REALM High Income Fund

AUGUST 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 gross of franking) of 3% over the RBA cash rate through a market cycle.

FUND DETAILS

Distribution Frequency: Monthly
Liquidity: Daily
Buy/Sell: 0.05% / 0.05%
Inception Date: 26.9.2012
Fund size: AUD $1.25 billion
Management Fees (inc. GST):
Ordinary Units - 1.20%
Wholesale Units - 0.77%
Adviser Units - 0.77%
mFunds Units – 0.77%
Direct Minimum Investment:
Ordinary Units - $25,000
Wholesale Units - $1,000,000
Adviser Units - $25,000
mFund Units - $10,000

Zenith
RECOMMENDED

NET PERFORMANCE

Period	Ordinary Units (incl. franking)	Wholesale Units (incl. franking)	RBA Cash Rate Return
1 Month	0.17%	0.22%	0.01%
3 Month	1.21%	1.33%	0.03%
6 Months	2.72%	2.96%	0.05%
1 Year	4.32%	4.78%	0.13%
3 Years p.a	4.22%	4.66%	0.69%
5 Years p.a	3.90%	4.35%	1.01%
Since Inception p.a*	4.81%	4.80%	1.62%

* Past performance is not indicative of future performance. *Ordinary units Inception 26 September 2012. Wholesale units Inception 2 October 2013.

FUND STATISTICS

Running Yield	3.28%
Yield to Maturity	2.63%
Volatility†	1.15%
Interest rate duration	0.86
Credit duration	1.96
Average Credit Rating	BBB
Number of positions	303
Average position exposure	0.25%
Worst Month*	-1.19%
Best Month*	1.22%
Sharpe ratio∂	3.12

PLATFORM AVAILABILITY

- Australian Money Market (Retail Units)
- BT Wrap
- BT Panorama
- Credit Suisse
- Crestone
- First Wrap
- Hub24
- Macquarie Wrap
- MLC Navigator/Wrap
- Netwealth
- Powerwrap
- Praemium
- uXchange
- Xplore Wealth
- mFund: RLM03

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%

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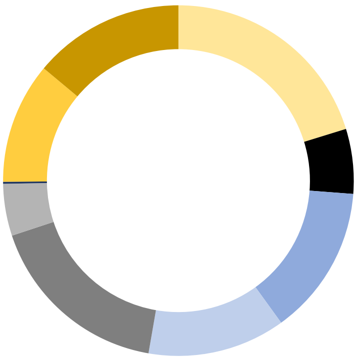
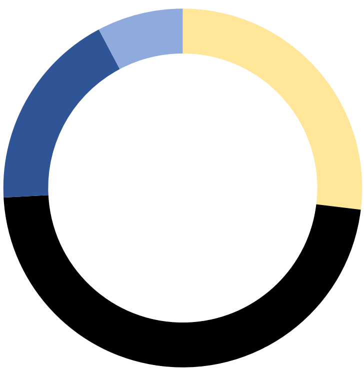
PORTFOLIO COMPOSITION



- Cash (20.23%)
- Commercial Paper (5.98%)
- Government Bonds (0.00%)
- Bank T1 (13.82%)
- Corporate Bond (12.70%)
- Subordinated Debt (17.19%)
- ABS Public (4.79%)
- ABS Private (0.18%)
- RMBS Private (11.17%)
- RMBS Public (13.94%)

MATURITY PROFILE



- At Call to 6 Months (26.93%)
- 6 Months to 3 Years (47.22%)
- 3 Years to 5 Years (18.10%)
- 5 Years to 10 Years (7.75%)
- 10 Years + (0.00%)

FUND UPDATE

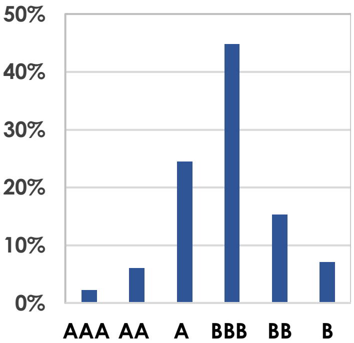
Cash and Short-Term Liquidity Weighting: ↑ The allocation to cash, commercial paper and government bonds increased from 20.12% to 26.21%. This was mainly attributed by solid net inflows into the fund and profit taking across corporate and sub debt.

Corporate & Subordinated Debt Allocation: ↓ Weighting to corporate and sub debt decreased from 34.32% to 29.89%. Credit markets were modestly firmer over the month, with relative outperformance observed from higher beta sectors such as sub debt and high yield. As such, we continued to take profits across T2 and AT1 securities, particularly in USD. New issuance volumes picked up during the month with the most notable being NAB's A$2.75 billion 5-year senior unsecured bond - the first domestic senior unsecured issue in benchmark size from an Australian major bank in nearly 18 months. Domestically, we also saw CBA issue a A$1.5 billion 10-year (non-call 5-year) T2. New deal roadshows also picked up towards the end of the month which should translate to a healthy supply of new issuance for September.

Interest Rate Duration Position: ↓ IRD positioning decreased from 0.96 to 0.86 years. A significant rally in the Australian 10-year government bond yield, to a low of 1.06%, along with the 3-year bond yield indicating expectation of RBA to continue yield curve control, contributed to the reduced IRD positioning.

Residential Mortgage-Backed Securities (RMBS): ↓ Our RMBS allocation decreased over the month from 25.6% to 25.1%, led by slight decreases in both public and private exposures. Structured credit markets were firmer over the month, with a significant number of transactions brought to market once again. This continues to be driven by issuers capitalising on the tight market conditions to issue bonds into public markets, significantly lowering their cost of funds. Transactions ranged across several asset classes, with two regional bank transactions, several prime transactions across both Australia and NZ, several consumer finance transactions, two auto and equipment transactions and two transactions centred around financing for Small and Medium enterprises (SME's). The issuance was met with significant demand, with each of these transactions well supported by investors, but particularly well supported within the lower investment grade (A/BBB rated) and sub investment grade tranches. This demand continues to drive pricing tighter, and although the relative value of the portfolio is attractive relative to other assets, we continue to characterise the current public securitisation market as expensive relative to long term historic averages and private assets. We will continue to look to skew the book towards private assets over the coming months. With respect to market performance, the S&P arrears index (SPIN) for June improved 5bps to 0.90%, a level that we would deem to be benign.

CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	2.49%	10%
Non-Renewable & Nuclear Energy	0%	10%
Alcohol	0.29%	10%
Gambling	1.04%	10%

Additional Tier 1 (AT1) Exposures: ↓ AT1 exposure decreased from 14.25% to 13.82%. We reduced holdings in AT1's with longer call dates, mainly in USD, and continued to rotate into AUD AT1's with shorter call dates. During the month we saw the launch of two AUD AT1 deals -- Westpac's Capital Notes 8 and Suncorp's Capital Notes 4 -- which will both settle in September. We participated in the Westpac deal which included a reinvestment offer for holders of the Westpac Capital Notes 4.

Asset Backed Securities (ABS): ↓ Our ABS allocation decreased from 5.52% last month to 4.97%, driven by a small reduction in public exposures. Exposures within pools continue to perform very well against expectations, and due to the shorter nature and higher yields offered by the assets in comparison to other sectors, continue to be highly sought after by market.

Targeted risk across the Fund: ↓ Targeted portfolio risk decreased from 1.0% to 0.92% as we continued to reduce credit duration and interest rate duration. The fund remains compliant with the Portfolio ESG risk limits.

MARKET OUTLOOK

Markets cycled through August and were initially buoyed by a favourable employment outcome in the US, then subsequently became concerned by a worsening Delta outbreak and a sense that the most rapid part of the economic recovery had passed. Markets were also concerned that Fed Chair Powell's eagerly awaited speech at the Jackson Hole conference would include an announcement of QE taper but were ultimately relieved when he did not. Following this, risk markets rallied and bonds sold off into the end of the month as risk aversion fell. This may have been associated with a decline in the rate of new covid cases in key jurisdictions.

The fall of Afghanistan, further social interventions in China (restricting gaming), the deteriorating climate outlook outlined by the IPCC and the ongoing passage of the US stimulus bills were also notable headlines. US Bond yields finished slightly higher, although Australian yields were largely unchanged because the Delta outbreak deteriorated in NSW and authorities came to realise that it could not be driven to zero in Victoria. Nonetheless, global credit markets and equities reflected the sense of ongoing strength in the longer-term economic outlook. Within Australia, banks returned capital as profitability was supported by decreased concern for defaults on their loans.

OTHER FUND DETAILS

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/

M&A activity continued with Square making a $39bn acquisition of Afterpay. Australia's June Qtr GDP demonstrated that a strong recovery had taken hold before the latest outbreak. However, China's efforts to reign in excess steel production resulted in a significant reduction in iron ore prices. The AUD traded weaker over the month, moving with the above-mentioned pattern of positioning around Powell's Jackson Hole speech.

The outlook for the Australian economy has clearly been dampened following the Delta outbreak. However, the pace of vaccinations, availability of vaccines, decline in reported hesitancy, together with the developing momentum for vaccine passports and workforce mandates all point to a successful vaccination outcome by December, if not earlier. If the experience in Europe and the US are a guide, economic activity will be far more resilient to any rise in cases when restrictions ease. We anticipate a recovery to the pre-covid trajectory will be achieved in 2022 and this will be supported by the RBA's extension of its QE guidance through to February at least.

With QE taper now underway in Australia, anticipated in Q1 for the US and poised for announcement by the ECB, the likely path of bond yields is upwards. Certainly, real yields look exceptionally low given the outlook. As the economy recovers, nascent growth in loan volumes will accelerate and contribute to an increase in bank debt issuance which, in turn, will drive other credit spreads wider. We expect this to be orderly and progress at a modest pace for now. Nonetheless, we find less value in longer dated corporate paper and government bonds. Highly rated RMBS assets continue to trade very tightly whereas better value remains available in the mezzanine tranches but these are hotly contested. Under these conditions, forward looking return expectations are lower than average even though credit quality is exceptional.

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