REALM HIGH INCOME FUND

MAY 2025

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 $2.27 billion
Management Fees (Net of GST):
Ordinary Units - 1.1182%
Wholesale, Adviser, & mFunds Units - 0.7175%
Direct Minimum Investment:
Ordinary, Adviser Units - $25,000
Wholesale Units -$1,000,000
mFund Units - $10,000

Zenith RECOMMENDED

Recommended Lonsec Research

NET PERFORMANCE

Period	Ordinary Units* (incl. franking)	Wholesale Units* (incl. franking)	RBA Cash Rate* Return
1 Month	1.00%	1.03%	0.34%
3 Month	0.67%	0.78%	1.02%
6 Months	2.95%	3.15%	2.07%
1 Year	7.16%	7.59%	4.26%
3 Years p.a	7.81%	8.24%	3.72%
5 Years p.a	5.48%	5.91%	2.27%
10 Years p.a	4.64%	5.06%	1.86%
Since Inception p.a*	5.09%	5.22%	2.02%

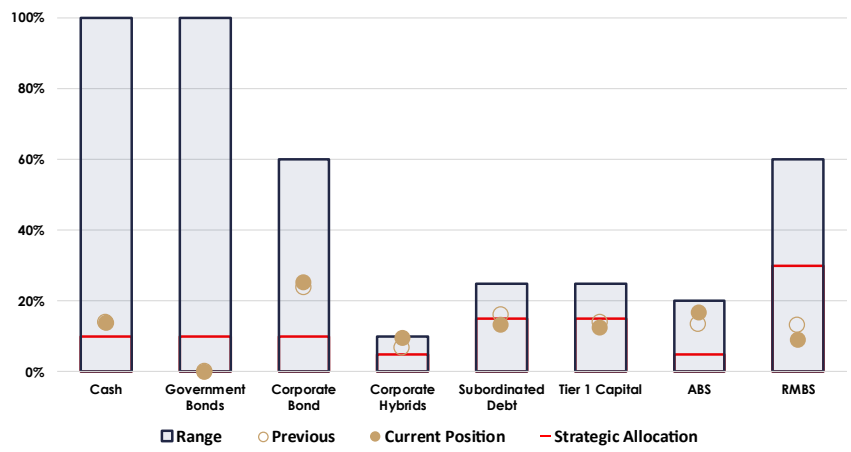
* Past performance is not indicative of future performance. *Ordinary units Inception 26 September 2012. Wholesale units Inception 2 October 2013.

FUND STATISTICS

Running Yield	6.38%
Yield to Maturity	6.53%
Volatility†	1.12%
Interest rate duration	1.04
Credit duration	3.45
Average Credit Rating	BBB+
Number of positions	327
Average position exposure	0.24%
Worst Month*	-1.99%
Best Month*	2.09%
Sharpe ratio∂	2.08

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



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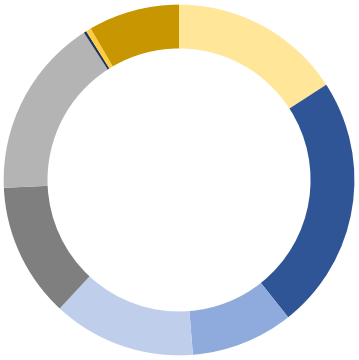
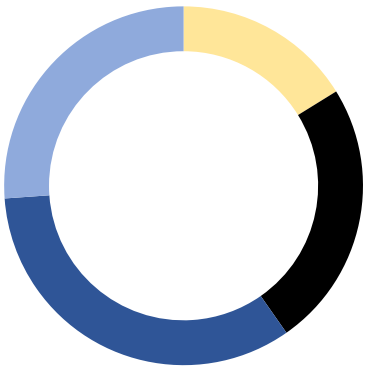
PORTFOLIO COMPOSITION



- Cash (15.86%)
- Government Bonds (0.00%)
- Corporate Bond (23.45%)
- Corporate Hybrid (9.43%)
- Subordinated Debt (13.17%)
- Tier 1 Capital (12.38%)
- ABS Public (16.59%)
- ABS Private (0.24%)
- RMBS Private (0.48%)
- RMBS Public (8.40%)

CREDIT DURATION PROFILE



- At Call to 6 Months (16.19%)
- 6 Months to 3 Years (24.09%)
- 3 Years to 5 Years (33.59%)
- 5 Years to 10 Years (26.13%)
- 10 Years + (0.00%)

FUND UPDATE

Cash and Short-Term Liquidity: ↓ The allocation to highly liquid assets (cash and government bonds) decreased slightly from 13.87% to 13.84%. This reflected an increased allocation in corporate bonds and hybrids which was offset by reduced allocations to subordinated debt and T1 capital.

Corporate Bond, Corporate Hybrids & Subordinated Debt: ↑ Weighting to corporate bonds, corporate hybrids and subordinated debt increased from 46.62% to 47.97%. Credit spreads meaningfully recovered from the "Liberation Day" wides reached in April, with sentiment improving as the Trump administration hit the pause button on previously announced import tariffs as part of new negotiations with its trading partners. During the month, the fund trimmed T2 bank capital to facilitate further reinvestment into higher returning opportunities. This included longer dated corporate bonds in US dollars and corporate hybrids, most notably a locally issued debut offering from Aurizon Holdings, which has since performed strongly in the secondary market. This added to a productive month for the Australian primary market, with activity meaningfully resuming after a positive lead from offshore – Goodman Australia Industrial Fund, Contact Energy and Transurban Queensland priced senior offerings, while Westpac and MyState issued new T2s.

Interest Rate Duration Position:↑ IRD positioning increased from 0.76 to 1.04 years as the term structure steepened. Bond volatility trended down over the month due to a combination of April non-farm payrolls data holding up better than expected and some de-escalation in trade tensions between the US and China, and also some delays in EU tariffs announced later in the month, with the deadline being pushed out to July 9 with some commentators coining the "TACO" (Trump Always Chickens Out) trade. US yields also rose on fears of unsustainable budget deficits which were brought into focus by the Moody's downgrade of the US sovereign from AAA to Aa1 on May 16, with fears that passing Trump's "One Big Beautiful Bill" of tax cuts and changes to spending programs would only add to this negative debt trajectory. US 10-year bond yields rose by 24bps from 4.16% to 4.40%, whilst domestically Australian 10-year bonds rose by 10bps from 4.16% to 4.26 % over the month, with the RBA cutting rates on May 20.

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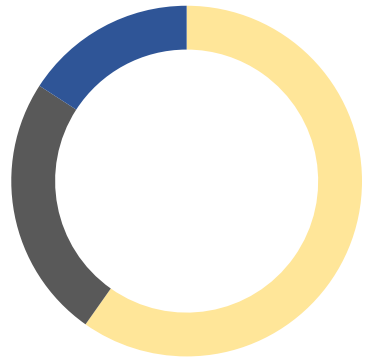
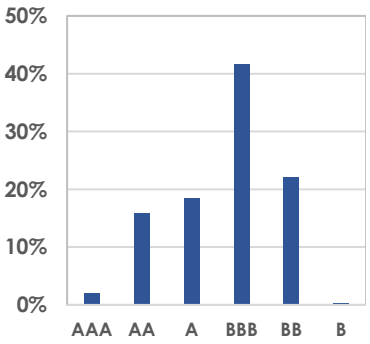
ISSUER DOMICILE



- Australian/NZ Domiciled Issuer (59.79%)
- Foreign Domicilied Issuer (24.36%)
- Cash (15.86%)

CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	4.50%	10%
Non-Renewable & Nuclear Energy	0.00%	10%
Alcohol	0.00%	10%
Gambling	0.00%	10%

As at the end of the month, the swaps market expects the Fed and RBA to cut 2.2 and 3.1 more times respectively over the course of 2025.

Residential Mortgage-Backed Securities (RMBS): ↓ Weighting to RMBS securities decreased from 13.03% to 8.91% over the month. Yields within Structured credit market tightened over the month alongside other credit markets, however still remain wide of their pre "Liberation Day" tights. Spread tightening over the month was primarily seen throughout the middle mezzanine (A-BBB rated) and junior (Sub investment grade) portions of the capital structure, with tranches oversubscribed by investors looking to replenish stock within their portfolios. Primary markets printed seven new transactions across prime, non-conforming and autos, with several other transactions looking to launch over the month of June, as issuers restarted public issuance with more stable market spreads.

With respect to market performance, Prime arrears as reported by S&P's SPIN index for March weakened 2bps to 0.97%. Nonconforming arrears improved 20bps to 4.39%. Arrears on auto loans as reported by S&P for the March weakened to 1.57%. All results remain strong in comparison to both market expectations and historic index levels.

Tier 1 Capital: ↑ Weighting to T1 capital increased from 13.89% to 12.42%. Global T1 credit spreads continued to recover over the month, reaching pre-liberation day valuations. This allowed the fund to take profit on positions, where in some instances at levels dearer than pre-Liberation Day. The improved sentiment saw a pick-up in primary issuance which saw the fund participate in various deals. Notable deals include Barclays, HSBC, AXA and KBC. Domestically, Tier 1 capital securities widened towards the second half of the month, which allowed the fund to increase allocations as we remain constructive on the sector given APRA's orderly phase-out of Tier 1 capital for Australian Banks.

Asset Backed Securities (ABS): ↑ ABS allocation increased from 13.03% to 16.87%. 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 1.49% to 1.94%. This reflected an increase in interest rate duration from 0.82yrs to 1.04yrs concurrent with a movement higher in credit duration from 3.35yrs to 3.45yrs.

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PLATFORM AVAILABILITY

- Australian Money Market (Retail Units)
- AMP North
- BT Wrap
- BT Panorama
- Credit Suisse
- Crestone
- First Wrap
- HUB24
- IOOF Pursuit/Expand
- Macquarie Wrap
- Mason Stevens
- 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/

FUND OVERVIEW

Risk markets rebounded in May, following an easing of trade tensions between the US and China, the announcement of a framework in negotiations with the UK, and Germany's announcement of a significant step-up in military and infrastructure investment. Equity markets reacted positively to this development, with the S&P 500 (+6.2%) enjoying its best month since November 2023. VIX dropped back below 20, a level that is typically indicative of normal market conditions. Credit markets also rallied, with the Bloomberg US Corporate Baa-rated Option Adjusted Spread tightening 20bps to 1.10%.

The US Treasury market, in contrast, remained under pressure. Concerns around US fiscal sustainability were exacerbated by the passing of the 'One Big Beautiful Bill Act' through the House of Representatives, and by Moody's belated downgrade of the US sovereign credit rating to Aa1. Section 899 of the Act, which allows for retaliatory taxes on US sourced earnings which may also apply to foreign governments, has emerged as a source of event risk.

WTI rose 4.4% to $60 per barrel amid renewed escalation in the Russia-Ukraine conflict, easing in trade-related concerns, and fluctuating perceptions on the progress of the US-Iran nuclear negotiations.

The Fed, as widely anticipated, left the funds rate unchanged at 4.25-4.5%. The RBA, meanwhile, delivered a 'dovish' rate cut of 25bps to 3.85%, with the Board acknowledging that a 50bp cut had been considered. Whilst the outlook for Australia has become less certain, it remains unlikely to experience a recession. The ECB also cut rates with President Lagarde indicating that the rate cutting cycle is nearing an end. Uncertainty about whether tariffs would result in another round of sticky inflation is front of mind, but markets continue to be driven primarily by the outlook for growth. The replacement for Fed Chair Powell, whose term expires in May 2026, will be announced soon.

The economic outlook for the US was buoyed by a stronger than expected Non-Farm Payrolls outcome. The impact of trade uncertainties was evident in the PMIs which generally showed very subdued outcomes for the month in key economies.

The fund achieved a strong result (1.03%) in May, outperforming the RBA Cash Rate (0.34%). Contributions to the outperformance were broad but led by Structured Credit, Corporate Bonds and Corporate Hybrids.

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- Powerwrap
- Praemium
- uXchange
- Xplore Wealth
- mFund: RLM03

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FUND OVERVIEW

The portfolio's yield to maturity decreased to 6.53% (p6.69%) as credit spreads tightened during the month. Interest rate duration was extended to 1.04yrs (p0.82) as the yield curve steepened, while credit duration increased to 3.45yrs (p3.35). The overall credit rating remained at BBB+

The portfolio increased its overweight positions in Corporate Bonds and Corporate Hybrids. The Corporate Bond exposure has a higher credit quality (BBB+) than we expect to have over the long term, and is largely held in financials, mining, infrastructure and property related issuers.

Exposure to Subordinated Debt, meanwhile, was reduced during the month, with the exposure now slightly below benchmark levels. This was primarily achieved via the selling of domestic Bank T2.

The aggregate Structured Credit exposure continued to sit in line with benchmark levels. However, it was weighted more heavily towards ABS on relative value considerations.

With Cash at above-benchmark levels, the portfolio is well-positioned to take advantage of trading opportunities should they arise. Although drawdowns are possible if trade tensions re-escalate, the likelihood of a negative return over a 12-month period remains low due to the high starting point for Yield to Maturity.

REALM INVESTMENT HOUSE CONTACTS

DISTRIBUTION

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

Matthew Blair
Senior Distribution Manager
NSW/QLD
T: 0424 837 522
E: matthew.b@realminvestments.com.au

John Hawkins
Distribution Manager
VIC/WA
T: 0408 841 886
E: john.h@realminvestments.com.au

Finbarr Warren
Distribution Analyst
NSW/SA/TAS
T: 0405 543 196
E: finbarr.w@realminvestments.com.au

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

LEVEL 17, 500 Collins Street
Melbourne VIC 3000

LEVEL 6, 31 Market Street
Sydney NSW 2000

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