

### Fund Strategy

The Realm Capital Series 2018-1 (Fund) will invest in balance sheet funding and syndicated bank warehousing facilities. Realm Investment House (RIH) will partner with the major banks and best of breed non-bank corporate lenders to acquire exposures in these newly capitalised facilities. RIH's assessment of the opportunities will generate good risk adjusted income returns, particularly when compared to the 'public term out market' for the same level of risk. Diversification within the Fund will be achieved by diversity of banking partners, facility sponsors and the number of individual facilities. RIH's risk management and assessment overlay are used in assessing eligible exposures. RIH will actively manage & monitor the risk of each funding facility exposure during the term of the fund.

### Fund Objective

The strategy targets a return of 4.75% p.a. over the RBA cash rate over the life of the strategy. The Fund may suit investors seeking a high yield return with a moderate to high risk tolerance.

### Fund Feature

While the termination and return of investor funds is available on the 5<sup>th</sup> anniversary (22.6.23) the manager will help facilitate off market transfers (Application Liquidity) on a case by case basis.

### Net Performance

| Period           | 2018-1 Units | RBA Cash Rate Return |
|------------------|--------------|----------------------|
| 1 Month          | 0.65%        | 0.06%                |
| 3 Month          | 1.75%        | 0.19%                |
| 6 Month          | 3.79%        | 0.44%                |
| 12 Month         | 8.01%        | 1.17%                |
| Since Inception* | 7.89%        | 1.28%                |

## Gross Running Yield\* 8.03%

\*Past performance is not indicative of future performance. The Gross Running Yield is the pre-fee income attributable to the portfolio, total return will be a function of this yield minus the fee. Please note the unit price can also experience modest variance as pay out of distributions sit at 95%. All outstanding amounts will be paid at the 30<sup>th</sup> of June.

### Credit Fundamentals Explained

The Fund invests in syndicated bank warehouse facilities (Facilities). These Facilities are lines of credit which major banks provide senior funding to and the Fund invests alongside or in a junior position to the bank as the senior funder. In all cases these Facilities also have equity capital that is funded by the Originator or Sponsor, "skin in the game". These Facilities have an number of term features which help mitigate risk that can exist when investing in warehouse syndication. These terms can vary from deal to deal and can include:-

- underlying assets (the mortgages) are security against the drawdown of the facility
- increased level of equity enhancement when compared to securities that trade in the over the counter market
- favourable intercreditor rights
- short credit terms
- additional covenants
- in many instances originator balance sheet cover to make good losses and Non-Performing Loans (NPL)
- higher financing rate of return due to the structure, and the inability of the Facility to be traded quickly

Furthermore, where the total number of Non-Performing Loans (NPLs) breach arrears covenant limit, the originator is required to add additional capital to offset the breach. If there is a default and a loss on any loan, this is charged off against the excess income or capital of the originator in the facility. The originator must make this loss good and maintain a minimum capital balance NPL's can be removed from the facility, back onto the originators balance sheet in some instances.

### Fund Details

**Distribution Frequency:** Quarterly

**Applications:** Closed

**Transfers:** Units can be transferred to an existing/new investor upon the completion of required documentation as per the PDS (Section 4.5)

**Pricing & Reporting Frequency:** Quarterly

**Minimum Investment Timeframe:** 5 years (22.6.23)

**Inception Date:** 22.6.2018

**Fund size:** AUD \$30 million

**Benchmark:** RBA Cash Rate

**Buy/Sell:** Nil

**APIR Codes:** OMF8680AU

**Management Fees:** 1.25% plus GST

**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)

### Fund Statistics

|                        |       |
|------------------------|-------|
| Running Yield          | 8.03% |
| Targeted Running Yield | 5.50% |
| Credit Duration        | 1.71  |
| Average Credit Rating  | BB+   |
| Number of positions    | 20    |

## Fund Update

The portfolio is invested across a range of syndicated mortgage and asset backed warehouses, as well as public residential mortgage backed securities (RMBS) transactions. At month end approximately 81% of the capital series is invested within syndicated warehouse and structured RMBS notes, with approximately 13% of the fund held in public RMBS securities. The weighted average credit rating of the portfolio sits at BB+, with a short weighted credit duration of 1.71 years and a pre fee running yield of 8.03%.

## Domestic Economic Performance & System Risk

**Realm System Risk Monitor:** Our system risk monitor remains stable. While property prices have shown solid signs of recovery, we are still seeing very weak system growth in debt. We characterise this environment as being highly accommodative for investing in Australian system risk.

**Realm Australian Eco Monitor:** Our domestic economic monitor is continuing to deteriorate on the back of softening labour market measures, while weak inflation and investment persists. However, in a broad sense the system remains stable. We believe recent outcomes have increased the onus on the government to deliver a fiscal response to the softness. Despite this, our base case remains that we expect the Aussie Eco measure to recover gradually as property stabilises and interest rate cuts drive a recovery in consumption and an improvement in investment.

## Housing Arrears & Portfolio Performance

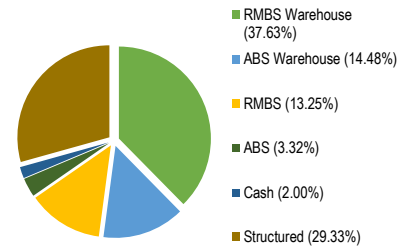
Portfolio arrears improved 46bps over the month to 1.21%. This was a significant improvement on last month driven primarily by the performance of a warehouse exposure through its increase in total size. As mentioned last month, arrears in this exposure are now effectively less concentrated because the pool of loans are larger, effectively reversing the increased arrears figure observed last month. In addition, this exposure also saw the number of loans in arrears decrease (as opposed to the value), contributing meaningfully to the overall performance of the portfolio. Portfolio arrears continued to be viewed as well within a normal range, and continue to be closely monitored and managed according to our internal risk/return criteria.

The S&P arrears index (SPIN) showed prime arrears for the month of October improving 1 basis point to 0.93%. Non-conforming arrears improved significantly, falling 0.75% to 3.14%. Major bank arrears improved 1bp to 1.20%, while regional banks improved 5bps to 1.52%.

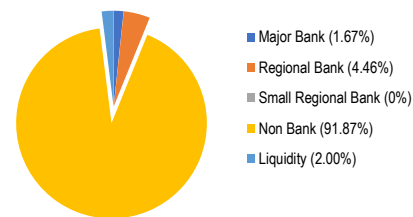
Geographically, all states saw strong performance with the exception of WA which weakened slightly and SA, which remained in line with last month. NSW and VIC improved 4bps and 7bps to 1.16% and 1.18% respectively, while QLD saw a 5 bp improvement and the NT saw a significant improvement of 31bps.



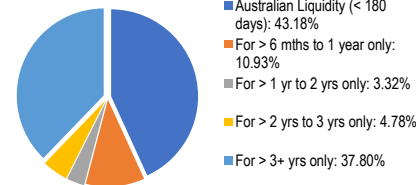
## Asset Type



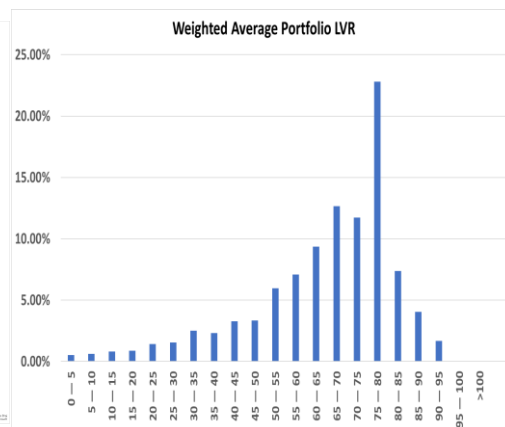
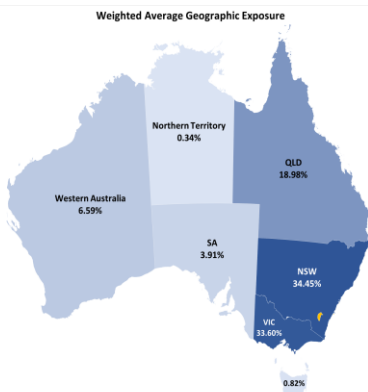
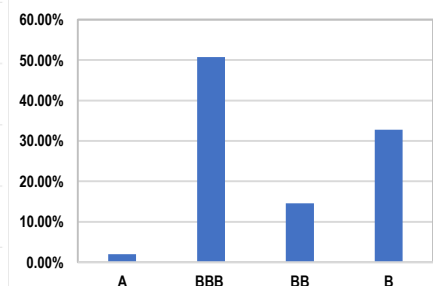
## Portfolio Composition



## Maturity Profile



## Credit Quality



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