Realm Strategic Income Fund 2018-1 Units
January 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	0.46%	0.01%
3 Month	1.38%	0.03%
6 Month	2.77%	0.09%
1 Year	5.69%	0.27%
2 Year	6.54%	0.69%
Since Inception*	7.01%	0.87%

Gross Running Yield* 6.22%

*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	6.22%
Yield to Maturity	6.24%
Volatility†	0.33%
Interest rate duration	0.03
Credit duration	1.17
Average Credit Rating	BBB
Number of positions	26
Average position exposure	3.80%
Worst Month*	0.14%
Best Month*	1.16%
Sharpe ratio∂	8.22

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

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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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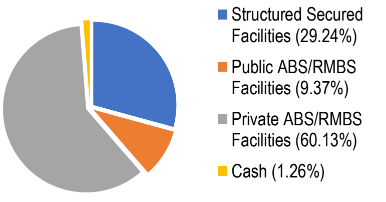
Fund Update

The portfolio is invested across a range of Structured Secured Facilities backed by loans (29.24%), Private ABS/RMBS Facilities (60.13%), as well as Public ABS/RMBS Facilities (9.37%). The weighted average credit rating of the portfolio sits at BBB, with a short-weighted credit duration of 1.17 years and a pre fee running yield of 6.22%. The fund had a strong month, with one new facility funded causing public RMBS/ABS to fall and Private RMBS/ABS to rise. 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.

Portfolio Composition



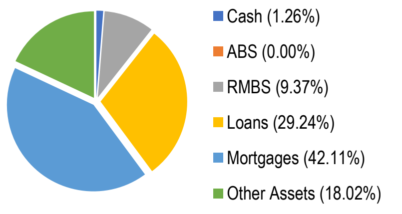
Transactions & Market Flow

Market Update; Public RMBS markets continue to be very well supported by aggressive buying from a growing number of institutions. Three key themes continue to drive sector outperformance; an expected lack of issuance in 2021, strong flows into income based products searching for yield and a strong offshore bid into Australian assets. We believe this continues to underpin a positive outlook for the broader sector.

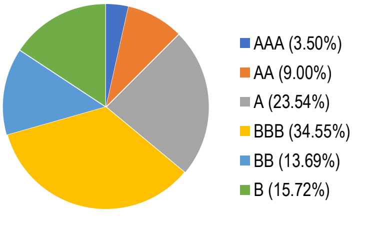
Private Assets; The strength in public markets continues to be very supportive of private RMBS/ABS. Private markets continue to deliver a healthy yield pick up over public markets, by virtue of certain structural factors. As public markets continue to outperform, we expect that the relative attractiveness of private markets will only increase.

Portfolio Pipeline; A new transaction as settled in January, with settlement of a further transaction due to occur in early Feb, and 3 further transactions currently in live negotiations. The pipeline continues to experience a high level of reverse funding enquiries, with another nine facilities within the screening stage of our due diligence process. This transaction flow is ample to accommodate the ramp up of our private asset portfolio while allowing the funds return objective of 4.75% over cash after fees to be met.

Collateral Type



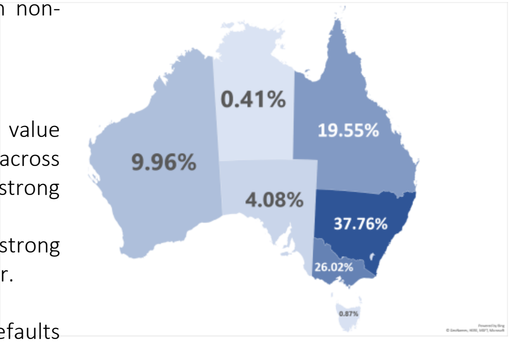
Credit Quality



Housing Arrears & Portfolio Performance

Portfolio arrears improved 4bps to 0.82% over the month which remains well within the current arrears expectation for this portfolio. Market arrears as reported by the S&P SPIN Index also weakened, showing prime arrears moving to 0.93% for the month of November, with non-conforming arrears also moving to 3.31%.

Geographic Exposure



Portfolio Risk Analysis

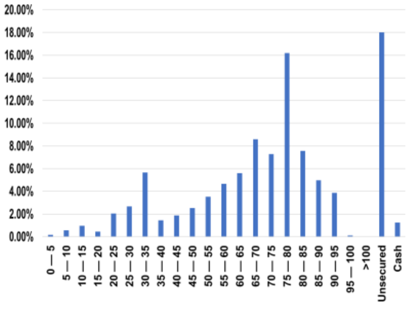
Housing Market Performance; Collateral values, as shown by CoreLogic's national home value index, recorded another strong month with a 0.84% rise in residential property values across the 5 major capital cities. This was again broad based with all capital cities posting strong monthly rises, with apartments prices also up slightly from last month.
Property price expectations from various bank economists continue to predict strong appreciation in house prices across the country, ranging between 5-10% over the next year.

Fundamentally, this is very positive for structured credit, as it drives lower losses if defaults occur. Clearance rates were strong coming into February but volumes slowed as is seasonally expected as buyers and sellers began to return from holidaying over the January period.

Each of these technical factors continue to signal a strengthening market, and while the recovery from the COVID fallout is still developing, 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.

Weighted Average Portfolio LVR



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