

Ardea Diversified Bond Fund

A beta alternative
with an alpha edge

The Ardea Diversified Bond Fund (the Fund) aims to efficiently deliver the risk and return characteristics of the benchmark index (the 'beta' component) while also targeting excess returns (the 'alpha' component) above the Fund's benchmark using Ardea IM's differentiated pure relative value investing approach.

WHY INVEST?



Beta component

The Fund aims to efficiently deliver the risk and return characteristics of the benchmark Index.



Alpha component

The Fund aims to generate volatility-controlled alpha from uncorrelated sources via Ardea IM's proven pure relative value approach. Pure relative value strategies can generate returns independently of the prevailing interest rate environment and are unaffected by how the broader bond markets are performing.



Risk Protection¹

The fund primarily invests in high quality government bonds, related derivatives and cash equivalent investments with no exposure to corporate bonds or other credit securities. The Fund explicitly targets tracking error controlled returns to strictly limit performance volatility. Ardea IM aims to hedge all foreign currency back to AUD².

FUND AT A GLANCE

Objective

The Fund aims to outperform its benchmark (after fees) over rolling three-year periods

Benchmark

Bloomberg Ausbond Composite Bond 0+ Year Index

Distribution Frequency

Quarterly

Inception Date

13 February 2019

Minimum Investment

\$10,000 or \$1,000 with Regular Investment Plan

Management Fee

0.50% p.a.

Minimum Suggested Investment Timeframe

At least 2 years

APIR Code

HOW8543AU

WHAT DOES THE FUND INVEST IN?

To maximise the defensive attributes of the portfolio, the Fund primarily invests in high quality government bonds (min. A+ credit rating), related derivatives, and cash equivalent investments while excluding all corporate bonds and other credit securities.

Structural Portfolio Characteristics	Minimal active rate risk	Portfolio aims to remain duration neutral relative to the benchmark index at all times
	Minimal credit risk	A+ rating floor for all bond holdings, credit securities excluded
	Minimal liquidity risk	Investment universe limited to liquid securities
	Minimal FX risk	FX exposure is hedged

¹ It is important to note that the value of assets in the Managed Investment Scheme and the level of returns will vary. No return is guaranteed. Future returns may differ from past returns and investors may lose some or all of their money invested.

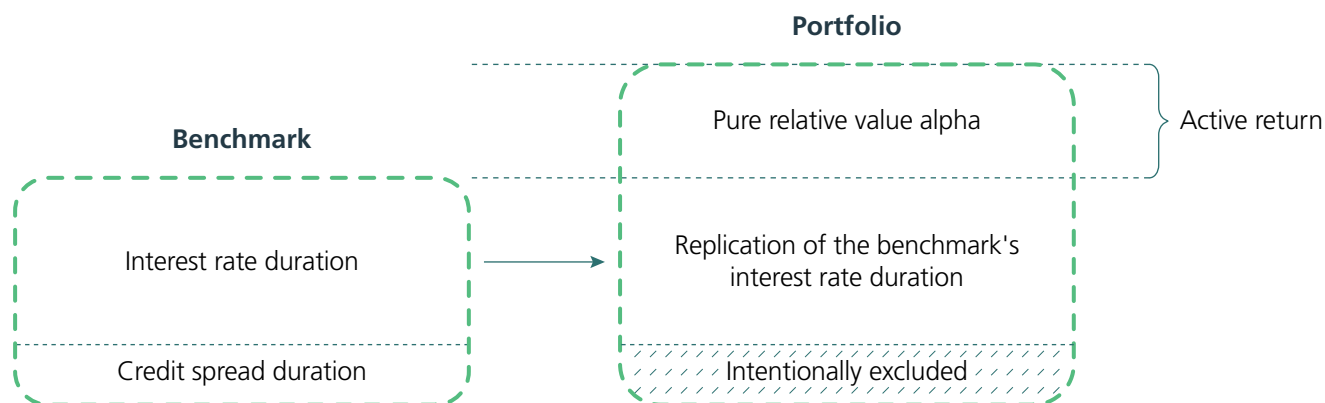
² Hedging Foreign currency exposure back to the Australian dollar, as practicable. The tolerance for unhedged foreign currency exposure is 2% of the Fund's net asset value.

WHY IS THE FUND UNIQUE?

Pure Relative Value Strategy

While the Fund invests in the same government bond markets as traditional fixed income funds, it generates returns in a very different way. The Fund's highly differentiated pure relative value investment approach offers a compelling alternative to conventional fixed income strategies because it is independent of the prevailing interest rate environment and broader bond market performance. The relative value investment strategy accesses a much broader range of fixed income return sources that are independent of the level or direction of interest rates.

The pure relative value opportunity has proven to be a reliable source of returns because it is driven by structural market inefficiencies that persistently create new relative value mispricing opportunities to profit from. Ardea IM specialises in building a repeatable and highly scalable investment process to capture this large and constantly evolving global opportunity set on behalf of clients.



WHO IS THIS FUND SUITABLE FOR?

The Fund is intended for investors seeking:

- The return characteristics of the Australian bond market as represented through the Bloomberg Ausbond Composite Bond 0+ Year Index
- Stable alpha with consistent tracking error control
- Highly differentiated alpha drivers that are independent of fixed income and equity market performance
- Defensive, high quality fixed income exposure with no exposure to corporate bonds or other credit securities
- Daily liquidity.

ABOUT ARDEA INVESTMENT MANAGEMENT

Founded in 2008, Ardea IM is one of Australia's most recognised specialist relative value fixed income investment managers. Our global client base ranges from the largest institutional investors and asset consultants, to a diverse range of wholesale and retail clients.

Ardea IM's highly differentiated pure relative value (RV) investing approach offers a compelling alternative to conventional fixed income investments because it is independent of the prevailing interest rate environment and broader bond market performance.

CONTACT US

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