REALM SHORT TERM INCOME FUND

REALM INVESTMENT HOUSE

DECEMBER 2021

FUND OBJECTIVE

The Realm Short Term Income Fund seeks to produce a return (net of fees) that exceeds the total return of the RBA Overnight Cash Rate by 1.50%-2.00% p.a. over rolling three-year periods.

FUND DETAILS

Distribution Frequency: Monthly

Liquidity: Daily

Buy/Sell: 0.00% / 0.00%

Direct Minimum Investment:

Ordinary Units - $25,000

mFunds Units - $25,000

Inception Date: 21.12.2017

Fund size: AUD $522 million

APIR Codes:

Ordinary Units - OMF3725AU

mFunds Units - OMF8160AU

Management Fees (Net of GST):

Ordinary Units – 0.3075% mFunds Units – 0.3634%

Zenith RECOMMENDED

NET PERFORMANCE

Period	Short Term Income Fund	RBA Cash Rate Return
1 Month	0.12%	0.01%
3 Month	0.24%	0.03%
1 Year	1.98%	0.10%
2 Year	2.31%	0.21%
3 Year	2.51%	0.53%
Since Inception*	2.56%	0.78%

*Past performance is not indicative of future performance. Inception date is 21 December 2017.

FUND STATISTICS

Running Yield	2.31%
Yield to Maturity	1.50%
Volatility†	0.28%
Interest rate duration	0.08
Credit duration	1.47
Average Credit Rating	A
Number of positions	151
Average position exposure	0.50%
Worst Month*	0.09%
Best Month*	0.34%
Sharpe ratio∂	6.13

Calculated on Ordinary Units unless otherwise stated. *Since Inception 21 December 2017.
†Trailing 12 Months Calculated on Daily observations. ∂Since Inception Calculated on Daily observations

PLATFORM AVAILABILITY

- Australian Money Market
- AMP North
- BT Panorama
- eXpand
- Firstwrap
- Hub24
- Macquarie Wrap
- Netwealth
- Powerwrap
- Praemium
- Rhythm
- mFund code: RLM02

SECTOR ALLOCATION

Sector	Asset Allocation Range	SAA Target
Cash	10% - 100%	10%
31 Day Notice Account	0% - 20%	10%
Government Bonds	0% - 90%	0%
Corporate Bonds	0% - 40%	25%
Sub Debt/Corporate Hybrids	0% - 20%	10%
RMBS & ABS	0% - 30%	25%
Short Dated Liquidity	0% - 60%	20%

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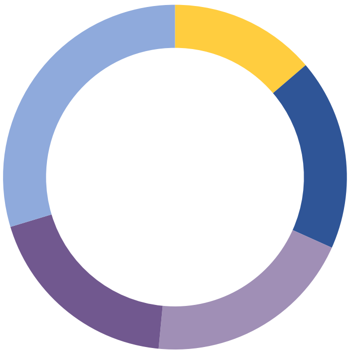
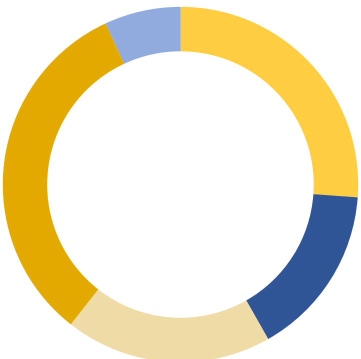
PORTFOLIO COMPOSITION



- Cash (13.75%)
- Short Dated Liquidity (17.96%)
- Sub Debt (19.81%)
- Corporate Bond (18.81%)
- RMBS & ABS (29.66%)

MATURITY PROFILE



- At Call to 6 Months (26.15%)
- 6 Months to 1 Years (15.63%)
- 1 Years to 2 Years (18.80%)
- 2 Years to 3 Years (32.49%)
- 3 Years to 3.5 Years (6.93%)

FUND UPDATE

Cash and Short-Term Liquidity Weighting: ↓ Cash and Short dated liquidity decreased to 31.71% from 32.24%.

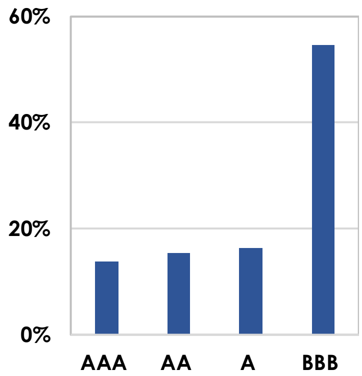
Interest Rate Duration Position: → 0.10 years. The strategy will maintain interest rate duration of approximately 3 months as an average. However, the manager can increase interest rate exposure to as high as one year under certain conditions. The strategy will as a rule only take modest interest rate risk.

Corporate & Subordinated Debt Allocation: ↓ Decreased slightly to 38.62% from 39.06%. Investments within the sector were skewed towards corporate debt and towards optimising credit duration within limits. Corporate bonds presented modest relative value over subordinated debt following general risk market weakness over the month. The corporate book is very conservatively positioned in short dated senior paper of Australian ADIs and investment grade companies - these assets experience very low levels of relative market volatility.

Residential Mortgage-Backed Securities (RMBS) & ABS:
→ Allocation remained in line with last month at 29.7% as funds remained optimally deployed within the structured credit sector. The portfolio sits at an A- average credit rating and a relatively short weighted credit duration of 1.92 years.

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	Direct Exposure	Direct Limit	Indirect Exposure	Indirect Limit
Fossil Fuels	0.0%	0.0%	0.0%	2.5%
Non-Renewable & Nuclear Energy	0.0%	0.0%	0.0%	2.5%
Alcohol	0.0%	0.0%	1.45%	2.5%
Gambling	0.0%	0.0%	1.23%	2.5%
Mining	0.0%	0.0%	0.0%	2.5%

Targeted risk across the Fund: ↓ Targeted risk decreased to 0.67% from 0.68%, reflecting the optimisation within portfolio limits. Meanwhile realised standard deviation is at 0.28%. This has risen over the year due to increased volatility in mark to market valuations. The portfolio remains defensively positioned, despite this, the fund has met its return objective over the last 12 months, delivering 1.98% after fees. This is evidence that the strategy is well designed, and that it delivers a reasonable premium over cash while maintaining a very tight distribution of returns month on month. 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.

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.

OTHER FUND DETAILS

Responsible Entity: One Managed Investment Funds Ltd

Custodian: Mainstream Funds Services Pty Ltd

Unit Pricing and Unit Price: https://www.realminvestments.com.au/our-products

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.

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