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# Colchester Global Government Bond Fund – Class A

*Monthly Report: November 2019*

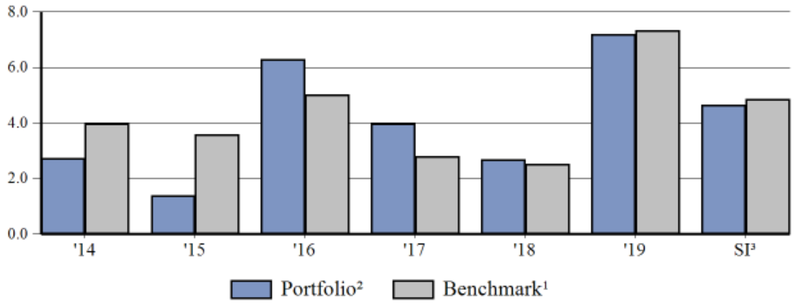
**ESTABLISHED 1999**

**CURRENT ASSETS OVER $45BN**

**VALUE ORIENTATED**

| | |
|---|---|
| Global Bonds | Emerging Market Debt |
| Global Inflation | Alpha |

## GROSS PERFORMANCE AS AT END OF NOVEMBER 2019




## MARKET COMMENTARY

Global government bond yields moved higher again this month with a cautious improvement in sentiment due to the reduction in geopolitical tensions. The focus for investors continues to be speculation surrounding the US-China trade deal and this has impacted on bond markets over the past month. The rise in yields translated into a return of -0.4% for the FTSE World Government Bond Index in US dollar hedged terms. The general strength of the US dollar resulted in an unhedged return of -1.2% for the same index.

Trade talks between China and the United States has continued to set the tone for market sentiment over the month. Negotiations appear to be advancing however US support for the anti-government protesters in Hong Kong may complicate matters. Inflation data that were released during the month showed that the annual rate of consumer prices in the US had risen by 1.8%, a little higher than 1.7% seen the month prior. US Treasuries returned -0.3% over the month as yields increased. In Canada meanwhile, consumer price inflation remained unchanged at 1.9% and the government bond market return was flat on the month. In Latin America, social unrest in Chile caused some volatility across regional markets with Colombian bonds declining by 1.7% and the Mexican market by 0.9%. The Brazilian market performed slightly better returning -0.8% over the month.

European economic data was stronger than seen over recent months, although it was confirmed that Eurozone inflation was confirmed at a 3 year low of 0.7% during October. Core inflation was slightly higher however at 1.1%. While European Purchasing Manager Index (PMI) data remain subdued, key German manufacturing data has started to improve, albeit from a low base. This had the effect of boosting investor confidence in the region. European government bonds had negative returns over the month, with Germany, France and Netherland all returning -0.4% over the month, whilst the Italian market returned -2.1%. In the UK, the electorate and investors remain focused on the general election set for mid-December. Economic data in the UK has been mixed recently, with the economy returning to growth in the third quarter after contraction in the second. UK inflation data released in November showed that the rate of price increases fell to 1.5% in the year to October, due to the introduction of an energy price cap. The UK gilt market returned -0.8% in November underperforming most other major markets.

Australia was the best performing developed government bond market in the month of November. Australian house prices showed a strong correction following the reduction in interest rates in October to an all time low of 0.75%. The bond market returned a solid 0.9% as yields declined across the curve. The Singapore bond market also rallied last month amid an ongoing economic backdrop of low growth and inflation. Government bonds returned 0.3% in the city-state. Elsewhere South Africa avoided a credit rating downgrade by Moody's, retaining their investment grade status, although the outlook for the rating was changed to negative. Weak growth, high inequality and rising public debt represent significant challenges for the government of South Africa to overcome.

On the currency markets, the US dollar was generally stronger over the month, although the Swedish krona did buck the trend with a modest appreciation of 0.6%. The British pound is also performing relatively well, strengthening against the Euro by 1.1% but flat against the US dollar. The Australian dollar was relatively weak, returning -1.8% not helped by weak employment data during the month. Currencies in Latin America were negatively affected by political upheaval in a number of countries in the region. The Brazilian real weakened by 5.1%, the Colombian peso by 4.1% and the Mexican peso declined a more modest 1.7%.

1. The FTSE World Government Bond Index 100% hedged in Australian dollars (AUD), formerly, The Citigroup World Government Bond Index 100% hedged in Australian dollars (AUD).

2. Colchester Global Government Bond Fund – Class A whose inception date was 19 September 2014. Please see further footnotes on following pages for more details.

3. Annualized returns since inception.

*Monthly Report: November 2019*

| Gross Attribution of Total Returns | | | |
|---|---|---|---|
| | Portfolio [2] | Benchmark [1] | Relative Return |
| Monthly | -0.59% | -0.50% | -0.09% |
| Bonds | -0.51% | -0.50% | -0.02% |
| Currency | -0.08% | 0.00% | -0.08% |

| Top 5 Bond Holdings | |
|---|---|
| 1 | Japanese Govt 0.1% 20Jun2029 |
| 2 | US Treasury 5.375% 15Feb2031 |
| 3 | US Treasury 2% 15Feb2025 |
| 4 | US Treasury 2% 31Aug 2021 |
| 5 | Japanese Govt 0.1% 20Dec2021 |

| Top Active Currency Positions | | |
|---|---|---|
| *Portfolio Exposure relative to Benchmark* | | *% of Portfolio* |
| *Overweights* | | |
| 1 | Malaysia Ringgit | 4.3% |
| 2 | Norwegian Krone | 4.0% |
| 3 | British Pound | 3.3% |
| *Underweights* | | |
| 1 | United States Dollars | -6.3% |
| 2 | Euro | -4.7% |
| 3 | Thai Baht | -3.8% |

| Portfolio Characteristics | | |
|---|---|---|
| | **Portfolio [2]** | **Benchmark [1]** |
| Modified Duration | 6.75 | 8.26 |
| Flat Yield | 2.45 | 2.03 |
| Yield to Maturity | 1.80 | 0.95 |
| Average Coupon | 2.76 | 2.42 |
| Average Credit Rating | AA- | AA |

## MONTHLY PERFORMANCE COMMENTARY

The fund returned -0.59% over the month, underperforming the benchmark which returned -0.50%. Bond selection detracted -0.02% from relative returns and currency selection detracted -0.08%.The top three bond detractors from relative returns were the overweight positions in Mexican nominal bonds, Brazilian inflation-linked bonds and Colombian nominal bonds. The top three currency detractors from relative returns were the short positions in United States Dollars, Australian Dollars and Thai Baht.

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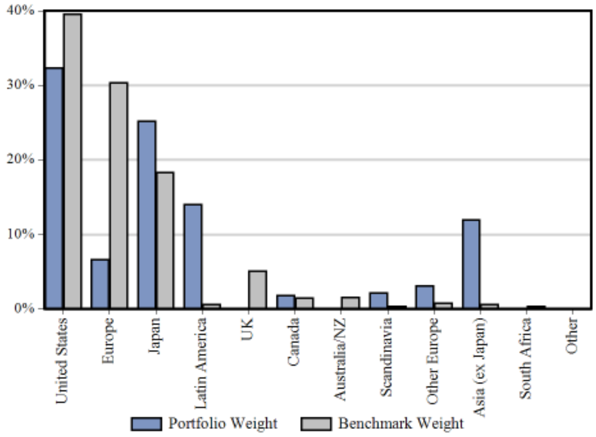
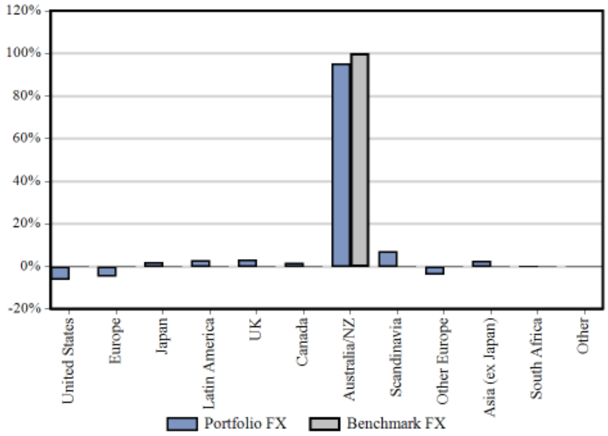
## MONTH END POSITIONING

**Country Exposure (%)**




**Currency Exposure (%)**




## PERFORMANCE SINCE INCEPTION

| Portfolio | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | SI[23] |
|---|---|---|---|---|---|---|---|
| Gross Returns | 2.73% | 1.38% | 6.28% | 3.98% | 2.68% | 7.20% | 4.65% |
| Benchmark[1] | 3.99% | 3.59% | 5.02% | 2.79% | 2.51% | 7.34% | 4.86% |
| Relative Gross | -1.25% | -2.21% | 1.26% | 1.18% | 0.16% | -0.15% | -0.20% |

| YTD Returns | Q1:19 | Q2:19 | Q3:19 | Oct | Nov | YTD |
|---|---|---|---|---|---|---|
| Gross Returns | 2.50% | 2.63% | 2.38% | 0.12% | -0.59% | 7.20% |
| Benchmark[1] | 2.54% | 2.86% | 2.83% | -0.53% | -0.50% | 7.34% |
| Relative Gross | -0.03% | -0.23% | -0.45% | 0.65% | -0.09% | -0.15% |

## DISCLAIMERS

- 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.
- Past performance is no guarantee of future performance and the value of any investment may fall as well as rise. This information is provided for indicative purposes only, and is supplied in good faith based on sources which we believe, but do not guarantee, to be accurate or complete as of the date of this document.

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- The portfolio's guidelines are set out in PDS of the fund. Investment management fees are described in PDS of the fund.
- The gross performance record presented above does not reflect the deduction of management and custody fees, which will reduce overall client returns. As an example of the impact of investment management fees on the net return to investors: the value of a A$10 million investment at inception of 19 September 2014 on which the highest 60 basis points was payable, would be worth A$12.669 million gross of investment management fees and A$12.276 million net of fees as at the end of November 2019. The basis for calculating this example is to start with an investment amount, apply the monthly gross performance to the previous computed month end value, and deduct the highest fees payable (60.0 basis points) to compute the new month end value net of fees.Investment management fees are described in the current prospectus.
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