Realm Short Term Income Fund
February 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	0.32%	0.01%
3 Month	0.72%	0.02%
6 Month	1.40%	0.08%
1 Year	2.74%	0.22%
2 Year	2.75%	0.63%
3 Year	2.75%	0.92%
Since Inception	2.77%	0.95%

Fund Update

Cash and Short-Term Liquidity Weighting: ↑ Cash and Short dated liquidity increased to 37.39% from 35.25%.

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 34.84% from 35.47%. 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 decreased slightly over the month as fund growth coincided with a lull in issuance. The structured credit portfolio is well optimised with new funds continually 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. COVID hardship numbers continue to perform well, with performance as shown by the S&P arrears index weakening slightly, as is seasonality expected over the Christmas period. Yields tightened strongly in public markets, as issuance from the first non bank prime transaction (Columbus Triton) demonstrated the overwhelming appetite for RMBS product. There remains a strong offshore presence within the Australian structured credit markets, which is compounded by the continued view of low asset supply into 2021. These factors continue to drive structured credit markets tighter.

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	2.04%
Yield to Maturity	1.50%
Volatility†	0.49%
Interest rate duration	0.12
Credit duration	1.35
Average Credit Rating	A
Number of positions	86
Average position exposure	1.02%
Worst Month*	0.09%
Best Month*	0.34%
Sharpe ratio∂	6.23

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

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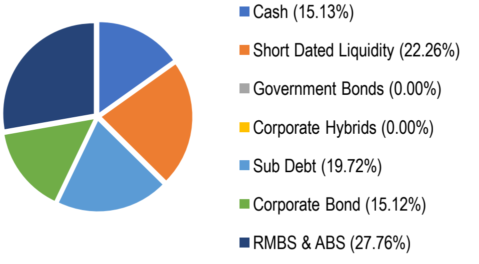
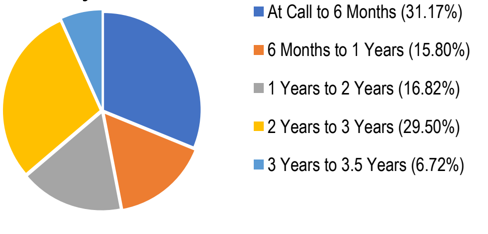
HIGHLY RECOMMENDED
Recommended
APPROVED
NOT RATED
REDEEM

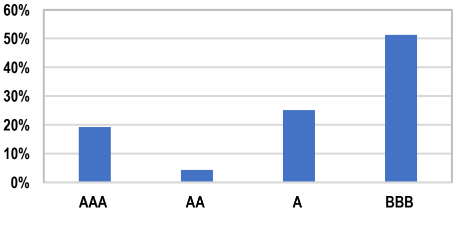
Portfolio Composition



Maturity Profile



Credit Quality



Distribution: Broc McCauley 0433 169 668 broc.m@realminvestments.com.au
Client Services 03 9112 1150 clientservices@realminvestments.com.au
Level 17, 500 Collins St. Melbourne VIC 3000

Targeted risk across the Fund: ↑ Targeted risk increased slightly to 0.68% from 0.67%, reflecting the overall stable market volatility. Meanwhile realised standard deviation is at 0.49%. 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 2.74% 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

A sharp rise in bond yields at the end of the month disrupted the recent pattern of strength in risk markets. Investors moved to price in a likelihood that recent observations of inflationary forces in commodities, and also that arising from supply chain frictions, would persist and permeate more widely as the economy recovers from covid and is strongly boosted by very significant fiscal support, particularly in the US. In contrast, major central banks re-iterated that labour markets remained weak and that this would keep wages and price inflation below target levels for several years to come. They also indicated that short term inflation pressures would pass and re-affirmed guidance for cash rates not to be raised for several years. Despite this, it was notable that Fed governors did not seek to talk down the recent spike in long term interest rates, largely seeing it as an appropriate development, although the RBA did seek to defend the 10-year bond yield via a symbolic increase in QE purchases.

Sentiment was supported by the ongoing roll-out of vaccines, indications that these would be effective against emerging strains and additions to the suite of choices. New case counts dropped significantly in the US over the month as movement restrictions had their desired effect. However, positivity rates have started to rise again as restrictions were lifted. The B117 ('Kent variant') has been reported in almost every state. If this more virulent strain is circulating at even a modest level, new case loads will be difficult to contain and may contribute to a near term downgrade in economic expectations. European new case counts proved to be more resilient, despite good progress early in the month.

Economic outcomes continue to support earlier observations that spending and consumption recover as circumstances evolve to allow freedom of movement. Business sentiment has generally improved and activity has picked up. There are increasing indications that China is starting to slow its rate of recovery in order to limit the further build up of imbalances in its financial system.

Credit spreads for corporate and bank capital widened towards the end of the month although the structured debt market remained well supported. We continue to believe that credit markets are fully priced, with the best value now to be found in structured debt.

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 $154 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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Distribution: Broc McCauley 0433 169 668 broc.m@realminvestments.com.au
Client Services: 03 9112 1150 clientservices@realminvestments.com.au
Level 17, 500 Collins St. Melbourne VIC 3000

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