The Colchester Global Government Bond Fund - Class A

APIR Code ETL0409AU

As of 31/03/2024

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 (31/03/2024)	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size ($million)
0.9806	1.70%	17.45%	40.95 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	0.35%	-1.07%	5.35%	-1.07%	1.22%	-2.18%	-0.03%	1.70%
Benchmark	0.67%	-0.63%	4.59%	-0.63%	1.08%	-3.36%	-0.76%	1.72%
Relative	-0.32%	-0.44%	0.77%	-0.44%	0.13%	1.19%	0.73%	-0.02%

Calendar Year Net Performance (%)

	2017	2018	2019	2020	2021	2022	2023	YTD
Fund	3.35%	2.06%	6.82%	5.59%	-3.35%	-9.60%	4.81%	-1.07%
Benchmark	2.79%	2.51%	6.63%	5.87%	-2.38%	-13.85%	4.62%	-0.63%
Relative	0.56%	-0.46%	0.20%	-0.28%	-0.97%	4.25%	0.19%	-0.44%

Past performance is not an indicator of future performance

Key Information

Fund Inception	19/09/2014
Benchmark	FTSE World Government Bond Index (AUD Hedged)
Management Fee	0.60%
Buy/Sell Fee	Nil
Distributions	Annual Distribution
Liquidity	Daily
Min Application	$1m or as per platform
Min Additional	$100k or as per platform

Platform Listings

AMG Freedom of Choice

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Fund Characteristics

	Fund	Benchmark
Yield to Maturity (Unhedged)	5.08%	3.45%
Running Yield (Unhedged)	3.97%	2.47%
Modified Duration (Years)	6.12	7.14
Average Coupon	3.73%	2.41%
Average Credit Quality	AA-	AA

Top 5 Securities Holdings

	Currency	Weight (%)
1. United States 0.25% Jun '25	USD	2.81%
2. Mexico 7.75% Nov '34	MXN	2.25%
3. United States 5% Oct '25	USD	2.23%
4. United States 4.875% Oct '28	USD	2.19%
5. United States 4.375% Nov '28	USD	2.06%

5 Largest Active Positions - Bonds (%)

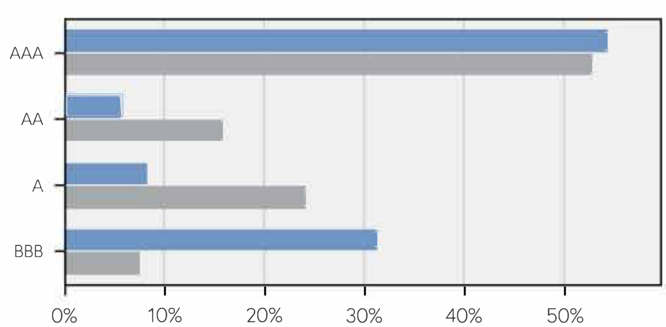
Country	Fund	Versus Benchmark (%)
Europe	9.64%	-18.98%
Mexico	13.49%	12.67%
United States	31.56%	-10.13%
Japan	2.89%	-8.14%
China	0.00%	-7.78%

5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
United States Dollar	-7.11%	-7.11%
Swedish Krona	5.12%	5.12%
Euro	-4.92%	-4.92%
Norwegian Krone	4.29%	4.29%
New Zealand Dollar	-3.94%	-3.94%

Credit Quality

Fund Benchmark



Commentary

The fund returned 0.40% (gross of fees) over the month, underperforming the benchmark which returned 0.67%. Bond selection detracted -0.19% from relative returns and currency selection detracted -0.08%. The top three bond detractors from relative returns were the underweight positions in Europe and United Kingdom and the overweight position in Colombia. The top three currency detractors from relative returns were the long positions in Swedish Krona, Norwegian Krone and Japanese Yen.

The first quarter of 2024 saw slightly negative returns from bond markets as expectations of rate cuts from the major central banks were pushed out. Inflation is still falling in most economies, but the rate of decline is slowing and this has led policy makers to maintain a cautious stance and suggest rates may be held higher for longer. The FTSE World Government Bond index returned 0.8% in US dollar hedged terms over the month of March and -0.3% over the quarter as yields rose. In unhedged terms the index returned 0.4% for the month and -2.4% over the quarter as the US dollar strengthened against most of the benchmark currencies.

The economy in the United States continues to perform well. Although the unemployment rate rose slightly to 3.9%, the nonfarm payroll numbers continue to show strong job growth with the figures for February coming in an increase of 275,000. Against the backdrop of a strong economy the latest inflation data showed an increase from 3.1% to 3.2%. Furthermore, the month-on-month rate has accelerated from 0.2% in December to 0.4% in February, suggesting the momentum for inflation to fall further may be slowing. The Federal Reserve kept its policy rate target on hold although they indicated that rates are likely to be lowered later in the year. The US bond market returned 0.6% over the past month and -1.0% for the quarter.

The Bank of Japan was in the headlines this month as it raised interest rates for the first time since 2007. This move formally ended the Negative Interest Rate Policy (NIRP) that the bank had been running since 2016, with the new overnight call rate set within a range from 0.0% to 0.1%. Although this is nothing like the large rate hikes we have seen in other countries it is significant for Japan. The central bank felt able to move as inflation has been above their 2% target for the last two years, and recent wage negotiations in the country underpinned the growing confidence that inflation was becoming more embedded in the system. The negotiations in Japan saw the largest federation of trade unions, Rengo, agree to a 5.28% wage increase over the next fiscal year, the largest in over thirty years. Japanese bonds returned -0.2% for the month and -0.7% over the quarter. Colchester has maintained a significant underweight position in the Japanese bond market as relative valuations remain unattractive.

In Europe the ECB kept rates on hold but acknowledged that inflation was falling and that rate cuts were likely later in the year. Headline inflation is now down to 2.6% although core inflation, ex-food and energy, remains higher at 3.1%. Despite the fall in inflation the jobs market in the Eurozone remains strong with unemployment now down to 6.4%, the lowest since the Euro was created. German bonds returned -1.3% over the quarter whilst the Italian bond market performed well with a return of 0.9% over the same period. In the UK the Bank of England also signaled that rates may be cut later in the year and the bond market there returned -2.0% in the quarter. Elsewhere, New Zealand returned -0.3%, Australia 0.9% and Mexico rallied 0.8% over the quarter. The Colchester programme holds an overweight position in all of these markets.

Over the quarter the US dollar strengthened against nearly all other benchmark currencies as investors pushed back expectations of lower US interest rates. The notable exception was the Mexican peso which rose by 1.9% over the quarter continuing a strong run that has reduced the undervaluation of the currency and led us to reduce exposure in the Colchester programme. Despite the Bank of Japan raising interest rates the Japanese yen weakened by -6.8% and is now at its weakest level in over thirty years against the US dollar. Colchester maintained an overweight in the Yen on account of the large undervaluation. Meanwhile the Euro declined -2.2%, whilst the British pound fell a modest -0.9%.

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Fund Shareclass Research Ratings

Morningstar Medalist Rating™ Bronze

Analyst-Driven %
100

Data Coverage %
100

Colchester Fund Awards

Colchester Global Government Bond Fund - Class A

Global and Diversified Fixed Interest

Global and Diversified Fixed Interest

Colchester Global Government Bond Fund - Class I

Colchester Global Government Bond Fund - Class A

Colchester Global Government Bond Fund - Class A

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