

### 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	0.24%	0.06%
3 Month	0.59%	0.19%
6 Month	1.07%	0.42%
12 Month	2.87%	1.10%
2 year	2.80%	1.30%
Since Inception	2.81%	1.31%

### Fund Update

**Cash and Short-Term Liquidity Weighting:** ↓ Cash and Short dated liquidity decreased modestly from 26.74% to 23.59%.

**Interest Rate Duration Position:** ↑ 0.13 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:** ↑ Increased modestly (46.95% compared to 43.86%). Net movement was due to rotation out of short dated liquidity and into senior financial corporate bonds. 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:** → Remained in-line with last month. January was another quiet month with a small handful of ABS deals pricing in the market, with the years inaugural major bank RMBS deal issued by Westpac. Securitised markets continued to maintain their strong bid with low turnover again observed as investors prefer to hold good quality paper for yield rather than sell. The structured credit portfolio maintains an A+ rating and a weighted average credit duration of 1.74 years. Market performance for prime issuance was strong again in November, with the S&P arrears index (SPIN) improving marginally to 0.90%, while non conforming arrears weakened slightly to 3.17%. Major banks strengthened 2bps to 1.18% while regional banks improved 20bps to 1.32%.

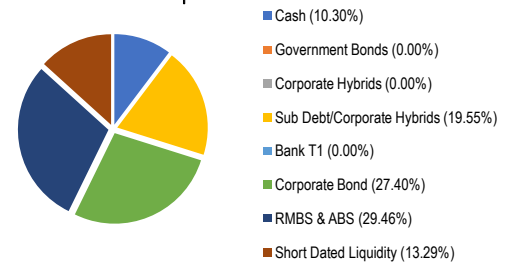
**Targeted risk across the Fund:** ↓ Targeted risk reduced slightly to 0.37% from 0.38%, meanwhile realised standard deviation is at 0.13%, which is only marginally wider than the bank bill index. The portfolio remains defensively positioned, despite this the fund has met its return objective over the last 12 months delivering 2.87% 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

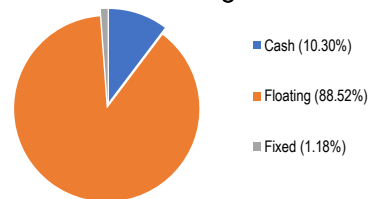
Running Yield	2.77%
Volatility <sup>†</sup>	0.13%
Interest rate duration	0.10
Credit duration	1.45
Average Credit Rating	A
Number of positions	61
Average position exposure	1.48%
Worst Month*	0.14%
Best Month*	0.34%
Sharpe ratio <sup>‡</sup>	26.09
Information Ratio <sup>‡</sup>	23.64

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

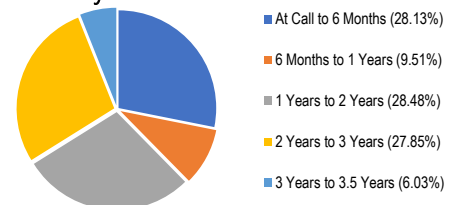
### Portfolio Composition



### Fixed and Floating Breakdown



### Maturity Profile



### Credit Quality



# Realm Short Term Income Fund

## January 2020



## 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.

Bonds rallied hard and fast as the news around corona built, initially the move seemed to be based around little more than the sentiment and mania created by the virus.

Risk markets were more circumspect. They really did do their best to worry, however all that could be mustered into month end for US BBB 10 year credit was a negative movement of less than 1% (at the same time that bonds had rallied around 4%). At the time of writing credit is only marginally lower in price than its very highs in mid January.

On to the virus itself, like most financiers, a couple of weeks of feverish research (no pun intended), is hardly going to turn us into experts on virology. That said, we have tracked the story by speaking to people with strong insight into these specific kinds of risks which have provided us with valuable insight.

In addition our use of search trends and their rate of change continues to be quite instructive in measuring people's levels of worry and concern and consequently the ability of the virus to impact on market sentiment and even the real economy.

There wasn't any real change to portfolio settings into the month. This is due to how conservatively positioned the fund is. The very short average maturity of securities coupled with higher ratings provides for a very durable strategy.

The approach taken in the Realm Short Term Income fund is particularly conservative. Here, this strategy will perform well versus peers in periods of higher volatility, while delivering a rate of return which compares favourably to at call cash accounts and term deposits.

## 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 \$89 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](http://www.realminvestments.com.au/media/4)

## Platform Availability

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

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