

Realm Short Term Income Fund

September 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	0.14%	0.08%
3 Month	0.74%	0.28%
6 Month	1.64%	0.65%
12 Month	3.11%	1.40%
Since Inception	2.95%	1.44%

* 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 28.68% from 31.4%.

Interest Rate Duration Position: → 0.11 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 41.54% from 39%. The increase is slightly skewed towards senior unsecured corporate bonds over 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 approximately in-line with last month. The market continues to remain very well bid with strong demand continued to be seen in secondary, while primary markets also showed high bid coverage ratios for both RMBS and ABS assets. The structured credit portfolio maintains an A+ rating and a weighted average credit duration of 1.91 years. Market performance was mixed this month, with the S&P arrears index (SPIN) for prime issuance improving 4bps to 1.07%, while non-conforming arrears weakened slightly, rising to 3.64%.

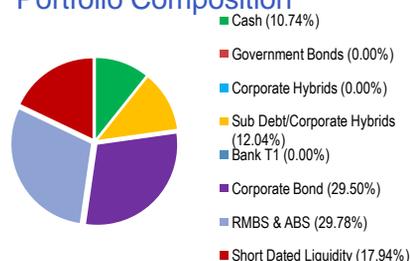
Targeted risk across the Fund: ↓ Targeted risk increased slightly to 0.37%, meanwhile realised standard deviation is at 0.14% which is only marginally wider than the bank bill index. The portfolio remains defensively positioned, despite this the fund has met its return objective over the last 12 months delivering 3.11% 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

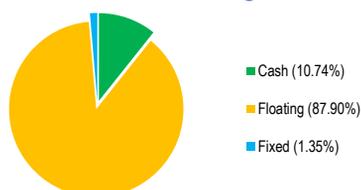
Running Yield	2.76%
Volatility [†]	0.14%
Interest rate duration	0.11
Credit duration	1.44
Average Credit Rating	A
Number of positions	56
Average position exposure	1.59%
Worst Month*	0.14%
Best Month*	0.34%
Sharpe ratio [‡]	24.61
Information Ratio [§]	22.55

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

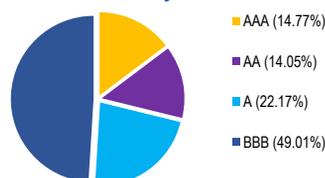
Portfolio Composition



Fixed and Floating Breakdown



Credit Quality



Maturity Profile



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.

A mixed month, as US/China tensions around trade & Hong Kong moderated just as concerns around the stability of the gulf rose on the back of an attack on Saudi Arabia's oil infrastructure.

Economic data continued to soften, however the ECB decision to increase accommodation came with a healthy amount of dissention. At the same time the Bank Of Japan is looking to steepen the yield curve, all of this created headwinds for the bond market through mid month.

Another topic of conversation revolved around the levels of stress in the US inter-bank market, with liquidity shortages causing the Federal reserve to intervene to maintain an orderly market. While the drivers seemed to be timing related, there are questions around whether these shortfalls also speak to elements that might be a little more enduring (such as treasury dealer balances).

All in all the market is interestingly poised, global economic momentum is softening, central banks are providing accommodation as expected and bond markets are still speaking to interest rates declining further.

Here in Aus its all about the cash rate after the RBA followed through in early October bringing the benchmark interest rate down to 0.75%. The forward curve is still pricing in one and a half cuts from here over the next 12 months, with the one year forward implied interest rate sitting at 0.37%.

Rates cuts have imposed a large impost on savers, with retirees having essentially taken the better part of an 85% cut on returns of at call accounts over the last 7 years. The opportunity cost of being under invested is now significant.

The central bank has created a significant cost relating to being too careful (or patient) that is likely to benefit Australian credit product. The concern will be that money ends up in the wrong hands as retirees trawl the internet for a pick up in yield. In this kind of environment advisers and their clients need to be vigilant.

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 \$78 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

Realm Investment House
ABN 34 155 984 955
AFSL 421 336

Level 17
500 Collins St
Melbourne VIC 3000

Email: clientservices@realminvestments.com.au
Website: www.realminvestments.com.au
Tel: 03 8560 7297

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