Realm High Income Fund

September 2017

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	0.26%	0.30%	0.12%
3 Month	0.71%	0.82%	0.38%
6 Months	1.54%	1.76%	0.75%
1 Year	4.33%	4.79%	1.50%
2 Years p.a	4.92%	5.38%	1.68%
3 Years p.a	4.32%	4.78%	1.87%
4 Years p.a	4.87%	N/A	2.02%
Since Inception p.a*	5.59%	5.33%	2.20%

* 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 3.34% to approximately 42.59%.

Interest Rate Duration Position: → 0.26 years (remaining within band of 0.2 - 0.5 years dictated via the fund's technical overlay). Fed reserve Hawkishness coupled with proposed Trump tax cuts the driver. Also October earmarked as the month where the ECB provides some kind of blueprint on Euro Taper. While our monitor is showing Aussie short end as fair and long end as just a little below fair, US fair rate still sits 0.5% higher on the 10 year. Meaning that we would view low to mid 3s for the Aussie 10 year as a level where we would come closer to our neutral 1 year duration (-3/-4% from current levels).

Corporate & Subordinated Debt Allocation: ↑ by 3.91% to 29.43%. We have increased our exposure to high grade corporate names. Non-bank corporate paper currently presents the best relative value within our assessed universe, we wouldn't go as far as to call this market cheap, but it is near enough fair at a time where most of our assessed universe could be considered expensive. Added weight to Downer, GPT, Santos and AMP over the month. At the same time sold Singtel and reduced ME Bank Senior and Tier 2.

Additional Tier 1 (AT1) Exposures: ↓ Reduced to 3.99%. Sold our small exposure to Westpac's 10 year USD AT1 over the month. Five year big 4 AT1 continue to sit around 3% over 90 day bills. On our estimates that's expensive. Investors need to remember that correlation between equity and tier 1 is very high in drawdowns or under market stress.

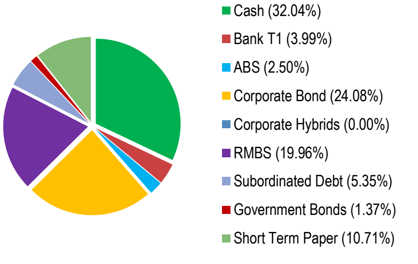
Residential Backed Securities (RMBS): ↓ Exposures reduced to 19.96%. Allocation reduced moderately as positions paid down. There was some positional turnover however the theme remains focussed on improving general portfolio credit quality. Deal flow was solid again however our participation was rather limited basis pool composition and general pricing which has become rather tight.

Fund Statistics

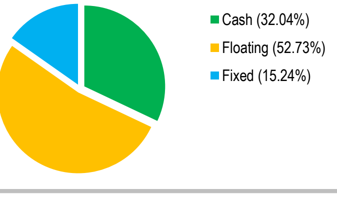
Running Yield	3.76%
Volatility†	0.43%
Interest rate duration	0.26
Credit duration	1.95
Average Credit Rating	A-
Number of positions	138
Average position exposure	0.56%
Worst Month*	-0.47%
Best Month*	1.22%
Sharpe ratio†	3.16
Information Ratio†	3.21

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

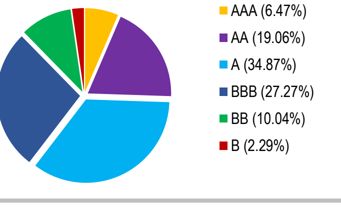
Portfolio Composition



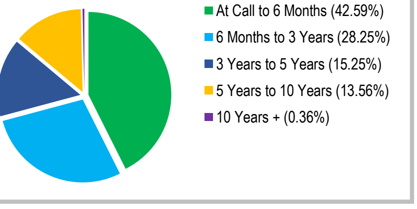
Fixed and Floating Breakdown



Credit Quality



Maturity Profile



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Asset Backed Securities (ABS): ↓ Exposures reduced to 2.50%. Movement was driven by portfolio paydowns. Our exposure in this sector has a weighted average rating of "A", there is no exposure to peer to peer facilities within our allocation, all exposure is to recognised, mature issuance programs.

Targeted risk across the Fund → has broadly remained in line with our targeted annualised standard deviation sitting at approximately 0.72%. Targeted standard deviation is generally lower than realised standard deviation in benign environments (such as now). We are attempting to hold our risk exposure at this level which broadly allows us to target a rate of return of 1.5% to 2.5% in excess of cash after fees. We would expect that our targeted level of risk (and as a consequence our return target) where valuations move closer to our fair outlook.

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%

Market Outlook

The big move over the month was in rates markets. Yellen set a moderately Hawkish tone which in turn led to the market ratcheting up the probability of one more hike before year end. Following this Donald Trump also released details of his tax package, with an approximate price tag of almost $4 trillion over 10 years. Consensus seems to be that there is little to no chance of getting a package of this size through, and certainly not without Obamacare being repealed, but at least now the 1% no what's in it for them if they can get behind the Donald. Rates markets sold off on the back of it.

In Europe Draghi indicated that we can expect some kind of Euro tapering roadmap. With Europe running out of eligible government collateral, any taper may be skewed more to government rather than corporate debt.

Here in Australia data remained particularly solid, with employment in particular delivering strong top line numbers. The recent run in data is as strong as we have seen here domestically since 2010 (the last time the RBA hiked). The likelihood now being that we have seen the bottom for cash rates in the shorter to medium term.

Our system risk indicator continues to point towards market complacency remaining high. This is reflected within broad credit indices and risk markets more generally. We believe that markets will find it difficult to test recent high's and that they will be susceptible to a normalisation of rates and reduction in central bank balance sheets.

While we accept that markets have shrugged off most concerns over the last year or so investors should not necessarily take this as a sign of comfort, rather we feel the more complacent the market, the larger the impact of a sell off when it occurs.

Priority in the portfolio right now is protecting unit holder capital. While the fund is positioned to deliver a competitive return we do not feel this is a time to be allocated to a higher level of market 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 $314 million
APIR Codes:
Ordinary Units - OMF0001AU
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

Platform Availability

- BT Wrap
- Credit Suisse
- Crestone
- Hub24
- Macquarie Wrap IDPS
- Managed Accounts – IAS
- Netwealth
- Powerwrap
- Praemium

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