Realm High Income Fund September 2020

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	0.50%	0.53%	0.02%
3 Month	1.02%	1.12%	0.06%
6 Months	3.85%	4.05%	0.12%
1 Year	4.02%	4.46%	0.47%
3 Years p.a	3.71%	4.15%	1.11%
5 Years p.a	4.19%	4.64%	1.34%
Since Inception p.a*	4.89%	4.83%	1.79%

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

Fund Update

Cash and Short-Term Liquidity Weighting: ↑ Increased to 19.71%. Overall, net inflows were allocated to credit opportunities in corporate and structured credit.

Interest Rate Duration Position: ↓ IRD positioning decreased moderately to 1.39 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 slightly to 33.20% from 33.59%. Market volatility was slightly elevated over the month with VIX at an average value of circa 25, highlighting an increase in general concern, impacted by the uncertainty of the upcoming US presidential elections. This was also evident in credit markets where volatility remained elevated as banks trimmed risk for their financial year end. In the Aussie dollar market, financial system excess liquidity remains the key theme, this will lead to a lack of senior bank issuance, this should be technically supportive to the corporate sector and bank capital products. On a relative value basis we continue to view subordinated debt and non financial corporate paper as attractive in relative terms, portfolio positioning reflects this conviction.

Residential Mortgage Backed Securities (RMBS): ↑ RMBS allocation increased from last month driven by a rise in exposure to public RMBS markets. Spreads once again tightened over the month with several new transactions across regional, prime and non conforming markets helping provide colour to the strengthening market. Structured credit remains well bid, both in secondary and primary which is reflected through the strong coverage ratios supporting each transaction. Issuers continue to access the market launching new transactions including both prime, non-conforming and asset backed deals. The strong deal flow from issuers is expected to abate into year end, as origination of new loans begins to slow, this is a function of rising competition and tepid credit growth.

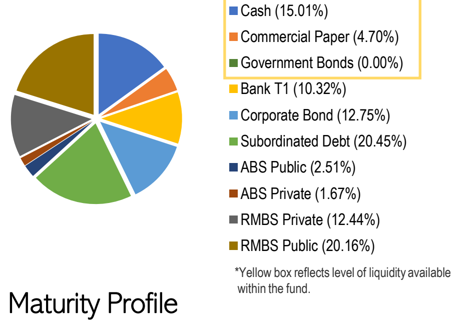
The Government's $15bn Structured Finance Support Fund was not used to support any public deals in either primary or secondary markets over the month, but continues to exist to support the market where needed. The Forbearance SPV saw two additional subscribers being Metro Finance and Pepper, accessing forbearance support alongside Think Tank, Redzed and Sapphire programs.

Fund Statistics

Running Yield	3.64%
Yield to Maturity	3.52%
Volatility†	1.59%
Interest rate duration	1.39
Credit duration	3.66
Average Credit Rating	BBB+
Number of positions	201
Average position exposure	0.32%
Worst Month*	-1.19%
Best Month*	1.22%
Sharpe ratio∂	3.07

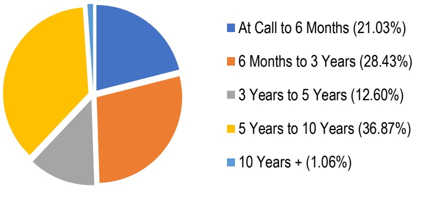
Calculated on Ordinary Units unless otherwise stated. *Since Inception 26 September 2012. †Trailing 12 Months Calculated on Daily observations. ∂Since Inception Calculated on Daily observations

Portfolio Composition

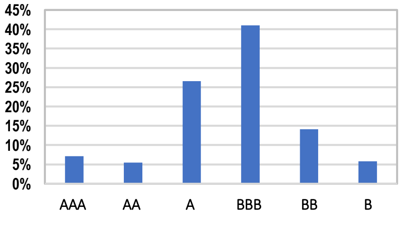


*Yellow box reflects level of liquidity available within the fund.

Maturity Profile



Credit Quality



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Realm High Income Fund
September 2020

REALM investment house

Additional Tier 1 (AT1) Exposures: ↓ AT1 exposures decreased to 10.32% from 12.11%. Profits were harvested as domestic listed hybrids continued their rally into our target levels. Our exposure to ASX listed AT1 is near zero as a consequence. While we assess this market as fair on a relative basis, we believe better value is presented by Aussie banks in over the counter securities both in AUD and USD.

Asset Backed Securities (ABS): ↓ Our ABS allocation reduced slightly from last month. We continue to monitor our exposures closely. The sector has outperformed expectations through the COVID period, with deferrals comparing favourably versus other more conventional types of risk, such as mortgages. In addition a number of the ASX listed issuers have used the equity market to bolster their capital position putting them in a good relative position to navigate the travails of COVID.

Targeted risk across the Fund: ↑ Targeted portfolio risk increased slightly to 1.92% from 1.88% over the month. An increase in overall market volatility contributed to this marginal increase in risk.

Market Outlook

After an extended period of increasingly optimistic behaviour, markets experienced a bout of risk aversion during the month. This was expressed in equity, credit and currency markets. The move was related to a deterioration in the covid situation in Europe, where infection rates have climbed sharply. Infection rates in the US also proved difficult to contain, with significant outbreaks in the mid-west offsetting more favourable developments made elsewhere. The Victorian new case numbers improved slightly ahead of prior expectations.

Perceptions of expected market volatility remain elevated with additional concerns relating to the US Presidential election very clearly at the forefront. The faltering Brexit negotiations and continued deterioration in the relationship between China and other countries also weighed heavily.

The RBA added further support via extending and increasing the Term Funding Facility, which provides especially cheap financing to banks. This will reduce issuance of bank senior debt for at least a year. The RBA also indicated that further measures to support the economy are forthcoming despite employment in Australia proving more resilient than previously expected.

Observations of credit supply and the property market, along with an improving employment outlook in Australia, suggest that personal loans and RMBS exposures remain favourably positioned. The outlook for a successful vaccine development continues to improve, as it does for treatments and diagnostics. Whilst a vaccine may not be widely available until later next year and may not result in a completely open economy, our corporate exposures are resilient to scenarios which are materially worse.

We have been positively surprised at the resilience of consumer optimism and expenditure, including related activity in housing markets. We also expect a considerable expansion in fiscal support to be announced at the upcoming Federal Budget.

We remain concerned about event risks and are retaining elevated levels of liquidity. We continue to retain a diverse collection of hedges to protect the portfolio in the event of a significant adverse development, which has contributed to a favourable outcome this month despite weaker markets. We are developing our exposures further into structured assets as valuations appear particularly favourable despite tight pricing in more commonplace instruments.

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 $800 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
- MLC Navigator
- MLC Wrap
- Netwealth
- Powerwrap
- Praemium
- uXchange
- Xplore Wealth
- mFund: RLM03
- Australian Money Market (Retail Units)

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