Realm High Income Fund
October 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	0.42%	0.46%	0.02%
3 Month	1.22%	1.34%	0.06%
6 Months	3.28%	3.50%	0.13%
1 Year	4.23%	4.68%	0.43%
3 Years p.a	3.72%	4.16%	1.07%
5 Years p.a	4.11%	4.56%	1.31%
Since Inception p.a*	4.89%	4.83%	1.77%

* 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: ↓ Decreased to 17.16%. 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 increased slightly to 33.33% from 33.20%. As expected, market volatility and uncertainty over the month of October remained high – observed by minimum and maximum VIX values of 26 and 36 respectively. There was general concern around the outcome of US elections and probability of a much needed US stimulus being passed. Domestically, the federal government's much anticipated fiscal stimulus buoyed market sentiment and were overall supportive for credit markets – witnessed by decreasing AUS iTraxx values. Supported by ample liquidity from the RBA, we remain bullish for Australian credit, hence a very slight increase in our portfolio to the sector, skewed to subordinated debt.

Residential Mortgage-Backed Securities (RMBS): ↑ RMBS allocation increased slightly by a rise in exposure to public RMBS, where we were able to pick through the abundance of issuance to invest opportunistically. Spreads continued to track tighter over the month providing colour to the strengthening market. Investment grade structured credit continues to remain well bid, both in secondary and primary markets as is evident through the strong coverage ratios supporting each transaction. We expect strong deal flow from issuers to abate into year end.

Arrears indices continue to improve alongside national property prices. Victoria has lagged the recovery, but with easing of lockdown we expect these local measures to improve rapidly.

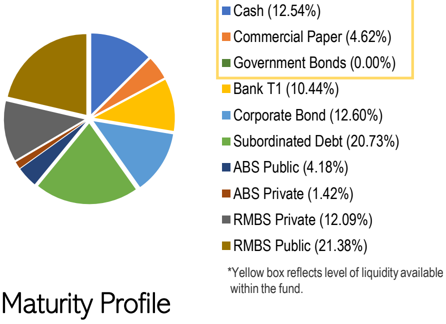
The Government's $15bn Structured Finance Support Fund was not used to support any public deals in either primary or secondary markets over the month but continues to exist to support the market where needed. The Forbearance SPV saw two additional subscribers being PMFA (commercial leases) and OnDeck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

Fund Statistics

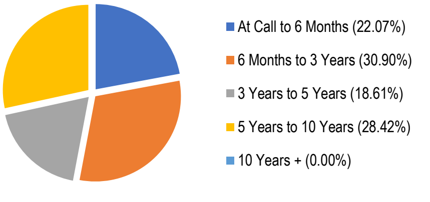
Running Yield	3.85%
Yield to Maturity	3.72%
Volatility†	1.60%
Interest rate duration	1.58
Credit duration	3.14
Average Credit Rating	BBB
Number of positions	218
Average position exposure	0.35%
Worst Month*	-1.19%
Best Month*	1.22%
Sharpe ratio∂	3.09

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

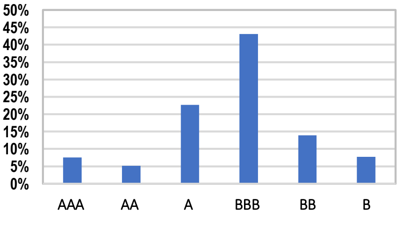
Portfolio Composition



Maturity Profile



Credit Quality



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Additional Tier 1 (AT1) Exposures: ↑ AT1 exposures increased slightly to 10.44% from 10.32%. Supported by a glut of liquidity for our domestic financial system, our view is that the AT1 market is priced approximately fair. On a relative value basis, over-the-counter securities present better value over their listed hybrid counterparts. Hence, our addition over the month is attributable to this pocket of value.

Asset Backed Securities (ABS): ↑ Our ABS allocation increased 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 decreased to 1.70% from 1.92% over the month. Portfolio movements along with movements in individual node data contributed to this decrease in risk.

Market Outlook

The month was favourable for domestic credit investors with spreads continuing to narrow. This occurred despite a deterioration in global fundamentals. In addition, concerns over the potential for a disorderly outcome in the US Presidential election were elevated and drove bond and currency markets.

Covid remains a key driver of economic conditions. In the US, policy response has been focused on implementing additional income support and stimulus measures. Agreement could not be reached during the month and the impacts were visible in the consumption outcomes. Weak or negative growth is now in store for both economies during the December quarter, reversing recent upgrades to expectations. By contrast, Australia has brought case counts to exceptionally low levels and we are well positioned to extend our economic recovery at the national level, with Victoria clearly lagging significantly.

There were a number of positive developments relating to covid: vaccine trials, preparations for manufacture and distribution, developments on rapid testing, a better understanding of herd immunity thresholds, approval of effective therapeutics and better outcomes in relation to protection for those most at risk all provided much good news for the longer term outlook.

The Federal budget's assumptions for community-wide availability of an effective vaccine in the second half of 2021 is also our central case. Consumer behaviour has been very resilient and business confidence has responded well. We observe that the stimulus provided by the Budget and adjustments to the RBA's policy framework to focus more on inflation outcomes were very favourable developments. Overall, we are optimistic on the outlook for the Australian economy, housing and employment. The relationship with China is a concern.

Although credit spreads are tight by historical standards, we believe they are approximately fair value in the context of the monetary stimulus in place. The TFF has eliminated supply of bank senior paper for the next year at least. Concerns for a cliff event as JobKeeper ends and mortgage deferment arrangements end in 2021 appear overblown. We remain fully positioned with a preference for structured assets and selected corporate paper. We also expect bank Tier 2 paper to tighten somewhat along with senior. We retain high liquidity and are strongly hedged given the event risks relating to covid, US elections, Brexit, China relations and other matters. We expect to unwind these as the key dates pass albeit the trade exposure to China appears a chronic risk which we will continue to hedge.

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 $831 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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