

Ardea Real Outcome Fund

ARSN 158 996 699 APIR Code HOW0098AU

Monthly Performance Report April 2024

Performance ¹	1 month	3 month	1 year	2 year	3 year	5 year	10 year	Inception
Fund	1.34	0.91	1.07	2.19	1.07	2.87	3.38	3.46
Benchmark (CPI) ²	0.03	0.67	3.37	5.01	5.16	3.75	2.67	2.68
Excess Return v CPI	1.31	0.24	-2.30	-2.82	-4.09	-0.88	0.71	0.78
Excess Return v Cash ³	0.99	-0.16	-3.17	-1.11	-1.13	1.32	1.55	1.45

¹ Performance figures are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance.

² The Fund benchmark is the Australian Consumer Price Index.

³ The Bloomberg Ausbond Bank Bill Index

Inception: 20 July 2012

Source: Fidante Partners Limited, 30 April 2024.

Fund Features

Unique 'relative value' investment strategy: The Fund adopts a relative value investment strategy to access a range of fixed income return sources that are independent of interest rates.

Tight risk control: The Fund specifically targets low volatility returns by using a range of risk management strategies.

Diversification benefits: The Fund offers significant diversification benefits when combined with conventional bond, credit and equity investments in an investment portfolio.

Capital preservation: The Fund prioritises capital preservation by only investing in high quality government bonds, related derivatives and cash like investments. However, the Fund is not guaranteed.

Protect long term purchasing power: The Fund explicitly targets a return exceeding Australian inflation rates to protect long term purchasing power.

Daily liquidity: The Fund only invests in the most liquid segments of global fixed income markets.

Experienced and stable investment team: Ardea's investment team has decades of experience across global fixed income markets. Majority employee ownership of the Ardea business fosters team stability.

Fund Facts

Portfolio Manager	Ardea Investment Management
Investment Objective	The Fund targets low volatility returns exceeding cash rates and inflation, by investing in a global portfolio of high quality government bonds that prioritises capital preservation and liquidity.
Investment Horizon	Recommended min. 2 years
Inception Date	20 July 2012
Fund Size	\$5.2bn
Management Fee	0.50% p.a.
Buy/Sell Spread	+0.05% / -0.05%
Distribution Frequency	Quarterly

Sector Exposure		Rating Exposure		Risk Contribution by Currency	
Government – National	62%	AAA	62%	AUD	35%
Government – State	38%	AA	35%	CAD	4%
Total	100%	A+	2%	EUR	22%
		Total	100%	JPY	3%
				NZD	4%
				GBP	9%
				USD	23%
				Total	100%

numbers may not add due to rounding.

Source: Ardea Investment Management, S&P Ratings

Market Commentary

Please see the [Ardea website](#) for our latest thoughts on markets and investment themes.

Portfolio Commentary

The portfolio delivered a return of +1.34% for the month.

Rolling quarterly performance remains within the normal range of expected performance variability, based on the portfolio's volatility target.

As usual, performance drivers were diversified across small gains / losses generated by many modestly sized trades, with no unusually concentrated performance drivers. The only exception this month being option exposures as described below.

Curve RV strategies contributed positive performance. (+0.07%)

Bond vs Derivative RV strategies contributed positive performance. (+0.46%, including +0.35% bond carry)

Option exposures contributed positive performance. (+0.63%)

Option exposures delivered gains this month as the market pricing of volatility increased across global interest rate markets. This was due to renewed concerns that high inflation may be more persistent than previously assumed, which caused losses across global bond and equity markets.

The portfolio's option exposures played their intended risk balancing role, contributing to outperformance at a time when conventional investments incurred losses.

Inflation Beta contributed positive performance for the quarter. (+0.19%)

Inflation beta delivered gains this month as renewed concerns about persistently high inflation caused AU breakeven inflation rates to rise this month.

Explanatory Notes

- The normal range of expected performance variability is defined relative to the portfolio's volatility / TE target (2.0% p.a.). Based on this, quarterly excess returns should mostly be within a range of -0.5% / +1.5% (1 std dev band, 68% of sample) and sometimes outside this range, but no wider than -1.5% / +2.5% (2 std dev band, incremental 27% of sample).
- Curve RV strategies seek to profit from RV pricing anomalies in the shapes of interest rate curves.

- Bond vs Derivative RV strategies seek to profit from anomalies in the relative pricing of government bonds vs interest rate derivatives. Part of this return comes from Bond Carry, which refers to the return earned from duration hedged exposure to government bonds. This return is approximately equal to the cash rate and is reported separately as “Cash Benchmark Return” in the performance attribution table.
- Option exposures stem from RV trades that involve buying interest rate options. These exposures are biased to outperform in periods of market stress and are used to balance risk vs other types of RV trades that may temporarily underperform at such times.
- Inflation beta exposure stems from the portfolio’s structural exposure to market-based inflation pricing through holdings of inflation-linked bonds and inflation swaps.

Understanding Performance

The Fund’s highly differentiated investment approach generates returns exclusively from capturing RV mispricing opportunities across global interest rate markets. This approach is intentionally independent of the level of bond yields, the direction of interest rates and broader bond market themes.

The Fund’s portfolio construction process intentionally diversifies risk across many different types of independent and modestly sized RV trades. Therefore, performance is the cumulative result of interactions between hundreds of trades entered, exited, and held over the preceding months.

For these reasons, the Fund’s performance is ordinarily not driven by a few key trades, nor can it be mapped to broader market fluctuations or macro themes. This is intentional, because the Fund aims to deliver volatility-controlled returns that exhibit low correlation to the performance of government bond, credit, and equity markets. This is precisely why the Fund can offer compelling diversification benefits when combined with conventional investments.

Please note that monthly performance attribution is heavily influenced by short-term ‘noise’ and ordinarily offers little genuine information value.

Contact

For further information, please contact:

Fidante Partners Investor Services

P: 1300 737 760

E: info@fidante.com.au

W: www.fidante.com.au

For Financial planner enquiries, please contact:

Your local **Business Development Manager** or

E: bdm@fidante.com.au

For institutional enquiries, please contact:

Christopher Bauer

Senior Institutional Business Development Manager

Fidante | Ardea Investment Management

E: Christopher.Bauer@ardea.com.au

www.ardea.com.au



Analyst-Driven %
100
Data Coverage %
100



This material has been prepared by Ardea Investment Management Pty Ltd (ABN 50 132 902 722, AFSL 329 828) Ardea, the investment manager of the Ardea Real Outcome Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (Challenger Group) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. Ardea and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Ardea and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned March 2024) 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>

The rating issued 10/2023 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2024 Lonsec. All rights reserved.

© 2024 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. This report or data has been prepared for clients of Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or New Zealand wholesale clients of Morningstar Research Ltd, subsidiaries of Morningstar, Inc. Any general advice has been provided without reference to your financial objectives, situation or needs. For more information refer to our Financial Services Guide at www.morningstar.com.au/s/fsq.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Morningstar's publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Morningstar's full research reports are the source of any Morningstar Ratings and are available from Morningstar or your adviser. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a financial adviser.