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

September 2013 Quarterly Update

Realm High Income Fund

Fund Statistics as at Sep 2013	
Credit Risk	3.42 years
Term Risk	1.45 years
Running Yield	6.97%
Sharpe[1]	4.88
Standard Deviation[2]	1.12
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

Fund Review: The September quarter end marks the one year anniversary of the Realm High Income Fund ("the Fund"). In its inaugural 12 months the fund returned 8.61% inclusive of franking credits net of fees. The underlying result is solid and has exceeded the fund objective which is to deliver a return of 3% above the cash rate net of fees through the cycle. Additionally we note that the return has been achieved at a relatively low level of volatility. In the first 12 months the Fund's lowest return was 0.54% (March 2013) with the highest being 1.12% (April 2013) all inclusive of franking credits net of fees.

For the quarter ending the September 2013 the Fund returned 2.34% inclusive of franking credits net of fees. Returns over the quarter were underpinned by a very strong period for listed debt securities and our decision to increase the allocation to Australian Government bonds as yields increased going into the month of September. The strength in listed markets has allowed us to take profit and reduce total hybrid exposure, while the strength in bond markets in the second half of September has driven our decision to make a moderate reduction to this allocation as we approached the end of the quarter.

Market Review: The quarter was dominated by anticipation of the Federal Reserve's tapering decision. More specifically when would the Fed begin to reduce its purchases of US Government and mortgage bonds and by how much? Over the quarter US 10 year bond yields increased from approximately 2.5% to almost 3% as at early September, in addition the un-intended consequences of tapering became clearer as Emerging markets experienced significant outflows which raised broader concerns around global growth. On the flip side, Europe has been benign for most of the quarter, the Chinese hard landing talk has dissipated and Larry Summers decision to exit the race for the Fed chairmanship has increased the probability that Janet Yellen would be appointed (a noted dove). The end of the quarter has been marked by more US budget shenanigans as well as concerns relating to Italian Government stability.

As is generally the case, there is no shortage of risks going into the end of the calendar year. While the primary concern remains taper and the potential for a US Government shut down, we note that Europe as an issue remains unresolved, that the Chinese have walked away from their muted credit market reforms for the moment and that increased volatility within long term bond yields has complicated the economic outlook of emerging markets.

While central banks and governments alike have done a tremendous job keeping markets relatively calm over the last three months, this may become increasingly difficult going into year end. In this context we have little choice but to maintain a cautious approach, in full recognition that while things have remained calm, markets and economies remain fragile.

Performance	One Month	Three Month	Six Months	One Year
Fund Return[3]	0.91%	2.24%	4.52%	8.34%
Fund Return including Franking[4]	0.98%	2.34%	4.66%	8.61%
RBA Cash Rate	0.20%	0.65%	1.36%	2.91%
Excess Performance vs RBA Cash Rate	0.78%	1.69%	3.30%	5.70%

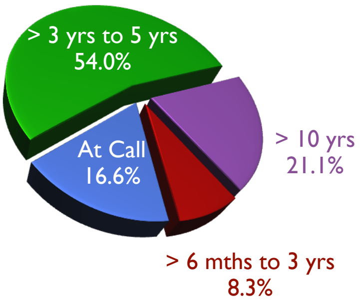
[1]Is a measure of risk-adjusted performance and is calculated by subtracting the risk-free rate (RBA Cash Rate) from the rate of return for the Fund and dividing the result by the standard deviation of the funds returns.
[2]A measure of volatility, variability or dispersion around a return series.
[3]The 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.

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.

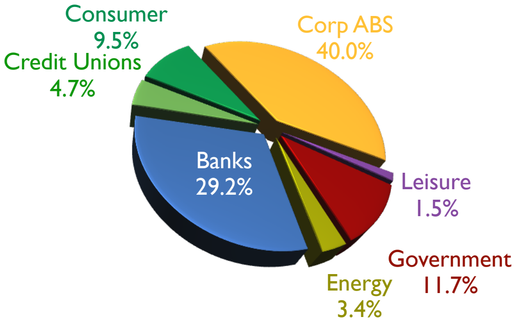
Realm High Income Fund

September 2013 Quarterly

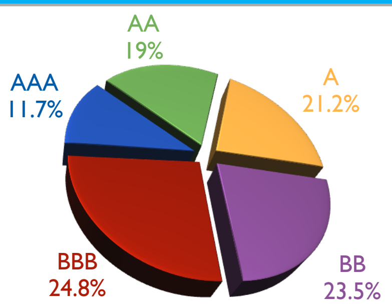
Term Allocation



Sector Allocation



Credit Quality



Fund Outlook: Domestic credit has performed solidly over the quarter. Spreads have for the most part tightened across the board, pushing some parts of the market to levels that could be considered relatively expensive, especially in the context of an environment that remains uncertain. The combination of a lower cash rate and a relatively benign credit environment acted to drive the whole of the retail hybrid security market to the tightest levels of the last twelve months. This outperformance was particularly evident in tier one bank securities which were well bid, with investors faced with risk free rates which are challenging the ability, of especially retirees, to meet income requirements off a risk free rate of return. It is unlikely that listed debt markets will back up and match last quarter's performance given where spreads have dropped to. That said in the absence of a broader credit sell off it is hard to see this market weakening meaningfully from here given where domestic cash rates currently sit.

The Fund increased its exposure to unlisted corporate debt over the last quarter. The value within this sector is by no means broad based, however pockets of good relative value still exist. We will continue to review opportunities on a case by case basis, we note that of the new, corporate unsecured non-bank issuance over the last quarter only one security met our risk/return requirements. We accept that a broader sell off in credit markets is required for us to be able to increase our total allocation to the sector.

On RMBS, issuance has been solid with spreads for the most part remain in line with the levels of the last quarter. We note with interest APRA's comments around the pressure on issuers to drive lending growth in an environment of low rates and benign credit growth. The concern of the regulator is that quality suffers to accommodate growth. This can manifest itself in a deterioration of loan pool quality. Realms value for price approach does test and contrast for quality which increases the compensation required as the risk inherent within loan pools increase. In addition to this, all investable pools must have the capacity to survive a severe economic event at a minimum. All of that said we feel that the domestic environment remains robust and despite all that has been made about the potential of a housing bubble forming here domestically, we feel an environment of lower rates and higher asset prices will underpin the loan market in the near term. For the current circumstance to reverse we would need to see credit quality decline, lending volumes increase and household savings go back into deficit.

In terms of government bonds, we note that our total exposure increased as yields rose and the tapering debate reached a crescendo going into the September FOMC meeting. Our view was and remains that the US economy is ill equipped to withdraw interest rate support from the market and point to US corporate revenues, long term mortgage rates and the broader under-employment numbers as evidence. While bonds have rallied strongly off their high in yields, we feel that as at quarter end there remains some justification for maintaining an allocation to the sector.

Over the coming quarter we will continue to focus on what has served us well over the first year of the funds life, being a focus on managing portfolio positioning in light of looming macro and environmental risks while maintaining our security selection approach which seeks to invest within sectors and securities which present the best relative risk adjusted value.