REALM Short Term Income Fund

JUNE 2021

REALM investment house

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	0.16%	0.01%
3 Month	0.55%	0.02%
6 Month	1.32%	0.05%
1 Year	2.83%	0.15%
2 Year	2.57%	0.41%
3 Year	2.75%	0.76%
Since Inception	2.74%	0.87%

FUND STATISTICS

Running Yield	2.32%
Yield to Maturity	1.39%
Volatility†	0.30%
Interest rate duration	0.10
Credit duration	1.47
Average Credit Rating	A
Number of positions	105
Average position exposure	0.80%
Worst Month*	0.09%
Best Month*	0.34%
Sharpe ratio∂	6.42

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

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 $242 million
APIR Codes:
Ordinary Units - OMF3725AU
mFunds Units - OMF8160AU
Management Fees (inc. GST):
Ordinary Units – 0.33%
mFunds Units – 0.39%

FUND UPDATE

Cash and Short-Term Liquidity Weighting: ↓ Cash and Short dated liquidity decreased to 33.04% from 37.39%.

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: ↑ Increased to 37.16% from 34.84%. 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 and investment grade businesses - these assets experience very low levels of relative market volatility.

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

REALM Short Term Income Fund

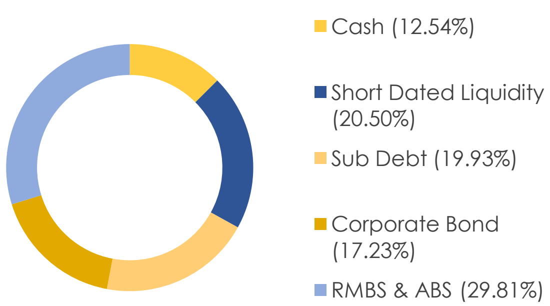
JUNE 2021

Residential Mortgage-Backed Securities (RMBS) & ABS: → RMBS allocation remained in line at 29.8% over the month as funds remained optimally deployed within the structured credit sector. The portfolio maintains an A average credit rating and a relatively short weighted credit duration of 1.99 years, because of the nature of the underlying asset class.

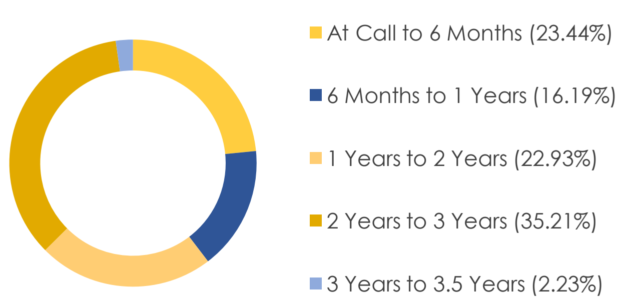
The substantial demand for public securities continued to provide a tailwind for pricing, driving yields tighter over the month. This was in the context of relatively strong issuance into financial year end, with four transactions pricing including a regional transaction from AMP, a non-resident transaction and two personal loan transactions. Each of these transactions were again highly sought after with demand forcing transactions to close to new orders days earlier than anticipated, in what has developed into a consistent theme in securitisation markets as investors compete to secure issuance. Securitised assets continue to present good value on a relative basis against other sectors. With respect to market performance, the S&P arrears index (SPIN) for April remained in line with March at 0.94%, having reduced from the April 2020 high of 1.22%, which is a strong result by historical standards.

Targeted risk across the Fund: ↑ Targeted risk increased to 0.77% from 0.67%, reflecting the optimisation within portfolio limits. Meanwhile realised standard deviation is at 0.49%. This has risen over they year 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 2.83% 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. We have introduced Portfolio ESG risk limits which the portfolio remains in compliance with.

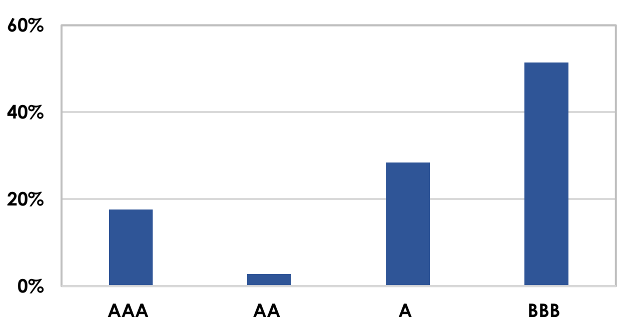
PORTFOLIO COMPOSITION



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**

REALM Short Term Income Fund

JUNE 2021

MARKET OUTLOOK

Bond and equity markets generally recorded positive results in June as confidence in the economic outlook continued to strengthen. Commodities were mixed with copper slightly weaker, but iron ore prices remained elevated. Gold fell on the announcement that several more Fed officials envisaged multiple rate rises would be required by 2023. The market remained uncertain about whether near term, largely supply side, inflation would become endemic. Nonetheless, the VIX continued to trend lower and has reached pre-covid levels. Credit markets meandered.

The heightened challenge of dealing with the Delta variant was demonstrated with new restrictions implemented in Australia and delays to re-opening in the UK. The CDC genomic testing of Covid strains clearly showed this variant displacing all others at an alarming pace. Fortunately, this variant remains within the reach of existing vaccine regimens, but the risk of vaccine escape from another variety is ever present. The program of vaccinations continues to roll out and plans are increasingly being made for a future where lock-downs will no longer be the strategy of choice.

The Biden Presidency continues to roll-out its agenda by securing an agreement from a bipartisan group in the Senate for its Infrastructure bill. A distinctive change of tone from the Trump Administration was laid out at in a meeting with Russian President Putin where cyber risk was a key topic of discussion. More generally, an in-principle agreement has also been reached to limit the ability of global corporations to evade taxes and address the competitive power of large tech firms.

Although markets gained greater confidence in the ultimate recovery of major economies, bond yields remained lower than generally expected in the US. Capital was drawn in from elsewhere, attracted by the steeper yield curve on offer and, in some cases, favourable conditions in the FX hedging market. Despite strong commitments from the Fed and RBA that cash rates will not rise for some time, markets continue to price that their hands will be forced. Nonetheless, cash rates are only expected to match inflation around eight years from now despite exceptional economic trajectories in store. Markets continue to expect that the Fed will taper in Q1 2022 and the RBA has announced the rate of bond purchases will be scaled back later this year.

Australian housing markets remain robust. Although recent auction volumes have been affected by covid restrictions, housing credit data is notable for the decline in funds raised by first home buyers and an increase in participation by investors. Household interest to income levels are low and distress remains very low in the circumstances, but increased household leverage in the last five years have led some parts of the market to infer that only modest rate rises will be necessary as the economy rebalances.

We see value in the shorter dated parts of the bank capital market and in mezzanine RMBS. These assets were relatively less affected by very accommodative monetary policy and should prove most resilient in the period to come.

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%

PORTFOLIO ESG RISK LIMITS

Sector	Direct Exposure	Direct Limit	Indirect Exposure	Indirect Limit
Fossil Fuels	0.0%	0.0%	0.0%	2.5%
Non-Renewable & Nuclear Energy	0.0%	0.0%	0.0%	2.5%
Alcohol	0.0%	0.0%	0.6%	2.5%
Gambling	0.0%	0.0%	0.5%	2.5%
Mining	0.0%	0.0%	0.0%	2.5%

OTHER FUND DETAILS

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

PLATFORM AVAILABILITY

- BT Panorama
- BT Wrap
- Firstwrap
- Hub24
- Macquarie Wrap
- Netwealth
- Powerwrap
- Praemium
- Australian Money Market
- mFund code: RLM02

DISCLAIMERS ON FOLLOWING PAGE

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

DISCLAIMER

Realm Investment Management Pty Ltd ACN 158 876 807, a corporate authorised representative (number 424705) of Realm Pty Ltd ACN 155 984 955 AFSL 421336 (Realm) is the investment manager of the Realm High Income Fund (ARSN 159 673 533) (Fund). One Managed Investment Funds Limited (ABN 47 117 400 987) (AFSL 297042) is the responsibility entity of the Fund (OMIFL). The information contained in this document was not prepared by OMIFL but was prepared by other parties. While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information contained therein cannot be warranted or guaranteed. Anyone reading this report must obtain and rely upon their own independent advice and inquiries. Investors should consider the product disclosure statement (PDS) issued by OMIFL before making any decision regarding the Fund. The PDS contains important information about investing in the Fund and it is important investors obtain and read a copy of the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. A copy of the Ordinary Units, mFunds Units and Wholesale Units PDS, Adviser Units PDS, Additional PDS (Dated 4 May 2021) and continuous disclosures may be obtained from http://oneinvestment.com.au/realm/ or http://www.realminvestments.com.au/. Realm believes that the information contained in this document is accurate when issued. Realm does not warrant that such information or advice is accurate, reliable, complete or up-to-date, and to the fullest extent permitted by law, disclaims all liability of Realm and its associates. This document should be regarded as general information only rather than advice. In preparing this document, Realm did not take into account the investment objectives, financial situation and particular needs of any individual person. The information contained in this document must not be copied or disclosed in whole or in part without the prior written consent of Realm, and Realm accept no liability whatsoever for the actions of third parties in this respect. It is presented for informational purposes only and is not to be construed as a solicitation or an offer or recommendation to buy or sell any securities. Any opinions expressed in this document may be subject to change. Realm is not obliged to update the information. The information must not be used by recipients as a substitute for the exercise of their own judgment and investigation. Neither Realm nor any of their directors, employees or agents accept any liability for any loss or damage arising out of the use of all or part of, or any omission, inadequacy or inaccuracy in, this document. OMIFL and Realm do not guarantee the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law, neither OMIFL nor Realm, including their directors, senior executives, employees, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this document. Realm only provides services to wholesale clients, as defined in section 761G of the Corporations Act. Past performance is not indicative of future performance. Information in this document is current as at 30 June 2021.

ZENITH DISCLAIMER

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned June 2021 referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at http://www.zenithpartners. com.au/RegulatoryGuidelines

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