Realm High Income Fund
May 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	0.32%	0.35%	0.01%
3 Month	1.49%	1.61%	0.03%
6 Months	1.46%	1.67%	0.05%
1 Year	4.52%	4.97%	0.16%
3 Years p.a	4.12%	4.56%	0.80%
5 Years p.a	4.03%	4.47%	1.09%
Since Inception p.a*	4.81%	4.78%	1.66%

* 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: ↑ The allocation to cash, commercial paper and government bonds increased from 22.49% to 23.46%. This was attributed to net inflows which were partly allocated to the corporate and bank capital book as well as into ABS.

Interest Rate Duration Position: ↑ IRD positioning increased to 1.35 from 1.29 years. The slight increase reflects the technical positioning around the Australian 3 year future in addition to complimenting the fund's core credit exposure. Rates were range bound over the month, however, proposed fiscal expenditure in the US increases the prospect of higher volatility within this market over the medium term. This has motivated us to maintain our reduced exposure.

Corporate & Subordinated Debt Allocation: ↓ Weighting to corporate and sub debt decreased slightly from 27.82% to 27.67%. Credit markets remained firm during the month, supported by a modest supply of new issuance. Notably, Westpac issued senior unsecured bonds in the USD market, the first benchmark senior unsecured issuance by an Australian major bank in over 12 months. We expect more major bank senior unsecured issuance in the next 3-6 months. We continued to reduce credit duration by rotating into bonds with shorter dated maturities, particularly in AUD corporate bonds. As such, the fund remains well positioned for a modest sell-off in credit markets.

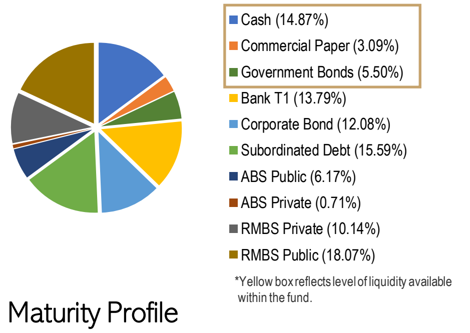
Residential Mortgage Backed Securities (RMBS): ↓ RMBS allocation decreased over the month from 29.7% to 28.2% as the fund took advantage of strong market conditions to optimise its holdings. Securitisation markets were active with several transactions launching, including 2 regional bank transactions (ING and AMP) and a prime mortgage transaction. Transactions were very well supported generally, with strong demand forcing some transactions to close to new orders up to several days earlier than anticipated. This continues to provide a positive tailwind for pricing which has seen yields tighten up to 0.5% in the sub investment grade (BB rated) part of the capital structure, and also notably within shorter dated bonds, as was evident in a range of secondary market auctions which took place over the course of month. Securitised assets continue to present good value on a relative basis against other sectors. With respect to market performance, the S&P arrears index (SPIN) showed a solid 4bp improvement over the month of March to 0.94%.

Fund Statistics

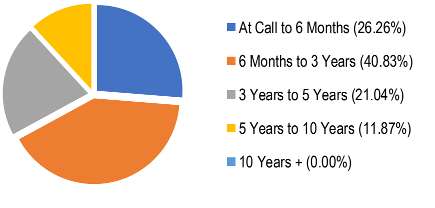
Running Yield	3.62%
Yield to Maturity	3.17%
Volatility†	1.31%
Interest rate duration	1.35
Credit duration	2.23
Average Credit Rating	BBB
Number of positions	264
Average position exposure	0.31%
Worst Month*	-1.19%
Best Month*	1.22%
Sharpe ratio∂	3.11

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

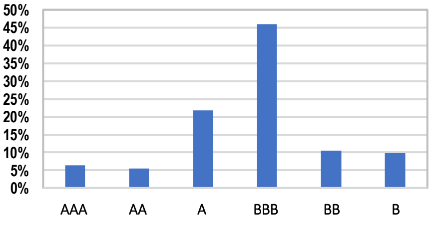
Portfolio Composition



Maturity Profile



Credit Quality



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Additional Tier 1 (AT1) Exposures: ↑ AT1 exposure increased slightly from 13.55% to 13.79%. 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 6.41% last month to 6.88% at the end of the month. This was driven mainly by fund participation in public ABS. Strength in auto markets continues to support collateral values within the portfolio, while personal loans arrears also continue to trend well compared to structured assets more broadly.

Targeted risk across the Fund: ↓ Targeted portfolio risk decreased from 1.42% to 1.33% as we continued to reduce credit duration in corporate bonds and sub debt. The fund remains compliant with the Portfolio ESG risk limits.

Market Outlook

Bond and equity markets recorded gains during the month and commodity prices were supported by a weaker USD. The VIX finished the month close to unchanged although an outbreak of volatility expectations arose when a surprisingly high CPI reading was released in the US. The OECD reflected the prevailing optimism in relation to the economy by upgrading world growth estimates for 2021 to 5.5% from the 4.2% figure it projected last December.

Whilst the catastrophic outcomes in India, in relation to covid, came off their peaks and better outcomes were recorded in Europe and the US, it remained clear that countries without adequate vaccine coverage remained exposed to outbreaks. The potency of the emergent strains requires the great majority of the population to be vaccinated to control the virus. Even this may not be enough. In Australia, for example, the AstraZeneca vaccine offered to those over age 50 is not considered to be especially effective against the Beta (Sth Africa) and Gamma (Brazil) variants and, hence, we will need to remain vigilant for some while yet. Indeed, Treasury estimates that net migration will only normalise by around 2025.

Bond markets were driven by developments in the US where Treasury Secretary Yellen was compelled to walk back comments relating to overheating of the economy in the first week. This was followed by a surprisingly weak US jobs report which was explained by supply side issues including a lack of childcare, ongoing covid concerns and elevated unemployment benefits discouraging workers from returning. Shortages of microchips and lumber constrained employment growth in manufacturing and residential construction. Finally, the CPI reading surprised to the upside and gave life to concerns that inflation might become endemic, although these concerns subsequently settled. The outlook for the US will be driven by negotiations currently underway for the Biden packages for Jobs and Families, which will further boost output beyond what had previously been seen to be natural limits.

The Federal 'Pandemic' Budget was handed down and recycled the gains from a better-than-expected economic recovery since the end of last year into additional stimulus which is intended to drive unemployment rates lower. The RBA continued to re-iterate that it does not expect cash rates to rise before 2024 at the earliest. However, more detail on its intentions with yield curve targeting and QE will be announced in the July meeting.

With the $200bn Term Funding Facility coming to a close on 30 June, one of the most significant recent tailwinds for the domestic credit market will cease. Ultimately, these proceeds will need to be returned, but the immediate consequences for the markets are a softer outlook for high quality and longer dated paper. Nonetheless, reasonable risk-adjusted spreads can still be found in shorter dated assets and those with some complexity associated with them which did not benefit particularly much from this program of monetary support.

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	3.70%	10%
Non-Renewable & Nuclear Energy	0%	10%
Alcohol	0.38%	10%
Gambling	1.17%	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 $1.09 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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