

Fund Objective

The Realm High Income Fund is a fixed income strategy, that invests in domestic investment grade asset backed securities, bank-issued securities and corporate & government bonds. The objective of the Fund is to deliver investors a consistent return (net of fees and after franking) of 3% over the RBA cash rate through the market cycle.

Net Performance

Period	Ordinary Units (incl. franking)	Wholesale Units (incl. franking)	RBA Cash Rate Return
1 Month	0.23%	0.25%	0.02%
3 Month	2.05%	2.13%	0.06%
6 Months	1.93%	2.12%	0.18%
1 Year	3.86%	4.27%	0.60%
3 Years p.a	3.58%	4.02%	1.18%
5 Years p.a	4.02%	4.46%	1.40%
Since Inception p.a*	4.89%	4.81%	1.82%

* Past performance is not indicative of future performance. *Ordinary units Inception 26 September 2012. Wholesale units Inception 2 October 2013.

Fund Statistics

Running Yield	4.23%
Yield to Maturity	4.07%
Volatility [†]	1.56%
Interest rate duration	1.58
Credit duration	3.46
Average Credit Rating	BBB
Number of positions	198
Average position exposure	0.34%
Worst Month*	-1.19%
Best Month*	1.22%
Sharpe ratio [‡]	3.27
Information Ratio [‡]	3.37

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

Fund Update

Cash and Short-Term Liquidity Weighting: ↑ Increased to 16.11%. Overall, net inflows were allocated to credit opportunities in corporate and structured credit.

Interest Rate Duration Position: ↑ IRD positioning increased moderately to 1.58 years. Generally we use interest rate exposure for diversification purposes, however at present we are holding a more aggressive position in interest rates as part of our hedging portfolio.

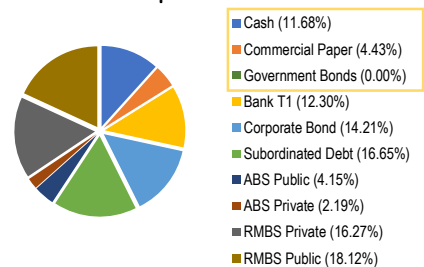
Corporate & Subordinated Debt Allocation: ↓ Weighting to corporate and sub debt decreased to 30.86% from 33.36%. Credit spreads, particularly in the financial capital structure, continued their momentum crunching even tighter over the month. The RBA's Term Funding Facility combined with strong deposit demand has provided financial institutions with ample liquidity, removing their need to approach the market for funding. The perceived dearth of Australian bank issuance has contributed to tightening of AUD financial spreads. In terms of our activity over the month, we are seeing a number of securities trading towards our target levels, which is driving a rotation of the portfolio in order to maximise risk to reward – consistent with our investing ethos. COVID induced market volatility is still evident and is presenting opportunity in pockets.

Residential Mortgage Backed Securities (RMBS): ↓ RMBS allocation reduced slightly from last month. Spreads continued to trend tighter with both prime and non-conforming deals pricing in market with very high levels of support, especially across the investment grade portion of the capital structure. Market turnover was again strong with demand for investment grade bonds being particularly high, with new deals giving market participants further colour and confidence in pricing the asset class.

The Government's \$15bn Structured Finance Support Fund has continued to allocate to non-bank financiers, having publicly supported Australian issuers in both primary and secondary public markets. The SFSF finalised the mechanism to support COVID-19 related hardship claims for NBF's in both public term deals and private bank facilities. This qualifies as explicit support to this market by the Australian Treasury, illustrating the importance of securitisation and non-bank competition to government. The support will fund loans in Hardship from March 2020.

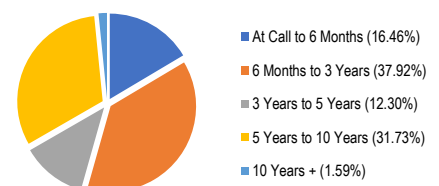


Portfolio Composition

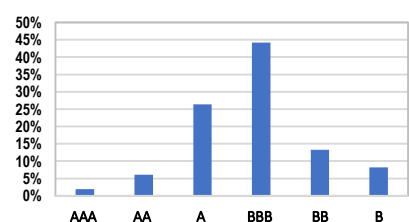


*Yellow box reflects level of liquidity available within the fund.

Maturity Profile



Credit Quality



Additional Tier 1 (AT1) Exposures: ↑ AT1 exposures increased to 12.30% from 11.21%. Net additions to the sector were targeted at USD issues – the spread between USD and AUD widened to attractive levels and motivated this decision. Both the domestic listed hybrids and USD AT1 securities rallied over the month. The portfolio is managed dynamically to take advantage of the relativities between these markets.

Asset Backed Securities (ABS): → Our ABS allocation remained in line with last month. We continue to monitor our exposures closely, where many issuers have raised capital on balance sheet and funding from the AOFM in both public and private arrangements. The sector appears to have benefited from the early super release scheme.

Targeted risk across the Fund: ↓ Targeted portfolio risk decreased to 2.06% from 2.16% over the month. A net inflow into the fund, along with a decrease in overall market volatility contributed to this decrease in risk.

Market Outlook

Credit spreads narrowed over the month, against a backdrop of largely deteriorating fundamentals. Large second infection waves gathered strength in the US and the relationship between the West and China deteriorated. The labour market recovery also stalled in the US and Australia. One significant positive development was an agreement on the EU Recovery Fund.

The dominant explanation for the divergence between fundamentals and market prices fell to monetary policy again. Certainly, there is an abundance of liquidity and little demand for more.

iTraxx Australia, a measure of credit risk, has retraced significantly from March and is resting at levels similar to when the Fed last tightened in December 2018. In an environment where Moody's does not have a single global industry sector with a positive ratings outlook, we believe the market's assessment of credit risk may be ebullient in aggregate.

However, the narrowing of credit spreads is not uniform and can be characterised as being tight for high quality credit like bank senior debt whilst still exhibiting elevated aversion to loss for assets rated BBB or lower.

The Treasury expects unemployment to level off at approximately 9% through to at least June 2021. However, the subsequent introduction of Stage 4 lockdowns in Victoria will see that figure move well through 10%.

We expect retail expenditure will be tested when the JobKeeper/Seeker payments are wound down and the early withdrawal of superannuation assets concludes. It is highly uncertain whether construction and investment activity will recover in the next 12 months.

Similar sentiments can also be directed to the US. It is also increasingly apparent that we cannot successfully return to a fully functional economy at this time. However, there are some early indications that we may see helpful vaccines available for public use sometime in 2021.

Our portfolio is positioned to benefit from elevated concerns about the credit quality of mortgages currently experiencing relief from payments. We have also identified that USD denominated securities are trading wide of domestic equivalents in our corporate and bank capital exposures. However, we have also become more concerned that valuation risks are emerging. As a result, we have added additional hedges during the month and are maintaining elevated liquidity levels.

Sector Allocation

Sector	Asset Allocation Range	SAA Target
Cash	0% - 100%	10%
Government Bonds	0% - 100%	10%
Corporate Bonds	0% - 60%	10%
Corporate Hybrids	0% - 10%	5%
Bank Tier 1 Hybrids	0% - 25%	15%
Sub Debt Hybrids	0% - 25%	15%
RMBS	0% - 60%	30%
ABS	0% - 20%	5%

Fund Details

Distribution Frequency: Monthly

Liquidity: Daily

Buy/Sell: 0.05% / 0.05%

Direct Minimum Investment:

Ordinary Units - \$25,000

Wholesale Units - \$1,000,000

Adviser Units - \$25,000

mFund Units - \$10,000

Inception Date: 26.9.2012

Fund size: AUD \$675 million

APIR Codes:

Ordinary Units - OMF0001AU

Wholesale Units - OMF0009AU

Adviser Units - OMF0018AU

mFund Units - OMF1394AU

Management Fees (inc. GST):

Ordinary Units - 1.20%

Wholesale Units - 0.77%

Adviser Units - 0.77%

mFunds Units - 0.77%

Responsible Entity: One Managed Investment Funds Ltd

Custodian: JP Morgan

Unit Pricing and Unit Price History:

<https://www.realminvestments.com.au/our-products/realm-high-income-fund/>

Platform Availability

- BT Wrap
- BT Panorama
- Credit Suisse
- Crestone
- First Wrap
- Hub24
- Macquarie Wrap
- Explore Wealth
- MLC Navigator
- MLC Wrap
- Netwealth
- Powerwrap
- Praemium
- uXchange
- mFund Settlement Service - mFund code: RLM03
- Australian Money Market (Retail Units)

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