

# Realm Strategic Income Fund Enduring Units

## December 2020



### Fund Strategy

Realm Investment House (RIH) partners with banks, best of breed non-bank financiers and corporates to acquire exposures in high quality wholesale banking facilities that fund secured corporate loans and loans. The nature of the assets the strategy holds delivers investors an additional structural premium which is a function of the liquidity and complexity of these assets. Diversification within the Fund is achieved by diversifying banking partners, facility sponsors and the number of individual facilities. RIH's risk management and assessment overlay are used in assessing eligible exposures and actively managing & monitor the risk of each funding facility exposure during the life of the fund.

### Fund Objective

The strategy targets a return of 4.75% p.a. over the RBA cash rate. 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	0.47%	0.01%
3 Month	1.95%	0.04%
6 Month	3.26%	0.10%
Since Inception*	5.09%	0.22%

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

### Gross Running Yield\* 5.70%

\*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 30<sup>th</sup> of June.



### Fund Withdrawal Windows

The fund is designed to take advantage of a range of structural premia in the wholesale banking and secured loan market. This requires a more structured approach to providing liquidity to investors for redemption purposes to receive these premia. It is the managers intention to make an amount of liquidity available every month, through making a dollar value of liquidity available for the purpose of meeting redemption requirements.

### Fund Next Withdrawal Window

The next withdrawal window will be closing at 2pm AEDST on 31 January. We are accepting redemption requests for up to \$1,500,000 (4.5% of fund assets). The fund holds 6.05% in cash reserves. Further details will be posted on our website. See the link above.

### Fund Update

The portfolio is invested across a range of Structured Secured Facilities backed by loans (14.10%), Private ABS/RMBS Facilities (74.47%), as well as Public ABS/RMBS Facilities (5.38%). The weighted average credit rating of the portfolio sits at BBB-, a weighted credit duration of 0.75 years and a pre fee running yield of 5.70%.

Private assets increased from 63.7% as at end November to 74.5% this month as a new Prime RMBS facility was settled. This reduced public securities and increased the overall credit rating of the fund on a weighted basis to investment grade (BBB-) from sub investment grade last month. Despite the increase in credit portfolio, the strategy continues to deliver an attractive running yield of 5.7%.

### Fund Details

**Distribution Frequency:** Quarterly  
**Applications:** Monthly  
**NEXT Redemptions Window:** 31 January - \$1,500,000  
*The manager is targeting monthly redemption windows*  
**Pricing & Reporting Frequency:** Monthly  
**Inception Date:** 21.2.2020  
**Fund size:** \$32m  
**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-Limited-Withdrawal-Offer-Notice-January-2021.pdf>  
**Platform Availability**

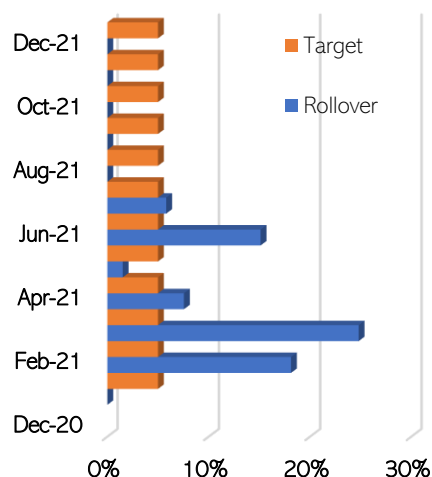
- Hub24
- Netwealth
- Powerwrap
- Xplore Wealth
- Australian Money Markets
- Spitfire
- Macquarie Wrap
- BT Panorama/Wrap \*(New)

### Fund Statistics

Running Yield	5.70%
Yield To Maturity	5.62%
Volatility <sup>†</sup>	0.60%
Interest rate duration	0.08
Credit duration	0.75
Average Credit Rating	BBB-
Number of positions	42
Average position exposure	2.24%
Worst Month*	0.39%
Best Month*	0.84%
Sharpe ratio <sup>‡</sup>	8.60

Calculated on Enduring Units unless otherwise stated. \*Since Inception 21 February 2020.  
<sup>†</sup>Trailing 12 Months Calculated on Monthly observations. <sup>‡</sup>Since Inception Calculated on Monthly observations

### Rollover vs Target



### 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 underpins a positive outlook for the broader sector.

**Private Assets;** The strength in public markets is 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;** Settlement of a new transaction is due to occur in early January, with 3 further transactions currently in live negotiations. The pipeline continues to experience a high level of reverse funding enquiries, with another ten 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.

### Housing Arrears & Portfolio Performance

Portfolio arrears improved 11bps to 0.38% 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 showed prime arrears improved 9bps to 0.89% for the month of October, and non-conforming arrears improved 19bps to 3.37%.

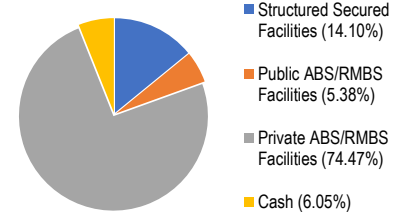
### Portfolio Risk Analysis

**Housing Market Performance;** Collateral values, as shown by CoreLogic's national home value index, recorded another strong month with a 0.87% 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 more modest performance in apartments. 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 also strong albeit on lower volumes, as buyers and sellers left for the Christmas period.

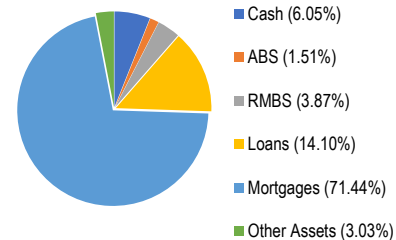
Each of these technical factors signal a strengthening market, and while the recovery from the COVID fallout is still developing, the quality of loans written, level of arrears recovery and collateral price appreciation within the Australian market are all very supportive for the market outlook.

**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.

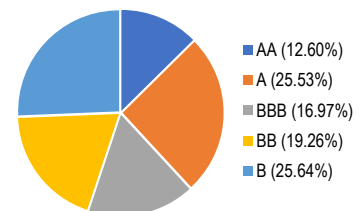
### Portfolio Composition



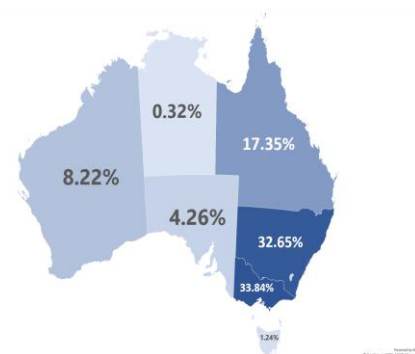
### Collateral Type



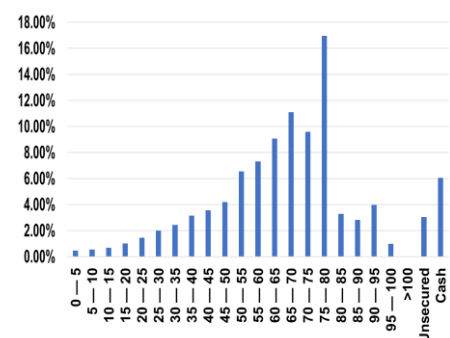
### Credit Quality



### Geographic Exposure



### Weighted Average Portfolio LVR



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