Realm Strategic Income Fund 2018-1 Units
February 2021

REALM investment house

Fund Strategy

The Realm Strategic Income Fund 2018-1 Units (Fund) (Formerly known as the Realm Capital Series Fund 2018-1 Units) has invested in balance sheet funding, secured corporate loans 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.

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	0.53%	0.01%
3 Month	1.43%	0.02%
6 Month	2.85%	0.08%
1 Year	5.67%	0.22%
2 Year	6.54%	0.63%
Since Inception*	7.02%	0.85%

Gross Running Yield* 6.08%

*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 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	6.08%
Yield to Maturity	6.09%
Volatility†	0.32%
Interest rate duration	0.04
Credit duration	1.32
Average Credit Rating	BBB
Number of positions	30
Average position exposure	3.31%
Worst Month*	0.14%
Best Month*	1.16%
Sharpe ratio∂	8.38

Calculated on 2018-1 Units unless otherwise stated. *Since Inception 22 June 2018. †Trailing 12 Months Calculated on Monthly observations. ∂Since Inception Calculated on Monthly observations

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 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.

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Fund Update

The portfolio is invested across a range of Structured Secured Facilities backed by loans (30.13%), Private ABS/RMBS Facilities (69.17%), as well as Public ABS/RMBS Facilities (0%). The weighted average credit rating of the portfolio sits at BBB, with a short-weighted credit duration of 1.32 years and a pre fee running yield of 6.08%. The fund had a strong month, with the extension of one facility and draw of another, causing public RMBS/ABS to fall to zero, while private RMBS/ABS and structured secured facilities rose. This decreased running yield slightly while increasing credit quality of the overall portfolio, which remains at BBB. We continue to expect to take advantage of stronger capital needs in 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.

Transactions & Market Flow

Market Update; Public RMBS/ABS markets continue to outperform as investors compete to secure stock, causing yields to tighten aggressively. This is compounded by the current market expectation that there will be a lack of RMBS issuance into 2021, as well as the continued strong offshore presence in the Australian market looking to take advantage of competitive yields. In our view, this will continue to underpin outperformance of the sector.

Private Assets; The outperformance of public markets is supportive to private RMBS/ABS. Private markets continue to offer higher yields than public markets, by virtue of certain structural factors. As the yields in public markets continue to tighten, the relative attractiveness of higher yielding private markets will only increase.

Portfolio Pipeline; Over the month of February, two transaction negotiations were finalised with funding due to occur in March. In addition, one new transaction was funded with another extended for a further 12 months. A further 9 transactions are currently screened in with an additional number of opportunities identified. The already high level of reverse funding enquiries continues to increase, which allows the strategy to pick through the most suitable transactions. This flow continues to accommodate the portfolio ramp up and allow the funds return objective of 4.75% over cash after fees to be met.

Housing Arrears & Portfolio Performance

Portfolio arrears weakened to 0.97% over the month which remains well within the current arrear's expectation for this portfolio. Market arrears as reported by the S&P SPIN Index also weakened as is seasonally expected, showing prime arrears weakening 13bps to 1.06% for the month of December. In contrast, non-conforming arrears improved 14bps to 3.17%.

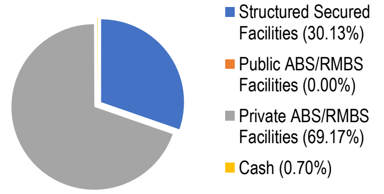
Portfolio Risk Analysis

Housing Market Performance; Collateral values, as shown by CoreLogic's national home value index, posted a very strong monthly increase of 2.06% in residential property values across the 5 major capital cities. This was led by housing, posting the strongest monthly increase in 17 years of 2.34% while units prices rose more modestly, increasing 1.15%. While all states posted an increase, the rise was led mostly by strength in both Sydney and Melbourne.
Property price expectations from various bank economists continue to predict strong appreciation in house prices across the country over the next year.

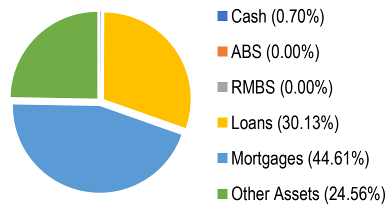
Fundamentally, this is very positive for structured credit, as it drives lower losses if defaults occur. Clearance rates were strong through the month hovering between 80-85% on good volumes.
Each of these technical factors continue to signal a strengthening market, and while the recovery from the COVID fallout is still playing out, the quality of loans written, level of arrears recovery and collateral price appreciation within the Australian market are all very supportive for the market outlook.

Support; Government support continues through the Forbearance SPV (which was designed to support the borrowers of non-bank lenders). No new lenders were added to the support, with only 0.68% of the committed $15bn used for the purpose of forbearance. This continues to provide comfort that the system is well positioned to absorb the fallout of the COVID crisis.

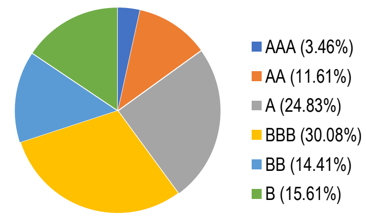
Portfolio Composition



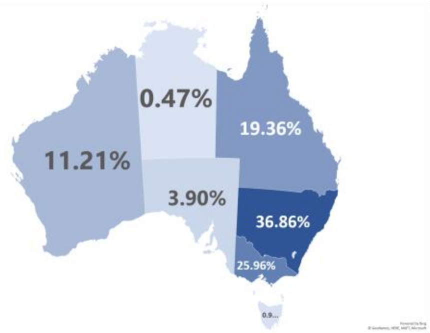
Collateral Type



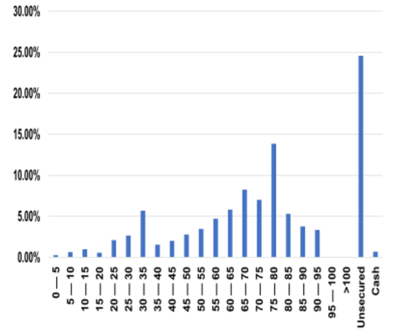
Credit Quality



Geographic Exposure



Weighted Average Portfolio LVR



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