- BT Wrap
- Macquarie Wrap IDPS
- Powerwrap
- Hub24
- IAS
- UBS
- Credit Suisse (HSBC)
- CFS FirstWrap (Private Label)
- Netwealth (Private Label)
- Praemium

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