

# The Colchester Emerging Markets Bond Fund - Class I

APIR Code ETL3065AU

As of 31/03/2022



## Fund Overview

The Colchester Emerging Markets Bond Fund seeks to deliver to investors higher medium-term growth and income (relative to developed markets) from a diversified portfolio of sovereign bonds and currencies in emerging markets. 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.

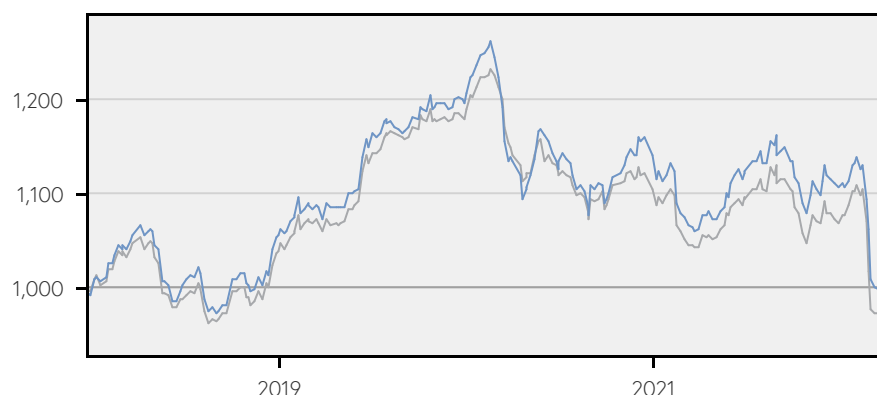
CUM Unit Price (31/03/2022)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
0.7131	6.40%	0.10%	0.44%	36.21 AUD

## 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

■ Fund ■ Benchmark



## Net Performance (%)

	1M	3M	6M	YTD	1Y	Annualised		
						3Y	5Y	S.I.
<b>Fund</b>	-5.30%	-9.07%	-11.41%	-9.07%	-5.41%	-2.15%		0.10%
<b>Benchmark</b>	-4.85%	-9.44%	-12.30%	-9.44%	-7.23%	-2.95%		-0.78%
<b>Relative</b>	-0.45%	0.37%	0.89%	0.37%	1.82%	0.80%		0.88%

## Calendar Year Net Performance (%)

	2017	2018	2019	2020	2021	YTD
<b>Fund</b>	-0.86%	6.39%	13.34%	-4.75%	-2.99%	-9.07%
<b>Benchmark</b>	-0.46%	4.20%	13.64%	-6.45%	-3.15%	-9.44%
<b>Relative</b>	-0.40%	2.19%	-0.30%	1.69%	0.16%	0.37%

## Key Information

<b>Fund Inception</b>	21/12/2017
<b>Benchmark</b>	JP Morgan Government Bond Index Emerging Markets Global Diversified (AUD Unhedged)
<b>Management Fee</b>	0.75%
<b>Buy/Sell Fee</b>	+/- 0.16%
<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	Praemium
Asgard	uXchange
Ausmaq	
BT Panorama	
HUB24	
Macquarie Wrap	
Netwealth	

Data source: Colchester Global Investors, as at 31/03/2022

[www.colchesterglobal.com.au](http://www.colchesterglobal.com.au)

Past returns are not a guarantee of future returns. The value of shares in the Fund may go down as well as up. An investment in the Fund involves the risk of loss, including the loss of the entire amount invested.

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## Fund Characteristics

	Fund	Benchmark
Yield to Maturity (Unhedged)	8.16%	6.56%
Running Yield (Unhedged)	8.03%	5.29%
Modified Duration (Years)	5.53	5.08
Average Coupon	7.07%	5.19%
Average Credit Quality	BBB	BBB+

## Top 5 Securities Holdings

	Currency	Weight (%)
1. Mexico 10% Dec '24	MXN	4.78%
2. South Africa 8.75% Feb '48	ZAR	4.68%
3. Brazil 10% Jan '29	BRL	4.02%
4. Brazil 10% Jan '31	BRL	3.93%
5. Brazil 10% Jan '23	BRL	3.64%

## 5 Largest Active Positions - Bonds (%)

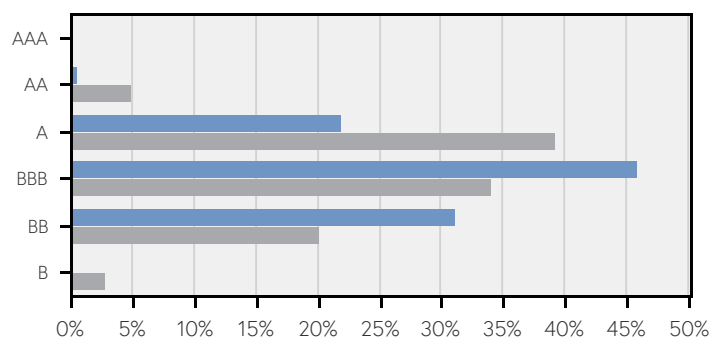
Country	Fund	Versus Benchmark (%)
Thailand	0.98%	-9.02%
Indonesia	17.72%	7.72%
China	3.70%	-6.30%
Poland	0.61%	-6.29%
Colombia	10.71%	6.18%

## 5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
Thai Baht	1.00%	-9.00%
South Korean Won	6.40%	6.40%
Mexican Peso	15.26%	5.26%
Malaysian Ringgit	14.63%	4.77%
Czech Koruna	0.05%	-4.69%

## Credit Quality

■ Fund ■ Benchmark



## Commentary

The fund returned -5.24% over the month, underperforming the benchmark which returned -4.85%. Bond selection added 0.02% to relative returns, while currency selection detracted -0.41%. The top three positive bond contributors to relative returns were the underweight positions in Poland, Czech Republic and Thailand. The top three currency detractors from relative returns were the overweight positions in Korean Won and Malaysia Ringgit and the underweight position in Russian Ruble.

The Russian invasion of Ukraine and associated inflation risks dominated investors' deliberations in the first quarter of this year. Bond yields moved higher, generating negative returns across all fixed income sectors. The JP Morgan GBI-EM Global Diversified Index returned -8.1% in USD hedged terms over the quarter, with the collapse in Russian bond prices being the largest contributor. In unhedged USD terms, returns were slightly better at -6.5% as EM currencies largely performed well.

In Latin America, returns from government bond markets were mostly negative. Brazil was amongst the relative outperformers in the region however as its government bond market returned 0.9% over the quarter. Whilst inflation has continued to rise, hitting 10.5% in February, the Central Bank maintained its hiking cycle lifting the Selic rate by 2.5% over the quarter to 11.75%. Colombia was the worst performer in the region, with government bonds falling -5.5%. Although inflation has risen over the quarter from 5.6% to 8.5% as at the end of March, and the Central Bank has hiked rates by 200 basis points to 5.0%, markets have become increasingly concerned about the outcome of the upcoming Presidential election in May. The favorite to win, Gustavo Petro, is a leftist populist candidate, who is proposing to shift the country away from its current orthodox economic framework and halt new oil exploration. However, Colombia's congress will remain split, preventing the passage of unorthodox proposals, and the right-wing candidate Gutierrez is closing the gap with regards to voter intent. In Mexico, as in the rest of the region, inflation ended the quarter higher at 7.5%, with the bond market returning -1.6%. In the rest of the region, Chile and Peru were down -1.7% and -2.9% respectively.

The Russian invasion of Ukraine, launched on 24th February, continues to reverberate across financial markets. The West has been quick to impose several rounds of sanctions against Russia since the conflict began, including across the financial sector. Russia in turn has imposed its own 'counter-sanctions', including a prohibition on Russian financial institutions transferring Russian rubles abroad. This has effectively created a two-tier market for local currency Russian debt, with the market for non-residents severely constrained. Russian debt has now been removed from the JP Morgan GBI-EM Global Diversified index as of the end of March. Turning to South Africa, the bond market returned a healthy 1.9% for the quarter. The Central Bank raised rates twice by 25bps to 4.25% currently whilst inflation remains within the target range of 3-6% at 5.7%. Elsewhere, bond markets in central Europe performed poorly with the Hungarian market down -7.4% and Polish bonds down -5.1%.

Chinese government bonds showed a positive return of 0.6% this quarter. Inflation in China is on a different path to much of the world as it fell back to below 1%. Policymakers in the country have vowed to implement various measures to stimulate growth as the country continues to battle with Covid-19. Malaysian bonds returned -0.8% as the Central Bank chose to leave interest rates unchanged at 1.75%. In Indonesia, the Central Bank also kept its policy rate unchanged at 3.5% and the local bond market was close to flat, returning -0.2%.

Despite the Russian invasion of Ukraine, emerging market currencies were generally stronger over the first quarter of 2022. The three best performing currencies were the Brazilian real, South African rand and Colombian peso returning 17.2%, 9.2% and 8.4% respectively. All three currencies benefitted from higher commodity prices, as did the Chilean peso rising 8.3% over the quarter. The Egyptian pound was the worst performer, falling -14.1% over the quarter, as the Central Bank devalued the currency. The Turkish lira sold off also, weakening by -9.5% as the country showed its largest quarterly trade deficit since 2013.

Data source: Colchester Global Investors, as at 31/03/2022

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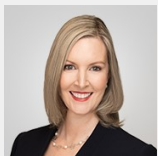
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## Fund Shareclass Research Ratings



## Colchester Fund Awards



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Where an investor's own currency is different from the Fund currency, the return on investments could be affected by fluctuations in the exchange rate.

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 JP Morgan Government Bond Index Emerging Markets Global Diversified 100% Unhedged in Australian Dollars (AUD Unhedged). Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2022, J.P. Morgan Chase & Co. All rights reserved.

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The Colchester Global Government Bond Fund and Colchester Emerging Markets 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.