The Colchester Emerging Markets Bond Fund - Class I

APIR Code ETL3065AU

As of 29/02/2024

Fund Overview

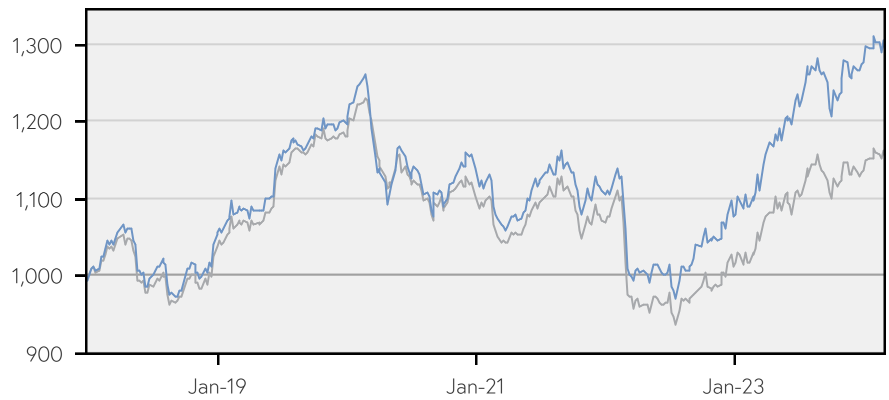
The Colchester Emerging Markets Bond Fund seeks to deliver to investors higher medium-term growth and income (relative to developed markets) from a diversified portfolio of sovereign bonds and currencies in emerging markets. We believe that if we hold a portfolio of high real yielding bonds and currencies 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 (29/02/2024)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size ($million)
0.8088	6.80%	4.38%	30.39%	97.17 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 (%)

						Annualised		
	1M	3M	6M	YTD	1Y	3Y	5Y	S.I.
Fund	0.67%	3.87%	3.09%	2.40%	18.84%	6.55%	3.67%	4.38%
Benchmark	0.94%	2.90%	1.70%	2.60%	13.16%	3.17%	1.65%	2.45%
Relative	-0.27%	0.97%	1.38%	-0.21%	5.69%	3.38%	2.02%	1.92%

Calendar Year Net Performance (%)

	2017	2018	2019	2020	2021	2022	2023	YTD
Fund	-0.86%	6.39%	13.34%	-4.75%	-2.99%	-2.56%	18.31%	2.40%
Benchmark	-0.46%	4.20%	13.64%	-6.45%	-3.15%	-5.32%	12.01%	2.60%
Relative	-0.40%	2.19%	-0.30%	1.69%	0.16%	2.75%	6.31%	-0.21%

Past performance is not an indicator of future performance

Key Information

Fund Inception	21/12/2017
Benchmark	JP Morgan Government Bond Index Emerging Markets Global Diversified (AUD Unhedged)
Management Fee	0.75%
Buy/Sell Fee	+/- 0.18%
Distributions	Quarterly Distribution
Liquidity	Daily
Min Application	$1m or as per platform
Min Additional	$100k or as per platform

Platform Listings

AMP North/MyNorth	Netweath
Asgard	Praemium
Ausmaq	uXchange
BT Panorama	
Colonial FirstWrap	
HUB24	
Macquarie Wrap	

Fund Characteristics

	Fund	Benchmark
Yield to Maturity (Unhedged)	8.11%	6.49%
Running Yield (Unhedged)	7.73%	5.32%
Modified Duration (Years)	5.13	5.03
Average Coupon	7.17%	5.17%
Average Credit Quality	BBB	BBB+

Top 5 Securities Holdings

	Currency	Weight (%)
1. Brazil 10% Jan '29	BRL	5.12%
2. Brazil 10% Jan '27	BRL	4.30%
3. Brazil 10% Jan '33	BRL	4.19%
4. Mexico 7.75% May '31	MXN	3.14%
5. South Africa 8.75% Feb '48	ZAR	2.83%

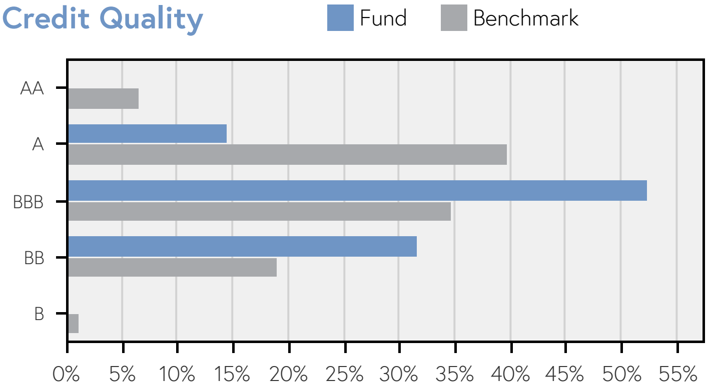
5 Largest Active Positions - Bonds (%)

Country	Fund	Versus Benchmark (%)
Mexico	20.05%	10.05%
China	0.00%	-10.00%
Thailand	0.00%	-9.64%
Brazil	18.98%	8.98%
Poland	0.00%	-8.14%

5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
Chinese Yuan	0.79%	-9.21%
Colombian Peso	12.73%	8.02%
Thai Baht	1.79%	-7.85%
Polish Złoty	1.27%	-6.87%
Czech Koruna	0.00%	-6.38%

Credit Quality



Commentary

The fund returned 0.73% (gross of fees) over the month, underperforming the benchmark which returned 0.94%. Bond selection detracted -0.28% from relative returns, while currency selection added 0.07%. The top three bond detractors from relative returns were the underweight positions in Thailand and China and the overweight position in Colombia. The top three positive currency contributors to relative returns were the overweight positions in Colombian Peso, Korean Won and Philippines Peso.

Expectations of lower interest rates in major advanced economies continued to be pushed out in February amidst mixed global inflation prints, with US CPI notably surprising to the upside as the annual rate of core inflation printed at 3.9%. Several economies also tipped into technical recession (including Japan and Germany), adding to the uncertain outlook. The JP Morgan GBI-EM Global Diversified index returned 0.0% in US dollar hedged terms and -0.6% in unhedged terms, reflecting the strength of the US dollar.

Asian markets generally posted modestly positive returns in February. Central banks in the region were not particularly active this month, with Bank Indonesia and the Bank of Thailand both pausing and no meeting from Bank Negara Malaysia. A general election took place in Indonesia with the favourite, Prabowo Subianto, the likely winner. He is considered a continuity candidate to follow the popular incumbent Joko Widodo, prompting a favourable reaction from markets. The Colchester programme remains overweight the country's bonds, which returned 0.5% in February. Thailand posted disappointing GDP numbers of 1.7% YoY, with headline CPI slipping further into deflation at -1.1%. Thailand's bond market also rallied in February, returning 0.9%. China had a mixed month, with headline inflation remaining negative at -0.8%. The central bank conducted a surprise cut to the 5-year prime lending rate but left the 1-year equivalent unchanged. This is hoped to stimulate the ailing property market, as mortgages often refer to the 5-year benchmark rate.

Central Europe saw two major inflation surprises to the downside, with Hungarian CPI falling from 5.5% to 3.8%, and Poland's from 6.2% to 3.9%. The National Bank of Hungary proceeded with a 100bp rate cut, whereas the National Bank of Poland held rates steady. The Hungarian government also resolved an impasse with the EU regarding aid for Ukraine in the wider budget process, mitigating the bloc's threat to withhold funds for Hungary. Hungarian bonds returned -0.7% this month and Polish bonds returned -0.2%. The Colchester programme remains overweight in Hungary and underweight in Poland. The beginning of the month saw the surprise resignation of the Turkish central bank governor, Harfize Erkan. Erkan's brief tenure had been welcomed by investors for her orthodox policies, having raised rates to 45% in a move away from "Erdoganomics". Her replacement, Fatih Karahan, has so far calmed markets, keeping the policy rate elevated at 45% at his first meeting in late February. Nevertheless, we maintain a zero exposure to Türkiye given the uncertainty in the inflation and policy outlook.

Latin America remains at the vanguard of the current cycle of easing monetary policy, with further reductions in interest rates seen in Brazil (-50bps), Chile (-100bps), and Colombia (-25bps). Inflation continues to decline in each country, to 4.5% in Brazil, 3.8% in Chile, and a still elevated 8.4% in Colombia. The global backdrop of higher yields fed into investor sentiment in the region however, with the Colombian bond market generating a return of -1.3% and the Chilean market returning -0.6%. The programme is slightly underweight Chilean bonds, whilst holding an overweight in Colombian bonds. Inflation increased slightly in Mexico 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%.

EM currencies had a challenging month as shifting expectations of policy easing in the US resulted in the Dollar Index rising 0.9%. Positive contributions to excess return in the Colchester programme did derive from underweight positions, including the Czech koruna and the Thai bhat, which returned -1.1% and -2.0%, respectively. This was offset by negative contributions from the overweight positions in the likes of the Brazilian real and the South African rand however, which weakened -0.6% and -3.0%, respectively.

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As of 29/02/2024

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Analyst-Driven %
100

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100

Colchester Fund Awards

Zenith Fund Awards Finalist 2023
Global and Diversified Fixed Interest

Zenith Fund Awards Finalist 2022
Global and Diversified Fixed Interest

Zenith Fund Awards 2020 Finalist

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