

The Colchester Global Government Bond Fund - Class I

APIR Code ETL5525AU

As of 31/08/2022



Fund Overview

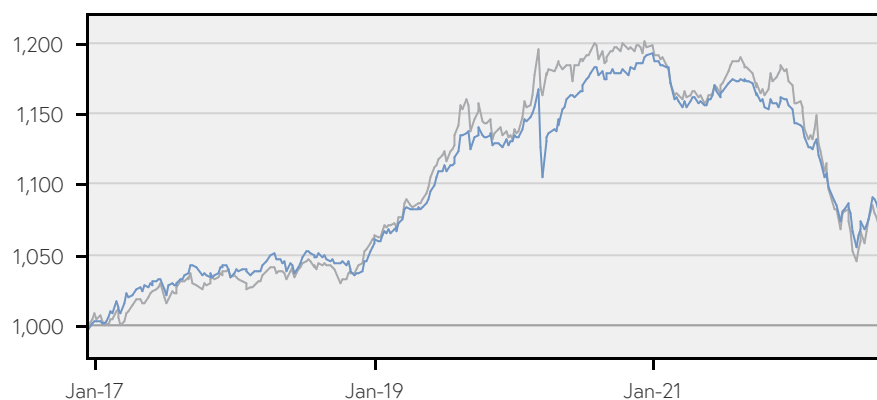
The Colchester Global Government Bond Fund seeks to deliver growth and income to investors whilst offering the defensive characteristics of a global sovereign bond portfolio over the medium term. We believe that if we hold a portfolio of high real yielding bonds and currencies that are undervalued according 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 (31/08/2022)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
0.8274	2.40%	1.06%	6.26%	670 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	-2.60%	-1.97%	-5.92%	-7.88%	-9.54%	-2.22%	0.50%	1.06%
Benchmark	-3.11%	-2.17%	-7.77%	-10.22%	-11.21%	-3.24%	0.33%	0.87%
Relative	0.51%	0.20%	1.85%	2.34%	1.68%	1.02%	0.17%	0.20%

Calendar Year Net Performance (%)

	2016	2017	2018	2019	2020	2021	YTD
Fund	0.32%	3.34%	2.07%	6.82%	5.60%	-3.36%	-7.88%
Benchmark	0.78%	2.79%	2.51%	6.63%	5.87%	-2.38%	-10.22%
Relative	-0.46%	0.54%	-0.44%	0.19%	-0.27%	-0.98%	2.34%

Key Information

Fund Inception	09/12/2016
Benchmark	FTSE World Government Bond Index (AUD Hedged)
Management Fee	0.60%
Buy/Sell Fee	Nil
Distributions	Quarterly Distribution
Liquidity	Daily
Min Application	\$1m or as per platform
Min Additional	\$100k or as per platform

Platform Listings

AMP North/MyNorth	BT Wrap	IOOF Pursuit	OneVue Wrap
AMP Portfolio Care	Colonial FirstChoice	Macquarie Wrap	Portfolio One
AMP Summit	Colonial FirstWrap	Masons Stevens	PowerWrap
AMP iAccess	Grow Wrap	MLC Navigator	Praemium
Asgard	HUB24	MLC Wrap	uXchange
Ausmaq	IOOF eXpand	Netwealth	WealthO2
BT Panorama	IOOF FinHQ	Oasis Wrap	Xplore Wealth

Fund Characteristics

	Fund	Benchmark
Yield to Maturity (Unhedged)	3.92%	2.59%
Running Yield (Unhedged)	3.10%	1.83%
Modified Duration (Years)	6.68	7.65
Average Coupon	2.93%	1.85%
Average Credit Quality	AA-	AA

Top 5 Securities Holdings

	Currency	Weight (%)
1. Singapore 3.5% Mar '27	SGD	2.94%
2. Japan 0.3% Jun '39	JPY	2.22%
3. United States 2.375% Aug '24	USD	2.14%
4. Singapore 2.75% Jul '23	SGD	2.12%
5. United States 2.125% May '25	USD	2.05%

5 Largest Active Positions - Bonds (%)

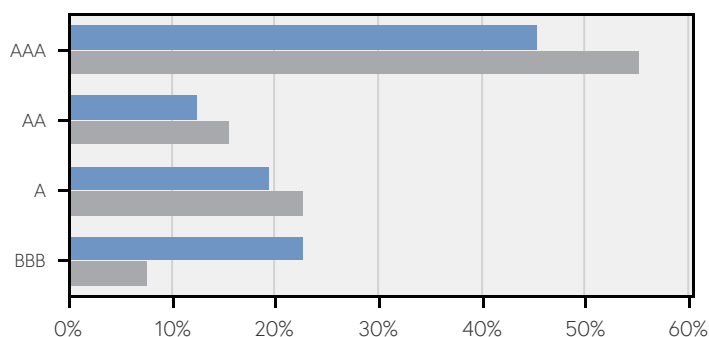
Country	Fund	Versus Benchmark (%)
United States	20.13%	-23.71%
Europe	17.55%	-11.31%
Singapore	10.49%	10.12%
Mexico	10.20%	9.50%
Japan	8.78%	-6.26%

5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
Malaysian Ringgit	5.14%	5.14%
United States Dollar	-4.35%	-4.35%
New Zealand Dollar	-4.22%	-4.22%
Swiss Franc	-3.96%	-3.96%
Japanese Yen	3.33%	3.33%

Credit Quality

■ Fund ■ Benchmark



Commentary

The fund returned -2.55% over the month, outperforming the benchmark which returned -3.11%. Bond selection added 0.79% to relative returns, while currency selection detracted -0.24%. The top three positive bond contributors to relative returns were the underweight positions in United States, Europe and United Kingdom. The top three currency detractors from relative returns were the long positions in Japanese Yen and Swedish Krona and the short position in United States Dollars.

August was a difficult month for global bonds as renewed investor concerns over higher inflation led to a selloff in markets. Concerns were particularly elevated in Europe where the threat of Russian gas supplies being cut off before the winter resulted in significant energy price rises in the region. The risk is that this will push the already high inflation in the region well into double digits, whilst also crimping economic activity. The FTSE World Government Bond Index returned -3.0% over the month in US dollar hedged terms and the unhedged return was -4.4% as the US dollar continued to strengthen against most of the currencies in the benchmark.

In the United States the annual meeting of central bankers at Jackson Hole drew investor attention. Federal Reserve Chairman Jerome Powell gave a short, but rather bleak, speech at the event outlining the Fed's conviction in lowering inflation. He explained that the effort to reduce inflation will probably "require a sustained period of below-trend growth," and that it will "bring some pain to households and businesses." Having said, that there was some positive news for US policymakers, as inflation declined to 8.5% in August from 9.1% the month before. Against this backdrop the US bond market fell by -2.5% over the month.

The worst performing market in the index during August was the UK market with a return of -8.6% as inflation rose to 10.1%. One of the main drivers was the increase in energy prices as gas and electricity prices continue to rise across Europe. At the end of last month, the Nord Stream gas pipeline linking Russia and Germany was once more closed for maintenance, fuelling concerns around gas supplies. During August the one-month forward price of natural gas in Germany peaked above 300EUR/MWh, compared to an average of around 10EUR/MWh in 2020. Combined with the stark inflation outlook, the Conservative Party in the UK are still working through the election of a new leader, who will then become Prime Minister. This will not be decided until early in September. Of course, higher energy prices are affecting all European countries, and this led to bond markets struggling across the Euro-zone also. The German bond market was down -5.1%, with the Netherlands falling -6.0% and the Italian market a relative outperformer in the region with a decline of -4.1%. Despite the jump in yields we continue to believe that both the UK and core European markets remain relatively expensive compared to alternatives, and we hold significant underweight positions in both in the Colchester global bond programme.

Although elevated inflation is a global phenomenon, by relative comparison the upward pressure on prices in Asia has been more muted. Japanese bonds outperformed over the month with a return of -0.3%. Inflation has recently risen to 2.9% in the country, but core inflation remains low at 0.6% and the Bank of Japan is continuing with its loose monetary policy. Malaysian inflation came in at 4.4% and the bond market enjoyed a positive return of 0.4%, whilst in Indonesia bonds rallied by 0.7% over the month. Our portfolios typically hold overweight positions in both markets, underpinned by the inflation profile and relatively attractive real yields on offer. Portfolios are largely also overweight in Colombian bonds, which performed strongly over the month to generate a return of 1.4%.

On the currency markets the US dollar continues to perform well, rising against nearly all the benchmark currencies over the month. In our view, this appreciation is pushing the dollar to increasingly overvalued levels in real terms. The British pound and the Euro struggled through the month on the back of the local energy market challenges, returning -4.4% and -1.4% respectively. The Chinese renminbi also fell over the month with a return of -2.3% as did the Japanese yen with a return of -3.6%. The Mexican peso was one of the few currencies to buck the trend as it gained 1.2% over the month against the US dollar.

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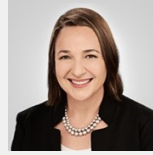


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Fund Shareclass Research Ratings



Colchester Fund Awards



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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'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.

Responsible investing is an integral part of the investment process however Colchester never makes investment decisions based solely upon ESG factors. Unless specified in the client Investment Management Agreement or offering documents, specific assets with poor ESG ratings may not be excluded from portfolios.