

The Colchester Global Government Bond Fund - Class I

APIR Code ETL5525AU

As of 30/09/2023



Fund Overview

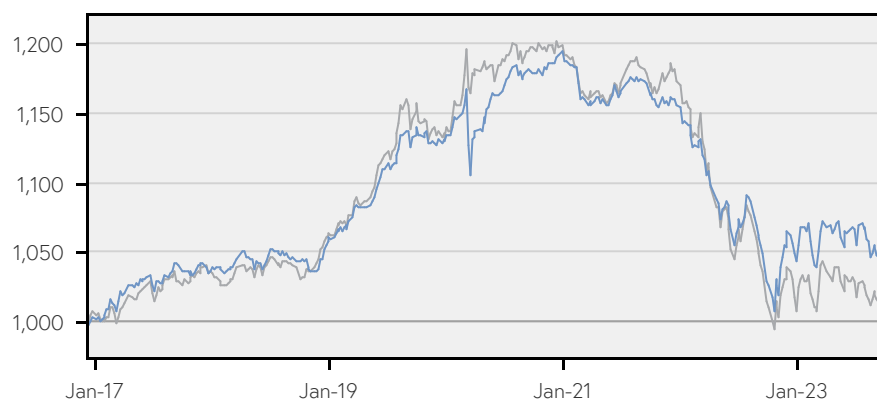
The Colchester Global Government Bond Fund seeks to deliver growth and income to investors whilst offering the defensive characteristics of a global sovereign bond portfolio over the medium term. We believe that if we hold a portfolio of high real yielding bonds and currencies that are undervalued according 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 (30/09/2023)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
0.7754	3.00%	0.38%	2.62%	817 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	-2.76%	-3.76%	-3.92%	-1.59%	-0.22%	-4.51%	-0.39%	0.38%
Benchmark	-1.99%	-2.66%	-3.35%	-0.60%	-1.25%	-5.74%	-0.70%	0.03%
Relative	-0.77%	-1.11%	-0.57%	-0.99%	1.02%	1.23%	0.31%	0.35%

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%	-1.59%
Benchmark	0.78%	2.79%	2.51%	6.63%	5.87%	-2.38%	-13.85%	-0.60%
Relative	-0.46%	0.54%	-0.44%	0.19%	-0.27%	-0.98%	4.26%	-0.99%

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)	5.40%	3.87%
Running Yield (Unhedged)	3.83%	2.36%
Modified Duration (Years)	6.48	7.01
Average Coupon	3.40%	2.21%
Average Credit Quality	AA-	AA

Top 5 Securities Holdings

	Currency	Weight (%)
1. United States 0.25% Jun '25	USD	2.93%
2. Singapore 3.5% Mar '27	SGD	2.90%
3. Singapore 2.375% Jun '25	SGD	2.22%
4. Mexico 7.5% Jun '27	MXN	2.10%
5. Indonesia 6.5% Feb '31	IDR	1.98%

5 Largest Active Positions - Bonds (%)

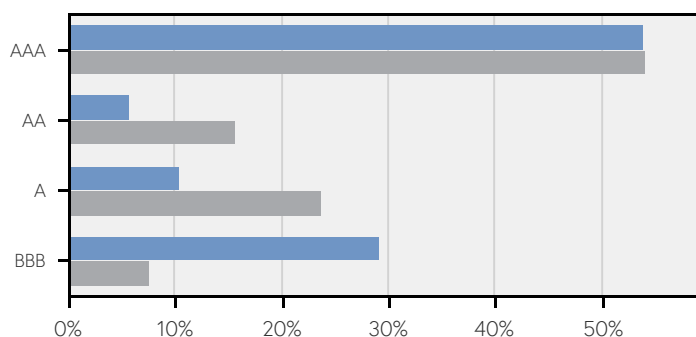
Country	Fund	Versus Benchmark (%)
United States	22.59%	-19.98%
Europe	9.32%	-19.27%
Mexico	12.52%	11.63%
Japan	2.91%	-9.31%
Singapore	8.90%	8.51%

5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
Euro	-6.97%	-6.97%
United States Dollar	-6.14%	-6.14%
Swedish Krona	5.29%	5.29%
Norwegian Krone	4.61%	4.61%
Japanese Yen	4.11%	4.11%

Credit Quality

■ Fund ■ Benchmark



Commentary

The fund returned -2.71% (gross of fees) over the month, underperforming the benchmark which returned -1.99%. Bond selection detracted -0.81% from relative returns, while currency selection added 0.08%. The top three bond detractors from relative returns were the overweight positions in Mexico, Colombia and New Zealand. The top three positive currency contributors to relative returns were the short positions in Euro and Thai Baht and the long position in Swedish Krona.

Major central banks in the US, UK and Euro area continued their rate hiking cycle during Q3 as core inflation remains persistent, although both the Bank of England and the Federal Reserve held rates unchanged at their last meetings of the quarter. Despite the tightening of policy over the last eighteen months, economic data has remained relatively resilient across many global economies. Such a backdrop, combined with renewed increases in the price of oil, have underpinned expectations of central bank policy rates staying "higher for longer". This led to higher yields in September, and negative returns from global bonds over the quarter. The FTSE World Government Bond Index returned -2.3% in US dollar hedged terms with the unhedged index faring worse with a return of -4.3% as most index currencies weakened against the Dollar. The Colchester Global Bond programme underperformed somewhat relative to benchmark over the quarter, primarily as a result of exposure to Latin American bond markets.

The US economy continued to perform well with Q2 GDP recording a solid 2.1% annualised growth rate. Economic activity has been underpinned by a resilient labour market with the unemployment rate rising to a still low 3.8% in August. With underlying rates of inflation still above target, policy makers and market participants are debating whether or not higher rates are necessary, or whether the impact of prior policy tightening should be allowed time to fully exert its influence on inflation. Whatever the conclusion, investors have pushed bond yields to 16-year highs as expectations for any imminent lowering of rates fades away. The US Treasury market returned a negative -2.2% during September and -3.0% over the quarter whilst the Colchester Global Bond programme remains underweight this market.

Meanwhile in the Euro area, falling energy prices are helping to lower headline inflation which was reported at 4.3% in September, the lowest level in two years. The ECB raised its policy rate twice in the third quarter, as core inflation remains materially above target, but growth has been weak this year particularly in Germany. Euro government bonds recorded negative returns with the German market down -2.4% for both the month of September and the quarter. In contrast, the Norwegian bond market was relatively flat over the quarter, with a return of -0.3%. The Colchester programme is significantly underweight the Euro area and continues to hold an overweight position in Norwegian bonds.

On account of relatively attractive real yields in the region, the Colchester programme is overweight bond markets in Mexico and Colombia. Rising yields in both markets over the past month have been a negative contributor to relative returns however. Central banks in both economies have held rates steady even as regional peers in Chile and Brazil have lowered rates. Meanwhile in Asia, the Bank of Japan continues with its zero interest rate policy but did loosen somewhat its yield curve control policy during the summer. This allowed yields to increase and the Japanese market produced a return of -4.3% over the quarter, making it the worst performer amongst the major global bond markets in Q3.

On the currency markets the US dollar experienced a strong bounce over the past month. The British pound fell -3.7% in September as the Bank of England chose to hold its base rate at 5.25%. The Japanese yen also weakened, and both currencies are overweight positions in the Colchester programme, which holds an underweight to the US dollar. Some of this negative performance was offset by an underweight to the Euro however, which fell -3.0% over the quarter. Positive contributions to relative returns also came from exposure to the Norwegian krone and Colombian peso, which appreciated 0.7% and 3.2% respectively over the quarter. The backdrop of a rising oil prices was likely a material factor underpinning each of these currencies.

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Fund Shareclass Research Ratings



Analyst-Driven %
100
Data Coverage %
100

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)

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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