Realm Short Term Income Fund

July 2019

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	RBA Cash Rate Return
1 Month	0.34%	0.09%
3 Month	0.87%	0.32%
6 Month	1.78%	0.68%
12 Month	3.19%	1.44%
Since Inception	3.02%	1.46%

* 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 decreased from 40% to 35%.

Interest Rate Duration Position: → 0.10 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: ↑ An increase from 32% to 35%. No major movements in this sector other than regular optimisation of the book. The corporate book is very conservatively positioned in short dated senior paper of Australian ADIs, these assets experience very low levels of relative market volatility.

Residential Backed Securities (RMBS) & ABS: ↑ Increased approx. 2% over the month. Strong issuance was seen with a non bank, two regional banks and a major bank all printing into a well bid market. The structured credit portfolio maintains an A+ rating and a weighted average credit duration of 1.94 years. Broader market performance was solid over the month, with S&P arrears index (SPIN) for prime issuance falling 2 bps to 1.11%. Non-conforming arrears also trending down from 4.11% to 3.80%.

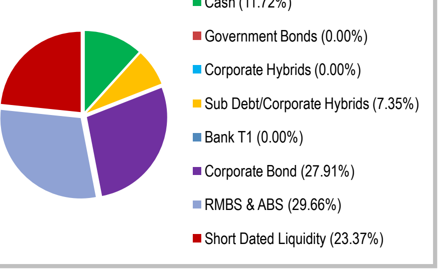
Targeted risk across the Fund: ↓ Targeted risk decreased slightly to 0.39%. The portfolio remains defensively positioned, and despite this the fund has met its return objective over the last 12 months delivering 3.19% after fees. This is evidence that the strategy is well designed, and that it delivers a reasonable premium over cash while maintaining a very tight distribution of returns month on month.

Fund Statistics

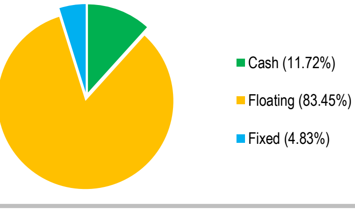
Running Yield	2.99%
Volatility†	0.14%
Interest rate duration	0.10
Credit duration	1.48
Average Credit Rating	A
Number of positions	59
Average position exposure	1.49%
Worst Month*	0.20%
Best Month*	0.34%
Sharpe ratio∂	25.15
Information Ratio∂	23.03

Calculated on Ordinary Units unless otherwise stated. *Since Inception 21 December 2017. †Trailing 12 Months Calculated on Daily observations. ∂Since Inception Calculated on Daily observations

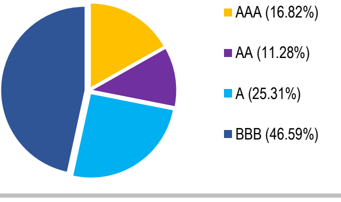
Portfolio Composition



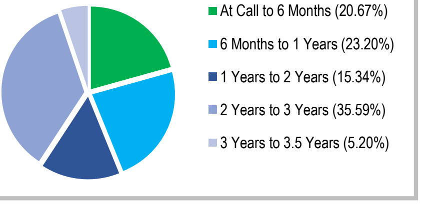
Fixed and Floating Breakdown



Credit Quality



Maturity Profile



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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.

July was another strong month for credit and rates as bond yields plummeted and credit spreads tightened both here and abroad. The market could be characterised as buoyant as positive news flow relating to global trade coupled with stable economic data, declining volatility and lower rates created a goldilocks environment for credit assets.

At a sector level all of our major asset classes rallied strongly with Australian major bank performance particularly notable. Major bank 5 year benchmark senior debt tightened by 21 basis points (up over 1% for the month). The performance of bank senior was also reflected more broadly within the Australian financial sector, with Australian RMBS also delivering a very strong month while domestic tier 2 spreads held their ground despite three large issues from ANZ, NAB and Westpac.

At the time of writing this narrative is being challenged as the unravelling of trade negotiations has seen a surge in volatility, this has also been reflected in a widening of global credit spreads. This being said, movements in credit have been relatively contained by comparison to the volatility in equities. Rates have once again responded to the headlines with Aussie 10 year bonds touching 1% in early August and threatening an inversion across the curve. Meanwhile US forward curves are now implying a 1 year forward fed funds rate of nearly 1%.

In this kind of environment the outlook for credit becomes interesting. Low absolute levels of rates and plummeting bond yields provide a significant buffer for corporate P&L's as will more meddling from the central bankers through ever increasingly unconventional support for markets. In Europe for example we are looking for a Lagarde led ECB to re-ignite purchases of credit, just as the BOJ threatens YEN bulls with more accommodation.

Here in Australia the forward curve is pointing to up to two more cuts by calendar year end, this will only exacerbate the reach for yield which we expect will see credit deliver stable performance. We note that assets like RMBS have long provided a healthy liquidity and complexity premium may be a beneficiary of this, as will Australian corporate credit more broadly.

We expect the strategy to meet its objective over the current year at current risk settings.

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%	20%

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 $75.4 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

Platform Availability

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

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