REALM HIGH INCOME FUND

JANUARY 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 $2.17 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	0.67%	0.71%	0.36%
3 Month	2.01%	2.11%	1.08%
6 Months	4.17%	4.39%	2.18%
1 Year p.a.	9.05%	9.50%	4.35%
3 Years p.a	6.70%	7.14%	3.28%
5 Years p.a	5.30%	5.76%	2.03%
10 Years p.a	4.57%	5.02%	1.80%
Since Inception p.a*	5.07%	5.23%	1.97%

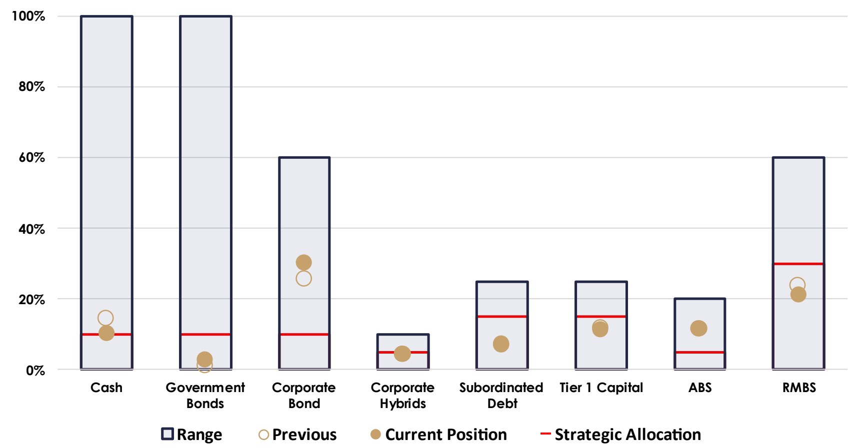
* Past performance is not indicative of future performance. *Ordinary units Inception 26 September 2012. Wholesale units Inception 2 October 2013.

FUND STATISTICS

Running Yield	6.03%
Yield to Maturity	6.27%
Volatility†	0.77%
Interest rate duration	0.62
Credit duration	3.01
Average Credit Rating	A-
Number of positions	382
Average position exposure	0.17%
Worst Month*	-1.99%
Best Month*	2.09%
Sharpe ratio∂	2.12

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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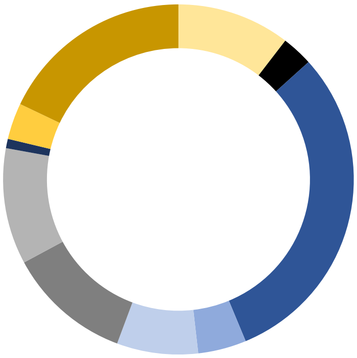
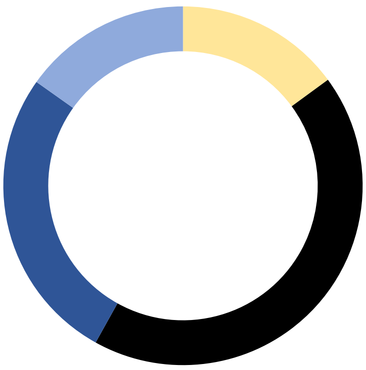
PORTFOLIO COMPOSITION



- Cash (10.43%)
- Government Bonds (2.87%)
- Corporate Bond (30.43%)
- Corporate Hybrid (4.46%)
- Subordinated Debt (7.49%)
- Tier 1 Capital (11.45%)
- ABS Public (10.73%)
- ABS Private (0.86%)
- RMBS Private (3.36%)
- RMBS Public (17.91%)

CREDIT DURATION PROFILE



- At Call to 6 Months (14.94%)
- 6 Months to 3 Years (43.14%)
- 3 Years to 5 Years (26.74%)
- 5 Years to 10 Years (15.18%)
- 10 Years + (0.00%)

FUND UPDATE

Cash and Short-Term Liquidity: ↓ The allocation to highly liquid assets (cash and government bonds) decreased from 15.46% to 13.30%. This reflected increased allocations in corporate bonds and subordinated debt, which was partly offset by reduced allocations to ABS/RMBS and Tier 1 capital.

Corporate Bond, Corporate Hybrids & Subordinated Debt: ↑ Weighting to corporate bonds, corporate hybrids and subordinated debt increased from 37.15% to 42.38%. Credit spreads were mixed globally, though Australian and European levels continued to tighten providing a further opportunity to take profit in higher beta lines. The fund sought to reinvest proceeds principally into corporate bonds, though with valuations remaining relatively expensive much of this investment focused on shorter dated corporates, and major bank senior paper. In T2 bank capital, the fund also rotated out of major bank investments into foreign bank Kangaroos given attractive relative value. As expected, primary markets roared back to life following the Christmas holidays, with the fund participating in senior unsecured transactions from CBA, Westpac and Toyota Finance Australia and Tier 2 offerings from ANZ and Credit Agricole in the local market.

Interest Rate Duration Position: ↑ IRD positioning increased from 0.38 to 0.62 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. In line with portfolio movements, the IRD position was optimised.

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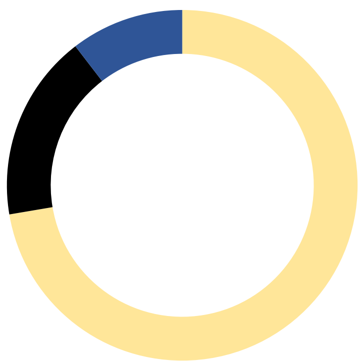
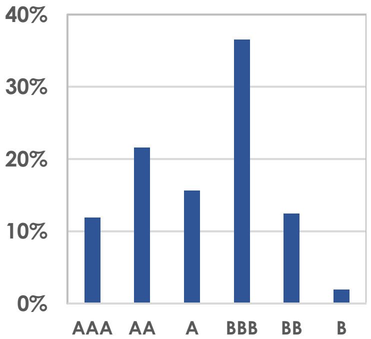
ISSUER DOMICILE



- Australian/NZ Domiciled Issuer (72.34%)
- Foreign Domicilied Issuer (17.23%)
- Cash (10.43%)

CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	4.60%	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 decreased from 23.86% to 21.27% over the month. The structured credit markets experienced a seasonally quiet period in January, with primary activity picking up towards the end of the month as two transactions opened their books. Both deals attracted robust investor demand, resulting in significant oversubscription and continued spread tightening, particularly in the senior (AAA-rated) tranches. Mezzanine tranches also remained well bid, reflecting strong appetite across the capital structure. Looking ahead, the new issuance pipeline appears robust, with a diverse range of sub-asset classes—including auto ABS, prime RMBS, and non-conforming RMBS—preparing to come to market early in the new year.

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 December period improved 1bp to 1.32%. All results remain strong in comparison to both market expectations and historic index levels.

Tier 1 Capital: ↓ Weighting to T1 capital decreased from 11.85% to 11.45%. Global T1's outperformed over the month, providing the opportunity to further reduce the fund's allocation to the sector. During the month, the fund benefitted from the recovery in the macroeconomic environment to the extent UK and French Bank AT1 exposures were reduced. The fund's reduced allocation to Global T1's was offset by continued investment to the Australian Bank T1 market, where valuations cheapened throughout the month, despite APRA's confirmation of its phase out of AT1's for Australia Major Banks.

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 increased from 1.39% to 1.61%. This reflected an increase in interest rate duration from 0.38yrs to 0.62yrs concurrent with a movement higher in credit duration from 2.72yrs to 3.01yrs.

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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 (0.71%) over the month, which was comfortably ahead of the reference cash rate (0.36%). Contributions to the outperformance were well balanced across bank regulatory credit, corporate bonds and structured credit.

The portfolio's yield to maturity increased slightly to 6.27% (p6.15%). Interest rate duration was increased to 0.62yrs (p0.38yrs) as the yield curve steepened.

Credit duration was extended to 3.01yrs (p2.72yrs) and the portfolio retained an A- rating. It remains conservatively positioned given the historically tight spreads presently available across the relevant asset classes.

The exposure to cash was returned to benchmark as funds were deployed into suitable additional Corporate debt lines. The portfolio is significantly overweight in Corporate Bonds. The Corporate Bond sector 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.

Although the aggregate structured credit exposure is similar to benchmark, it is weighted in favour of ABS on relative value considerations.

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 UK/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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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.

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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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