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Colchester Global Government Bond Fund – Class A

Monthly Report: August 2019

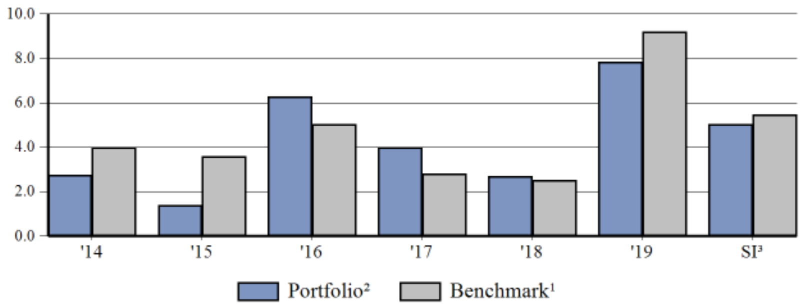
ESTABLISHED 1999

CURRENT ASSETS OVER $45BN

VALUE ORIENTATED

Global Bonds	Emerging Market Debt
Global Inflation	Alpha

GROSS PERFORMANCE AS AT END OF AUGUST 2019



MARKET COMMENTARY

Global bond markets rallied in August as the risk-off mood across global markets deepened. US-China trade tensions escalated, whilst Brexit risks increased and political upheaval continued in Hong Kong and Italy, causing developed market government bond yields to drop to historical lows. The FTSE World Government Bond Index returned 2.9% in US dollar hedged terms driven by the strong rally. On balance, the US dollar remained broadly stable against global currencies such that the unhedged index delivered 2.7%.

Trade tensions between the US and China escalated in August. The start of the month saw President Trump announce an additional 10% tariff on $300 billion in imports from China. In response, China halted purchases of agricultural products and allowed the yuan to weaken beyond 7 per dollar for the first time since 2008. Whilst President Trump conceded to pressure from U.S. businesses and delayed the imposition of new tariffs on a wide variety of consumer products including toys and laptops until December, this did not stop China's announcement of retaliatory tariff measures on $75 billion of American goods including soybeans, automobiles and oil. The US Treasury market returned 3.4% as 10yr yields dropped to the lowest level in three years, ending the month at 1.5%. Fed Reserve Chair Jerome Powell's address at the Fed's Jackson Hole symposium hinted that the major drivers of the Fed's decision to trim rates in July remain present and have possibly even increased.

Euro-area government debt also performed strongly with yields pushing further below zero in many markets. Concerns about a potential global downturn are deepening, as Germany's traditionally export-reliant economy contracted in the second quarter (GDP fell 0.1%) while GDP growth in the Eurozone slowed to 0.2%. The ECB is already expected to announce stimulus measures when policy makers meet in September. President Mario Draghi signalled last month that all options are on the table, including a lowering of its interest rates, and a restarting of the asset purchase programme. The German bond market returned 2.3% as 10yr yields dropped deeper into negative territory, ending the month at -0.7%. Despite the political upheaval in Italy, with the resignation of Prime Minster Giuseppe Conte (after Matteo Salvini, the hard-right leader of the League, withdrew his support from the government) and current negotiations between the anti-establishment Five Star Movement and centre-left Democratic Party for a possible coalition, the search for higher yielding markets resulted in Italian BTPs returning 3.6%. UK Gilts outperformed by returning 4.4% as the odds of a no-deal Brexit outcome were boosted by Prime Minister Boris Johnson's move to suspend Parliament for a month from 12th Sept. The timing of the move was perceived as an attempt to squeeze the already tight timetable for MPs who want to block a no-deal Brexit ahead of the 31st Oct deadline.

In other developed markets, New Zealand's central bank cut its key interest rate by 0.5% to an all-time low (and by double the amount expected). The move was interpreted as a defensive effort to cushion a sluggish export-oriented economy and to combat low inflation.

In currency markets the US dollar performed well against the pound and the euro which fell by -0.5% and -1.1% respectively as both currencies are challenged by the ongoing political uncertainties. On the other hand, the Japanese Yen rallied 2.3% and was one of the best performing currencies in the month. Both the Australian dollar and the New Zealand dollar fell in value, -2.2% and -4.4% respectively. The fall in the New Zealand dollar was driven by the rate cut, and similarly it is expected that Australia's central bank may be next to act.

1. The FTSE World Government Bond Index 100% hedged in Australian dollars (AUD), formerly, The Citigroup World Government Bond Index 100% hedged in Australian dollars (AUD).

2. Colchester Global Government Bond Fund – Class A whose inception date was 19 September 2014. Please see further footnotes on following pages for more details.

3. Annualized returns since inception.

Monthly Report: August 2019

Gross Attribution of Total Returns			
	Portfolio [2]	Benchmark [1]	Relative Return
Monthly	2.03%	2.84%	-0.81%
Bonds	2.19%	2.84%	-0.65%
Currency	-0.16%	0.00%	-0.16%

MONTHLY PERFORMANCE COMMENTARY

The fund returned 2.03% over the month, underperforming the benchmark which returned 2.84%. Bond selection detracted -0.65% from relative returns and currency selection detracted -0.16%.The top three bond detractors from relative returns were the underweight positions in Europe, United States and United Kingdom. The top three currency detractors from relative returns were the short positions in United States Dollars and Thai Baht and the long position in Mexican Peso.

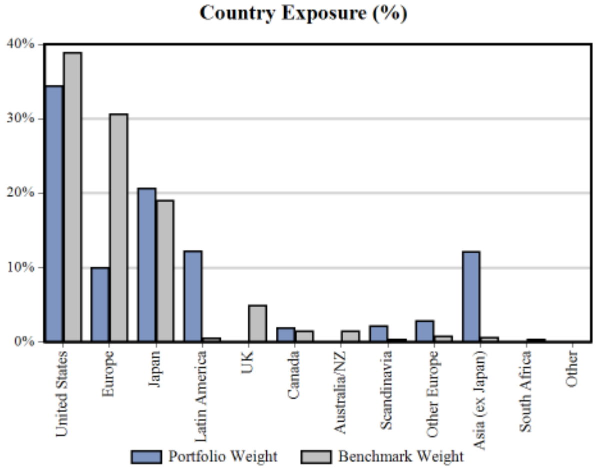
Top 5 Bond Holdings	
1	US Treasury 2% 31Aug 2021
2	US Treasury 5.375% 15Feb2031
3	US Treasury 2.375% 15 Aug2024
4	US Treasury Inflation IX 2.125 15Feb2041
5	Japanese Govt 0.1% 20Dec2021

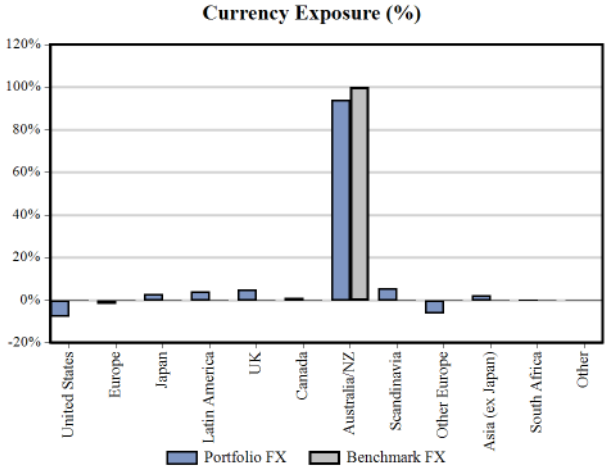
Top Active Currency Positions		
Portfolio Exposure relative to Benchmark		*% of Portfolio*
Overweights		
1	British Pound	5.1%
2	Malaysia Ringgit	4.5%
3	Mexican Peso	4.2%
Underweights		
1	United States Dollars	-7.5%
2	Swiss Franc	-3.6%
3	Thai Baht	-3.3%

Portfolio Characteristics		
	Portfolio [2]	**Benchmark [1]**
Modfied Duration	6.68	8.42
Flat Yield	2.41	2.01
Yield to Maturity	1.63	0.72
Average Coupon	2.79	2.44
Average Credit Rating	AA-	AA

Monthly Report: August 2019

MONTH END POSITIONING





PERFORMANCE SINCE INCEPTION

Portfolio	2014	2015	2016	2017	2018	2019	SI[23]
Gross Returns	2.73%	1.38%	6.28%	3.98%	2.68%	7.84%	5.02%
Benchmark[1]	3.99%	3.59%	5.02%	2.79%	2.51%	9.21%	5.47%
Relative Gross	-1.25%	-2.21%	1.26%	1.18%	0.16%	-1.37%	-0.45%

YTD Returns	Q1:19	Q2:19	Jul	Aug	YTD
Gross Returns	2.50%	2.63%	0.47%	2.03%	7.84%
Benchmark[1]	2.54%	2.86%	0.68%	2.84%	9.21%
Relative Gross	-0.03%	-0.23%	-0.21%	-0.81%	-1.37%

August 2019

DISCLAIMERS

- Valuation and returns have been calculated in AUD as at month end. The WM-Reuters exchange rate used by the index provider in compiling their index is the predominant exchange rate used in valuing the Fund.
- Past performance is no guarantee of future performance and the value of any investment may fall as well as rise. This information is provided for indicative purposes only, and is supplied in good faith based on sources which we believe, but do not guarantee, to be accurate or complete as of the date of this document.

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- The portfolio's guidelines are set out in PDS of the fund. Investment management fees are described in PDS of the fund.
- The gross performance record presented above does not reflect the deduction of management and custody fees, which will reduce overall client returns. As an example of the impact of investment management fees on the net return to investors: the value of a A$10 million investment at inception of 19 September 2014 on which the highest 60 basis points was payable, would be worth A$12.745 million gross of investment management fees and A$12.368 million net of fees as at the end of August 2019. The basis for calculating this example is to start with an investment amount, apply the monthly gross performance to the previous computed month end value, and deduct the highest fees payable (60.0 basis points) to compute the new month end value net of fees.Investment management fees are described in the current prospectus.
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