Realm Short Term Income Fund

October 2019

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	0.18%	0.06%
3 Month	0.48%	0.23%
6 Month	1.35%	0.55%
12 Month	2.95%	1.29%
Since Inception	2.84%	1.39%

* Past performance is not indicative of future performance. *Ordinary units Inception 21 December 2017.

Fund Update

Cash and Short-Term Liquidity Weighting: ↓ Cash and Short dated liquidity decreased to 27.5% from 28.68%.

Interest Rate Duration Position: → 0.08 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: ↑ An increase to 42.79% from 41.54%. The increase was due to additions in short dated financial subordinated debt. 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 Backed Securities (RMBS) & ABS: → Remained in-line with last month. The market maintained its strong bid over the course of the month with a number of deals pricing in the primary RMBS market and a noticeable decrease in secondary market activity as investors try to maintain holdings of good quality paper. The structured credit portfolio maintains an A+ rating and a weighted average credit duration of 2.05 years. Market performance was strong this month, with the S&P arrears index (SPIN) for prime issuance improving 7bps to 1.00%, while non conforming arrears also improved significantly, shifting 17bps to 3.64%. Regional banks also improved noticeably, moving 30bps to 1.57%.

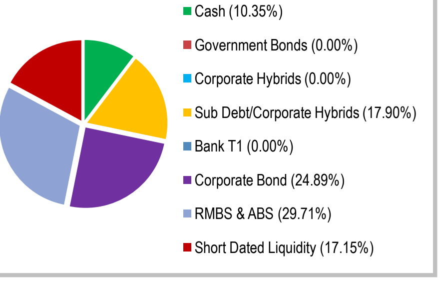
Targeted risk across the Fund: → Targeted risk remained stable at 0.37%, meanwhile realised standard deviation is at 0.14% which is only marginally wider than the bank bill index. The portfolio remains defensively positioned, despite this the fund has met its return objective over the last 12 months delivering 2.95% 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

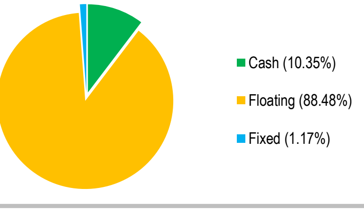
Running Yield	2.73%
Volatility†	0.14%
Interest rate duration	0.08
Credit duration	1.42
Average Credit Rating	A
Number of positions	64
Average position exposure	1.41%
Worst Month*	0.14%
Best Month*	0.34%
Sharpe ratio∂	24.90
Information Ratio∂	22.45

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

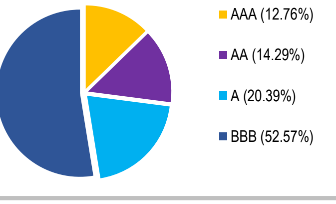
Portfolio Composition



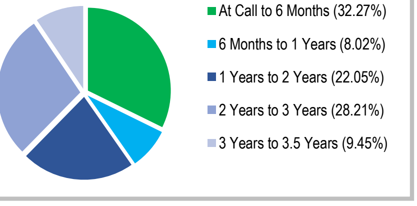
Fixed and Floating Breakdown



Credit Quality



Maturity Profile



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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 story of the month related to the moderation of US / China trade risks. Weakening global data has seemingly provided the impetus for the trade war combatants to seek a rapprochement.

The news was well received by markets generally with VIX, equity and credit markets all rallying. In credit ,materials and energy sectors fared best which is reasonable given the relative weakness these sectors have experienced due to the importance of China for commodity markets.

The rally in risk markedly also coincided with a strong sell off in bonds, with Australian and US long bonds selling off about 30 basis point over the last month or so. Australian bond markets are now implying a no change scenario for the cash rate while US bond markets have also seemingly moderated their expectations of any meaningful cuts from here.

Despite this the yield curve still implies a high level of concern , which is likely to lead to further yield curve steepening in the event that a positive resolution to the US/China trade war materialises. Conversely a no deal scenario has the capacity to push the global economy towards recession.

This creates an interesting conundrum for credit investors. On one hand a trade resolution will be positive for risk markets in the short term as positive statements drive cash prices higher, however at the same time plummeting bond yields have supported risk market valuations globally as investors have increased risk to meet yield targets.

As this dynamic reverses there is a risk that credit premia globally starts looking less attractive relative to risk free rate. In contrast the Australian credit market should continue to be well supported as low cash rates persist and continue to drive the domestic reach for yield. Interestingly Australian corporate bonds issued in foreign currencies tend to trade in line with foreign markets meaning that they are more vulnerable to a US credit sell off.

The short term income fund continues to be positioned very defensively and will deliver outperformance versus short duration credit funds in the event of a deterioration in market conditions.

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 $88 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 History:
www.realminvestments.com.au/media/4

Platform Availability

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

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