

Realm Strategic Income Fund 2018-1 Units

January 2020



Fund Strategy

The Realm Strategic Income Fund 2018-1 Units (Fund) (Formally known as the Realm Capital Series Fund 2018-1 Units) will invest in balance sheet funding 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. Diversification within the Fund will be achieved by diversity of banking partners, facility sponsors and the number of individual facilities. RIH's risk management and assessment overlay are used in assessing eligible exposures. RIH will actively manage & monitor the risk of each funding facility exposure during the term of the fund.

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	0.59%	0.06%
3 Month	1.68%	0.19%
6 Month	3.43%	0.42%
12 Month	7.40%	1.10%
Since Inception*	7.85%	1.25%

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	8.11%
Targeted Running Yield	5.50%
Credit Duration	1.65
Average Credit Rating	BB+
Number of positions	20

Gross Running Yield* 8.11%

*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.

Credit Fundamentals Explained

The Fund invests in syndicated bank warehouse facilities (Facilities). These Facilities are lines of credit which major banks provide senior funding to and the Fund invests alongside or in a junior position to the bank as the senior funder. In all cases these Facilities also have equity capital that is funded by the Originator or Sponsor, "skin in the game". These Facilities have an number of term features which help mitigate risk that can exist when investing in warehouse syndication. These terms can vary from deal to deal and can include:-

- underlying assets (the mortgages) are security against the drawdown of the facility
- increased level of equity enhancement when compared to securities that trade in the over the counter market
- favourable intercreditor rights
- short credit terms
- additional covenants
- in many instances originator balance sheet cover to make good losses and Non-Performing Loans (NPL)
- higher financing rate of return due to the structure, and the inability of the Facility to be traded quickly

Furthermore, where the total number of Non-Performing Loans (NPLs) breach arrears covenant limit, the originator is required to add additional capital to offset the breach. If there is a default and a loss on any loan, this is charged off against the excess income or capital of the originator in the facility. The originator must make this loss good and maintain a minimum capital balance NPL's can be removed from the facility, back onto the originators balance sheet in some instances.

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Fund Update

The portfolio is invested across a range of Corporate facilities backed by loans (29.62%), Syndicated Mortgage facilities (38.07%), non mortgage asset backed facilities (18.00%), as well as over the counter residential mortgage backed securities (RMBS) transactions (13.37%). The weighted average credit rating of the portfolio sits at BB+, with a short weighted credit duration of 1.65 years and a pre fee running yield of 8.11%.

Domestic Economic Performance & System Risk

Realm System Risk Monitor: Our system risk monitor remains stable around -0.11. Property prices continue to show strong signs of recovery, with the February update showing pricing sitting just below its 2017 peak. The market continues to trend back to balance having previously indicated moderate levels of distress.

Realm Australian Eco Monitor: Our domestic economic monitor continues to trend back to balance having reached its trough in late November of 2019. This is driven predominately by the strengthening labour market and increasing house prices, while weak inflation has begun to build off its lows as the effects of the reduced cash rate continue to be felt. Retail sales have also showed signs of strength over the Christmas period. The system remains stable, and we expect the Aussie Eco monitor to continue to trend towards balance as recent interest rate cuts continue to drive a recovery in consumption and an improvement in investment.

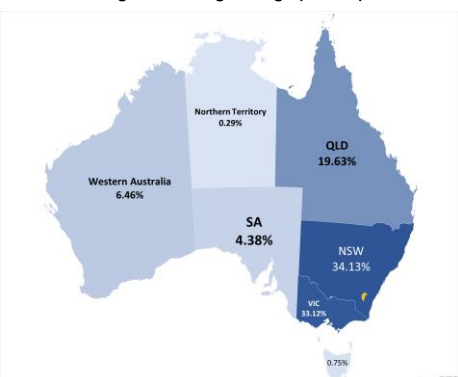
Housing Arrears & Portfolio Performance

Portfolio arrears moderated slightly over the month to 1.26%. Pools within the portfolio continue to perform well with slight seasonal weakness, as is typically expected around the Christmas period. Portfolio arrears continued to be viewed as well within a normal range, and continue to be closely monitored and managed according to our internal risk/return criteria.

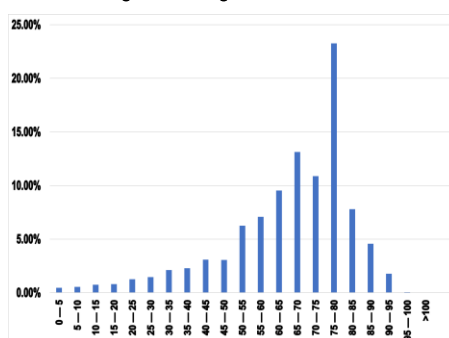
The S&P arrears index (SPIN) showed prime arrears for the month of November improving 3bps to 0.90% while Non-conforming arrears weakened 3bps to 3.17%. Major bank arrears showed strength, improving 2bps to 1.18%, while regional banks improved significantly, moving 20bps to 1.32%.

Geographically, performance was mixed across the states with NSW and VIC moderating 2bps and 3bps to 1.18% and 1.21% respectively, while the ACT also weakened slightly falling 3bps to 0.95%. However, the remaining states all showed strengthening with notable improvements from the NT which showed another month of strong performance (17bps) and has now reduced materially from its high in March of 2019. Other notable improvements were TAS and SA, with arrears performing a further 10 basis points for each state.

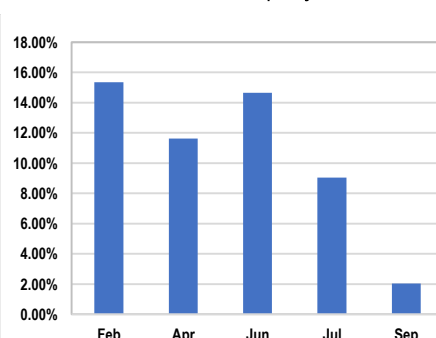
Weighted Average Geographic Exposure



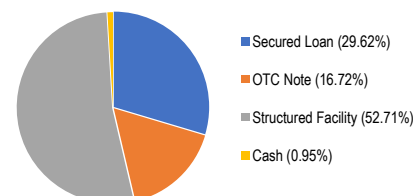
Weighted Average Portfolio LVR



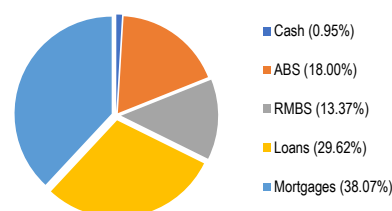
12 Month Liquidity



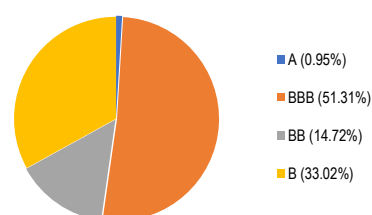
Portfolio Composition



Collateral Type



Credit Quality



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