# The Colchester Emerging Markets Bond Fund - Class I

APIR Code ETL3065AU
As of 31/03/2024

## Fund Overview

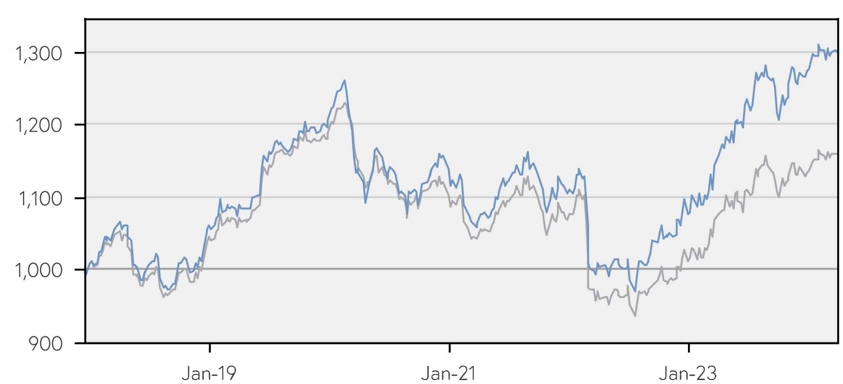
The Colchester Emerging Markets Bond Fund seeks to deliver to investors higher medium-term growth and income (relative to developed markets) from a diversified portfolio of sovereign bonds and currencies in emerging markets. We believe that if we hold a portfolio of high real yielding bonds and currencies 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 (31/03/2024) | Current Distribution p.a. | Net Annual Return Since Inception p.a. | Net Total Return Since Inception | Fund Size ($million) |
|---|---|---|---|---|
| 0.8052 | 6.80% | 4.24% | 29.81% | 98.87 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 | Annualised 5Y | Annualised S.I. |
|---|---|---|---|---|---|---|---|---|
| **Fund** | -0.45% | 1.94% | 6.67% | 1.94% | 12.17% | 6.93% | 3.90% | 4.24% |
| **Benchmark** | -0.22% | 2.38% | 4.65% | 2.38% | 7.70% | 3.61% | 1.85% | 2.39% |
| **Relative** | -0.23% | -0.44% | 2.02% | -0.44% | 4.48% | 3.32% | 2.05% | 1.86% |

## 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% | 1.94% |
| **Benchmark** | -0.46% | 4.20% | 13.64% | -6.45% | -3.15% | -5.32% | 12.01% | 2.38% |
| **Relative** | -0.40% | 2.19% | -0.30% | 1.69% | 0.16% | 2.75% | 6.31% | -0.44% |

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** | +/- 0.17% |
| **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) | 8.43% | 6.61% |
| Running Yield (Unhedged) | 7.95% | 5.38% |
| Modified Duration (Years) | 5.12 | 5.05 |
| Average Coupon | 7.29% | 5.18% |
| Average Credit Quality | BBB | BBB+ |

## Top 5 Securities Holdings

| | Currency | Weight (%) |
|---|---|---|
| 1. Brazil 10% Jan '29 | BRL | 5.55% |
| 2. Brazil 10% Jan '27 | BRL | 4.44% |
| 3. Brazil 10% Jan '33 | BRL | 4.11% |
| 4. Mexico 7.75% May '31 | MXN | 3.44% |
| 5. Mexico 7.5% Jun '27 | MXN | 2.88% |

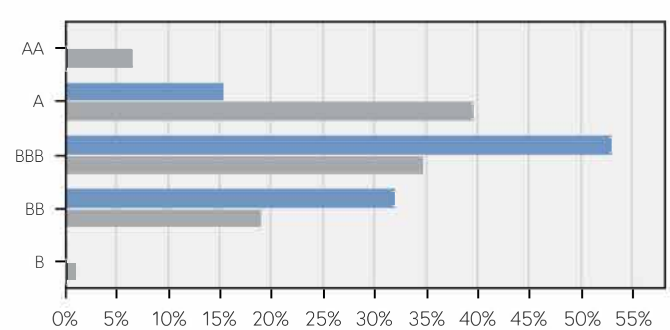
## 5 Largest Active Positions - Bonds (%)

| Country | Fund | Versus Benchmark (%) |
|---|---|---|
| Mexico | 20.83% | 10.83% |
| China | 0.00% | -10.00% |
| Thailand | 0.00% | -9.78% |
| Brazil | 19.25% | 9.25% |
| Poland | 0.00% | -7.88% |

## 5 Largest Active Positions - Currency (%)

| Currency | Fund | Versus Benchmark (%) |
|---|---|---|
| Chinese Yuan | 0.94% | -9.06% |
| Colombian Peso | 13.29% | 8.50% |
| Thai Baht | 1.70% | -8.08% |
| Polish Złoty | 1.41% | -6.47% |
| Czech Koruna | 0.00% | -6.47% |

## Credit Quality




## Commentary

The fund returned -0.38% (gross of fees) over the month, underperforming the benchmark which returned -0.22%. Bond selection detracted -0.53% from relative returns, while currency selection added 0.37%. The top three bond detractors from relative returns were the overweight positions in South Africa, Hungary and Colombia. The top three positive currency contributors to relative returns were the underweight positions in Thai Baht and Chinese Yuan and the overweight position in Colombian Peso.

Investors started 2024 by scaling back expectations of imminent interest rate cuts by the Federal Reserve and other major global central banks. This resulted in Emerging Market currencies weakening relative to the US dollar over the first quarter and consequently the return on the JP Morgan GBI-EM Global Diversified Index was negative at -2.1% for the quarter in unhedged USD terms. The return in USD hedged terms was actually a slight positive at 0.2% over the quarter. Over the past month, the index was broadly flat with returns of -0.2% and 0.0% in USD hedged and unhedged terms respectively.

Asian bond markets were the strongest performing region during the first quarter. Chinese bonds rallied as policymakers implemented a surprise cut to the 5-year prime lending rate. This is hoped to stimulate the ailing property market, as mortgages contracts often reference this rate. Additionally, the government announced its new growth target of 5%. China's annual inflation rate for February come in at 0.7%, ending a period of deflation, which had persisted since October 2023. Elsewhere, Indonesia's general election result was confirmed with Prabowo Subianto to take over as President. He is considered a continuity candidate to follow the popular incumbent Joko Widodo, prompting a favorable reaction from markets. The Colchester programme remains overweight local Indonesian government debt, which returned 0.9% over the quarter. Meanwhile, Thailand posted disappointing GDP data showing growth of 1.7%, and headline CPI slipped further into deflation at -1.1%. Thailand's bond market performed well over the quarter, generating a return of 2.0%. This was headwind for relative returns as the Colchester programme is underweight Thailand.

The worst performing market in the index over the quarter was South Africa where bonds returned -2.0% in the month of March, and -1.9% for the three-month period. The programme is overweight South Africa hence this position detracted from relative performance. The South African Reserve Bank (SARB) kept rates on hold in March at 8.25% due to higher inflation. In contrast, Turkey's central bank hiked rates 500bps as it continues to implement more orthodox monetary policy to stem inflation. Turkish bonds rallied in March in response, however the return over the quarter was a modest 0.1%. The Hungarian market was the second worst performer over the quarter as it returned -1.8%, and -1.6% for the month of March. The Hungarian central bank reduced its policy rate to 8.25% in March from 9.00%. Elsewhere in Central Europe, bond markets performed relatively well with the Czech market returning 0.5% and the Polish market 0.3%.

Latin America remains at the vanguard of the current cycle of monetary policy easing, with further reductions in interest rates seen in Brazil (-100bps), Chile (-100bps), Colombia (-75bps) and Mexico (-25bps) over the quarter. Bond markets in the region generally responded well with Colombian bonds returning 1.5% and Brazilian bonds 1.3%. Whilst inflation continued to decline in each country some regional central banks noted a slower path going forward. The Colchester programme remains overweight bonds in both Colombia and Brazil, as well as Mexico.

Emerging market currencies weakened relative to the US dollar during the first quarter of 2024, as outlined above. The two worst performing currencies were the Egyptian pound and Turkish lira which declined -34.8% and -8.7% respectively against the US dollar. The drop in Egyptian pound came after the central bank shifted to a more flexible exchange rate regime in March. There is no exposure to Egypt in the Colchester EM programme and the market was removed from the standard JP Morgan index effective 31 January 2024. The Mexican peso was one of the few currencies to strengthen against the Dollar in the first quarter, rising 1.9% over the quarter, and 2.7% over the past month.

## Sales & Marketing Enquiries

**Monica Hood**
**Head of Distribution - Australia and New Zealand**

Email: mhood@colchesterglobal.com
Phone: +61 431 478 780

Team Email: MarketingClientServiceAUSNZ@colchesterglobal.com
Website:

## Fund Administration & Client Service Enquiries

**Colchester Global Investors Unit Registry**

**Applications**
Email: colchester@onevue.com.au
Fax: +61 3 8672 7741
Post: GPO Box 804
Melbourne, VIC 3001

**Client Service Enquiries**

Email: colchester@onevue.com.au
Phone: +61 3 9046 4040

**Transactions**

Email: colch.transactions@onevue.com.au

## Fund Shareclass Research Ratings

5 Highly Recommended Lonsec Research

Zenith RECOMMENDED

MORNINGSTAR Gold™

Analyst-Driven % 100 Data Coverage % 100
The Morningstar Medalist Rating™ for Colchester Emerging Markets Bond Fund is "Gold" as of 06/07/2023.

## 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

## Important Information and Disclosures

This document is prepared by Colchester Global Investors (Singapore) Pte. Ltd (ABN 58 159 947 583). Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT), is the Responsible Entity of the Colchester Emerging Markets Bond Fund (ARSN 616 633 428) (the "fund"). This document is not intended to be securities or financial product advice and should not be relied upon as such. To obtain a copy of the Fund's PDS please contact Colchester. The PDS should be considered in deciding whether to acquire, or continue to hold, an investment in the Fund. This information is of a general nature only and does not take into account the investment objectives, financial situation or particular needs of any investor and should not be taken as a securities or stock recommendation. These factors should be considered before any investment decision is made in relation to the Fund. The performance of the Fund is not guaranteed. Colchester, Equity Trustees Limited and their related parties, their employees and directors make no representation (express or implied) and shall have no liability in any way arising from the provision of this document for any loss or damage, direct or indirect, arising from the use of this document.

Capitalised terms used in this factsheet without definition have the meaning given in the PDS. Investors should read this information and seek advice before making an investment in the Fund. Past performance is not a prediction or guarantee of future performance and the value of any investment may fall as well as rise. Investment in the Fund puts your capital at risk. You may lose some or all of your investment.

Net of fee returns reflect the deduction of fees and expenses and are calculated on the basis of the applicable fee rates as described in the PDS. Additional information regarding policies and procedures for calculating and reporting returns is also available on request. Where any part of the total cost of your investment is paid in, or represents an amount of, a currency other than the Share Class currency, these costs may increase or diminish as a result of currency and exchange rate fluctuations.

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.

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 factsheet. Such information is current as of the date of this factsheet and may be subject to change without notice. If there is any conflict between this factsheet and the PDS, the PDS shall prevail.

This factsheet is not to be used or considered as an offer to sell or solicitation of an offer to buy any securities. Nothing in this factsheet should be construed as providing any type of investment, tax or other advice, or be considered a solicitation, recommendation, endorsement or offer to purchase or sell any financial instrument.

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).

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 2024, J.P. Morgan Chase & Co. All rights reserved.

Valuation and returns have been calculated in AUD as at month end. The WMR exchange rate used by the index provider in compiling JP Morgan Government Bond Index Emerging Markets Global Diversified 100% Unhedged in Australian Dollars (AUD Unhedged) is the predominant exchange rate used in valuing the Fund.

All securities are rated by Nationally Recognized Statistical Rating Organizations (NRSRO) Moody's, Standard & Poor's (S&P), and/or Fitch. If a security is rated by more than one of these organisations, the highest rating assigned is used in our credit rating breakdowns. Ratings are measured on a scale that generally ranges from AAA (being the highest) to D (being the lowest).

Colchester Global Investors (Singapore) Pte. Ltd is registered in Singapore, Company Registration No: 201202440M. Registered Office: 6 Battery Road #40-02A, Six Battery Road, Singapore 049909. Colchester Global Investors (Singapore) Pte. Ltd holds a capital markets services licence in fund management issued by the Monetary Authority of Singapore pursuant to the Securities and Futures Act 2001. Colchester Global Investors (Singapore) Pte. Ltd is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cwlth) in respect of financial services provided to wholesale clients in Australia. Colchester Global Investors (Singapore) Pte. Ltd. is regulated by the Monetary Authority of Singapore under Singaporean laws which differ from Australian laws. Therefore, Australian wholesale clients are not necessarily subject to the same types of legal protections or remedies that they would enjoy if Colchester was directly subject to the Corporations Act. Colchester is entitled to offer its financial services in Australia pursuant to an exemption from the requirement to hold an Australian Financial Services Licence under the Corporations Act, on the basis, among other things, that the clients are Wholesale Clients within the meaning of the Corporations Act.

The rating issued September 2023 Colchester Emerging Markets Bond Fund Class I is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2024 Lonsec. All rights reserved.

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned March 2024 for ETL3065AU) referred to in this piece is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at https://www.zenithpartners.com.au/our-solutions/investment-research/regulatory-guidelines/.

Colchester Emerging Markets Bond Fund Class I has a Morningstar Medalist RatingTM of 'Gold' as of 06-07-2023. © 2024 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. This report or data has been prepared for clients of Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or New Zealand wholesale clients of Morningstar Research Ltd, subsidiaries of Morningstar, Inc. Any general advice has been provided without reference to your financial objectives, situation or needs. For more information refer to our Financial Services Guide at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Morningstar's publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Morningstar's full research reports are the source of any Morningstar Ratings and are available from Morningstar or your adviser. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a financial adviser.

Zenith Investment Partners Pty Ltd ABN 27 103 132 672 AFSL 226872 Fund Awards issued 13 October 2023 & 14 October 2022 are solely statements of opinion and not a recommendation in relation to making any investment decisions. Fund Awards are current for 12 months and subject to change at any time. Fund Awards for previous years are for historical purposes only. Full details on Zenith Fund Awards at https://www.zenithpartners.com.au/zenith-fund-awards-2023/.

The 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.

Information about how to make a complaint about the Fund, any right to compensation and any cancellation rights will be provided to you upon request.

Responsible investing is an integral part of the investment process however Colchester never makes investment decisions based solely upon ESG factors. Unless specified in the offering documents, specific assets with poor ESG ratings may not be excluded from portfolios.