REALM HIGH INCOME FUND

MARCH 2024

REALM | INVESTMENT HOUSE

FUND OBJECTIVE

The Realm High Income Fund is a fixed income strategy, that invests in domestic 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 $1.77 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	1.08%	1.12%	0.36%
3 Month	3.01%	3.12%	1.06%
6 Months	6.68%	6.90%	2.13%
1 Year	11.29%	11.76%	4.14%
3 Years p.a	5.02%	5.45%	2.09%
5 Years p.a	4.82%	5.24%	1.48%
10 Years p.a	4.39%	4.84%	1.65%
Since Inception p.a*	4.86%	4.96%	1.79%

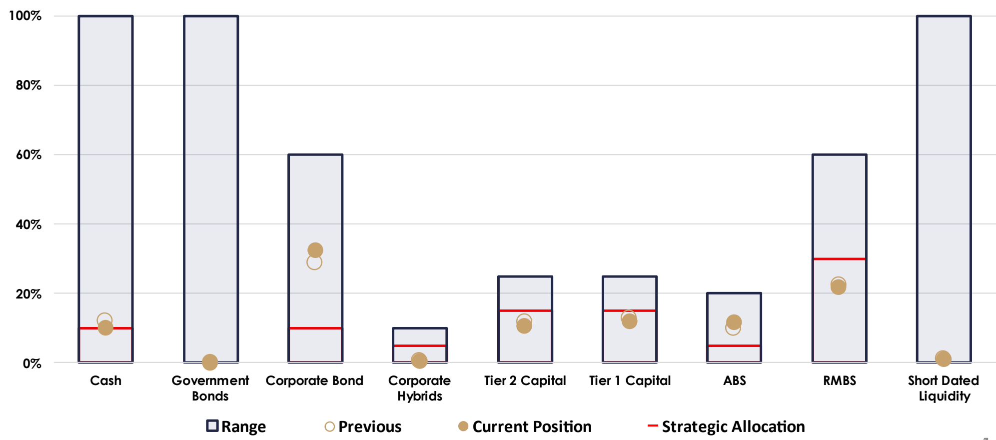
* Past performance is not indicative of future performance. *Ordinary units Inception 26 September 2012. Wholesale units Inception 2 October 2013.

FUND STATISTICS

Running Yield	5.72%
Yield to Maturity	6.63%
Volatility†	2.46%
Interest rate duration	0.36
Credit duration	3.21
Average Credit Rating	A-
Number of positions	333
Average position exposure	0.13%
Worst Month*	-1.99%
Best Month*	2.09%
Sharpe ratio∂	2.11

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

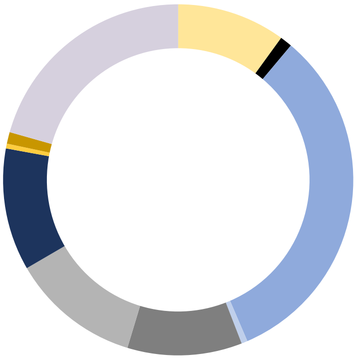
SECTOR ALLOCATION



REALM HIGH INCOME FUND

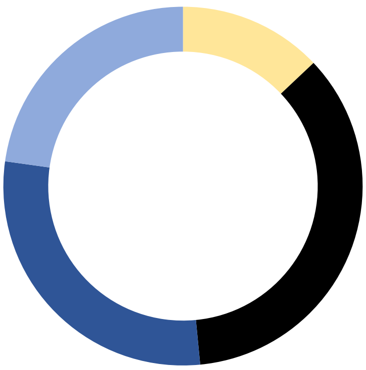
MARCH 2024

PORTFOLIO COMPOSITION



- Cash (10.01%)
- Commercial Paper (1.12%)
- Government Bonds (0.00%)
- Corporate Bond (32.41%)
- Corporate Hybrids (0.56%)
- Tier 2 Capital (10.59%)
- Tier 1 Capital (11.93%)
- ABS Public (11.26%)
- ABS Private (0.44%)
- RMBS Private (1.07%)
- RMBS Public (20.62%)

MATURITY PROFILE



- At Call to 6 Months (12.95%)
- 6 Months to 3 Years (35.52%)
- 3 Years to 5 Years (28.74%)
- 5 Years to 10 Years (22.79%)
- 10 Years + (0.00%)

FUND UPDATE

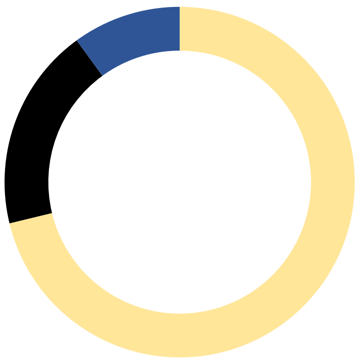
Cash and Short-Term Liquidity: ↓The allocation to highly liquid assets (cash, commercial paper and government bonds) decreased from 13.20% to 11.13%. This mainly reflected higher allocations corporate bonds and ABS, which was partly offset by lower allocations to T2 capital, T1 capital and RMBS.

Corporate & Subordinated Debt: ↑ Weighting to corporate bonds and subordinated debt (corporate hybrids and T2 capital) increased from 41.38% to 43.56%. Global credit firmed for a fifth consecutive month, amidst continued government bond volatility. Domestic credit spreads also tightened, despite the strong supply of primary issuance from Australian corporates. Active participation in primary markets saw the allocation to corporate bonds increase over the month, with notable deals from Liberty Financial, Brisbane Airport, Aurizon Networks, Victoria Power Networks, and CIMIC Group. This was partly offset by lower allocations to T2 capital as profit taking across global T2's was partly rotated back into domestic T2's including a new deal from Westpac.

Interest Rate Duration Position: ↓ IRD positioning decreased from 0.52 to 0.36 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. In conjunction with the overall credit risk in the portfolio declining, the IRD was decreased accordingly.

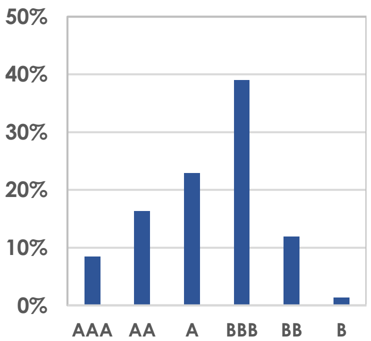
Residential Mortgage-Backed Securities (RMBS): ↓ Weighting to RMBS securities decreased from 22.49% to 21.69% over the month. Structured markets continued to rally over the course of March, maintaining momentum from last month. Issuers have continued to use the tighter markets to issue new transactions and reduce their costs of funds. Dealflow remained substantial, with 9 new transactions pricing across prime, non-conforming, personal lending and Auto lending. Transactions all remain very well bid with very large oversubscription rates throughout the mezzanine (AA-B rated) tranches and clear demand for more stock amongst investors. As a result secondary markets continue to remain overbid and trade very tight relative to primary markets. With respect to market performance, Prime arrears as reported by S&P's SPIN index for January weakened 3bps to 1.00% as is seasonally expected over the Christmas/New year period. Nonconforming arrears also weakened, increasing to 4.43%. Both results remain strong in comparison to both market expectations and historic index levels.

ISSUER DOMICILE



- Australian/NZ Domiciled Issuer (71.22%)
- Foreign Domicilied Issuer (18.77%)
- Cash (10.01%)

CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	2.90%	10%
Non-Renewable & Nuclear Energy	0%	10%
Alcohol	0.22%	10%
Gambling	0.14%	10%

Tier 1 Capital: ↓ Weighting to T1 capital decreased from 12.92% to 11.93%. Global T1's outperformed for a fifth consecutive month as primary market activity moderated after a busy February. The fund continued to take profits into the strength and did not participate in any of the new deals based on valuations. Notable deals include French bank Société Générale, and Insurers ASR Nederland and NN Group. Domestically, ASX-listed T1's also firmed over the month with the fund participating in the only deal which was from IAG. In April, Suncorp launched its Capital Note 2 (SUNPG) offering.

Asset Backed Securities (ABS): ↑ ABS allocation increased from 10.01% to 11.70%. 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 1.88% to 1.94%. This partly reflected lower cash holdings and higher credit duration (from 2.99 years to 3.21 years) as continued de-risking of higher beta sectors such as T2 and T1 capital was reallocated to longer dated but higher quality corporate senior bonds. This was partly offset by lower interest rate duration (from 0.52 years to 0.36 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

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

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/ourproducts/Realm-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.

Portfolio performance benefited from further spread tightening. We see limited value in most parts of the market and this is reflected in our conservative positioning. The average rating is a very robust A-. The portfolio maintained a significant overweight in a diversified portfolio of corporate bonds with core holdings in REITs and utilities. Exposures are largely in Australian companies issuing in AUD. This is almost entirely in investment grade assets with the average quality within the sector now at BBB+.

Structured credit exposures are close to benchmark levels. Although some of these exposures are rated sub-IG, the average rating is very high at A. Arrears performance remains unremarkable given the current economic conditions. Loss exposures for RMBS holdings remain very limited as a result of ongoing price appreciation in residential property.

The spreads on Tier2 and AT1 have compressed further and we remain underweight in both. Within Tier2 assets, the majority are Australian financials. However, there are opportunistic European exposures as well. S&P recently upgraded Australian major bank ratings for Tier2 to A-. Within AT1, the exposures are biased towards European issues which have lagged the recent rally although Australian banks also appear. S&P has also recently upgraded these for major banks.

The sub-IG exposures are mostly in the AT1 exposures of money center banks and structured credit where we have no concerns for the performance of the notes. S&P have recently released a consultation paper outlining proposed changes to the ratings methodology which will lead to a number of RMBS notes being upgraded.

Interest rate duration remains low at 0.36yrs. This reflects a combination of relatively low credit risk bearing and a slightly negative term structure which offers limited carry benefit.

The foreign issuer exposure has fallen to 18.8% due to trading activity. We expect to bring this back towards the 20% limit as opportunities present themselves. This is likely to be via the selective addition of CLO lines whose valuation is relatively favourable. The foreign currency exposure is higher as we acquire Australian corporate debt in other currencies, mainly USD.

REALM INVESTMENT HOUSE CONTACTS

DISTRIBUTION

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

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

Finbarr Warren
Business Development Analyst
T: 0405 543 196
E: finbarr.w@realminvestments.com.au

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

LEVEL 17, 500 Collins street
Melbourne VIC 3000

LEVEL 6, 31 Market Street
Sydney NSW 2000

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.

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.

REALM INVESTMENT HOUSE CONTACTS

DISTRIBUTION

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

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

Finbarr Warren
Business Development Analyst
T: 0405 543 196
E: finbarr.w@realminvestments.com.au

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

LEVEL 17, 500 Collins street
Melbourne VIC 3000

LEVEL 6, 31 Market Street
Sydney NSW 2000

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.

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.

REALM INVESTMENT HOUSE CONTACTS

DISTRIBUTION

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

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

Finbarr Warren
Business Development Analyst
T: 0405 543 196
E: finbarr.w@realminvestments.com.au

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

LEVEL 17, 500 Collins street
Melbourne VIC 3000

LEVEL 6, 31 Market Street
Sydney NSW 2000

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 Mach 2024.

ZENITH DISCLAIMER

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned October 2023 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