# Realm Strategic Income Fund Enduring Units
# September 2020

REALM investment house

## 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 | 0.48% | 0.02% |
| 3 Month | 1.28% | 0.06% |
| 6 Month | 2.56% | 0.12% |
| Since Inception* | 3.08% | 0.18% |

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

## Gross Running Yield* 6.23%

*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 fund's 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 – and 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 2pm AEDST on **31** October. 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:** 31 October - $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-Limitied-Withdrawal-Offer-Notice-October.pdf
**Platform Availability**

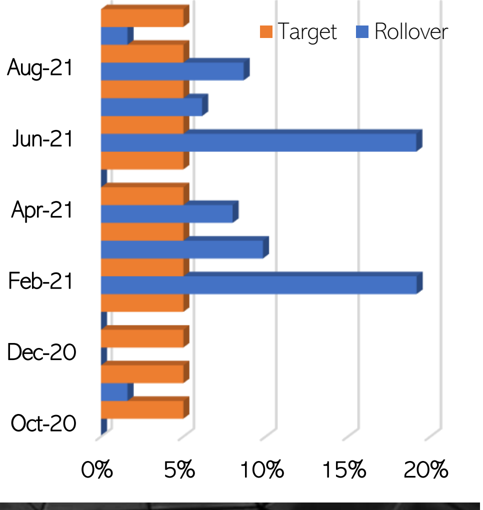
- Hub24
- Netwealth
- Powerwrap
- Xplore Wealth
- Australian Money Markets
- Macquarie Wrap *(New Oct 20)

## Fund Statistics

| | |
|---|---|
| Running Yield | 6.23% |
| Yield To Maturity | 6.24% |
| Volatility† | 0.36% |
| Interest rate duration | 0.10 |
| Credit duration | 1.10 |
| Average Credit Rating | BB+ |
| Number of positions | 35 |
| Average position exposure | 2.75% |
| Worst Month* | 0.39% |
| Best Month* | 0.49% |
| Sharpe ratio∂ | 9.84 |

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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# Realm Strategic Income Fund Enduring Units September 2020

## Fund Update

The portfolio is invested across a range of Structured Secured Facilities backed by loans (13.63%), Private ABS/RMBS Facilities (62.93%), as well as Public ABS/RMBS Facilities (19.67%). The weighted average credit rating of the portfolio sits at BB+, a weighted credit duration of 1.10 years and a pre fee running yield of 6.23%. 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) last 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. This has caused highly competitive fixed rate mortgages continuing to be offered out of the big banks and regional banks, which has driven 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 once again showing strong clearance rates on very high volumes in comparison to this time last year. Restrictions in Victoria eased with in person inspections allowed, and expectations pointing to a high amount of housing turnover over the short term as supressed housing demand and supply begin to release.

## Housing Arrears & Portfolio Performance

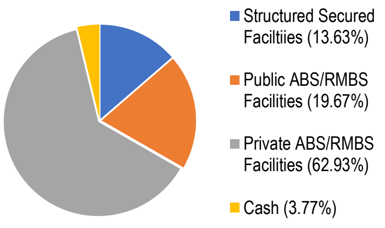
Portfolio arrears weakened to 0.55% over the month which remain well within the current arrear's expectation for this portfolio. Market arrears as reported by the S&P SPIN Index showed prime arrears improved 8bps to 1.13% for the month of July, with non-conforming arrears improving a further 16bps to 3.70%.

## Transactions & Market Flow

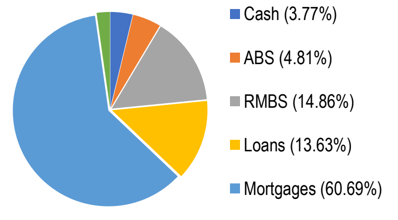
Issuance in the public ABS/RMBS market remains healthy, with the first Regional Bank capital relief transactions for the year being completed. Non-Bank Financiers' issuance included a mix of prime transactions and several non-conforming transactions, as well as a small and medium enterprises loan transaction. We selectively supported these public transactions, with deal flow in public markets looking set to continue. This is shown through a strong pipeline of primary deals sounding the market. These, including consumer loans, non-conforming mortgages, and non-resident transactions are due to price over the next month. Several Structured Secured transitions were completed, in which this portfolio will fund in the coming months. We continue to see increased enquiries of private ABS/RMBS Funding Facility requests, which is providing a healthy deal flow for the strategy to pick through, of which several are in our due diligence pipeline.

The public transactions that priced over the month were well supported, with strong bidding noted in all transactions across all the investment grade tranches. This continued to drive spreads tighter with significant market interest returning to the asset class, with pricing moving back towards pre-COVID market tights. Secondary markets also continue to trade with a strong bid. Private funding spreads have begun to widen, reflecting the increased aversion and exit of some smaller mezzanine lenders.

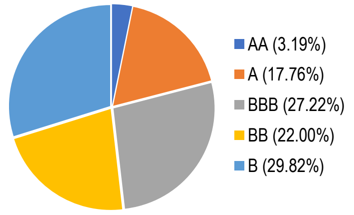
## Portfolio Composition



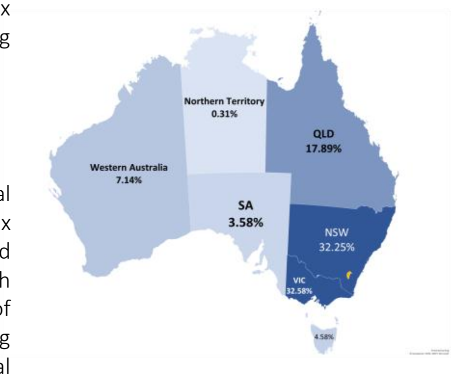

## Collateral Type



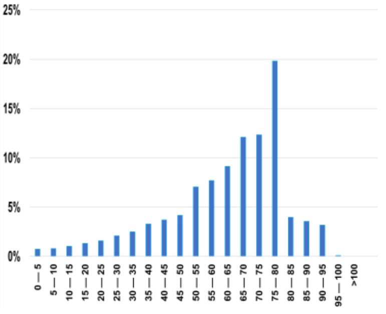

## Credit Quality




## Geographic Exposure




## Weighted Average Portfolio LVR

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