

# Mondrian Global Fixed Income Fund (USD Unhedged)

## Fund Overview

### Investment Philosophy

- A value-oriented philosophy, which focuses on global fixed income markets that offer high income in real (inflation-adjusted) terms.
- Considers the relative value of country bond markets for a Eurozone based investor.

### USD Fund Performance

(as of December 31, 2023)

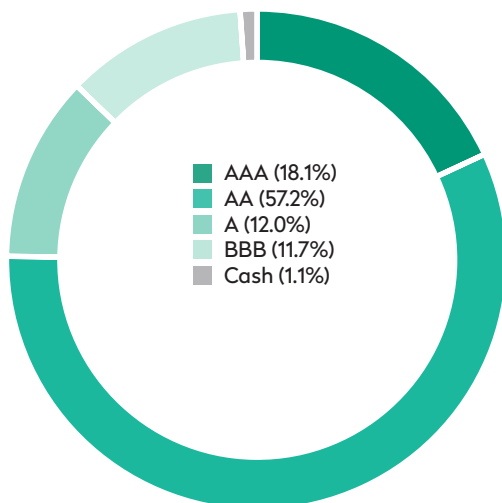
	Quarter to Date	Year to Date	12 Months	3 Yrs (Ann)	SI* (Ann)
Fund GAV Return	10.6%	4.0%	4.0%	-7.1%	-5.7%
Fund NAV Return	10.4%	3.5%	3.5%	-7.6%	-6.2%
Benchmark Return (FTSE WGBI - USD)	8.1%	5.2%	5.2%	-7.2%	-6.0%

### Fund Characteristics

(as of December 31, 2023)

	Average Coupon	Average Maturity	Modified Duration	Number of Issues	Average Quality	Yield to Maturity
Fund	2.3%	9.5	7.7	54	AA	3.5%
Index	2.2%	9.7	7.3	1240	AA	3.2%

### Credit Rating Distribution



Credit ratings used are Moody's long-term credit ratings. Where these are unavailable, S&P's credit ratings are used instead.

Source: Mondrian Investment Partners Limited/FTSE WGBI

\*Performance Inception Date: November 3, 2020.

Mondrian Global Fixed Income Fund, Mondrian Emerging Markets Equity Fund, Mondrian Global Equity Fund and Mondrian Global Green Bond Fund are sub funds of Mondrian Funds Plc; a UCITS Fund.

See important notes on page 4.

### Country Allocation

	Bond Exposure	Currency Exposure	FTSE WGBI (USD)
<b>Asia Pacific</b>	<b>21.5</b>	<b>38.7</b>	<b>21.1</b>
Australia	3.9	2.0	1.3
China	0.9	6.9	7.0
Japan	10.4	27.8	11.8
New Zealand	6.2	0.1	0.2
Singapore	0.0	0.0	0.4
Malaysia	0.0	0.0	0.5
South Korea	0.0	1.8	0.0
<b>Europe</b>	<b>34.5</b>	<b>33.4</b>	<b>34.7</b>
Eurozone	26.8	23.7	28.9
United Kingdom	7.7	3.0	4.7
Poland	0.0	0.0	0.5
Switzerland	0.0	0.0	0.0
Norway	0.0	5.8	0.2
<b>North America</b>	<b>39.0</b>	<b>27.8</b>	<b>43.2</b>
Canada	1.9	0.0	1.8
USA	37.1	27.8	41.4
<b>Latin America</b>	<b>4.0</b>	<b>0.1</b>	<b>0.8</b>
Mexico	4.0	0.1	0.8
<b>Middle East and Africa</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>
<b>Cash</b>	<b>1.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## Mondrian Global Fixed Income Fund Overview

### Portfolio

(as of December 31, 2023)

	Holdings (%) Bond Exposure	Holdings (%) Currency Exposure	FTSE WG Bond Index
<b>Asia Pacific</b>	<b>21.5</b>	<b>38.7</b>	<b>21.1</b>
<b>Australia</b>	<b>3.9</b>	<b>2.0</b>	<b>1.3</b>
Australian Govt 3.25% 21-Apr-25	1.3		
Australian Govt 3.75% 21-Apr-37	2.6		
<b>China</b>	<b>0.9</b>	<b>6.9</b>	<b>7.0</b>
China 2.68% 21-May-30	0.6		
China 2.88% 25-Feb-33	0.3		
<b>Japan</b>	<b>10.4</b>	<b>27.8</b>	<b>11.8</b>
Japan Govt 10yr 0.1% 20-Jun-26 (343)	2.5		
Japan Govt 10yr 0.1% 20-Mar-28 (350)	1.6		
Japan Govt 20yr 0.2% 20-Jun-36 (157)	2.6		
Japan Govt 20yr 0.6% 20-Dec-37 (163)	0.9		
Japan Govt 20yr 1.5% 20-Mar-34 (148)	0.0		
Japan Govt 30yr 1.7% 20-Mar-44 (042)	1.6		
Japan Govt 20yr 1.9% 20-Jun-25 (078)	1.2		
<b>New Zealand</b>	<b>6.2</b>	<b>0.1</b>	<b>0.2</b>
New Zealand Govt 2% 15-May-32	3.1		
New Zealand Govt 3% 20-Apr-29	2.2		
New Zealand Govt 1.75% 15-May-41	1.0		
<b>Singapore</b>	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>
<b>Malaysia</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>
<b>South Korea</b>	<b>0.0</b>	<b>1.8</b>	<b>0.0</b>
<b>Europe</b>	<b>34.5</b>	<b>33.4</b>	<b>34.7</b>
<b>Eurozone</b>	<b>26.8</b>	<b>23.7</b>	<b>28.9</b>
Bundesobligation 2.4% 19-Oct-28	1.3		
Bundesrepublik 0% 15-Nov-27	2.0		
Bundesrepublik 0% 15-Aug-30	0.2		
Bundesrepublik 2.5% 04-Jul-44	0.7		
Deutsche Bahn 1.375% 03-Mar-34	0.8		
Equinor 1.625% 17-Feb-35	1.1		
France O.A.T. 0.5% 25-May-25	1.7		
France O.A.T. 1.5% 25-May-31	2.5		
France O.A.T. 1.75% 25-Jun-39	1.2		
France O.A.T. 3.25% 25-May-45	0.8		
Italy BTPS 0.9% 01-Apr-31	0.8		
Italy BTPS 1.6% 01-Jun-26	3.0		
Italy BTPS 2.45% 01-Sep-33	3.9		
Kingdom of Belgium 0% 22-Oct-31	4.0		
Kommunalbanken 0.05% 24-Oct-29	0.8		
Optus Finance 1% 20-Jun-29	0.7		
S.N.C.F. 2% 05-Feb-48	0.2		
Temasek 0.5% 20-Nov-31	1.0		
<b>Other Europe</b>	<b>7.7</b>	<b>9.79</b>	<b>5.8</b>
<b>United Kingdom</b>	<b>7.7</b>	<b>3.0</b>	<b>4.7</b>
UK Treasury 0.5% 22-Oct-61	0.7		
UK Treasury 0.875% 22-Oct-29	1.8		
UK Treasury 0.875% 31-Jul-33	3.1		
UK Treasury 0.875% 31-Jan-46	1.1		
UK Treasury 4.25% 07-Sep-39	1.0		
<b>Denmark</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>
<b>Sweden</b>	<b>0.0</b>	<b>1.0</b>	<b>0.2</b>
<b>Hungary</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Poland</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>
<b>Switzerland</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Norway</b>	<b>0.0</b>	<b>5.8</b>	<b>0.2</b>
<b>North America</b>	<b>39.0</b>	<b>27.8</b>	<b>43.2</b>
<b>Canada</b>	<b>1.9</b>	<b>0.0</b>	<b>1.8</b>
Canada 0.5% 01-Dec-30	0.8		
Canada 1% 01-Jun-27	1.1		
<b>USA</b>	<b>37.1</b>	<b>27.8</b>	<b>41.4</b>
US Treasury 1.25% 30-Nov-26	3.2		
US Treasury 1.625% 15-Feb-26	2.7		
US Treasury 1.625% 15-May-31	3.9		
US Treasury 2.25% 15-May-41	3.1		
US Treasury 2.5% 15-Feb-46	2.4		
US Treasury 2.75% 28-Feb-25	2.2		
US Treasury 2.75% 15-Feb-28	3.0		
US Treasury 2.75% 15-Aug-42	2.9		
US Treasury 3.5% 15-Feb-33	0.6		
US Treasury 3.625% 15-Feb-53	2.4		
US Treasury 4.125% 30-Sep-27	3.2		
US Treasury 4.5% 15-May-38	3.6		
US Treasury 5.375% 15-Feb-31	4.0		
<b>Latin America</b>	<b>4.0</b>	<b>0.1</b>	<b>0.8</b>
<b>Mexico</b>	<b>4.0</b>	<b>0.1</b>	<b>0.8</b>
Mexico Bonos 10% 20-Nov-36	3.0		
Mexico Bonos 7.75% 23-Nov-34	1.1		
<b>Middle East and Africa</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>
<b>Cash</b>	<b>1.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

# Monthly Commentary for December 2023

## Market Background

Over the fourth, the FTSE World Government Bond Index rose 8.1% in US dollar unhedged terms. In local currency terms the index rose 5.4%, with benchmark international currencies rising 2.6% on average against the US dollar. The strongest performing markets were Sweden (+14.3%), Poland (+14.1%) and the UK (+14.0%). Currency was the main driver of outperformance in the case of Sweden and Poland, whereas for the UK it was local bond market outperformance. The weakest performing markets were China (+4.4%), Malaysia (+4.6%) and the US (+5.6%). Currency was the chief detractor in the case of the US, whereas for China and Malaysia it was local bond market underperformance.

## Investment Performance

The Fund outperformed the benchmark index by 2.3% in GAV terms over the quarter, leaving it up 10.6%. The overweight to duration at a portfolio level was a large driver of outperformance as bond yields generally fell. The underweights to the Chinese and Japanese bond markets also benefited performance. Currency allocation also aided performance, particularly the underweight to the US dollar and overweights to Norwegian krone and Japanese yen.

## Investment Outlook

Global Fixed Income valuations are attractive. Nominal bond yields at the start of 2024, although below their peaks last year, remain high compared to recent history. Meanwhile, our forecasts suggest that, absent further shocks, global inflation will continue to trend down. As a result, Prospective Real Yields (PRYs) across the developed world are generally positive and in select markets are broadly at levels higher than they have been for more than a decade. The best value high-quality bond markets according to our PRY valuations are those of Mexico, the US, UK, Australia and New Zealand; we have significant duration overweights to each and remain overweight to duration at a portfolio level. This will benefit performance if bond yields continue to fall amid slowing growth and continued disinflation. As pandemic savings are depleted and debt is refinanced at higher rates, growth appears to be slowing across the world. Recession remains a significant risk. Countries including Germany, Sweden and New Zealand are likely already in recession.

Because of relatively low PRYs we are underweight to the bond markets of Japan, China and the Eurozone. Given its history of below-target inflation, the Bank of Japan is unique among major developed market central banks in keeping monetary policy extremely loose even with core inflation (excluding volatile items such as fresh food and energy) recently rising to levels not seen since the early 1980s. The result has been a decline in its relative PRY. In China, bond yields have continued to trend down as growth has slowed and the country has slumped into deflation. It is one of the few markets where our forecast for average

inflation over the next two years is higher than inflation has been over the last twelve months. China's PRY, which also factors in sovereign credit risk as well as inflation, is therefore relatively unattractive.

The US dollar continues to be overvalued, according to our Purchasing Power Parity (PPP) valuations, and we are therefore underweight on global mandates. We are overweight to those currencies that offer the best value including the Norwegian krone, South Korean won, Malaysian ringgit and Japanese yen. The extreme undervaluation of the yen has been brought about by low nominal and real yields noted above. If the yield differential between Japan and other countries shrinks, either by a tightening of policy in Japan or loosening elsewhere, then the yen could appreciate sharply. So while we are underweight the Japanese bond market, we are overweight to the yen. The Mexican peso appears overvalued based on PPP valuations, so bond holdings are held hedged in this market.

## Investment Strategy

- Overweight US bonds in duration-weighted terms, underweight the US dollar
- Underweight Japanese bonds in duration-weighted terms, overweight the yen
- Underweight Eurozone bonds (exposure to Belgium, France, Germany and Italy), underweight the euro
- Overweight euro-denominated government-related bonds
- Underweight China bonds, overweight to the renminbi
- Overweight UK bonds, underweight British pound
- Overweight Mexico and New Zealand bonds (fully hedged)
- Broadly neutral to Canada bonds (fully hedged)
- Overweight Australia
- Overweight the Norwegian krone
- Overweight the Swedish krona

## Fund Transactions

In October we increased duration-weighted exposure to the US, UK, Australian and New Zealand bond markets. In November, we eliminated exposure to the Swiss franc: it has done well for the portfolio and no longer looks such good value. The other side of this move was to reduce the size of the underweight to the US dollar. We also increased exposure to the Norwegian krone, which looks extremely undervalued according to our valuations, reducing exposure to the euro at the same time.

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### Important Notes

1. Calculations for Average Coupon, Average Maturity, Modified Duration, Average Quality, and Yield to Maturity are based on generally accepted industry standards. All Fund characteristics are derived by first calculating the characteristics for each security, and then calculating the weighted-average of these values for the Fund. The details of exact calculations can be provided upon request.
2. Past performance is not indicative of future results. An investment in the Fund involves the risk of loss. The investment return and value of Shares in the Fund will fluctuate. When a redemption is made, the Shares may be worth more or less than when originally purchased.
3. There can be no assurance that the investment objectives of the Fund will be achieved.
4. The Fund is managed in accordance with the investment objective and guidelines and other terms and conditions described in the Prospectus and Fund Supplement. The Fund is not managed in accordance with the individual guidelines of any one investor.
5. The Total Assets of the Fund and the Fund Return are calculated using the official Net Asset Value data of the Fund. All other information has been calculated using Mondrian's accounting system data, which may differ from official Net Asset Value data of the Fund, for example because of timing of the accounting of Administrative Expenses and pricing for securities.
6. All performance provided in this Fund Overview is net of Transaction Expenses but gross of Subscription Charges and Redemption Charges (each as described in the Prospectus and Supplement). GAV performance is gross of Management Fees and Administrative Expenses, whilst NAV performance is net of Management Fees and Administrative Expenses. Subscription Charges and Redemption Charges are automatically deducted from subscription payments and redemption proceeds. Investor returns will be reduced by Subscription Charges and Redemption Charges paid.
7. The FTSE World Government Bond Index is a market weighted index of world government fixed income securities in which the total market value of the constituent countries is at least \$25 billion.
8. This Fund Overview is confidential and only for the use of participants in the Fund and their advisers. This Fund Overview may not be redistributed or reproduced, in whole or in part.
9. Views expressed were current as of the date indicated, are subject to change, and may not reflect current views. Views should not be considered a recommendation to buy, hold or sell any security and should not be relied on as research or investment advice.
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#### Key Investor Information Documents for qualified investors only in Switzerland.

Qualified investors can obtain the extract prospectus (edition for Switzerland), the Key Investor Information Documents, the memorandum and articles of association, the extract annual and semi-annual report, and further information free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, web: [www.carnegie-fund-services.ch](http://www.carnegie-fund-services.ch). The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l'Île, CH-1204 Geneva. For the units of the Funds distributed to qualified investors in Switzerland, the place of performance is Geneva.

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[www.mondrian.com](http://www.mondrian.com)