REALM HIGH INCOME FUND

DECEMBER 2021

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 $1.38 billion
Management Fees (inc. GST):
Ordinary Units - 1.20%
Wholesale Units - 0.77%
Adviser Units - 0.77%
mFunds Units – 0.77%
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	0.19%	0.23%	0.01%
3 Month	0.07%	0.18%	0.03%
6 Months	0.78%	1.01%	0.05%
1 Year	2.42%	2.86%	0.10%
3 Years p.a	4.34%	4.79%	0.53%
5 Years p.a	3.56%	4.00%	0.92%
Since Inception p.a*	4.65%	4.64%	1.56%

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

FUND STATISTICS

Running Yield	3.36%
Yield to Maturity	2.53%
Volatility†	1.14%
Interest rate duration	0.99
Credit duration	1.85
Average Credit Rating	BBB+
Number of positions	287
Average position exposure	0.33%
Worst Month*	-1.19%
Best Month*	1.22%
Sharpe ratio∂	3.01

PLATFORM AVAILABILITY

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

SECTOR ALLOCATION

Sector	Asset Allocation Range	SAA Target
Cash	0% - 100%	10%
Government Bonds	0% - 100%	10%
Corporate Bonds	0% - 60%	10%
Corporate Hybrids	0% - 10%	5%
Bank Tier 1 Hybrids	0% - 25%	15%
Sub Debt Hybrids	0% - 25%	15%
RMBS	0% - 60%	30%
ABS	0% - 20%	5%

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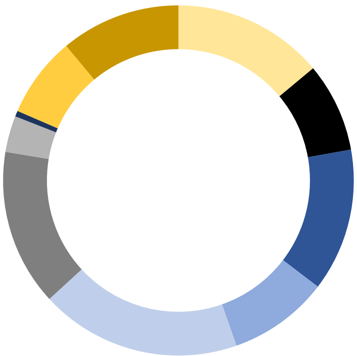
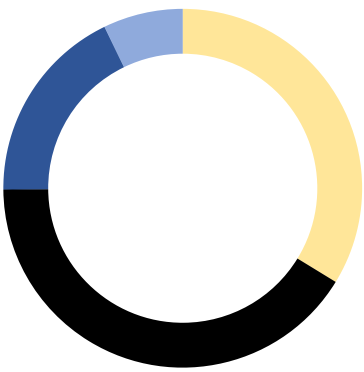
PORTFOLIO COMPOSITION



- Cash (13.93%)
- Commercial Paper (8.24%)
- Government Bonds (13.20%)
- Bank T1 (9.26%)
- Corporate Bond (18.53%)
- Subordinated Debt (14.46%)
- ABS Public (3.35%)
- ABS Private (0.53%)
- RMBS Private (7.44%)
- RMBS Public (11.05%)

MATURITY PROFILE



- At Call to 6 Months (33.75%)
- 6 Months to 3 Years (41.13%)
- 3 Years to 5 Years (17.93%)
- 5 Years to 10 Years (7.19%)
- 10 Years + (0.00%)

FUND UPDATE

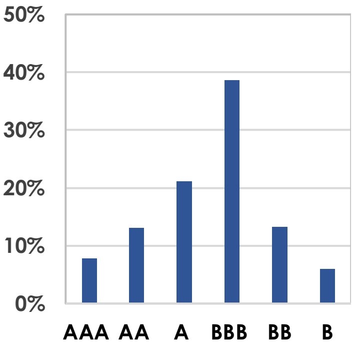
Cash and Short-Term Liquidity Weighting: ↑ The allocation to cash, commercial paper and government bonds increased from 23.34% to 35.37%. This was largely driven by increased cash holdings as we reduced allocations across all sectors except ABS.

Corporate & Subordinated Debt Allocation: ↓ Weighting to corporate and sub debt decreased from 38.55% to 32.99%. Credit markets firmed over the month with credit spreads recovering around half of the losses experienced in the November sell-off. This reflected easing concerns over the Covid Omicron variant as hospitalisations remained low despite the surge in daily cases. We took this opportunity to take some profits across both corporate bonds and sub debt and remain cautious as covid restrictions globally return once again. Looking through the ongoing Covid uncertainty, we remain defensively positioned into 2022 as we anticipate the expectations of rising interest rates globally will be a drag on credit spread performance.

Interest Rate Duration Position: ↓ IRD positioning decreased to 0.99 from 1.13 years. The dislocation presented in the Australian 3-year futures somewhat subsided allowing us to partially take profits, hence reducing our IRD position over the month. It is still our view that the cash rate implied by the futures market is dislocated to fundamental expectations and as such a modest interest rate position is maintained. The Omicron variant of Covid and international markets continued to contribute to Australian interest rate volatility.

Residential Mortgage-Backed Securities (RMBS): ↓ Weighting to RMBS decreased this month from 22.8% to 18.5%. December issuance was sporadic, with only a limited number of transactions coming to the market over the month. Two transactions launched, including an equipment backed transaction from Pepper, and one non-conforming transaction from Bluestone. Pricing remains well bid in both the middle mezzanine (A/BBB rated) and junior mezzanine (sub investment grade rated) parts of the capital structure. Pricing in senior and senior mezzanine (AAA/AA rated) parts of the capital structure remains weak, with low coverage rates continuing to be observed as investors continue to look toward higher yielding tranches. With respect to market performance, the S&P arrears index (SPIN) for October remained inline with last month at 0.79%. This continues to be the lowest level recorded by the index since 2004.

CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	7.59%	10%
Non-Renewable & Nuclear Energy	0%	10%
Alcohol	0.21%	10%
Gambling	1.10%	10%

Additional Tier 1 (AT1) Exposures: ↓ AT1 exposure decreased from 11.66% to 9.26% as we selectively locked in profits on AUD AT1's. The supply / demand dynamics of the AT1 market remains supportive with no new issuance during the month. We could see some new AT1 issuance from the Major Banks in Jan/Feb as the ANZPE and CBAPF AT1s approach their March 2022 call dates.

Asset Backed Securities (ABS): ↑ Our ABS allocation increased from 3.68% last month to 3.88%, driven by an increase in both public and private exposures. Fund exposures remain short, with very strong yield profiles, making the assets highly sought by market.

Targeted risk across the Fund: ↓ Targeted portfolio risk decreased from 0.97% to 0.83% as we reduced credit duration and increased our cash holdings. The fund remains compliant with the Portfolio ESG risk limits.

MARKET OUTLOOK

The final month of the year saw the market continue to grapple with concerns relating to the outlook for inflation as sustained supply side issues increasingly fed into higher wage growth in the US. Expectations for the timing of the cessation of QE in the US and Australia were brought forward following ongoing strong outcomes in the respective labour markets.

The Australian labour force figures demonstrated how quickly the economy rebounded from the most recent round of lockdowns relating to the Delta variant. Hours worked and total employment recovered to their prior peaks, the unemployment rate fell to a remarkably low 4.6%, and underemployment returned to levels where accelerating wage pressures have been observed. One driver for future growth is the outlook for immigration and the MYEFO provided a new set of expectations for a return towards the pre-covid rates from the 21/22 financial year. Over the medium term, this should assist with limiting wage rises arising from acute labour shortages in some professions and also in low-skilled sectors as student labour becomes more available again.

The US labour market is closing in on levels which some members of the Fed consider to be full employment already. Although there are fewer jobs than pre-covid, the labour pool has shrunk and difficulties with sourcing labour are widespread. Wage inflation is notable and customer facing roles in hospitality and retail are difficult to fill. Job mobility, as measured by the quit rate, is highly elevated and indicates that employers are bidding for labour with improved conditions. Healthcare remains very short-staffed.

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/

Leaning against the impetus for tighter rates were developments in relation to Omicron. From early on, the working assumptions were that it was more highly transmissible yet less virulent than Delta. Whilst disruptions were clearly noted and case numbers truly astronomical in the UK, US and also Australia, there is a sense that the economic disruption will be short-lived, even if the healthcare system is potentially overwhelmed in February. In Australia, the appetite for official lockdowns appears to have evaporated but we expect precautionary behaviour and supply disruptions will produce approximately half this effect in the coming weeks. Overall, it appears that Omicron will not derail a recovery to the pre-covid trajectory in late 2023, although we may see weakness in Q1, the economic recovery should be swift.

Developments on the Ukrainian border are in our focus, as are ongoing developments in the troubled property development market in China. The American Families Plan, a signature component of the Biden agenda, has been rejected by Senator Manchin. We expect that some form of the Plan will proceed, albeit pared back even further. The higher inflation levels and strong labour market do argue against the implementation of the original vision.

The outlook for the credit market continues to weaken as monetary support is unwinding and the banking sector is returning to the capital markets with benchmark sized deals in the domestic and international markets. We continue to find reasonable value in mezzanine structured credit.

We reduced our exposure to corporate bonds over the period, but continue to find some pockets of value. We remain defensively postured with high liquidity levels. We slightly reduced our interest rate duration and AUDUSD hedge over the month as markets became relatively pessimistic. However, the Australian 3yr (and shorter) bond market continues to track too closely with the US market, despite a materially lower inflation outlook and recent guidance for patience from the RBA, and continues to offer reasonable value relative to alternative opportunities. We also note that there is increasing evidence that the peak of the inflationary impulse will occur by Q2 as bullwhip effects (precautionary over-stocking) reverse and supply chain difficulties ease.

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