

### 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	0.06%	0.10%	0.06%
3 Month	0.71%	0.83%	0.19%
6 Months	2.25%	2.47%	0.44%
1 Year	5.81%	6.26%	1.17%
3 Years p.a	3.52%	3.97%	1.39%
5 Years p.a	3.82%	4.28%	1.60%
Since Inception p.a*	4.94%	4.83%	1.94%

\* 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 modestly to 17.9%.

**Interest Rate Duration Position:** - IRD positioning remained around 1.00. Rates sold off over the month on the back of a rapprochement in the US/China trade dispute and a strong US payrolls number. US 10 year bonds almost touched 2%, which constitutes a 50 basis point rise in approximately 4 months. Our exposure to bonds was the biggest detractor to performance for the month.

**Corporate & Subordinated Debt Allocation:** ↓ Weighting to corporate and sub debt, collectively, decreased to 34.75% from 39.81%. Corporate bonds contributed to most of the decrease, as higher beta US dollar securities were sold to a well bid market seeking yield on the back of global optimism. The proceeds were rotated into shorter dated AUD securities. This has seen a reduction in the risk held within our corporate bond and sub- debt allocation. This is consistent with our active management philosophy.

**Residential Mortgage Backed Securities (RMBS):** ↑ RMBS allocation increased for the month, with additions in the regional bank sector via purchases in the secondary market. Market pricing continued to strengthen in primary market over the course of the month as the demand for high quality paper continues to grow. With respect to market performance, the S&P arrears index (SPIN) for the month showed prime arrears improving 7bps to 1.00% while non-conforming also improved 17bps to 3.47%. Major bank arrears improved slightly, while regional banks saw a significant improvement of 30bps to 1.57%. Geographically, all states saw signs of strength with the exception of the ACT which remained in line. NSW and VIC improved 5bps and 8bps to 1.24% and 1.28% respectively. Noticeable improvements were also seen in SA and QLD, with arrears levels falling 13bps and 11 bps to 1.41% and 1.79%. In summary, performance continues to improve while price strengthens, which is coinciding with rising demand for the sector. We maintain a positive view and are seeking to move overweight given prevailing conditions.

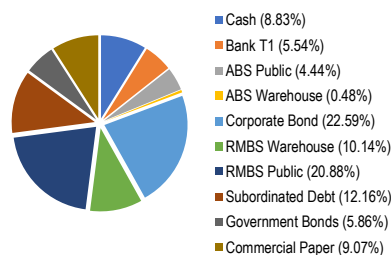
**Targeted risk across the Fund:** - Targeted portfolio risk remained at 1.08% over the month. The decrease in higher beta corporate credit positions were offset with additions in Bank T1 and RMBS.

### Fund Statistics

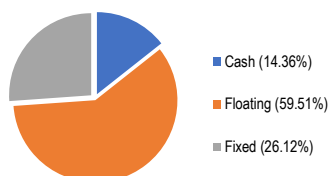
Running Yield	4.14%
Volatility†	0.73%
Interest rate duration	1.00
Credit duration	2.79
Average Credit Rating	BBB+
Number of positions	234
Average position exposure	0.33%
Worst Month*	-0.47%
Best Month*	1.22%
Sharpe ratio <sup>‡</sup>	3.15
Information Ratio <sup>‡</sup>	2.59

Calculated on Ordinary Units unless otherwise stated. \*Since Inception 26 September 2012.  
<sup>†</sup>Trailing 12 Months Calculated on Daily observations. <sup>‡</sup>Since Inception Calculated on Daily observations

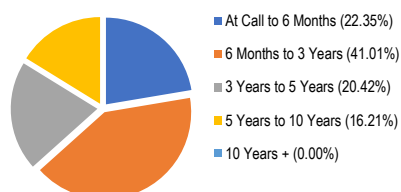
### Portfolio Composition



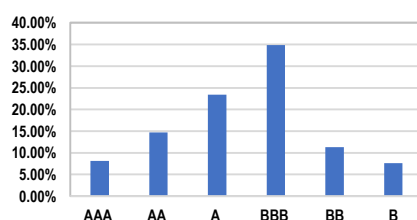
### Fixed and Floating Breakdown



### Maturity Profile



### Credit Quality



**Additional Tier 1 (AT1) Exposures:** ↑ AT1 exposures increased to 5.54% from 4.95%. We continue to hold the view that low cash rates are likely to support the Australian listed market, minimising the prospect of any significant volatility in the shorter to medium term. In other news NAB issued a 10-year over the counter AT1. This is noteworthy in that it is the first franked hybrid issued by a major bank to institutional investors. This could lay the foundation for a more flexible approach in the future, where banks can guard against over reliance to any one market.

**Asset Backed Securities (ABS):** ↑ Our ABS allocation increased slightly over the month driven primarily by secondary market activity. Market demand for asset backed paper remains very strong, given its short dated nature and good yield.

### Market Outlook

The month saw a procession of positive news which drove equity markets higher and credit spreads tighter. A détente in US/Chinese trade negotiations, strong payroll numbers and positive news out of Britain all acted to support market speculation. At the same time government bond markets experienced continued weakness, as the year end sell off has seen US rates rise by over half a percent in the last quarter.

The end of 2020 see's global credit markets trading materially tighter than where the year began. For example US 10 year BBB spreads have ended the year at levels which have characterised the absolute tights in the post GFC period in early 2014 and late 2017. This speaks to a high level of comfort or market complacency.

So how do you approach a market that is materially less certain and is paying you a lot less than it did on 1 Jan 2019?

The answer is, cautiously. More recently our focus has been on reducing our exposure to higher beta securities, such as longer term BBB names in USD and holdings in the energy and the materials space and instead allocating to markets or themes that benefit off supportive supply/demand and fundamental dynamics.

For example we continue to feel that the AUD credit market will likely be buffered by very low cash rates which supports underlying security prices, especially in niche sectors such as RMBS and ABS. At the same time we expect that risk within these sectors will remain benign owing to stable property markets and very low interest rates.

The anecdotes we hear are clear, low interest rates are hurting and are very likely to drive an increase in risk and speculation, which in-turn will lead to flows into credit remaining healthy.

We expect that this will underpin the outperformance of certain sectors in the shorter to medium term and will assist the fund in meeting its return objective while simultaneously delivering a portfolio which is less exposed to a broader market correction.

### 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 - \$25,000

**Inception Date:** 26.9.2012

**Fund size:** AUD \$583 million

**APIR Codes:**

Ordinary Units - OMF0001AU

Wholesale Units - OMF009AU

Adviser Units - OMF0018AU

mFund Units – OMIF1394AU

**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:**

[www.realminvestments.com.au/media/4](http://www.realminvestments.com.au/media/4)

### Platform Availability

- BT Wrap
  - BT Panorama
  - Credit Suisse
  - Crestone
  - First Wrap
  - Hub24
  - Macquarie Wrap
  - Managed Accounts – IAS
  - MLC Navigator
  - MLC Wrap
  - Netwealth
  - Powerwrap
  - Praemium
  - uXchange
  - mFund Settlement
- Service - mFund code: RLM03

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