Realm Strategic Income Fund 2018-1 Units
May 2021

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 5th 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	0.41%	0.01%
3 Month	1.20%	0.03%
6 Month	2.66%	0.05%
1 Year	5.66%	0.16%
2 Year	6.17%	0.46%
Since Inception*	6.83%	0.78%

*note that the 1 month number for this class was incorrectly reported last month as 0.60%. The correct return was 0.52%. There is no impact to the returns over the last 3 months, however the two month return has been adjusted accordingly.

Gross Running Yield* 6.01%

*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 30th of June.

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	6.01%
Yield to Maturity	6.03%
Volatility†	0.31%
Interest rate duration	0.03
Credit duration	1.36
Average Credit Rating	BBB+
Number of positions	32
Average position exposure	3.09%
Worst Month*	0.14%
Best Month*	1.16%
Sharpe ratio∂	8.36

Calculated on 2018-1 Units unless otherwise stated. *Since Inception 22 June 2018. †Trailing 12 Months Calculated on Monthly observations. ∂Since Inception Calculated on Monthly observations

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.

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Fund Update

The portfolio is invested across a range of Structured Secured Facilities backed by loans (26.20%), Private ABS/RMBS Facilities (69.26%), as well as Public ABS/RMBS Facilities (3.57%). The weighted average credit rating of the portfolio sits at BBB+, with a short-weighted credit duration of 1.36 years and a pre fee running yield of 6.01%. The fund had a strong month, with one small rebalance changing the portfolio composition slightly. Public RMBS/ABS weight increased to 3.57%, Private RMBS/ABS facilities remained in line with last month and Structured Secured Facilities weighting decreased slightly. Running yield and yield to maturity remain approximately in line with last month, while the portfolio maintains a BBB+ rating. We continue to 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

Market Update; Public securitisation markets remained lively over the month, with a range of transactions spanning both Regional, Prime and Personal loan securitisations. These were all very well supported, with strong demand forcing some transactions to close to new orders up to several days earlier than anticipated. This tightened spreads as much as 50bps in Prime markets at the sub investment grade (BB) rating level, representing a meaningful tightening in yields over this month. Demand for the sector continues to drive yields tighter as investors look to pivot towards the value present in securitisation markets.

Private Assets; Relative attractiveness of private assets has continued to increase, with private assets continuing to show a strong relative value uplift in investment grade mezzanine (A-BBB rated), and more recently within sub investment grade mezzanine (BB and below). This has been caused by the tightening of yields in public markets noting the significant tightening in both public investment grade and sub investment grade bond yields over the month. Within the portfolio, investment grade private markets are now compensating investors up to 2.0% more than public markets, while private sub investment grade bonds are now compensating investors up to 0.5% than their public counterparts on average.

Portfolio Pipeline; The fund pipeline continues to be strong, with further reverse enquiries and funding proposals presented to the fund over the past month. Four transactions now sit within our enhanced due diligence and screened in phases, with a further 28 opportunities identified. This flow continues to allow the investment team to pick through the most suitable transactions and will allow the fund to meet its return objective of 4.75% over cash after fees.

Housing Arrears & Portfolio Performance

Portfolio arrears increased slightly over the month to 1.23%, which remains well within the current arrear's expectation for this portfolio. Market arrears as reported by the S&P SPIN Index improved by 4bps to 0.94% for the month of March. Non-conforming arrears on the other hand weakened slightly to 3.57%.

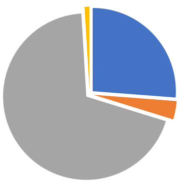
Portfolio Risk Analysis

Housing Market Performance; Pricing within the housing market continues to rise aggressively, with CoreLogic's national home value index posted another very strong monthly increase of 2.29% in residential property values across the 5 major capital cities. Gains continue to be led by houses, which increased 2.62% over the month (led by Sydney housing, rising 3.47%). Units continued to appreciate but again at a slower pace, increasing 1.35%.

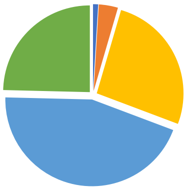
Clearance rates continued to sit around 75% for the month on a weighted average basis across all capital cities, with the first week of Melbourne's lockdown not yet impacting significantly on auction results. Melbourne auction volumes however were revised down from predicted figures slightly over the last two weeks. The other states continue to show strong volumes.

From an investment standpoint, this continues to be a positive tailwind for structured assets, as it reduces the loss incurred if a borrower is to default. Loan quality remains high, and system arrears continues to perform, which continues to be very supportive for the market outlook for this strategy.

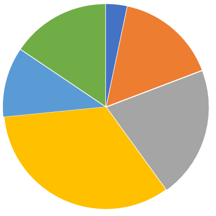
Portfolio Composition



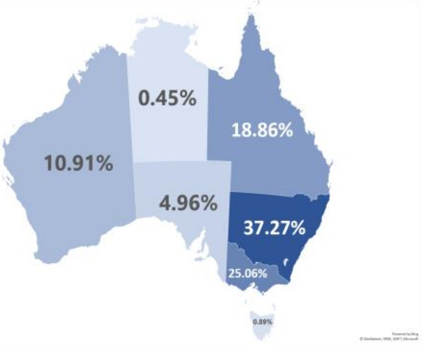
Collateral Type



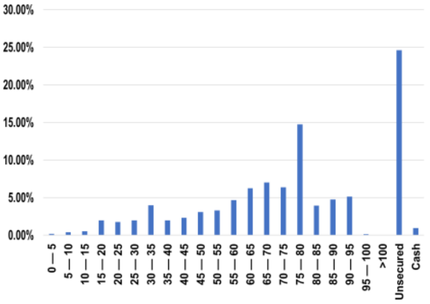
Credit Quality



Geographic Exposure



Weighted Average Portfolio LVR



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Distribution: Broc McCauley broc.m@realminvestments.com.au

Client Services: 03 9112 1150 clientservices@realminvestments.com.au

Level 17, 500 Collins St.
Melbourne VIC 3000

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