Realm Cash Plus Fund
November 2018

Fund Objective

The Realm Cash Plus 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. 20%	0.12%
3 Month	0.69%	0.37%
6 Month	1.36%	0.75%

* 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 reduced to 28% over the month

Interest Rate Duration Position: → 0.09 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: ↓ Increased modestly over the month as we added Toyota Finance Australia, and made modest additions to our Bendigo and IAG subordinated debt positions.

Residential Backed Securities (RMBS) & ABS: → Holdings of RMBS and ABS remained static over the months, as paydowns and maturities were replaced with high rated stock. The market widened in sympathy with softer credit markets, this was reflected in senior bank spreads which were off 10 basis points over the month (0.5% decline in face value) in addition the tapering of ECB bond buying and the end of the UK term funding scheme has seen an increase in European RMBS issuance which has added to supply. From an asset performance perspective, S&P SPIN data for the September Quarter was released. It showed that total Prime arrears declined modestly from 0.99% to 0.97%, meanwhile non-conforming SPIN remained below its 18 year average of 9.88%, coming in at 3.01% (up from 2.97% in prior quarter). Our allocation to RMBS in cash plus fund is made up of highly rated short duration instruments, as such the portfolio is quite resilient to broader market volatility. Our allocation to these sectors sits just below our hard 30% limit, meaning that activity from here will largely be a function of maturities and paydowns driving modest reinvestment.

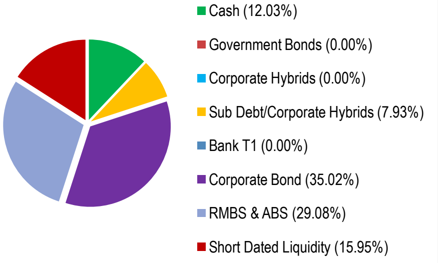
Targeted risk across the Fund: ↑ Targeted portfolio volatility increased to 0.63% from 0.54%. This increase was a function of us increasing our market risk assessment , rather than it being a function of us increasing risk. The portfolio remains defensively positioned, this is reflected in the monthly performance of 0.2% in what was otherwise a particularly weak month for credit markets. This is a function of conservative product design and good sectoral diversification which protects the portfolio from idiosyncratic factors in any individual product type.

Fund Statistics

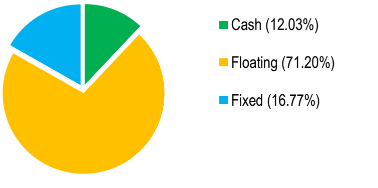
Running Yield	4.00%
Volatility†	0.15%
Interest rate duration	0.09
Credit duration	1.46
Average Credit Rating	A
Number of positions	51
Average position exposure	1.60%
Worst Month*	0.20%
Best Month*	0.27%
Sharpe ratio∂	19.52
Information Ratio∂	19.74

Calculated on Ordinary Units unless otherwise stated. *Since Inception 26 September 2012. †Trailing 12 Months Calculated on Daily observations. ∂Since Inception Calculated on Daily observations

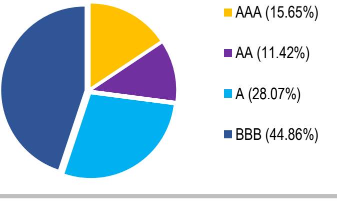
Portfolio Composition



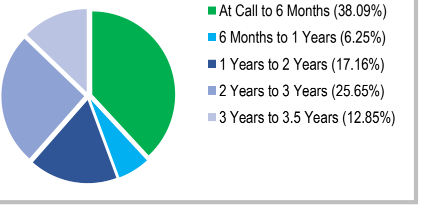
Fixed and Floating Breakdown



Credit Quality



Maturity Profile



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Market Outlook

The Realm Cash Plus 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 month being a case in point.

Weak month for risk markets and credit in particular. On face value the recent movement in credit spreads seems largely explainable by the broader risk off tone, however closer examination shows us that US BBB credit spreads are back to 2016 levels, having spent the back half of 2018 under constant pressure.

As this year has progressed credit investors have had to face up to the reality of rising interest rates , the decline of central bank asset purchases (ECB) and more recently the idea that momentum in the global economy is turning.

In addition the last two months have also seen name specific events drive an increase in speculation around the health of some of the larger debt issuers in the US market. For example General Electric has seen its credit spreads widen by approximately 2% since the beginning of October, with this stalwart of debt markets trading like a sub-investment grade issuer. With over $100 bil USD owing, this is a big deal. A number of pundits weighed in on the potential of this signalling a broader deterioration in credit quality, especially for some of the larger debt piles in the market.

Our view is that the recent correction is not a pre-cursor to a significant event, however equally it illustrates that spreads and volatility have been unsustainably tight and will come under pressure as markets normalise. What exacerbates these moves is the fact that market liquidity is poor and very often pro-cyclical, this magnifies market movements.

Our portfolio sits at a weighted average credit duration of under 1.5 years, with over a third of the portfolio maturing within 12 months. As such the portfolio is well insulated from broader market movements. The portfolio return of 0.20% for the month of November, in what was an otherwise weak month for risk assets is testament to this.

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 $56 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
- Powerwrap
- mFund Settlement Service - mFund code: RLM02

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