

# Realm Short Term Income Fund

## February 2018



### Fund Objective

The Realm Short Term Income Fund seeks to produce a return (net of fees) that exceeds the total return of the RBA Overnight Cash Rate by 1.50%-2.00% p.a. over rolling three-year periods.

### Net Performance

Period	Ordinary Units (incl. franking)	RBA Cash Rate Return
1 Month	0.28%	0.11%
3 Month	0.75%	0.37%
6 Month	1.45%	0.74%
12 Month	2.76%	1.50%
Since Inception	2.82%	1.50%

\* Past performance is not indicative of future performance. \* Ordinary units Inception 21 December 2017.

### Fund Update

**Cash and Short-Term Liquidity Weighting:** ↑ Cash and short dated liquidity increased from 28% to 33%, this was driven by paydowns and maturities.

**Interest Rate Duration Position:** → 0.11 years. The strategy will maintain interest rate duration of approximately 3 months as an average. However, the manager can increase interest rate exposure to as high as 1 year under certain conditions. The strategy will as a rule only take modest interest rate risk.

**Corporate & Subordinated Debt Allocation:** ↓ Reduced to 39% over the month due to a handful of portfolio maturities. There was some switching around in short dated senior financial paper, however none of it meaningful.

**Residential Backed Securities (RMBS) & ABS:** → Holdings of RMBS and ABS remained static over the months, as paydowns and maturities were replaced with ABS exposure and some short dated RMBS. We continue to expect busy issuance in 2019 with three new deals issued into the Australian market over the month and several others sounding. We believe this will allow us to replace maturing paper with new issuance at attractive levels.

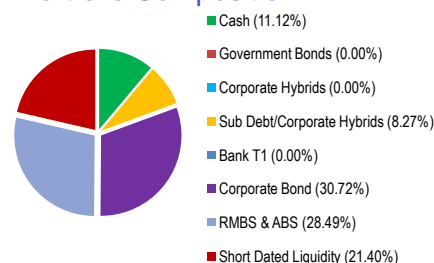
**Targeted risk across the Fund:** ↓ Targeted portfolio volatility reduced to 0.55% from 0.60%. The portfolio remains defensively positioned, despite this the fund returned 0.57% over the last two months, after having delivered solid returns into the volatile last quarter of 2018. This is evidence that the strategy is well designed in that it delivers a reasonable premium over cash while maintaining a very tight distribution of returns month on month.

### Fund Statistics

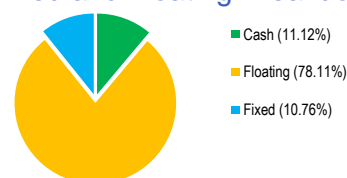
Running Yield	3.86%
Volatility†	0.14%
Interest rate duration	0.11
Credit duration	1.35
Average Credit Rating	A
Number of positions	54
Average position exposure	1.61%
Worst Month*	0.19%
Best Month*	0.28%
Sharpe ratio <sup>o</sup>	22.79
Information Ratio <sup>o</sup>	22.90

Calculated on Ordinary Units unless otherwise stated. \* Since Inception 26 September 2012. † Trailing 12 Months Calculated on Daily observations. <sup>o</sup> Since Inception Calculated on Daily observations

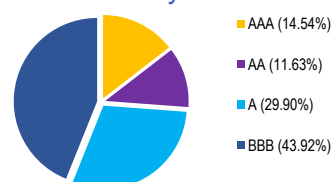
### Portfolio Composition



### Fixed and Floating Breakdown



### Credit Quality



### Maturity Profile



## Market Outlook

The Realm Short Term Income Fund is a short duration low volatile strategy, providing sector diversity coupled with weighted credit duration of less than 1.5 years. In addition, an investment grade only credit quality limit will act to minimise portfolio volatility even during periods of heightened credit volatility.

While the portfolio can increase and decrease aggregate risk, this is managed in a tight band. The focus being on maintaining a competitive rate of return versus term deposits while guarding the portfolio against volatility and liquidity risk.

In instances of market volatility, investors will find that the portfolio will perform adequately with draw down risk mitigated by tight portfolio limits and portfolio diversity. The last quarter of 2018 being a case in point.

Moving to markets now financial conditions continue to ease, this has been particularly evident within credit markets. Inter-bank lending spreads and USD cross currency basis indicates that the funding stress that was evident through most of 2018 now seems to be reversing.

We spoke previously around the change in narrative in interest rate expectations and central bank accommodation, with the market now firmly of the view that rates will not rise (despite record low term-premia in the bond market). In addition the Chinese decision to increase liquidity to the debt market has seen Chinese on-shore credit perform very strongly, the conventional view being that this will bleed into other jurisdictions such as Australia. Positivity could be further supported by the increasingly likely US/China trade resolution.

On the flip-side there are still a range of concerns that need to be closely followed: Brexit, a deteriorating economic environment in Europe, and Chinese growth downgrades chief among them.

The Realm Short Term Fixed Income Fund's key focus is the preservation of capital. As such the strategy will generally outperform median credit managers in periods of weakness while still providing a competitive income return in periods of strength.

## Sector Allocation

Sector	Asset Allocation Range	SAA Target
Cash	10% - 100%	10%
31 Day Notice Account	0% - 20%	10%
Government Bonds	0% - 90%	0%
Corporate Bonds	0% - 40%	25%
Sub Debt/Corporate Hybrids	0% - 20%	10%
RMBS & ABS	0% - 30%	25%
Short Dated Liquidity	0% - 60%	30%

### Fund details

**Distribution Frequency:** Monthly

**Liquidity:** Daily

**Buy/Sell:** 0.00% / 0.00%

**Direct Minimum Investment:**

Ordinary Units - \$25,000

mFunds Units - \$25,000

**Inception Date:** 12.12.2017

**Fund size:** AUD \$64 million

**APIR Codes:**

Ordinary Units - OMF3725AU

mFunds Units - OMF8160AU

**Management Fees (inc. GST):**

Ordinary Units - 0.33%

mFunds Units - 0.39%

**Responsible Entity:** One Managed Investment Funds Ltd

**Custodian:** Mainstream Funds Services Pty Ltd

**Unit Pricing and Unit Price History:**

[www.realminvestments.com.au/media/4](http://www.realminvestments.com.au/media/4)

### Platform Availability

- Hub24
- Powerwrap
- mFund Settlement Service - mFund code: RLM02

Realm Investment House  
ABN 34 155 984 955  
AFSL 421 336

Level 17  
500 Collins St  
Melbourne VIC 3000

Email: [clientservices@realminvestments.com.au](mailto:clientservices@realminvestments.com.au)  
Website: [www.realminvestments.com.au](http://www.realminvestments.com.au)  
Tel: 03 8560 7297

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