

Signatory of:



Colchester Emerging Markets Bond Fund

Utilising time proven and prudent strategies



Key Fund Attributes are:

- High regular distributions
- Attractive diversification and return characteristics
- Proven liquidity through market stress

ESG Credentials

- Colchester is a PRI and TFCF Signatory
- ESG factors are incorporated into investment process
- Colchester actively engages with issuers in ESG factors

Why Consider Colchester Emerging Market Bond Fund?

- The Fund paid set quarterly distributions of 6.40% p.a. last financial year reflecting the high coupon profile which is currently averaging 7.5%¹.
- The Fund is Unhedged which can assist in dampening the effects of a depreciation in EM currencies, due to the historical correlation of the AUD to these currencies.
- The benchmark, JP Morgan Government Bond Index-Emerging Markets Global Diversified AUD Unhedged, has over 80% of countries rated Investment Grade or above; the Fund's average credit quality is BBB¹.
- It is not a substitute for developed market (DM) sovereign bonds; however, it does offer attractive income, diversification and return characteristics. While it has a higher expected volatility than DM debt, the volatility of its bond index has still generally been lower than that of equities.

Key Points That Differentiate Colchester From Peers are:

- We only invest in liquid cash settled government bonds and actively manage currency through forward FX contracts which has proven liquid in times of market stress.
- We do not use interest rate derivatives to generate alpha as they can cause leverage issues, have spread or basis risk, as well as counterparty risk. This also avoids the added complexity of legal documentation and collateral management.
- We are investors and buy along the full yield curve, we do not roll short term paper for carry gains, and our turnover is low at around 50% per annum¹.
- We do not invest in illiquid frontier markets which may have higher risk of default.
- We believe it is very important to separate the bond choice from the currency choice as currencies are some four times more volatile than bonds, and those returns can overshadow the bond/country selection. We aim to generate 2/3 of our excess return from country selection and 1/3 from currency selection.
- Since inception (31st December 2008) our strategy has generated an alpha of 1.33% p.a. (gross of fees) with an Information Ratio of 0.5¹.

Why Allocate to Local Market Emerging Sovereign Debt?

- The benefits of investing in this sector include higher yield characteristics and liquidity profile, it also offers diversification to similar yielding allocations in a fixed income portfolio such as high yield global credit and liquid alternatives e.g. hedge funds.
- At Colchester, we believe that previous characterisations of emerging markets that led to capital flight, downgrades and collapse, are no longer prevalent today.
- Generally, our emerging market opportunity set has balance sheet strength, prudent government and fiscal policies and improving institutional frameworks which are increasingly consigning historical volatility to the past.
- Additionally, these countries are broadly characterised as having contained inflation, limited current account deficits where they exist, larger international reserves, are net exporters of capital, borrow in domestic currency, having longer term and local buyers, and flexible exchange rates.

Fund Facts

Fund Name	Colchester Emerging Markets Bond Fund – Class I		
APIR	ETL3065AU		
Fund Inception	21 December 2017		
Target	Outperform the benchmark by 2%p.a. gross of fees over full economic cycle 5-7yrs in length.		
Benchmark	JP Morgan Government Bond Index Emerging Markets Global Diversified AUD Unhedged		
Suggested Timeframe	5 to 7 years		
Details	Management Fee: 0.75% p.a.	Current Buy/Sell Spread: +/- 0.20%	Distributions: Quarterly
	Performance Fee: Nil	Liquidity: Daily	Distribution Target: 6.40% p.a.
Platforms	Ausmaq, BT Panorama, HUB24, Netwealth, Praemium		

Fund Research Ratings



Why choose Colchester?

- One of the most experienced fixed income managers in the emerging market segment
- Focused on investing in liquid emerging markets that are generally of a higher credit quality within the opportunity set
- Historically consistent performance over the medium to long term

For more information visit colchesterglobal.com.au

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1. as at end June 2020

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