REALM GLOBAL HIGH INCOME FUND AUD

OCTOBER 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
Fund size: AUD $90.1 million
Management Fees (Net of GST): 0.7175%
Direct Minimum Investment: Ordinary Units - $25,000

Zenith RECOMMENDED

Investment Grade Lonsec Research

NET PERFORMANCE

Period	Global High Income Fund AUD	RBA Cash Rate Return
1 Month	1.27%	0.36%
3 Month	2.35%	1.09%
6 Month	5.56%	2.16%
9 Month	8.72%	3.24%
Since Inception	15.40%	4.16%

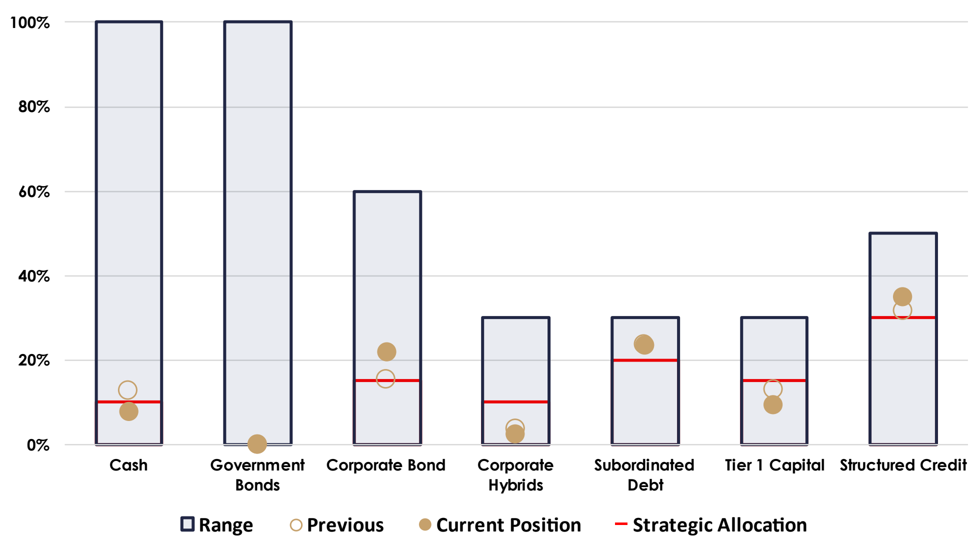
*Past performance is not indicative of future performance.
Inception 16 November 2023.

FUND STATISTICS

Running Yield	6.99%
Yield to Maturity	7.18%
Volatility†	N/A
Interest rate duration	0.25
Credit duration	2.28
Average Credit Rating	BBB
Number of positions	97
Average position exposure	0.20%
Worst Month*	0.20%
Best Month*	2.22%

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

SECTOR ALLOCATION



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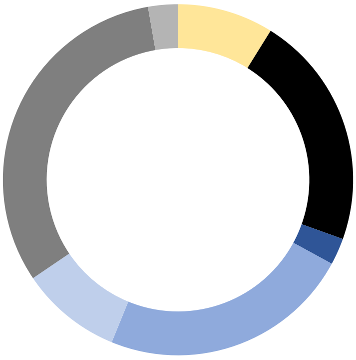
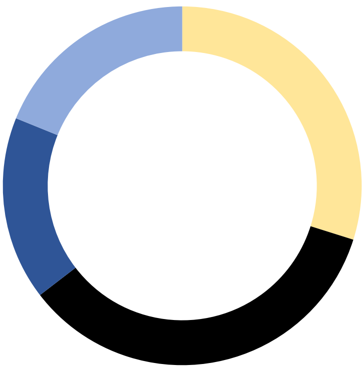
PORTFOLIO COMPOSITION



- Cash (8.87%)
- Corporate Bond (21.61%)
- Corporate Hybrid (2.46%)
- Subordinated Debt (23.24%)
- Tier 1 Capital (9.35%)
- ABS Public (31.72%)
- ABS Private (2.75%)

CREDIT DURATION PROFILE



- At Call to 6 Months (29.86%)
- 6 Months to 3 Years (34.71%)
- 3 Years to 5 Years (16.57%)
- 5 Years to 10 Years (18.86%)
- 10 Years + (0.00%)

FUND UPDATE

Cash and Short-Term Liquidity: ↓ The allocation to cash and short-term liquidity decreased from 12.75% to 8.87%. This mainly reflected an increase to Corporate Bonds and ABS Public which was slightly offset by a decrease in Subordinated Debt and Tier 1 Capital.

Corporate Bond, Corporate Hybrids & Subordinated Debt: ↑ Weighting to corporate bonds, corporate hybrids and subordinated debt increased from 42.53% to 47.31%. With global credit spreads rallying to cyclically tight levels ahead of the US presidential election, the fund sought to reinvest proceeds after profit taking in T1 capital into more defensive senior corporate bonds. Corporate issuance moderated slightly after a very strong September, which was as anticipated given many issuers were in blackouts for third quarter profit reporting.

Tier 1 Capital: ↓ Weighting to T1 capital reduced from 13.06% to 9.35%. Global T1's continued its strong performance from the prior month which allowed the fund to take profit and reallocate to Corporate Bonds. The tightening was aided by stronger risk markets (few negative surprises from 3Q reporting), along with a slowdown of T1 issuance relative to previous months. Notable issuances this month include German Bank, Commerzbank, and UK Bank, Lloyds. We did not participate in any of the new T1's due to expensive valuations.

Structured Credit (ABS/CLO): ↑ ABS/CLO weighting increased over the month from 31.66% to 34.50%. CLO spreads moved tighter over October, despite new issue keeping up its momentum, with resets/refis having the strongest month on record of $33bn in the US. AAA spreads remain well bid in the US, but the quantity of new issues in Europe has seen spreads pause their march tighter. There remains a decent amount of reset/refi candidates, but the amount of CLOs post reinvestment has fallen to around 25-30% from 40% earlier in the year thanks to the reset/refi activity number of remaining CLOs that can be efficiently reset diminishes. CLO CCC concentrations fell to 5.3% in the US and rose slightly in Europe to 3.8%. The Morningstar LSTA US Leveraged Loan index had a strong month ending 41c higher at 96.90, with the European index up 7c to 97.65. October was another busy month loan issuance with US issuance well over USD100bn again, 75% refinances and repricings and 16% M&A.

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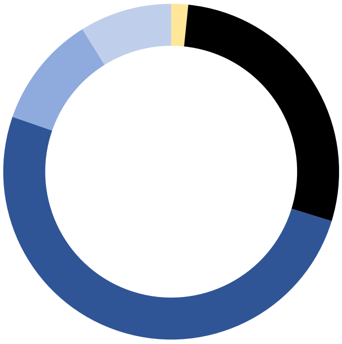
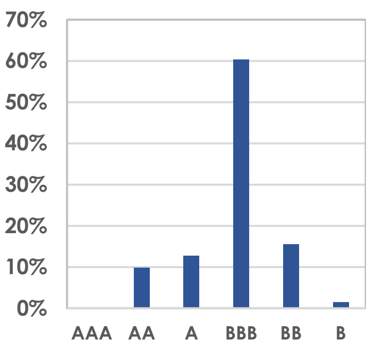
GEOGRAPHIC EXPOSURE



- Australian/NZ Domiciled Issuer (1.63%)
- North America Domiciled Issuer (28.13%)
- Europe Domiciled Issuer (50.54%)
- United Kingdom Domiciled Issuer (10.83%)
- Cash (8.87%)

CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	1.20%	10%
Non-Renewable & Nuclear Energy	0.00%	10%
Alcohol	0.00%	10%
Gambling	0.00%	10%

Interest Rate Duration Position: ↑ IRD positioning increased slightly from 0.12 to 0.25 years. A significant spike in volatility and yields were evident in global bond markets, with the US 10-year bond finishing the month 51bps higher at a level of 4.28%. The drivers of US volatility ranged from the possibility of a Trump re-election; higher inflation risks; and stronger economic data - resulting in the yield curve steepening towards the end of the month. Although the US was the main driver of Australian bond yields, they found a cause after the country's labour force data exceeded expectations. Other notable global drivers included central bank rate cuts in NZ, EU and Canada; while fiscal policy easing in UK resulted in Gilts selling off. By month end, markets were pricing in 5 rate cuts over the course of a year in the US and Australia's first rate cut was pushed back from February to May. 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 2.17% to 1.92%. This reflected a reduced allocation to T1 capital. Credit duration decreased (from 2.59 years to 2.35 years). Interest rate duration increased over the month (from 0.12 years to 0.19 years).

FUND OVERVIEW

The Fund benefited from the rally in credit markets. The return of 1.27% was comfortably ahead of the 0.36% reference rate. The since inception (16 Nov 2023) return of 15.40% remains well above the cash return of 4.17% over the same period.

As credit spreads have tightened, portfolio settings have adjusted accordingly and become more conservative. It has become more challenging to meet the investment objectives in the medium term. We expect the Fund to benefit from trading gains even if credit spreads might widen modestly. A YTM of 7.1%, which is being achieved with a modest credit duration of 2.3 and a BBB-rated portfolio, suggests a favourable reward for risk remains available in absolute terms

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PLATFORM AVAILABILITY

- Australian Money Market (AMM)
- AMP North
- BT Panorama
- CFS Edge
- HUB24
- Mason Stevens
- Netwealth
- Powerwrap
- Praemium
- Xplore Wealth

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/

The exposure to corporate bonds increased as favourable opportunities continue to exist in selective areas. This is the portfolio's largest sector overweight currently. The holdings are well diversified by industry and tilted towards Europe/UK. AT1 exposures were reduced further below benchmark on valuation grounds. The corporate hybrids sector offers poor prospective returns overall and this is the most significant underweight.

The portfolio remains tilted towards European issuers as risk aversion to a shallow growth profile and sovereign risks are creating opportunities. These exposures are protected with credit derivatives. Kangas (foreign issuers in AUD) are screening up well and the portfolio holds a moderate exposure to such instruments, primarily within the corporate bond sector.

Although portfolio performance can suffer from deteriorating market conditions, the likelihood of recording a negative return over a 12-month period remains low.

KEY MARKET DEVELOPMENTS

Bond yields rose significantly over the month [Aust 10yr +0.53 to 4.50, US 10yr +0.50 to 4.29]. There were several drivers. Whilst polls suggested the outcome of the US Presidential election was a statistical tie, markets moved to price in a Trump victory as the end of the month approached. Inflation expectations climbed, as did risk compensation. Data releases suggested the US economy remains robust. Further, although the Middle East conflict grew to include direct action in Lebanon and a significant missile exchange with Iran, concerns about a major escalation were contained and safe-haven demand eased. For a time, the first budget of UK Chancellor Reeves created nervousness as it swept away an opportunity for fiscal consolidation in favour of a greater role for the State and increased borrowing.

The Chinese stock exchange fell [CSI 300 -3.2%] as markets were disappointed at the lack of official announcements relating to direct fiscal support for the economy. The market had rallied 21% in September when stimulus was announced in something of an emergency. However, the various monetary measures released during the month were seen as insufficient. Fiscal announcements may have been withheld pending the outcome of the US elections and greater clarity on tariffs.

Gold rallied 5.5% as US interest rate cuts are forthcoming. Along with a strong rally in Bitcoin, these moves could also have been driven by expectations for a Trump victory.

The VIX index rose to reflect the expansion of conflict in the Middle East and the approaching US elections.

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CREDIT MARKET DEVELOPMENTS

The Bloomberg US Corporate Baa-rated Option Adjusted Spread closed the month another 7bps tighter at 1.01%. Confidence grew that a recession will be avoided due, in part, to a commitment from the Fed to defend the economy from an unwelcome contraction. Fed speakers were increasingly confident that inflation will be tamed and felt that risks to employment and inflation were roughly balanced. Spreads may also have compressed as rising total yields (government bond yields rose) made investors less discerning about pricing for credit risks.

The narrowing of spreads occurred across all key markets despite very high levels of issuance. As left tail economic risks have diminished in the minds of investors, the dispersion of spreads in the HY market narrowed further. The spreads on offer are very tight by historical standards. Few pockets of the market could be regarded as offering fair value for risk without heroic assumptions for productivity or an over-inflated belief in the precision of economic forecasts for idyllic outcomes in late 2025.

President-elect Trump takes office in January and his nominees for cabinet positions suggest that we will be in for some strong policy shifts. Whilst the Senate is not filibuster-proof, and the House is held by a narrow majority, a Red Sweep has occurred. Although central banks have committed to defend the economy against unwanted shocks to demand, they have little power to manage the effect of supply shocks. Lifting tariffs and mass deportations of a significant fraction of a labour force are supply shocks. Many other risks exist to the global economy as well.

We believe that spreads will be wider a year from now.

ECONOMIC DEVELOPMENTS

As the path towards normalization of official interest rates is underway, albeit not yet in Australia, attention has turned to where the nominal neutral rate is. For key Western markets, the consensus is that the neutral level is now higher than it was prior to covid. Notably, the RBA believes this may be as high as ~3.5% in Australia, which infers only 3-4 cuts may be forthcoming for this cycle.

Developments in major economies:

United States: The economy continues to remain robust. Although manufacturing activity is in a lull, the larger services component remains in strong expansion [ISM Services PMI (Oct) 56 prior 54.9 expected 53.8] and household consumption exceeded expectations [Retail Sales MoM (ex Auto) (Sep) 0.5 p0.2 e0.1, Personal Spending MoM (Sep) 0.5 p0.3 e0.4].

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The labour market grew strongly [NFP (Sep) 245k p150k e140k]. Expectations for cuts to the Fed cash rate were pared back.

China: Economic growth is falling short of official targets [GDP Q3 YoY 4.6 p4.7 e4.5] as excesses in the property market and the debt burden of local governments hamper the economy. Efforts to create growth via exports is creating a glut in some industries and hurting profitability. PMI readings suggest there has been no immediate recovery in activity [NBS Manu (Oct) 50.1 p49.8 e50.0, NBS Non-Manu (Oct) 50.2 p50.0 e50.4]. Interest rates were lowered to support the economy [Loan Prime Rates -0.25]. However, sentiment in property continues to be weak [House price Index YoY (Sep) -5.7 p-5.3]. Foreign capital remains scarce [FDI(YTD) YoY (Sep) -30.4 p-31.5].

Australia: The economy is strengthening as hoped with the NAB Business Survey reporting current conditions have returned to normal levels [NAB Current 7 p4]. Consumer confidence is improving off low levels as cost-of-living pressures ease and the RBA is expected to lower interest rates [Westpac ConsConf 89.8 p84.6]. However, the labour market remains tight [U/e 4.1 p4.1 e4.2] and more workers are being drawn in [Participation Rate 67.2 p67.1 e67.1]. Inflation appears stickier than expected [Trimmed Mean CPI QoQ (Q3) 0.8 p0.9 e0.7]. Expectations for a rate cut were pushed well into 2025.

Europe/UK: The market is looking for a shallow economic recovery whilst inflation recedes despite historically low unemployment rates. Whilst the services sector is improving [Services PMI (Oct) 51.6 p51.4 e51.2], the manufacturing sector is suffering along with the global slump [Manu PMI (Oct) 46 p45 e45.9], with autos faring badly due to strong competition from China.

The ECB cut the deposit rate by 0.25% to 3.25%. The overall outlook is supported by the latest survey of bank officers which suggests that credit standards are no longer tightening and loan demand is increasing. Unemployment in the UK fell [u/e (Aug) 4 p4.1 e4].

Japan: Economic management remains focused on retaining gains on inflation and trying to stop this from falling below its 2%pa target. However, the economy is not performing as well as hoped. Household spending is weaker than expected [Retail sales YoY (Sep) 0.5 p3.1 e2.3]. Business output suggests a moribund economy [Manu PMI (Oct) 49.2 p49.7 e49, Services PMI (Oct) 49.7 p53.1 e49.3]. Yet the demographic challenges of an ageing workforce can be found in very tight labour markets [U/e (Sep) 2.4 p2.5 e2.5]. The BoJ elected to keep rates on hold. The Ishiba government is now a minority following a snap election.

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