

Monday, October 4, 2021

Further to our recent conversations we have performed an analysis of the effect where the existing allocation to the Ardea Real Outcome Fund (AROF) is augmented by an allocation to the FHIM Trade Logistics Strategy (FHIM) from October 2017 to the end of September 2021.

Comparison

We have examined the overall portfolio performance, pre and post the inclusion of FHIM. We are using the daily NAVs as our base valuation data. For AROF, we are not including Fees or spreads and have assumed that all distributions are retained (not re-invested). For FHIM, this strategy is net of fees and there is nil spread in the Fund.

Historical correlation of FHIM to AROF is 0.034 (3.4%) R Squared – 0.0011 (0.11%)

On a hypothetical allocation of 50% (AROF) and 50% (FHIM) there is an improvement to the risk adjusted returns. Sharpe and Sortino improves by 96% and 267% respectively. The max draw down improves by 0.15 (an improvement of 0.85%). This can be explained by the FHIM strategy where investments are made into income streams that are uncorrelated to equity or credit markets. Additionally, these investments are Investment Grade where FHIM is senior secured.

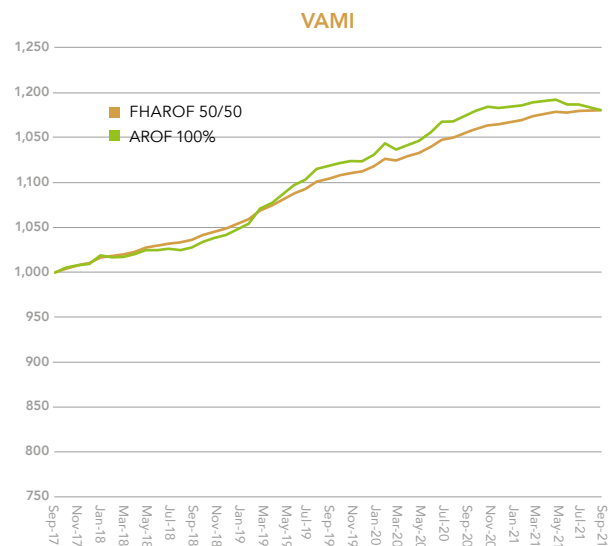
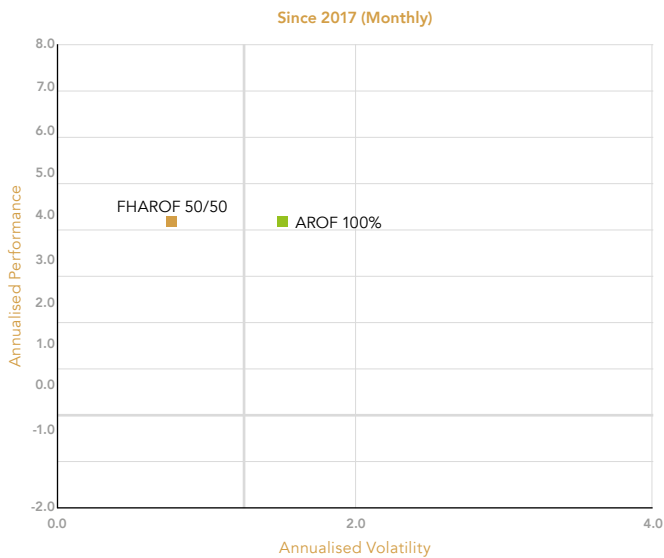
The returns are asset backed and fixed at 4.5% which supports a defensive approach to managing a basket of Fixed Income holdings.

The improved risk adjusted returns are reflected in the smoothing of the overall returns (refer Table of results)

	AROF 100% allocation	AROF with 50% FHIM allocation	Change
CAGR	4.23%	4.22%	-0.01%
Sharpe Ratio	2.10	4.13	+2.03
Sortino Ratio	5.79	21.26	+15.47
Max Drawdown (EOM)	-1.00%	-0.15%	+0.85%
2017 (from October)	0.92%	1.01%	+0.09%
2018	3.20%	3.84%	+0.64%
2019	7.87%	6.05%	-1.82%
2020	5.27%	4.68%	-0.59%
2021 (end of September)	-0.22%	1.33%	+1.55%

The noticeable examples of FHIM's positive impact with an allocation of 50% AROF and 50% FHIM is:

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| 1. 0.85% reduction in Max Drawdown | 85% improvement |
| 2. 2.03 increase in the Sharpe Ratio | 96% improvement |
| 3. 15.47 increase in the Sortino Ratio | 267% improvement |



The analysis supports the conclusion that volatility is reduced whilst maintaining consistent fixed income revenue. This is achieved without impacting the principal investment. On this basis we would suggest that there would be merit in having an exposure to the FHIM Fund especially if investors wanted to smooth out the volatility even further than the consistent and low volatility AROF already does.

Regards



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