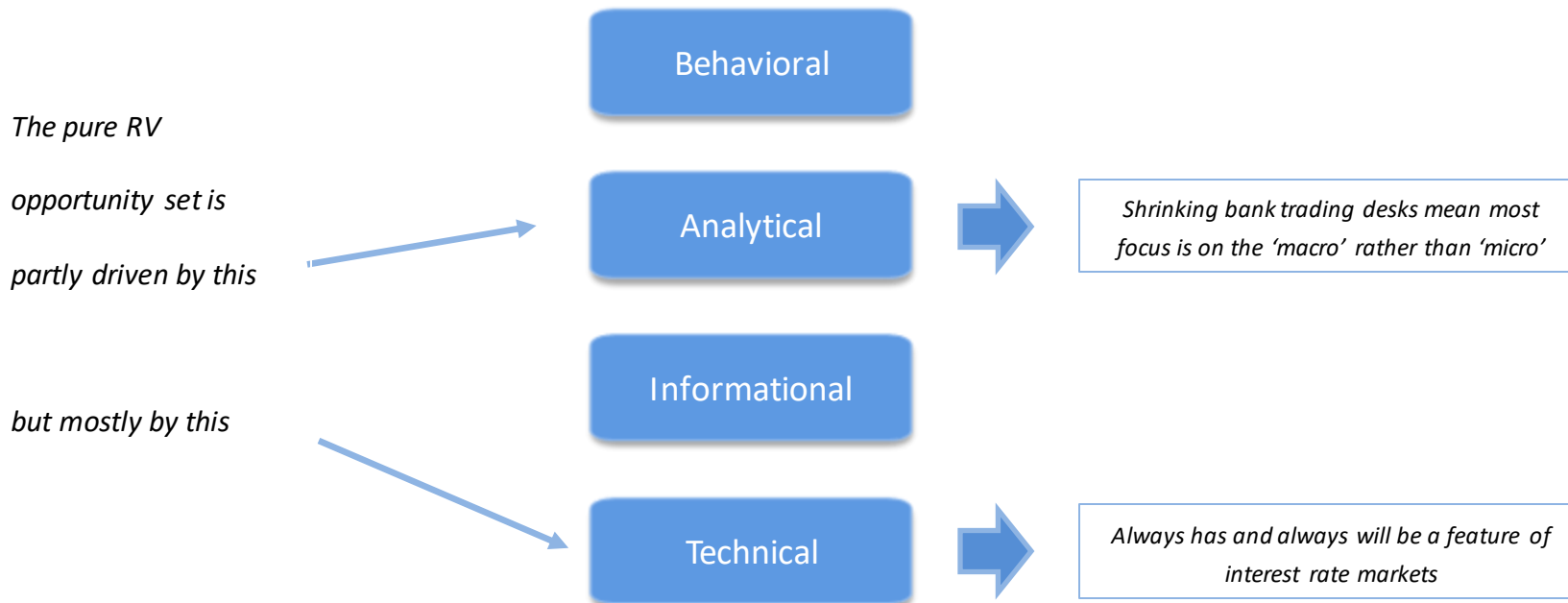


Interest Rate Market Inefficiencies

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Interest Rate Market Inefficiencies

Inefficient interest rate markets



- Market participants with varying objectives & constraints unrelated to profit maximisation create temporary demand & supply imbalances as they transact.
- The underlying drivers of their behaviour are persistent because they are structural in nature (e.g. regulation, investor mandate restrictions, market segmentation).

RV mispricing a reliable source of alpha



- Pervasive across global interest rate markets through varying economic environments and market cycles, these structural drivers of market inefficiency are well documented in academia and practitioner experience.
- In turn they persistently cause a large and diverse range of RV mispricing opportunities, which makes RV mispricing a reliable source of alpha, based on which Ardea has built a repeatable investment process.

Consistent volatility controlled returns



- By repeatedly capturing RV mispricing via many modestly sized and independent RV strategies we construct portfolios that prioritise 'risk diversification' and 'risk balance' to deliver consistent volatility controlled returns that are independent of the level of bond yields and direction of interest rates, with minimal correlation to broader market fluctuations.

Scalable RV opportunity set



- Global investment universe of deep, liquid interest rate markets is growing because post-GFC regulatory tightening and balance sheet constraints have forced the banks to substantially shrink.

Interest Rate Market Inefficiencies



- Structural drivers of interest rate market inefficiency persistently cause RV mispricing, which occurs when closely related securities with similar risk characteristics are priced inconsistently with one another
- RV mispricing is a reliable source of alpha, based on which Ardea has built a repeatable investment process
- The RV opportunity set is highly scalable across deep, liquid global interest rate markets and is growing

A pure RV approach can deliver consistent volatility controlled returns that are independent of the level of bond yields and direction of interest rates, with minimal correlation to broader market fluctuations.

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