Summary of investment changes to Ardea Real Outcome Fund and ActiveX Ardea Real Outcome Fund

We are writing to update you on the investment rules for both Ardea Real Outcome Fund (ARSN 158 996 699) (**Fund**) and ActiveX Ardea Real Outcome Bond Fund (ARSN 629 403 925)**.** These are intended to come into effect on or around 21 June 2021.

Ardea, inconjunction with ourselves, recently undertook an operational review of the Fund's investment rules and propose implementing a series of technical rule changes.

The changes are intended to streamline Ardea's internal processes by standardising duration approach, terminology, clarify position limits and definitions across the Ardea portfolios and will not change the way the Fund is managed or risk profile.

ActiveX Ardea Real Outcome Bond Fund interfunds into the Ardea Real Outcome Fund hence the proposed changes outlined are applicable to both funds.

A summary of these proposed changes is detailed further below.

Investor Communications

We propose providing formal notification of these changes to investors on or around 8 June 2021, with the changes to become effective on or around 21 June 2021.

New Product Disclosure Statement

We propose issuing a new Product Disclosure Statement (PDS) that will contain up-to-date information on the Fund and its investments. The PDS is proposed to be available on our website www.fidante.com.au on or around 21 June 2021.

Further information

If you have any questions regarding the proposed changes, please feel free to contact me.

<u>**Schedule of Changes**</u>

Changes to the Fund's Duration

The Fund's duration is the weighted average of all the individual bonds the Fund holds and is currently stated as "generally not exceeding –2 years and +5 years."

This asymmetric range of -2/+5 is a legacy feature from when the Fund was managed to a strategic benchmark that has since been changed. We now wish to modify the range to a more contemporary and symmetric range to now "generally not exceeding –5 years and +5 years".

Additionally, the Fund's investment manager, Ardea Investment Management Pty Ltd (**Ardea**) wishes to also adopt a proprietary 'risk adjusted' duration approach - which they have used since the Fund's inception because of their belief that 'raw duration' can be an inadequate measure of interest rate risk for relative value portfolios. This will better align with the way Ardea actually manage duration exposure in their portfolios, while also providing investors with the transparency of an existing, conventional, raw duration metric.

The proposed risk adjusted duration limit is:

"The portfolio's aggregate net interest rate duration exposure is generally expected to remain within a +/- 1 year range.

Implementing the proposed additional duration metric overlay does not change the Fund's exposure to interest rate risk. Rather, it enables the portfolio to be managed in line with how Ardea actually manage duration exposure.

Current Portfolio Duration	New Portfolio Duration to be effective on or around 21 June 2021
The portfolio's duration will be maintained between -2 years and +5 years.	The Portfolio's net aggregate interest rate duration will generally remain within a -1 to +1 year range as determined using Ardea's risk-adjusted methodology. Using conventional duration metrics, the portfolio's duration will generally be maintained between -5 years and +5 years (conventional duration range).

Change to the Fund's Inflation Duration

In order to provide clarity, the Fund's expected inflation exposure is proposed to be changed from "generally not falling below 2 years" to "generally remaining at approximately 2 years". There is no change to the level of intended inflation exposure.

Current Portfolio (Inflation) Duration	New Portfolio (Inflation) Duration to be effective on or around 21 June 2021
"The Fund's duration from inflation linked bonds it holds, will generally not fall below 2 years."	"The Fund's duration from inflation linked bonds it holds, will generally remain at approximately 2 years."

Change to the Fund's Currency Hedging

In order to provide clarity, the Fund's currency hedging strategy is proposed to be changed from "Ardea aims to fully hedge any foreign currency exposure back to the Australian dollar" to "Ardea aims to hedge all foreign currency exposure back to the Australian dollar as is practicable. The tolerance for unhedged foreign exposure is 2% of the Fund's net asset value." There is no change to the Fund's currency strategy.

Current Currency Hedging objective	New Currency Hedging objective to be effective on or around 21 June 2021
Ardea aims to fully hedge any foreign currency exposure back to the Australian dollar.	Ardea aims to hedge all foreign currency exposure to the Australian dollar as is practicable. The tolerance for unhedged foreign exposure is 2% of the Fund's net asset value.

Change to the Fund's Strategic Asset Allocation and Derivative Limits

In order to provide clarity on derivative limits, the Fund's strategic asset allocation range is proposed to be amended as outlined below.

Asset Class [1]	Min (%)	Max (%)
Government bonds [2]	90	100
Derivatives [2]	0	10

[1] If market movements, investments into or withdrawals from the Fund, or changes in the nature of an investment, cause the Fund to move outside these ranges, this will be addressed by Ardea as soon as reasonably practicable.

[2] Calculations are based on the gross market value of government bond holdings and the absolute aggregate net market value of derivative holdings.

Current investment universe and portfolio construction	New investment universe and portfolio construction to be effective on or around 21 June 2021
The Fund's net cash and derivative value will not exceed 10% of the NAV.	The Fund's derivative value will not exceed 10% of the NAV.

There are no changes to the Bond holding limits and there is no change to how derivatives are used with derivatives still capped at 10%.

Change to the Fund's allowable Global Bond Exposure

After a review of the Fund and in consideration of the Fund's global investment strategy, the 25% cap on offshore global bonds is proposed to be removed to allow Ardea more opportunity to implement its relative value strategy.

This limit is unnecessarily restrictive considering the Fund has the ability to take exposures to global bonds above the 25% limit through the use of derivatives.

Current investment universe and portfolio construction	New investment universe and portfolio construction to be effective on or around 21 June 2021
The Fund primarily invests in high quality, liquid Australian and global government bonds, semi-government bonds, interest rate derivatives, and short term money market instruments. The Fund may have up to 25% exposure to direct offshore government bonds. In addition, the Fund may also use derivatives to gain additional exposure to non-Australian interest rates.	The Fund primarily invests in high quality, liquid Australian and global government bonds, semi-government bonds, interest rate derivatives, and short term money market instruments.

Change to Fixed Interest definition

Minor, contemporary market changes to the Bonds sector definition are proposed to be made.

The two primary changes are:

1. Expanding the definition of government bonds from 'government bonds issued from the prescribed list of countries' to 'government bonds issued by authorised countries and currencies, with a minimum long-term credit rating of A+ from Standard & Poor's or A1 from Moody's (or equivalent).

The guiding principle for the Fund remains unchanged, which is to exclude countries/currencies with material sovereign credit risk.

2. Increasing the tenor on government bonds from 12 months to 13 months. This is linked to the redefined definition of 'cash and cash equivalents'/'short dated securities' from 1 year/365 days to maturity, to 13 months or less to maturity.

Modifying the classification in this way allows Ardea to efficiently exploit attractive money market related relative value opportunities that arise from market segmentation.

The guiding principle for the asset sector exposure remains unchanged and the proposed changes do not materially increase exposure to liquidity, credit default or market directional risks.

Change to Cash definition

Minor, contemporary market changes to the Cash sector definition are also proposed.

The three primary changes are:

1. The rating criteria for bank deposits and bank issued money market securities will be modified from 'A-1' to now include authorised securities with a minimum short term credit rating of 'A-2' or equivalent.

2. The tenor criteria will be modified from "'12 months or less' to maturity" to include authorised securities with "'13 months or less' to maturity". Modifying the classification in this way allows Ardea to efficiently exploit attractive money market related relative value opportunities that arise from market segmentation.

3. Proceeds from repurchase agreements are now permitted to be invested in the newly defined cash and cash equivalent securities definition (previously they were restricted to government bonds (any tenor) and money market securities with less than 6 months to maturity).

The guiding principle for the asset sector exposure remains unchanged and the proposed changes do not materially increase exposure to liquidity, credit default or market directional risks.

Change to Repurchase Agreement proceeds – Cash definition inclusion

The proceeds from repurchase agreements will now be permitted to be invested in the newly defined cash and cash equivalent securities definition, as opposed to being previously restricted to government bonds (unlimited tenor) and money market securities with less than 6 months to maturity).

Current investment universe and portfolio construction	**New investment universe and portfolio construction to be effective on or around 21 June 2021**
Any proceeds from repurchase agreements may be invested in nominal government bonds and inflation linked government bonds, as well as short-dated bank bills, negotiable certificates of deposits and promissory notes, with predominantly less than six months to maturity (rated A1 (or equivalent) or better).	Any proceeds from repurchase agreements may be invested in cash, bank bills, negotiable certificates of deposits, promissory notes, (rated A-2 (or equivalent) or better) or government bonds and inflation linked government bonds (rated A+ (or equivalent) or better), with less than 13 months to maturity