

# The Colchester Emerging Markets Bond Fund - Class I

APIR Code ETL3065AU

As of 28/02/2025



## 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 (28/02/2025)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
0.7728	7.48%	4.41%	36.38%	138.3 AUD

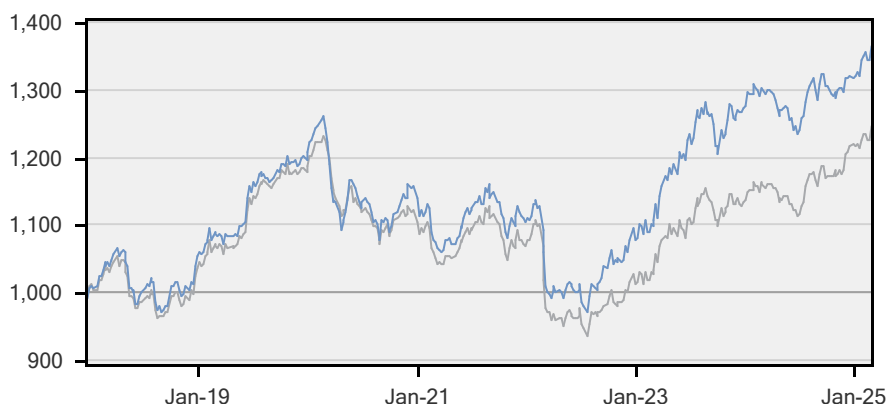
Past performance is not an indicator of future performance. Fund Inception: 21/12/2017

## 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>	0.94%	5.22%	6.12%	3.43%	4.59%	8.74%	1.86%	4.41%
<b>Benchmark</b>	0.97%	5.54%	7.79%	2.28%	7.24%	7.03%	0.34%	3.11%
<b>Relative</b>	-0.03%	-0.32%	-1.68%	1.16%	-2.65%	1.71%	1.52%	1.30%

## Calendar Year Net Performance (%)

	2018	2019	2020	2021	2022	2023	2024	YTD
<b>Fund</b>	6.39%	13.34%	-4.75%	-2.99%	-2.56%	18.31%	3.54%	3.43%
<b>Benchmark</b>	4.20%	13.64%	-6.45%	-3.15%	-5.32%	12.01%	7.58%	2.28%
<b>Relative</b>	2.19%	-0.30%	1.69%	0.16%	2.75%	6.31%	-4.04%	1.16%

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	HUB24
Asgard	IconiQ
Ausmaq	Macquarie Wrap
BT Panorama	Mason Stevens
CFS Edge	Netweath
Colonial FirstChoice	Praemium
Colonial FirstWrap	uXchange

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## Fund Characteristics

	Fund	Benchmark
Yield to Maturity (Unhedged)	10.41%	6.89%
Running Yield (Unhedged)	9.63%	5.72%
Modified Duration (Years)	5.63	5.29
Average Coupon	8.70%	5.63%
Average Credit Quality	BBB	BBB+

## Top 5 Securities Holdings

	Currency	Weight (%)
1. Turkey 26.2% Oct '33	TRY	5.17%
2. Brazil 10% Jan '29	BRL	4.39%
3. South Africa 8.75% Feb '48	ZAR	3.53%
4. Brazil 10% Jan '31	BRL	3.33%
5. Brazil 10% Jan '33	BRL	3.26%

## 5 Largest Active Positions - Bonds (%)

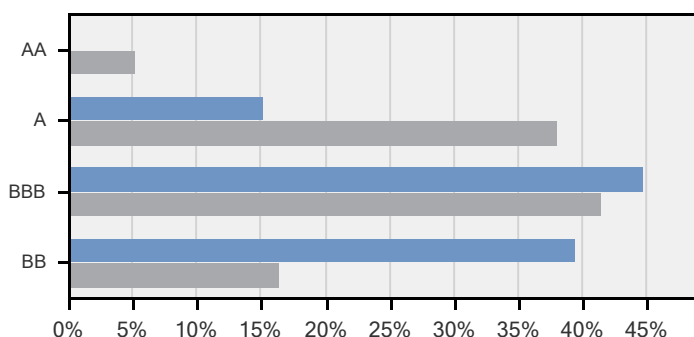
Country	Fund	Versus Benchmark (%)
China	0.00%	-10.00%
Brazil	16.05%	9.53%
India	0.00%	-9.00%
Thailand	0.00%	-8.82%
South Africa	15.76%	8.15%

## 5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
Chinese Yuan	0.87%	-9.13%
Indian Rupee	0.57%	-8.43%
Thai Baht	2.25%	-6.56%
South Korean Won	6.39%	6.39%
Brazilian Real	12.72%	6.20%

## Credit Quality

■ Fund ■ Benchmark



## Commentary

The fund returned 1.00% (gross of fees) over the month, outperforming the benchmark which returned 0.97%. Bond selection detracted -0.19% from relative returns, while currency selection added 0.23%. The top three bond detractors from relative returns were the overweight positions in Turkey and Brazil and the underweight position in Thailand. The top three positive currency contributors to relative returns were the overweight positions in Colombian Peso and Turkish Lira and the underweight position in Thai Baht.

Against a backdrop of trade wars and geopolitical tensions, investors in local currency Emerging Market bonds have quietly earned reasonable returns so far this year. The month of February started with the threat of US tariffs against Canada, China, and Mexico. Tariffs on Canada and Mexico were promptly postponed by a month but an additional 10% tariff on Chinese imports was implemented. The full extent of President Trump's trade policies, and for how long tariffs may remain in place, has kept financial markets on edge over the past month. Despite this the JP Morgan GBI-EM Global Diversified Index returned 0.6% in US dollar hedged terms in February, with the unhedged return at 0.7% as the US dollar weakened slightly against Emerging Market currencies.

In Mexico the central bank cut rates by 0.5% to 9.5% as inflation continues to fall. The January data saw the rate of annual price increases fall to 3.6%, the lowest since January 2021. The lower policy rate combined with the postponement of US tariffs on Mexico resulted in the bond market enjoying a strong rally this month with a return of 3.2%. Colchester continues to hold an overweight position in the Mexican bond market and in early March the US did implement a 25% tariff on imports from Mexico. How long such tariffs remain in place and their economic impact is something investors, including ourselves, will monitor closely. Elsewhere in the region the central bank in Uruguay was moving in the opposite direction, raising rates by 0.25% to 9.0% as inflation has remained stubbornly above 5% since last July. Meanwhile, the Colombian bond market generated strong returns, gaining 1.6% this month, whilst Brazilian bonds returned 0.6%. Colchester remains overweight bond markets in Brazil and Colombia.

In Asia, central banks in India and Thailand both made cuts to their respective policy rates. The Bank of Thailand reduced rates by 0.25% to 2.0% against a backdrop of consistently low inflation. Headline inflation is just 1.3% whilst core inflation is below 1.0%, with growth disappointing in the country. The rate cut in India was announced against a healthier backdrop with the economy growing 6.2% last year, whilst the January reading of inflation fell to 4.3%. The Thai bond market returned 0.9% and the Indian market 0.3%, whilst the Colchester programme maintains large underweights in both markets. In Indonesia the President announced large cuts to government spending to fund his campaign promise of free school meals for all Indonesian children. Although there is some concern about the cost of the scheme, the bond market continued to rally generating a return of 1.1% in February.

In other bond markets, South Africa and Türkiye saw marginal gains of 0.1% and 0.2% respectively. Colchester remains overweight both on account of relatively attractive real yields. In China the local bond market sold off as equity markets and bond yields rose. After an extended period of very strong returns Chinese government bonds generated a negative return of -0.8% this month. This was a positive contributor to relative returns for the standard Colchester programme which holds no exposure to China's bond market.

The US dollar had a mixed month in February but ended up losing a little ground to the currencies in the benchmark. The Chilean peso was a strong performer, appreciating 2.7% over the month, with the Peruvian sol also doing well, rising 1.2%. Both currencies were strengthening until the US administration announced they were investigating potential tariffs on copper. With both Chile and Peru being large producers, their currencies sold off after the announcement but still managed to end the month in positive territory. Amongst the weaker performers were the Turkish lira which fell -1.8%, and the Thai baht which fell by -1.5%. Elsewhere, eastern European currencies had a good month with the Polish zloty gaining 1.5%, the Hungarian forint 1.9% and the Czech koruna 0.5%.

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Fund Shareclass Research Ratings



Morningstar Medalist Rating™ As of 21/10/2024  
Analyst Driven % 100  
Data Coverage % 100



Colchester Fund Awards



Global and Diversified Fixed Interest



Global and Diversified Fixed Interest



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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).

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