REALM GLOBAL HIGH INCOME FUND AUD

JANUARY 2025

REALM INVESTMENT HOUSE

FUND OBJECTIVE

The Realm Global High Income Fund AUD is a fixed income strategy, that invests in global asset backed securities, bank-issued securities and corporate bonds. The objective of the Fund is to deliver investors a consistent return (net of fees and gross of franking) of 2.5 - 3.5% over the RBA cash rate through a market cycle.

FUND DETAILS

Distribution Frequency: Monthly
Liquidity: Daily
Buy/Sell: 0.05% / 0.05%
Inception Date: 16.11.2023
Fund size: AUD $161 million
Management Fees (Net of GST): 0.7175%
Direct Minimum Investment: Ordinary Units - $25,000

Zenith RECOMMENDED

Investment Grade Lonsec Research

NET PERFORMANCE

Period	Global High Income Fund AUD	RBA Cash Rate Return
1 Month	1.03%	0.36%
3 Month	2.60%	1.08%
6 Month	5.02%	2.16%
9 Month	8.30%	3.25%
1 Year p.a.	11.55%	4.35%
Since Inception p.a.*	14.98%	4.35%

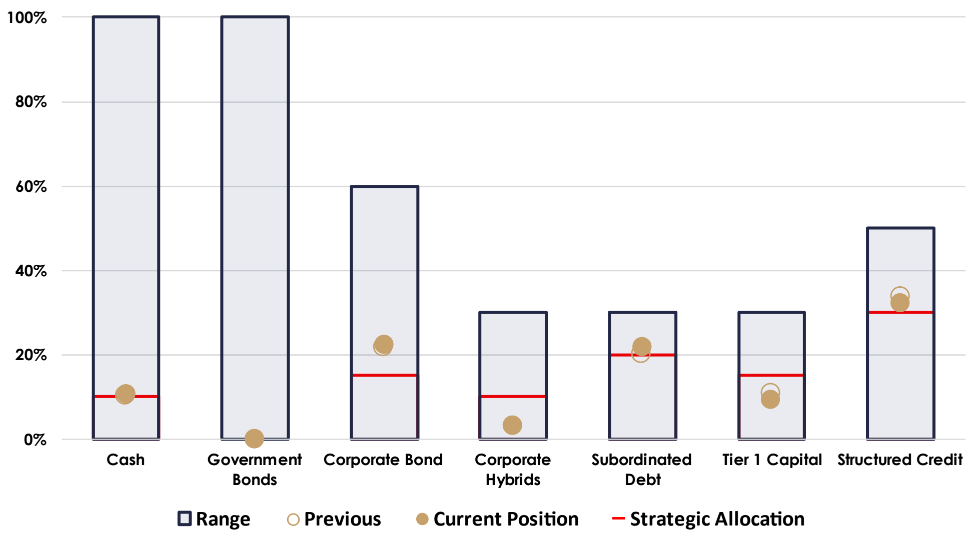
*Past performance is not indicative of future performance.
Inception 16 November 2023.

FUND STATISTICS

Running Yield	6.60%
Yield to Maturity	6.45%
Volatility†	1.37%
Interest rate duration	0.44
Credit duration	2.18
Average Credit Rating	BBB
Number of positions	136
Average position exposure	0.27%
Worst Month*	0.20%
Best Month*	2.22%
Sharpe ratio∂	6.24

†Trailing 12 Months Calculated on Daily observations. ∂Since Inception Calculated on Daily observations

SECTOR ALLOCATION



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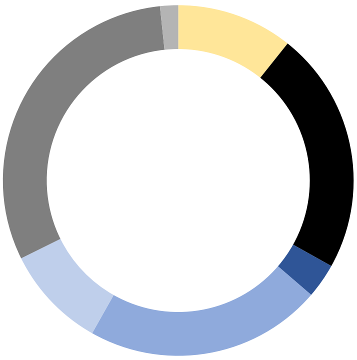
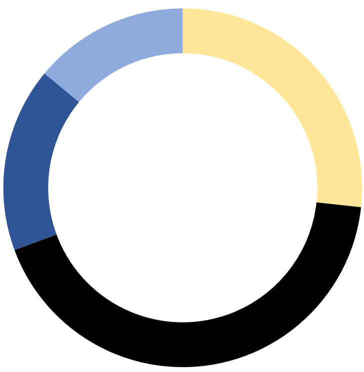
PORTFOLIO COMPOSITION



- Cash (10.72%)
- Corporate Bond (22.39%)
- Corporate Hybrid (3.20%)
- Subordinated Debt (21.86%)
- Tier 1 Capital (9.51%)
- ABS Public (30.65%)
- ABS Private (1.67%)

CREDIT DURATION PROFILE



- At Call to 6 Months (26.73%)
- 6 Months to 3 Years (42.63%)
- 3 Years to 5 Years (16.64%)
- 5 Years to 10 Years (14.00%)
- 10 Years + (0.00%)

FUND UPDATE

Cash and Short-Term Liquidity: ↑ The allocation to cash and short-term liquidity increased from 10.20% to 10.72%. This mainly reflected a decrease in Tier 1 Capital, and ABS Public, which was slightly offset by an increase to Subordinated Debt and Corporate Bonds.

Corporate Bond, Corporate Hybrids & Subordinated Debt: ↑ Weighting to corporate bonds, corporate hybrids and subordinated debt increased from 45.20% to 47.45%. Credit spread performance was mixed globally, though Europe continued to tighten, particularly higher beta lines. This provided an opportunity for profit taking in Euro denominated T2 bank capital, with proceeds re-deployed into Kangaroo T2 bank capital, including a local market offering from Credit Agricole. Gains across a few corporate bond positions were crystalised while the fund proactively made new investments, including in new lines from Telefonica and Teleperformance. As expected, primary markets roared back to life following the Christmas holidays, the US investment grade market producing US$186bn, the second largest on record.

Tier 1 Capital: ↓ Weighting to T1 capital decreased from 10.95% to 9.51%. Global T1's outperformed over the month, providing the opportunity to further reduce the fund's allocation to the sector. The fund was quite active during the month, adding to UK Bank T1's to bring T1 exposure to 13% intra-month as Gilts sold off, before swiftly exiting the same exposure towards the end of the month as spreads recovered. The fund also continued to reduce French Bank T1's from prior months as the political landscape stabilised. However, the reduction of Bank T1's was offset by increasing exposure to Insurance T1's where valuations compare more favourably. New issuance commenced for the year with Spanish Banks BBVA and Caixabank issuing USD T1's, while UK Bank, Standard Chartered also printed a USD T1 - the fund did not participate in any new issues during the month given expensive valuations.

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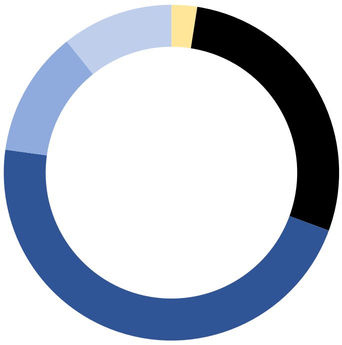
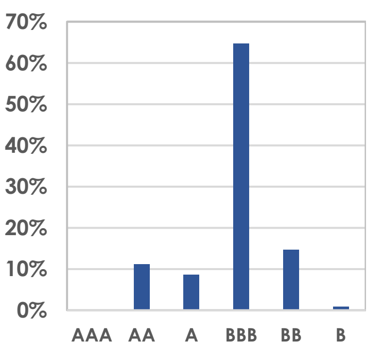
GEOGRAPHIC EXPOSURE



- Australian/NZ Domiciled Issuer (2.47%)
- North America Domiciled Issuer (28.13%)
- Europe Domiciled Issuer (46.59%)
- United Kingdom Domiciled Issuer (12.09%)
- Cash (10.72%)

CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	1.60%	10%
Non-Renewable & Nuclear Energy	0.00%	10%
Alcohol	0.00%	10%
Gambling	0.00%	10%

Structured Credit (ABS/CLO): ↓ ABS/CLO weighting decreased over the month from 33.65% to 32.32%. CLO spreads had a strong start to the year, notable even in the AAAs. Supply continues to be strong with no immediate signs of indigestion, with more clean new issue deals emerging in amongst the resets and refinances. European spreads followed suit, with BBs in particular taking a leg tighter. Issuer pipelines still look to be plentiful, for the rest of the quarter. Median CCCs in CLOs continue to improve in the US, falling 0.4% to 4.8%, and improving 0.1% to 3.8% in Europe. January marked another strong month for the loan indices: The US index was up 28c over the month to 97.61, and the European index up strong 80c to 98.41. January proved to be another heavy month with over $200bn of loan launches with around 90% being for refinances and repricings, and only 8% M&A. Europe also had around EUR10bn of issue with again the vast majority related to refinances and repricings.

Interest Rate Duration Position: ↑ IRD positioning increased from 0.22 to 0.44 years. In relative terms, bond volatility was lower during the month of January, with the US 10-year trading within a range of 33 bps and ending the month 3bps lower. The whipsaw in US government bond rates was driven by favourable economic data – namely CPI and the expectation that Trump's tariffs will be gradual. However, what eventuated was meaningful tariffs imposed on Canada, Mexico and China at the end of the month. Global markets moved into risk-off positioning on the back of China releasing their AI model 'Deepseek' – challenging US' technological supremacy. Domestically, the economy held steadfast with strong retail figures and the unemployment figure undershooting RBA's forecasts. However, a weaker than expected CPI figure led to major banks pulling forward their first rate cut expectations to Feb. Global central banks either remained steady or eased the cash rate policy, except for Japan, which tightened. The term premium and relative value on offer from credit instruments outweigh those offered by global government bonds, and as a result, the IRD of the portfolio was optimised, albeit towards the low end of the range.

Targeted risk across the Fund: ↓ Targeted portfolio risk decreased from 1.61% to 1.40%. This reflected a reduced allocation to T1 capital. Credit duration decreased (from 2.50 years to 2.18 years). Interest rate duration increased over the month (from 0.22 years to 0.44 years).

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PLATFORM AVAILABILITY

- Australian Money Market (AMM)
- AMP North
- BT Panorama
- CFS Edge
- HUB24
- Mason Stevens
- Netwealth
- Powerwrap
- Praemium
- Xplore Wealth

OTHER FUND DETAILS

Responsible Entity: One Managed Investment Funds Ltd

Custodian: State Street Australia Limited

Unit Pricing and Unit Price History: https://www.realminvestments.com.au/our-products/realm-global-high-income-fund/

FUND OVERVIEW

The portfolio produced another strong result over the month (1.03%), comfortably exceeding the RBA cash rate (0.36%). This extends the strong performance achieved since inception (16 Nov 2023) where the portfolio return of 14.98% pa has comfortably exceeded the cash rate of 4.35%pa. Contributions to the outperformance this month were broad but led by Structured Credit and Bank Regulatory Capital.

The yield to maturity (6.45%pa prev 7.05) narrowed. The opportunities to secure strong outperformance have declined and the portfolio may find it more challenging to meet its objectives over the medium term. As the term structure of key global bond markets steepened, we increased the interest-rate duration exposure slightly to 0.44yrs (p0.22).

Credit duration declined to 2.18yrs (p2.50) and the overall credit rating remained BBB. The reduction in credit duration was partly driven by strong performance in structured credit which has increased the likelihood of an early call. Sub-IG exposures are at moderate levels and concentrated into structured credit with relatively low credit duration. In aggregate, these are very conservative settings in the context of this portfolio, and credit duration has been extended subsequently.

The broad asset allocation exposures were largely unchanged.

The portfolio holds an overweight position in Corporate debt. This is defensively positioned with a relatively short credit duration and credit quality which is higher than we expect over the longer term. The portfolio is largely European and favours senior bank paper, including a notable exposure to Kanga (AUD denominated) issues. European banks are seeking funding diversification. As the reward for taking corporate risk via hybrid paper is presently low, we remain underweight this asset class.

The portfolio is also overweight structured credit. These exposures favour the US.

We expect spreads to widen in the coming year and this will be a headwind for performance if it transpires. The portfolio can offset this effect to some degree if the opportunity arises to trade profitably, and such opportunities tend to be greatest during periods of market turbulence. Implementation of significant new tariffs and retaliation against these may cause such an event, as might any development which puts a strain on European sovereign debt.

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OTHER COMMENTS

Investors continued to expect favourable economic conditions to emerge in key Western markets with limited softening in labour markets, near-trend growth rates and inflation close to target levels into 2026. However, China's economy remains hampered by its debt-laden property developers although stimulatory policies are supporting households. Japan is not expected to be able to sustain inflation at desired levels giving limited room for further policy normalization. Expectations for a global hard landing are presently very low. Nonetheless, much-needed fiscal consolidation in Europe is being hampered by fragile governance in key jurisdictions and pressures to increase funding. Tariffs and related inflationary effects are front of mind in terms of risks.

The markets remain bullish on the Trump Presidency. Whilst no tariffs were announced at his inauguration, surprising markets, several initiatives were subsequently tabled. Day-to-day developments on these are volatile and yet the VIX reading suggests markets are expected to take this in stride. In contrast, the price of gold surged as US demand jumped ahead of a potential introduction of tariffs on commodity imports. Strengthened sanctions on Russian oil exports and the subsequent improved prospect of a settlement in relation to Ukraine contributed to shifts in the oil market, which traded over a 10% range. Chinese AI company DeepSeek caused a significant stir when its models performed similarly to US competitors which were far more expensive to develop.

US Non-farm payrolls (Dec) were strong (+256k p212k e160k) and the unemployment level fell to 4.1 (p4.2 e4.2) on a flat participation rate of 62.5%. The Australian Trimmed Mean CPI surprised to the low side for the year 3.2% (p3.6 e3.3). The RBA is now expected to cut rates at the February meeting. China's GDP YoY Q4 came in at 5.4%, although this figure was greeted skeptically. Germany reported a decline in GDP.

A cease-fire commenced in Gaza. Israel and Hamas began an exchange of captives. Hostilities eased following encouragement from Trump ahead of his inauguration.

The portfolio is unlikely to record a negative return in the coming 12-month period given its relatively conservative positioning and cash rates which have yet to begin the easing cycle.

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OTHER COMMENTS

Credit markets remained historically tight despite high issuance volumes, ongoing reduction in central bank balance sheets and the potential for a significant round of tariffs. Concerns for credit quality are focused on TMT and healthcare sectors. Derivative pricing suggests limited concerns exist for a major risk event in the nearer term. Central banks have commented that cash rates are not likely to settle at pre-covid levels and are calling for gradualism in the face of high trade policy uncertainty and an incomplete normalization of inflation. There is an emerging expectation that the Fed may even need to raise rates this year if a tariff war and deportations in the US contribute to stickier inflation. Economies may experience a short-term boost as spending is brought forward ahead of expected tariff implementation but, should a tariff war take place, this will likely adversely affect business investment.

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