

## 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	0.48%	0.01%
3 Month	1.40%	0.05%
6 Month	2.92%	0.11%
1 Year	6.04%	0.38%
2 Year	6.82%	0.80%
Since Inception*	7.13%	0.93%

Gross Running Yield\* 6.32%

\*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	6.32%
Yield to Maturity	6.34%
Volatility <sup>†</sup>	0.38%
Interest rate duration	0.03
Credit duration	1.34
Average Credit Rating	BBB
Number of positions	26
Average position exposure	3.78%
Worst Month*	0.14%
Best Month*	1.16%
Sharpe ratio <sup>‡</sup>	8.04

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 (29.15%), Private ABS/RMBS Facilities (67.49%), as well as Public ABS/RMBS Facilities (1.66%). The weighted average credit rating of the portfolio sits at BBB, with a short-weighted credit duration of 1.34 years and a pre fee running yield of 6.32%. The fund had a stronger month, benefiting from the completion of the rebalancing. Looking ahead, we expect a small up lift in the fund running yield from a new exposure. We expect to take advantage of stronger capital needs in 2021 which will keep the running yield in a healthy state, whilst maintaining the objective of winding down the Class leading up to June 2023.

## Transactions & Market Flow

RMBS markets continue to be inundated with new investor interest, seeking exposure to the highly attractive yields and the strong technical performance of the Australian Housing market. Aggressively bid primary transactions from both onshore and international market participants continued to drive yields tighter within public RMBS and ABS markets. Market pricing is being well supported by the current view of a lack of issuance into 2021, complemented by strong flows into income based products searching for yield and a strong offshore presence looking to capitalise on the quality of the collateral within the Australian housing market.

The strength in public markets is very supportive of private RMBS/ABS. Private markets continue to deliver a healthy yield pick up over public markets, by virtue of certain structural factors. As public markets continue to outperform driven by the aforementioned technical considerations, we expect that the relative attractiveness of private markets will only increase.

For context the COVID driven sell off in March brought private RMBS securities in line with Public securities, however as the market has recovered the differential between these security types has increased back to pre-COVID levels. While strong public market performance does have some bearing on private market pricing and yields, private assets are bilaterally negotiated and are priced through the cycle.

In terms of the environment, the exit of some mezzanine lenders from the Australian market has provided a strong pipeline of transactions for the fund to assess, across a diverse range of assets including personal loans, auto loans, commercial real estate and residential housing. Due to the very limited amount of investors available to access private mezzanine lending markets, spreads have widened reflecting the higher illiquidity, complexity and aversion premia. The funds positioning gives it a unique ability to take advantage of these higher yields within the current transaction pipeline. There is ample transaction flow to accommodate the ramp up of our private asset portfolio.

## Housing Arrears & Portfolio Performance

Portfolio arrears improved 2bps to 0.78% 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 7bps to 0.98% for the month of September, while non-conforming arrears weakened slightly to 3.56%.

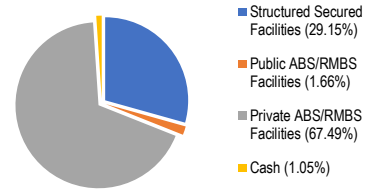
## Portfolio Risk Analysis

Collateral values as shown by Corelogic's national home value index recorded another strong month with a 0.8% rise in residential property values nationally, a second positive month after having posted five months of declines. Housing activity also remained strong across the states. Pent up demand over the lockdown period - which had been suppressing auctions and inspections, especially in Melbourne - has released and continues to be a driver of auction rates. Other states also recorded good clearance rates over the month on good volumes.

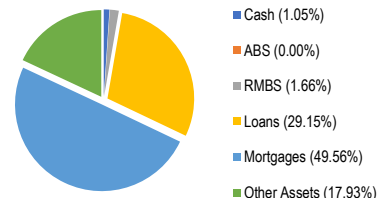
Each of these technical factors signal a strengthening market, and while the recovery from the COVID fallout is still underway. The quality of loans written, level of arrears recovery and collateral price appreciation within the Australian housing market is evident, and continues to attract a wide array of investors to the asset class, driving both tighter yields and portfolio performance.

## Disclaimers on Following Page

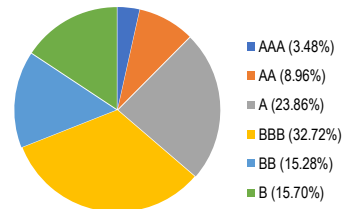
## Portfolio Composition



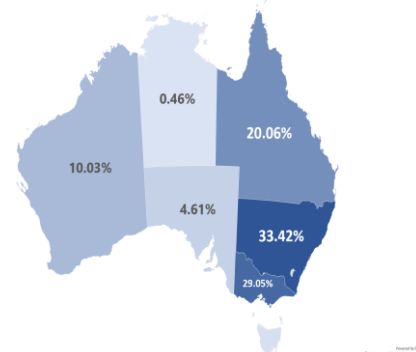
## Collateral Type



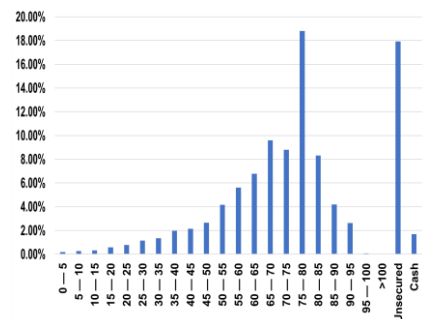
## Credit Quality



## Geographic Exposure



## Weighted Average Portfolio LVR



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