

# Ardea Real Outcome Fund

ARSN 158 996 699 APIR Code HOW0098AU

## Monthly Performance Report February 2025

Performance <sup>1</sup>	1 month	3 month	1 year	2 year	3 year	5 year	10 year	Inception
Fund	0.84	1.50	1.88	2.83	2.51	1.88	2.97	3.36
Benchmark (CPI) <sup>2</sup>	0.17	0.54	2.25	3.00	4.41	3.76	2.75	2.65
Excess Return v CPI	0.68	0.96	-0.38	-0.17	-1.91	-1.88	0.21	0.71
Excess Return v Cash <sup>3</sup>	0.50	0.40	-2.60	-1.46	-0.93	-0.22	0.99	1.19

<sup>1</sup> 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.

<sup>2</sup> The Fund benchmark is the Australian Consumer Price Index.

<sup>3</sup> The Bloomberg Ausbond Bank Bill Index

Inception: 20 July 2012

Source: Fidante Partners Limited, 28 February 2025.

### 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

<b>Portfolio Manager</b>	Ardea Investment Management
<b>Investment Objective</b>	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.
<b>Investment Horizon</b>	Recommended min. 2 years
<b>Inception Date</b>	20 July 2012
<b>Fund Size</b>	\$2.6bn
<b>Management Fee</b>	0.50% p.a.
<b>Buy/Sell Spread</b>	+0.05% / -0.05%
<b>Distribution Frequency</b>	Quarterly

Sector Exposure		Rating Exposure		Risk Contribution by Currency	
Government – National	83%	AAA	66%	AUD	53%
Government – State	17%	AA	34%	CAD	5%
Total	100%	A+	0%	EUR	13%
		Total	100%	JPY	3%
				NZD	3%
				GBP	9%
				USD	14%
				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 +0.84% for the month. (after fees)

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

As usual, performance drivers for the quarter were diversified across small gains / losses generated by many modestly sized trades, with no unusually concentrated performance drivers.

Curve RV strategies contributed positive performance. (+0.76% for the month)

Bond RV strategies contributed positive performance. (+0.10% for the month)

Option exposures contributed positive performance. (+0.08% for the month)

Inflation beta exposure contributed negative performance. (-0.05% for the 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 RV strategies seek to profit from RV pricing anomalies in specific government bonds.
- 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](mailto:info@fidante.com.au)

W: [www.fidante.com.au](http://www.fidante.com.au)

For Financial planner enquiries, please contact:

Your local **Business Development Manager** or

E: [bdm@fidante.com.au](mailto: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](mailto:Christopher.Bauer@ardea.com.au)

[www.ardea.com.au](http://www.ardea.com.au)



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