Realm High Income Fund

November 2014

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	0.51%	0.20%	0.31%	0.55%
3 Months	0.91%	0.62%	0.29%	1.03%
6 Months	2.44%	1.25%	1.19%	2.69%
1 Year	6.64%	2.50%	4.14%	7.16%
2 Years p.a	6.90%	2.64%	4.26%	N/A
Since Inception p.a*	7.43%	2.69%	4.74%	6.69%

*Ordinary units Inception 26 September 2012. Wholesale units Inception 9 October 2013

Fund Statistics

Running Yield	6.08%
Volatility**	0.98%
Interest rate duration	0.49 years
Credit duration	3.24 years
Average Credit Rating	A-
Number of positions	43
Average position exposure	2.33%
Worst Month*	-0.11%
Best Month*	1.12%
Sharpe ratio**	4.89
Information Ratio**	4.93

*Based on ordinary units ** Blended measure across both unit classes

Fund Update

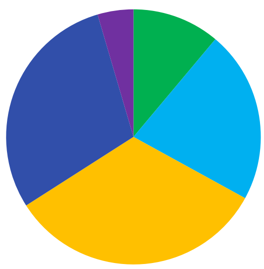
Small increase in **Cash** weighting over the month from 8% to 11%, primarily driven by a reduction in hybrid and corporate bond exposure.

Government Bonds continue to price in a more negative environment than consensus forecasts with flow factors including BOJ asset purchases and ECB action highly likely to suppress yields in the shorter to medium term. This has been reflected with Australian 10 year yields rallying more than 20 basis points over the month. We also saw strong performance from peripheral European debt while core markets like Germany saw their 10 year get to Japanese type levels at 0.69%. Conversely, US rates underperformed buoyed by higher US expectations. The fund increased its interest rate exposure from 0.21 to 0.5 of a year in the middle of the month, with additional long exposure taken through long US 10 year bond calls. Our positioning remains relatively neutral, recognising the powerful forces at play from the perspective of flow and demand, while also recognising that fundamentally speaking, bond markets are pricing in something worse than the bottom end of forecasts.

Corporate Bonds allocation decreased from 27% to 21% over the month, this was a consequence of the divestment of our entire Tier 2 exposure. Of the sold down sum, approximately 10% was re-allocated into Senior Unsecured Bank debt in the names of CBA, Westpac, NAB and ANZ, thus improving aggregate portfolio credit quality from BBB+ to A-. This decision was driven by a building view that new global regulatory standards will drive a need for systemically important banks to increase exposure to debt with a loss absorbing trigger. These global standards are likely to bleed through to our own big 4, seeing an increase in supply in same or similar types of bank liabilities which in turn could put pressure on prices. While implementation of these standards is not until 2019, we believe Banks will act in earnest.

Hybrid allocation was reduced by a little over 4% for the month. The sale of ANZPA, WBCPC and the heavy reduction in our ORGHA stake around the middle of the month as prices peaked drove the reduction. In the second half of the month, we established a position within CBAPD and added to our WBCPD holdings as the hybrid market weakened. As at month end, pricing levels remain attractive. The weakness in equity markets seemed to restrain hybrid performance into month end, which is generally the normal response, be it through an impact to confidence or as a result of investors switching out of hybrids and into lower equity prices. Technical factors aside, on a price for risk basis we remain comfortable retaining our near term tactical overweight under current conditions. However, we are equally poised to reduce our exposure back to our strategic benchmark on strength.

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%

Fund Update Continued

RMBS exposure increased from 23% to approximately 29% at month end. The recent reduction in our weighting has reflected rating changes around Lenders Mortgage Insurance, leading to downgrades in certain parts of the RMBS market. The net impact of these changes is that securities with the same amount of credit support now support a lower credit-rating. This has in turn lead to higher yields. We have purchased into this weakness by allocating to two notes within the most recent Progress Trust Deal (Loans originated by AMP Bank). We purchased exposure at the AA and A attachment points at attractive spreads. We have often noted to our clients that credit investing is often about "selling the rumour and buying the fact" (or buying in once news is priced). Our increased weighting reflects this ideology. We feel the idiosyncratic nature of the ratings changes and their impact on price presents an opportunity to build our allocation to higher rated paper. We are likely to increase our allocation to Bank issued paper further, as we view the recent widening in spreads as episodic.

ABS exposure increased slightly via an investment into the Fleet Partners originated Turbo deal. The A rated note printed at approximately 250 over bills. The note is underpinned by a cross section of operating and novated lease to a cross section of large corporate and SME's. The A2 note benefits from over 17% in hard subordination and generous excess spread.

We remain reasonably fully invested and as a consequence, we maintained a level of active insurance within the portfolio. Given our view around directional market strength, the most cost efficient approach to protecting our credit exposure was achieved through increasing our interest rate duration at a portfolio level. This was augmented by a healthy allocation to US 10 year Treasury call options.

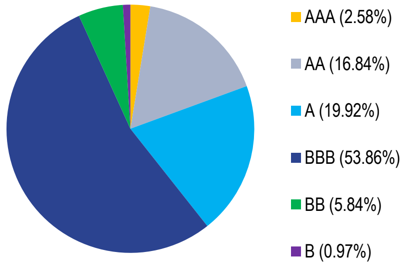
Fund Outlook

Through November, we saw the bulls bolstered by further action and rhetoric out of the ECB; increase in Japanese asset purchases and a cut in Chinese rates. On the whole, these changes were received positively in global credit and equity markets. However, there has been one clear and broad exception - commodity markets are in the midst of a bear market, as supply side dynamics coupled with genuine concern around demand begot a correction that progressively deepened. When discussions around commodities descend into an examination of the cost curve you know things are serious. The nature and composition of the ASX has seen our bourse impacted more than most, with bell-weather names moving into territory last seen at the end of 2008. The fair question is what does it mean? On face value if prices persist, business models will be challenged and sectors will be rationalised, with high cost and unconventional producers needing to batten down the hatches to survive. Beyond the obvious impact to corporate's, sovereigns that are highly reliant on hydro-carbon revenues will see budgets blow out. For some such as Venezuela, it could prove to be a disaster, for burgeoning industries like US shale a protracted period of weakness could also be quite negative, while for the cheapest producers on earth (Saudi Arabia, the other Gulf States and Russia) the near term inconvenience could be more than offset by increased market power if we see a meaningful reduction in higher cost capacity.

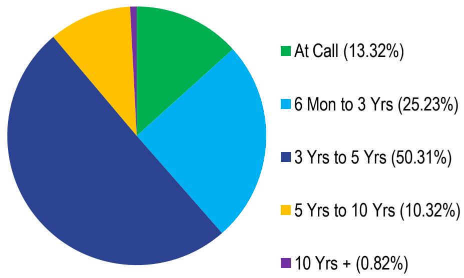
The impact on the portfolio is largely technical. We maintain a small exposure to ORGHA, which is holding its own, outside of that we expect a weak equity market will impact hybrid securities to a greater degree than other parts of the credit complex, as investors switch into risk at lower prices. That said, we remain comfortable with the risk at current market prices. We note the spread between Tier 1, 4 year paper and bank senior remains as wide as we have seen it in over two years.

Beyond that the focus is on regulatory action, with the FSI due imminently. The portfolio has been largely positioned to anticipate increasing costs of capital, however it goes without saying that tactical positioning will be comprehensively reviewed upon the upcoming release date. Murray has hinted on a number of things from increased Core Equity needs, to standardisation of risk weights. We also note that the FSB's release around systemically important banks may also be foreshadowed within recommendations. Overall we believe that the impact of the inquiry should be positive for credit in the medium to longer term, even if it gives rise to technical pressures in the short term. As stated the portfolio has been largely positioned in anticipation of this.

Credit Quality



Term Sheet



Fund details

- Distribution Frequency: Quarterly
- Liquidity: Weekly
- Ordinary Units Management fee: 1.20% (incl. GST)
- Wholesale Units Management fee: 0.77% (incl. GST)
- RE: One Managed Investment Funds LTD
- Custodian: JP Morgan
- Unit Pricing: www.oneinvestments.com.au/Realm

Platform Availability

- Powerwrap
- IAS
- UBS
- Credit Suisse (HSBC)
- CFS FirstWrap (Private Label)

Contact: ECS Investment Partners

Andrew Seddon
VIC/TAS/SA/WA
aseddon@ecsip.com.au
0417 249 577

Adam Coughlan
NSW/QLD/ACT
acoughlan@ecsip.com.au
0418 653 560

Realm Portfolio Managers

Andrew Papageorgiou
andrew.p@realminvestments.com.au
(03) 9008-7292

Rob Camilleri
rob.c@realminvestments.com.au
(03) 9008-7291