

# The Colchester Global Government Bond Fund - Class A

APIR Code ETL0409AU

As of 31/08/2023



## Fund Overview

The Colchester Global Government Bond Fund seeks to deliver growth and income to investors whilst offering the defensive characteristics of a global sovereign bond portfolio over the medium term. 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 (31/08/2023)	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
0.9572	1.54%	14.65%	28.37 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.
<b>Fund</b>	-1.21%	-0.92%	1.51%	1.22%	-0.67%	-3.51%	0.16%	1.54%
<b>Benchmark</b>	-0.29%	-1.04%	1.17%	1.41%	-2.69%	-4.86%	-0.39%	1.55%
<b>Relative</b>	-0.92%	0.12%	0.33%	-0.20%	2.01%	1.35%	0.55%	-0.01%

## Calendar Year Net Performance (%)

	2016	2017	2018	2019	2020	2021	2022	YTD
<b>Fund</b>	5.56%	3.35%	2.06%	6.82%	5.59%	-3.35%	-9.60%	1.22%
<b>Benchmark</b>	5.02%	2.79%	2.51%	6.63%	5.87%	-2.38%	-13.85%	1.41%
<b>Relative</b>	0.53%	0.56%	-0.46%	0.20%	-0.28%	-0.97%	4.25%	-0.20%

## Key Information

<b>Fund Inception</b>	19/09/2014
<b>Benchmark</b>	FTSE World Government Bond Index (AUD Hedged)
<b>Management Fee</b>	0.60%
<b>Buy/Sell Fee</b>	Nil
<b>Distributions</b>	Annual Distribution
<b>Liquidity</b>	Daily
<b>Min Application</b>	\$1m or as per platform
<b>Min Additional</b>	\$100k or as per platform

## Platform Listings

AMG Freedom of Choice

## Fund Characteristics

	Fund	Benchmark
Yield to Maturity (Unhedged)	5.03%	3.58%
Running Yield (Unhedged)	3.72%	2.29%
Modified Duration (Years)	6.59	7.20
Average Coupon	3.42%	2.19%
Average Credit Quality	AA-	AA

## Top 5 Securities Holdings

	Currency	Weight (%)
1. Singapore 3.5% Mar '27	SGD	2.98%
2. United States 0.25% Jun '25	USD	2.92%
3. Singapore 2.375% Jun '25	SGD	2.23%
4. Mexico 7.5% Jun '27	MXN	2.19%
5. Indonesia 6.5% Feb '31	IDR	2.04%

## 5 Largest Active Positions - Bonds (%)

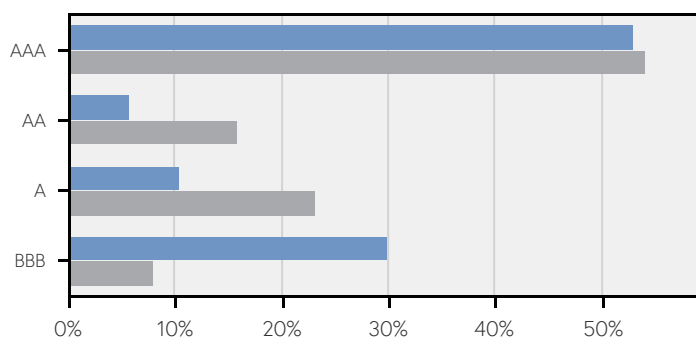
Country	Fund	Versus Benchmark (%)
United States	22.69%	-19.83%
Europe	9.71%	-19.41%
Mexico	12.97%	12.07%
Japan	3.00%	-9.30%
Singapore	9.32%	8.93%

## 5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
Euro	-6.74%	-6.74%
United States Dollar	-5.92%	-5.92%
Swedish Krona	5.24%	5.24%
Norwegian Krone	4.64%	4.64%
New Zealand Dollar	-4.44%	-4.44%

## Credit Quality

■ Fund ■ Benchmark



## Commentary

The fund returned -1.16% (gross of fees) over the month, underperforming the benchmark which returned -0.29%. Bond selection detracted -0.49% from relative returns and currency selection detracted -0.38%. The top three bond detractors from relative returns were the overweight positions in Mexico and Colombia and the underweight position in Europe. The top three currency detractors from relative returns were the short positions in United States Dollars and Euro and the long position in Norwegian Krone.

The past month has offered hope for continued declines in inflation and a possible "soft landing" for the global economy but bond yields generally increased over the month. As a consequence the FTSE World Government Bond index experienced a modest negative return for the month of -0.2% in US dollar hedged terms. In unhedged terms the index was down -1.4% as the US dollar performed well against most major currencies.

In the US, annual headline inflation actually increased slightly to 3.2% in August, up from 3.0% the previous month. There was better news from the core inflation reading however, which fell to 4.7%, continuing its downward trend. The unemployment rate increased to 3.8% this month from 3.5% the previous month. This rise was largely driven by people returning to the workforce and the participation rate rose to the highest rate since the Covid pandemic began in early 2020. Meanwhile at the Jackson Hole meeting of central bankers the mood was generally one of caution and expectations of a "higher for longer" interest rate environment. Against this backdrop US treasuries returned -0.5% over the month.

Eurozone headline inflation fell to 5.3% down from the previous month's reading of 5.5%, although the outlook for inflation in the region is clouded by rising energy prices and especially natural gas prices. Unemployment across the region stayed at 6.4% for the fourth successive month as labour markets remain robust. The bond market in Germany returned 0.3%, as did the Spanish bond market, whilst the Austrian market returned 0.5%. The ECB did not hold a policy meeting in August, so attention focused on the Bank of England, which did increase its interest rate by 0.25% to 5.25% adding further to the housing market woes as mortgage rates continue to rise. UK house prices fell at the fastest annual pace since 2009 in August according to the mortgage provider Nationwide. UK bonds returned -0.6% over the month.

Asian bonds markets also struggled over the month. Japanese inflation was reported at 3.3% in the year to July and the government bond market returned -1.3% as speculation continues around whether the central bank will end their yield curve control policy in the near future. Colchester maintains its underweight in Japan as it does in China where bonds rallied over the month by 0.6% with the central bank cutting the Loan Prime Rate to 3.45%. The country continues to struggle with weak growth, over-levered property developers, and inflation has now turned negative with the July figure standing at -0.3%.

The New Zealand bond market also sold off, returning -0.7% over the month. The job market in the country remains tight putting upward pressure on wages, this is despite near record levels of migration to the country. Throughout the Covid pandemic, the country tightly restricted inward movement and net migration turned negative, but this has now turned around drastically over the past twelve months. In Australia the bond market enjoyed better performance, gaining 0.6% in August, with pay rises in the country staying relatively constrained compared to other developed market peers.

In the currency markets the US dollar had a strong month, rising against nearly all other major currencies. The Japanese yen declined -2.4%, the Euro by -1.6%, with the British pound falling by -1.5%. Amongst the worst performing currencies were the Australian and New Zealand dollars, which returned -3.9% and -4.3% respectively. One of the relatively stronger performers was the Mexican peso, where we maintain an overweight position, which returned -0.8%. The Chinese renminbi fell -2.0% against the US dollar this month as weak growth in the country and concerns around the real estate sector have weighed on the currency over the last few months.

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## Fund Shareclass Research Ratings



Analyst-Driven %  
100

Data Coverage %  
100

## Colchester Fund Awards



Colchester Global Government Bond Fund - Class A



Global and Diversified Fixed Interest



Colchester Global Government Bond Fund - Class I



Colchester Global Government Bond Fund - Class A



Colchester Global Government Bond Fund - Class A



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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)

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The Colchester Global Government Bond Fund, Colchester Emerging Markets Bond Fund and Colchester Green 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.

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