

# The Colchester Global Government Bond Fund - Class A

APIR Code ETL0409AU

As of 31/10/2022



## 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<br>(31/10/2022) | Net Annual Return<br>Since Inception p.a. | Net Total Return<br>Since Inception | Fund Size<br>(\$million) |
|--------------------------------|---|-------------------------------------|--------------------------|
| 0.9309                         | 1.35%                                     | 11.50%                              | 25.81 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>      | -0.20% | -5.93% | -5.38% | -11.01% | -11.00% | -3.30%     | -0.19% | 1.35%  |
| <b>Benchmark</b> | -0.39% | -6.79% | -6.57% | -13.63% | -13.36% | -4.09%     | -0.42% | 1.57%  |
| <b>Relative</b>  | 0.19%  | 0.86%  | 1.19%  | 2.61%   | 2.36%   | 0.79%      | 0.23%  | -0.22% |

## Calendar Year Net Performance (%)

|                  | 2015   | 2016  | 2017  | 2018   | 2019  | 2020   | 2021   | YTD     |
|------------------|--------|-------|-------|--------|-------|--------|--------|---------|
| <b>Fund</b>      | 0.68%  | 5.56% | 3.35% | 2.06%  | 6.82% | 5.59%  | -3.35% | -11.01% |
| <b>Benchmark</b> | 3.59%  | 5.02% | 2.79% | 2.51%  | 6.63% | 5.87%  | -2.38% | -13.63% |
| <b>Relative</b>  | -2.92% | 0.53% | 0.56% | -0.46% | 0.20% | -0.28% | -0.97% | 2.61%   |

## 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) | 4.77% | 3.29%     |
| Running Yield (Unhedged)     | 3.38% | 1.96%     |
| Modified Duration (Years)    | 6.92  | 7.31      |
| Average Coupon               | 3.01% | 1.88%     |
| Average Credit Quality       | AA-   | AA        |

## Top 5 Securities Holdings

|                                 | Currency | Weight (%) |
|---------------------------------|----------|------------|
| 1. Singapore 3.5% Mar '27       | SGD      | 3.10%      |
| 2. Singapore 2.75% Jul '23      | SGD      | 2.34%      |
| 3. United States 1.5% Aug '26   | USD      | 2.22%      |
| 4. United States 2% Feb '25     | USD      | 2.18%      |
| 5. United States 2.125% May '25 | USD      | 2.14%      |

## 5 Largest Active Positions - Bonds (%)

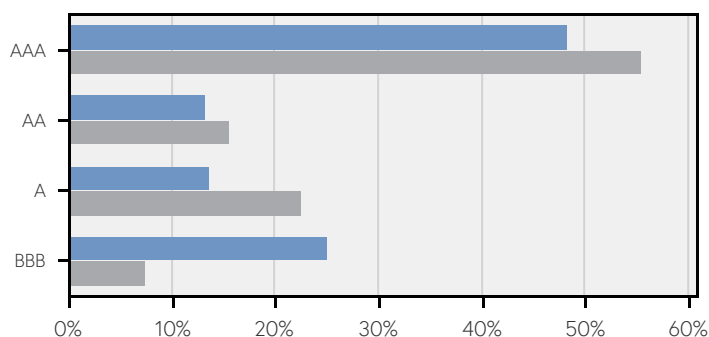
| Country       | Fund   | Versus Benchmark (%) |
|---------------|--------|----------------------|
| United States | 21.53% | -22.77%              |
| Singapore     | 11.30% | 10.91%               |
| Mexico        | 11.08% | 10.35%               |
| Europe        | 19.14% | -9.52%               |
| Japan         | 5.52%  | -8.89%               |

## 5 Largest Active Positions - Currency (%)

| Currency             | Fund   | Versus Benchmark (%) |
|----------------------|--------|----------------------|
| United States Dollar | -7.28% | -7.28%               |
| British Pound        | 4.86%  | 4.86%                |
| Japanese Yen         | 4.65%  | 4.65%                |
| Euro                 | -4.51% | -4.51%               |
| New Zealand Dollar   | -4.35% | -4.35%               |

## Credit Quality

■ Fund ■ Benchmark



## Commentary

The fund returned -0.15% over the month, outperforming the benchmark which returned -0.39%. Bond selection added 0.20% to relative returns and currency selection added 0.04%. The top three positive bond contributors to relative returns were the underweight positions in United States and United Kingdom and the overweight position in Singapore. The top three positive currency contributors to relative returns were the long positions in Norwegian Krone and British Pound and the short position in Swiss Franc.

Investor sentiment improved somewhat in October, fuelling a rally in risk assets with the markets beginning to debate whether or not the pace of monetary tightening from global central banks may be slowing. Inflation remains a key concern and US CPI declined slightly in September to 8.2%. Meanwhile in Europe, although inflation pushed higher, unseasonably warm weather has allowed gas reserves to remain high and put downward pressure on wholesale gas prices which had been extremely elevated. Meanwhile, the political angst in the UK has also abated with the installation of a new Prime Minister providing some respite to markets. Global government bonds experienced mixed fortunes in October with the FTSE World Government Bond Index returning -0.4% in US dollar hedged terms. The unhedged version of the index performed similarly, at -0.5%.

Despite a dearth of economic data in the US in October, Treasury yields continued to push higher, with the 10-year Treasury yield pushing through 4% for the first time since before the global financial crisis in 2008. The return of the US bond market was -1.4% underperforming most of the other major markets. Our prospective real yield valuation has risen with the rise in nominal yields, and is now well into positive territory at around 1.0%, meaningfully above cyclical lows of -1.5%. The Global Bond programme has held an active underweight to the US market for some time, but we have reduced the scale of this underweight exposure somewhat in response to shifting valuations. Meanwhile, over the borders in both Mexico and Canada, local bond markets fared better, returning -0.1% and -0.9% respectively.

Eurozone bond markets experienced a varied month of performance, despite the European Central Bank increasing their main monetary policy rate by 0.75% to 2.0%. German bonds returned -0.6% in October, France performed better with a return of 0.1%, with the outperformer in the Eurozone being Italy. The Italian market recovered from its pre-election weakness to rally 1.0% over the month. The Colchester Global Bond programme remains substantially underweight the region, given the continued low real yields compared to alternatives in other non-European markets. The installation of yet another Prime Minister in the UK met a broadly favourable response from financial markets, following the calamitous effort to reduce taxes under the previous leadership. The new PM, Rishi Sunak, is a former Chancellor of the Exchequer and generally considered to be a safer pair of hands as regards economic policy. The UK gilt market swiftly recovered and returned 3.3% on the month.

In Asia, Malaysia's Prime Minister, Ismail Sabri Yaakon, dissolved parliament and called for an early election, with a bid to garner a stronger mandate for the United Malays National Organisation (UMNO) party. Meanwhile, inflation remained at elevated levels, albeit the headline CPI annual rate fell by 0.2% to 4.5% in September. Malaysia government bonds returned 0.4% in the month, where our Global Bond programme continues to maintain an overweight position with relatively attractive real yield valuations. Headline annual inflation in Indonesia jumped to a seven year high in September to 6.0% and the Bank of Indonesia has responded by increasing their 7 Day Reverse Repo policy rate by 0.50% to 4.75% this month. The return on local currency Indonesian government bonds was moderately negative at -0.7%.

The upward trajectory of the US dollar has not reversed, but exchange rate shifts in October were somewhat varied. The Norwegian krone gained 4.8% against the dollar for example. The UK pound recovered some lost ground, rising 3.1% in October as a new Prime Minister and cabinet was installed during the month. The Japanese yen continued its trend of depreciation however, falling 2.6% over the month.

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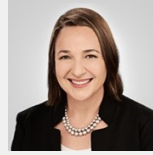


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## Fund Shareclass Research Ratings



## Colchester Fund Awards



Colchester Global Government Bond Fund - Class A



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 Colchester Global Government 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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