

Colchester Global Inflation-Linked Bond Fund - Class I

APIR Code  
ETL0863AU  
As of 28/02/2025



Fund Overview

The Colchester Global Inflation-Linked Bond Fund - Class I seeks to deliver favourable income and capital returns from a globally diversified portfolio of primarily sovereign inflation-indexed debt or debt-like securities and currencies. An associated objective is the preservation and enhancement of principal. 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.

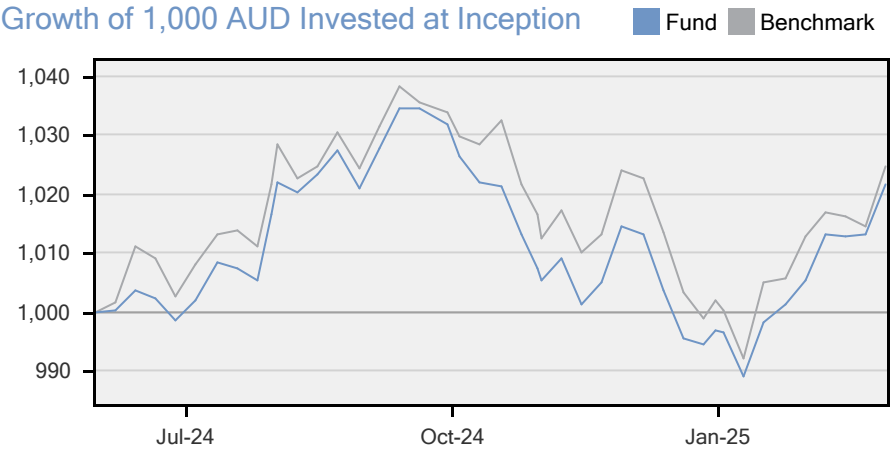
CUM Unit Price (28/02/2025)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
1.0139	1.48%		2.15%	1.025 AUD

Past performance is not an indicator of future performance. Fund Inception: 31/05/2024

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	5Y	S.I.
Fund	1.60%	0.70%	0.08%	2.47%				
Benchmark	1.18%	0.08%	0.05%	2.28%				
Relative	0.42%	0.63%	0.03%	0.18%				

Calendar Year Net Performance (%)

	2024	YTD
Fund	-0.31%	2.47%
Benchmark	0.18%	2.28%
Relative	-0.48%	0.18%

Past performance is not an indicator of future performance

Key Information

Fund Inception	31/05/2024
Benchmark	Bloomberg World Government Inflation-Linked Bond Index (AUD Hedged)
Management Fee	0.45%
Buy/Sell Fee	+/- 0.14%
Distributions	Quarterly Distribution
Liquidity	Daily
Min Application	\$1m or as per platform
Min Additional	\$100k or as per platform

Platform Listings


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## Fund Characteristics

	Fund	Benchmark
Yield to Maturity (Unhedged)	2.12%	1.28%
Running Yield (Unhedged)	2.07%	0.77%
Modified Duration (Years)	7.56	8.73
Average Coupon	2.09%	1.02%
Average Credit Quality	AA	AA+

## Top 5 Securities Holdings

	Currency	Weight (%)
1. United States I/L 0.375% Jul '27	USD	6.63%
2. United States I/L 2.375% Jan '27	USD	6.48%
3. United States I/L 3.875% Apr '29	USD	6.01%
4. United States I/L 3.375% Apr '32	USD	5.42%
5. Australia I/L 0.75% Nov '27	AUD	4.25%

## 5 Largest Active Positions - Bonds (%)

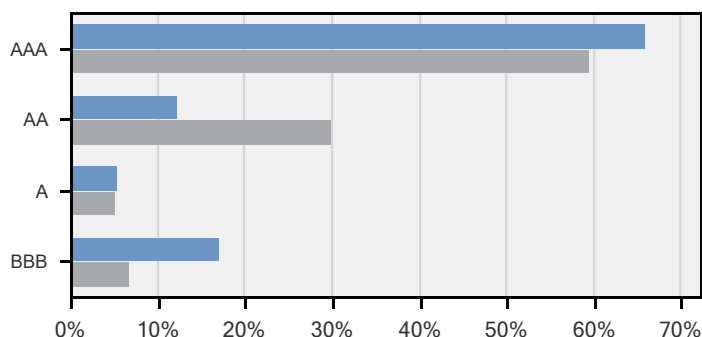
Country	Fund	Versus Benchmark (%)
Europe	7.83%	-12.35%
United Kingdom	10.14%	-10.89%
New Zealand	10.96%	10.57%
United States	43.34%	-9.53%
Mexico	8.25%	8.25%

## 5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
United States Dollar	-8.40%	-8.40%
Euro	-5.47%	-5.47%
Japanese Yen	5.27%	5.27%
Swedish Krona	4.99%	4.99%
Norwegian Krone	4.18%	4.18%

## Credit Quality

■ Fund ■ Benchmark



## Commentary

The fund returned 1.64% (gross of fees) over the month, outperforming the benchmark which returned 1.18%. Bond selection added 0.04% to relative returns and currency selection added 0.42%. The top three positive bond contributors to relative returns were the overweight positions in Mexican inflation-linked bonds and New Zealand inflation-linked bonds and the underweight position in UK inflation-linked bonds. The top three positive currency contributors to relative returns were the overweight positions in Swedish Krona, Japanese Yen and British Pound.

Global bond markets continued to post positive returns this month after rising in January. The Bloomberg World Government Inflation-linked Bond Index returned 1.2% in February in US dollar-hedged terms and a slightly stronger return of 1.5% in unhedged terms as the US dollar continued to lose ground. Geopolitics has dominated the headlines through the first weeks of Donald Trump's second term as US president, and investors continue to monitor announcements regarding potential tariffs on exports to the US as well as policy toward Ukraine. In terms of economic data, US inflation picked up with the headline and core rates at 3.0% and 3.3% respectively in the year to January. Towards the end of February equity markets faltered somewhat and economic sentiment weakened, fuelling a rally in Treasuries and the US inflation-linked market delivered a strong return of 2.3% over the month.

In the Eurozone, inflation inched up slightly to 2.5% in January, mirroring the broader global trend. GDP growth for the bloc in the fourth quarter was announced to be 0.9% year-on-year, continuing the relatively weak economic performance of the region. In Germany, a general election saw a comfortable win for the conservative CDU/CSU grouping which has now entered talks with the centre-left SPD to form a new coalition government. Whilst such a coalition would have a majority in parliament, it would not have the two-thirds supermajority needed to make constitutional changes, including reform to the contentious debt brake. In France, Prime Minister Bayrou pushed a slightly watered-down budget through the lower house via executive powers, later surviving multiple votes of no confidence, marking some progress in the country's political stalemate. In the UK, inflation increased to 3.0% pointing to the persistence of domestic inflationary pressures. Amidst ongoing struggles to reignite growth, the Bank of England cut rates in February. French and German inflation-linked bonds returned 0.5% and 0.1% respectively, outperforming UK linkers' return of -0.6%. The Colchester programme remains underweight both Eurozone and UK government bonds.

Most Asian markets also saw increases in inflation over the month, most notably in Japan where headline inflation rose to a two-year high of 4.0%, whilst "core-core" (ex. food and energy) remained relatively more contained at 2.5%. Japanese inflation-linked bonds returned -0.1% for the month. The programme remains underweight Japanese inflation-linked bonds due to the very low real yield on offer. In Korea, inflation surprised to the upside, coming in at 2.2%. Nonetheless, the Bank of Korea resumed its rate cutting cycle to support an economy jolted by political turmoil and under threat from Trump's tariff plans. Elsewhere, Australia commenced its rate cutting cycle with an initial 25bps cut, the first since 2020. Despite this, the "trimmed mean" core inflation measure for January came in at 2.8%, slightly above expectations amidst ongoing robust activity. We remain overweight Australian inflation-linked bonds which returned 0.8% in February.

The US dollar broadly weakened in February, with the DXY index declining -0.7%. Consequently, the programme's currency positioning has performed well, particularly the overweight positions to the Swedish krona and Japanese yen, which returned 3.0% and 2.8% respectively. Elsewhere, overweight positions in the Colombian and Mexican peso were also positive contributors as these currencies rose 1.4% and 0.5% respectively.

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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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Valuation and returns have been calculated in AUD as at month end. The WMR exchange rate used by the index provider in compiling Bloomberg World Government Inflation-Linked Bond Index (AUD hedged) is the predominant exchange rate used in valuing the Fund.

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The Colchester Global Inflation-Linked 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.

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