

The Colchester Emerging Markets Bond Fund - Class I

APIR Code ETL3065AU

As of 31/05/2022



Fund Overview

The Colchester Emerging Markets Bond Fund seeks to deliver to investors higher medium-term growth and income (relative to developed markets) from a diversified portfolio of sovereign bonds and currencies in emerging markets. We believe that if we hold a portfolio of high real yielding bonds and currencies that are undervalued according to their real exchange rate that over time this will prove rewarding. At the heart of Colchester's value-oriented philosophy is the belief that investments should be valued in terms of the income they will generate in real terms. Our approach is based on the analysis of inflation, real interest rates and real exchange rates supplemented by an assessment of sovereign financial balances. Portfolios are constructed to benefit from those opportunities with the greatest relative investment potential for a given level of risk.

CUM Unit Price (31/05/2022)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
0.7080	6.40%	0.30%	1.32%	37.24 AUD

Colchester Overview

- Privately owned specialist sovereign bond and currency asset manager.
- Founded by Chairman & CIO Ian Sims in 1999.
- Time proven value-oriented fixed income strategies.
- Highly experienced and stable team with a globally recognised track record.
- Strong client alignment with the investment team investing in the strategies & the company.

Growth of 1,000 AUD Invested at Inception



Net Performance (%)

	1M	3M	6M	YTD	1Y	Annualised		
						3Y	5Y	S.I.
Fund	1.32%	-4.47%	-8.86%	-8.27%	-7.52%	-2.73%		0.30%
Benchmark	0.81%	-4.74%	-10.21%	-9.34%	-9.95%	-3.75%		-0.72%
Relative	0.50%	0.28%	1.35%	1.06%	2.43%	1.02%		1.02%

Calendar Year Net Performance (%)

	2017	2018	2019	2020	2021	YTD
Fund	-0.86%	6.39%	13.34%	-4.75%	-2.99%	-8.27%
Benchmark	-0.46%	4.20%	13.64%	-6.45%	-3.15%	-9.34%
Relative	-0.40%	2.19%	-0.30%	1.69%	0.16%	1.06%

Key Information

Fund Inception	21/12/2017
Benchmark	JP Morgan Government Bond Index Emerging Markets Global Diversified (AUD Unhedged)
Management Fee	0.75%
Buy/Sell Fee	+/- 0.19%
Distributions	Quarterly Distribution
Liquidity	Daily
Min Application	\$1m or as per platform
Min Additional	\$100k or as per platform

Platform Listings

AMP North/MyNorth	Netwealth
Asgard	Praemium
Ausmaq	uXchange
BT Panorama	
Colonial FirstWrap	
HUB24	
Macquarie Wrap	

Data source: Colchester Global Investors, as at 31/05/2022

www.colchesterglobal.com.au

Past returns are not a guarantee of future returns. The value of shares in the Fund may go down as well as up. An investment in the Fund involves the risk of loss, including the loss of the entire amount invested.

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Fund Characteristics

	Fund	Benchmark
Yield to Maturity (Unhedged)	8.81%	7.19%
Running Yield (Unhedged)	8.33%	5.41%
Modified Duration (Years)	5.27	4.94
Average Coupon	6.99%	5.20%
Average Credit Quality	BBB	BBB+

Top 5 Securities Holdings

	Currency	Weight (%)
1. Mexico 10% Dec '24	MXN	4.88%
2. South Africa 8.75% Feb '48	ZAR	4.34%
3. Brazil 10% Jan '29	BRL	3.85%
4. Brazil 10% Jan '23	BRL	3.75%
5. Brazil 10% Jan '31	BRL	3.56%

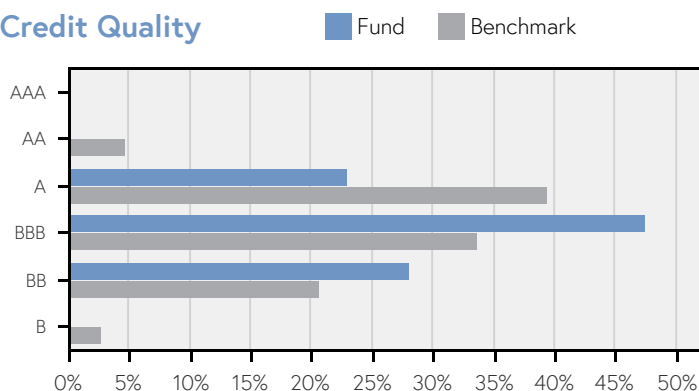
5 Largest Active Positions - Bonds (%)

Country	Fund	Versus Benchmark (%)
Thailand	0.93%	-8.96%
Indonesia	17.24%	7.24%
Mexico	17.22%	7.22%
China	3.53%	-6.47%
Colombia	10.56%	5.89%

5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
Thai Baht	0.96%	-8.94%
South Korean Won	6.34%	6.34%
Chinese Yuan	3.82%	-6.18%
Polish Złoty	12.71%	5.61%
Mexican Peso	15.36%	5.36%

Credit Quality



Commentary

The fund returned 1.38% over the month, outperforming the benchmark which returned 0.81%. Bond selection added 0.14% to relative returns and currency selection added 0.43%. The top three positive bond contributors to relative returns were the underweight positions in Romania and Czech Republic and the overweight position in Mexico. The top three positive currency contributors to relative returns were the overweight positions in Colombian Peso, Mexican Peso and Polish Zloty.

During the month of May financial market concern over a potential global recession rose, amidst high inflation and increasingly hawkish central bank rhetoric and policy. While the prospect of deteriorating growth generally tempered the trend of rising bond yields, there were mixed returns from emerging market government bonds. The JP Morgan GBI-EM Global Diversified Index returned 0.1% over the month in US dollar hedged terms and 1.8% in unhedged terms as the US dollar weakened.

In Central and Eastern Europe inflation remains extremely elevated with the region experiencing double digit price increases. Local government bonds in the Czech Republic returned -1.7% as monetary policy continues to tighten. Interest rates in the country were raised to 5.75% this month, an increase of 75bps. In Hungary, the bond market returned -0.1% amidst a similar backdrop. Turning to Poland, the bond market performed slightly better, returning 0.2% as the real yield on offer has become more attractive over recent months and quarters. Real GDP growth in Poland has been strong in Q1 of this year and the economy is expected to perform better than the Euro area in 2022. Inflation remains a concern however and monetary policy is being tightened with an increase of rates to 5.25% in May. The Colchester Local Markets programme holds an active underweight to bond markets in the region and as such this has been a positive contributor to relative returns.

The Latin American region was the best performing over the month with a return of 0.9%. The top performing bond markets were those of Peru, Mexico and Chile which returned between 2.2% and 2.9%. In Chile, the first quarterly Public Finances Report of President Gabriel Boric was presented which favoured prudent fiscal policy amidst weaker economic projections. In Mexico, the central bank remains on alert and rates were increased to 7% as the inflation outlook continues to worsen in the short term. However, economic activity grew 0.9% during Q1 of 2022, supported by the favourable performance of the manufacturing sector. The bond market of Brazil returned 0.5% for the month. Rates were increased to 12.75% in May, above the latest inflation print of 12.1%. We continue to hold an overweight position to Mexico and Brazil as well as Colombia, where the market weakened in May in anticipation of the presidential election. With no candidate achieving a majority in the first round, a second-round runoff ballot will take place in June.

Although inflation remains comparatively low in Asia, several central banks raised interest rates in May citing price pressures from geopolitical tensions and supply chain disruption. For example, the Bank of Korea maintained its hawkish bias by increasing its policy rate by a further 25bps as inflation reached 4.8%, well above the 2% target. Meanwhile, the Bank Negara Malaysia unexpectedly raised rates by 25bps to 2.0%. Inflation in Malaysia remains relatively contained however and is expected to average between 2.2% and 3.2% in 2022 according to the central bank. In Indonesia, although policy rates were unchanged over the month the decision to raise reserve requirements for lending institutions was evidence that the central bank is monitoring price pressures carefully. With relatively attractive prospective real yields available in markets such as Malaysia and Indonesia we maintain an overweight exposure to the region. The Malaysian market in particular performed well in May, generating a return of 1.9%.

The US dollar weakened over the month against most emerging market currencies. The best performing currencies were in Latin America as the Colombian peso, Brazilian real and Peruvian sol were up 5.3%, 4.5% and 4.2% respectively. The Polish zloty and Mexican peso also strengthened between 3.5% and 4%. Asian currencies were somewhat mixed with the Korean won appreciating by 1.5% whilst the Malaysian ringgit and Chinese yuan declined by -0.6% and -1% respectively.

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Fund Shareclass Research Ratings



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Where an investor's own currency is different from the Fund currency, the return on investments could be affected by fluctuations in the exchange rate.

The Fund can invest in bonds (which may include inflation linked bonds) issued by governments, government agencies and supra-national agencies (such as the World Bank), irrespective of whether such bonds are included in the benchmark. The Fund will tend to purchase bonds with characteristics similar to those in the benchmark however, the investment strategy can lead to significant deviation from the benchmark in terms of country and currency weightings and duration, which can cause the return of the Fund to differ significantly from that of the benchmark. The Fund can invest in currencies using contracts on the spot and forward market, such as forward currency contracts (contracts to buy or sell a currency at a specified future time at an agreed price).

Valuation and returns have been calculated in AUD as at month end. The WM-Reuters exchange rate used by the index provider in compiling their index is the predominant exchange rate used in valuing the Fund. The benchmark is the JP Morgan Government Bond Index Emerging Markets Global Diversified 100% Unhedged in Australian Dollars (AUD Unhedged). Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2022, J.P. Morgan Chase & Co. All rights reserved.

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The Colchester Global Government Bond Fund and Colchester Emerging Markets Bond Fund's Target Market Determination is available at <https://colchesterglobal.com.au/invest-with-colchester-global/>. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.