

# The Colchester Global Government Bond Fund - Class I

APIR Code ETL5525AU

As of 31/12/2022



## Fund Overview

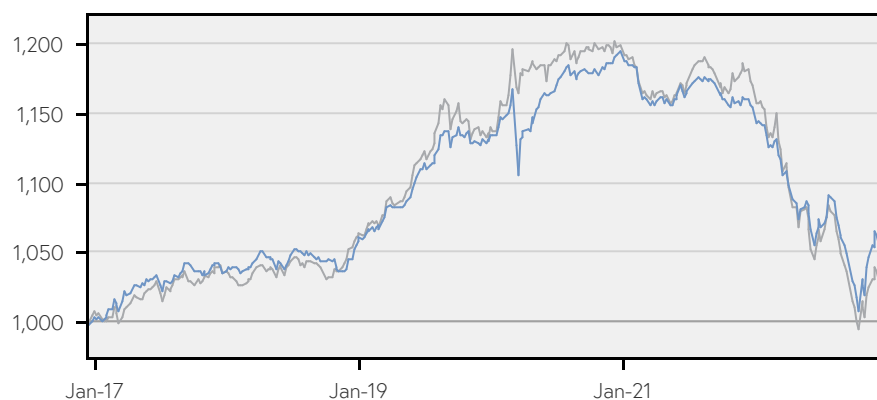
The Colchester Global Government Bond Fund seeks to deliver growth and income to investors whilst offering the defensive characteristics of a global sovereign bond portfolio over the medium term. We believe that if we hold a portfolio of high real yielding bonds and currencies that are undervalued according 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 (31/12/2022)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
0.8059	3.00%	0.69%	4.28%	669.3 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>	-1.06%	1.39%	-2.32%	-9.59%	-9.59%	-2.65%	0.12%	0.69%
<b>Benchmark</b>	-2.19%	-0.65%	-4.90%	-13.85%	-13.85%	-3.80%	-0.54%	0.14%
<b>Relative</b>	1.13%	2.04%	2.58%	4.26%	4.26%	1.15%	0.66%	0.56%

## Calendar Year Net Performance (%)

	2016	2017	2018	2019	2020	2021	YTD
<b>Fund</b>	0.32%	3.34%	2.07%	6.82%	5.60%	-3.36%	-9.59%
<b>Benchmark</b>	0.78%	2.79%	2.51%	6.63%	5.87%	-2.38%	-13.85%
<b>Relative</b>	-0.46%	0.54%	-0.44%	0.19%	-0.27%	-0.98%	4.26%

## Key Information

<b>Fund Inception</b>	09/12/2016
<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>	Quarterly 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

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)	4.62%	3.36%
Running Yield (Unhedged)	3.26%	2.02%
Modified Duration (Years)	6.79	7.32
Average Coupon	2.98%	1.93%
Average Credit Quality	AA-	AA

## Top 5 Securities Holdings

	Currency	Weight (%)
1. United States 0.25% Jun '25	USD	3.12%
2. Singapore 3.5% Mar '27	SGD	2.96%
3. Singapore 2.75% Jul '23	SGD	2.11%
4. United States 2.125% May '25	USD	2.03%
5. Mexico 7.5% Jun '27	MXN	2.01%

## 5 Largest Active Positions - Bonds (%)

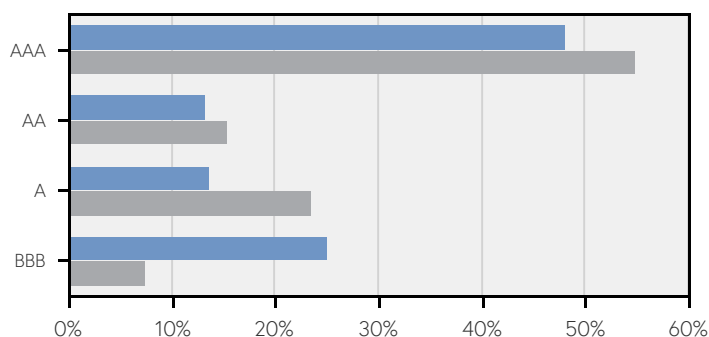
Country	Fund	Versus Benchmark (%)
United States	21.76%	-21.41%
Singapore	11.29%	10.88%
Mexico	10.95%	10.21%
Europe	18.47%	-10.12%
Japan	5.52%	-9.38%

## 5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
Euro	-6.10%	-6.10%
United States Dollar	-4.81%	-4.81%
Japanese Yen	4.64%	4.64%
New Zealand Dollar	-4.63%	-4.63%
Swiss Franc	-4.15%	-4.15%

## Credit Quality

■ Fund ■ Benchmark



## Commentary

The fund returned -1.01% (gross of fees) over the month, outperforming the benchmark which returned -2.19%. Bond selection added 1.05% to relative returns and currency selection added 0.13%. The top three positive bond contributors to relative returns were the underweight positions in Europe, United States and Japan. The top three positive currency contributors to relative returns were the long positions in Japanese Yen and Korean Won and the short position in United States Dollars.

2022 was a tumultuous year for financial markets as rampant inflation hit multi-decade highs across the globe. This backdrop forced central banks into aggressive tightening of monetary policy, paving the way for negative returns in both equities and sovereign bonds. The FTSE World Government Bond Index returned -12.9% over the year in US dollar-hedged terms, whilst the USD unhedged version of the index returned -18.3%, as US dollar strength persisted for much of the year before reversing in the last quarter. This reversal in the past three months fuelled a positive return to round out the year, with the WGBI returning 3.8% in USD unhedged terms.

In the US, headline inflation continued its downtrend, falling from 7.7% in October to 7.1% in November. Subsequently, the Federal Reserve reduced the pace of policy tightening from 75bps to 50bps in December, whilst maintaining that further hikes were warranted in 2023. The Treasury market returned -0.7% over the month, bringing the annual return to -12.6%. The Colchester global bond programme remains underweight US Treasuries although exposure has been increased as yields backed up this year. Returns from Canadian bonds were similar, posting -1.5% over the month and ending the year at -10.3%. As Mexico's inflation continued to show signs of slowing down from its peak of 8.7% in August, Banxico followed regional peers and raised interest rates by 50bps to 10.5%. Mexico's bond market returned 1.6% over the month, finishing the year with a positive return of 1%. We continue to hold a significant overweight to Mexican government bonds on account of the relatively attractive valuation and robust monetary policy framework.

In the UK, whilst the new cabinet has restored some stability and predictability in government policy under PM Rishi Sunak, the gilt market did sell off by 5% in December to end the year with a return of -27%. Eurozone government bond markets also weakened despite a decline in headline inflation from a peak of 10.6% in October to 10.1% in November. Eurozone markets returned an average -4.2% in December and fell by 18.5% over the full year. Norway's government bonds performed much better generating a positive 0.5% return in December and 1.1% over the final quarter of 2022. The Colchester programme remains substantially underweight the Eurozone markets and overweight in Norway.

As the year drew to a close, the Bank of Japan announced a surprise move to adjust their yield curve control policy, with the 10yr yield now allowed rise to 0.5%, having been capped at 0.25% previously. Japanese bonds returned a negative 1.6% for the month as yields rapidly rose to the level of the cap.

Throughout 2022, inflationary pressures have been more muted in Asia relative to the rest of the world and for the most part of the year investors' focus had been on China's weak growth prospects on account of its zero Covid policy. Whilst the Chinese authorities announced a series of measures in December aimed at relaxing the restrictions, the sovereign bond market remained stable over the month, returning 0.4% and ended the year with a positive return of 3%. In the last quarter of the year, Indonesian bonds were a strong performer generating a 4% return, and over the year outperformed regional peers with a return of 3.7%. Colchester's programme remains overweight the Indonesian market and underweight the Chinese bond market.

December saw the US dollar continue its softer trajectory that began following the softer headline inflation print in early November. The Japanese yen was the strongest performer amongst the majors, benefitting from the perceived turnaround in the Bank of Japan's long-held accommodative stance. The Yen strengthened 5.8% against the Dollar in December, capping a quarterly rise of 9.7%. The Central European currencies also performed well over recent months with the Polish zloty rising 3.5% in December and 12.6% over the quarter.

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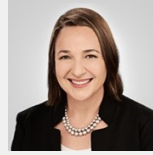


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## Fund Shareclass Research Ratings



## 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 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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