

Realm Short Term Income Fund

March 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	0.09%	0.04%
3 Month	0.50%	0.16%
6 Month	1.03%	0.35%
12 Month	2.55%	0.96%
2 year	2.70%	1.29%
Since Inception	2.72%	1.26%

Fund Update

Cash and Short-Term Liquidity Weighting: ↑ Cash and Short dated liquidity increased to 27.91% from 24.93%.

Interest Rate Duration Position: → 0.12 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: ↓ Decreased to 42.22% from 45.59%. Net movement was skewed to senior financial paper, which was opportunistically sold in the early part of the month before the market. 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: → Weighting remained in line with last month. The month of March saw substantial amounts of volatility in global markets, and as a result many transactions were put on hold while the market determined fair clearing levels for risk assets.

The Australian Government announced a range of support packages for both corporate and mortgage markets, establishing a \$15bn Structured Finance Support Fund (SFSF). This fund will be implemented with the intention to support COVID-19 hardship losses, giving support to both public structured finance term deals and private structured finance facilities. Although we believe that in the current environment arrears will increase, the implementation of this trust will see support given to borrowers facing hardship and difficulties maintaining repayments, and as a result will offer a level of protection to RMBS structures. The structured credit portfolio maintains an AA- credit rating and a weighted average credit duration of 1.76 years.

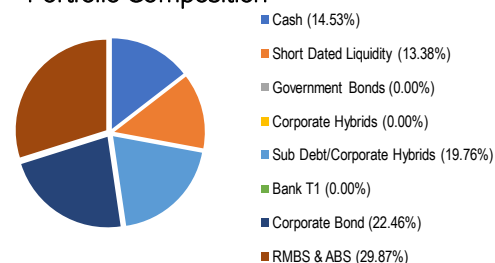
Targeted risk across the Fund: ↑ Targeted risk increased to 0.71% from 0.35%, on the back of increased systemic volatility. Meanwhile realised standard deviation is at 0.37%, this has risen due to increased volatility in mark to market valuations. The portfolio remains defensively positioned, despite this the fund has met its return objective over the last 12 months delivering 2.55% 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.

Fund Statistics

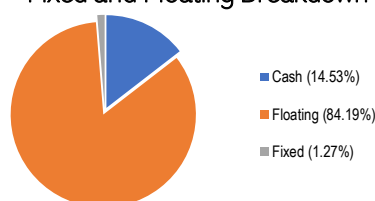
Running Yield	2.39%
Yield to Maturity	2.27%
Volatility†	0.37%
Interest rate duration	0.12
Credit duration	1.39
Average Credit Rating	A
Number of positions	49
Average position exposure	1.77%
Worst Month*	0.09%
Best Month*	0.34%
Sharpe ratio [§]	17.52
Information Ratio [§]	15.31

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

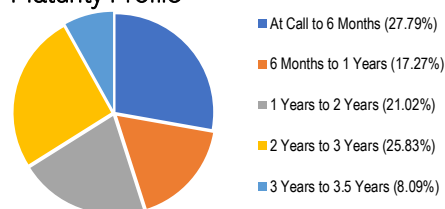
Portfolio Composition



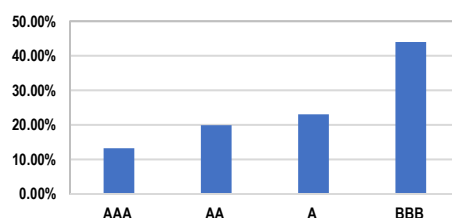
Fixed and Floating Breakdown



Maturity Profile



Credit Quality



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Market Outlook

The Realm Short Term Income Fund is a short duration low volatile strategy, providing sector diversity coupled with weighted credit duration of less than 1.5 years. In addition, an investment grade only credit quality limit will act to minimise portfolio volatility even during periods of heightened credit volatility.

While the portfolio can increase and decrease aggregate risk, this is managed in a tight band. The focus being on maintaining a competitive rate of return versus term deposits while guarding the portfolio against volatility and liquidity risk.

In instances of market volatility, investors will find that the portfolio will perform adequately, with draw down risk mitigated by tight portfolio limits and portfolio diversity. The Coronavirus was the primary driver of markets over the month.

March saw the most significant financial market stresses since the GFC. Our portfolios were protected throughout the period, including relying more heavily on bonds, and liquidity was retained at high levels.

Over the month, the following significant developments occurred in markets:

- The market became aware of the enormity of the impact of COVID on economic function.
- An extreme demand for USD liquidity. This caused dysfunction in even the US Treasury market which required the deployment of GFC-era tools to ensure the smooth flow of funding for short-term debt; and
- The arrival of official support in the form of fiscal responses and monetary settings that reflect the size of the challenge in front of us.

As a result, the narrative has already shifted towards recovery scenarios. There is a good argument that markets will seek to look through the GDP chasm that will develop in the next six months.

Whilst there is merit to an argument that the medium term economic outlook has become more visible, any move to discount an early recovery following signs of stabilisation of the disease trajectory might be premature.

We also note the severity of this event on company and household balance sheets. What is striking is the fact that our system is simply not set up to absorb this kind of event, as such there is a heightened level of uncertainty around what the eventual impact of this stress test will be, despite significant fiscal and monetary support.

As a consequence, we will be retaining the general size of the hedging program whilst seeking to opportunistically acquire exposure, at highly distressed prices. The focus is on allocating capital to core industries or balance sheets that are well positioned to absorb further stresses, and to participate in an eventual recovery.

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 \$83 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

- Hub24
- Netwealth
- Powerwrap
- Praemium
- mFund Settlement Service - mFund code: RLM02

DISCLAIMER

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