

### Fund Objective

The Realm High Income Fund is a fixed income portfolio, 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	0.13%	0.16%	0.13%
3 Month	0.73%	0.84%	0.37%
6 Months	1.44%	1.67%	0.75%
1 Year	3.45%	3.91%	1.49%
2 Years p.a	4.68%	5.13%	1.61%
3 Years p.a	4.00%	4.46%	1.78%
4 Years p.a	4.58%	5.05%	1.96%
5 Years p.a	5.37%	N/A	2.11%
Since Inception p.a*	5.46%	5.22%	2.17%

\* Past performance is not indicative of future performance. \*Ordinary units Inception 26 September 2012. Wholesale units Inception 2 October 2013. Adviser Units Inception 8 September 2016

### Fund Update

**Cash and Short-Term Liquidity Weighting:** ↑ by 2% to approximately 35%.

**Interest Rate Duration Position:** → Currently at 0.23 years, remaining within band of 0.2 - 0.5 years dictated via the fund's technical overlay. Australian and US yield curves continued to flatten over the month. The spread between Aussie 3 and 10 year bonds tightened by 10 basis points. Meanwhile in the US, the yield curve is as flat as we have seen it since late 2007, when the spectre of a US housing collapse loomed large. There is still a massive disconnect here, on our numbers rates feel like they need to rise from here, in particular at the longer end. We continue to sit well short of our benchmark 1 year exposure and remain focussed at the shorter end with most fixed paper sitting around 2 years. We believe yield curve positioning will buffer us against a more aggressive bond sell off.

**Corporate & Subordinated Debt Allocation:** ↑ Increased by approximately 5.6% to 31.26%. Main change came in the form of a switch out of government bonds into shorter dated fixed rate corporate paper. With a focus primarily being on major bank paper with maturity of 3 years or less. Outside of that we also increased our exposure to regional senior bank paper, specifically in the names of Bendigo, BOQ and MEB and also brought SEEK back into the portfolio. In terms of sales, we executed a significant reduction in our Australian property sector exposure taking profit in the names of Vicinity and GPT shopping trust. The sectors debt performed well over the month and was given an additional push post the Westfield takeover, which brought prices into our reduction range. This sector had lagged due to Amazon concerns prior to the Westfield announcement.

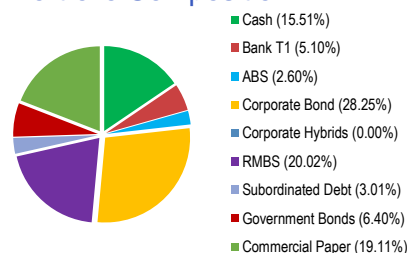
**Residential Backed Securities (RMBS):** → Exposure remained static ending the month at around 20%. Market remains very well bid. Over the month we saw AMP, Resimac and Liberty all come to market. All transactions enjoyed solid bid cover. In addition, we also saw the continuation of non-bank corporate activity with Latrobe announcing that Blackstone have taken a controlling interest.

### Fund Statistics

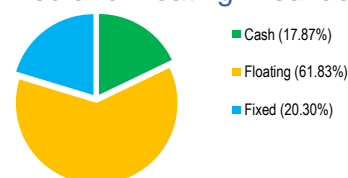
Running Yield	3.49%
Volatility†	0.39%
Interest rate duration	0.23
Credit duration	2.15
Average Credit Rating	A
Number of positions	145
Average position exposure	0.61%
Worst Month*	-0.47%
Best Month*	1.22%
Sharpe ratio†	3.13
Information Ratio†	3.19

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

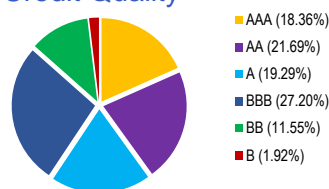
### Portfolio Composition



### Fixed and Floating Breakdown



### Credit Quality



### Maturity Profile



## 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%

**RMBS Cont'd:** This will not be the end of this theme. The flow of significant capital into the non-bank sector, is supportive of franchise value which in turn supports general non-bank RMBS asset quality. Additionally, we expect that 2018 will see a growth in issuance out of the major bank sector, supported by regulation and general demand. We remain generally constructive on the sector. However, we are also maintaining our discipline in a market that can only be described as being decidedly buoyant.

**Additional Tier 1 (AT1) Exposures:** → Remained around 5%. We note the strong performance on listing of both Bendigo and BOQ's recent tier 1 issue. The nature of the AT1 market is such that primary and new issue performance is generally instructive for secondary market spreads. Money continues to flow into this sector, with new product development and a stretch for yield the key drivers. We would define this market as generally expensive at current levels although we accept that it is enjoying a tailwind given risk market strength. What remains true, however, is that the sector does suffer from illiquidity and this can exacerbate weakness during market corrections. This is hardly front of mind given current market conditions for a lot of investors, but a key consideration for us. We remain well underweight.

**Asset Backed Securities (ABS):** ↓ Exposures reduced moderately to 2.6%. The reduction was due to fund growth and asset pay downs.

**Targeted risk across the Fund** → has broadly remained in line with our targeted annualised standard deviation sitting at approximately 0.70%. We are open in communicating that the nature of the strategy is such that we will consciously reduce the return profile at certain points in the cycle with a view to protecting the portfolio against excessive volatility. While we accept that top down conditions are strong, valuations are now very definitely stretched.

## Market Outlook

Spreads grinded in tighter again over the month. Global economic momentum is strong on our numbers. Add substantial tax cuts to the mix and its hard to be too bearish on the global economic outlook for 2018.

Global spreads continue to push back to levels last seen in 2007. The drive deeper and tighter will continue to bleed into our own market and will support shallow yield pools like RMBS and investment grade corporate paper. At the same time risk market strength will support AT1 markets. All of that said, spreads are now definitely providing an asymmetric pay-off. With investors picking a range of poisons for return, be it liquidity premium, risk or term premium. This is also happening at a time where global credit liquidity continues to decline as MIFID II rules reduce turnover substantially.

Meanwhile rates markets seem to be telling a completely different story with the yield curve flattening. This is speaking to a rise in the probability of policy error. It is hard to reconcile this and it would be fair to say that risk markets and the bond market seem to be holding completely different hymn sheets. At any rate, the value just isn't there to stick our neck out too far, even if the coast seems relatively clear in the immediate term.

Our focus remains delivering on our proven investment process, with an emphasis on price for risk.

## 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

**Inception Date:** 26.9.2012

**Fund size:** AUD \$360 million

**APIR Codes:**

Ordinary Units - OMF001AU

Wholesale Units - OMF009AU

Adviser Units - OMF0018AU

**Management Fees (inc. GST):**

Ordinary Units - 1.20%

Wholesale Units - 0.77%

Adviser 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 IDPS
- Managed Accounts – IAS
- Netwealth
- Powerwrap
- Praemium
- mFund Settlement Service - mFund code: RLM01

Realm Investment House  
ABN 34 155 984 955  
AFSL 421 336

Level 17  
500 Collins St  
Melbourne VIC 3000

Email: [clientservices@realminvestments.com.au](mailto:clientservices@realminvestments.com.au)  
Website: [www.realminvestments.com.au](http://www.realminvestments.com.au)  
Tel: 03 8560 7297

## DISCLAIMER

Realm Pty Ltd ACN 155 984 955 AFSL 421336 (Realm) is the investment manager of the Realm High Income Fund (ARSN 159 673 533) (Fund). One Managed Investment Funds Limited (ABN 47 117 400 987) (AFSL 297042) is the responsibility entity of the Fund (OMIFL). The information contained in this document was not prepared by OMIFL but was prepared by other parties. While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information contained therein cannot be warranted or guaranteed. Anyone reading this report must obtain and rely upon their own independent advice and inquiries. Investors should consider the product disclosure statement (PDS) issued by OMIFL before making any decision regarding the Fund. The PDS contains important information about investing in the Fund and it is important investors obtain and read a copy of the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. A copy of the Ordinary Units and Wholesale Units PDS, Adviser Units PDS, Additional PDS (Dated 05 October 2017) and continuous disclosures may be obtained from <http://oneinvestment.com.au/realm/> or <http://www.realminvestments.com.au>. Realm believes that the information contained in this document is accurate when issued. Realm does not warrant that such information or advice is accurate, reliable, complete or up-to-date, and to the fullest extent permitted by law, disclaims all liability of Realm and its associates. This document should be regarded as general information only rather than advice. In preparing this document, Realm did not take into account the investment objectives, financial situation and particular needs of any individual person. The information contained in this document must not be copied or disclosed in whole or in part without the prior written consent of Realm, and Realm accept no liability whatsoever for the actions of third parties in this respect. It is presented for informational purposes only and is not to be construed as a solicitation or an offer or recommendation to buy or sell any securities. Any opinions expressed in this document may be subject to change. Realm is not obliged to update the information. The information must not be used by recipients as a substitute for the exercise of their own judgment and investigation. Neither Realm nor any of their directors, employees or agents accept any liability for any loss or damage arising out of the use of all or part of, or any omission, inadequacy or inaccuracy in, this document. OMIFL and Realm do not guarantee the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law, neither OMIFL nor Realm, including their directors, senior executives, employees, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this document. Realm only provides services to wholesale clients, as defined in section 761G of the Corporations Act. Past performance is not indicative of future performance. Information in this document is current as at 31 December 2017.