REALM High Income Fund

SEPTEMBER 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 $1.31billion
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	0.06%	0.10%	0.01%
3 Month	0.71%	0.84%	0.03%
6 Months	2.10%	2.34%	0.05%
1 Year	3.87%	4.33%	0.11%
3 Years p.a	4.13%	4.58%	0.65%
5 Years p.a	3.87%	4.32%	0.99%
Since Inception p.a*	4.77%	4.76%	1.60%

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

FUND STATISTICS

Running Yield	3.18%
Yield to Maturity	2.66%
Volatility†	1.11%
Interest rate duration	0.80
Credit duration	1.97
Average Credit Rating	BBB
Number of positions	304
Average position exposure	0.25%
Worst Month*	-1.19%
Best Month*	1.22%
Sharpe ratio∂	3.11

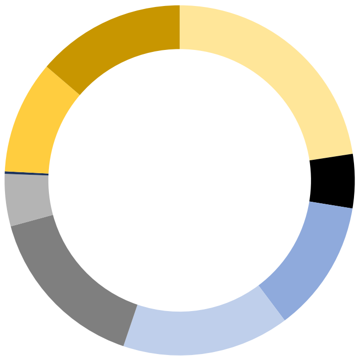
PLATFORM AVAILABILITY

- 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

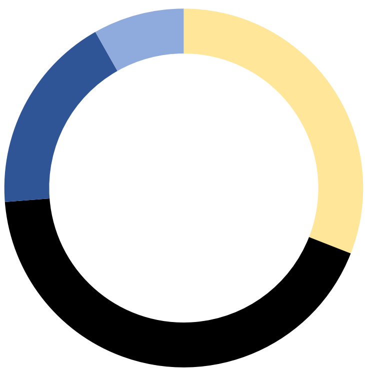
Sector	Asset Allocation Range	SAA Target
Cash	0% - 100%	10%
Government Bonds	0% - 100%	10%
Corporate Bonds	0% - 60%	10%
Corporate Hybrids	0% - 10%	5%
Bank Tier 1 Hybrids	0% - 25%	15%
Sub Debt Hybrids	0% - 25%	15%
RMBS	0% - 60%	30%
ABS	0% - 20%	5%

PORTFOLIO COMPOSITION



- Cash (22.57%)
- Commercial Paper (5.00%)
- Government Bonds (0.00%)
- Bank T1 (12.19%)
- Corporate Bond (15.45%)
- Subordinated Debt (15.56%)
- ABS Public (4.83%)
- ABS Private (0.23%)
- RMBS Private (10.44%)
- RMBS Public (13.74%)

MATURITY PROFILE



- At Call to 6 Months (30.94%)
- 6 Months to 3 Years (42.81%)
- 3 Years to 5 Years (18.04%)
- 5 Years to 10 Years (8.20%)
- 10 Years + (0.00%)

FUND UPDATE

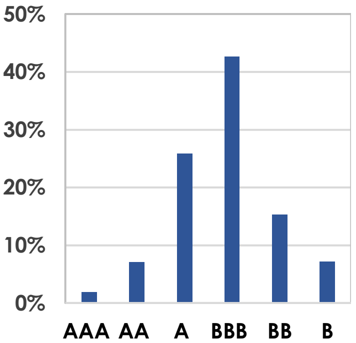
Cash and Short-Term Liquidity Weighting: ↑ The allocation to cash, commercial paper and government bonds increased from 26.21% to 27.57%. This was mainly attributed by solid net inflows and reduced allocation to AT1, sub debt, and both private and public RMBS.

Corporate & Subordinated Debt Allocation: ↑ Weighting to corporate and sub debt increased from 29.89% to 30.96%. Credit markets were generally weaker, especially over the 2nd half of the month as it faced headwinds from rising bond yields and the uncertainty of possible contagion from the troubled Chinese property developer, Evergrande. This led to a relative under performance of BBB corporates which presented attractive relative value for us to increase our allocation to corporate bonds. New issuance volumes were robust with notable domestic deals from supermarket retailer Woolworths who issued a dual tranche 7-year and 10-year sustainability linked bond (SLB) - the deal was more than 4x over-subscribed and it was the 2nd domestic SLB issuance following Wesfarmer's inaugural SLB in June. Qantas also issued a 7-year bond which was close to 4x oversubscribed. There was also further M&A activity with both Ausnet Services and ALE Property Group receiving takeover bids. From a bonds perspective, the likely outcome of each transaction will be on opposite ends, with the Ausnet deal likely to result in multi-notch ratings downgrades and material capital destruction while the ALE deal will present strong upside. The fund had no exposure to Ausnet and will benefit from our ALE holdings.

Interest Rate Duration Position: ↓ IRD positioning decreased from 0.86 to 0.80 years. Concerns around non-transitory inflation, announcement of imminent taper by global central banks and continued rebound in global demand contributed to the reduced IRD positioning.

Residential Mortgage-Backed Securities (RMBS): ↓ Weighting to RMBS decreased this month from 25.1% to 24.2%. There were several issuances over the month across a range of asset types with major banks, regional banks, prime and several consumer lending transactions. Pricing remains strong in the mezzanine for investment grade tranches (A/BBB rated), with sub investment grade rated tranches remaining especially well bid. Senior tranches (AAA/AA rated) have moderated from their tights however, with reduced interest from investors noted in the higher rated tranches which typically display much lower yields. The portfolio remains well positioned for this weakening, with senior bonds already presenting low relative value. We will continue to look to skew the book towards private assets over the coming months where we continue to see strong relative value. With respect to market performance, the S&P arrears index (SPIN) for July improved 3bps to 0.87%, a level that we would deem to be benign.

CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	4.45%	10%
Non-Renewable & Nuclear Energy	0%	10%
Alcohol	0.28%	10%
Gambling	0.98%	10%

Additional Tier 1 (AT1) Exposures: ↓ AT1 exposure decreased from 13.82% to 12.19%. The start of the month saw a strong bid for AT1 securities which allowed us to take profits on AT1's particularly in USD. The supply/demand dynamics of the AT1 market was supportive with no new issuance during the month. We anticipate this will continue into October given CBA's decision to call its A$1.4B PERLS VIII Capital Notes (CBAPE) on the 15th of October.

Asset Backed Securities (ABS): ↑ Our ABS allocation increased slightly from 4.97% last month to 5.06%, driven by a small increase 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 0.92% to 0.85% as we continued to reduce interest rate duration and slightly increased our cash holdings. The fund remains compliant with the Portfolio ESG risk limits.

MARKET OUTLOOK

Markets experienced an eventful month. Equities and global credit markets sold off, as did the Australian dollar. Bond yields rose materially. The VIX reached a peak last experienced in May when the market was surprised by inflation in the US. As then, concern for inflation surprising uncomfortably to the upside was influential, but several other developments asserted themselves too.

From a monetary policy perspective, bond yields rose significantly during the month as a surprisingly hawkish statement from the Fed regarding the probable timing of QE taper was followed, in quick succession, by warnings about the increased risk of supply-side inflation becoming more entrenched by the Bank of England and Norges Bank becoming the first western central bank to raise cash rates.

Risks to the inflation outlook became more balanced, edging increasingly away from a strong conviction that recent high readings would be transitory. This occurred as major energy shortages developed in Europe and UK where gas prices rose strongly and a bidding war for spot LNG shipments developed with Asian gas consumers. China experienced difficulties relating to coal availability for its power plants as internal logistics struggled to maintain a reliable and sufficient supply. It was reported that even the residual Australian sourced coal still stranded in its ports was unloaded, to illustrate the urgency of the situation. Widespread supply chain problems continued to be reported and there appeared to be a significant mismatch in the labour market where employment levels remain well below pre-covid levels despite very high numbers of unfilled positions in some parts of the world, including the US.

OTHER FUND DETAILS

Responsible Entity: One Managed Investment Funds Ltd

Custodian: JP Morgan

Unit Pricing and Unit Price History: https://www.realminvestments.com.au/ourproducts/Realm-high-income-fund/

China took the headlines as well as property developer Evergrande fell into financial distress and had the market wondering if this would be China's Lehman Brothers moment. Separately, the economy was slowed via a series of staged shutdowns as officials sought to achieve pollution reduction targets. These increased the perceived risk to emerging market economies.

Having tarnished its international reputation, the Biden Presidency continued to struggle with its domestic agenda and finding unity within the Democratic party. The debt ceiling once again became a focal point. In addition, lack of alignment within the party appears to have resulted in an understanding that a key plank, the 'Human Infrastructure' package, will not be passed with the original $3.5tr price tag. This provided some support for bonds. The AUKUS agreement to build nuclear submarines for Australia made significant headlines and some response can be anticipated from China. The development was an application to join the CPTPP trade agreement.

Australia's vaccination program continues to roll out strongly and expectations for re-opening in NSW and Victoria were brought forward. It remains to be seen how durable any re-opening will be, but businesses appear to be confident enough to be hiring ahead of this with job advertisements remaining elevated. Property markets have continued to power ahead with APRA now taking steps to ensure that the resiliency of the financial system is protected by raising affordability standards.

The RBA commented that it continued to expect that the first cash rate rise would occur in 2024 and could not explain why the swaps market was implying a path that seemingly paid little regard to the new policy approach and increased emphasis on wage inflation. During the month, APRA also announced that the Committed Liquidity Facility would be wound down by next year. Semi government bonds spreads tightened and bank senior debt weakened on the news. Overall, domestic credit markets traded softly other than mezzanine structured debt which continued to be strongly sought after.

Whilst we do not believe that high inflation readings will ultimately be sustained far into 2022, the potential for markets to act increasingly as if this might become is meaningful. We remain defensively postured, seeking to avoid or limit exposures which are most correlated to the possibility of a rapidly rising yield curve, unless compelling idiosyncratic opportunities present themselves. One notable exception to this remains mezzanine structured debt and private debt, where pricing remains very attractive against alternatives.

REALM INVESTMENT HOUSE CONTACTS

A: LEVEL 17, 500 Collins street
Melbourne VIC 3000

DISTRIBUTION

Broc McCauley
T: 0433 169 668
E: broc.m@realminvestments .com.au

Client Services
T: 03 9112 1150
E: clientservices@realminvestments.com.au

REALM High Income Fund

SEPTERMBER 2021

DISCLAIMER

Realm Investment Management Pty Ltd ACN 158 876 807, a corporate authorised representative (number 424705) of 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 carefully consider each of the Product Disclosure Statement for the Ordinary Units, mFund Units and Wholesale Units dated 12 November 2018 or the Product Disclosure Statement Adviser Units dated 12 November 2018 (together with the Additional Information Booklet dated 12 November 2018) (PDS) and Target Market Determination (TMD) issued by OMIFL before making any decision about whether to acquire, or continue to hold, an interest in the Fund. Applications for units in the Fund can only be made pursuant to the application form relevant to the Fund. A copy of the PDS for the Ordinary Units, mFund Units and Wholesale Units dated 12 November 2018 and the PDS for the Adviser Units dated 12 November 2018, TMD dated 1 October 2021, continuous disclosure notices and relevant application form may be obtained from https://www.oneinvestment.com.au/realm/ or https://www.realminvestments.com.au/our-products/realm-high-income-fund/. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. 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 30 September 2021.

ZENITH DISCLAIMER

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned June 2021 referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at http://www.zenithpartners.com.au/RegulatoryGuidelines