Realm Strategic Income Fund Enduring Units
July 2020

Fund Strategy

The Realm Strategic Income Fund Enduring Units is a follow-on strategy of the Realm Capital Series Fund 2018-1 Units. The key differential feature is the limited withdrawal windows set by Realm Investment House (RIH). The strategy will invest in balance sheet funding, secured corporate loans and syndicated secured bank facilities. RIH will partner with the major banks and best of breed non-bank financial and corporate lenders to acquire exposures in these newly capitalised facilities. RIH's see's the strategy taking no further credit risk, that what we could acquire in the public markets, but receive additional return premiums derived mainly from complexity, liquidity and aversion. 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.

Net Performance

Period	Enduring Units	RBA Cash Rate Return
1 Month	0.40%	0.02%
3 Month	1.21%	0.06%
Since Inception*	2.17%	0.14%

*Past performance is not indicative of future performance. Inception date is 21 February 2020.

Gross Running Yield* 6.04%

*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.

Zenith Investment Partners
HIGHLY RECOMMENDED
Recommended
APPROVED
NOT RATED
REDEEM

Fund Withdrawal Windows

The fund is structured to take advantage of the return premium in complexity, aversion and liquidity in the bank facility and secured loan market. A key feature of the funds return target is to align the credit risk attributes of publicly traded assets to that of the private market, that would present no more credit risk in the market, if they traded over the counter (OTC). We purposely designed, the recommended investment period of 5 years so we can confidently extract these return premiums from the market, and in times of high volatility, protect investors capital from those investors trying to access liquidity from these assets – when liquidity in the market costs a lot. So in the old saying, it's nice to want to have your cake and eat it too, it is an impossibility to deliver you the benefit from these return premiums – the cake, and have liquidity at call – the ability to eat it too. Therefore, we require windows of planned liquidity – so you can have your cake and eat it too.

Fund Next Withdrawal Window

The next withdrawal window will be closing at August 31. We are accepting redemption requests for up to $1,000,000. Further details will be posted on our website. See the link above.

Fund Details

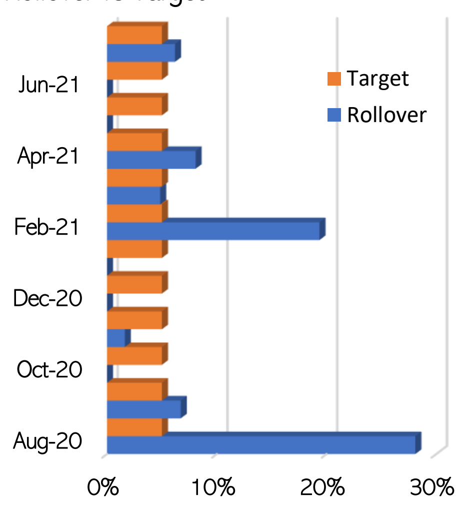
Distribution Frequency: Quarterly
Applications: Monthly
NEXT Redemptions Window: August 31 - $1,000,000
The manager is targeting monthly redemption windows
Pricing & Reporting Frequency: Monthly
Inception Date: 21.2.2020
Fund size: $30.7m
Benchmark: RBA Cash Rate
Buy/Sell: 0.20%/0.00%
APIR Codes: OMF5868AU
Management Fees: 0.99% Net of 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-enduring-units/
Liquidity Window Notice:
https://www.realminvestments.com.au/wp-content/uploads/Realm-Limited-Withdrawal-Offer-Notice-August-2020.pdf
Platform Availability

- Hub24
- Netwealth
- Powerwrap
- Australian Money Markets
- Spitfire
- Xplore Wealth

Fund Statistics

Running Yield	6.04%
Volatility†	0.84%
Interest rate duration	0.09
Credit duration	0.86
Average Credit Rating	BB+
Number of positions	35
Average position exposure	2.75%
Worst Month*	0.40%
Best Month*	0.46%
Sharpe ratio∂	9.77
Information Ratio∂	8.81

Rollover vs Target



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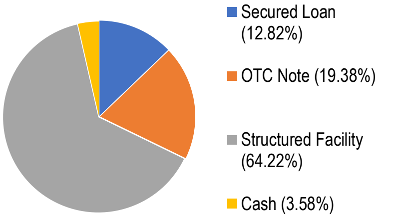
Fund Update

The Portfolio is in ramp up and the medium-term objective of RIH is to ensure minimal volatility of returns, and target portfolio construction that sees a smooth asset maturity profile that will complement the ability to raise cash regularly and focus on the fund diversity and return target. The portfolio is invested across a range of Corporate Facilities backed by loans (12.82%), Structured Mortgage facilities (64.22%), as well as Over The Counter Residential Mortgage Backed Securities (19.38%). The weighted average credit rating of the portfolio sits at BB+, with a short-weighted credit duration of 0.86 years and a pre fee running yield of 6.04%.

Portfolio Composition



Portfolio Risk Analysis

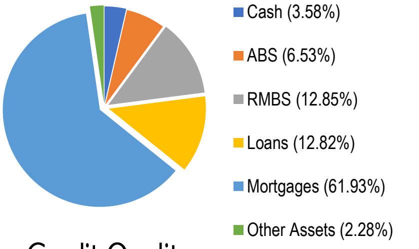
Australian economic health remained steady through July. While system risk has bounced slightly given the volatility in recent weeks, it remains significantly below its highs.

The Banks' ability to access cheap funding via the Term Funding Facility (TFF), set by the Reserve Bank of Australia (RBA) to allow banks to reduce funding costs and reinforce the benefits of a lower cash rate, has resulted in increased mortgage competition. Highly competitive fixed rate mortgages continue to be offered out of the big banks and regional banks which we expect will drive an increase in refinancing activity out of the non-bank financials issuing prime mortgages in competition with the banks. This is creating an increase in repayments for this sector.

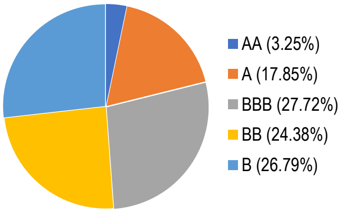
While housing activity continues to be unexpectedly high, with auction clearance rates having rebounded strongly from their April lows of around 30% to around 60% and 65% in both Melbourne and Sydney albeit on lower volumes, housing prices have begun to roll over, with the market consensus estimating headwinds are to be expected for the short to medium term.

Migration remains low, a key driver of long-term house demand, a function of the closed borders from the COVID-19 pandemic. Australian building approvals are slow which is a positive for housing supply in the weak market. Employment gains have also been showing through in all states except Victoria, due to the recent Stage 4 lockdowns. A positive across the whole of the economy was the extension of the JobKeeper program. This is an important program that not only supports the mortgage belt, but keep employees attached to their employer and buffering long term structural employment to an extent.

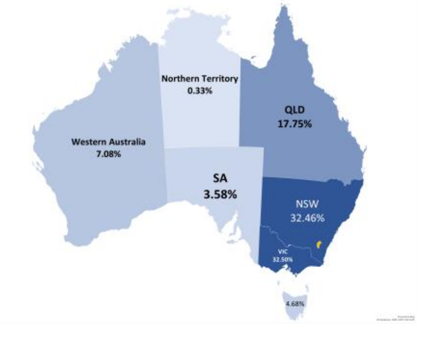
Collateral Type



Credit Quality



Geographic Exposure



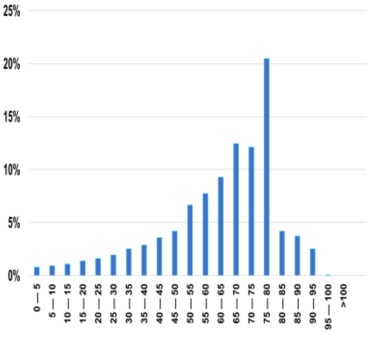
Housing Arrears & Portfolio Performance

Portfolio arrears improved 12bps to 0.30% over the month driven by the reduction in weight to Over The Counter Residential Mortgage Backed Securities and an increase to secured corporate loans.

Transactions & Market Flow

The Governments $15bn Structured Finance Support Fund has continued to support non-bank financiers, remaining as a backstop for issuers if the market does not clear any particular notes. However, this has not been utilised since mid-June with market strength clearing all primary transactions launched this month without any need for support from the AOFM. Issuance across both prime (Firstmac and AFG) and non-conforming (Resimac Bastille) was seen this month and was well supported by markets with strong bidding noted in all transactions. This has driven spreads tighter with significant market interest returning to the asset class, back towards pre-COVID levels although still elevated. Secondary markets continue to use the strength and colour of primary market transactions allowing market makers the confidence to price assets more effectively. Deal flow looks set to continue with further transactions from Pepper (Non-conforming RMBS) as they sounded another transaction to re-tap term markets. We continue to see increased enquiries of private funding requests which is providing a healthy deal flow for the strategy to pick through. Private funding spreads have remained relatively stable as compared to public spreads, specifically as a function of the liquidity trade-offs during this volatile period.. We expect the Running Yield to progressively increase as we allocate into the deal pipeline.

Weighted Average Portfolio LVR



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