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June 2013 Quarterly Update

Realm High Income Fund

Fund Statistics as at June 2013

Credit Risk	1.56 years
Term Risk	1.90 years
Running Yield	7.18%
Sharpe ³	4.63
Standard Deviation ⁴	1.04
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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Fund Review: The fund maintained its positive momentum delivering 2.27% inclusive of franking and net of fees for the quarter. In many ways the quarter was a tail of two halves. The period through to the middle of May saw performance driven by a strong positive re-rating of the portfolios conforming RMBS assets, listed securities and a tactical government bond position. This strength presented an opportunity to reduce total credit exposure, through selling outright and repositioning into shorter dated maturities. In addition the government bond position was closed off in April. This positioning was critical in minimising the impact of broader credit and interest rate market under-performance on the portfolio. The Realm High Income Fund did in-fact deliver a positive number of 0.52% in the month of June, which was a very good result versus both broader market indices and the funds peer group.

Market Review: The first half of the June quarter continued on with the trend of stronger markets and lower yields. Inevitably perhaps this may have signalled the peak in effectiveness of Quantitative Easing ("QE"). The reversal was driven by a number of factors including Japanese long bond yields almost doubling, Chinese interbank rates skyrocketing and finally the US Federal reserve announcing the intent to taper and eventually end QE. Compounding all of this, the Bank Of International Settlements challenged the effects of unconventional monetary policy, by stating that in some countries, central banks had done as much as they could do. To touch on Europe, peripheral economic data has outperformed recently (to the surprise of many), however the environment remains politically unstable and equally the enormous sum of financial sector debt remains an unresolved issue. The decision to formalise Eurozone bail in rules is also worth noting, with Euro bank credit/deposit investors now on notice, that implicit government support for their banks is being challenged. Domestically, the Asian centric nature of concerns in the month of May saw Australian equity markets, commodities and the Australian dollar sell off heavily. Australian credit markets also started to reprice reflecting this broader concern. In terms of economic data here in Australia, on balance, figures have moderated with GDP, house price indices and construction numbers under-shooting, although the greater concern remains the outlook assuming a Chinese hard landing. The confluence of factors will make the next quarter particularly interesting to manage, with interest rate and credit markets in a state of flux globally. At a minimum the threatened withdrawal of Fed liquidity will make it hard to restrain US credit spreads in the short term, this has the ability to be further exacerbated by European political brinkmanship or deterioration in North Asian credit markets.

Performance	One Month	Three Month	Six Months	Since Inc 26 Sep 12
Fund Return ¹	0.52%	2.22%	4.02%	5.97%
Fund Return including Franking ²	0.52%	2.27%	4.19%	6.13%
RBA Cash Rate	0.22%	0.70%	1.44%	2.29%
Performance vs Cash Return	0.30%	1.57%	2.75%	3.84%

¹Unaudited performance – in calculating the NTA, RHIF asset values have been calculated using unaudited performance estimates for the month being reported. Past performance is not a reliable indicator of future performance. The Responsible Entity (One Managed Investment Funds Limited) and the Investment Manager provide no guarantee or assurance as to the future performance of the RHIF. The portfolio returns data in this table relates to a period of less than 12 months. ASIC Regulatory Guide 53 states that data relating to a period of less than 12 months will usually be insufficient to assist prospective investors to make a decision as to whether to invest in an investment vehicle. 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 RHIF.

²Returns 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.

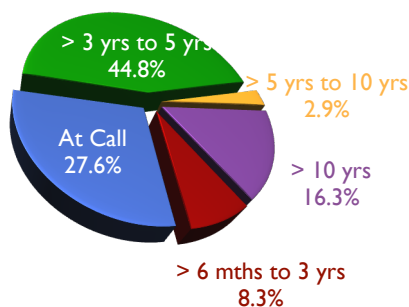
³Is a measure of risk-adjusted performance and is calculated by subtracting the risk-free rate (RBA Cash Rate) from the rate of return for the fund and dividing the result by the standard deviation of the funds returns.

⁴A measure of volatility, variability or dispersion around a return series.



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.

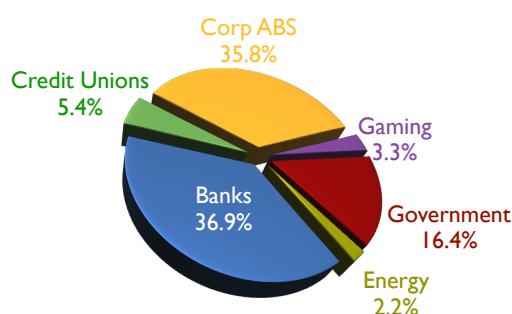
Term Allocation



Fund Outlook: The June sell off in credit has seen Australian senior credit spreads widen by approximately 40 to 50 basis points, while the Credit Default Swaps of big four Australian Banks subordinated debt widened from 109 to 190 over swap. This has presented an opportunity to reduce the fund's overweight cash position. The dynamic of higher long term rate volatility in the US will be a particular headwind to their credit markets, which will in all probability bleed into Australian spreads given the importance of the US Capital Markets to Australian bank and corporate borrowers.

In Hybrid markets, recent volatility combined with issuance in the month of July can be expected to push yields to more attractive levels. Our security selection will continue to be driven by relative value. In the Asset Backed Securities sector we liquidated our conforming mortgage backed security exposures over the last quarter on the back of strong performance that saw spread tighten from 4.50%, to in some cases to less than 3.00% over the bank bill swap rate. Our view is that there has been complacency building into this part of the market, both in terms of issue quality and pricing.

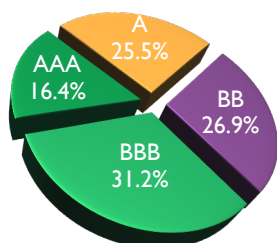
Sector Allocation



The funds high yield allocation is now largely invested. Our objective within this portion of the portfolio is to target strong returns with a yield to maturity focus. The high yield allocation is subjected to a rigorous solvency and structural screen. This generally leads us to focus on identifying and working with counter-parties who understand how to issue into this market. The key is building relationships with groups that can be responsive to our needs and preferences around how risk needs to be structured and maintain a reasonable understanding around how assets are priced.

At a portfolio level, recent market weakness is a positive given the funds defensive positioning at quarter end. This has provided the opportunity to deploy cash at higher yields. While Macro concerns remain front of mind, prices are presenting much better value than was the case through the last quarter. All of that said we expect that yields will grind higher by virtue of real money redemptions and increased long bond volatility in the US, however we expect this to be more gradual in the absence of any European or Northern Asian shocks. In many ways the long end of the US Treasury curve becomes the most important number in the market over the coming quarter and as a consequence US economic data is absolutely front and centre in terms of its ability to impact long term rates and credit.

Credit Quality



Neither the European or Asian concerns seem to be troubling market too much at the time of writing, rather the major focus remains US data and its ability to foreshadow a quicker Fed exit. All of this illustrates why being responsive to the macro environment will be fundamentally important to performance over the coming quarter, however equally as credit sells off and yield improves the motivation to get invested also increases.

In terms of the tactical allocation to government bonds within the portfolio, we note that the holding maintains a primary purpose of protecting the portfolio against sell offs in credit. Equally we recognise that the trading range in long bonds globally has moved to a higher yield range, with the expectation being that this trend will continue. That said government bonds remain a useful instrument in protecting the portfolio against credit market under-performance, however we do note that the new prevailing trend in bonds means that the timing decision is more critical than it has been more recently.

Disclaimer

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