Realm Short Term Income Fund
January 2021

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	0.19%	0.01%
3 Month	0.68%	0.03%
6 Month	1.36%	0.09%
1 Year	2.59%	0.27%
2 Year	2.73%	0.69%
3 Year	2.73%	0.96%
Since Inception	2.74%	0.98%

Fund Update

Cash and Short-Term Liquidity Weighting: ↑ Cash and Short dated liquidity increased to 35.25% from 34.91%.

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 one year under certain conditions. The strategy will as a rule only take modest interest rate risk.

Corporate & Subordinated Debt Allocation: ↓ Decreased slightly to 35.47% from 35.61%. Investments were skewed towards subordinated debt and towards optimising credit duration within limits. 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. The structured credit portfolio is well optimised with new funds deployed into high quality assets. The credit rating of the book sits at A and holds a weighted average credit duration of 1.79 years. Secondary securities remain well bid in public markets. This continues to be driven by three key themes; the strong offshore presence within the Australian market, strong flows into income based products searching for high quality assets with robust yields and the continued view of low asset supply into 2021. Secondary markets remain highly active with one new issuance late in the month which is expected to be very well supported.

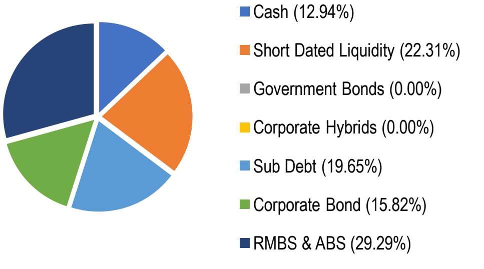
The Government's $15bn Structured Finance Support Fund was not used to support any public deals in either primary or secondary markets over the month but continues to exist to support the market where needed. The Forbearance SPV saw no additional subscribers accessing forbearance support.

Fund Statistics

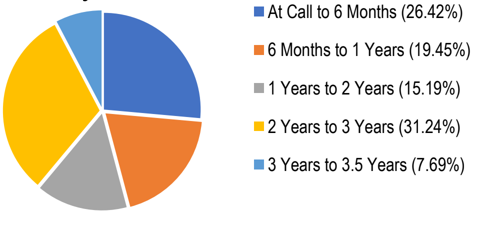
Running Yield	2.13%
Yield to Maturity	1.77%
Volatility†	0.45%
Interest rate duration	0.10
Credit duration	1.44
Average Credit Rating	A
Number of positions	85
Average position exposure	1.05%
Worst Month*	0.09%
Best Month*	0.34%
Sharpe ratio∂	6.05

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

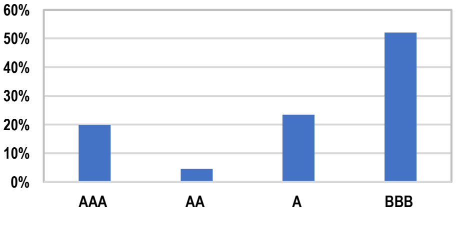
Portfolio Composition



Maturity Profile



Credit Quality



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Targeted risk across the Fund: ↓ Targeted risk decreased slightly to 0.67% from 0.70%, reflecting the overall stable market volatility. Meanwhile realised standard deviation is at 0.46%. 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 2.59% 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

Financial markets began the year optimistically before re-assessing this in the final days of the month. The US and European equity markets, together with Australia, finished largely unchanged overall. The USD rallied. Commodities were mixed. Most notably, government yield curves steepened considerably and Australian 10 year bond yields moved from 0.92% to 1.09%. Australian corporate bond spreads continued to rally over the month although bank senior and subordinated paper held steady, as did the domestic structured credit market.

The outcome of the US Senate run-off elections in Georgia produced a result which was favourable for the Democratic party, giving it control of the Congress and the Presidency, and increased the prospect of significant fiscal intervention. Bond yields rose significantly on the outcome, as did inflation expectations. There is strong evidence of supply side frictions developing. Risk markets generally rallied despite the prospect of higher corporate taxes that this implied. The virulence of the UK and South African covid varieties, which have set these economies back significantly, became of greater concern elsewhere. Sentiment was also affected by revelations about vaccine production and distribution difficulties. In Australia, authorities continued to implement strong measures against outbreaks which have adversely affected consumption and tourism in particular.

The Australian economy remains in a strong condition, under the circumstances. Households are spending when they can, housing markets are healthy, banks are prepared to lend and are very well capitalised and businesses are hiring full time roles at a greater pace. Globally, we believe that the US may endure a downgrade to near term expectations if estimates are correct that 0.5% of new covid cases were of the UK variety at the start of the year. Whilst the longer-term outlook of a strong recovery towards (but not reaching) the pre-covid baseline remains appropriate through 2022, a downward revision of this type of magnitude is ordinarily associated with uncomfortable volatility. If the markets wish to find a reason to take profits, they will find it here.

We believe that credit is fully priced at this time. Our portfolios will rely more heavily on our successful record of trading and potentially concentrate the portfolio slightly more heavily into the best remaining opportunities. We retain high levels of liquidity and are positively biased to deploy it into moderate market weakness. We note that the market narrative is shifting increasingly towards the timing of unwinding QE support. There is economic rationale for this, but we believe it is not an immediate 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 $148 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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