Realm High Income Fund
December 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	0.40%	0.44%	0.01%
3 Month	1.49%	1.60%	0.04%
6 Months	2.52%	2.74%	0.10%
1 Year	4.82%	5.26%	0.32%
3 Years p.a	3.97%	4.41%	1.00%
5 Years p.a	4.25%	4.70%	1.24%
Since Inception p.a*	4.92%	4.88%	1.74%

* 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 22.61%. Overall, net inflows were allocated to credit opportunities in corporate and structured credit.

Interest Rate Duration Position: ↑ IRD positioning increased moderately to 1.84 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 33.7% from 33.9%. The general Risk-On theme continued well into the month of December driven by central bank support; approvals of Covid vaccines and the electoral college confirmation of the Biden victory. Volatility ended the month where it started – at 22, however, there was a spike prior to Christmas due to concerns over Brexit and a contagious mutation of the Covid virus in England. These market developments presented narrow opportunities in corporate bonds that were capitalised by the portfolio.

Residential Mortgage Backed Securities (RMBS): ↓ RMBS allocation again 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. While December was a quieter month for new transactions in structured credit, yields once again continued to tighten in public markets. This continues to be driven by three key themes; the strong offshore presence within the Australian market, strong flows into income based products searching for high quality assets with robust yields and the continued view of low asset supply into 2021. Secondary markets remain highly active with only a handful of new issuances over the month as is usually seen with markets leading into the Christmas period.

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 no additional subscribers accessing forbearance support.

Fund Statistics

Running Yield	3.49%
Yield to Maturity	3.27%
Volatility†	1.88%
Interest rate duration	1.84
Credit duration	3.04
Average Credit Rating	BBB+
Number of positions	211
Average position exposure	0.36%
Worst Month*	-1.19%
Best Month*	1.22%
Sharpe ratio∂	3.16

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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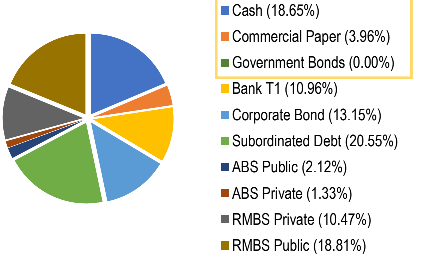
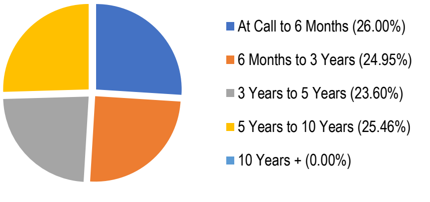
HIGHLY RECOMMENDED
Recommended
APPROVED
NOT RATED
REDEEM

Portfolio Composition

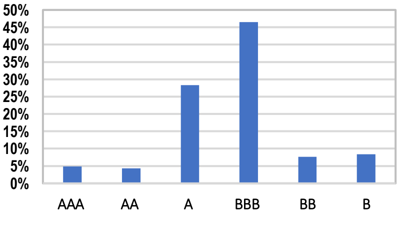


*Yellow box reflects level of liquidity available within the fund.

Maturity Profile



Credit Quality



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Additional Tier 1 (AT1) Exposures: ↓ AT1 exposure decreased to 10.96% from 11.81%. Supply/demand dynamics continued to be supportive of the AT1 market over the month. Generally, December is a quiet month for secondary trading and as such no major additions were made in this sector.

Asset Backed Securities (ABS): ↓ Our ABS allocation decreased slightly 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 increased slightly to 1.66% from 1.63% over the month. Portfolio movements along with movements in individual node data, from a short spike in market volatility, contributed to this increase in risk.

Market Outlook

Financial markets continued to rally as optimism relating to the availability of effective vaccines dominated nearer term concerns over a worsening covid outlook in the US, Europe/UK and other parts of the world. Equity and credit markets continued to grind higher and the USD sold off as safe haven flows unwound. The AUD was further supported by the rapid rise in iron ore prices which offset the adverse impact of deteriorating trade and diplomatic relations with China. Bonds largely range traded following improved prospects for an additional stimulus package in the US.

The underlying strength of the Australian economy continued to surprise to the upside. The release of the Q3 2020 GDP figure of 3.3%qtr, which comfortably exceeded expectations of 2.5%, resulted in a round of upgrades. The magnitude of the improvement was well encapsulated in the Federal Government MYEFO which showed a $20bn improvement in the expected cash outcome over the 2-year estimate period relative to projections made in the Budget merely 2 months earlier. Favourable consumer and business confidence measures continued to support the outlook and hard data relating to household spending and business capex plans pointed to ongoing strength through the December quarter as Victorian restrictions eased towards a COVIDSafe setting.

Residual concerns for a weak housing market, or a significant cliff event are diminishing as mortgage deferral relief arrangements are to be concluded by 31 March 2021. Australia's labour continues to recover well albeit with hours worked by full-time employees are still lagging pre-covid levels. APRA removed restrictions on bank dividends and expressed satisfaction at the strength of our financial system.

Australian asset pricing remains supported by significant demand from offshore investors and the monetary operations currently being implemented by the RBA. Credit markets remain very strongly bid which reflects a combination of lower forward looking default expectations and ongoing compression of liquidity spreads more generally.

The portfolio has a full risk exposure. Corporate bond holdings remain elevated albeit the position is largely the outcome of focused positions in selected names which have screened well. We also retain significant exposures to subordinated debt. We are observing that opportunities to deploy capital are becoming more scarce, and valuations are less supportive. We remain fully deployed in structured assets. We have surplus liquidity available for deployment but are investigating the potential impact of the more transmissible variants of covid. Our portfolio hedging is largely unchanged over the month and will provide a material buffer against adverse developments.

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 $923 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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