Realm Short Term Income Fund
June 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	0.23%	0.02%
3 Month	0.64%	0.06%
6 Month	1.14%	0.22%
1 Year	2.32%	0.66%
2 Year	2.71%	1.07%
Since Inception	2.70%	1.16%

Fund Update

Cash and Short-Term Liquidity Weighting: ↑ Cash and Short dated liquidity increased to 35.04% from 32.65%.

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 slightly to 36.2% from 38.14%. Net movement resulted from shorter dated regional senior paper being replaced with slightly longer major bank financial 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 with last month, with a credit rating of A and a weighted average credit duration of 1.63 years. Spreads continued to tighten over the month with issuers accessing the market with new primary transactions both launching and pricing across prime, non-conforming and ABS markets. Deal flow looks set to continue as issuers utilise market colour and the Australian Office of Financial Management (AOFM) continues to provide secondary market liquidity for investors.

Stress testing on the portfolio for unemployment and housing market declines does not impair any of the securities. Non call events or maturity extension will impact the portfolio by less than 0.05% of performance.

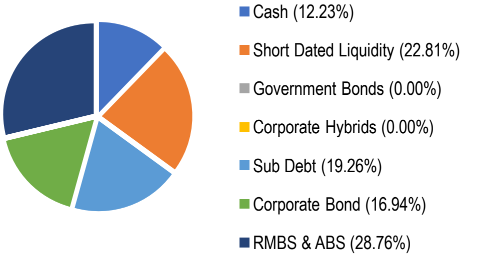
The Governments $15bn Structured Finance Support Fund (SFSF) has continued to allocate to non-bank financiers (NBF's), having publicly supported Australian issuers in both primary and secondary public markets. The SFSF continues to work through a mechanism to support COVID-19 related hardship claims for NBF's in both public term deals and private bank facilities. This explicit allocation to this market by the Australian Treasury shows the importance of securitisation and non-bank competition to government.

Fund Statistics

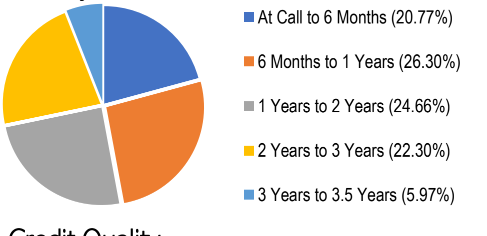
Running Yield	2.24%
Yield to Maturity	1.97%
Volatility†	0.38%
Interest rate duration	0.14
Credit duration	1.34
Average Credit Rating	A
Number of positions	53
Average position exposure	1.59%
Worst Month*	0.09%
Best Month*	0.34%
Sharpe ratio∂	17.70
Information Ratio∂	15.05

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

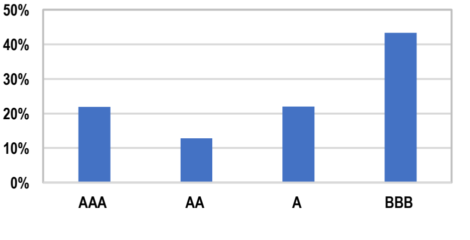
Portfolio Composition



Maturity Profile



Credit Quality



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Targeted risk across the Fund: ↓ Targeted risk decreased to 0.61% from 0.65%, reflecting the portfolio's reduction of senior financial paper. Meanwhile realised standard deviation is at 0.38%. 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 2.32% 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

Credit markets continued to recover as incoming data suggested that the worst of the economic hardship arising from COVID may have passed for major economies. The corporate bond oriented liquidity operations by the ECB, BoJ and Fed were also supportive.

Key economic outcomes reported during the month were very favourable relative to expectations. Most notable amongst these was an exceptionally strong non-farm payroll figure from the US which showed a surprising reduction in the level of unemployment from 14.7% in April to 13.3% in May. Surveys of company activity in major economies also indicated that the rate of decline, particularly in manufacturing, had slowed in May. Nonetheless, the outlook for capital expenditure remains highly uncertain.

In Australia, credit card data and analysis drawn from One-Touch Payroll transactions showed that consumer sentiment and the labour market had likely troughed in April. Whilst the labour market has only made a partial recovery from its lows, retail expenditure has markedly recovered as movement restrictions have eased. In-store expenditure is already close to pre-COVID levels. The housing market also remains orderly although approximately 2% of mortgages may face difficulty with resuming pre-COVID level payment schedules in September.

However, there were a range of significant negative developments. These include a sharp rise in new COVID cases in the US and smaller outbreaks in Korea, Japan and also Beijing. Meanwhile, the disease is spreading quickly through India, Brazil and Russia. Additionally, China has adopted an increasingly assertive position in Hong Kong. A border skirmish with India and provocative moves surrounding Taiwan were noted. China was also implicated in a sustained cyber-attack against Australian entities. These developments bring risks to domestic funding markets and exports.

As the credit markets have recovered strongly off distressed levels in March, reflecting improving economics and strong official sector support, we believe the balance of risk is now shifting towards the negative tail once again.

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 $79 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

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