

The Colchester Global Government Bond Fund - Class I

APIR Code ETL5525AU

As of 31/05/2023



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 (31/05/2023)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
0.8108	3.00%	0.98%	6.50%	744 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	-0.16%	2.43%	1.05%	2.13%	-1.74%	-2.91%	0.42%	0.98%
Benchmark	-0.59%	2.23%	0.23%	2.47%	-3.80%	-4.46%	-0.14%	0.50%
Relative	0.43%	0.19%	0.82%	-0.34%	2.06%	1.56%	0.56%	0.47%

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%	2.13%
Benchmark	0.78%	2.79%	2.51%	6.63%	5.87%	-2.38%	-13.85%	2.47%
Relative	-0.46%	0.54%	-0.44%	0.19%	-0.27%	-0.98%	4.26%	-0.34%

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)	4.73%	3.28%
Running Yield (Unhedged)	3.56%	2.15%
Modified Duration (Years)	6.79	7.38
Average Coupon	3.32%	2.10%
Average Credit Quality	AA-	AA

Top 5 Securities Holdings

	Currency	Weight (%)
1. United States 0.25% Jun '25	USD	3.34%
2. Singapore 3.5% Mar '27	SGD	3.25%
3. Mexico 7.75% Nov '42	MXN	2.18%
4. Indonesia 6.5% Feb '31	IDR	2.11%
5. Mexico 7.75% Nov '34	MXN	2.06%

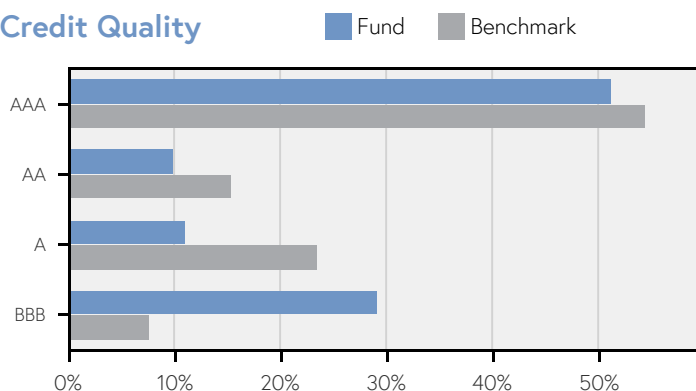
5 Largest Active Positions - Bonds (%)

Country	Fund	Versus Benchmark (%)
United States	21.72%	-21.29%
Europe	16.06%	-12.80%
Mexico	12.60%	11.77%
Singapore	11.42%	11.03%
Japan	3.43%	-9.97%

5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
Euro	-7.28%	-7.28%
United States Dollar	-5.31%	-5.31%
New Zealand Dollar	-4.57%	-4.57%
Norwegian Krone	4.34%	4.34%
Swedish Krona	3.80%	3.80%

Credit Quality



Commentary

The fund returned -0.11% over the month, outperforming the benchmark which returned -0.59%. Bond selection added 0.46% to relative returns and currency selection added 0.02%. The top three positive bond contributors to relative returns were the overweight positions in Colombia and Indonesia and the underweight position in United States. The top three positive currency contributors to relative returns were the long positions in Colombian Peso and Mexican Peso and the short position in Euro.

The month of May continued to be dominated by the ongoing US debt ceiling negotiations as we approached the critical deadline when the US would "run out of money" and financial markets fearing the possibility of a technical default. Meanwhile global headline inflation continues to fall but 'sticky' core inflation remains a concern to policymakers globally as both the Federal Reserve and the ECB raised policy rates this month. Against this backdrop, the FTSE World Government Bond Index returned negative 0.4% in US dollar hedged terms whilst the unhedged return for the index fared worse at -2.2% over the month given the strengthening of the US dollar.

In the US, the political stand-off between the White House and Republicans in Congress came to an end when the Senate approved the deal to lift the debt ceiling until after the 2024 presidential election. Whilst this allayed fears that the US was on the brink of an unprecedented default, Fitch took the decision to keep the US credit rating on negative watch. On a positive note, US inflation continued its downtrend reaching 4.9% in April. The US bond market returned a negative 1.2% in May and the Colchester global bond programme remains underweight the US bond market.

Eurozone inflation had fallen to its lowest level since the beginning of the war in Ukraine, to 6.1% in May, down from 7% in April. Despite this, the European Central Bank's views on core inflation continue to be that "the latest developments were broadly seen as worrisome" and hence has signalled more interest rate rises lie ahead to bring inflation down to its target level. Notwithstanding this, eurozone bond markets performed positively in May, averaging a return of 0.6% over the month. Elsewhere in Europe, the UK was amongst the worst performing bond markets over the month with a negative return of 4.1%. This comes despite inflation falling further to 8.7% in April from 10.1% in the previous month. However, with food inflation remaining elevated at 19% there are increasing concerns that the Bank of England would need to tighten monetary policy for longer than expected.

In Asia, Japan's CPI accelerated to 3.5% in April versus 3.2% in March. Moreover, Japan's Q1 GDP beat estimates as the economy grew by 1.6% in annualized terms, which was the first meaningful quarterly increase since the second quarter of 2022. The Japanese government bond market returned a negative performance of 0.1% in May. Similarly, the Singaporean bond market returned a marginally negative return of 0.2% over the month and remains a significant overweight in the Colchester global bond programme. However, Australian bonds fared worse with a negative return of 1.5% in May. This comes amidst the Reserve Bank decision to hike rates by 25bps to 3.85%, following a pause in April as inflation jumped from 6.3% to 6.8% in May. Moreover, Australia is set to raise the minimum wage by 5.75% from July 1 on the back of soaring living costs, a decision that risks further stoking inflation.

On the currency markets, the US dollar recovered strongly on the back of resilient economic data, particularly relative to other developed markets. The likes of the Swedish krona and Norwegian krone were amongst the worst performers, depreciating by 5.8% and 4.1% respectively versus the US dollar whilst the Euro followed closely behind at -3.4% for the month. Emerging market currencies within our global bond programme, on the other hand, experienced mixed fortunes this month. The best performing currency was the Colombian peso as it appreciated 5.4% against the US dollar, benefiting our overweight position. The Mexican peso and Korean won strengthened 1.6% and 0.8% respectively. However, the Chinese renminbi depreciated by 2.5% versus the US dollar which benefited our programme as we remain underweight.

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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)

Valuation and returns have been calculated in AUD as at month end. The WM-Reuters exchange rate used by the index provider in compiling their index is the predominant exchange rate used in valuing the Fund. The benchmark is the FTSE World Government Bond Index 100% hedged in Australian dollars (AUD). The Colchester Global Government Bond Fund (the "Fund") has been developed solely by Colchester Global Investors (Singapore) Pte. Ltd. The Fund is not in any way connected to or sponsored, endorsed, sold or promoted by the London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). FTSE Russell is a trading name of certain of the LSE Group companies. All rights in the FTSE World Government Bond Index (the "Index") vest in the relevant LSE Group company which owns the Index. FTSE[®] is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license. TMX[®] is a trademark of TSX, Inc. and used by the LSE Group under license. The Index is calculated by or on behalf FTSE Fixed Income, LLC or its affiliate, agent or partner. The LSE Group does not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the Index or (b) investment in or operation of the Fund. The LSE Group makes no claim, prediction, warranty or representation either as to the results to be obtained from the Fund or the suitability of the Index for the purpose to which it is being put by Colchester Global Investors (Singapore) Pte. Ltd.

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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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