

The Colchester Global Government Bond Fund - Class I

APIR Code ETL5525AU

As of 31/07/2023



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 (31/07/2023)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
0.8071	3.00%	1.00%	6.82%	801.5 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	0.17%	0.13%	0.27%	2.43%	-2.09%	-3.33%	0.37%	1.00%
Benchmark	-0.40%	-1.34%	-0.35%	1.70%	-5.44%	-5.09%	-0.32%	0.38%
Relative	0.57%	1.47%	0.62%	0.73%	3.36%	1.76%	0.68%	0.62%

Calendar Year Net Performance (%)

	2016	2017	2018	2019	2020	2021	2022	YTD
Fund	0.32%	3.34%	2.07%	6.82%	5.60%	-3.36%	-9.59%	2.43%
Benchmark	0.78%	2.79%	2.51%	6.63%	5.87%	-2.38%	-13.85%	1.70%
Relative	-0.46%	0.54%	-0.44%	0.19%	-0.27%	-0.98%	4.26%	0.73%

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)	4.85%	3.54%
Running Yield (Unhedged)	3.61%	2.24%
Modified Duration (Years)	6.64	7.31
Average Coupon	3.36%	2.16%
Average Credit Quality	AA-	AA

Top 5 Securities Holdings

	Currency	Weight (%)
1. Singapore 3.5% Mar '27	SGD	2.97%
2. United States 0.25% Jun '25	USD	2.96%
3. Singapore 2.375% Jun '25	SGD	2.31%
4. Mexico 7.5% Jun '27	MXN	2.11%
5. Mexico 7.75% Nov '42	MXN	2.04%

5 Largest Active Positions - Bonds (%)

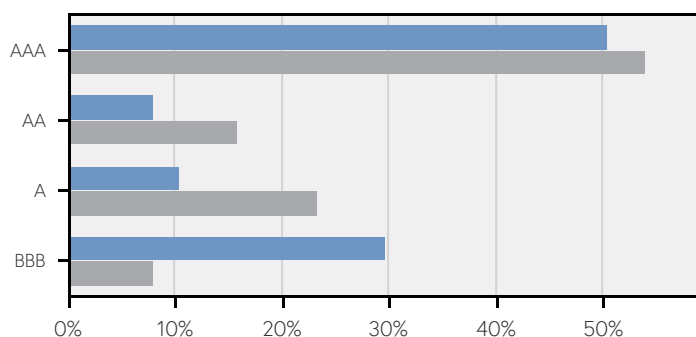
Country	Fund	Versus Benchmark (%)
United States	20.19%	-22.13%
Europe	11.49%	-17.84%
Mexico	12.86%	11.97%
Singapore	10.92%	10.52%
Japan	3.06%	-9.52%

5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
Euro	-7.11%	-7.11%
United States Dollar	-6.42%	-6.42%
Swedish Krona	5.34%	5.34%
New Zealand Dollar	-4.50%	-4.50%
Norwegian Krone	4.45%	4.45%

Credit Quality

■ Fund ■ Benchmark



Commentary

The fund returned 0.22% (gross of fees) over the month, outperforming the benchmark which returned -0.40%. Bond selection added 0.10% to relative returns and currency selection added 0.52%. The top three positive bond contributors to relative returns were the underweight positions in Japan and United States and the overweight position in Singapore. The top three positive currency contributors to relative returns were the long positions in Norwegian Krone, Colombian Peso and Swedish Krona.

Major central banks in the US and Europe continued their rate hiking cycle in July as core inflation remains persistent. Despite monetary policy tightening however, recent economic data have been encouraging and point to substantial resilience across many global economies. July was largely a positive month for risk assets though government bond performance was marginally negative as yields moved higher. The FTSE World Government Bond Index returned -0.3% in US dollar hedged terms whilst the unhedged return for the index fared a little better at positive 0.3% given the weakening of the US dollar.

In the US, annual headline inflation fell to 3.0% in June providing further support to the growing acceptance that inflation pressures may be abating. The Federal Reserve elected to remain cautious however and resumed its tightening after a pause in June, lifting the target range for the policy rate by 25bps to 5.25%-5.50%. The decision was affirmed by subsequent better-than-expected economic data, with second quarter GDP growth coming in at an annualised pace of +2.4% (vs. +1.8% expected). Consumer spending slowed a touch after its strong start to the year, but this was more than made up for by investment spending. The US bond market returned -0.3% and the Colchester global bond programme remains underweight the US bond market.

In the euro area, the ECB likewise increased their policy rate by 25bps in July bringing the deposit rate to 3.75%. Eurozone inflation continued its downtrend reaching 5.3% in July, however core inflation remained unchanged at 5.5%. Speaking at a press conference, ECB president Lagarde, said the euro area's near-term economic outlook had "deteriorated, owing largely to weaker domestic demand". The region's economy grew 0.3% in Q2 with high inflation and tighter financing condition dampening spending. Returns across eurozone bond markets were muted for July, averaging -0.2%.

In the UK, the inflation rate slowed materially to 7.9% in June (from 8.7% the previous month), the lowest level in 15 months, although still notably higher than in the euro area or the US. The decline was primarily driven by falling petrol prices, but declines were broad-based, with core and services CPI also easing to 6.9% and 7.2% respectively. The UK was the best performing bond market, returning 0.8% in July.

In Asia, Japan's inflation rate stood at 3.3% in June, the 14th consecutive month that the inflation rate has come in above the Bank of Japan (BoJ)'s 2% target. Towards the end of the month, the BoJ announced an unexpected shift in their Yield Curve Control policy, effectively shifting the strict cap on 10-year government bond yields to 1.0% from 0.5%. Subsequent to the announcement, the BoJ conducted an unscheduled bond purchase operation as yields on 10yr debt rose to a nine-year high of 0.607%. Given the sharp move higher in yields, the Japanese bond market was the worst performing market returning -2.2% in July. Despite the recent rise in yields, the Japanese bond market remains one of the least attractive given the negative real yield on offer. Thus, the Colchester global bond programme remains meaningfully underweight the Japanese bond market.

On the currency markets, the US dollar broadly weakened against other developed market currencies on the back of slowing inflation data and investor expectation of an imminent end to the Federal Reserve's hiking cycle. The likes of the Norwegian krone and Swedish krona were amongst the best performers, appreciating by 5.9% and 2.8% respectively, which benefited our program as both currencies are overweight positions in the strategy. Performance of emerging market currencies was somewhat mixed over the month but the Colombian peso was a standout performer, supported by a relatively high interest rate of 13.25%. The currency appreciated 7.5% thereby benefitting the Colchester programme which has an overweight position. The Mexican peso and Korean won strengthened 2.7% and 3.4% respectively.

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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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