REALM HIGH INCOME FUND

JANUARY 2023

REALM INVESTMENT HOUSE

FUND OBJECTIVE

The Realm High Income Fund is a fixed income strategy, that invests in domestic investment grade 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 $1.44 billion
Management Fees (Net of GST):
Ordinary Units - 1.1182% Wholesale Units - 0.7175% Adviser Units - 0.7175% mFunds Units – 0.7175%
Direct Minimum Investment:
Ordinary Units - $25,000 Wholesale Units - $1,000,000
Adviser Units - $25,000 mFund Units - $10,000

Zenith RECOMMENDED

NET PERFORMANCE

Period	Ordinary Units (incl. franking)	Wholesale Units (incl. franking)	RBA Cash Rate Return
1 Month	2.09%	2.12%	0.26%
3 Month	4.90%	5.00%	0.75%
6 Months	3.80%	3.95%	1.31%
1 Year	2.08%	2.45%	1.53%
3 Years p.a	2.89%	3.31%	0.63%
5 Years p.a	3.21%	3.64%	0.90%
10 Years p.a	4.25%	#N/A	1.49%
Since Inception p.a*	4.35%	4.36%	1.55%

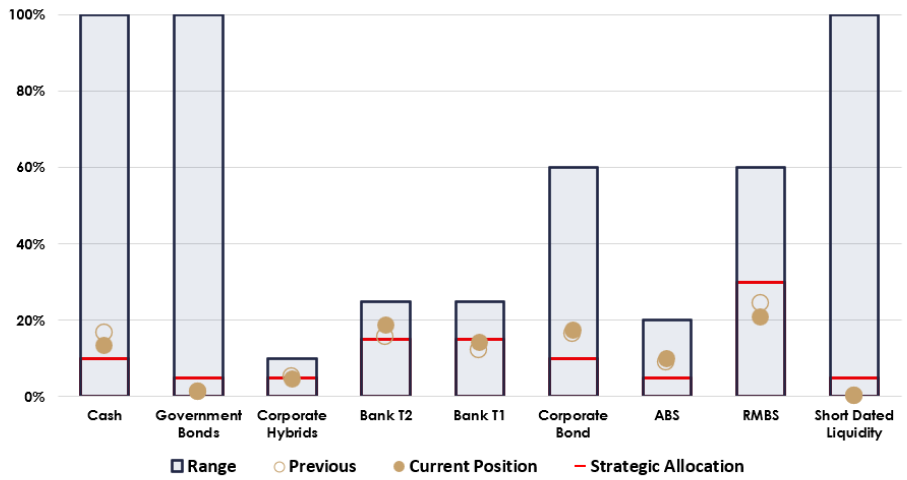
* Past performance is not indicative of future performance. *Ordinary units Inception 26 September 2012. Wholesale units Inception 2 October 2013.

FUND STATISTICS

Running Yield	5.20%
Yield to Maturity	6.49%
Volatility†	2.63%
Interest rate duration	0.52
Credit duration	3.64
Average Credit Rating	BBB+
Number of positions	324
Average position exposure	0.13%
Worst Month*	-1.99%
Best Month*	2.12%
Sharpe ratio∂	2.25

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

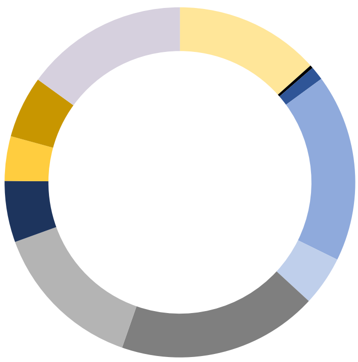
SECTOR ALLOCATION



REALM HIGH INCOME FUND

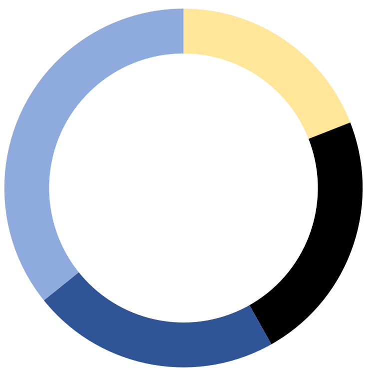
JANUARY 2023

PORTFOLIO COMPOSITION



- Cash (13.37%)
- Commercial Paper (0.28%)
- Government Bonds (1.28%)
- Corporate Bond (17.34%)
- Corporate Hybrids (4.59%)
- Bank T2 (18.49%)
- Bank T1 (14.12%)
- ABS Public (5.66%)
- ABS Private (4.12%)
- RMBS Private (5.73%)
- RMBS Public (15.02%)

MATURITY PROFILE



- At Call to 6 Months (19.05%)
- 6 Months to 3 Years (22.79%)
- 3 Years to 5 Years (22.39%)
- 5 Years to 10 Years (35.78%)
- 10 Years + (0.00%)

FUND UPDATE

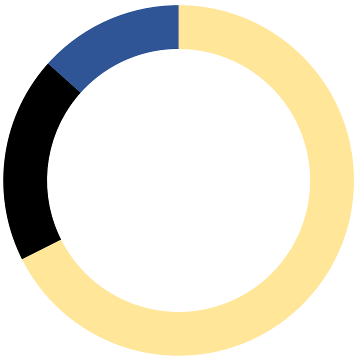
Cash and Short-Term Liquidity Weighting: ↓ The allocation to highly liquid assets (cash, commercial paper and government bonds) decreased from 17.86% to 14.93%. This reflected increased allocations to bank T2, bank T1, corporate bonds and ABS which was partly offset by lower allocations to RMBS and corporate hybrids.

Corporate & Subordinated Debt Allocation: ↑ Weighting to corporate bonds and subordinated debt (corporate hybrids and bank T2) increased from 37.10% to 40.42%. Investment grade credit spreads rallied strongly over the month, recording the best January performance in the last decade. Global credit firmed for a fourth consecutive month with subordinated debt outperforming once again. The market easily absorbed the deluge of new global issuance including new USD T2 issues from NAB and Macquarie which resulted in increased allocations to bank T2. Domestically, credit also firmed over the month but lagged the global rally. Consequently, we are seeing improved relative value in domestic credit and have expressed this through increased allocations in corporate bonds. New domestic issuance was relatively quiet in January. In early February, ANZ issued an inaugural 15-year (callable after 10 years) T2 with a fixed coupon of 6.736%. This has allowed us to take some profit in global T2's and rebuild our domestic T2 book. The bond has since performed strongly which signals the market is supportive of this new longer tenor structure.

Interest Rate Duration Position: ↓ IRD positioning decreased from 0.82 to 0.52 years. January saw the reversal of the BOJ induced sell-off in global rates. The US and AUS 10 year bonds rallied 37bps and 54bps respectively. With such significant moves, IRD was reduced in the portfolio to capitalise on the profit. The reversal in rates resulted from subsiding fear of Japanese investors exiting global bond positions, along with data pointing to easing inflationary pressures. Consequently, expectations in the market point to cash rates being cut in the second half of 2023 along with a decreasing probability of a recession. In contrast, China re-opening added to economic optimism and the expectation of an imminent thawing of relationship between Australia and China contributed to favourable market conditions.

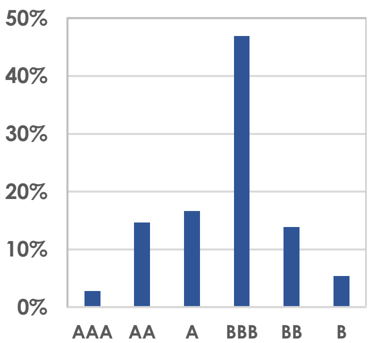
Residential Mortgage-Backed Securities (RMBS): ↓ Weighting to RMBS securities decreased from 24.23% to 20.75% over the month. Public structured credit market yields continued to trade in line with the previous month as no new trades came to primary markets. Secondary markets on the other hand were very active, with investors competing to pick up as much stock as possible as global credit markets continued to rally. This led to dealer inventory sheets being lifted for substantial amounts of stock. Dealers are holding very low levels of inventory to offer to the market, leading to a considerable amount of pent-up demand for new public issuance from all market participants. The upcoming primary market pipeline is very strong, with several issuers now looking to use the market strength to issue into the public market over the next few weeks.

ISSUER DOMICILE



- Australian/NZ Domiciled Issuer (67.57%)
- Foreign Domicilied Issuer (19.05%)
- Cash (13.37%)

CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	4.26%	10%
Non-Renewable & Nuclear Energy	0%	10%
Alcohol	0.29%	10%
Gambling	0.21%	10%

With respect to market performance, Prime arrears as reported by S&P's SPIN index weakened 5bps over the month of November to 0.65%, with nonconforming arrears weakening to 2.66%. Both results remain very strong in comparison to both market expectations and historic index levels.

Additional Tier 1 (AT1) Exposures: ↑ AT1 exposure increased from 11.98% to 14.12% as we participated in the flurry of new global AT1 deals in early 2023, such as EUR investment grade transactions from French Banks Credit Agricole (7.25% coupon) and BNP Paribas (7.375% coupon). These deals have performed exceptionally as the grab for risk saw global AT1's rally strongly over the month - our AT1 book continues to comprise entirely of global AT1's. In contrast, domestic ASX-listed AT1's underperformed with credit spreads generally wider over the month. ANZ have announced their intention to issue a new listed hybrid to refinance the ANZPJ's which are due for call in March 2023.

Asset Backed Securities (ABS): ↑ ABS allocation increased from 8.83% to 9.78%. Each of the ABS exposures within the fund continue to perform well within expectations. 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 2.62% to 2.71%. This reflected lower cash holdings and increased credit duration (from 3.39 years to 3.64 years) which was partly offset by lower interest rate duration (from 0.82 years to 0.52 years). The fund remains compliant with the Portfolio ESG risk limits.

MARKET OUTLOOK

Markets were buoyed as the peak in this rate cycle appeared close. Key equity markets performed strongly. Risk perception, as measured by VIX, reduced to be close to the lows of the last year. Bonds rallied and the USD weakened against major currencies, with the AUD closing above 70 cents. Perceptions of credit risks were also pared back and spreads tightened. Industrial metals performed strongly.

The US House of Representatives elected Kevin McCarthy as Speaker after several fractious rounds of negotiation. The process provided a glimpse of the internal dynamics within the Republican Party which do not portend well for the upcoming Debt Ceiling negotiations. Treasury Secretary Yellen has outlined a number of measures to forestall a default, but the risk of a disorderly outcome appears meaningful. Markets are also concerned about the potential for dysfunction in the levered loan market where investors may seek to avoid bonds at risk of down grade into CCC rated bands and lower as we head towards slower economic growth.

PLATFORM AVAILABILITY

- Australian Money Market (Retail Units)
- BT Wrap
- BT Panorama
- Credit Suisse
- Crestone
- First Wrap
- Hub24
- Macquarie Wrap
- MLC Navigator/Wrap
- Netwealth
- Powerwrap
- Praemium
- uXchange
- Xplore Wealth
- mFund: RLM03

OTHER FUND DETAILS

Responsible Entity: One Managed Investment Funds Ltd
Custodian: JP Morgan
Unit Pricing and Unit Price History: https://www.realminvestments.com.au/ourproducts/Realm-high-income-fund/

Markets were especially buoyed by statements from the Fed. Whilst the job market remained tight and wage growth was elevated, there were few signs of a wage-inflation spiral. Core wage measures were favourable and Chair Powell was not as hawkish as expected in his commentary. Whilst recent Fed Talk continued to remain resolute, markets increasingly priced rate cuts later this year. The arguments in favour of this positioning included inflation expectations remaining well anchored and reports that corporations were having increasing difficulty with passing cost increases through to final demand. The PMIs were also in contraction for both services and manufacturing. Markets noted that hours worked was declining and temporary hires was also softening, which are important indicators of a softening labour market. Whilst US GDP for Q4 2022 surprised to the upside, the underlying analysis suggested that domestic activity was slowing.

In Europe, ECB President Lagarde indicated her expectation that a small economic contraction was now likelier than a recession. Chancellor Shultz also indicated an expectation that Germany would not fall into recession. Lower gas prices and high storage volumes have reduced the likelihood that rationing would be required and warmer weather has also improved the outlook for tourism. China's re-opening has also boosted the outlook. Similar reasons were used by the IMF to upgrade their projections in their latest forecasts. Norges Bank was the first in the developed world to pause its rate cycle. In the UK, BoE Governor Bailey indicated that the 'corner has been turned' on inflation.

In a major thematic development, China's population appears to have shrunk in 2022. The growth and integration of China's workforce and population have been major drivers of the world economy for decades, helping to generate favorable economic growth whilst helping to keep inflation modest. Markets were surprised that China's Q4 2022 GDP did not shrink. Economic activity was supported by panic buying as the country moved away from a zero-covid setting. The IMF believes that China's longer term growth prospects will nonetheless be hampered by a lack of business dynamism and slow progress on structural reforms. China's property market remains delicate, and authorities are hoping that household consumption will lead the economic recovery.

REALM HIGH INCOME FUND

JANUARY 2023

REALM INVESTMENT HOUSE CONTACTS

DISTRIBUTION

Broc McCauley
T: 0433 169 668
E: broc.m@realminvestments.com.au

Matthew Blair
T: 0424 837 522
E: matthew.b@realminvestments.com.au

Aidan Drentin
T: 0473 515 753
E: aidan.d@realminvestments.com.au

Client Services
T: 03 9112 1150
E: clientservices@realminvestments.com.au

A: LEVEL 17, 500 Collins street
Melbourne VIC 3000

LEVEL 6, 31 Market Street
Sydney NSW 2000

Property prices fell 1% in January according to CoreLogic, and are 8.9% below their April 2022 peak. More falls are expected as the RBA continues to tighten rates and these effects gradually flow through to the economy. Approximately 2/3rds of fixed rate mortgages will roll onto variable rate arrangements at materially higher interest rates during 2023. However, the market expects the RBA will be cutting rates in H2 as this occurs. Meanwhile rents continue to perform well and will be boosted by China's announcement that student qualifications in foreign schools would only be recognized for in-person learning. Arrears rates are rising, as expected, but remain below pre-covid levels for now. There is limited indication that the mortgages which were written most recently (when rates were at their lowest) are performing worse than other recent vintages.

Australian consumer and business confidence are consistent with a coming slowdown in economic growth although current business conditions remain robust. The economy is supported by net immigration arrivals which now exceed pre-Covid levels. Australia's retail sales figures for December were materially weaker than expected, falling a large 3.9% in nominal terms. The labour force figures also surprised significantly to the downside when the workforce shrank by 14.6k jobs, albeit this was likely influenced by a higher than usual level of illness. The headline CPI surprised to the upside, which has led a number of economists to revise their projections for the RBA rate path upwards. S&P also affirmed Australia's AAA rating.

APRA recently suggested it would be more closely scrutinizing requests for banks to call their subordinated bonds. Their announcement caused bonds with callable features, particularly those with low interest rates at issue, to sell off. However, Westpac was permitted to call its Tier 2 February 2028 bond despite having some properties which made this appear unlikely. Australian callable bonds rallied materially.

The Bank of Japan held its settings at the most recent meeting. However, there is considerable pressure on its yield curve control measure, whose operating bands were widened in December. The upcoming retirement of Governor Kuroda may signal a move to abandon this policy setting entirely or otherwise reduce its effect. This would create an incentive for Japanese investors, who have approximately USD 3tr invested offshore, to repatriate some portion of these assets as domestic bonds become more favorably priced again. In turn, this would likely have a negative effect on bonds and credit exposures elsewhere.

REALM HIGH INCOME FUND

JANUARY 2023

REALM | INVESTMENT HOUSE

REALM INVESTMENT HOUSE CONTACTS

DISTRIBUTION

Broc McCauley
T: 0433 169 668
E: broc.m@realminvestments.com.au

Matthew Blair
T: 0424 837 522
E: matthew.b@realminvestments.com.au

Aidan Drentin
T: 0473 515 753
E: aidan.d@realminvestments.com.au

Client Services
T: 03 9112 1150
E: clientservices@realminvestments.com.au

A: LEVEL 17, 500 Collins street
Melbourne VIC 3000

LEVEL 6, 31 Market Street
Sydney NSW 2000

Markets have rallied strongly as concerns for weak economic outcomes have been wound back. For medium term investors, value remains visible. In structured credit, expectations for improved markets can be inferred from a trend for CLO managers to hold on to their mezzanine debt rather than distribute it. Further, several brokers are seeking to rebuild RMBS inventory in the expectation the spreads will tighten further. Although property prices are falling, our structured credit exposures can withstand much larger losses without concern. The term structure for Australian government debt is very flat and offers limited value.

Interest rate duration was retained at a relatively low 0.5yrs but varied proportionately to movements in bond yields through the month. We are rotating our exposures within corporate and bank capital to seek exposures offering the best relative value as markets revert towards longer term averages. We retain above average risk exposures but are increasingly biased towards harvesting profits. We continue to find excellent value in foreign markets.

Although credit markets have rallied strongly, Yield to Maturity remains close to 6.5% which, in our assessment, provides a considerable buffer over reasonable default expectations. Our sub-investment grade exposures remain primarily with large banks and RMBS, all of which can sustain extreme downside scenarios. For a medium-term investor, the forward-looking return expectations remain attractive. As cash rates continue to rise, the prospect of a negative return over these time frames is low and can generally be expected to diminish in the absence of a significant policy error. Portfolio liquidity remains robust.

REALM HIGH INCOME FUND

JANUARY 2023

DISCLAIMER

Realm Investment Management Pty Ltd ACN 158 876 807, a corporate authorised representative (number 424705) of Realm Pty Ltd ACN 155 984 955 AFSL 421336 (Realm) is the investment manager of the Realm High Income Fund (ARSN 159 673 533) (Fund). One Managed Investment Funds Limited (ABN 47 117 400 987) (AFSL 297042) is the responsibility entity of the Fund (OMIFL). The information contained in this document was not prepared by OMIFL but was prepared by other parties. While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information contained therein cannot be warranted or guaranteed. Anyone reading this report must obtain and rely upon their own independent advice and inquiries. Investors should carefully consider each of the Product Disclosure Statement for the Ordinary Units, mFund Units and Wholesale Units dated 29 September 2022 or the Product Disclosure Statement Adviser Units dated 29 September 2022 (together with the Additional Information Booklet dated 29 September 2022) (PDS) and Target Market Determination (TMD) issued by OMIFL before making any decision about whether to acquire, or continue to hold, an interest in the Fund. Applications for units in the Fund can only be made pursuant to the application form relevant to the Fund. A copy of the PDS for the Ordinary Units, mFund Units and Wholesale Units dated 29 September 2022 and the PDS for the Adviser Units dated 29 September 2022, TMD dated 19 October 2022, continuous disclosure notices and relevant application form may be obtained from https://www.oneinvestment.com.au/realm/ or https://www.realminvestments.com.au/our-products/realm-high-income-fund/. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. Realm believes that the information contained in this document is accurate when issued. Realm does not warrant that such information or advice is accurate, reliable, complete or up-to-date, and to the fullest extent permitted by law, disclaims all liability of Realm and its associates. This document should be regarded as general information only rather than advice. In preparing this document, Realm did not take into account the investment objectives, financial situation and particular needs of any individual person. The information contained in this document must not be copied or disclosed in whole or in part without the prior written consent of Realm, and Realm accept no liability whatsoever for the actions of third parties in this respect. It is presented for informational purposes only and is not to be construed as a solicitation or an offer or recommendation to buy or sell any securities. Any opinions expressed in this document may be subject to change. Realm is not obliged to update the information. The information must not be used by recipients as a substitute for the exercise of their own judgment and investigation. Neither Realm nor any of their directors, employees or agents accept any liability for any loss or damage arising out of the use of all or part of, or any omission, inadequacy or inaccuracy in, this document. OMIFL and Realm do not guarantee the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law, neither OMIFL nor Realm, including their directors, senior executives, employees, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this document. Realm only provides services to wholesale clients, as defined in section 761G of the Corporations Act. Past performance is not indicative of future performance. Information in this document is current as at 31 January 2023.

ZENITH DISCLAIMER

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned June 2021 referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at http://www.zenithpartners. com.au/RegulatoryGuidelines