Realm Short Term Income Fund
September 2020

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	0.12%	0.02%
3 Month	0.71%	0.06%
6 Month	1.35%	0.12%
1 Year	2.39%	0.47%
2 Year	2.71%	0.91%
Since Inception	2.72%	1.08%

Fund Update

Cash and Short-Term Liquidity Weighting: ↑ Cash and Short dated liquidity increased to 36.93% from 35.25%.

Interest Rate Duration Position: → 0.10 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: ↑ Increased slightly to 36.47% from 35.83%. Net additions were evenly split between bank senior and subordinated securities. 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 Mortgage Backed Securities (RMBS) & ABS: ↓ RMBS allocation reduced slightly over the month as the strategy took advantage of the abundant issuance to source high quality assets. The credit rating of the book remains at A and holds a weighted average credit duration of 1.59 years. Spreads once again tightened over the month with several new transactions across regional, prime and non conforming markets helping provide colour to the strengthening market. Investment grade structured credit remains well bid, both in secondary and primary as is evident through the strong coverage ratios supporting each transaction. Issuers continue to access the market launching new transactions including both prime, non-conforming and asset backed deals. At present the strong deal flow from issuers is expected to abate into year end, this is a function of slowing loan growth and rising competition.

The Government's $15bn Structured Finance Support Fund was not used to support any public deals in either primary or secondary markets over the month, but continues to exist to support the market where needed. The Forbearance SPV saw two additional subscribers being Metro Finance and Pepper, accessing forbearance support alongside Think Tank, Redzed and Sapphire programs.

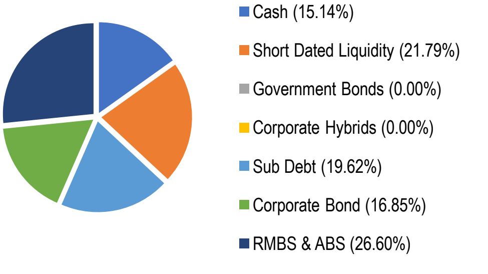
Fund Statistics

Running Yield	2.01%
Yield to Maturity	1.86%
Volatility†	0.39%
Interest rate duration	0.10
Credit duration	1.30
Average Credit Rating	A
Number of positions	67
Average position exposure	1.24%
Worst Month*	0.09%
Best Month*	0.34%
Sharpe ratio∂	5.64

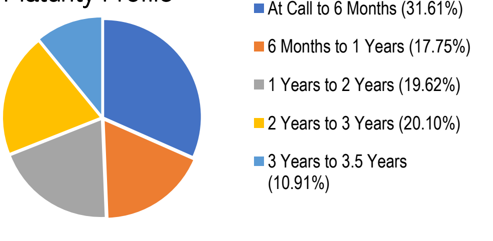
Calculated on Ordinary Units unless otherwise stated. *Since Inception 21 December 2017. †Trailing 12 Months Calculated on Daily observations. ∂Since Inception Calculated on Daily observations

Zenith Investment Partners
HIGHLY RECOMMENDED
Recommended
APPROVED
NOT RATED
REDEEM

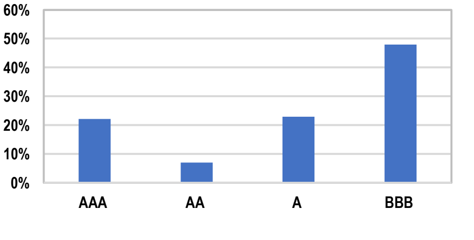
Portfolio Composition



Maturity Profile



Credit Quality



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Targeted risk across the Fund: ↓ Targeted risk decreased slightly to 0.61% from 0.65%, reflecting the portfolio's marginal movements. Meanwhile realised standard deviation is at 0.39%. This has risen recently due to increased volatility in mark to market valuations. The portfolio remains defensively positioned, despite this, the fund has met its return objective over the last 12 months, delivering 2.39% 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.

Market Outlook

After an extended period of increasingly optimistic behaviour, markets experienced a bout of risk aversion during the month. This was expressed in equity, credit and currency markets.

The move was related to a deterioration in the covid situation in Europe, where infection rates have climbed sharply. Infection rates in the US also proved difficult to contain, with significant outbreaks in the mid-west offsetting more favourable developments made elsewhere. The Victorian new case numbers improved slightly ahead of prior expectations.

Perceptions of expected market volatility remain elevated with additional concerns relating to the US Presidential election very clearly at the forefront. However, the faltering Brexit negotiations and continued deterioration in the relationship between China and other countries also weighed heavily. Both Prime Minister Morrison and President Trump openly discussed the development of strategic industries and steps to reduce supply chain reliance on exports from China. Increasingly provocative behaviour is also noted along Chinese borders.

The RBA added further support via extending and increasing the Term Funding Facility, which provides especially cheap financing to banks. This will reduce issuance of bank capital for at least a year and contributed to significant spread compression in this market. It is also likely to support the performance of the RMBS market as banks will be encouraged to retain these exposures on balance sheet. The RBA also indicated that further measures to support the economy are forthcoming despite employment in Australia proving more resilient than previously expected.

Observations of credit supply and the property market, along with an improving employment outlook in Australia, suggest that personal loans and RMBS exposures remain favourably positioned.

The outlook for a successful vaccine development continues to improve, as it does for treatments and diagnostics. Whilst a vaccine may not be widely available until later next year and may not result in a completely open economy, our corporate exposures are resilient to scenarios which are materially worse.

We have been positively surprised at the resilience of consumer optimism and expenditure, including related activity in housing markets. We also expect a considerable expansion in fiscal support to be announced at the upcoming Federal Budget.

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 $111 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:
https://www.realminvestments.com.au/our-products/realm-short-term-income-fund/

Platform Availability

- BT Panorama *(New: Aug 2020)
- BT Wrap *(New: Aug 2020)
- Hub24
- Macquarie Wrap *(New: Aug 2020)
- Netwealth
- Powerwrap
- Praemium
- mFund code: RLM02
- Australian Money Market

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