

# REALM Strategic Income Fund 2018-1 Units

SEPTEMBER 2021



## 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 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 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	0.32%	0.01%
3 Month	1.23%	0.03%
1 Year	5.11%	0.11%
2 Year	5.70%	0.29%
3 Year	6.46%	0.65%
Since Inception*	6.60%	0.72%

\*Past performance is not indicative of future performance. 2018-1 Inception 22 June 2018.

## FUND STATISTICS

Running Yield	6.03%
Yield to Maturity	5.97%
Volatility†	0.31%
Interest rate duration	0.03
Credit duration	0.99
Average Credit Rating	BBB
Number of positions	33
Average position exposure	2.99%
Worst Month*	0.14%
Best Month*	1.16%
Sharpe ratio <sup>‡</sup>	8.43

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

## GROSS RUNNING YIELD\* 6.03%

\*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 STRATEGY

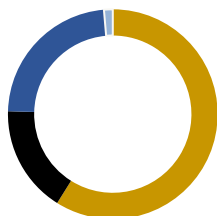
Realm Investment House (RIH) partners with banks, best of breed non-bank financiers and corporates to fund high quality wholesale banking facilities, in particular mortgages and loans. The nature of the assets the strategy holds delivers investors an additional structural premium which is a function of the liquidity and complexity of these assets. Diversification within the Fund is achieved by diversifying banking partners, facility sponsors and the number of individual facilities. RIH's risk management and assessment overlay are used in assessing eligible exposures and actively managing & monitoring the risk of each funding facility exposure during the life of the fund.

## 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

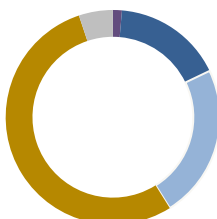


## PORTFOLIO COMPOSITION



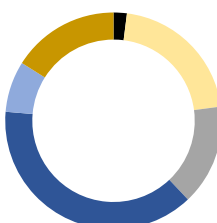
- Private ABS/RMBS Facilities (58.90%)
- Public ABS/RMBS Facilities (16.54%)
- Structured Secured Facilities (23.21%)
- Cash (1.35%)

## COLLATERAL TYPE



- Cash (1.35%)
- ABS (0.00%)
- RMBS (16.54%)
- Loans (23.21%)
- Mortgages (53.77%)
- Other Assets (5.13%)

## CREDIT QUALITY



- AAA (1.98%)
- AA (20.92%)
- A (15.05%)
- BBB (38.38%)
- BB (7.62%)
- B (16.04%)

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 Private ABS/RMBS Facilities (58.90%), Public ABS/RMBS Facilities (16.54%), and Structured Secured Facilities backed by loans (23.21%). The weighted average credit rating of the portfolio sits at BBB, with a short-weighted credit duration of 0.99 years and a pre fee running yield of 6.03%.

The fund had a strong month, driven by the accrual of private assets with a reduction in public securities and an increase in private securities. Running yield and Yield to maturity decreased slightly from last month driven by the performance of the funds public exposure, while the fund maintained 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.

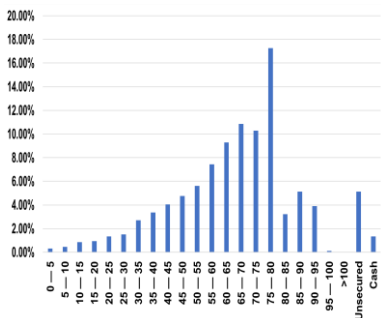
## PORTFOLIO RISK ANALYSIS

Housing market values continue to grow across Australia, spurred by record low interest rates. The CoreLogic Home Property Value index recording a gain of 1.45% for the month of August for the five capital city aggregate. This represents a 19.26% increase for the year, with housing continuing to lead, increasing 22.5% year on year. Units were up, but continued to lag the markets strength, up 10.14% over the year.

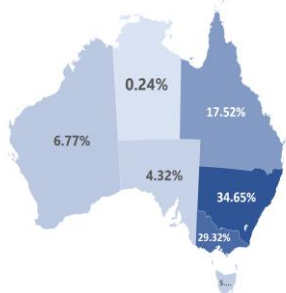
Clearance rates were stronger into month end, especially in Melbourne where restrictions had previously caused the withdrawal or cancellation of many auctions. As auctions recommenced, clearance rates naturally rebounded, with the weighted average across Australia reported by Corelogic just above 82% with good volumes.

Within the system more broadly, asset quality remains high with arrears remaining low. The growth in asset prices over the year reduces the loss incurred by borrowers should they be forced to default. This continues to provide a tailwind for asset pricing, and is very supportive for the market outlook for this strategy.

## WEIGHTED AVERAGE PORTFOLIO LVR



## GEOGRAPHIC EXPOSURE



## 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>

## TRANSACTION AND MARKET FLOW

**Market Update;** Structured credit assets continue to be very well sought after, with several issuances over the month across a range of asset types with major banks, regional banks, prime and several consumer lending transactions. Pricing remains strong in the mezzanine for investment grade tranches (A/BBB rated), with sub investment grade rated tranches remaining especially well bid. Demand for high quality structured credit assets with healthy yields continues to drive pricing tighter within public markets.

**Private Assets;** Private assets continue to display a strong relative value pickup over public assets, with the current yields in private assets remaining very attractive to investors. This continues to be prevalent in both the investment grade mezzanine tranches (A/BBB rated), which now offer well over twice the yields of comparable public securities, and sub investment grade securities, where investments continue to offer a healthy pickup in yield with shorter investment terms and greater investor protections. We expect these yield premiums in private markets to continue to increase as public yields continue to tighten.

**Portfolio Pipeline;** Over the month the fund identified several new funding opportunities, in addition to the currently strong portfolio pipeline. Ten transactions now sit within our enhanced due diligence and screened in phases, with a further eleven 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 1.06%, which remains well within the current arrears expectation for this portfolio. Market arrears as reported by the S&P SPIN Index for July improved 3bps from the previous month to 0.87%. Non-conforming arrears also improved 14bps to 2.91%.

### REALM INVESTMENT HOUSE CONTACTS

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