REALM HIGH INCOME FUND

FEBRUARY 2025

REALM INVESTMENT HOUSE

FUND OBJECTIVE

The Realm High Income Fund is a fixed income strategy, that invests in domestic asset backed securities, bank-issued securities and corporate & government bonds. The objective of the Fund is to deliver investors a consistent return (net of fees and gross of franking) of 3% over the RBA cash rate through a market cycle.

FUND DETAILS

Distribution Frequency: Monthly
Liquidity: Daily
Buy/Sell: 0.05% / 0.05%
Inception Date: 26.9.2012
Fund size: AUD $2.21 billion
Management Fees (Net of GST):
Ordinary Units - 1.1182%
Wholesale, Adviser, & mFunds Units - 0.7175%
Direct Minimum Investment:
Ordinary, Adviser Units - $25,000
Wholesale Units -$1,000,000
mFund Units - $10,000

Zenith RECOMMENDED

Recommended Lonsec Research

NET PERFORMANCE

Period	Ordinary Units* (incl. franking)	Wholesale Units* (incl. franking)	RBA Cash Rate* Return
1 Month	0.85%	0.87%	0.32%
3 Month	2.27%	2.36%	1.05%
6 Months	4.42%	4.63%	2.13%
1 Year p.a.	9.20%	9.64%	4.33%
3 Years p.a	7.09%	7.52%	3.39%
5 Years p.a	5.48%	5.91%	2.08%
10 Years p.a	4.66%	5.10%	1.82%
Since Inception p.a*	5.14%	5.30%	1.98%

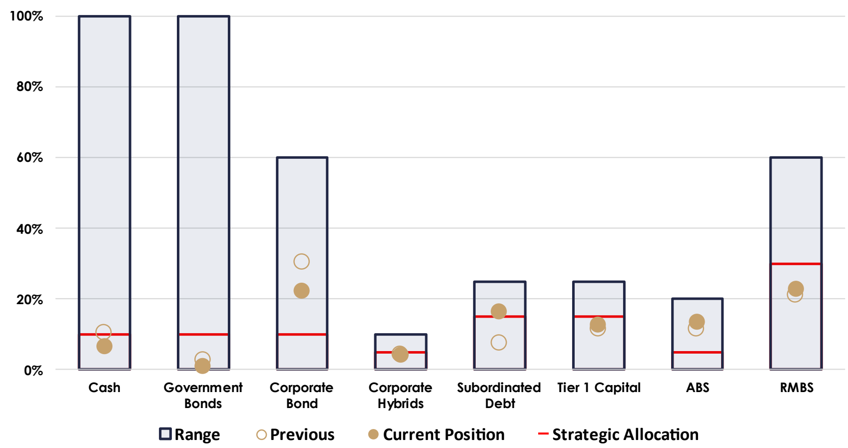
* Past performance is not indicative of future performance. *Ordinary units Inception 26 September 2012. Wholesale units Inception 2 October 2013.

FUND STATISTICS

Running Yield	6.38%
Yield to Maturity	6.47%
Volatility†	0.72%
Interest rate duration	0.63
Credit duration	3.03
Average Credit Rating	A-
Number of positions	408
Average position exposure	0.19%
Worst Month*	-1.99%
Best Month*	2.09%
Sharpe ratio∂	2.49

Calculated on Ordinary Units unless otherwise stated. *Since Inception 26 September 2012.
†Trailing 12 Months Calculated on Daily observations. ∂Since Inception Calculated on Daily observations

SECTOR ALLOCATION



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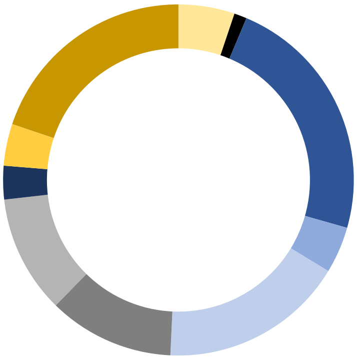
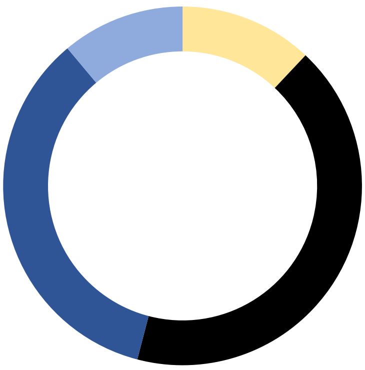
PORTFOLIO COMPOSITION



CREDIT DURATION PROFILE



FUND UPDATE

Cash and Short-Term Liquidity: ↓ The allocation to highly liquid assets (cash and government bonds) decreased from 13.30% to 6.34%. This reflected increased allocations in subordinated debt and ABS/RMBS, which was partly offset by a reduced allocation to corporate bonds.

Corporate Bond, Corporate Hybrids & Subordinated Debt: ↑ Weighting to corporate bonds, corporate hybrids and subordinated debt increased from 42.38% to 44.40%. Credit spreads were again mixed globally – while the US widened, Australian and European levels ended the month tighter. This allowed the fund to fully exit some higher beta Aussie dollar corporate lines and take more profit in T2 bank capital issued in Euros. Proceeds were re-deployed into Kangaroo T2 bank paper, which continued to present relative value to offshore equivalents. In addition, the fund benefitted from healthy Australian primary market activity, with new investments made into a corporate hybrid from AusNet, T2s from Westpac and IAG, and senior unsecured offerings from ANZ and Liberty Financial. With respect to AusNet, its $950m offering was ~5x covered by investor orders and performed very strongly in the secondary market.

Interest Rate Duration Position: ↑ IRD positioning remained steady at 0.63 years. In relative terms, bond volatility rose over the month after initially moving lower on softer economic data. US 10-year bonds fell by 33 basis points over the month to 4.21% and traded within a 42 basis point range. Volatility rose in the second half of the month as it became clearer that Trump would impose tariffs on Canada and Mexico and increase tariffs on China from March 4, albeit with the exact timing and extent still being negotiated. Domestically, rates drifted up in the first half of the month even as the RBA cut rates by 25bps to 4.10% on February 18, which was closely followed by strong employment data. The global economic backdrop helped rates move lower into month-end. The BoE cut rates in February and the ECB is expected to cut again on March 6. In line with portfolio movements, the IRD position was optimised at steady levels from last month.

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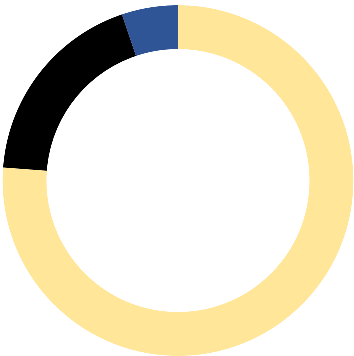
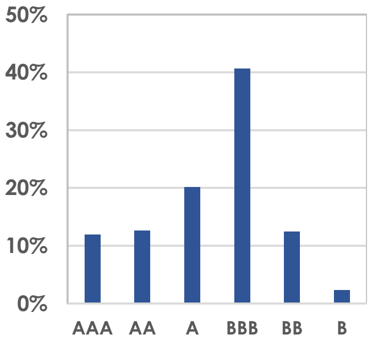
ISSUER DOMICILE



Australian/NZ Domiciled Issuer (76.19%)
Foreign Domicilied Issuer (18.63%)
Cash (5.18%)

CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	2.90%	10%
Non-Renewable & Nuclear Energy	0.00%	10%
Alcohol	0.10%	10%
Gambling	0.10%	10%

Residential Mortgage-Backed Securities (RMBS): ↑ Weighting to RMBS securities increased from 21.27% to 23.70% over the month. Structured credit markets reopened with a flurry of new primary activity over February. New transactions mandated very early into the month, across regional, prime and non-conforming RMBS and ABS transactions. All deals continue to attract substantial investor demand, with high levels of oversubscription on all traches in the capital structure, but most notably senior (AAA – rated) tranches. Mezzanine (A-BBB) and junior mezzanine (Sub investment grade) tranches also continue to tighten across all subsectors. Transaction economics continue to look increasingly favourable for issuers, who are expected to continue to issue new public transactions.

With respect to market performance, Prime arrears as reported by S&P's SPIN index for December weakened 7bps to 0.87%. Nonconforming arrears weakened 33bps to 4.18%. Arrears on auto loans as reported by S&P for the January period weakened 10bps to 0.85%. All results remain strong in comparison to both market expectations and historic index levels.

Tier 1 Capital: ↑ Weighting to T1 capital increased from 11.45% to 12.62%. It was a tale of two halves for Global T1's as spreads tightened during the first half of the month, allowing the fund to take profits on German and French Bank AT1's which saw T1 capital allocation fall to 8% intra-month. As tariff talks escalated and bond yields fell, AT1 spreads underperform which provided the opportunity for the fund to allocate to Canadian Bank AT1's for the first time. The fund reinvested proceeds from the sale of European Bank T1's into Australian Bank T1's, where valuations remain compelling. Domestic T1 securities outperformed as the market had its first Australian Bank T1 redeemed without replacement which contributed to the outperformance this month.

Asset Backed Securities (ABS): ↓ ABS allocation decreased from 11.83% to 11.68%. These assets are typically very short dated, continue to offer healthy yields and remain highly sought after by market participants.

Targeted risk across the Fund:↓ Targeted portfolio risk decreased from 1.61% to 1.46%. This reflected decreased allocations to longer maturity corporate and semi-government bonds which was rotated into relatively shorter dated T2 capital. The net effect saw credit duration increase from 3.01yrs to 3.03yrs.

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PLATFORM AVAILABILITY

- Australian Money Market (Retail Units)
- AMP North
- BT Wrap
- BT Panorama
- Credit Suisse
- Crestone
- First Wrap
- HUB24
- Macquarie Wrap
- Mason Stevens
- MLC Navigator/Wrap
- Netwealth
- Powerwrap
- Praemium
- uXchange
- Xplore Wealth
- mFund: RLM03

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/ourproducts/Realm-high-income-fund/

FUND OVERVIEW

The portfolio produced a favourable outcome (0.87%) over the month, which was comfortably ahead of the reference cash rate (0.32%). Contributions to the outperformance were well balanced across Structured Credit and Corporate Bonds.

The portfolio's yield to maturity increased to 6.47% (p6.27%) and continues to provide a reasonable prospect of meeting the investment objectives over the medium term despite tight market conditions. Interest rate duration remained steady at 0.63 yrs.

Credit duration increased slightly to 3.03yrs (p3.01), and the overall credit rating remained at A-. The portfolio remains conservatively positioned given the historically tight spreads presently available across the relevant asset classes.

Exposure to Subordinated Debt was increased during the month, to be back in line with benchmark levels. This was primarily achieved via the addition of domestic Bank T2.

The portfolio continues to hold overweight positions in ABS and Corporate Bonds, although the latter was reduced slightly.

The Corporate Bond exposure has a lower credit duration (~3.5yrs) and higher credit quality (BBB+) than we expect to have over the longer term. The exposures are largely held in property related, infrastructure, and financial services (non-bank) issuers.

The overall portfolio is conservatively postured as we believe credit spreads will be wider over the coming year. The A- overall credit quality is secure. The sub-IG exposures are distributed across different asset classes. Foreign issuer exposures are largely held in Canadian and European AT1 and US structured credit.

With credit spreads near multi-decade lows and an expectation that there will be headwinds to credit performance in the coming year, it remains unlikely that the portfolio will achieve its target in the near term. However, Realm's investment approach tends to create significant value when markets are volatile. 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. Despite this possibility, the conservative portfolio settings and relatively high starting point for cash rates make it unlikely that a negative return will be recorded in the coming 12-months.

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