REALM SHORT TERM INCOME FUND

REALM INVESTMENT HOUSE

JANUARY 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 $2.72 billion
APIR Codes:
Ordinary Units - OMF3725AU
mFunds Units - OMF8160AU
Management Costs (Net of GST):
Ordinary Units – 0.3075%
mFunds Units – 0.3634%

Zenith RECOMMENDED

5 Highly Recommended Lonsec Research

NET PERFORMANCE

Period	Short Term Income Fund	RBA Cash Rate Return
1 Month	0.59%	0.36%
3 Month	1.53%	1.08%
6 Month	3.19%	2.18%
1 Year p.a.	6.89%	4.35%
3 Year p.a	4.95%	3.28%
5 Year p.a	3.87%	2.03%
Since Inception p.a*	3.55%	1.81%

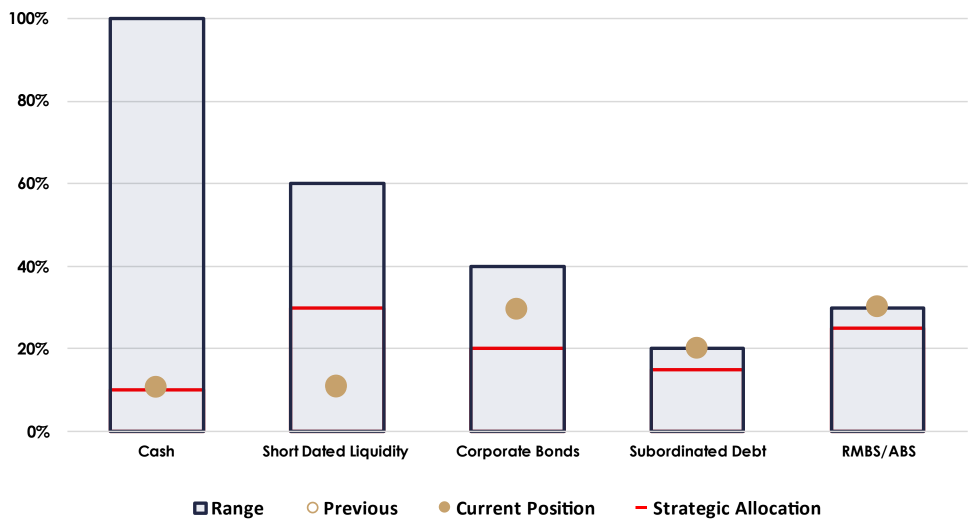
*Past performance is not indicative of future performance. Inception date is 21 December 2017.

FUND STATISTICS

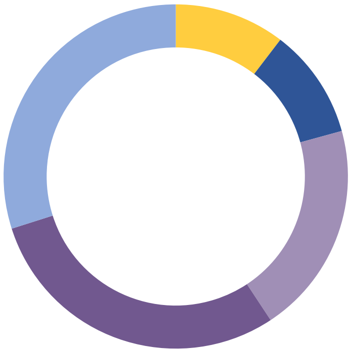
Running Yield	5.51%
Yield to Maturity	5.65%
Volatility†	0.40%
Interest rate duration	0.10
Credit duration	1.49
Average Credit Rating	A
Number of positions	484
Average position exp.	0.13%
Worst Month*	-0.26%
Best Month*	0.72%
Sharpe ratio∂	4.77

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

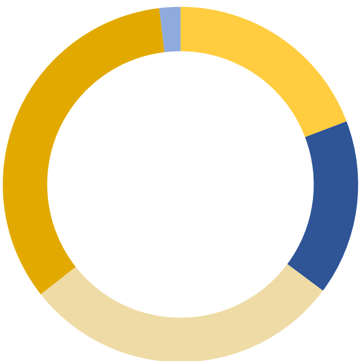


PORTFOLIO COMPOSITION



- Cash (10.39%)
- Short Dated Liquidity (10.35%)
- Sub Debt (19.97%)
- Corporate Bond (29.39%)
- RMBS & ABS (29.90%)

CREDIT DURATION PROFILE



- At Call to 6 Months (19.22%)
- 6 Months to 1 Years (15.98%)
- 1 Years to 2 Years (29.20%)
- 2 Years to 3 Years (33.70%)
- 3 Years to 3.5 Years (1.91%)

FUND UPDATE

Cash and Short-Term Liquidity Weighting: ↓ Cash and Short dated liquidity decreased from 21.01 % to 20.74%.

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 where it began, but with a relatively higher month on month trading range of 34bps. The strategy will, as a rule, only take modest interest rate risk.

Corporate & Subordinated Debt Allocation: ↑ Increased from 49.11% to 49.36%. Optimisation within the corporate bond sector was slightly skewed towards domestic issuers in mostly AUD 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 January, 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 skewed towards global issuers in major currencies. The short, conservative nature of the sector and diversification aided in cushioning any intra-month market volatility.

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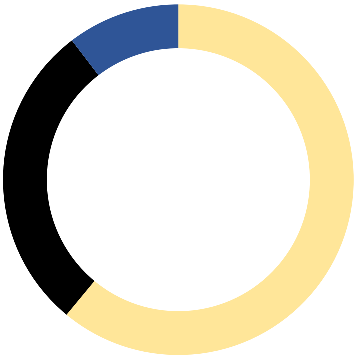
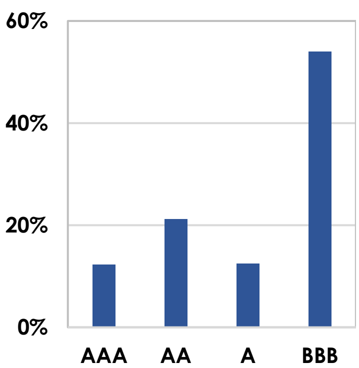
ISSUER DOMICILE



- Australian/NZ Domiciled Issuer (61.01%)
- Foreign Domicilied Issuer (28.60%)
- Cash (10.39%)

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 29.90%. As at month end, the portfolio maintained an A average credit rating and a relatively short weighted credit duration of 1.49 years.

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.

Targeted risk across the Fund: ↓ Targeted risk decreased from 0.64% to 0.63%, reflecting the optimisation within portfolio limits. Meanwhile, realised standard deviation is at 0.40%. 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 6.89% 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.

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JANUARY 2025

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 0.59% which exceeded the 0.36% 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 was nearly unchanged at 5.65%.

Expectations for the first cut in the RBA cash rates have been brought further forward to February. The markets are presently pricing that the cash rate will fall from 4.35% to 3.73% 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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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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