Realm Investment House
Suite 3, Level 6, 443 Lt Collins St, Melb VIC 3000
T 03 9008 7290
Enquiries: admin@realminvestments.com.au
www.realminvestments.com.au

Realm High Income Fund Ordinary Class

Fund Statistics as at Mar 2014	
Credit Risk	2.42 years
Term Risk	0.12 years
Running Yield	7.07%
Sharpe[1]	5.70
Standard Deviation[2]	1.02
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 1.6% for the quarter net of fees inclusive of franking. The Fund maintained a defensive posture over the quarter, with market exposure actively reduced in the second half of January. At call liquidity increased from 8% at the beginning of the quarter through to 38% at the beginning of March and currently sits at approximately 29% at quarter end.

The increase in cash was driven by a rising concern relating to the Chinese credit conditions, as well as geopolitical risks relating to the Ukraine and the strong outperformance of the listed debt and capital securities markets, which drove a reduction in this exposure on basis of value.

The Funds **Government Debt** exposure for the quarter was minimal and did not contribute meaningfully to the return. While bonds remain expensive, we have opportunistically purchased small amounts of exposure on weakness, ultimately the potential for stronger than anticipated data to drive a more meaningful sell off has led to our activity in the space remaining restrained.

The Fund did increase its **Corporate Bond** exposure over the quarter. More specifically the Bendigo and IAG over the counter Tier 2 issues were both purchased and we added to this exposure during the quarter. In addition, the Fund participated in two syndicated secured investment grade corporate bonds. These decisions were made on the basis of value for price. This also coincided with a relative deterioration in value in listed debt securities markets.

The funds **Asset Backed** exposure sits at approximately 36%, down from 46% in December, and being as low as 20% for the quarter. Shorter dated securities were turned over and reinvested into to vintage issuance from the 2012 and 2013 years, which has of-course benefitted from the recent strength in collateral (house) prices. While RMBS issuance has been limited year to date, we note that recent issuance has printed at tighter margins. Despite this on a relative basis asset backed paper continues to present, in our opinion the best risk adjusted source of yield within the domestic market.

The Funds **Listed Debt** (hybrid) exposure sits under 8% as at quarter end. On a relative basis, the sector currently is as expensive as it has ever have been in the Funds life. Prices have been underpinned by a cross section of fundamental drivers including, a stronger equity market which has driven the substitution trade, lower Term Deposit yields driving a search for yield and strong performance of primary issuance feeding into the book builds for the last four listed issues having scale backs. As things stand these dynamics remain in place, which speak to the sub sector continuing to find support , however equally we note that current valuations expose investors to the potential of increased volatility and not insignificant mark to market movements.

Performance	One Month	Three Month	Six Months	One Year	Since Inc[5] 26th Sep 2012
Fund Return[3]	0.54%	1.56%	3.43%	8.10%	7.84%
Fund Return including Franking[4]	0.54%	1.58%	3.47%	8.30%	8.04%
RBA Cash Rate	0.21%	0.61%	1.24%	2.61%	2.78%
Excess Performance vs RBA Cash Rate	0.33%	0.97%	2.23%	5.69%	5.26%

[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.

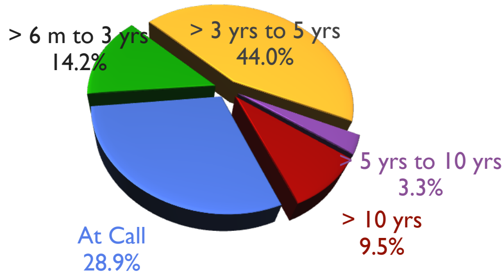
REALM investment house

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.

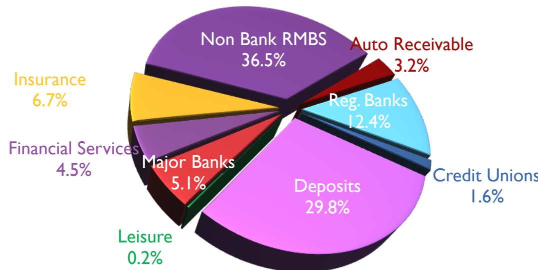
Realm High Income Fund Ordinary Class

March 2014 Quarterly

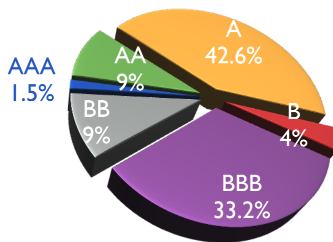
Term Allocation



Sector Allocation



Credit Quality



Fund Outlook: As at the last quarterly we noted the relative strength of data versus expectation across the board and pointed to the counter-intuitive nature of positive surprises. This dynamic continued to hold true with a significant soft patch in the Global Economies two growth engines, more specifically the US and China.

In the case of the US the lofty expectations of January have been replaced by a mixed picture, with expectations heavily reduced and the potential for an upside surprise now receiving only a token probability. This was exacerbated by comments and forecasts out of the US Federal Reserve which seemed to imply that the first rate rise could be expected as soon as this year. It is our view that all of this is currently priced within rate and risk markets, potentially providing the impetus for relative strength on any upside surprise.

China has driven greater concern for credit investors more generally, given the issues relating to systemic solvency, and was compounded by the worst patch of data versus expectations since May of 2012. This was reflected through a widening in general credit spreads, equity and property market weakness, and increased interbank rate volatility. As things stand it is clear that managing the dual objective of promoting rational behaviour among investors while maintaining confidence in the system is anything but a simple exercise.

Australia has been the unquestionable outlier from a data perspective as a broad range of key indicators meaningfully exceeded expectations. This has been driven by rate cuts and property price strength. The one observation that we would make however is that the data and the relative positivity of the market is largely a function of what has been. All things being equal we anticipate that the economy will remain well supported by monetary policy settings, with the threats stemming from the performance and stability of our two largest trading partners (China and Japan). As far as the Hedge fund community is concerned Australia remains the favoured derivative to reflect a negative China view, as such we can expect to see our markets continue to be impacted by China specific news.

As far as Japan and Europe, both markets have been particularly benign in terms of price action. On data the European economy continues to broadly meet very low expectations, which has driven significant spread tightening.

As thing stands the fund is well balanced, with the key active positions being the overweight in cash holdings. The fund also maintains less that 14% in the sub-investment grade allocation of the portfolio. The weighted credit rating of the portfolio is at BBB+ and portfolio Yield to maturity stands at approximately 6.7%. The portfolio maintains credit duration of approximately 2.3 years and interest rate duration remains below two 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 ample liquidity to take advantage of any weakness.

Disclaimer

In preparing this report we did not take into account the investment objectives, financial situation and particular needs of any individual person. Investors should consider, with or without the assistance of an advisor, whether the information is appropriate in the light of their personal financial circumstances. Past performance is not a reliable indicator of future performance. Realm Pty Ltd ACN 155 984 955 AFSL 421336 (Realm) believes that the information contained in this document is accurate when issued. Realm does not warrant that such information or advice is accurate, reliable, complete or up-to-date, and to the fullest extent permitted by law, disclaims all liability of Realm and its associates. Realm only provides services to wholesale clients, as defined in section 761G of the Corporations Act. Information in this document is current as at 31 December 2013 and is provided by Realm. The document is intended solely for licensed financial advisers or other wholesale clients. This document should be regarded as general information only rather than advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain the relevant Product Disclosure Statement (PDS) relating to the Fund and consider that PDS before making any decision about the Fund. The information contained in this document must not be copied or disclosed in whole or in part without the prior written consent of Realm, and Realm accept no liability whatsoever for the actions of third parties in this respect. It is presented for informational purposes only and is not to be construed as a solicitation or an offer or recommendation to buy or sell any securities. While due care and attention has been exercised in the preparation of the information, Realm gives no representation or warranty, either express or implied, as to the accuracy, completeness or reliability of that information. Any opinions expressed in this document may be subject to change. Realm is not obliged to update the information. The information must not be used by recipients as a substitute for the exercise of their own judgment and investigation. Neither Realm nor any of their directors, employees or agents accept any liability for any loss or damage arising out of the use of all or part of, or any omission, inadequacy or inaccuracy in, this document. Neither One Managed Investment Funds Limited (OMIFL) ABN 47 117 400 987 AFSL 297042 nor Realm guarantees the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law, neither OMIFL nor Realm, including their employees, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this document. Past performance is not indicative of future performance.