Realm Short Term Income Fund
October 2020

Fund Objective

The Realm Short Term Income Fund seeks to produce a return (net of fees) that exceeds the total return of the RBA Overnight Cash Rate by 1.50%-2.00% p.a. over rolling three-year periods.

Net Performance

Period	Ordinary Units	RBA Cash Rate Return
1 Month	0.29%	0.02%
3 Month	0.68%	0.06%
6 Month	1.47%	0.13%
1 Year	2.50%	0.43%
2 Year	2.73%	0.86%
Since Inception	2.74%	1.05%

Fund Statistics

Running Yield	2.18%
Yield to Maturity	1.85%
Volatility†	0.39%
Interest rate duration	0.10
Credit duration	1.39
Average Credit Rating	A
Number of positions	78
Average position exposure	1.10%
Worst Month*	0.09%
Best Month*	0.34%
Sharpe ratio∂	5.80

Calculated on Ordinary Units unless otherwise stated. *Since Inception 21 December 2017. †Trailing 12 Months Calculated on Daily observations. ∂Since Inception Calculated on Daily observations

Fund Update

Cash and Short-Term Liquidity Weighting: ↓ Cash and Short dated liquidity decreased to 34.04% from 36.93%.

Interest Rate Duration Position: → 0.10 years. The strategy will maintain interest rate duration of approximately 3 months as an average. However, the manager can increase interest rate exposure to as high as 1 year under certain conditions. The strategy will as a rule only take modest interest rate risk.

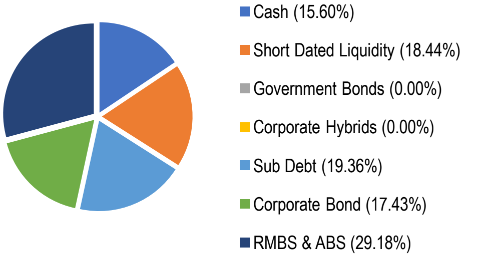
Corporate & Subordinated Debt Allocation: ↑ Increased slightly to 36.79% from 36.47%. Net additions were slightly skewed to subordinated securities over senior bank paper. The corporate book is very conservatively positioned in short dated senior paper of Australian ADIs, these assets experience very low levels of relative market volatility.

Residential Mortgage-Backed Securities (RMBS) & ABS: → RMBS allocation remained in line over the month, with the strategy continuing to take advantage of the strong issuance into year-end and deploying new funds into high quality assets. The credit rating of the sector remains at A and holds a weighted average credit duration of 1.77 years. Spreads continued to track tighter over the month providing colour to the strengthening market. Investment grade structured credit continues to remain well bid, both in secondary and primary markets as is evident through the strong coverage ratios supporting each transaction. We continue to expect the strong issuance to abate into year end.

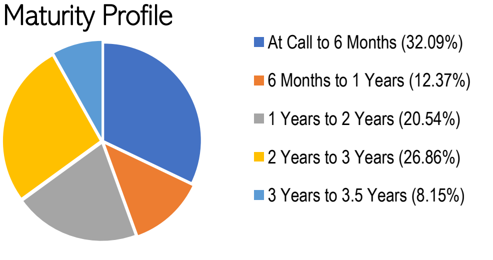
Arrears indices continue to improve alongside national property prices. Victoria has lagged the recovery, but with easing of lockdown we expect these local measures to improve rapidly.

The Government's $15bn Structured Finance Support Fund was not used to support any public deals in either primary or secondary markets over the month but continues to exist to support the market where needed. The Forbearance SPV saw two additional subscribers being PMFA (commercial leases) and OnDeck (SME Lender) accessing forbearance support alongside Think Tank, Redzed, Sapphire, Pepper and Metro programs.

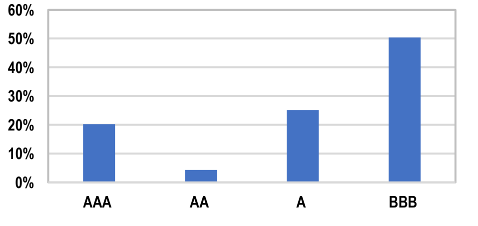
Portfolio Composition



Maturity Profile



Credit Quality



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Targeted risk across the Fund: ↑ Targeted risk increased slightly to 0.69% from 0.61%, reflecting the portfolio's marginal movements. Meanwhile realised standard deviation is at 0.39%. This has risen recently due to increased volatility in mark to market valuations. The portfolio remains defensively positioned, despite this, the fund has met its return objective over the last 12 months, delivering 2.50% after fees. This is evidence that the strategy is well designed, and that it delivers a reasonable premium over cash while maintaining a very tight distribution of returns month on month.

Market Outlook

The month was favourable for domestic credit investors with spreads continuing to narrow. This occurred despite a deterioration in global fundamentals. In addition, concerns over the potential for a disorderly outcome in the US Presidential election were elevated and drove bond and currency markets.

Covid remains a key driver of economic conditions. Confidence in the economy deteriorated in Europe and movement restrictions were escalated. The ECB has indicated further stimulus will be announced in December. Movement restrictions were less of a feature in the US and it remains to be seen how the economy will evolve in the presence of high case counts but relatively contained death counts. In the US, policy response has been focused on implementing additional income support and stimulus measures. Agreement could not be reached during the month and the impacts were visible in the consumption outcomes. Weak or negative growth is now in store for both economies during the December quarter, reversing recent upgrades to expectations. By contrast, Australia has brought case counts to exceptionally low levels and we are well positioned to extend our economic recovery at the national level, with Victoria clearly lagging significantly.

There were a number of positive developments relating to covid: vaccine trials, preparations for manufacture and distribution, developments on rapid testing, a better understanding of herd immunity thresholds, approval of effective therapeutics and better outcomes in relation to protection for those most at risk all provided much good news for the longer term outlook.

The Federal budget's assumptions for community-wide availability of an effective vaccine in the second half of 2021 is also our central case. Consumer behaviour has been very resilient and business confidence has responded well. We observe that the stimulus provided by the Budget and adjustments to the RBA's policy framework to focus more on inflation outcomes were very favourable developments. Overall, we are optimistic on the outlook for the Australian economy, housing and employment. The relationship with China is a concern.

Sector Allocation

Sector	Asset Allocation Range	SAA Target
Cash	10% - 100%	10%
31 Day Notice Account	0% - 20%	10%
Government Bonds	0% - 90%	0%
Corporate Bonds	0% - 40%	25%
Sub Debt/Corporate Hybrids	0% - 20%	10%
RMBS & ABS	0% - 30%	25%
Short Dated Liquidity	0% - 60%	20%

Fund details

Distribution Frequency: Monthly
Liquidity: Daily
Buy/Sell: 0.00% / 0.00%
Direct Minimum Investment:
Ordinary Units - $25,000
mFunds Units - $25,000
Inception Date: 12.12.2017
Fund size: AUD $130 million
APIR Codes:
Ordinary Units - OMF3725AU
mFunds Units - OMF8160AU
Management Fees (inc. GST):
Ordinary Units – 0.33%
mFunds Units – 0.39%
Responsible Entity: One Managed Investment Funds Ltd
Custodian: Mainstream Funds Services Pty Ltd
Unit Pricing and Unit Price:
https://www.realminvestments.com.au/our-products/realm-short-term-income-fund/

Platform Availability

- BT Panorama
- BT Wrap
- Hub24
- Macquarie Wrap
- Netwealth
- Powerwrap
- Praemium
- Australian Money Market
- **mFund code: RLM02**

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