Realm High Income Fund
March 2021

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	0.24%	0.34%	0.02%
6 Months	1.73%	1.94%	0.06%
1 Year	5.63%	6.08%	0.19%
3 Years p.a	3.90%	4.35%	0.88%
5 Years p.a	4.22%	4.67%	1.15%
Since Inception p.a*	4.80%	4.77%	1.69%

* 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 12.42% from 28.02%. Net inflows and excess cash from profit taking at the end of February was selectively reinvested across corporate and structured credit.

Interest Rate Duration Position: ↓ IRD positioning decreased from 1.60 to 1.29 years. Interest rate exposure within the portfolio is optimised to compliment the fund's core credit exposure. While rate markets have stabilised since the February sell off, proposed fiscal expenditure in the US does increase the prospect of higher volatility within this market over the medium term. This has motivated us to reduce our exposure.

Corporate & Subordinated Debt Allocation: ↑ Weighting to corporate and sub debt increased to 41.66% from 33.39%. Following the rate induced sell-off at the end of February, credit markets continued to weaken in March which presented an opportunity to increase our weighting. In line with the firm's relative value philosophy, we switched from AUD Major Bank Tier 2's and added to USD Major Bank Tier 2's. We were also active across the flurry of new AUD senior unsecured investment grade corporate issuances during the month, some of which were particularly attractive using our relative value metrics.

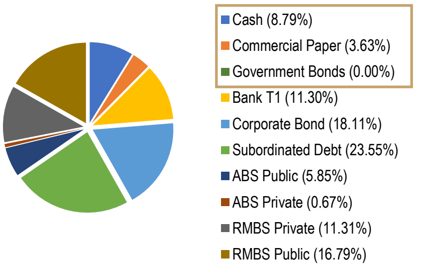
Residential Mortgage Backed Securities (RMBS): ↑ RMBS allocation increased over the month from 23.6% to 28.1%, as fund growth over the last few months was deployed into new assets in both private and public transactions. Yields continued to tighten aggressively in public markets, as several issuers brought transactions to market across both RMBS (5 transactions priced during the month spanning regional, prime and non-conforming assets), and ABS assets (3 transactions priced, including personal loan and auto portfolios). Coverage across each of these transactions demonstrated the continued strong appetite for RMBS product. RMBS/ABS markets can now be characterised as presenting fair value over a long term basis, despite this structured assets still compare favourably versus unsecured markets. In terms of asset performance COVID hardship numbers continue to perform well and are now at levels which present very little concern to the market. Meanwhile the S&P arrears index weakened slightly over January which is a seasonal effect and normally expected for the post Christmas period.

Fund Statistics

Running Yield	4.08%
Yield to Maturity	3.66%
Volatility†	1.41%
Interest rate duration	1.29
Credit duration	3.22
Average Credit Rating	BBB
Number of positions	250
Average position exposure	0.29%
Worst Month*	-1.19%
Best Month*	1.22%
Sharpe ratio∂	3.08

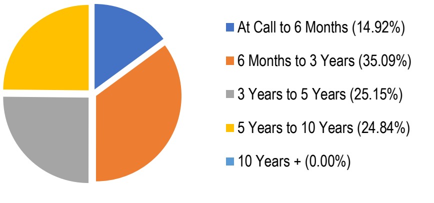
Calculated on Ordinary Units unless otherwise stated. *Since Inception 26 September 2012. †Trailing 12 Months Calculated on Daily observations. ∂Since Inception Calculated on Daily observations

Portfolio Composition

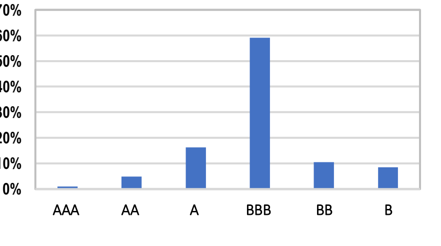


*Yellow box reflects level of liquidity available within the fund.

Maturity Profile



Credit Quality



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Additional Tier 1 (AT1) Exposures: ↑ AT1 exposure increased to 11.30% from 11.11%. The portfolio continues to see some switching, with the net effect being a reduced average maturity of our AT1 holdings. Supply/demand dynamics continued to be supportive of the AT1 market over the month.

Asset Backed Securities (ABS): ↑ Our ABS allocation increased from 3.86% last month to 6.52% at the end of the month, driven by participation in public transactions. Exposures continue to be monitored closely. The sector outperformed expectations through the COVID period, with deferrals comparing favourably versus other more conventional types of risk, such as mortgages.

Targeted risk across the Fund: ↑ Targeted portfolio risk increased to 1.62% from 1.45% over the month. Re-deploying of excess cash and portfolio movements predominately contributed to this increase in risk. We have introduced Portfolio ESG risk limits which the portfolio remains in compliance.

Market Outlook

Stability returned to the Australian 10-year bond market during the month although yields on US Treasuries continued to rise, bringing global bond yields higher with them. Equity markets rallied as the economic outlook continued to improve and it became more apparent that some economies could stage a complete recovery from covid within a few years. The USD rallied materially against a backdrop of a reduction in the VIX, which fell to its lowest point since the outbreak of covid, and consolidation in prices for iron ore and copper. Domestic RMBS spreads narrowed as demand for these assets strengthened at the same time as the presence of the RBA's Term Funding Facility encouraged banks to retain more risk on their balance sheets.

The passing of the USD $1.9tr American Rescue Plan led to a significant revision to economic projections in the US. The economy is now expected to run at a level which exceeds the pre-covid baseline within the next 12 months and drive a move to full employment by mid-2022. Inflation expectations are firmly pricing this outcome and, yet, Fed Governor Powell has refused to discuss the outlook for QE in any detail. In Australia, the RBA has not pre-committed to extending the 3-year yield curve control window although markets are increasingly pricing a likelihood that this will not occur. The divergence between market expectations for the cash path over the next three to four years and central bank statements in the US and Australia is notable. As economic conditions continue to improve, monetary policy support provided for credit markets will inevitably wane and a regime change in the supportive relationship between bonds and credit is increasingly in prospect.

The Australian job market continues to recover strongly albeit the closure of the JobKeeper scheme may see a slight uptick in unemployment. The housing market remains robust and the performance of mortgage related assets, including bank capital, has not been impeded by the closure of the temporary loan repayment deferrals arrangement. The outlook for the Australian economy remains favourable.

The Kent variant and other highly contagious covid mutations have taken hold in Europe, forcing another round of curbs. As before, the market has largely looked through this development and focused on the longer-term recovery supported by vaccines and stimulus. In the US, the rate of vaccinations has exceeded prior expectations by some margin. Although the variants of concern are now around half of new cases in the US, they will likely reach herd immunity in the next few months. On the geopolitical front, recent military developments in the Ukraine have our attention.

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%

Portfolio ESG Risk Limits

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	6.13%	10%
Non-Renewable & Nuclear Energy	0.79%	10%
Alcohol	0.40%	10%
Gambling	1.21%	10%

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 $1.02 billion
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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