

FEBRUARY 2025

## 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.

## 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:** 21.12.2017

**Fund size:** AUD \$2.82 billion

### APIR Codes:

Ordinary Units - OMF3725AU

mFunds Units - OMF8160AU

### Management Costs (Net of GST):

Ordinary Units - 0.3075%

mFunds Units - 0.3634%



RECOMMENDED



## NET PERFORMANCE

Period	Short Term Income Fund*	RBA Cash Rate Return*
1 Month	0.45%	0.32%
3 Month	1.53%	1.05%
6 Month	3.09%	2.13%
1 Year p.a.	6.60%	4.33%
3 Year p.a	5.11%	3.39%
5 Year p.a	3.93%	2.08%
Since Inception p.a*	3.58%	1.84%

\*Past performance is not indicative of future performance. Inception date is 21 December 2017.

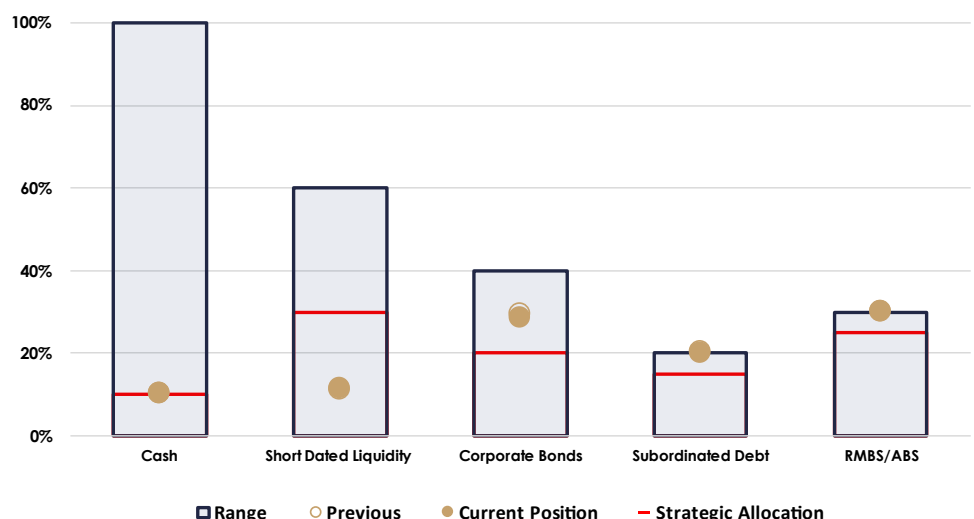
## FUND STATISTICS

Running Yield	5.46%
Yield to Maturity	5.52%
Volatility†	0.36%
Interest rate duration	0.10
Credit duration	1.47
Average Credit Rating	A
Number of positions	493
Average position exp.	0.13%
Worst Month*	-0.26%
Best Month*	0.72%
Sharpe ratio <sup>‡</sup>	4.81

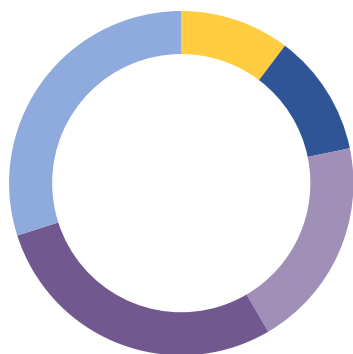
Calculated on Ordinary Units unless otherwise stated. \*Since Inception 21 December 2017.

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

## SECTOR ALLOCATION

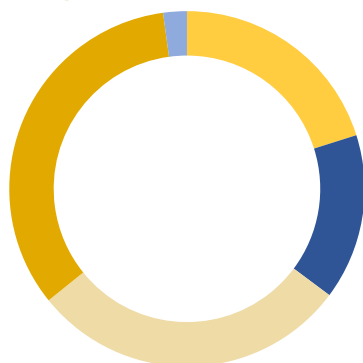


### PORTFOLIO COMPOSITION



- Cash (10.29%)
- Short Dated Liquidity (11.46%)
- Sub Debt (19.82%)
- Corporate Bond (28.51%)
- RMBS & ABS (29.92%)

### CREDIT DURATION PROFILE



- At Call to 6 Months (20.12%)
- 6 Months to 1 Years (15.09%)
- 1 Years to 2 Years (28.99%)
- 2 Years to 3 Years (33.65%)
- 3 Years to 3.5 Years (2.15%)

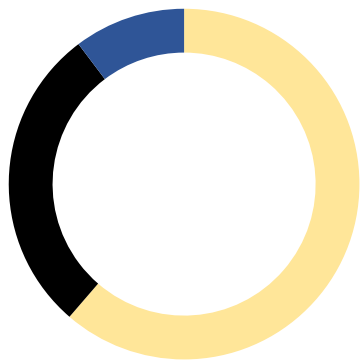
### FUND UPDATE

**Cash and Short-Term Liquidity Weighting:** ↑ Cash and Short dated liquidity increased from 20.75 % to 21.75%.

**Interest Rate Duration Position:** → 0.10 years. The strategy will maintain interest rate duration of approximately 3 months as an average. Having a low IRD number limits the realised volatility and losses in the fund from government bond volatility - a key feature of the Realm Short Term Income Fund. The 3Y Aus government bond yield ended the month 7bps lower, albeit with a month-on-month trading range of 28bps. The strategy will, as a rule, only take modest interest rate risk.

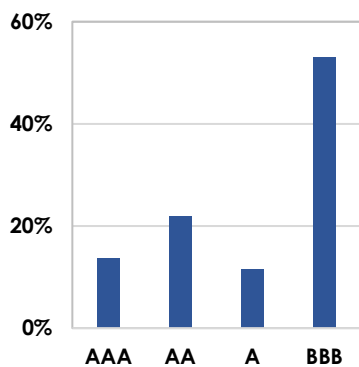
**Corporate & Subordinated Debt Allocation:** ↓ Decreased from 49.36% to 48.33%. Optimisation within the corporate bond sector was skewed towards foreign issuers in major currencies based on relative value opportunities over the month. Corporate bonds, traditionally, present modest relative value over bank senior bonds due to the rating differential; and this relative value was maintained over the month. Investments were tilted towards corporate bonds over financials due to conditions and opportunities in the market. Both corporate and financial sub-sectors in EUR slightly outperformed over the month of February, due to the continuation of central bank easing. Credit continues to be well supported due to ongoing investor demand and a healthy global economic backdrop. Subordinated debt optimisation was also skewed towards global issuers in major currencies. The short, conservative nature of the sector and diversification aided in cushioning any intra-month market volatility.

## ISSUER DOMICILE



- Australian/NZ Domiciled Issuer (61.34%)
- Foreign Domiciled Issuer (28.37%)
- Cash (10.29%)

## CREDIT QUALITY



## PORTFOLIO

### ESG RISK LIMITS

Sector	Direct Exposure	Direct Limit	Indirect Exposure	Indirect Limit
Fossil Fuels	0.1%	0.0%	0.0%	2.5%
Non-Renewable & Nuclear Energy	0.0%	0.0%	0.0%	2.5%
Alcohol	0.0%	0.0%	0.00%	2.5%
Gambling	0.0%	0.0%	0.0%	2.5%

**Residential Mortgage-Backed Securities (RMBS) & ABS:** → Allocation to structured credit remained steady at 29.92%. As at month end, the portfolio maintained an A+ average credit rating and a relatively short weighted credit duration of 1.71 years.

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 tranches 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.

**Targeted risk across the Fund:** ↓ Targeted risk decreased from 0.63% to 0.60%, reflecting the optimisation within portfolio limits. Meanwhile, realised standard deviation is at 0.36%. This has remained stable over the short term due to consistent mark to market valuations. The portfolio remains defensively positioned although despite this, the fund has performed relatively well over the last 12 months, delivering 6.60% after fees. This is evidence that the strategy is well designed, delivering a reasonable premium over cash while maintaining a very tight distribution of returns month on month. The fund remains compliant with the portfolio ESG risk limits.

### PLATFORM AVAILABILITY

- Australian Money Market
- AMP North
- BT Panorama
- CFS Edge
- Expand
- HUB24
- Macquarie Wrap
- Mason Stevens
- MLC Navigator/Wrap
- Netwealth
- Powerwrap
- Praemium
- Rhythm
- mFund code: RLM02

### OTHER FUND DETAILS

#### Responsible Entity: One

Managed Investment Funds Ltd

#### Custodian: State Street

Australia Limited

#### Unit Pricing and Unit

#### Price:

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

### FUND OUTLOOK

The Fund achieved a return of 0.45% which exceeded the 0.32% return from RBA Cash.

The portfolio's aggregate settings were little changed over the month and retains overweights to structured, subordinated and corporate debt as it targets the highest forecast returns achievable within the established parameters. Exposures to foreign issuers are most prominent in the subordinated debt sector and these positions continue to grow. Offshore corporate bond issuers are also a notable feature. The portfolio's yield to maturity declined slightly to 5.52% (p 5.65%).

The RBA, as expected, delivered a 25bp rate cut at the February meeting, but was explicitly hawkish in its guidance. As a result, rate cut expectations have been pared. Markets are presently pricing that the cash rate will fall from 4.1% to 3.5% by December. This still provides a relatively high base level for cash and the likelihood of recording a negative return over the next six months is remote.

Credit spreads remain tight for high quality credit, which will make it more challenging to achieve medium term targets. Nonetheless, the Fund's performance is expected to be assisted by optimal roll-down positioning. Additionally, profit generation is also expected to arise from trading which is driven by our relative value process.

Realm's investment approach also benefits from market volatility, which increases dispersion in the relative value across and within asset classes. Implementation of significant new tariffs and retaliation against these may create such an event, as might any development which puts a strain on European sovereign debt.

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FEBRUARY 2025

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