

Fund Overview

The Colchester Global Green Bond PIE Fund seeks to deliver favourable income and capital returns from a globally diversified portfolio of green bonds 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 (31/12/2024)	Current Distribution p.a.	Net Annual Return Since Inception p.a.	Net Total Return Since Inception	Fund Size (\$million)
0.9839	2.40%		0.11%	15.6 NZD

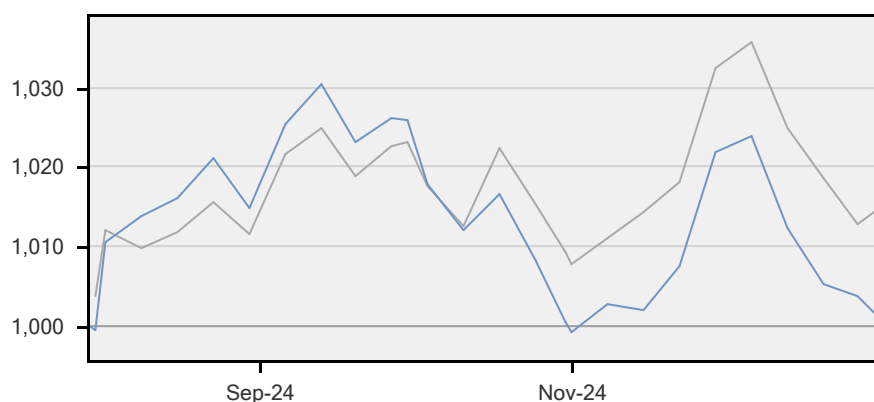
Past performance is not an indicator of future performance. Fund Inception: 30/07/2024

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 NZD Invested at Inception

■ Fund ■ Benchmark



Net Performance (%)

	1M	3M	6M	YTD	1Y	Annualised		
						3Y	5Y	S.I.
Fund	-2.04%	-2.42%		0.11%				
Benchmark	-1.68%	-0.80%		1.50%				
Relative	-0.36%	-1.62%		-1.39%				

Calendar Year Net Performance (%)

	YTD
Fund	0.11%
Benchmark	1.50%
Relative	-1.39%

Past performance is not an indicator of future performance

Key Information

Fund Inception	30/07/2024
Benchmark	ICE Sovereign and Government Related Green Bond Custom Index (NZD Hedged)
Management Fee	0.60%
Buy/Sell Fee	Nil
Distributions	Quarterly Distribution
Liquidity	Daily
Min Application	\$50,000 or as per platform
Min Additional	\$5,000 or as per platform

Platform Listings

Fund Characteristics

	Fund	Benchmark
Yield to Maturity (Unhedged)	4.36%	3.34%
Running Yield (Unhedged)	2.72%	2.26%
Modified Duration (Years)	7.79	8.34
Average Coupon	2.45%	2.15%
Average Credit Quality	AA	AA

Top 5 Securities Holdings

	Currency	Weight (%)
1. France 1.75% Jun '39	EUR	9.90%
2. New Zealand 4.25% May '34	NZD	8.51%
3. Netherlands 0.5% Jan '40	EUR	6.78%
4. Intl Bk Recon & Develop 4.25% Jan '26	MXN	5.43%
5. Kfw 3.875% Feb '29	NOK	5.22%

5 Largest Active Positions - Bonds (%)

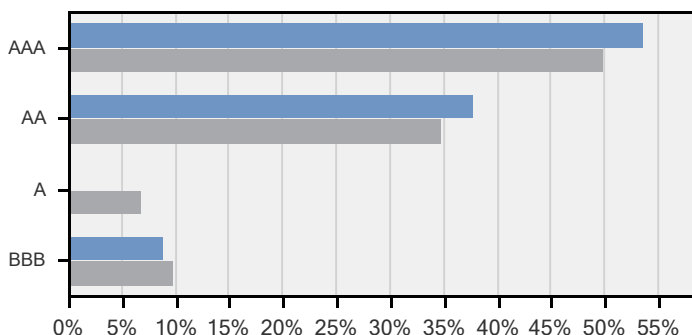
Country	Fund	Versus Benchmark (%)
Europe	41.70%	-23.44%
Mexico	7.94%	7.89%
New Zealand	8.51%	7.81%
United States	5.90%	-5.65%
Norway	5.22%	4.79%

5 Largest Active Positions - Currency (%)

Currency	Fund	Versus Benchmark (%)
United States Dollar	-9.16%	-9.16%
Euro	-6.39%	-6.39%
Japanese Yen	5.41%	5.41%
Swedish Krona	5.40%	5.40%
Norwegian Krone	4.57%	4.57%

Credit Quality

■ Fund ■ Benchmark



Commentary

The fund returned -1.99% (gross of fees) over the month, underperforming the benchmark which returned -1.69%. Bond selection added 0.07% to relative returns, while currency selection detracted -0.38%. The top three positive bond contributors to relative returns were the underweight positions in Europe and United States and the overweight position in Australia. The top three currency detractors from relative returns were the short positions in United States Dollars, Euro and Thai Baht.

Despite a difficult Q4 Global Bonds delivered a 2.4% return in US\$ hedged terms (FTSE World Government Bond Index). Resilient growth, shifting sentiment and increased geo-political risk impacted negatively on bond markets in the past quarter, dragging down hedged global bond returns to -1.1%. Nonetheless global bonds continued to show their potential return and diversification characteristics over the year by outperforming US Treasuries for the 7th time in the last 10 years. Treasuries returned 0.6% in 2024 and fell by a notably larger -3.1% in Q4. After initially retreating from its extreme real overvaluation in Q3, the US\$ rose strongly in the latter part of the year in response to Donald Trump's election victory. This impacted negatively on all non-dollar assets including global bonds. That strength continued into December, resulting in the WGBI falling by -2.3% in unhedged terms over the month. This brought Q4 unhedged returns to -5.4% and -2.9% for the full year.

The US economy remained remarkably resilient in 2024, with robust growth driven by tight labour markets and outsized fiscal spending. The unemployment rate edged up slightly in 2024 but remains low at 4.2%. This tight labour market put upward pressure on wages, keeping core inflation elevated, whilst headline inflation fell. This environment suggests further slower dis-inflation, leading to our slightly elevated inflation forecast in the US. The resulting potential real yield on offer, combined with a deteriorating fiscal position and increasing uncertainty about, and potential inconsistencies, in the incoming Administration's policy mix leads us to remain underweight US Treasuries.

In what was a year of significant elections worldwide, the governing coalition in Germany collapsed and elections were called for February. France also saw its government collapse after PM Michel Barnier was ousted. In 2024, Eurozone bonds outperformed UK bonds with the Gilt market returning -3.4% in Q4 and -3.9% over the year. The first budget of the new Labour government was a factor as it contained an increase in public spending, financed by a combination of tax rises and higher borrowing. We remain underweight the Eurozone and Gilt markets on account of relatively unattractive real yields.

Our overweights in the New Zealand and South Korean bond market performed well in Q4 amid declining inflation, returning 0.4% and 1.8% in Q4, and 4.9% and 8.2% respectively in 2024. Political events in Korea dominated headlines over the month as President Yoon failed in his attempt to impose martial law and was impeached. Nevertheless, the institutions of the country held firm allowing for some positives to be taken from the events. Bond yields continued to fall during December, and we took the opportunity to reduce our overweight. Despite these positives, the program's underweight in the Chinese bond market was a drain on performance. Amidst weak consumer confidence, falling property prices, weak inflation and increasing concerns that China may be following the Japanese into a period of sustained economic weakness, Chinese bonds rose by 1.9% in December and delivered a strong 11.6% in 2024. We remain underweight Chinese bonds due to the low real yields on offer and structural concerns about the strength of the country's balance sheet.

We remained underweight the US\$ throughout the year based on our real value-based approach which shows the US\$ to be significantly overvalued. The currency program detracted from relative performance, with overweight positions in undervalued currencies such as the Japanese yen, Norwegian krone, Swedish krona and Korean won. Some of this negative performance was offset by underweights in overvalued currencies such as the Euro and the Chinese yuan. The overweight exposure to the Won was adversely impacted by the dislocation in Korea as the currency fell against nearly all currencies in Q4, and it was the 3rd weakest currency in the global bond opportunity set in 2024.

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Fund Shareclass Research Ratings

MSCI
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CCC B BB BBB A AA AAA

Produced by MSCI ESG Research as of 31/12/2024

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Valuation and returns have been calculated in NZD as at month end. The WMR exchange rate used by the index provider in compiling ICE Sovereign and Government Related Green Bond Custom Index (NZD Hedged) is the predominant exchange rate used in valuing the Fund.

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