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June 2014 Quarterly Update

Realm High Income Fund Ordinary Class

Fund Statistics as at Jun 2014	
Credit Risk	2.70 years
Term Risk	0.14 years
Running Yield	6.70%
Sharpe[1]	5.51
Standard Deviation[2]	0.97
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

The Realm High Income Fund Ordinary Units ("the Fund") returned 2.21% for the quarter net of fees inclusive of franking. The Fund progressively reduced its cash weighting over the quarter back to 15% while also reducing its exposure to listed hybrid markets (from 8 to 2%), proceeds were allocated to investment grade corporate debt and higher rated, seasoned investment grade RMBS and AAA ABS securities.

The increased allocation to credit was driven by the our view around the likely positive impact on asset prices by Central Bank actions (in this case the ECB) in addition to the absence of any evident near term negative catalysts.

The Funds **Government Debt** exposure for the quarter was minimal. We maintain a view that bearishness relating to the US economy has fuelled increased conviction around the lower rates for longer trade. As things stand we maintain that a bearish outlook is largely priced as at quarter end yields. As such we do not foresee an increase in the allocation on basis of value at current rates.

The Fund increased its **Corporate Bond** exposure by 9%, all investments were at a BBB to A rated attachment point. Security selection was dictated by our value for price methodology. These holdings benefited off the general outperformance of credit markets over the quarter, this was particularly evident in the strength of the unlisted Bank and Insurance subordinated debt securities.

The Funds **Asset Backed** exposure increased from 3.1% to 7% over the quarter. All securities purchased were shorter maturity AAA names.

Our Australian **RMBS** exposure over the quarter increased substantially from 32 to 45%. Increased exposure was taken in older seasoned non-bank deals. Our view was that strength in the property price movement has acted to enhance collateral value which wasn't properly reflected in prevailing secondary pricing. This increase has been tactical in nature and can be expected to revert back to our targeted strategic weighting of 30% as this cycle matures. This thematic overweight has been a strong contributor to fund total performance over the quarter.

The Funds **Listed Debt** (hybrid) exposure was reduced to 2% (from 8%) over the quarter. In our last quarterly we stated that the market was expensive and likely to get dearer given market dynamics around TD's and the secondary market performance of new issues, however equally we felt that new levels increased downside exposure and had impacted the sub-sectors value for price rank, as at 30 June little has changed apart from this market becoming dearer still.

Performance	One Month	Three Month	Six Months	One Year	Since Inc[5] 26th Sep 2012
Fund Return[3]	0.69%	2.21%	3.80%	8.09%	8.03%
Fund Return including Franking[4]	0.69%	2.21%	3.84%	8.26%	8.22%
RBA Cash Rate	0.20%	0.62%	1.23%	2.53%	2.74%
Excess Performance vs RBA Cash Rate	0.49%	1.59%	2.61%	5.73%	5.48%

[1]Is 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.
[2]A measure of volatility, variability or dispersion around a return series.
[3]The 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.
[4]Returns 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.
[4]Returns are annualised since inception.

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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 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.

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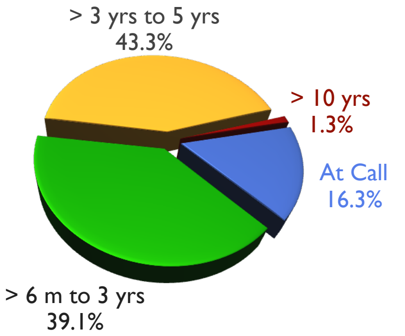
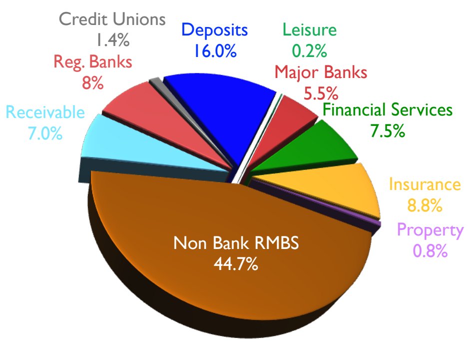
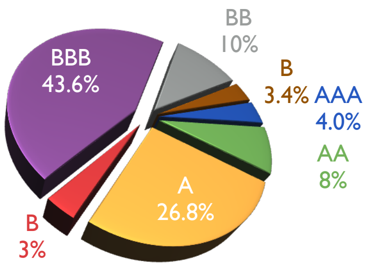
Term Allocation



Sector Allocation



Credit Quality



Fund Outlook: The third quarter commences with risk markets having performed particularly well. Credit, Equities, Emerging markets, Carry currencies like the AUD have all performed strongly just as levels of volatility have plummeted. Over the quarter the big news related to the ECB negative rate announcement which was targeted at punishing dormant inactive savings and bank balance sheet liquidity. More stick than the US QE carrot however the net impact was largely similar with interest rate term and credit risk premium compressing to reflect the impact of a reach for yield. The other story over the quarter has been that of USD weakness which has largely been the consequence of the market re-adjusting its long term expectations for the US economy. In short lower US rates for longer has seen the furious re-engagement of carry driven risk positions which has seen bonds, credit, equities, EM currencies/bonds all deliver strong performance over the quarter. The correlation between bonds and risk markets is reflective of the good news bad news theme which sowed the seeds of the Taper tantrum last year.

In the case of China, confidence around the peoples bank's ability to manage a myriad of credit related issues remains high (a source of concern in itself). That said data did on balance beat broader estimates convincingly over the last quarter.

Here in Australia the economy as expected has deteriorated from the levels reached as at March quarter end, with employment, investment and trade balances reflecting a softening of the broader environment. In relative terms however the Australian economy continues to perform well, that said a strong Australian dollar and weakening bulk commodity prices have the ability to present headwinds.

The Fund's total credit exposure was increased over the quarter as central bank comments and actions coupled with the absence of any evident near term negative catalysts provided an environment that was generally supportive for credit. That said asset price strength coupled with plummeting volatility across various markets and the rally in longer term rates has acted to increase our state of awareness. While low volatility and rising correlations between certain markets do not necessarily point to an imminent decline, they do provide an indication that an event (be it unforeseen or anticipated) has the ability to drive a larger down side movement in prices. In this case what lower volatility also means is that the cost of protecting a portfolio has also decreased, thus allowing the ability for the use of insurance to reduce or offset risk exposure.

As such while the portfolio's total market exposure has increased versus last quarter, so too has the use of cross asset hedges which generally benefit from a deterioration in risk and rate markets. The Fund remains underweight its sub investment grade allocation at 14.5%, meanwhile portfolio yield to maturity has reduced moderately to 6.27% , reflecting portfolio performance and a re-weighting of the portfolio to higher rated exposure (portfolio weighted credit rating of A-). Portfolio credit duration stands at 2.75 years with interest rate duration at approximately 2 months. The fund is dynamically managed and positioning is largely a function of perceived value and risk at any point in time. From that perspective the Fund is currently well positioned to deliver its return objective while maintaining contingent cover directed at protecting against negative market events.