Realm High Income Fund
November 2020

REALM investment house

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	0.66%	0.70%	0.01%
3 Month	1.59%	1.70%	0.05%
6 Months	3.01%	3.24%	0.11%
1 Year	4.47%	4.91%	0.38%
3 Years p.a	3.88%	4.32%	1.04%
5 Years p.a	4.20%	4.65%	1.28%
Since Inception p.a*	4.92%	4.88%	1.76%

* 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 20.1%. Overall, net inflows were allocated to credit opportunities in corporate and structured credit.

Interest Rate Duration Position: ↑ IRD positioning increased moderately to 1.66 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 to 33.9% from 33.33%. The general theme for the month of November was Risk-On, driven by the US election outcome and positive vaccine results. This could be observed by the reduction in VIX ,decreasing from 34 to 22 and Aus iTraxx decreasing from 70 to 58. Tightening credit spreads resulted in a flurry of primary issuance across a range of sectors and capital type instruments. In light of these events, portfolio weighting to the sector was increased with an emphasis on subordinated debt holdings.

Residential Mortgage-Backed Securities (RMBS): ↓ RMBS allocation decreased over the month as the fund took advantage of continued strong performance in the sector, reducing the strategic overweight taken earlier in the year on relative value grounds. Spreads once again continued to track tighter in public markets, driven by aggressive participation in primary transactions, in particular the investment grade tranches, which are being well supported by a market view of low supply into 2021, strong flows into income based products searching for yield and a strong offshore presence in our market. While markets remain active, there was less primary issuance over November in comparison to October, and we expect this issuance to continue to abate into year end.

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 one additional subscriber being Arch Finance (commercial loans) accessing forbearance support alongside OnDeck, Redzed, Sapphire, Pepper and Metro issuer programs.

Fund Statistics

Running Yield	3.64%
Yield to Maturity	3.44%
Volatility†	1.88%
Interest rate duration	1.66
Credit duration	3.14
Average Credit Rating	BBB
Number of positions	210
Average position exposure	0.36%
Worst Month*	-1.19%
Best Month*	1.22%
Sharpe ratio∂	3.14

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

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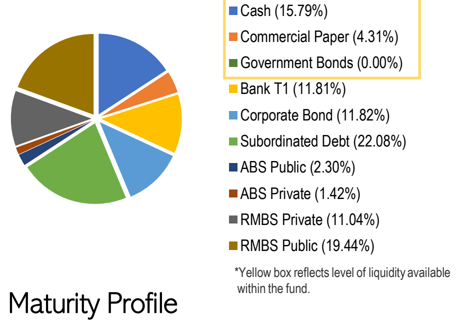
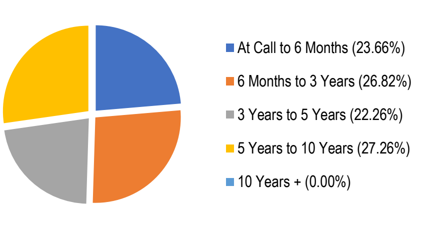
Portfolio Composition

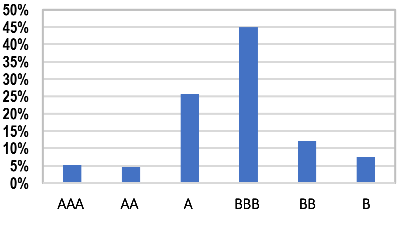


*Yellow box reflects level of liquidity available within the fund.

Maturity Profile



Credit Quality



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Additional Tier 1 (AT1) Exposures: ↑ AT1 exposure increased to 11.81% from 10.44%. This was a function of our participation in two listed primary transactions. These new issues priced at a healthy discount to the secondary market and compared favourably on relative value grounds. Our portfolio has been significantly underweight listed AT1 securities over the year, with our preference having been the USD market up until this point.

Asset Backed Securities (ABS): ↓ Our ABS allocation decreased from last month. Exposures continue to be monitored closely. The sector continues to 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 1.63% from 1.70% over the month. Portfolio movements along with movements in individual node data, from an overall stable market, contributed to this decrease in risk.

Market Outlook

Markets celebrated an outcome in the US Presidential election which appears likely to produce a divided Congress after the Senate runoffs are completed in January. Markets looked favourably upon a Biden victory but, at the same time, were relieved that a Blue Sweep did not emerge. Three successful results from stage 3 covid vaccine trials were also reported. In aggregate, the outcomes were more favourable than hoped and markets looked through deteriorating infection rates through much of the developed world, with Australia being a notable exception.

Equity markets, currency and commodities generally reflected an increased preparedness to consider a scenario of wide-spread vaccination by H2 2021. China's ongoing economic recovery was also a driver. The VIX declined but remains some way from post-GFC average levels. Markets are pricing default risks at a similar level to pre-covid. This appears overly optimistic at first sight, but the official sector has clearly acted to defend solvency and has the capacity to do more if needed. Furthermore, the favourable vaccine outcomes have reduced the downside economic risks. Whilst high quality debt has seen liquidity premia eroded following the RBA's liquidity injections, the lower end of investment grade debt continues to offer value. There is significant interest in Australian debt from offshore investors.

The RBA cut cash and other reference rates, and also introduced a QE program for longer dated maturities. The strength of the domestic recovery continued to surprise to the upside. Employment outcomes materially exceeded estimates made in the Federal Budget in early October which will assist with improving the projected cash deficit for FY 21 of $213bn. Housing markets are performing strongly in terms of prices, general turnover and construction activity. The credit quality of mortgages continues to improve. Consumer sentiment is elevated, and business sentiment is catching up. Capex plans are showing increased signs of confidence. The Australian economy is surging off its lows and Victoria's economic recovery from lockdown has been rapid.

In terms of risks to the outlook, Australia's diplomatic relationship with China continues to deteriorate as additional sources of friction arise regularly. This is despite both countries being signatories of the landmark Regional Comprehensive Economic Partnership which was also signed during the month. Businesses are also reporting issues with supply chains and logistics which are increasing prices of their inputs and compressing profit margins. On a horizon which extends beyond two years, unless net inward migration catches up with the effects of the housing stimulus, prices and rents may suffer.

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 $867 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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