

## Fund Strategy

The Realm Strategic Income Fund 2018-1 Units (Fund) (Formerly known as the Realm Capital Series Fund 2018-1 Units) has invested in balance sheet funding, secured corporate loans and syndicated bank warehousing facilities. Realm Investment House (RIH) will partner with the major banks and best of breed non-bank corporate lenders to acquire exposures in these newly capitalised facilities. RIH's assessment of the opportunities will generate good risk adjusted income returns, particularly when compared to the 'public term out market' for the same level of risk.

## Fund Objective

The strategy targets a return of 4.75% p.a. over the RBA cash rate over the life of the strategy. The Fund may suit investors seeking a high yield return with a moderate to high risk tolerance.

## Fund Features

While the termination and return of investor funds is available on the 5<sup>th</sup> anniversary (22.6.23) the manager will help facilitate off market transfers (Application Liquidity) on a case by case basis.

## Net Performance

Period	2018-1 Units	RBA Cash Rate Return
1 Month	0.39%	0.02%
3 Month	1.37%	0.06%
6 Month	2.81%	0.13%
1 Year	6.01%	0.43%
2 Year	6.83%	0.86%
Since Inception*	7.16%	0.96%

Gross Running Yield\* 6.56%

\*Past performance is not indicative of future performance. The Gross Running Yield is the pre-fee income attributable to the portfolio, total return will be a function of this yield minus the fee. Please note the unit price can also experience modest variance as pay out of distributions sit at 95%. All outstanding amounts will be paid at the 30<sup>th</sup> of June.

## Fund Structure

The fund is structured to take advantage of the premium in complexity, aversion and liquidity in the bank facility and secured loan market. A key feature of the funds design is to match these return attributes with assets that would present no more credit risk in the market, if they traded over the counter (OTC).

We purposely designed the investment period so we can confidently extract these premiums from the market, and in times of high volatility protect investors capital from those investors try to access liquidity from these asset – when liquidity in the market in general is trading at a super-premium. If it was possible to redeem from the fund, we would be selling assets into a market where we should be deploying our capital to capture these return premiums.

In the next 6 months we will see some of the bank facilities roll over and it is our expectation to be able to reprice these assets with a higher rate of return.

The Realm Strategic Income Fund – Enduring units is a follow-on strategy of this fund, where it has monthly applications and a limited monthly withdrawal feature. We intend to open liquidity windows of at up to 10% of the fund's liquid assets (at call Cash). The recommended time horizon to fully extract the return profile is at least 5 years. Please see our website for the Product Disclosure Statement. Please seek advice as to the appropriateness of this strategy to suit your needs and goals.

## Fund Details

**Distribution Frequency:** Quarterly  
**Applications:** Closed  
**Transfers:** Units can be transferred to an existing/new investor upon the completion of required documentation as per the PDS (Section 4.5)  
**Pricing & Reporting Frequency:** Quarterly  
**Minimum Investment Timeframe:** 5 years (22.6.23)  
**Inception Date:** 22.6.2018  
**Fund size:** AUD \$30 million  
**Benchmark:** RBA Cash Rate  
**Buy/Sell:** Nil  
**APIR Codes:** OMF8680AU  
**Management Fees:** 1.25% plus GST  
**Responsible Entity:** One Managed Investment Funds Ltd  
**Custodian:** Mainstream Funds Services Pty Ltd  
**Unit Pricing and Unit Price History:**  
<https://www.realminvestments.com.au/our-products/realm-strategic-income-fund-2018-1-units/>

## Fund Statistics

Running Yield	6.56%
Yield to Maturity	6.55%
Volatility <sup>†</sup>	0.38%
Interest rate duration	0.04
Credit duration	1.28
Average Credit Rating	BBB
Number of positions	25
Average position exposure	3.97%
Worst Month*	0.14%
Best Month*	1.16%
Sharpe ratio <sup>‡</sup>	7.92

Calculated on 2018-1 Units unless otherwise stated. \*Since Inception 22 June 2018.  
<sup>†</sup>Trailing 12 Months Calculated on Monthly observations. <sup>‡</sup>Since Inception Calculated on Monthly observations



## Fund Update

The portfolio is invested across a range of Structured Secured Facilities backed by loans (27.75%), Private ABS/RMBS Facilities (54.41%), as well as Public ABS/RMBS Facilities (17.08%). The weighted average credit rating of the portfolio sits at BBB, with a short-weighted credit duration of 1.28 years and a pre fee running yield of 6.56%. Rebalancing the underlying left the fund overweight cash at the beginning of the month, which was slowly being allocated. This dragged on the monthly performance for the month. As we approach the third anniversary of the Fund, we will continue to rebalance the portfolio. This will see the running yield move closer to its targeted return profile of circa 5.00% pa after fees. We will continue to monitor the rollovers and have improved the credit quality in the short term. We expect to take advantage of stronger capital needs that can keep the running yield in a healthy state, whilst maintaining the objective of winding down the Class leading up to June 2023.

## Portfolio Risk Analysis

The Reserve Bank of Australia (RBA) elected to reduce the interest rate on the Term Funding Facility (TFF) to 0.1 per cent during its November meeting, which continues to support banks by giving them the ability to access cheap funding. This allows banks to reduce funding costs and reinforce the benefits of a lower cash rate and has resulted in increased mortgage competition. This has caused highly competitive fixed rate mortgages continuing to be offered out of the big banks and regional banks, which has driven an increase in refinancing activity out of the non-bank financials, issuing prime mortgages in competition with the banks. This is creating an increase in repayments for this sector, which has the effect of shortening the time taken for the bonds to be repaid to the noteholder.

Housing activity was strong across the states, with clearance rates on strong volumes in Melbourne coming through the numbers as auctions started in abundance, with pent up demand over the lockdown period which had been suppressing auctions and inspections finally releasing. The other states recorded good clearance rates over the month, except for Sydney, these were on lower volumes than this time last year. Corelogic's national home value index recorded a 0.4% rise in residential property values, after having posted five months of declines. This was wide ranging with all capital cities posting a rise over the month except for Melbourne.

## Housing Arrears & Portfolio Performance

Portfolio arrears improved 12bps to 0.80% over the month which remains well within the current arrear's expectation for this portfolio. Market arrears as reported by the S&P SPIN Index showed prime arrears improved 4bps to 1.05% for the month of August, with non-conforming arrears improving a further 28bps to 3.42%.

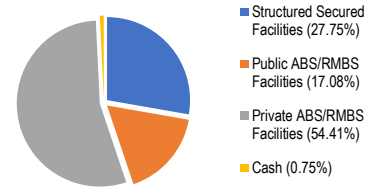
## Transactions & Market Flow

Focus on the Government's \$15bn Structured Finance Support Fund has moved to Forbearance SPV, with this facility now funding an initial round of Hardship loans back dated to March. There were a further two new lenders added to the scheme over the month who accessed support for forbearance loans, namely PMFA (Commercial Equipment Leasing) and OnDeck (SME Lender), joining Metro Finance, Pepper, Think Tank, Redzed and Sapphire issuance programs already subscribed to this support facility.

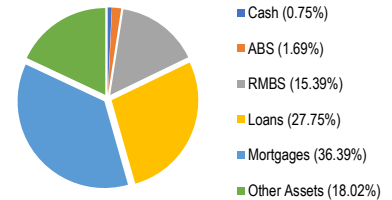
Deal flow in public markets is strong at present, and private funding enquiries are providing good opportunities to pick through. Private funding spreads have started to widen, reflecting the increased aversion and exit of some smaller mezzanine lenders. We have committed the fund to a new exposure in the Prime Mortgage Sector, which should be drawn down this month, where the fund will get the benefit of an upfront draw fee.

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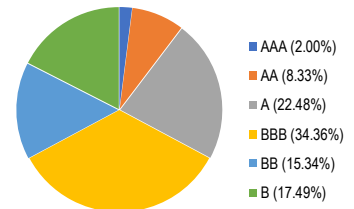
## Portfolio Composition



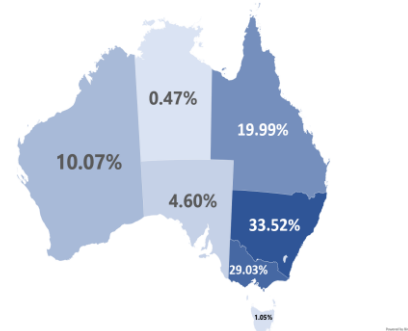
## Collateral Type



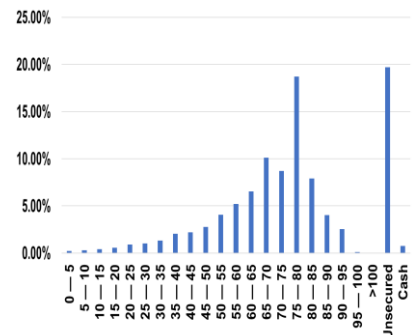
## Credit Quality



## Geographic Exposure



## Weighted Average Portfolio LVR



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