Realm Short Term Income Fund

August 2019

Fund Objective

The Realm Short Term Income Fund seeks to produce a return (net of fees) that exceeds the total return of the RBA Overnight Cash Rate by 1.50%-2.00% p.a. over rolling three-year periods.

Net Performance

Period	Ordinary Units	RBA Cash Rate Return
1 Month	0.14%	0.08%
3 Month	0.74%	0.28%
6 Month	1.64%	0.65%
12 Month	3.11%	1.40%
Since Inception	2.95%	1.44%

* Past performance is not indicative of future performance. *Ordinary units Inception 21 December 2017.

Fund Update

Cash and Short-Term Liquidity Weighting: ↓ Cash and Short dated liquidity decreased from 32.5% to 31.4%.

Interest Rate Duration Position: → 0.12 years. The strategy will maintain interest rate duration of approximately 3 months as an average. However, the manager can increase interest rate exposure to as high as 1 year under certain conditions. The strategy will as a rule only take modest interest rate risk.

Corporate & Subordinated Debt Allocation: ↑ An increase from 35% to 39%. No major movements in this sector other than regular optimisation of the book. The corporate book is very conservatively positioned in short dated senior paper of Australian ADIs, these assets experience very low levels of relative market volatility.

Residential Backed Securities (RMBS) & ABS: → Remained approximately in-line with last month. The market remains well bid with strong demand seen in secondary for both RMBS and ABS assets. The structured credit portfolio maintains an A+ rating and a weighted average credit duration of 1.97 years. Broader market performance improved slightly this month, with S&P arrears index (SPIN) for prime issuance remaining steady at 1.11%, while non-conforming arrears continued its performance, falling from 3.80% to 3.55%.

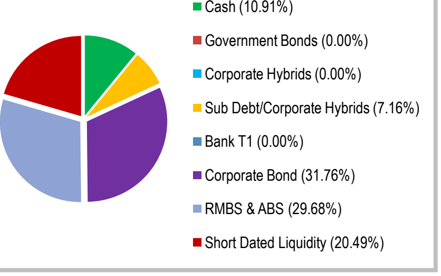
Targeted risk across the Fund: ↓ Targeted risk decreased slightly to 0.36%. The portfolio remains defensively positioned, and despite this the fund has met its return objective over the last 12 months delivering 3.11% after fees. This is evidence that the strategy is well designed, and that it delivers a reasonable premium over cash while maintaining a very tight distribution of returns month on month.

Fund Statistics

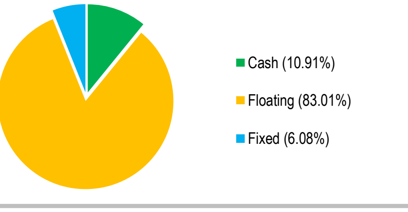
Running Yield	2.96%
Volatility†	0.14%
Interest rate duration	0.12
Credit duration	1.49
Average Credit Rating	A-
Number of positions	58
Average position exposure	1.60%
Worst Month*	0.14%
Best Month*	0.34%
Sharpe ratio∂	24.88
Information Ratio∂	22.45

Calculated on Ordinary Units unless otherwise stated. *Since Inception 21 December 2017. †Trailing 12 Months Calculated on Daily observations. ∂Since Inception Calculated on Daily observations

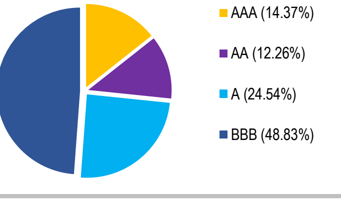
Portfolio Composition



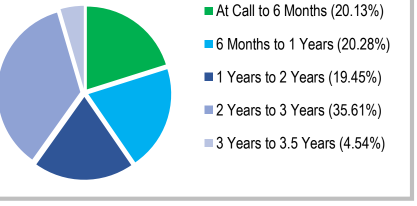
Fixed and Floating Breakdown



Credit Quality



Maturity Profile



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Market Outlook

The Realm Short Term Income Fund is a short duration low volatile strategy, providing sector diversity coupled with weighted credit duration of less than 1.5 years. In addition, an investment grade only credit quality limit will act to minimise portfolio volatility even during periods of heightened credit volatility.

While the portfolio can increase and decrease aggregate risk, this is managed in a tight band. The focus being on maintaining a competitive rate of return versus term deposits while guarding the portfolio against volatility and liquidity risk.

In instances of market volatility, investors will find that the portfolio will perform adequately with draw down risk mitigated by tight portfolio limits and portfolio diversity.

The month was marked by a cross section of geopolitical factors, which saw expectations around a US and Chinese détente evaporate. The idea that there is a quick solution here is quickly evaporating. The points of disagreement go to the heart of Chinese objectives and the entire system. The circumstances in Hong Kong speak to a cultural disconnect and an absence of alignment that isn't likely to be fixed quickly.

At the same time the vulnerabilities of the soft Chinese underbelly are starting to become evident, with asset performance in their regional banking sector concerningly poor. The likelihood that China could use more inefficient leverage to offset a deepening trade confrontation is a real worry in the medium term.

In Europe data continues to soften, with all eyes on the ECB with a further rate cut and the potential for asset purchases well telegraphed. Europe's bankers are pushing back, pointing to the damaging impact of negative rates on bank profitability as well as its lack of effectiveness in delivering economic outcomes. Unfortunately Europe has little choice given the larger part of the economy remains mired in debt, burdened by unaffordable social safety nets and deteriorating demographics. There are no bright spots, this is likely to see the ECB move its activities to ludicrous speed in an attempt to support asset performance.

This increases the likelihood that central banks will remain active. Despite the protestations that rates are not delivering outcomes, central bankers will continue to cut, with those that can adding asset purchases to the mix. The market seems to have priced this likelihood also, with asset prices remaining remarkably resilient despite the geopolitical risks and economic underperformance.

This will likely support the outlook for risk markets in the shorter term. There are some real risks starting to emerge, however with rates low and heading lower and with defined benefit pensions starting to develop significant funding gaps it is likely that yield will continue to be sought by investors.
We expect the strategy to meet its objective over the current year at current risk settings.

Sector Allocation

Sector	Asset Allocation Range	SAA Target
Cash	10% - 100%	10%
31 Day Notice Account	0% - 20%	10%
Government Bonds	0% - 90%	0%
Corporate Bonds	0% - 40%	25%
Sub Debt/Corporate Hybrids	0% - 20%	10%
RMBS & ABS	0% - 30%	25%
Short Dated Liquidity	0% - 60%	20%

Fund details

Distribution Frequency: Monthly
Liquidity: Daily
Buy/Sell: 0.00% / 0.00%
Direct Minimum Investment:
Ordinary Units - $25,000
mFunds Units - $25,000
Inception Date: 12.12.2017
Fund size: AUD $77.3 million
APIR Codes:
Ordinary Units - OMF3725AU
mFunds Units - OMF8160AU
Management Fees (inc. GST):
Ordinary Units – 0.33%
mFunds Units – 0.39%
Responsible Entity: One Managed Investment Funds Ltd
Custodian: Mainstream Funds Services Pty Ltd
Unit Pricing and Unit Price History:
www.realminvestments.com.au/media/4

Platform Availability

- Hub24
- Netwealth
- Powerwrap
- Praemium
- mFund Settlement Service - mFund code: RLM02

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