Realm Strategic Income Fund Enduring Units
August 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	1.20%	0.06%
6 Month	2.54%	0.14%
Since Inception*	2.59%	0.16%

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

Gross Running Yield* 6.26%

*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 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 September 30. 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: September 30 - $1,000,000
The manager is targeting monthly redemption windows
Pricing & Reporting Frequency: Monthly
Inception Date: 21.2.2020
Fund size: $31m
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-September-2020.pdf
Platform Availability

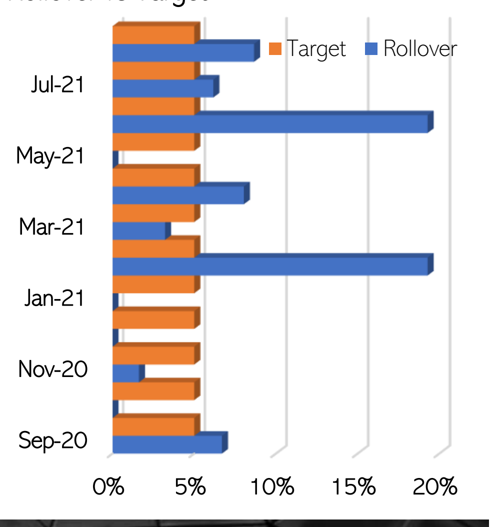
- Hub24
- Netwealth
- Powerwrap
- Australian Money Markets
- Spitfire
- Xplore Wealth

Fund Statistics

Running Yield	6.26%
Yield To Maturity	6.27%
Volatility†	0.34%
Interest rate duration	0.09
Credit duration	1.13
Average Credit Rating	BB
Number of positions	37
Average position exposure	2.63%
Worst Month*	0.39%
Best Month*	0.46%
Sharpe ratio∂	9.35

Calculated on Enduring Units unless otherwise stated. *Since Inception 21 February 2020. †Trailing 12 Months Calculated on Monthly observations. ∂Since Inception Calculated on Monthly observations

Rollover vs Target



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Fund Update

The portfolio is invested across a range of Corporate Facilities backed by loans (14.25%), Structured Mortgage facilities (63.34%), as well as Over The Counter Asset Backed & Residential Mortgage Backed Securities (19.70%). The weighted average credit rating of the portfolio sits at BB, a weighted credit duration of 1.13 years and a pre fee running yield of 6.26%. We expect to further diversify and increase this running yield as the portfolio ramps up.

Portfolio Risk Analysis

Australian economic health was mixed over the month. System risk continues to remain heightened given the volatility experienced over the last few months but continues to trend lower.

The Reserve Bank of Australia (RBA) elected to increase the Term Funding Facility (TFF) over the month while making the facility available for longer, which continues to support banks by giving them the ability to access cheap funding. This allows banks to reduce funding costs and reinforce the benefits of a lower cash rate and 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, which has the effect of shortening the time taken for the bonds to be repaid to the noteholder.

Housing activity varied across the states, with Sydney showing strong clearance rates on good volumes in comparison to this time last year. Prices in Sydney fell slightly, but prices in Melbourne fell by the most (-1.2% across all dwellings) as a result of the Stage 4 lockdown restrictions, which also significantly reduced clearance rates in the state. Market consensus continues to forecast that further headwinds are to be expected for the short to medium term housing markets.

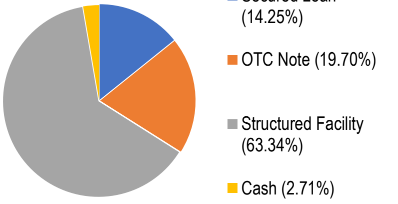
Housing Arrears & Portfolio Performance

Portfolio arrears weakened to 0.50% over the month driven primarily by the increase in arrears in one exposure, although remain well within the current arrear's expectation for this security. Market arrears as reported by the S&P SPIN Index showed prime arrears improved 2bp to 1.21% for the month of June, with non-conforming arrears improving 70bps to 3.86%.

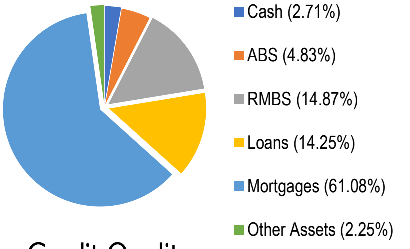
Transactions & Market Flow

Focus on the Government's $15bn Structured Finance Support Fund has moved to Forbearance SPV, with this facility now funding an initial round of Hardship loans back dated to March. This facility, along with the broader fund has provided the market with confidence, and offshore investors are seeing Australia as a strong outperformer relative to the global markets. There was much issuance in the non-conforming space with 4 issuers (Pepper, Sapphire Redzed and a liberty SME transaction) accessing term markets this month, with a prime transaction sounding (Mortgage House) and the launch of the first major bank capital relief transaction. The transactions that priced over the month were well supported by markets with strong bidding noted in all transactions. This continued to drive spreads tighter with significant market interest returning to the asset class, back towards pre-COVID market tights. Secondary markets continue to use the strength and colour of primary market transactions, which allow market makers the confidence to price assets more effectively. 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.

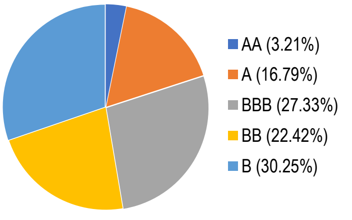
Portfolio Composition



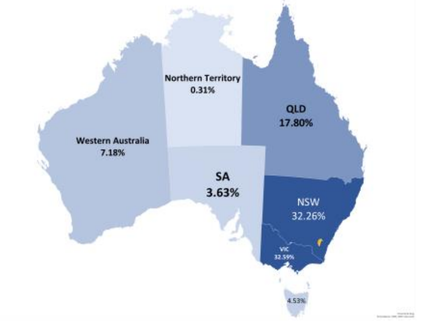
Collateral Type



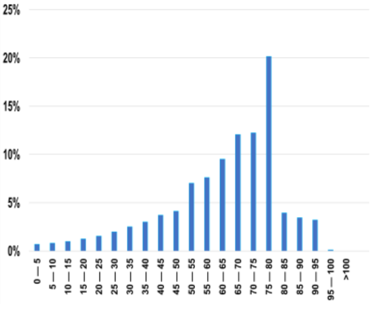
Credit Quality



Geographic Exposure



Weighted Average Portfolio LVR



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