REALM SHORT TERM INCOME FUND

REALM INVESTMENT HOUSE

FEBRUARY 2023

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 $739 million

APIR Codes:

Ordinary Units - OMF3725AU

mFunds Units - OMF8160AU

Management Costs (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	0.58%	0.25%
3 Month	1.56%	0.77%
6 Month	2.16%	1.40%
1 Year	2.08%	1.77%
3 Year p.a	2.15%	0.69%
5 Year p.a	2.39%	0.93%
Since Inception p.a*	2.42%	0.95%

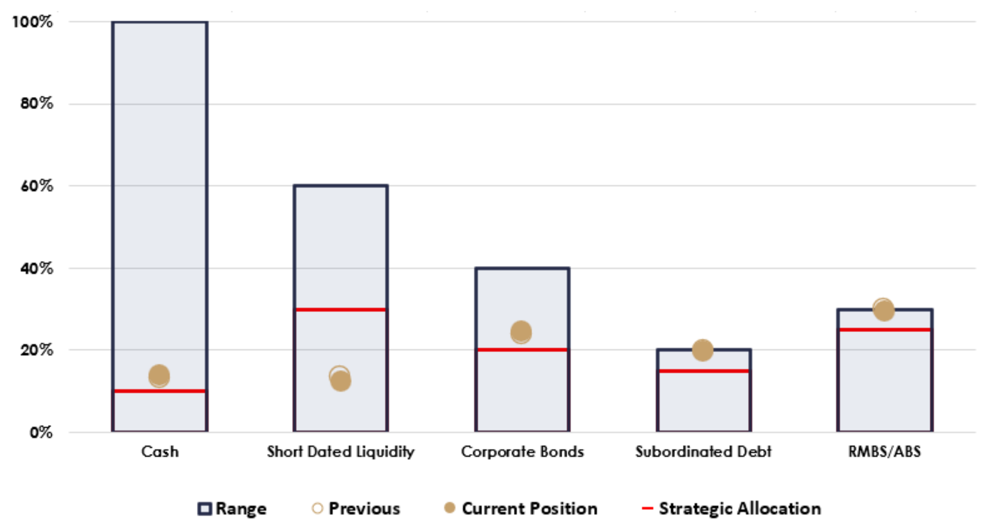
*Past performance is not indicative of future performance. Inception date is 21 December 2017.

FUND STATISTICS

Running Yield	4.82%
Yield to Maturity	5.21%
Volatility†	0.52%
Interest rate duration	0.11
Credit duration	1.46
Average Credit Rating	A
Number of positions	196
Average position exposure	0.39%
Worst Month*	-0.26%
Best Month*	0.58%
Sharpe ratio∂	4.35

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

SECTOR ALLOCATION



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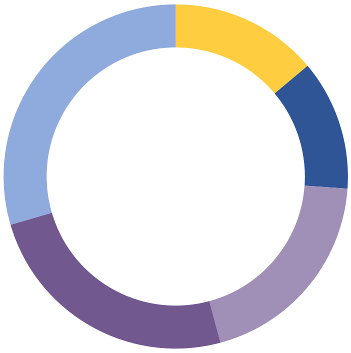
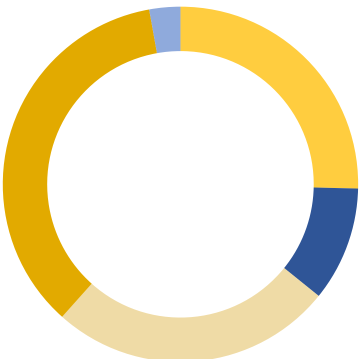
PORTFOLIO COMPOSITION



- Cash (13.88%)
- Short Dated Liquidity (12.24%)
- Sub Debt (19.69%)
- Corporate Bond (24.65%)
- RMBS & ABS (29.53%)

MATURITY PROFILE



- At Call to 6 Months (25.38%)
- 6 Months to 1 Years (10.43%)
- 1 Years to 2 Years (25.79%)
- 2 Years to 3 Years (35.58%)
- 3 Years to 3.5 Years (2.82%)

FUND UPDATE

Cash and Short-Term Liquidity Weighting: ↓Cash and Short dated liquidity decreased to 26.12% from 26.64%.

Interest Rate Duration Position: → 0.11 years. The strategy will maintain interest rate duration of approximately 3 months as an average. Having a low IRD number has limited the realised volatility and loss in the fund over the month from continued bond market volatility. The strategy will, as a rule, only take modest interest rate risk.

Corporate & Subordinated Debt Allocation: ↑ Increased to 44.34% from 43.47%. Optimisation within the sector was skewed towards Corporate bonds over Subordinated debt. Corporate bonds continue to present modest relative value over bank senior bonds; and this relative value increased as bank senior bonds repriced tighter. General risk-on sentiment proved to be conducive to credit spreads over the month - contributing to the fund's highest monthly performance. The short, conservative nature of the sector and diversification aided in cushioning the market volatility over the month.

Residential Mortgage-Backed Securities (RMBS) & ABS: → Allocation to structured credit securities remained inline with last month at 29.53%. As at month end, the portfolio held an A- average credit rating and a relatively short weighted credit duration of 1.81 years.

Public structured credit market yields tightened significantly over the course of the month, after having lagged the tightening experienced by other credit markets in January. Senior AAA markets tightened by as much as 40 basis points, with middle mezzanine (A/BBB rated) and junior mezzanine markets (sub-investment grade rated) tightening as much as 80 basis points. Dealer inventory levels remain very low as market participants continue to seek out good quality paper. Lenders saw these significantly tightened yields as an opportunity to issue into the market, with a significant amount of dealflow within the current primary market pipeline across several different asset classes expected over the next month.

With respect to market performance, Prime arrears as reported by S&P's SPIN index weakened 11bps over the month of December to 0.76%, with nonconforming arrears weakening to 3.20%. Both results remain very strong in comparison to both market expectations and historic index levels.

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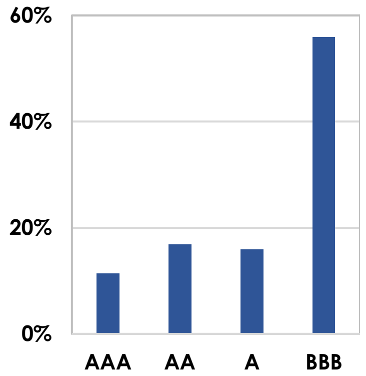
CREDIT QUALITY



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%	0.16%	2.5%
Gambling	0.0%	0.0%	0.0%	2.5%
Mining	0.0%	0.0%	0.0%	2.5%

OTHER FUND DETAILS

Responsible Entity: One Managed Investment Funds Ltd

Custodian: Mainstream Fund Services Pty Ltd

Unit Pricing and Unit Price: https://www.realminvestments.com.au/our-products/realm-short-term-income-fund/

Targeted risk across the Fund: ↑ Targeted risk increased to 0.82% from 0.75%, reflecting the increase in market volatility and optimisation within portfolio limits. Meanwhile, realised standard deviation is at 0.52%. This has risen over the short term due to increased volatility in mark to market valuations. The portfolio remains defensively positioned although despite this, the fund has performed relatively well over the last 12 months, delivering 2.08% after fees. This is evidence that the strategy is well designed, delivering 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

Bond markets were materially weaker over the month. The-10 year bond yields of major western economies and Australia rose by 30 to 50bps. Japanese 10-year bond yields remained firmly pressed against the yield curve control target of 50bps. US Corporate credit was slightly weaker but the Australian market has been lagging and finished slightly firmer. The USD rallied strongly, rising 4.7% against AUD. Commodities were generally weaker. The VIX finished slightly higher. Equities were mixed with the US and Australian markets finishing lower whilst UK, European and Japanese markets recorded gains. The US peak cash rate inferred from market pricing rose to 5.4% with prior expectations of easing later in 2023 largely erased. Expectations for the peak cash rate in Australia rose to 4.3%.

The strength of the US economy surprised markets. Whilst activity in manufacturing continued to contract, the services sector appeared to have grown robustly. The non-farm payrolls figure confounded expectations with the addition of 517k jobs reported for January relative to expectations of 185k. Retail sales also outperformed. CPI also rose faster than expected with the 'sticky' components continuing to accelerate. Wage growth remained too high to be consistent with the Fed's inflation targets. The Fed lifted cash rates by 25bps to the range of 4.50-4.75% and indicated more increments were to come. Though the deflationary process had started, the Fed is seeking substantially more evidence before a pause can be contemplated.

The ECB lifted its key reference rate by 50bps, to a level of 3%. ECB President Lagarde firmly guided expectations for the next meeting to produce another rate rise of 50bps before moving to more of a data dependent setting. The ECB is now reducing its bond holdings from the Asset Purchase Program, which commenced acquiring securities in 2014. Bond purchases relating to the covid era will remain on balance sheet. The outlook for the European economy has improved and is now generally expected to avoid recession in 2023. Natural gas prices are now trading below where they were before the Ukrainian invasion. Storage levels are so strong that voluntary caps on gas consumption may be removed, although caution remains for the possibility that China's re-opening may see increased competition for LNG cargoes. The Windsor Framework was negotiated between UK PM Sunak and EC President von der Leyen which seeks to improve upon existing Brexit Agreements.

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PLATFORM AVAILABILITY

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

Australian property prices, as measured by CoreLogic's National Home Value Index, fell by 0.14% in February which is the smallest amount since rate hikes commenced in May 2022. Sydney property prices were firmer. Whilst households are increasingly concerned for their financial situation, the actual performance of mortgage or asset backed loan books is still strong with arrears and other distress metrics remaining below pre-Covid levels. APRA released data showing credit growth is slowing and credit card loan balances are declining. Major Non-Bank originators have uniformly observed that prime mortgages have become far less profitable to write given the intense competition from banks seeking to grow their lending books into a slowing market. They are shifting their origination activities to other areas. New issuance of structured credit securities attracted strong bids and produced a meaningful rally.

The RBA raised rates by 0.25% to 3.35%. The move was regarded as hawkish by the market, in part due to the absence of consideration for a rate pause in their deliberations. The RBA noted that the fall in global goods inflation was not evident in Australia. However, there was also limited evidence of a wage-inflation spiral despite the tight labour market. Inflation is expected to return to the target band in mid-2025. The RBA believes the strength of its monetary policy settings is similar to other economies.

After the RBA meeting, it was revealed that employment levels actually fell in January although some technical matters reduce the weight given to this reading. The Q4 2022 GDP figures also revealed a significant decline in real household incomes and savings rates. This should serve to contain consumption growth in 2023 and reduce the degree to which monetary settings need to be used to slow the economy. The final retail sales figure for December was released, showing a 3.9% monthly decline, materially weaker than a 0.6% decline which had been expected. Nonetheless, households continue to retain large savings buffers in aggregate, with those aged over 45 having built more additional savings than the younger cohort. The current account surprised to the upside and recorded the longest run of positive surpluses in the history of the series which commenced in 1959.

Consumers are shifting discretionary purchases from goods to services and, as such, it is unsurprising that retailers like JB-Hifi and Good Guys are seeing a weaker sales environment and greater difficulties with passing costs to customers. Nonetheless, the NAB Business Confidence reading increased due to easing labour market conditions and reduced upstream price pressures.

The BoJ's Governor Kuroda will shortly retire. He took office in 2013 and has overseen the Bank's Quantitative and Qualitative Monetary Easing policy since then. One feature, the yield curve control applied to the 10 year bond market, seems unlikely to persist in its current form once Kazuo Ueada takes office. Any move to loosen this is likely to see Japanese investments repatriated in some volume, and may steepen yield curves globally, whilst strengthening the JPY.

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China's re-opening continued and the PMI data indicates the economy is growing. The National People's Congress announced a modest 5% target growth level for 2023. Authorities are seeking to protect the property market including by easing restrictions on land sales and availability of leverage. Coal shipments from Australia have begun to arrive in Chinese ports again.

The Bank of England raised rates by 50bps to 4%. Two members of the Committee voted for no rate rise. Governor Bailey indicated that the UK has turned the corner on inflation.

Western support for Ukraine, in the form of announced plans for weapons transfers, has increased. Russia has massed aircraft close to the Ukraine border and launched a major assault on Bakhmut.

The portfolio benefited from strong performance in structured credit. Exposures to corporate bonds have increased as spreads have become relatively more attractive to near cash alternatives.

The credit quality and liquidity of the portfolio remains excellent. With a yield to maturity above 5%, the portfolio continues to compare well against alternatives like term deposits. Whilst spreads could continue to widen from here in the near term, the high yield to maturity now available reduces the chances of a negative return being recorded.

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