

# The Colchester Global Government Bond Fund - Class I

APIR Code ETL5525AU

As of 29/02/2024



## 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.

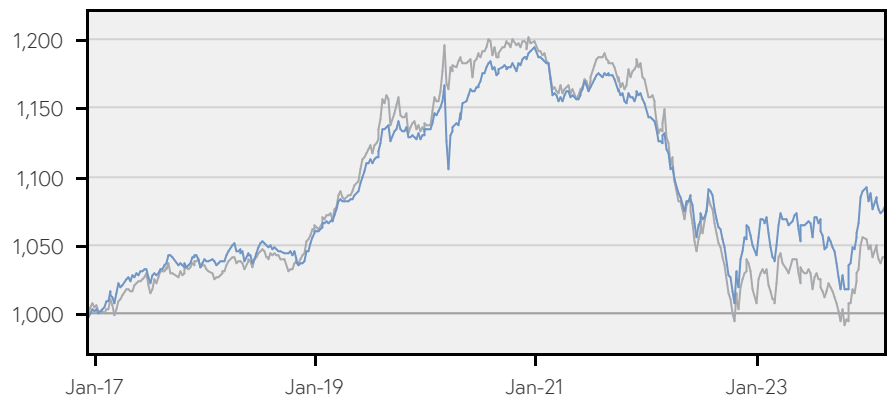
CUM Unit Price (29/02/2024)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
0.8017	3.00%	1.03%	7.72%	915.6 AUD

## 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>	-0.76%	1.98%	2.07%	-1.42%	3.60%	-2.43%	0.16%	1.03%
<b>Benchmark</b>	-0.84%	1.65%	1.83%	-1.29%	3.02%	-3.64%	-0.53%	0.56%
<b>Relative</b>	0.09%	0.33%	0.24%	-0.13%	0.57%	1.21%	0.68%	0.47%

## Calendar Year Net Performance (%)

	2017	2018	2019	2020	2021	2022	2023	YTD
<b>Fund</b>	3.34%	2.07%	6.82%	5.60%	-3.36%	-9.59%	4.78%	-1.42%
<b>Benchmark</b>	2.79%	2.51%	6.63%	5.87%	-2.38%	-13.85%	4.62%	-1.29%
<b>Relative</b>	0.54%	-0.44%	0.19%	-0.27%	-0.98%	4.26%	0.16%	-0.13%

Past performance is not an indicator of future performance

## Key Information

<b>Fund Inception</b>	09/12/2016
<b>Benchmark</b>	FTSE World Government Bond Index (AUD Hedged)
<b>Management Fee</b>	0.60%
<b>Buy/Sell Fee</b>	Nil
<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	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

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## Fund Characteristics

	Fund	Benchmark
Yield to Maturity (Unhedged)	5.02%	3.50%
Running Yield (Unhedged)	3.87%	2.45%
Modified Duration (Years)	6.05	7.09
Average Coupon	3.64%	2.38%
Average Credit Quality	AA-	AA

## Top 5 Securities Holdings

	Currency	Weight (%)
1. United States 0.25% Jun '25	USD	2.80%
2. United States 4.875% Oct '28	USD	2.38%
3. United States 5% Oct '25	USD	2.13%
4. United States 1.5% Aug '26	USD	2.02%
5. Mexico 7.5% Jun '27	MXN	2.00%

## 5 Largest Active Positions - Bonds (%)

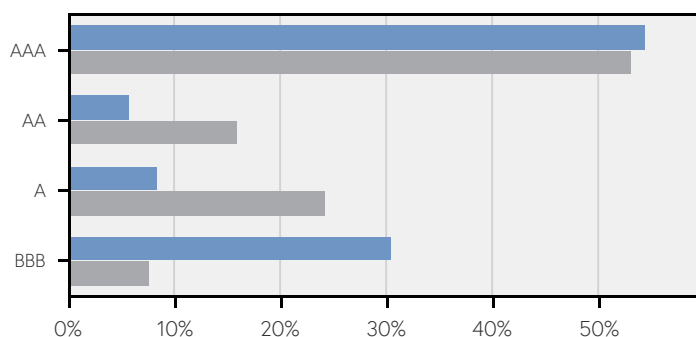
Country	Fund	Versus Benchmark (%)
Europe	9.36%	-19.17%
Mexico	12.65%	11.86%
United States	31.99%	-9.92%
Japan	2.78%	-8.44%
China	0.00%	-7.55%

## 5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
United States Dollar	-6.95%	-6.95%
Swedish Krona	5.42%	5.42%
Euro	-4.98%	-4.98%
Norwegian Krone	4.47%	4.47%
New Zealand Dollar	-4.18%	-4.18%

## Credit Quality

■ Fund ■ Benchmark



## Commentary

The fund returned -0.71% (gross of fees) over the month, outperforming the benchmark which returned -0.84%. Bond selection added 0.21% to relative returns, while currency selection detracted -0.07%. The top three positive bond contributors to relative returns were the underweight positions in Europe, United States and United Kingdom. The top three currency detractors from relative returns were the short positions in United States Dollars and Euro and the long position in Japanese Yen.

February was a positive month for growth assets such as equities, with resilient economic data fueling market hopes of a soft landing. As expectations of future rate cuts were pushed out further however, government bonds came under pressure and returns were generally negative. The FTSE World Government Bond index returned -0.7% in US dollar hedged terms over the month. In unhedged terms the index returned -1.3% as the US dollar strengthened against most of the benchmark currencies.

In the US, strong nonfarm payrolls reversed the recent trend of cooling labour market data. The reacceleration in employment highlights the underlying strength in the labour market which has been instrumental in underpinning consumer spending. Furthermore, US annual headline inflation rose 3.1% in January, dampening expectations of a near-term rate cut by the Federal Reserve. US Treasuries sold off to generate a return of -1.3% over the month.

In the Eurozone, disinflation continued in February, albeit at a slightly slower pace than expected. Annual headline inflation came in at 2.6% whilst core inflation stood at 3.1%. Negotiated pay data showed Q4 pay growth slowed to 4.5%, moderating concerns that wage pressures may sustain inflation above the ECB's target. ECB President Christine Lagarde has singled out salaries as "an increasingly important driver of inflation dynamics in the coming quarters". In the UK, wage growth remains uncomfortably high with recent data showing wages grew 6.2% in the fourth quarter of 2023. This pushed back forecasts of rate cuts by the Bank of England. UK gilts suffered, returning -1.2% over the month. The global bond programme is underweight both Eurozone and UK bond markets on account of their relatively unattractive real yields.

In Asia, annual headline CPI in Japan rose 2.2% in line with the Bank of Japan's inflation target. Sustained inflation is fueling market speculation of an exit from negative policy rates. Despite this, Japanese government bonds returned 0.6% in February. In contrast, China continues to be challenged by persistent deflationary pressures with recent inflation at -0.8% in January, the lowest level since 2009. The Chinese economy has been beset by falling prices as the country struggles to revive domestic demand and consumer confidence. The central bank cut the 5 year prime lending rate by 25bps, in an attempt to underpin the ailing property market. Chinese sovereign bonds returned 0.7% in February. In Indonesia, annual inflation was 2.6% in January, well within the Bank of Indonesia's target range of 1.5%-3.5%. Indonesia's general election took place in mid-February and official results will likely show Defense Minister Prabowo Subianto to be the victor. Subianto is expected to broadly follow the policies of the popular incumbent Joko Widodo, prompting a favourable reaction from markets. The Colchester programme remains overweight Indonesian bonds, which returned 0.5% in February.

In Latin America, Colombia's inflation continued to decline but remains elevated at 8.4%. Despite easing monetary policy by the Colombian central bank, the local bond market returned -1.3%. In contrast, Mexico's headline inflation increased slightly from 4.7% to 4.9%, whilst Banxico kept rates on hold at 11.25%. Core inflation continued to ease to 4.7% however and Mexican bonds returned 0.7%. The Colchester Global Bond programme maintains overweight positions in both the Colombian and Mexican markets.

The US dollar strengthened against most major currencies, as investors pushed out the timing of expected Fed rate cuts. In particular, the Japanese yen was one of the worst performers, weakening -2.3%. The Euro and British pound also weakened by -0.4% and -0.7% respectively. Scandinavian currencies had mixed performance, the Swedish krona was broadly flat, while the Norwegian krone fell -1.3%. A handful of currencies did strengthen against the US dollar, including the Mexican peso, which appreciated 0.6%.

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## Fund Shareclass Research Ratings



Analyst-Driven %  
100

Data Coverage %  
100

## Colchester Fund Awards



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