REALM HIGH INCOME FUND

FEBRUARY 2022

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 $1.39 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

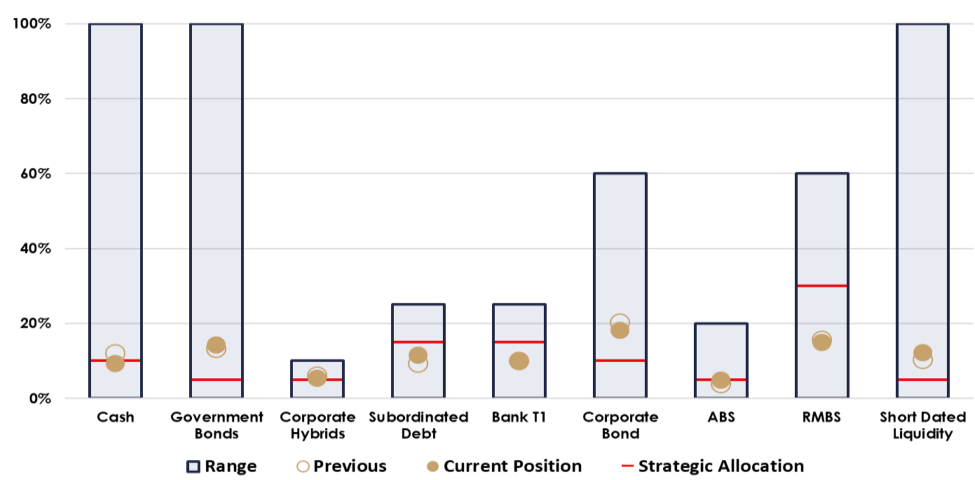
Period	Ordinary Units (incl. franking)	Wholesale Units (incl. franking)	RBA Cash Rate Return
1 Month	-0.25%	-0.22%	0.01%
3 Month	-0.12%	-0.01%	0.02%
6 Months	-0.18%	0.04%	0.05%
1 Year	2.54%	3.00%	0.10%
3 Years p.a	3.77%	4.21%	0.45%
5 Years p.a	3.39%	3.83%	0.87%
Since Inception p.a*	4.53%	4.52%	1.54%

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

FUND STATISTICS

Running Yield	3.53%
Yield to Maturity	2.80%
Volatility†	1.02%
Interest rate duration	1.02
Credit duration	2.01
Average Credit Rating	BBB+
Number of positions	328
Average position exposure	0.61%
Worst Month*	-1.19%
Best Month*	1.22%
Sharpe ratio∂	2.90

SECTOR ALLOCATION

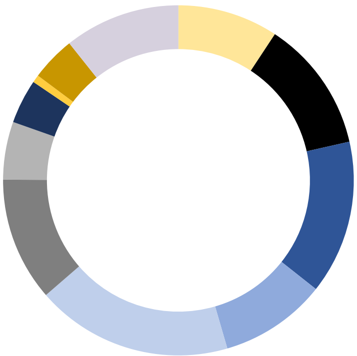


REALM HIGH INCOME FUND

REALM INVESTMENT HOUSE

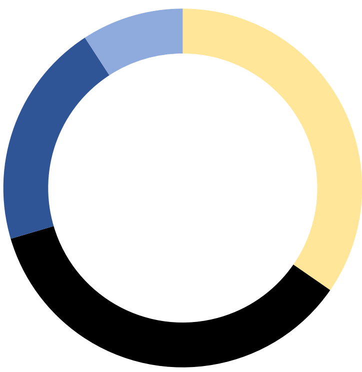
FEBRUARY 2022

PORTFOLIO COMPOSITION



- Cash (9.27%)
- Commercial Paper (12.18%)
- Government Bonds (14.21%)
- Bank T1 (9.84%)
- Corporate Bond (18.13%)
- Subordinated Debt (11.43%)
- Corporate Hybrid (5.35%)
- ABS Public (4.09%)
- ABS Private (0.71%)
- RMBS Private (4.10%)
- RMBS Public (10.69%)

MATURITY PROFILE



- At Call to 6 Months (34.64%)
- 6 Months to 3 Years (35.79%)
- 3 Years to 5 Years (20.39%)
- 5 Years to 10 Years (9.18%)
- 10 Years + (0.00%)

FUND UPDATE

Cash and Short-Term Liquidity Weighting: ↑ The allocation to highly liquid assets (cash, commercial paper and government bonds) increased slightly from 35.44% to 35.66%. Compositionally, the allocation to cash reduced (-2.73%), offset by an increased allocation to both commercial paper (+1.92%) and government bonds(+1.03%).

Corporate & Subordinated Debt Allocation: ↓ Weighting to corporate bonds, corporate hybrids and bank sub-debt decreased from 35.33% to 34.91%. Credit markets sold off for a second consecutive month as concerns over rising government bond yields gave way to Russia/Ukraine war tensions towards month-end. We continue to rotate from AUD to EUR and USD securities - notably sub debt (corporate hybrids and Bank T2) and Bank T1 - as they meaningfully underperform AUD assets on a relative basis. Given the market volatility, new corporate issuance was relatively muted during the month, adding to the increasing volume of deferred supply. The only issuance of note was NAB's A$ dual-tranche 3 & 5 year senior unsecured bond. While the market outlook remains highly uncertain, we remain well positioned to deploy excess liquidity if credit markets continue to sell off.

Interest Rate Duration Position: ↓ IRD positioning decreased from 1.07 to 1.02 years. The month of February commenced with general hawkish commentary from FED members. Rhetoric centered around the possibility of a double hike in March – which were supported by strong US labour and CPI numbers. Major global central bank narrative stated inflation risks were skewed to the upside, which also contributed to rates volatility. However, over the month, sentiment deteriorated as US intelligence of an imminent Russian invasion of Ukraine proved to be accurate causing market turmoil. As rates rallied domestically, we opportunistically reduced IRD.

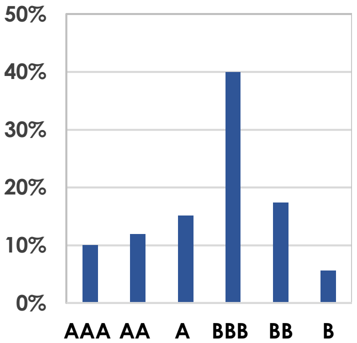
Residential Mortgage-Backed Securities (RMBS): ↓ Weighting to RMBS securities decreased this month from 15.6% to 14.8%. February saw heightened issuance activity in structured credit markets as transactions that were not able to come to market over the Christmas/January break began to sound the market to launch. In total, there were ten trades in primary markets, spanning both prime and nonconforming assets, with one large regional issuer also sounding the market. Over the course of the month, spreads in the senior parts of the capital structure (AAA/AA rated) were weaker alongside credit funding markets more generally, as the Russian/Ukrainian War headlines continue to affect sentiment. This weakness began to push into the top part of the mezzanine (A rated) given the very small differential in spread that exists between ratings bands at the top of the capital structure. The remaining mezzanine (BBB rated) also widening but to a much lesser extent. The market widening is sentiment driven rather than credit driven, with underlying performance within the sector remaining very strong. Prime arrears as shown by the S&P SPIN index for December improving 2bps to 0.74%, while the non-conforming index improved 21bps to 2.32%.

REALM HIGH INCOME FUND

REALM INVESTMENT HOUSE

FEBRUARY 2022

CREDIT QUALITY



PORTFOLIO ESG RISK LIMITS

Sector	Portfolio Exposure	Portfolio Limit
Fossil Fuels	7.74%	10%
Non-Renewable & Nuclear Energy	0%	10%
Alcohol	0%	10%
Gambling	1.03%	10%

Additional Tier 1 (AT1) Exposures: ↓ AT1 exposure decreased from 9.88% to 9.84%. Despite the weak market sentiment, ASX listed AT1's held firm. We took this opportunity to switch from shorter dated ASX listed AT1's into USD AT1's with intermediate call dates which now offer exceptional relative value. Both ANZ and CBA have returned to the ASX listed AT1 market to refinance the ANZPE's and CBAPF's respectively. The ANZ Capital notes 7 (ANZPJ) and CBA PERLS XIV (CBAPK) will price at the end of March.

Asset Backed Securities (ABS): ↑ Our ABS allocation increased from 3.8% to 4.8%. Fund exposures continue to perform well, with shorter duration assets limiting the impact of weaker credit markets, which makes them highly sought by market while pricing remains tight.

Targeted risk across the Fund: ↑ Targeted portfolio risk increased from 0.87% to 0.99% as we reduced our cash holdings and modestly increased credit duration from 1.87 to 2.01 years. The fund remains compliant with the Portfolio ESG risk limits.

MARKET OUTLOOK

The strength of economic performance in the developed world continued to surprise to the upside. The extent to which the outlook for Australia's recovery has been revised was starkly presented in the RBA's update to economic forecasts in the February Statement of Monetary Policy where expectations printed in November, before Omicron took hold, were effectively brought forward by a year. In an ongoing retreat from strong assurances that rates were unlikely to rise until 2024, Governor Lowe acknowledged that cash rates could plausibly rise in 2022. The Bond Purchase Plan ceased and the scarcity of certain lines, where the RBA holds a large proportion, stopped deteriorating.

Whilst the RBA continued a dovish line despite developments, reiterating the desire to see wage rises at a level consistent with inflation being sustainably within the target band, other central banks did not. The BoE surprised the market when the minutes for the December meeting revealed a divided Monetary Policy Committee such that just one vote determined whether the rate tightening cycle began with a single notch, as occurred, rather than a double from the outset. The ECB is on a very different trajectory but, even there, ECB's Lagarde toned down her arguments on transitory inflation. In the US, where inflation reached over 7% yoy, some Fed officials were openly arguing for a 50bps rate rise in March and, for a time, the market priced the possibility of a 75bps hike. Ultimately, the Fed's decision was to increase rates by 25bps, which was lower than what the market was anticipating. It also seems likely that central bank balance sheets will be reduced at a faster rate than had been seen in the post GFC period.

REALM HIGH INCOME FUND

FEBRUARY 2022

REALM INVESTMENT HOUSE

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/

The level of uncertainty already being experienced was further increased when Russia launched a 'special military operation' into Ukrainian territory. This was met with a range of sanctions which included cutting some Russian banks off SWIFT and the seizure of assets from Putin associates. Public pressure and desire to protect reputations then led to more widespread isolation of Russia with luxury brands, payment system providers, pension funds, market index providers and energy companies withdrawing from Russian activities. With inflation concerns already high and energy markets already tight, the threat of disruption in European energy supply and also for metals (notably high-grade Nickel) and minerals where Russia is a major exporter, in addition to disrupted grain exports from Ukraine, produced a surge in inflationary expectations. At the same time, although the direct equity and debt exposures to Russia is relatively small, risk markets generally fell away on weaker sentiment and stagflationary concerns.

As an energy and materials exporter, Australian equities and the AUD performed stronger than might be expected for a generic risk-off market.

Credit markets weakened, with European and US markets selling off and producing excellent relative value opportunities for Australian issuers, particularly for longer maturities, whose foreign-denominated debt now trades far cheaper than the AUD denominated comparatives. Signs of moderate distress or risk aversion have emerged in the inter-bank market. Understandably, energy and materials names have fared better in a weak market. Overall, the Australian market has held up relatively well as our exposure to stagflationary risks from this development are lower.

The structured credit markets returned from holidays and issuance commenced into a notably weaker tone. We generally avoided longer WAL senior notes and were also hesitant on other investment-grade lines, expecting better opportunities to come. We have also stress-tested our portfolios for the effects of the significant floods that Australia has experienced and have limited concerns for the credit quality of the portfolio from this source although upcoming rate rises will exert downwards pressure on housing prices.

Price action on bond markets showed a divergence between whether their traditional role as a safe haven would dominate or whether the inflationary impulse would prove more influential. Whilst the initial reaction saw the defensive reflex demonstrated first, following the end of the month, the inflationary concerns proved more enduring.

Trade imbalances between energy/materials importers and exporters will become large in the coming months and may reveal weaknesses in the flow of credit. Whilst a Russian default contributed to the fall of LTCM in 1998, which was a threat to the financial system at the time, financial leverage has become more restrained in the post GFC environment, banks are far better capitalised, and the appetite for Russian political risk was tempered following the Crimean annexation. Nonetheless, stresses of this kind can result in sudden and extreme outcomes arising.

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/

As a result of increased stagflationary and financial system concerns in their respective markets, Euro and USD denominated issues for Australian bank names, and selected corporate credit, are now far more attractive than AUD denominated equivalents. We have been liquidating domestic exposures and rotating funds into weaker markets. Our portfolios have also been conservatively positioned since H1 2021, and we have commenced increasing portfolio risk once again as these opportunities present themselves. Additionally, close international comparatives are offering even more compelling value and we will be selectively introducing a limited exposure to these.

Our pipeline for private credit is robust and we are largely satisfied with the quality of the opportunities. We will remain patient with public structured credit, where we have retained significant underweights for senior and middle mezzanine exposures. Offshore demand for these assets has weakened materially and the market, though not the credit quality, is softening significantly.

Bonds have not performed well in recent months. Although we have observed the Australian rate path as offering value, particularly given the observation that movements of our 3yr bonds have closely tracked those of the US despite very different circumstances, our risk exposures have been maintained at around long term averages for reasons of portfolio risk balance and this has limited losses from this source. The outlook for bonds has been muddied by the ongoing drift in the RBA narrative relating to their threshold for the first rate rise and, with the Ukrainian developments, a very wide range of potential inflationary outcomes, albeit Australia is somewhat more shielded. In line with our observations, our exposures are concentrated into the bills and 3yr part of the curve which are pricing RBA rates at over 1% by the end of the year. We continue to hold a range of other hedges, including in equity and VIX related exposures.

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 12 November 2018 or the Product Disclosure Statement Adviser Units dated 12 November 2018 (together with the Additional Information Booklet dated 12 November 2018) (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 12 November 2018 and the PDS for the Adviser Units dated 12 November 2018, TMD dated 1 October 2021, 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 28 February 2022.

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