

## 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	0.40%	0.01%
3 Month	1.08%	0.03%
1 Year	5.26%	0.14%
2 Year	5.82%	0.37%
3 Year	6.56%	0.72%
Since Inception*	6.68%	0.75%

\*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.

Gross Running Yield\* 6.31%



## FUND STATISTICS

Running Yield	6.31%
Yield to Maturity	6.24%
Volatility†	0.29%
Interest rate duration	0.03
Credit duration	1.08
Average Credit Rating	BBB
Number of positions	33
Average position exposure	3.02%
Worst Month*	0.14%
Best Month*	1.16%
Sharpe ratio <sup>‡</sup>	8.35

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

<sup>‡</sup>Since Inception Calculated on Monthly observations

## 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

## 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.

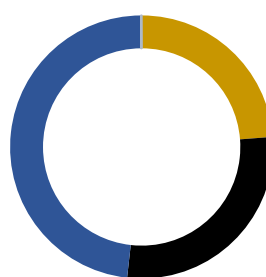
The Realm Strategic Income Fund – Enduring units is a follow-on strategy of this fund, where it has monthly applications and a limited monthly withdrawal feature. We intend to open liquidity windows of at up to 10% of the fund's liquid assets (at call Cash). The recommended time horizon to fully extract 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 UPDATE

The portfolio is invested across a range of Structured Secured Facilities backed by loans (23.71%), Private ABS/RMBS Facilities (48.02%), as well as Public ABS/RMBS Facilities (27.92%). The weighted average credit rating of the portfolio sits at BBB, with a short-weighted credit duration of 1.08 years and a pre fee running yield of 6.31%.

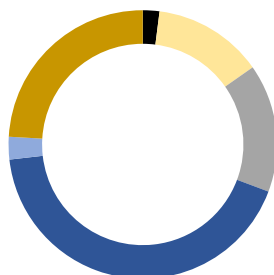
The fund had a strong month, with one rebalance changing the portfolio composition. Public RMBS/ABS weight increased to 27.92%, with Structured Secured Facilities weighting remaining approximately line. This increased running yield and yield to maturity from last month, while maintaining an investment grade rating of BBB. We continue to expect to take advantage of stronger capital needs in the second half of 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.

## PORTFOLIO COMPOSITION



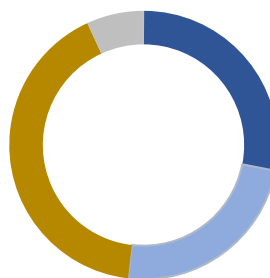
- Structured Secured Facilities (23.71%)
- Public ABS/RMBS Facilities (27.92%)
- Private ABS/RMBS Facilities (48.02%)
- Cash (0.08%)

## CREDIT QUALITY



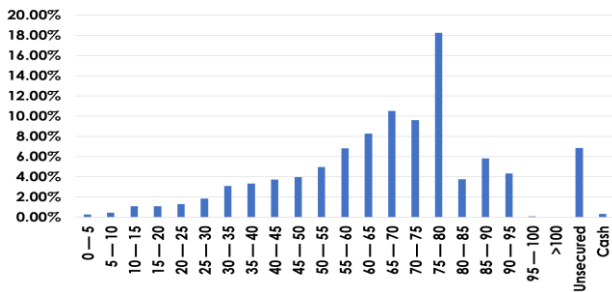
- AAA (2.00%)
- AA (13.26%)
- A (15.45%)
- BBB (42.49%)
- BB (2.72%)
- B (24.08%)

## COLLATERAL TYPE



- Cash (0.08%)
- ABS (0.00%)
- RMBS (27.92%)
- Loans (23.71%)
- Mortgages (41.18%)
- Other Assets (6.85%)

## WEIGHTED AVERAGE PORTFOLIO LVR



## TRANSACTIONS & MARKET FLOW

**Market Update;** Over the month, there was a significant amount of issuance with 12 new transactions coming to market. This comes as issuers take full advantage of the tight market levels available in the public market. The issuance spanned multiple asset classes both domestically and in New Zealand, with a regional transaction, multiple prime and nonconforming transactions, several consumer loan programs and an auto program. The supply was met with significant demand, with deals continuing to close days earlier than anticipated and investors receiving a fraction of their bids as coverage rates sat in the 3X and 4X range for most tranches. This has pushed certain segments of the public structured credit universe to yields we would characterise as expensive.

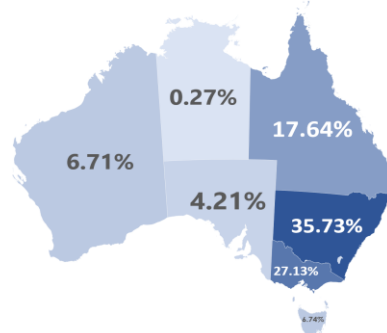
**Private Assets;** Due to the substantial tightening of spreads within the public market, private markets continue to present very strong relative value. Within the portfolio, private spreads now compensate investors well over twice the yield of comparable public securities which are investment grade rated. This trend continues within the sub investment grade sector, with private yields compensating investors an additional 1.5% over public markets. This relative attractiveness is expected to increase, as public securities continue to outperform.

**Portfolio Pipeline;** The portfolio pipeline continues to be strong, with several new proposals received over the month in addition to the already high number of funding proposals being assessed within the current pipeline. Seven transactions now sit within our enhanced due diligence and screened in phases, with a further 22 opportunities identified. The high number of transactions allows the investment team to selectively 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 fell over the month to 1.15%, which remains well within the current arrear's expectation for this portfolio.

## GEOGRAPHIC EXPOSURE



Market arrears as reported by the S&P SPIN Index for May increased 1bp from the previous month to 0.95%. Non-conforming arrears on the other hand improved 0.52% to 3.12%.

## PORTFOLIO RISK ANALYSIS

**Housing Market Performance;** Housing markets across the country continued their strong appreciation over the month, with the CoreLogic Home Property Value index recording a gain of 1.61% for the month of July for the 5 capital city aggregate, which now represents a 14.9% increase for the year. This was led by gains in Brisbane and Sydney housing, with the broader index for housing increasing 1.77%, while units again lagged, appreciating 1.11%.

Clearance rates across the states remained strong, hovering between 75% - 80% over the month but on much lower volumes as capital cities across the east coast of Australia locked down.

Within the system more broadly, asset quality remains high with a low level of arrears. Asset prices remain elevated, with the forecasts from several major bank economists having been revised over the month to include further expectations for increases to property prices over the next 12 months. This comes in addition to the already strong growth witnessed this year, and ultimately is a tailwind for structured assets by reducing the loss incurred by borrowers should they be forced to default. This continues to be very supportive for the market outlook for this strategy.

## OTHER FUND DETAILS

**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>

DISCLAIMERS ON FOLLOWING PAGE

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