REALM GLOBAL HIGH INCOME FUND AUD

MARCH 2024

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
Management Fees (Net of GST): 0.7175%
Direct Minimum Investment: Ordinary Units - $25,000

NET PERFORMANCE

Period	Global High Income Fund AUD	RBA Cash Rate Return
1 Month	1.57%	0.36%
3 Month	4.62%	1.06%
Since Inception	8.71%	1.60%

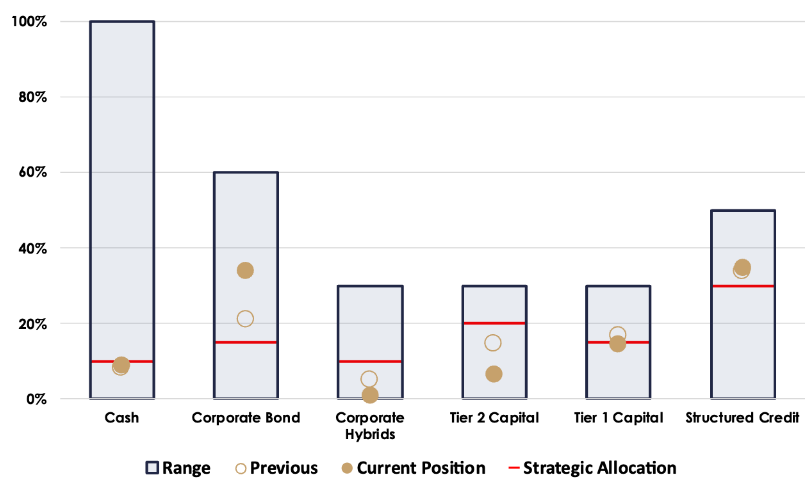
* Past performance is not indicative of future performance.
Inception 16 November 2023.

FUND STATISTICS

Running Yield	6.32%
Yield to Maturity	7.51%
Volatility†	N/A
Interest rate duration	0.20
Credit duration	3.45
Average Credit Rating	BBB
Number of positions	56
Average position exposure	0.70%
Worst Month*	0.82%
Best Month*	2.22%

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

SECTOR ALLOCATION



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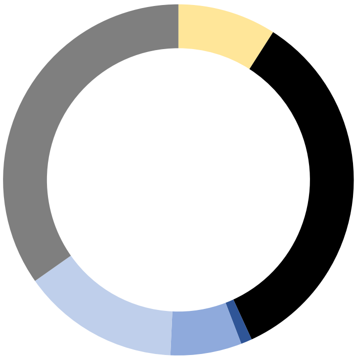
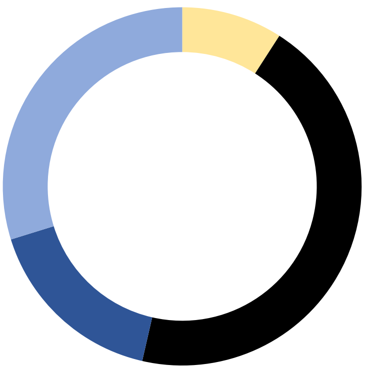
PORTFOLIO COMPOSITION



- Cash (9.08%)
- Corporate Bond (34.06%)
- Corporate Hybrids (1.02%)
- Tier 2 Capital (6.57%)
- Tier 1 Capital (14.51%)
- Structured Credit (34.76%)

MATURITY PROFILE



- At Call to 6 Months (9.11%)
- 6 Months to 3 Years (44.47%)
- 3 Years to 5 Years (16.63%)
- 5 Years to 10 Years (29.79%)
- 10 Years + (0.00%)

FUND UPDATE

Cash and Short-Term Liquidity: ↑ The allocation to highly liquid assets (cash, commercial paper and government bonds) increased from 8.27% to 9.08%. This mainly reflected lower allocations to T2 capital, corporate hybrids and T1 capital which was partly offset by higher allocations to corporate bonds and structured credit.

Corporate & Subordinated Debt: ↑ Weighting to corporate bonds and subordinated debt (corporate hybrids and T2 capital) increased from 40.84% to 41.65%. Global credit firmed for a fifth consecutive month, amidst continued government bond volatility and active primary issuance. The fund continues to de-risk by taking profits across T2 capital and corporate hybrids and reallocating to higher quality senior corporate bonds. This included new deals from CBRE Global Investors, EasyJet and Northumbrian Water. In the T2 capital book, profit taking across global T2's was partly reallocated to a new HSBC T2 in AUD.

Tier 1 Capital: ↓ Weighting to T1 capital decreased from 16.82% to 14.51%. The fund took profits as global T1's outperformed for a fifth consecutive month. This sees the removal of the strategic overweight which has been in place since the fund's inception in Nov 2023 - positioning is now slightly below the strategic allocation of 15%. Primary market activity moderated after a busy February with notable deals from French bank Société Générale, and Insurers ASR Nederland and NN Group. The fund did not participate in any of the new deals based on valuations.

Structured Credit (ABS/CLO): ↑ ABS/CLO weighting grew over the month from 34.06% to 34.76%. CLO spreads were broadly tighter in March for all tranches in the US and Europe, although US AAAs ended the month widening from their lows. New issue activity remained active, with resets and refinances continuing to make a good portion of the activity. Strong technical demand continue to drive spread performance assisted by the amount of amortising post-reinvestment deals, despite potential rate cuts moving further out. Median CCC loans in CLO portfolios reduced to 5.5% from 5.7% in the US, and in Europe to 2.7% from 2.8%. The Morningstar LSTA US Leveraged Loan index increased a further 31c to 96.73, while in Europe the index fell a further 17c to 96.66. New issue continues to see patches of M&A activity with the bulk of new issue continues to be refinancing, including Private Credit borrowers returning to BSL.

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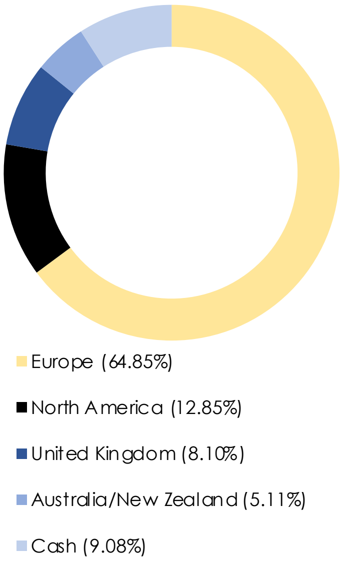
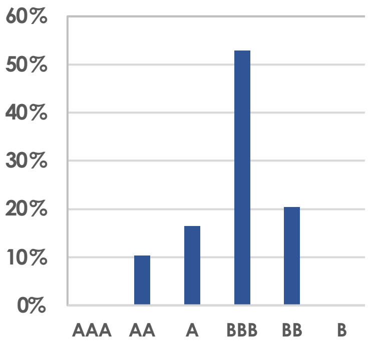
GEOGRAPHIC EXPOSURE



CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	2.23%	10%
Non-Renewable & Nuclear Energy	0%	10%
Alcohol	0.00%	10%
Gambling	0.00%	10%

Interest Rate Duration Position: ↑ IRD positioning increased from 0.07 to 0.20 years. Volatility and month-end yields in global government bond markets were relatively lower during the month of March. Strong US CPI and PPI data drove yields higher. A capitulation of investors by the higher for longer narrative, along with a slightly hawkish FOMC dot plot resulted in the market's expectation of rate cuts in the US decreasing meaningfully. A very strong employment growth number in Australia surprised the market with the unemployment number decreasing to 3.7%. The Bank of Japan ended its negative interest rate policy and yield curve control with minimal market moves 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 maintained at a minimum level.

Targeted risk across the Fund: ↓ Targeted portfolio risk decreased from 1.90% to 1.79%. This largely reflected the de-risking of the portfolio as allocations to higher beta sectors such as T2 capital, corporate hybrids and T1 capital were partly reallocated to senior corporate bonds and structured credit. The net effect of this was a slight increase to credit duration (from 3.42 years to 3.45 years). Interest rate duration also increased (from 0.07 years to 0.20 years).

FUND OUTLOOK

Credit spreads tightened further over the month as key economic releases for major economies generally surprised to the upside. Whilst credit synthetics finished largely unchanged, the Bloomberg US Agg Baa Average Option-Adjusted Spread compressed by 7bps to 1.12%. This is a level usually seen during times of ebullient economic circumstances. Spreads across other markets like bank capital and structured credit also rallied.

Spreads normally vary proportionately with estimates of future hardship which is observable by the probability of recession obtained from economists. With key economies currently experiencing a trough in economic growth or expected to enter such a period, it is unsurprising that assessments of a recession in the coming 12 months are more elevated than usual. However, the current spreads in the market are trading at levels which are completely at odds with the longer-term relationship.

Part of this relates to the high all-in yields which are currently available. Since the mishap in the UK bond market in September 2022, when ex-PM Truss released a mini-budget proposal that was poorly received, all-in yields in fixed income credit have been the highest since 2009. Although interest rates on cash have risen, the desire to secure higher yields is present. This can cause less discriminate buying. Derivative pricing also suggests that central banks will step in to protect the economies in the event that growth slows suddenly, offering a firm put option under the market. One other reason is simply that markets remain in an optimistic state because economic developments have surprised to the upside for several months.

PLATFORM AVAILABILITY

- Netwealth IDPS
- Powerwrap

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/

Issuance activity has had a strong start this year, but this has moderated since February in corporate debt. There is considerable activity in domestic RMBS/ABS as non-bank lenders bring their warehoused assets to the public market. Pricing is such that domestic ADIs are also issuing structured credit at higher than usual volumes. Refinancing and reset activity in CLO markets is elevated and year-to-date CLO creation is at the highest level for years. The levered market was impacted by an announcement from French telco Altice that it may impose losses on bond holders. The dispersion of spreads in the sub-IG market widened further as TMT/Healthcare exposures were re-assessed. These are at historically high levels. In contrast, spreads within the IG market are trading more closely together than average.

MARKET DEVELOPMENTS

Key western equity markets rose by 3-4% over the month. Ongoing economic surprises to the upside drove the result. Gains in the US were broadly based on this occasion. The VIX traded within a narrow range, finishing the month at 13. Bond yields rallied by around 10bps, excluding Japan where 10 year bond yields finished largely unchanged at 0.72%. New York Community Bancorp's difficulties with its CRE exposures led to a rally in Western bond markets. Strong US employment and higher than expected inflation outcomes subsequently reversed some of this. However, the release of the Fed dot plots showed that three rate cuts were still expected in 2024 which capped the rise in yields later in the month. Currencies were largely unchanged although the USD was incrementally stronger. Credit synthetics were unchanged with spreads close to the tightest level in decades.

Oil prices rose by 7% as OPEC extended production cuts and the geopolitical situation remained febrile. Copper rose 4% as manufacturing activity accelerated. US factory output growth is at a 22-month high. China also announced intentions to increase its export share of manufacturing, raising fears of subsequent overcapacity in targeted industries. Gold rose 10% on central bank accumulation attributed to China.

OTHER DEVELOPMENTS

Growth in the US was stronger than expected with retail expenditures for the month at +0.3%, durable goods (ex air/defence) +0.7% (consensus 0.1%) and overall personal spending at +0.8% (c +0.5%). ISM Manufacturing also surprised to the upside with the index returning to growth. Whilst ISM services disappointed, New Orders were strong. Non-Farm Payrolls produced an outlier at +275k (c 200k) although unemployment rose slightly as strong labour markets drew more participants into the workforce. The last mile of inflation normalization is proving more challenging with monthly core inflation at +0.4% (c 0.3%) and core PPI at +0.3% (c 0.2%).

The Fed's economic projections were released. Bond markets were relieved that 3 rate cuts were still anticipated in 2024 although one cut was removed for later years. However, these projections inferred greater tolerance for high inflation and projected an above trend growth rate for the next three years. This contrasts with efforts to cool the economy. Speculation arose that the Fed may raise the target inflation rate at some point, which Powell subsequently denied. Fed speak guided to a June rate cut.

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Nikki Haley withdrew from the Republican nomination. The government managed to pass a package of spending measures to avoid a government shutdown. The Director of the Budget watchdog, the CBO, issued a warning that confidence in US debt might fade abruptly and produce an event like that experienced in the UK when former PM Truss released an ill-conceived budget plan.

Australia's economic cycle is not aligned with that of the US, and is expected to have already troughed. The weak GDP result for Q4 2023 of +0.2% (c 0.3%) was driven by lacklustre household consumption. Real consumption per capita declined by a material 2.5% over the year as the savings rate recovered. Were it not for immigration, this outcome would normally occur during recessions. This produced the slowest annual growth rate in 40yrs other than during covid and the GFC. However, the outlook for household spending and financial resilience is favourable from this point.

Dwelling investment fell significantly, although business investment remained firm with public spending also elevated. Productivity rebounded as hours worked declined, but more is required to achieve outcomes that will be sufficient to meet the RBA's expectations for inflation normalisation. Business confidence and conditions were largely unchanged, pointing to expectations for further consolidation in corporate activity. Consumers remain very pessimistic, weighed down by high interest rates, housing costs and cost-of-living. Retail sales disappointed at +0.3% (c 0.4%) for the month. The PMIs indicate that economic growth is being driven by services whilst manufacturing activity continues to decline.

The labour force figures surprised to the upside (+116.5k c40k) and largely reversed the relative readings last month where a larger than usual number of people were employed but had yet to commence work. This dropped the unemployment rate by 0.3% to 3.7%. Inflation readings were well contained. Dwelling prices rose 0.6% over the month.

The RBA removed the slight tightening bias at its March meeting, where settings were otherwise unchanged. The Financial Stability Review did not raise any immediate concerns, with most households in reasonable financial condition. Australian REITs may be affected by portfolio flows should there be a CRE related crisis in the US.

Although the economy is skirting recession, European readings surprised to the upside on the whole. Retail sales and the PMIs beat expectations. The ZEW sentiment indicator for Germany continued the trend of improvements experienced since July. Core inflation was 2.6% for the year with the last mile of normalization proving to be sticky.

The ECB left monetary policy unchanged. The Bank Loan Survey showed that the near-term outlook for fixed capital investment is soft. The Bank of England also left policy settings in place. Progress towards inflation targets was faster than expected with the unemployment rate at 3.9% (c 3.8%) and core inflation of 3.4% for the year slightly undershooting expectations.

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China held the National People's Congress which prioritized areas for economic development. President Xi's power consolidation was evident and he laid out plans to drive growth via exports. An aspirational growth target of 5% was announced. The data dump surprised to the upside. Industrial production, fixed asset investment, and official PMIs all exceeded expectations. The unemployment rate was 5.3%. Bank loan volumes were as expected, but bond issuance was below projections. Inflation surprised to the upside at 0.7% yoy (c 0.3%), whilst the PPI was -2.7% (c -2.5%). House prices have fallen 1.4% over the year. The PBoC left rates unchanged.

The Bank of Japan exited NIRP and raised short term interest rates to a range of 0-0.1%. Recent wage settlements for large companies at 5.3%, the biggest in decades, cleared the final hurdle. Yield curve control ended, but undesirable volatility will be met with intervention. Most balance sheet activity will be brought to a close, although corporate bond purchases will be tapered. The JPY reached lowest point for 34 years vs USD and this is creating speculation of a steeper path for future rate rises. Economic outcomes were disappointing with GDP Q4 at 0.1% (c 0.3%), industrial production at -0.1 (c 1.4%), and unemployment at 2.6% (c2.4%). Core and headline inflation were at 2.8% yoy.

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