



Ardea Investment Management Managed Trusts Annual Financial Report for the Year Ended 30 June 2023

This annual financial report covers the following Ardea Investment Management Pty Limited managed Trusts as individual entities:

Ardea Composite Bond Fund

ARSN 658 407 866

Ardea Australian Inflation Linked Bond Fund

ARSN 141 165 362

Ardea Diversified Bond Fund

ARSN 622 519 117

Ardea Real Outcome Fund

ARSN 158 996 699

The Responsible Entity of the above mentioned Trusts is Fidante Partners Limited (ABN 94 002 835 592) (AFSL 234 668).

The registered office of the Responsible Entity is Level 2, 5 Martin Place, Sydney NSW 2000.

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Directors' report

The Directors of Fidante Partners Limited, the Responsible Entity of the below listed Trusts (the Trusts), present their report together with the annual general purpose financial reports for the Trusts for the year ended 30 June 2023.

- Ardea Composite Bond Fund
- Ardea Australian Inflation Linked Bond Fund
- Ardea Diversified Bond Fund
- Ardea Real Outcome Fund

The Trusts are Australian Registered Managed Investment Schemes. Fidante Partners Limited, the Responsible Entity of the Trusts, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 5 Martin Place, Sydney NSW 2000.

Directors

The following persons held office as Directors of Fidante Partners Limited during the year and up to the date of this report, unless otherwise stated:

A Bofinger	Director	
J Coomer	Director	(Resigned 26 June 2023)
R Grimes	Director	(Resigned 22 November 2022)
A Judin	Director	(Appointed 13 July 2023)
J O'Keeffe	Director	
V Rodriguez	Director	(Appointed 9 December 2022)
T Roxburgh	Director	(Appointed 13 July 2023)
Y Sodhi	Director	(Resigned 30 May 2023)

Principal activities and significant changes in the state of affairs

The Asset Manager of the Trusts is Ardea Investment Management Pty Limited (the Asset Manager).

The principal activity of the Trusts during the year was to invest in accordance with the provisions of the Trusts' governing documents. The individual investment strategies of the above mentioned Trusts are:

Directors' report (continued)

Trust name	Principal activity
Ardea Composite Bond Fund	The Trust invests in mainly Commonwealth government bonds, semi-government bonds, corporate securities, derivatives, bank bills and negotiable certificates of deposit.
Ardea Australian Inflation Linked Bond Fund	The Trust invests in indexed bonds, government bonds and semi-government bonds, annuities, repurchase agreements and discount securities. The Trust also continues to invest in derivatives such as futures, swaps, options and swaptions.
Ardea Diversified Bond Fund	The Trust invests in mainly, nominal bonds, floating rate notes, inflation-linked bonds, government bonds, semi-government bonds, asset-backed securities and interest rate derivatives. The Trust may also have up to 50% exposure to overseas bonds and is allowed to enter into repurchase agreements.
Ardea Real Outcome Fund	The Trust invests in government and semi-government bonds both in Australia and overseas.

Ardea Composite Bond Fund was constituted on 24 March 2022 and the first units for Class F were issued on 16 May 2022.

As the current period from date of registration of 12 April 2022 to 30 June 2023 (financial year) is the first reporting period for Ardea Composite Bond Fund, no comparative figures have been disclosed.

Effective 13 December 2022 Ardea Diversified Bond Fund Class A's management fee reduced from 0.52% to 0.50%.

On 19 May 2023, the first units were issued for Ardea Diversified Bond Fund Class C.

There were no other significant changes in the nature of the Trusts' activities or to the state of affairs of the Trusts during the year.

Operating and financial review

The results of the operations of the Trusts for the year include the distributions paid and payable on a cents per unit (CPU) basis. The CPU represents the distribution paid by the Trusts to unitholders for each individual unit held in the Trusts.

The table below shows historical discrete annual return performance of the Trusts for the past two years. Performance is calculated after all fees, except any entry fees that have been deducted, and assumes that all distributions were reinvested during that year. The total return is the aggregate of capital growth and distribution of income.

The Indirect Cost Ratio (ICRs) represent the annualised percentage of indirect costs incurred by the Trusts over the Trusts' average net assets attributable to unitholders for the year.

Directors' report (continued)

The results of the Trusts were as follows:

	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
	2023	2023	2022	2023	2022	2023	2022
For the year ended 30 June	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net profit/(loss) before finance costs for the year attributable to unitholders	(11,447)	27,661	(44,913)	3,761	(61,712)	222,092	(26,908)
Distributions paid and payable	15,145	7,370	35,935	—	21,679	109,377	756,326

	Ardea Composite Bond Fund Class F	Ardea Australian Inflation Linked Bond Fund Class A		Ardea Australian Inflation Linked Bond Fund Class I		Ardea Diversified Bond Fund Class A	
For the year ended 30 June	2023	2023	2022	2023	2022	2023	2022
Capital growth (%)	(1.99)	4.91	(11.66)	4.61	(12.01)	(2.10)	(9.05)
Distribution of income (%)	1.32	1.38	4.86	1.89	4.79	—	2.53
Total return (%)	(0.67)	6.29	(6.80)	6.50	(7.22)	(2.10)	(6.52)
ICR (%)	0.11	0.35	0.35	0.86	0.38	0.51	0.51
Distributions paid and payable (CPU)	1.49	1.13	5.00	1.48	4.85	—	2.15

	Ardea Diversified Bond Fund Class C	Ardea Diversified Bond Fund Class F		Ardea Real Outcome Fund Class A		Ardea Real Outcome Fund Class C	
For the year ended 30 June	2023	2023	2022	2023	2022	2023	2022
Capital growth (%)	(2.12)	(1.51)	(9.20)	1.42	(7.86)	1.78	(6.85)
Distribution of income (%)	—	—	2.40	1.28	7.71	1.05	6.79
Total return (%)	(2.12)	(1.51)	(6.80)	2.70	(0.15)	2.83	(0.06)
ICR (%)	0.40	0.05	0.65	0.50	0.50	0.43	0.43
Distributions paid and payable (CPU)	—	—	2.19	1.10	7.30	0.96	6.67

Directors' report (continued)

For the year ended 30 June	Ardea Real Outcome Fund Class P		Ardea Real Outcome Fund ETF Class	
	2023	2022	2023	2022
Capital growth (%)	1.41	(6.58)	1.54	(7.34)
Distribution of income (%)	1.45	6.54	1.66	7.66
Total return (%)	2.86	(0.04)	3.20	0.32
ICR (%)	0.45	0.45	—	—
Distributions paid and payable (CPU)	1.32	6.51	1.54	7.83

Class F of Ardea Composite Bond Fund was seeded on 16 May 2022.

Class C of Ardea Diversified Bond Fund was seeded on 19 May 2023.

The Ardea Real Outcome Fund ETF Class fees are charged through the interfunding Trust, the Active X Trust. Refer to note 12 for further details.

The indirect costs can include management costs and other costs as indicated in the Trusts' governing documents. Indirect costs may also include performance fees if permitted by the Trusts' governing documents. These costs are typically deducted from the Trusts' assets rather than paid directly by the unitholders of the Trusts.

The fluctuation in the ICR for each class is a result of performance fees incurred as follows:

For the year ended 30 June	Trust name	Class	Performance Fees	
			2023	2022
			%	%
	Ardea Australian Inflation Linked Bond Fund	Class I	0.78	0.31
	Ardea Diversified Bond Fund	Class F	0.00	0.60

Other classes of units not shown above are not subject to performance fees.

Significant events after the balance date

At the date of this financial report, no matter or circumstance has arisen that has affected, or may significantly affect the Trusts' operations, the results of those operations or the Trusts' state of affairs in future financial years, which has not already been reflected in this report.

Directors' report (continued)

Likely developments and expected results

At the time the Directors approved this report, they were not aware of any developments likely to have a significant effect upon the operations or the result of the Trusts in subsequent financial years, which have not been adequately dealt with in this report or in the financial report.

The Trusts will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trusts and in accordance with the provisions of the Trusts' Constitutions.

Further information on likely developments in the operations of the Trusts and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Trusts.

Indemnification and insurance of directors and officers

No insurance premiums are paid for out of the assets of the Trusts in regards to insurance cover provided to the officers of Fidante Partners Limited. So long as the officers of Fidante Partners Limited act in accordance with the Trusts' Constitutions and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trusts against losses incurred while acting on behalf of the Trusts. The auditors of the Trusts are in no way indemnified out of the assets of the Trusts.

Fees paid to and interests held in the Trusts by the Responsible Entity or its related entities

Fees paid to the Responsible Entity and its related entities out of the Trusts' assets during the year are disclosed in note 12 to the financial statements.

No fees were paid out of Trusts' assets to the Directors of the Responsible Entity during the year.

Interests in the Trusts held by the Responsible Entity or its related entities as at the end of the financial year are disclosed in note 12 to the financial statements.

Interests in the Trusts

The movement in units on issue in the Trusts during the year is disclosed in note 2 to the financial statements.

Value of Trusts' assets

The value of the Trusts' assets and liabilities are disclosed in the statements of financial position and derived using the basis set out in note 1.2 to the financial statements.

Environmental regulation and performance

The operations of the Trusts are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Directors' report (continued)

Single set of financial reports

The Trusts are entities of the kind referred to in ASIC Corporations (Related Scheme Reports) Instrument 2015/839 issued by the Australian Securities and Investments Commission (ASIC) and in accordance with that Instrument, Trusts with a common Responsible Entity (or related Responsible Entities) can include their financial reports in adjacent columns in a single financial report.

Rounding of amounts to the nearest thousand dollars

Unless otherwise stated, monetary amounts contained in this report and the financial report have been rounded to the nearest \$1,000 under the option available to the Trusts under ASIC Corporations Instrument 2016/191.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Authorisation

Signed in accordance with a resolution of the Directors of the Responsible Entity.

A Judin
Director

Sydney
15 September 2023



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working world**

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Auditor's independence declaration to the directors of Fidante Partners Limited

For the following Ardea Investment Management Managed Trusts (the "Trusts"):

- Ardea Composite Bond Fund
- Ardea Australian Inflation Linked Bond Fund
- Ardea Diversified Bond Fund
- Ardea Real Outcome Fund

As lead auditor for the audit of the financial report of the above Trusts for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Rita Da Silva
Partner
15 September 2023

Statements of comprehensive income

For the year ended 30 June

		Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund	Ardea Diversified Bond Fund	Ardea Real Outcome Fund			
	Notes	2023 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Income								
Interest income from financial assets measured at fair value through profit or loss		236,470	50,391	22,644	312,096	30,848	3,737,303	356,001
Interest income from financial assets measured at amortised cost		2,146	823	108	5,374	304	44,050	4,140
Other operating income		109	—	—	890	—	2,277	56,644
Net gains/(losses) on financial instruments at fair value through profit or loss		(36,243)	15,748	(51,726)	(16,756)	(68,365)	(331,431)	259,103
Net foreign exchange gains/(losses)		(6,661)	—	—	(25,490)	1,174	99,705	(441,886)
Total net income		195,821	66,962	(28,974)	276,114	(36,039)	3,551,904	234,002
Expenses								
Management fees	12	1,169	1,223	1,317	3,244	2,547	36,106	45,547
Performance fees	12	—	262	2,256	—	1,807	—	—
Interest expense from financial assets measure at fair value through profit or loss		202,283	36,368	11,708	260,842	19,374	3,213,841	185,507
Interest expense from financial assets measured at amortised cost		1,729	1,272	446	5,928	826	54,514	12,069
Transaction costs		1,604	128	109	2,254	989	24,247	16,448
Other expenses		483	48	103	85	130	1,104	1,339
Total expenses		207,268	39,301	15,939	272,353	25,673	3,329,812	260,910
Net profit/(loss) before finance costs for the year attributable to unitholders		(11,447)	27,661	(44,913)	3,761	(61,712)	222,092	(26,908)

Statements of comprehensive income (continued)

For the year ended 30 June

		Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund	Ardea Diversified Bond Fund	Ardea Real Outcome Fund
	Notes	2023 \$'000	2023 \$'000	2022 \$'000	2022 \$'000
Finance costs attributable to unitholders					
Distributions to unitholders	3	—	(7,370)	(35,935)	—
Movements in net assets attributable to unitholders	2	—	(20,291)	80,848	(3,761)
Net profit/(loss) after finance costs for the year attributable to unitholders		(11,447)	—	—	—
Other comprehensive income/(loss) for the year		—	—	—	—
Total comprehensive income/(loss) for the year attributable to unitholders		(11,447)	—	—	—

The reporting period of Ardea Composite Bond Fund is from 12 April 2022 to 30 June 2023.

The statements of comprehensive income should be read in conjunction with the accompanying notes.

Statements of financial position

As at 30 June

		Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
	Notes	2023 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Assets								
Cash and cash equivalents	13	8,127	1,024	6,410	6,232	67,930	108,132	117,584
Collateral and margin accounts		136,352	61,133	35,667	194,764	143,156	2,527,783	1,602,085
Receivables	4	184,692	59,946	1,959	164,934	21,260	3,334,109	1,893,635
Financial assets at fair value through profit or loss	5	1,340,802	513,138	667,756	797,441	1,362,038	15,328,840	16,641,530
Total assets		1,669,973	635,241	711,792	1,163,371	1,594,384	21,298,864	20,254,834
Liabilities								
Collateral and margin accounts		121,953	69,314	59,447	146,598	189,680	2,164,710	1,795,798
Distributions payable	3	—	—	—	—	5,665	—	568,090
Payables	8	71,212	47,114	3,225	151,851	18,747	1,738,792	869,597
Financial liabilities at fair value through profit or loss	6	496,234	44,206	38,443	450,898	458,527	10,440,746	8,171,084
Total liabilities (excluding net assets attributable to unitholders)		689,399	160,634	101,115	749,347	672,619	14,344,248	11,404,569
Net assets attributable to unitholders - Equity	2	980,574	—	—	—	—	—	—
Net assets attributable to unitholders - Liability	2	—	474,607	610,677	414,024	921,765	6,954,616	8,850,265

The reporting period of Ardea Composite Bond Fund is from 12 April 2022 to 30 June 2023.

The statements of financial position should be read in conjunction with the accompanying notes.

Statements of changes in unitholder funds

For the year ended 30 June

The following Trusts are single or multi-class respectively classify net assets attributable to unitholders as equity or liability as set out in note 2.

	Notes	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond	Ardea Diversified Bond Fund	Ardea Real Outcome Fund			
		2023 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Classification of net assets attributable to unitholders as at 30 June		Equity	Liability	Liability	Liability	Liability	Liability	Liability
As at 1 July - Opening Balance		—	610,677	721,586	921,765	337,278	8,850,265	9,002,446
Applications for units		1,042,021	27,130	13,231	265,136	852,085	1,401,757	4,721,169
Units issued upon reinvestment of distributions		15,145	7,351	35,874	4,649	15,793	200,483	67,405
Redemptions of units		(50,000)	(190,842)	(79,166)	(781,287)	(200,000)	(3,610,604)	(4,157,521)
Distributions paid and payable	3	(15,145)	—	—	—	—	—	—
Total comprehensive income/(loss) attributable to unitholders for the year - Equity		(11,447)	—	—	—	—	—	—
Movements in net assets attributable to unitholders - Liability		—	20,291	(80,848)	3,761	(83,391)	112,715	(783,234)
As at 30 June - Closing Balance	2	980,574	474,607	610,677	414,024	921,765	6,954,616	8,850,265

The reporting period of Ardea Composite Bond Fund is from 12 April 2022 to 30 June 2023.

The statements of changes in unitholder funds should be read in conjunction with the accompanying notes.

Statements of cash flows

For the year ended 30 June

	Notes	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund	Ardea Diversified Bond Fund	Ardea Real Outcome Fund			
		2023 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Cash flows from operating activities								
Proceeds from sale of financial instruments at fair value through profit or loss		19,925,591	2,182,838	1,123,929	17,404,374	7,982,999	249,346,144	151,601,037
Purchase of financial instruments at fair value through profit or loss		(20,953,440)	(2,034,137)	(1,065,721)	(17,040,347)	(8,601,941)	(246,999,038)	(152,782,203)
Interest received		181,790	49,789	22,615	225,767	17,697	2,652,263	298,107
Other income received		173	242	—	659	6	5,227	59,867
Interest paid		(152,556)	(36,282)	(11,674)	(166,967)	(9,250)	(2,122,452)	(139,870)
Management fees paid		(1,191)	(1,346)	(1,211)	(3,082)	(2,644)	(40,844)	(49,759)
Performance fees paid		—	(2,625)	(125)	—	(330)	—	—
Other expenses paid		(2,052)	(134)	(239)	(4,496)	(998)	(24,457)	(16,600)
Net cash inflows/(outflows) from operating activities	13	(1,001,685)	158,345	67,574	415,908	(614,461)	2,816,843	(1,029,421)
Cash flows from financing activities								
Proceeds from applications by unitholders		1,042,021	27,130	13,231	264,929	852,085	1,398,047	4,728,762
Payments for redemptions by unitholders		(50,000)	(190,842)	(79,166)	(780,781)	(200,000)	(3,637,279)	(4,075,021)
Distributions paid		—	(19)	(61)	(1,016)	(221)	(476,984)	(120,831)
Net cash inflows/(outflows) from financing activities		992,021	(163,731)	(65,996)	(516,868)	651,864	(2,716,216)	532,910
Net increase/(decrease) in cash and cash equivalents		(9,664)	(5,386)	1,578	(100,960)	37,403	100,627	(496,511)

Statements of cash flows (continued)

For the year ended 30 June

	Notes	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
		2023 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Cash and cash equivalents at the beginning of the year		—	6,410	4,832	67,930	25,124	117,584	584,845
Effects of exchange rate changes on cash and cash equivalents		17,791	—	—	39,262	5,403	(110,079)	29,250
Cash and cash equivalents at the end of the year	13	8,127	1,024	6,410	6,232	67,930	108,132	117,584

The reporting period of Ardea Composite Bond Fund is from 12 April 2022 to 30 June 2023.

The statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Basis of preparation and overarching significant accounting policies

These financial statements cover the below listed Trusts (the Trusts) as individual entities. The Trusts are Australian registered managed investment schemes and were constituted on the below dates. The Trusts will terminate on the below dates unless terminated earlier in accordance with the provisions of the Trusts' Constitutions:

Trust name	Constitution date	Termination date
Ardea Composite Bond Fund	24 March 2022	23 March 2102
Ardea Australian Inflation Linked Bond Fund	11 December 2009	10 December 2089
Ardea Diversified Bond Fund	18 October 2017	17 October 2097
Ardea Real Outcome Fund	11 December 2009	11 December 2089

The financial report of the Trusts for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 15 September 2023.

The nature of the operating and principal activities of the Trusts are described in the Directors' report.

1.1. Basis of preparation

Basis of preparation

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Furthermore the financial statements have been prepared on a going concern basis as the Trusts are expected to generate sufficient funds to enable them to pay their debts as and when they fall due.

The Trusts are for-profit entities for the purposes of preparing financial statements.

The statements of financial position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial instruments, and in instances where a Trust treats unitholder funds as a liability, net assets attributable to unitholders. The amounts expected to be recovered or settled beyond twelve months after the end of each reporting period cannot be reliably determined.

Unless stated otherwise, the financial report is presented in Australian dollars and has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

1. Basis of preparation and overarching significant accounting policies (continued)

Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

New accounting standards and interpretations

All new accounting standards that are applicable to the Trusts for the 30 June 2023 reporting period have been adopted and do not have a material impact on the financial statements.

There are no new accounting standards and interpretations that have been issued, but not yet effective, that are material to the financial statements or have been early adopted for the 30 June 2023 reporting period.

Foreign currency

Both the presentation currency and the functional currency of the Trusts are Australian dollars.

Transactions in foreign currency are translated into the Trusts' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the statements of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the historical exchange rate as at the date of the transaction.

Non-monetary items measured at fair value in a foreign currency are translated to the functional currency using the exchange rate ruling at the date when the fair value was determined.

Comparatives

Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in this financial report.

As the current period is the first reporting period for Ardea Composite Bond Fund, no comparatives figures have been disclosed.

Rounding of amounts

Unless otherwise stated, monetary amounts contained in this report and the Directors' report have been rounded to the nearest \$1,000 under the option available to the Trusts under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

Including different registered scheme financial reports in a single document

The registered schemes have applied ASIC's Corporations Instrument 2015/839, which allows registered schemes with a common, or related, Responsible Entity to include their financial statements in adjacent columns in a single financial report.

1. Basis of preparation and overarching significant accounting policies (continued)

1.2. Summary of significant accounting policies

Investment income and interest expense

Investment income may include net gains or losses from financial instruments. Where applicable, these net gains include all realised and unrealised fair value changes. Any foreign exchange differences, interest, dividends and distributions are recorded as separate line items in the statements of comprehensive income. Where applicable, interest income and interest expense are recognised using the effective interest method, and dividend and distribution income are recognised when the Trusts' right to receive payment is established.

The Trusts have not applied hedge accounting.

Expenses

Expenses are recognised on an accrual basis at the fair value of the consideration paid or payable for services rendered.

Expenses may include management fees, operation costs and transaction costs. Expenses may also include performance fees if permitted by the Trusts' governing documents. Expenses are recognised in the statements of comprehensive income.

Taxes

Under the current legislation, the Trusts are not subject to income tax as all assessable income, exempt income and non-assessable income will be attributed to unitholders under the AMIT regime.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, the portion of the gain that is subject to capital gains tax will be attributed so that the Trusts are not subject to capital gains tax.

Realised capital losses are not attributed to unitholders but are retained in the Trusts to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is attributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

The Trusts currently incur withholding tax on investment income imposed by certain countries. Such income is recorded gross of withholding tax in the statements of comprehensive income.

Goods and services (GST)

The Trusts qualify for Reduced Input Tax Credits (RITC) at various applicable rates.

Revenues, expenses and assets are recognised net of the amount of GST, except when the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable.

1. Basis of preparation and overarching significant accounting policies (continued)

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statements of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Cash and cash equivalents

Cash and cash equivalents are financial assets with fixed or determinable payments and comprise of cash at bank, cash held with custodian and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are recognised at fair value. For the purposes of the statements of cash flows, cash and cash equivalents are stated net of any outstanding bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities at fair value are classified as cash flows from operating activities, as movements in the fair value of these securities form a part of the Trusts' income generating activity.

Collateral and margin accounts

Collateral and margin accounts represent short term investments which are not held for the purpose of meeting short term cash commitments. They may also include restricted deposits for derivative financial instruments and/or for securities sold short. Margin accounts represent cash deposits held by or due to brokers as collateral against open derivative contracts.

Collateral and margin accounts are measured at amortised cost using the effective interest method less any expected credit losses.

Financial instruments

Classification

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition/derecognition

The Trusts recognise financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Trusts have transferred substantially all risks and rewards of ownership.

1. Basis of preparation and overarching significant accounting policies (continued)

Measurement

At initial recognition, the Trusts measure financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statements of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are presented in the statements of comprehensive income. For further details on how the fair values of financial instruments are determined please refer to note 11.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are categorised as financial assets - fair value through profit or loss. The classification depends on the definition and the purpose for which the investments were acquired. The classification of investments is determined at initial recognition and evaluated at each reporting date.

Purchases and sales of financial assets are recognised on the date on which the Trusts commit to purchase or sell the asset. A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Trusts have transferred their rights to receive cash flows from the asset, or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Trusts have:

- Transferred substantially all of the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Trusts include in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

Financial liabilities at fair value through profit or loss

The Trusts may make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or they may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

1. Basis of preparation and overarching significant accounting policies (continued)

Derivative contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss. Securities subject to repurchase agreements continue to be recognised in the statements of financial position as the risks and rewards of ownership remain within the investment portfolio. Collateral received is classified as 'Repurchase agreement bonds' and are accounted for as financial assets at fair value through profit and loss. Collateral provided is classified as 'Repurchase agreements' and are accounted for as financial liabilities at fair value through profit or loss. The difference between the sale price and the repurchase price is charged to interest expense in the statements of comprehensive income using the effective interest rate method over the expected life of the agreements.

Net assets attributable to unitholders

Units issued by the Trusts are redeemable for cash at the unitholders' option at any time based on the redemption price. The fair value of redeemable units are measured using the redemption unit price at the reporting date if unitholders were to exercise their right to redeem units in the Trusts.

Units are classified as equity when they satisfy the following criteria under AASB 132 Financial Instruments: Presentation (AASB 132):

- the puttable financial instrument entitles the holder to a pro rata share of net assets in the event of the Trusts' liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Trusts, and it is not a contract settled in the Trusts' own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss and cannot be guaranteed.

As at 30 June 2023, unitholder funds are classified as equity when they satisfy all the criteria under AASB 132 and as a liability when they do not satisfy all the criteria under AASB 132.

Use of estimates

The Trusts may hold financial instruments for which quoted market prices are readily available. The Trusts may also hold certain financial instruments, for example over-the-counter derivatives or unquoted securities, that are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

2. Net assets attributable to unitholders

As stipulated in the Trusts' Constitutions, each unit represents a right to an individual share in the respective Trusts and does not extend to a right to the underlying assets of the Trusts.

The number of separate classes of units in the below listed Trusts are as follows:

Trust	Separate classes of units
Ardea Composite Bond Fund	One
Ardea Australian Inflation Linked Bond Fund	Two
Ardea Diversified Bond Fund	Three
Ardea Real Outcome Fund	Four

Each unit in the Trust has the same rights, preferences and restrictions attaching to it as all other units of each respective Trust.

Applications received for units in the Trusts are recorded net of any entry fees payable prior to the issue of units in the Trusts. Redemptions from the Trusts are recorded gross of any exit fees payable after the cancellation of units redeemed.

Income not distributed is included in net assets attributable to unitholders. Where unitholder funds are classified as a liability, movements in net assets attributable to unitholders are recognised in the statements of comprehensive income as finance costs. Where unitholder funds are classified as equity, movements in net assets attributable to unitholders are recognised in the statement of changes in unitholder funds.

Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trusts, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trusts. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trusts.

The rights, obligations and restrictions attached to each unit are identical in all respects.

2. Net assets attributable to unitholders (continued)

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

Net assets attributable to unitholders	Ardea Composite Bond Fund Class F		Ardea Australian Inflation Linked Bond Fund Class A		Ardea Australian Inflation Linked Bond Fund Class I		Ardea Diversified Bond Fund Class A	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Classification of net assets attributable to unitholders as at 30 June	Equity	Equity	Liability	Liability	Liability	Liability	Liability	Liability
As at 1 July 2022 - Opening Balance	—	—	357,461	299,158	384,124	311,519	949,045	708,431
Applications for units	1,039,952	1,042,021	12,978	11,131	18,758	15,999	168,286	127,126
Units issued upon reinvestment of distributions	15,305	15,145	4,747	4,090	3,981	3,261	5,171	3,862
Redemptions of units	(49,439)	(50,000)	(6,352)	(5,520)	(229,126)	(185,322)	(924,950)	(701,596)
Distributions paid and payable	—	(15,145)	—	—	—	—	—	—
Total comprehensive income/(loss) for the year attributable to unitholders - Equity	—	(11,447)	—	—	—	—	—	—
Movements in net assets attributable to unitholders - Liability	—	—	—	14,962	—	5,329	—	6,538
As at 30 June 2023 - Closing Balance	1,005,818	980,574	368,834	323,821	177,737	150,786	197,552	144,361

2. Net assets attributable to unitholders (continued)

Net assets attributable to unitholders	Ardea Diversified Bond Fund Class C		Ardea Diversified Bond Fund Class F		Ardea Real Outcome Fund Class A		Ardea Real Outcome Fund Class C	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Classification of net assets attributable to unitholders as at 30 June	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability
As at 1 July 2022 - Opening Balance	—	—	267,780	213,334	8,917,587	7,766,349	13,510	12,346
Applications for units	48,583	47,073	112,830	90,937	1,355,032	1,179,519	52,586	48,300
Units issued upon reinvestment of distributions	—	—	986	787	228,550	199,474	1,100	1,009
Redemptions of units	(521)	(509)	(97,925)	(79,182)	(3,682,189)	(3,223,111)	(538)	(495)
Movements in net assets attributable to unitholders - Liability	—	447	—	(3,224)	—	96,151	—	787
As at 30 June 2023 - Closing Balance	48,062	47,011	283,671	222,652	6,818,980	6,018,382	66,658	61,947

Net assets attributable to unitholders	Ardea Real Outcome Fund Class P		Ardea Real Outcome Fund ETF Class	
	No. '000	\$'000	No. '000	\$'000
Classification of net assets attributable to unitholders as at 30 June	Liability	Liability	Liability	Liability
As at 1 July 2022 - Opening Balance	230,353	213,593	905,034	857,977
Applications for units	135,025	125,038	51,524	48,900
Units issued upon reinvestment of distributions	—	—	—	—
Redemptions of units	(275,378)	(257,875)	(135,571)	(129,123)
Movements in net assets attributable to unitholders - Liability	—	3,802	—	11,975
As at 30 June 2023 - Closing Balance	90,000	84,558	820,987	789,729

The reporting period of Ardea Composite Bond Fund is from 12 April 2022 to 30 June 2023.

2. Net assets attributable to unitholders (continued)

Net assets attributable to unitholders	Ardea Australian Inflation Linked Bond Fund Class A		Ardea Australian Inflation Linked Bond Fund Class I		Ardea Diversified Bond Fund Class A		Ardea Diversified Bond Fund Class F	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Classification of net assets attributable to unitholders as at 30 June	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability
As at 1 July 2021 - Opening Balance	332,973	315,493	440,534	406,093	308,182	252,962	96,089	84,316
Applications for units	14,502	13,231	—	—	629,042	498,551	409,041	353,534
Units issued upon reinvestment of distributions	18,383	16,993	20,924	18,881	11,821	9,384	7,608	6,409
Redemptions of units	(8,397)	(7,479)	(77,334)	(71,687)	—	—	(244,958)	(200,000)
Movements in net assets attributable to unitholders - Liability	—	(39,080)	—	(41,768)	—	(52,466)	—	(30,925)
As at 30 June 2022 - Closing Balance	357,461	299,158	384,124	311,519	949,045	708,431	267,780	213,334
Net assets attributable to unitholders	Ardea Real Outcome Fund Class A		Ardea Real Outcome Fund Class C		Ardea Real Outcome Fund Class P		Ardea Real Outcome Fund ETF Class	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Classification of net assets attributable to unitholders as at 30 June	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability
As at 1 July 2021 - Opening Balance	8,739,853	8,271,696	5,387	5,292	17,454	17,342	691,267	708,116
Applications for units	4,529,400	4,226,998	8,754	8,464	257,399	253,707	228,232	232,000
Units issued upon reinvestment of distributions	72,664	67,255	157	150	—	—	—	—
Redemptions of units	(4,424,330)	(4,098,914)	(788)	(760)	(44,500)	(43,347)	(14,465)	(14,500)
Movements in net assets attributable to unitholders - Liability	—	(700,686)	—	(800)	—	(14,109)	—	(67,639)
As at 30 June 2022 - Closing Balance	8,917,587	7,766,349	13,510	12,346	230,353	213,593	905,034	857,977

2. Net assets attributable to unitholders (continued)

	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
	2023	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total net assets attributable to unitholders	980,574	474,607	610,677	414,024	921,765	6,954,616	8,850,265

Ardea Composite Bond Fund Fund was constituted on 24 March 2022 and the first units for Class F were issued on 16 May 2022.

Capital risk management

The Trusts consider their unitholder funds as capital. The amount of unitholder funds can change significantly as the Trusts are subject to applications and redemptions at the discretion of unitholders. Applications and redemptions are reviewed relative to the liquidity of the Trusts' underlying assets by the Responsible Entity. Under the terms of the Trusts' Constitutions, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

3. Distributions to unitholders

In accordance with the Trusts' Constitutions, the Trusts distribute income adjusted for amounts determined by the Responsible Entity to unitholders by cash or reinvestment. Where unitholder funds are classified as a liability, these distributions are recognised in the statements of comprehensive income as finance costs, and where unitholder funds are classified as equity, these distributions are recognised in the statements of changes in unitholder funds.

The distributions for the year are presented below in dollars ('000) and cents per unit (CPU) for each class.

	Ardea Composite Bond Fund Class F		Ardea Australian Inflation Linked Bond Fund Class A		Ardea Australian Inflation Linked Bond Fund Class I		Ardea Diversified Bond Fund Class A	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distributions								
Distributions paid - September 2022	5,032	0.49	1,010	0.28	1,574	0.56	—	—
Distributions paid - December 2022	5,013	0.49	1,526	0.42	814	0.43	—	—
Distributions paid - March 2023	5,100	0.51	1,573	0.43	873	0.49	—	—
Distributions payable - June 2023	—	—	—	—	—	—	—	—
Total distributions - 30 June 2023	15,145	1.49	4,109	1.13	3,261	1.48	—	—

3. Distributions to unitholders (continued)

	Ardea Composite Bond Fund Class F		Ardea Australian Inflation Linked Bond Fund Class A		Ardea Australian Inflation Linked Bond Fund Class I		Ardea Diversified Bond Fund Class A	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distributions								
Special distributions paid - 21 July 2021	—	—	9,775	2.94	12,363	3.14	—	—
Distributions paid - September 2021	—	—	3,137	0.89	2,118	0.56	2,772	0.64
Distributions paid - December 2021	—	—	2,529	0.71	2,881	0.75	4,420	0.65
Distributions paid - March 2022	—	—	1,613	0.46	1,519	0.40	2,413	0.35
Distributions payable - June 2022	—	—	—	—	—	—	4,878	0.51
Total distributions - 30 June 2022	—	—	17,054	5.00	18,881	4.85	14,483	2.15

	Ardea Diversified Bond Fund Class F		Ardea Real Outcome Fund Class A		Ardea Real Outcome Fund Class C		Ardea Real Outcome Fund Class P	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distributions								
Distributions paid - September 2022	—	—	37,025	0.42	72	0.38	1,167	0.42
Distributions paid - December 2022	—	—	35,375	0.42	129	0.34	1,114	0.50
Distributions paid - March 2023	—	—	20,501	0.26	127	0.24	610	0.40
Distributions payable - June 2023	—	—	—	—	—	—	—	—
Total distributions - 30 June 2023	—	—	92,901	1.10	328	0.96	2,891	1.32

Distributions								
Distributions paid - September 2021	944	0.76	72,037	0.75	54	0.72	460	0.30
Distributions paid - December 2021	3,302	0.69	48,308	0.45	46	0.46	905	0.47
Distributions paid - March 2022	2,163	0.45	46,980	0.45	50	0.44	977	0.46
Distributions payable - June 2022	787	0.29	503,571	5.65	682	5.05	12,160	5.28
Total distributions - 30 June 2022	7,196	2.19	670,896	7.30	832	6.67	14,502	6.51

3. Distributions to unitholders (continued)

	Ardea Real Outcome Fund ETF Class			
	\$'000	CPU		
Distributions				
Distributions paid - September 2022	5,194	0.58		
Distributions paid - December 2022	4,837	0.57		
Distributions paid - March 2023	3,226	0.39		
Distributions payable - June 2023	—	—		
Total distributions - 30 June 2023	13,257	1.54		
Distributions				
Distributions paid - September 2021	7,516	0.91		
Distributions paid - December 2021	5,509	0.62		
Distributions paid - March 2022	5,394	0.59		
Distributions payable - June 2022	51,677	5.71		
Total distributions - 30 June 2022	70,096	7.83		
	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund	Ardea Diversified Bond Fund	Ardea Real Outcome Fund
	2023	2023	2023	2023
	\$'000	\$'000	\$'000	\$'000
Total distributions paid and payable - 30 June	15,145	7,370	35,935	—
			21,679	109,377
				756,326

During the year, the Class C of units in the Ardea Diversified Bond Fund did not pay a distribution.

The reporting period of Ardea Composite Bond Fund is from 12 April 2022 to 30 June 2023.

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statements of financial position.

4. Receivables

Receivables may include GST RITC, application monies, interest, dividends, trust distributions and other income accrued and unsettled trade purchases. They are recognised when the right to receive payment is established and are generally recovered within 30 days. The Trusts measure expected credit losses on a 12-month basis. Given the nature of the Trusts' receivables and the limited exposure of the Trusts to credit risk, no material expected credit losses have been recognised.

Amounts recoverable from related entities have no fixed repayment term and are non-interest-bearing.

All receivables are considered current.

As at 30 June	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund	2022	Ardea Diversified Bond Fund	2022	Ardea Real Outcome Fund	2022
	2023	2023		2023		2023	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Application for units receivable	—	—	—	207	—	7,921	4,211
GST receivable	17	25	185	13	204	602	835
Interest receivable	56,826	3,199	1,774	106,786	15,084	1,225,069	95,979
Outstanding trade settlements	127,849	56,722	—	57,928	5,972	2,100,517	1,792,610
Total receivables	184,692	59,946	1,959	164,934	21,260	3,334,109	1,893,635

5. Financial assets at fair value through profit or loss

	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
As at 30 June	2023	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Derivatives							
Bond future options	1,996	—	—	—	7,719	31,563	39,957
Credit default swaps	—	—	—	311	923	—	—
Cross currency swaps	23,824	—	—	44,551	31,545	261,742	257,895
Forward currency contracts	29,566	—	—	36,518	23	144,849	117,303
Index credit default swaps	—	—	—	2,759	1,528	—	—
Interest rate swaps	31,435	3,379	54,316	62,051	140,740	1,195,460	1,299,699
Overnight indexed swaps	74,238	2,514	—	94,140	23,100	1,507,496	1,144,188
Over-the-counter options	16,812	238	131	21,749	22,970	484,117	284,191
Swaptions	13,811	17,895	33,095	18,786	143,764	465,585	978,585
Zero-coupon inflation swaps	12,812	22,072	28,187	21,979	17,010	575,123	684,666
Total derivatives	204,494	46,098	115,729	302,844	389,322	4,665,935	4,806,484
Debt securities							
Agency bonds	114,745	—	—	30,995	158,253	159,419	46,692
Capital indexed bonds	23,289	410,458	534,314	32,012	—	183,707	1,466,301
Discount securities	369,675	—	—	85,732	33,592	3,722,984	2,334,193
Government bonds	248,716	22,678	—	158,680	403,957	1,316,647	3,781,544
Index bonds	—	—	—	5,400	5,375	31,641	31,495
Repurchase agreement bonds	—	—	—	135,432	163,941	4,647,574	3,222,710
Semi-government bonds	91,328	12,081	17,713	20,696	207,598	401,022	857,789
Straight repurchase agreements	194,557	21,823	—	—	—	—	—
Supranational bonds	93,998	—	—	25,650	—	199,911	94,322
Total debt securities	1,136,308	467,040	552,027	494,597	972,716	10,662,905	11,835,046
Total financial assets at fair value through profit or loss	1,340,802	513,138	667,756	797,441	1,362,038	15,328,840	16,641,530

5. Financial assets at fair value through profit or loss (continued)

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in notes 10 and 11 respectively.

6. Financial liabilities at fair value through profit or loss

As at 30 June	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
	2023 \$'000	2023 \$'000		2022 \$'000		2023 \$'000	
Derivatives							
Credit default swaps	—	—	—	311	931	—	—
Cross currency swaps	34,971	—	—	16,264	37,485	183,520	467,425
Forward currency contracts	15,573	—	—	31,602	16,587	322,963	262,505
Index credit default swaps	—	—	—	2,593	1,504	—	—
Interest rate swaps	30,376	19,963	32,722	97,823	169,455	1,207,554	1,487,823
Overnight indexed swaps	55,196	—	—	108,733	41,515	1,368,822	1,148,582
Over-the-counter options	15,472	208	77	12,289	5,876	376,925	67,288
Swaptions	—	—	—	—	91	27,297	829
Zero-coupon inflation swaps	21,992	2,179	5,644	27,973	19,041	798,911	737,237
Total derivatives	173,580	22,350	38,443	297,588	292,485	4,285,992	4,171,689
Debt securities							
Repurchase agreement bonds	—	—	—	153,310	166,042	6,154,754	3,999,395
Straight repurchase agreements	322,654	21,856	—	—	—	—	—
Total debt securities	322,654	21,856	—	153,310	166,042	6,154,754	3,999,395
Total financial liabilities at fair value through profit or loss	496,234	44,206	38,443	450,898	458,527	10,440,746	8,171,084

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in notes 10 and 11 respectively.

7. Derivative financial instruments

In the normal course of business, the Trusts enter into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Trusts' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Trusts against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategies, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Trusts.

The Trusts hold the following derivative instruments:

Bond future options

A bond future option is an instrument that conveys to its holder the right, but not the obligation, to buy or sell a bond future at a fixed price. The writer/seller of the option grants this right and receives a premium from the buyer for undertaking this obligation. These instruments are typically traded over-the-counter.

Credit default swaps

A credit default swap is a credit derivative used to hedge credit risk or take a position on a basket or credit entity. It is an agreement between two parties whereby one party pays the other a fixed coupon for the specified term of the agreement. The other party makes no payment unless a specified credit event occurs.

Unlike a credit default swap, which is an over-the-counter derivative, an index credit default swap is a standardised credit security.

Forward currency contracts

A forward currency contract is primarily used by the Trusts to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Trusts agree to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing market price at the end of each reporting period. The Trusts recognise a gain or loss equal to the change in fair value at the end of each reporting period.

7. Derivative financial instruments (continued)

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. The Trusts are exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

Swaps

Swaps are derivative instruments in which two counter parties agree to exchange one stream of cash flow against another stream. Swaps may include cross currency swaps, equity swaps, FX rate swaps, inflation linked swaps, interest rate swaps, overnight indexed swaps, total return swaps and zero-coupon swaps.

Swaptions

A swaption is an option to enter into an interest rate swap. In exchange for an option premium, the buyer gains the right but not the obligation to enter into a specified swap agreement with the issuer on a specified future date.

Refer to note 5 and 6 for further information on derivative assets and liabilities.

An overview of the risk exposures and fair value measurements relating to derivative financial instruments are included in notes 10 and 11 respectively.

8. Payables

Payables represent unsecured non-derivative, non-interest-bearing financial liabilities in respect of goods and services provided to the Trusts prior to the end of the financial year. Payables may include redemptions payable, accrued expenses and unsettled purchases of financial instruments which are unpaid by the Trusts at the reporting date. Amounts are generally paid within 30 days.

Amounts payable to related entities have no fixed repayment term and are non-interest-bearing.

All payables are considered current.

8. Payables (continued)

As at 30 June	Notes	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
		2023 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Amounts owing to the Responsible Entity	12	94	129	2,492	80	2,496	2,775	3,902
Outstanding trade settlements		19,662	44,893	—	39,971	4,759	468,710	717,616
Redemptions of units payable		—	—	—	506	—	57,603	84,278
Interest payable		51,456	2,092	733	111,294	11,492	1,209,704	63,801
Total payables		71,212	47,114	3,225	151,851	18,747	1,738,792	869,597

9. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. As at 30 June 2023 there are no financial assets and financial liabilities that have been offset in the statements of financial position (2022: \$Nil).

Master netting arrangement – not currently enforceable

The Trusts present the fair value of their derivative financial assets and liabilities on a gross basis in the statements of financial position. Certain derivative financial assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

An ISDA agreement does not meet the criteria for offsetting in the statements of financial position as the Trusts do not have any current legally enforceable right to offset recognised amounts. The right to offset is enforceable only on the occurrence of a future event such as a default.

As at 30 June 2023, if these netting arrangements were applied to derivative financial instruments, derivative financial assets and derivative financial liabilities would be as follows:

9. Offsetting financial assets and financial liabilities (continued)

As at 30 June	Derivative financial assets - netting arrangements		Derivative financial liabilities - netting arrangements	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Trust Name				
Ardea Composite Bond Fund	56,232	—	25,320	—
Ardea Australian Inflation Linked Bond Fund	38,175	81,714	14,427	4,427
Ardea Diversified Bond Fund	80,368	154,968	75,112	58,130
Ardea Real Outcome Fund	828,365	1,010,431	448,423	375,637

Refer to notes 5 and 6 for further details on derivative financial instruments presented on a gross basis.

10. Financial risk management

Overview

The Trusts' activities can expose the Trusts to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Trusts' overall risk management program focuses on ensuring compliance with the Trusts' governing documents and seeks to maximise the returns derived for the level of risk to which the Trusts are exposed. The Trusts may use derivative financial instruments to alter certain risk exposures. The Responsible Entity is responsible for identifying the financial risks that arise from these financial instruments and for ensuring there are mechanisms in place to manage these risks.

The allocation of assets between the various types of financial instruments are determined by the Trusts' Asset Manager who manages the Trusts' assets to achieve the Trusts' investment objectives.

Divergence from target allocations and the composition of the assets are monitored on a regular basis.

The Responsible Entity has a Risk Management Strategy in place for managing risk and the key elements of the Risk Management Framework (RMF). The risks covered by the RMF include, but are not limited to, financial risks, for example: market, investment, pricing risks, funding, liquidity and counterparty risk; as well as regulatory, strategic and operational risks. The key elements for managing these risks include:

- Documented policies and procedures;
- Post trade investment compliance monitoring by teams not involved in the dealing and investment management activity;
- Segregation of the dealing and investment management function from the investment administration and settlement function;
- Independently sourced valuations for securities;
- A risk and compliance team and Responsible Entity management team with separate reporting lines;

10. Financial risk management (continued)

- Clearly defined reporting lines and accountability for managing risks;
- Clearly defined responsibility for maintaining the RMF and monitoring compliance with it; and
- Oversight of risk management activity and the risk profile of the business by the Board of the Responsible Entity and various risk and compliance and committees that the Responsibility Entity, and its ultimate parent, have established.

As part of its Risk Management Strategy, the Trusts may use derivatives including exchange traded derivatives, to manage exposures resulting from changes in index prices, equity risks and exposures arising from forecast transactions.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk includes (amongst others) three types of risk: interest rate risk (due to fluctuations in interest rates), currency risk (due to fluctuations in foreign exchange rates), and equity price risk (due to fluctuations in market prices).

The Trusts are exposed to market risks influencing investment valuations. The Trusts may utilise derivatives to manage this risk.

Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Trusts' investments are debt instruments carried at fair value, price risk is not considered to be a significant risk to the Trusts.

Daily monitoring of trade restrictions and derivative exposure against limits is undertaken with any breach of these limit restrictions reported in accordance with the RMF.

Foreign exchange risk

Trusts that invest in international assets are exposed to foreign exchange risk. Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Asset Manager may enter into derivatives contracts (such as forwards, swaps, options and futures) through approved foreign exchange dealers to minimise risk. However, the use of these contracts must be consistent with the investment strategies and restrictions of the Trusts, and agreed acceptable level of foreign exchange risk.

The Trusts hold both monetary and non monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The Trusts also enter into forward currency contracts principally to hedge the foreign exchange risk implicit in the value of the portfolio securities denominated in foreign currencies and to secure a particular exchange rate for a planned purchase or sale of securities. The term of these contracts rarely exceeds 12 months and may not necessarily indicate the total effect on the Trusts' net assets attributable to unitholders of future movements in foreign exchange rates.

10. Financial risk management (continued)

The Trusts' underlying investments are primarily foreign currency fixed interest securities. To manage foreign exchange risk, the Trusts may be fully or partially hedged back to Australian dollars as outlined in the Trusts' governing documents.

The table below summarises the Trusts' exposure to foreign exchange risk. Ardea Diversified Bond Fund and Ardea Global Alpha Plus Fund both hold investments in foreign currencies other than those noted in the table, which have been grouped under the 'other' heading. These investments relate to amounts held in JPY and NZD for Ardea Diversified Bond Fund, and GBP and HKD for Ardea Global Alpha Plus Fund, and are individually immaterial to the financial statements.

Trusts not included in the tables below do not have significant exposure to foreign exchange risk.

The Ardea Australian Inflation Linked Bond Fund holds no direct investment in international assets hence foreign exchange risk is not considered to be a significant risk to the Trust.

Ardea Composite Bond Fund

As at 30 June 2023

	AUD A\$'000	USD A\$'000	EUR A\$'000	NZD A\$'000	JPY A\$'000	GBP A\$'000	CAD A\$'000	Total A\$'000
Assets								
Cash and cash equivalents	3,870	1,206	690	246	605	1,070	440	8,127
Collateral and margin accounts	64,428	51,315	12,382	—	329	2,703	5,195	136,352
Receivables	142,975	15,107	3,743	1,859	112	14,159	6,737	184,692
Financial assets at fair value through profit or loss	927,037	129,111	167,919	12,067	8,202	68,922	27,544	1,340,802
Total assets	1,138,310	196,739	184,734	14,172	9,248	86,854	39,916	1,669,973
Liabilities								
Collateral and margin accounts	44,322	44,150	20,188	1,192	222	8,380	3,499	121,953
Distributions payable	—	—	—	—	—	—	—	—
Payables	26,082	16,473	2,566	303	—	11,950	13,838	71,212
Financial liabilities at fair value through profit or loss	352,710	57,885	12,310	1,794	15,615	48,608	7,312	496,234
Total liabilities	423,114	118,508	35,064	3,289	15,837	68,938	24,649	689,399
Net assets attributable to unitholders	715,196	78,231	149,670	10,883	(6,589)	17,916	15,267	980,574

10. Financial risk management (continued)

Ardea Diversified Bond Fund

As at 30 June 2023

	AUD A\$'000	USD A\$'000	GBP A\$'000	EUR A\$'000	CAD A\$'000	JPY A\$'000	NZD A\$'000	Total A\$'000
Assets								
Cash and cash equivalents	3,014	739	869	344	538	634	94	6,232
Collateral and margin accounts	52,177	82,105	4,155	41,240	11,490	—	3,597	194,764
Receivables	56,507	80,754	12,292	6,442	5,680	3,022	237	164,934
Financial assets at fair value through profit or loss	414,944	96,017	65,392	145,129	14,512	43,560	17,887	797,441
Total assets	526,642	259,615	82,708	193,155	32,220	47,216	21,815	1,163,371
Liabilities								
Collateral and margin accounts	81,288	7,012	6,096	40,488	3,333	1,308	7,073	146,598
Distributions payable	—	—	—	—	—	—	—	—
Payables	46,049	74,321	12,266	9,026	9,899	10	280	151,851
Financial liabilities at fair value through profit or loss	171,060	79,352	62,528	59,800	33,948	33,838	10,372	450,898
Total liabilities	298,397	160,685	80,890	109,314	47,180	35,156	17,725	749,347
Net assets attributable to unitholders	228,245	98,930	1,818	83,841	(14,960)	12,060	4,090	414,024

10. Financial risk management (continued)**Ardea Diversified Bond Fund
As at 30 June 2022**

	AUD A\$'000	USD A\$'000	GBP A\$'000	EUR A\$'000	CAD A\$'000	JPY A\$'000	NZD A\$'000	Total A\$'000
Assets								
Cash and cash equivalents	57,401	720	1,811	2,239	770	809	4,180	67,930
Collateral and margin accounts	13,132	97,872	5,401	18,654	2,499	1,962	3,636	143,156
Receivables	10,522	3,242	290	205	254	77	6,670	21,260
Financial assets at fair value through profit or loss	715,770	345,695	55,603	116,128	114,322	11,615	2,905	1,362,038
Total assets	796,825	447,529	63,105	137,226	117,845	14,463	17,391	1,594,384
Liabilities								
Collateral and margin accounts	178,978	4,588	3,172	—	397	560	1,985	189,680
Distributions payable	5,665	—	—	—	—	—	—	5,665
Payables	3,882	5,504	145	325	59	309	8,523	18,747
Financial liabilities at fair value through profit or loss	259,009	63,580	22,384	68,586	33,095	6,024	5,849	458,527
Total liabilities	447,534	73,672	25,701	68,911	33,551	6,893	16,357	672,619
Net assets attributable to unitholders	349,291	373,857	37,404	68,315	84,294	7,570	1,034	921,765

10. Financial risk management (continued)

Ardea Real Outcome Fund

As at 30 June 2023

	AUD A\$'000	USD A\$'000	GBP A\$'000	EUR A\$'000	JPY A\$'000	CAD A\$'000	NZD A\$'000	Total A\$'000
Assets								
Cash and cash equivalents	25,902	48,860	2,270	(3,480)	570	32,733	1,277	108,132
Collateral and margin accounts	819,479	1,060,295	18,388	454,986	52,309	122,326	—	2,527,783
Receivables	2,279,312	641,172	203,998	62,080	12,192	133,675	1,680	3,334,109
Financial assets at fair value through profit or loss	9,823,073	1,166,695	1,478,703	1,729,672	325,512	612,219	192,966	15,328,840
Total assets	12,947,766	2,917,022	1,703,359	2,243,258	390,583	900,953	195,923	21,298,864
Liabilities								
Collateral and margin accounts	697,916	639,779	433,430	49,090	—	331,770	12,725	2,164,710
Distributions payable	—	—	—	—	—	—	—	—
Payables	487,300	672,287	201,948	221,350	931	154,080	896	1,738,792
Financial liabilities at fair value through profit or loss	6,706,760	1,217,134	1,079,168	622,832	106,039	592,404	116,409	10,440,746
Total liabilities	7,891,976	2,529,200	1,714,546	893,272	106,970	1,078,254	130,030	14,344,248
Net assets attributable to unitholders	5,055,790	387,822	(11,187)	1,349,986	283,613	(177,301)	65,893	6,954,616

10. Financial risk management (continued)

Ardea Real Outcome Fund As at 30 June 2022

	AUD A\$'000	USD A\$'000	GBP A\$'000	EUR A\$'000	JPY A\$'000	CAD A\$'000	NZD A\$'000	Total A\$'000
Assets								
Cash and cash equivalents	87,856	14,515	3,183	6,163	842	3,209	1,816	117,584
Collateral and margin accounts	713,241	603,386	23,837	123,409	50,956	83,193	4,063	1,602,085
Receivables	740,618	748,082	118,826	271,685	4,734	9,037	653	1,893,635
Financial assets at fair value through profit or loss	9,509,939	3,050,753	1,353,768	1,265,506	761,765	566,565	133,234	16,641,530
Total assets	11,051,654	4,416,736	1,499,614	1,666,763	818,297	662,004	139,766	20,254,834
Liabilities								
Collateral and margin accounts	1,116,783	361,486	193,928	30,885	—	84,090	8,626	1,795,798
Distributions payable	568,090	—	—	—	—	—	—	568,090
Payables	434,858	419,679	—	4,592	1,216	9,252	—	869,597
Financial liabilities at fair value through profit or loss	4,914,694	1,740,862	390,830	732,382	59,862	327,863	4,591	8,171,084
Total liabilities	7,034,425	2,522,027	584,758	767,859	61,078	421,205	13,217	11,404,569
Net assets attributable to unitholders	4,017,229	1,894,709	914,856	898,904	757,219	240,799	126,549	8,850,265

The table in the summarised sensitivity analysis section of this note summarises the sensitivities of the Trusts' financial instruments to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened or strengthened by 10% (2022: 10%) against the material foreign currencies to which the Trusts are exposed.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Trusts have established limits on the total interest rate exposure, which are monitored on a daily basis. The Trusts may use derivatives to hedge unexpected increases in interest rates.

10. Financial risk management (continued)

The summarised sensitivity analysis section of this note demonstrates the sensitivity of the Trusts' net profit to possible changes in interest rates, with all other variables held constant. The analysis is based on the assumptions that interest rates increased by 100 bps (2022: 100 bps) or decreased by 100 bps (2022: 100 bps).

The sensitivity of the statements of comprehensive income is the effect of the assumed changes in interest rates on:

- the interest income for one year, based on the floating rate financial assets held at 30 June 2023; and
- changes in the fair value of investments for the year based on revaluing fixed rate financial assets at 30 June 2023.

Summarised sensitivity analysis

The following table summarises the sensitivity of the Trusts' net profit and net assets attributable to unitholders to applicable market risks. The possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market prices. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Trusts invest. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

Ardea Composite Bond Fund

	Impact on net profit/Net assets attributable to unitholders													
	Interest rate risk				Foreign exchange risk									
	-100bps	+100bps	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
	A\$'000	A\$'000	USD	USD	EUR	EUR	NZD	NZD	JPY	JPY	GBP	GBP	CAD	CAD
For the period 12 April 2022 to 30 June 2023	57,279	(40,299)	(179)	179	249	(249)	35	(35)	123	(123)	142	(142)	81	(81)

Ardea Australian Inflation Linked Bond Fund

	Impact on net profit/ Net assets attributable to unitholders	
	Interest rate risk	
	-100bps	+100bps
	A\$'000	A\$'000
30 June 2023	37,588	(36,442)
30 June 2022	52,799	(42,132)

10. Financial risk management (continued)

Ardea Diversified Bond Fund

	Impact on net profit/Net assets attributable to unitholders											
	Interest rate risk				Foreign exchange risk							
	-100bps	+100bps	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
	A\$'000	A\$'000	USD A\$'000	USD A\$'000	GBP A\$'000	GBP A\$'000	EUR A\$'000	EUR A\$'000	CAD A\$'000	CAD A\$'000	JPY A\$'000	JPY A\$'000
30 June 2023	21,695	(13,679)	(255)	255	(158)	158	88	(88)	98	(98)	(59)	59
30 June 2022	148,541	46,826	(137)	137	390	(390)	238	(238)	(353)	353	(298)	298

Ardea Diversified Bond Fund

	Impact on net profit/ Net assets attributable to unitholders	
	Foreign exchange risk	
	-10%	+10%
	NZD A\$'000	NZD A\$'000
30 June 2023	(21)	21
30 June 2022	104	(104)

Ardea Real Outcome Fund

	Impact on net profit/Net assets attributable to unitholders											
	Interest rate risk				Foreign exchange risk							
	-100bps	+100bps	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
	A\$'000	A\$'000	USD A\$'000	USD A\$'000	GBP A\$'000	GBP A\$'000	EUR A\$'000	EUR A\$'000	JPY A\$'000	JPY A\$'000	CAD A\$'000	CAD A\$'000
30 June 2023	113,296	194,607	1,903	(1,903)	450	(450)	907	(907)	(908)	908	781	(781)
30 June 2022	1,021,032	662,759	(2,352)	2,352	3,606	(3,606)	(3,352)	3,352	1,318	(1,318)	3,302	(3,302)

10. Financial risk management (continued)

Ardea Real Outcome Fund

	Impact on net profit/ Net assets attributable to unitholders	
	Foreign exchange risk	
	-10%	+10%
	NZD	NZD
	A\$'000	A\$'000
30 June 2023	3,227	(3,227)
30 June 2022	(1,562)	1,562

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Trusts aim to ensure that at all times they have appropriate credit risk management policies and practices in place and that the Board and senior management are appropriately informed of the Trusts' credit risks.

The main concentration of credit risk, to which the Trusts are exposed, arises from the Trusts' investment in debt securities. The Trusts are also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables. The Trusts' exposure to credit risk is equal to the fair value of these instruments as disclosed in the statements of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Trusts manage counterparty risk in relation to over-the-counter derivatives by using only counterparties with an acceptable credit rating in accordance with the provisions of the Trusts' policies. Exposures to counterparties are monitored by the Asset Manager on a regular basis.

The credit quality of financial assets and derivatives are managed by the Trusts in accordance with the Trusts' governing documents, by taking into account any applicable external credit rating or internal credit assessment, prior to trading. The Trusts' exposure in each grade is monitored on a regular basis. This review process allows the Responsible Entity to assess the potential loss as a result of credit risk and take corrective action where required. Internal ratings are expressed on the basis of S&P rating definitions. Where an external rating (which will predominantly be Standard & Poor's, Moody's, Fitch's, or another reputable credit rating agency) is available, the internal rating will ordinarily be no greater than the lowest external rating assigned. Assets that have not received any rating reference from external credit rating agency have been internally rated using market accepted method.

If no external rating is available, then they are internally rated by the credit risk team and labelled not rated (NR).

10. Financial risk management (continued)

The following table details the breakdown by credit rating of the underlying investment assets and derivatives held by the Trusts:

Bond and derivative credit ratings	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund	Ardea Diversified Bond Fund	Ardea Real Outcome Fund
	30 June 2023	30 June 2023	30 June 2023	30 June 2023
	\$'000	\$'000	\$'000	\$'000
AAA	328,272	372,754	452,707	812,680
AA+	151,173	72,463	91,832	359,150
AA	59,470	—	7,488	356,981
AA-	429,460	3,746	5,303	4,579,162
A+	175,874	33,489	91,143	4,481,822
A	—	—	—	—
A-	—	8,863	19,283	59,908
BBB+	—	—	—	—
BBB	—	—	—	—
BBB-	—	—	—	—
BB+	—	—	—	—
BB	—	—	—	—
Total bond and derivative credit ratings	1,144,249	491,315	667,756	10,649,703

10. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Trusts will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This may result from either the inability to sell financial assets at their fair values, a counterparty failing on repayment of a contractual obligation, or the inability to generate cash inflows as anticipated.

The Trusts aim to ensure that they have sufficient liquidity to meet their obligations on a short term, medium term and long term basis. In the current and preceding year, all payables have no fixed repayment term. The current balance of amounts payable to related entities will be repaid in full within 1 year of the reporting date.

The Trusts' governing documents allow for redemptions of units. The Trusts are therefore exposed to a liquidity risk of meeting unitholders' redemptions at any time.

This risk is controlled through the Trusts' investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Trusts maintain sufficient cash and cash equivalents to meet normal operating requirements.

The Trusts' investments are considered to be readily realisable.

The investment management process includes the consideration of liquidity, both in terms of market quality and cash flow. In asset construction, securities/investments (including derivatives) are only purchased that meet investment criteria and this includes the assessment of saleability in different market conditions. Before entering into a transaction, consideration is given to (not limited to):

- whether the purpose of the investment is consistent with the investment strategies of the Trusts;
- the ease of selling the security should market conditions change unfavourably;
- whether there are sufficient assets to cover the underlying liabilities of that transaction; and
- the overall liquidity levels for the Trusts.

Under the terms of the Constitutions, the Trusts have the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Maturity analysis for financial liabilities

Financial liabilities of the Trusts comprise trade and other payables, distributions payable, collateral and margin accounts and net assets attributable to unitholders. Trade and other payables, distributions payable and collateral and margin accounts have no contractual maturities but are typically settled within 30 days.

The table below analyses the Trusts' derivative financial liabilities based on their contractual maturity. The Trusts may, at their discretion, settle derivative financial liabilities prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the derivative instruments.

10. Financial risk management (continued)**Ardea Composite Bond Fund****30 June 2023**

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Beyond 12 months \$'000	Total \$'000
Cross currency swaps	—	2,415	15,865	16,691	34,971
Forward currency contracts	15,573	—	—	—	15,573
Interest rate swaps	—	4,249	3,860	22,267	30,376
Overnight indexed swap	—	133	—	55,063	55,196
Over-the-counter options	14,854	618	—	—	15,472
Zero-coupon inflation swaps	—	—	—	21,992	21,992
Total derivative financial liabilities	30,427	7,415	19,725	116,013	173,580

Ardea Australian Inflation Linked Bond Fund**30 June 2023**

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Beyond 12 months \$'000	Total \$'000
Interest rate swaps	—	—	—	19,963	19,963
Over-the-counter options	208	—	—	—	208
Zero-coupon inflation swaps	—	—	—	2,179	2,179
Total derivative financial liabilities	208	—	—	22,142	22,350

10. Financial risk management (continued)

Ardea Australian Inflation Linked Bond Fund

30 June 2022

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Beyond 12 months \$'000	Total \$'000
Interest rate swaps	—	104	—	32,618	32,722
Over-the-counter options	77	—	—	—	77
Zero-coupon inflation swaps	—	—	5,644	—	5,644
Total derivative financial liabilities	77	104	5,644	32,618	38,443

Ardea Diversified Bond Fund

30 June 2023

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Beyond 12 months \$'000	Total \$'000
Credit default swaps	—	56	255	—	311
Cross currency swaps	—	4,518	7,368	4,378	16,264
Forward currency contracts	31,602	—	—	—	31,602
Index credit default swaps	—	53	1,596	944	2,593
Interest rate swaps	—	2,197	6,617	89,009	97,823
Overnight indexed swaps	—	1,376	2,811	104,546	108,733
Over-the-counter options	10,811	1,478	—	—	12,289
Zero-coupon inflation swaps	—	—	—	27,973	27,973
Total derivative financial liabilities	42,413	9,678	18,647	226,850	297,588

10. Financial risk management (continued)

Ardea Diversified Bond Fund

30 June 2022

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Beyond 12 months \$'000	Total \$'000
Credit default swaps	—	77	315	539	931
Cross currency swaps	—	4,093	518	32,874	37,485
Forward currency contracts	2,147	14,440	—	—	16,587
Index credit default swaps	—	58	32	1,414	1,504
Interest rate swaps	—	—	1,187	168,268	169,455
Overnight indexed swaps	1,542	—	—	39,973	41,515
Over-the-counter options	5,876	—	—	—	5,876
Swaptions	—	91	—	—	91
Zero-coupon inflation swaps	—	—	994	18,047	19,041
Total derivative financial liabilities	9,565	18,759	3,046	261,115	292,485

Ardea Real Outcome Fund

30 June 2023

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Beyond 12 months \$'000	Total \$'000
Cross currency swaps	—	20,216	35,274	128,030	183,520
Forward currency contracts	322,193	770	—	—	322,963
Interest rate swaps	—	73,239	113,807	1,020,508	1,207,554
Overnight indexed swaps	—	21,529	1,462	1,345,831	1,368,822
Over-the-counter options	338,750	38,175	—	—	376,925
Swaptions	26,752	—	—	545	27,297
Zero-coupon inflation swaps	—	184	403	798,324	798,911
Total derivative financial liabilities	687,695	154,113	150,946	3,293,238	4,285,992

10. Financial risk management (continued)

Ardea Real Outcome Fund

30 June 2022

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Beyond 12 months \$'000	Total \$'000
Cross currency swaps	—	106,949	20,171	340,305	467,425
Forward currency contracts	1,413	140,329	120,763	—	262,505
Interest rate swaps	—	4,877	1,095	1,481,851	1,487,823
Overnight indexed swaps	—	—	—	1,148,582	1,148,582
Over-the-counter options	67,288	—	—	—	67,288
Swaptions	—	71	—	758	829
Zero-coupon inflation swaps	—	10,544	3,910	722,783	737,237
Total derivative financial liabilities	68,701	262,770	145,939	3,694,279	4,171,689

11. Fair value measurement

All financial assets and financial liabilities included in the statements of financial position are carried at fair value.

In accordance with AASB 13 Fair Value Measurement the Trusts are required to disclose fair value measurements by level using the fair value hierarchy. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Fair value in an active market (level 1)

The fair values of financial assets and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices at the reporting date, while financial liabilities are priced at current offer prices.

The quoted market price used for financial assets held by the Trusts is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Trusts hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair value for the offsetting risk positions and apply this bid or asking price to the net open position, as appropriate.

11. Fair value measurement (continued)

Fair value in an inactive or unquoted market (level 2 and level 3)

The fair values of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of other substantially similar instruments, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where debt securities, such as corporate and government bonds and treasury securities are held, and in the absence of a quoted price in an active market, these are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. The fair values of investments in asset-backed securities, for which there is currently no active market, are calculated using a valuation model which is accepted in the industry. The model uses discounted cash flow analysis, which incorporates both observable and non-observable data. Observable inputs can include assumptions for current rates of interest. Unobservable inputs can include assumptions for expected future default rates and market liquidity discounts. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, these investments are categorised as Level 2.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions. For other pricing models, inputs are based on market data at the end of the reporting period.

The fair values of derivatives that are not exchange traded are estimated at the amount that the Trusts would receive or pay to terminate the contract at reporting date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

The tables below set out the Trusts' financial assets and liabilities measured at fair value through profit or loss according to the fair value hierarchy.

11. Fair value measurement (continued)

	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
As at 30 June	2023	2023	2022	2023	2022	2023	2022
Financial assets	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Level 1 financial assets							
Bond future options	1,996	—	—	—	7,719	31,563	39,957
Total level 1 financial assets	1,996	—	—	—	7,719	31,563	39,957
Level 2 financial assets							
Agency bonds	114,745	—	—	30,995	158,253	159,419	46,692
Capital indexed bonds	23,289	410,458	534,314	32,012	—	183,707	1,466,301
Credit default swaps	—	—	—	311	923	—	—
Cross currency swaps	23,824	—	—	44,551	31,545	261,742	257,895
Discount securities	369,675	—	—	85,732	33,592	3,722,984	2,334,193
Forward currency contracts	29,566	—	—	36,518	23	144,849	117,303
Government bonds	248,716	22,678	—	158,680	403,957	1,316,647	3,781,544
Index bonds	—	—	—	5,400	5,375	31,641	31,495
Index credit default swaps	—	—	—	2,759	1,528	—	—
Interest rate swaps	31,435	3,379	54,316	62,051	140,740	1,195,460	1,299,699
Overnight indexed swaps	74,238	2,514	—	94,140	23,100	1,507,496	1,144,188
Over-the-counter options	16,812	238	131	21,749	22,970	484,117	284,191
Repurchase agreement bonds	—	—	—	135,432	163,941	4,647,574	3,222,710
Semi-government bonds	91,328	12,081	17,713	20,696	207,598	401,022	857,789
Straight repurchase agreements	194,557	21,823	—	—	—	—	—
Supranational bonds	93,998	—	—	25,650	—	199,911	94,322
Swaptions	13,811	17,895	33,095	18,786	143,764	465,585	978,585
Zero-coupon inflation swaps	12,812	22,072	28,187	21,979	17,010	575,123	684,666
Total level 2 financial assets	1,338,806	513,138	667,756	797,441	1,354,319	15,297,277	16,601,573

11. Fair value measurement (continued)

	Ardea Composite Bond Fund		Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
As at 30 June	2023	2023	2022	2023	2022	2023	2022	
Financial liabilities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Level 2 financial liabilities								
Credit default swaps	—	—	—	311	931	—	—	
Cross currency swaps	34,971	—	—	16,264	37,485	183,520	467,425	
Forward currency contracts	15,573	—	—	31,602	16,587	322,963	262,505	
Index credit default swaps	—	—	—	2,593	1,504	—	—	
Interest rate swaps	30,376	19,963	32,722	97,823	169,455	1,207,554	1,487,823	
Overnight indexed swaps	55,196	—	—	108,733	41,515	1,368,822	1,148,582	
Over-the-counter options	15,472	208	77	12,289	5,876	376,925	67,288	
Repurchase agreements	—	—	—	153,310	166,042	6,154,754	3,999,395	
Straight repurchase agreements	322,654	21,856	—	—	—	—	—	
Swaptions	—	—	—	—	91	27,297	829	
Zero-coupon inflation swaps	21,992	2,179	5,644	27,973	19,041	798,911	737,237	
Total level 2 financial liabilities	496,234	44,206	38,443	450,898	458,527	10,440,746	8,171,084	

12. Related party transactions

Responsible Entity

The Responsible Entity of the Trusts is Fidante Partners Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

Key management personnel

Directors

Key management personnel includes persons who were Directors of Fidante Partners Limited at any time during the financial year and up to the date of the report as follows:

A Bofinger	Director	
J Coomer	Director	(Resigned 26 June 2023)
R Grimes	Director	(Resigned 22 November 2022)
A Judin	Director	(Appointed 13 July 2023)
J O'Keeffe	Director	
V Rodriguez	Director	(Appointed 9 December 2022)
T Roxburgh	Director	(Appointed 13 July 2023)
Y Sodhi	Director	(Resigned 30 May 2023)

Other key management personnel

The Responsible Entity is considered to be the key management personnel with authority for the strategic direction and management of the Trusts.

The Asset Manager, Ardea Investment Management Pty Limited, is a related party to the Trusts as it is a member of the same group as the Responsible Entity.

Key management personnel unitholdings

At 30 June 2023 no key management personnel held units in the Trusts (2022: Nil).

Key management personnel compensation

No amount was paid by the Trusts directly to the Directors of the Responsible Entity.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed below.

12. Related party transactions (continued)

Responsible Entity's fees and other transactions

Under the terms of the Trusts' Constitutions the Responsible Entity is entitled to receive management fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders). For the year ended 30 June 2023 these rates are as follows:

For the year ended 30 June Trust name	Class	Fee Rate	
		2023 %	2022 %
Ardea Composite Bond Fund	Class F	0.11	—
Ardea Australian Inflation Linked Bond Fund	Class A	0.35	0.35
	Class I	0.07	0.07
Ardea Diversified Bond Fund	Class A	0.50	0.51
	Class C	0.40	—
	Class F	0.05	0.05
Ardea Real Outcome Fund	Class A	0.50	0.50
	Class C	0.43	0.43
	Class P	0.45	0.45

These fees are inclusive of GST, net of RITC available to the Trusts per annum.

The Responsible Entity is entitled to a management fee from the ETF Class of Ardea Real Outcome Fund via the ActiveX Ardea Real Outcome Bond Fund (Managed Fund). These rates are 0.50% (2022: 0.50%).

In addition to the management fee, the Responsible Entity is also entitled to receive performance fees for various classes in the Trusts. The performance fees are calculated at the below listed benchmark. For the year ended 30 June 2023, in accordance with the Trusts' Constitutions, the Responsible Entity received performance fees as listed below (inclusive of GST, net of RITC, available to the Trusts) per annum.

12. Related party transactions (continued)

For the year ended 30 June	Trust name	Benchmark	Class	Performance Fees	
				2023 %	2022 %
	Ardea Australian Inflation Linked Bond Fund	17.5% of the difference between the Trust's daily return (after fees and expenses and after adding back distributions paid) and the performance benchmark, being the Bloomberg/Ausbond Composite Bond 0+ year Index plus the current management fee. The performance fees are subject to an effective cap of 0.30% of the Trust's net asset value per quarter.	Class I	0.78	0.31
	Ardea Diversified Bond Fund	The performance fees are calculated at 15.375% of the Trust's performance above the benchmark less 5 basis points, being the Bloomberg/Ausbond Composite Bond (0+) Year Index, calculated daily (after fees and expenses and after adding back distributions paid).	Class F	0.00	0.60

Other classes of units not shown above are not subject to performance fees.

The reporting period of Ardea Composite Bond Fund is from 12 April 2022 to 30 June 2023.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Trusts and the Responsible Entity were as follows:

For the year ended 30 June	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund	Ardea Diversified Bond Fund		Ardea Real Outcome Fund		
	2023 \$	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$
Management fees for the year	1,168,763	1,222,657	1,316,684	3,244,324	2,547,200	36,106,385	45,547,029
Performance fees for the year	—	262,472	2,256,268	—	1,807,116	—	—
Management fees payable	94,182	110,425	110,718	80,153	275,762	2,774,893	3,901,981
Performance fees payable	—	18,135	2,381,147	—	2,220,711	—	—

12. Related party transactions (continued)

Related party unitholdings

Parties related to the Trusts (including Fidante Partners Limited, its related parties and other schemes managed by Fidante Partners Limited), held units in the Trusts as follows:

Ardea Composite Bond Fund For the year ended 30 June 2023

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Ardea Investment Management Pty Limited	—	1,015	—	1,015	—	15
Total related party unitholdings	—	1,015	—	1,015	—	15

Ardea Australian Inflation Linked Bond Fund For the year ended 30 June 2023

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Fidante Partners Limited	22	1	—	23	—	—
Total related party unitholdings	22	1	—	23	—	—

For the year ended 30 June 2022

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Fidante Partners Limited	21	1	—	22	—	1
Total related party unitholdings	21	1	—	22	—	1

12. Related party transactions (continued)

Ardea Diversified Bond Fund

For the year ended 30 June 2023

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Ardea Investment Management Pty Limited	1,490	1,005	—	2,495	—	—
Total related party unitholdings	1,490	1,005	—	2,495	—	—

For the year ended 30 June 2022

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Ardea Investment Management Pty Limited	1,458	32	—	1,490	—	32
Total related party unitholdings	1,458	32	—	1,490	—	32

Ardea Real Outcome Fund

For the year ended 30 June 2023

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Challenger Funds Management Holdings Pty Limited	1,531	120	—	1,651	—	18
Ardea Investment Management Pty Limited	25,407	1,986	—	27,393	—	299
ActiveX Ardea Real Outcome Bond Fund (Managed Fund)	905,034,435	51,522,989	(135,570,554)	820,986,870	10.53	13,257,195
Ardea Real Outcome Fund	13,509,638	53,686,643	(538,429)	66,657,852	0.85	328,300
Total related party unitholdings	918,571,011	105,211,738	(136,108,983)	887,673,766	11.38	13,585,812

12. Related party transactions (continued)

For the year ended 30 June 2022

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Challenger Funds Management Holdings Pty Limited	1,504	27	—	1,531	—	112
Ardea Investment Management Pty Limited	24,958	449	—	25,407	—	1,850
ActiveX Ardea Real Outcome Bond Fund (Managed Fund)	691,267,040	228,232,552	(14,465,157)	905,034,435	8.99	70,096,451
Ardea Real Outcome Fund	5,386,976	8,910,246	(787,584)	13,509,638	0.13	831,951
Total related party unitholdings	696,680,478	237,143,274	(15,252,741)	918,571,011	9.12	70,930,364

13. Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities

Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities

For the year ended 30 June	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund	Ardea Diversified Bond Fund		Ardea Real Outcome Fund		
	2023 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Reconciliation of profit/(loss) to operating cash flow							
Net profit/(loss) before finance costs for the year attributable to unitholders	(11,447)	27,661	(44,913)	3,761	(61,712)	222,092	(26,908)
Net (gains)/losses on financial instruments at fair value through profit or loss	36,243	(15,748)	51,726	16,756	68,365	331,431	(259,103)
Net foreign exchange (gains)/losses	6,661	—	—	25,490	(1,174)	(99,705)	441,886
Proceeds from sale of financial instruments at fair value through profit or loss	19,925,591	2,182,838	1,123,929	17,404,374	7,982,999	249,346,144	151,601,037
Purchase of financial instruments at fair value through profit or loss	(20,953,440)	(2,034,137)	(1,065,721)	(17,040,347)	(8,601,941)	(246,999,038)	(152,782,203)
Net change in receivables and other assets	(56,843)	(1,265)	(296)	(91,511)	(13,581)	(1,128,857)	(62,178)
Net change in payables and other liabilities	51,550	(1,004)	2,849	97,385	12,583	1,144,776	58,048
Net cash inflows/(outflows) from operating activities	(1,001,685)	158,345	67,574	415,908	(614,461)	2,816,843	(1,029,421)

13. Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities (continued)

The reporting period of Ardea Composite Bond Fund is from 12 April 2022 to 30 June 2023.

Components of cash and cash equivalents

	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
As at 30 June	2023	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank, on hand and at custodian	8,127	1,024	6,410	6,232	67,930	108,132	117,584
Total cash and cash equivalents	8,127	1,024	6,410	6,232	67,930	108,132	117,584

13. Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities (continued)

Non-cash investing and financing activities

	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
For the year ended 30 June	2023	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reinvestment of unitholder distributions	15,145	7,351	35,874	4,649	15,793	200,483	67,405

The reporting period of Ardea Composite Bond Fund is from 12 April 2022 to 30 June 2023.

14. Remuneration of auditor

	Ardea Composite Bond Fund	Ardea Australian Inflation Linked Bond Fund		Ardea Diversified Bond Fund		Ardea Real Outcome Fund	
For the year ended 30 June	2023	2023	2022	2023	2022	2023	2022
Amounts received or due and receivable by Ernst & Young for:	\$	\$	\$	\$	\$	\$	\$
Audit and review of the financial report of the Trusts	7,800	7,800	7,400	7,800	7,400	7,800	7,400
Total remuneration of auditor	7,800	7,800	7,400	7,800	7,400	7,800	7,400

The reporting period of Ardea Composite Bond Fund is from 12 April 2022 to 30 June 2023.

14. Remuneration of auditor (continued)

The cost incurred for auditing the financial report of the Trusts is paid directly by the Responsible Entity.

15. Events occurring after the reporting period

No significant events have occurred since the reporting date which would impact on the financial position of the Trusts as at 30 June 2023 or on the results and cash flows of the Trusts for the year ended on that date.

16. Contingent assets and liabilities and commitments

At balance date the Trusts have no contingent assets, liabilities or commitments (30 June 2022: Nil).

Directors' declaration

In the opinion of the Directors of the Responsible Entity for the below listed Trusts:

- Ardea Composite Bond Fund
 - Ardea Australian Inflation Linked Bond Fund
 - Ardea Diversified Bond Fund
 - Ardea Real Outcome Fund
- a. the financial statements and notes set out on pages 10 to 61 are in accordance with the Corporations Act 2001, including:
- i. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Trusts' financial position as at 30 June 2023 and of their performance for the financial year ended on that date;
- b. the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 1.1; and
- c. there are reasonable grounds to believe that the Trusts will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

On behalf of the Board of Fidante Partners Limited.



A Judin
Director

Sydney
15 September 2023



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Independent auditor's report

To the unitholders of the following Ardea Investment Management Managed Trusts (the "Trusts"):

- Ardea Composite Bond Fund
- Ardea Australian Inflation Linked Bond Fund
- Ardea Diversified Bond Fund
- Ardea Real Outcome Fund

Opinion

We have audited the financial report of the Trusts, which comprises the statements of financial position as at 30 June 2023, the statements of comprehensive income, statements of changes in unitholder funds and statements of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Trusts is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Trusts' financial position as at 30 June 2023 and of their financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Trusts in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Information other than the financial report and auditor's report thereon

Information other than the financial report and auditor's report thereon

The directors of Fidante Partners Limited as the Responsible Entity of the Trusts (the "Responsible Entity") are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Trusts' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Trusts or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trusts' internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trusts' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trusts to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Ernst & Young

Rita Da Silva

Rita Da Silva
Partner
Sydney
15 September 2023

Directory

Responsible Entity

Fidante Partners Limited
ABN 94 002 835 592
AFSL 234 668

Registered office and principal place of business

Level 2
5 Martin Place
Sydney NSW 2000

Custodian

Citigroup Pty Limited
Level 23
2 Park Street
Sydney NSW 2000

Auditor

For the Responsible Entity and the Trusts
Ernst & Young
200 George Street
Sydney NSW 2000

Asset Manager

Ardea Investment Management Pty Limited
Level 2
5 Martin Place
Sydney NSW 2000

