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Colchester Global Government Bond Fund – Class A

Monthly Report: October 2019

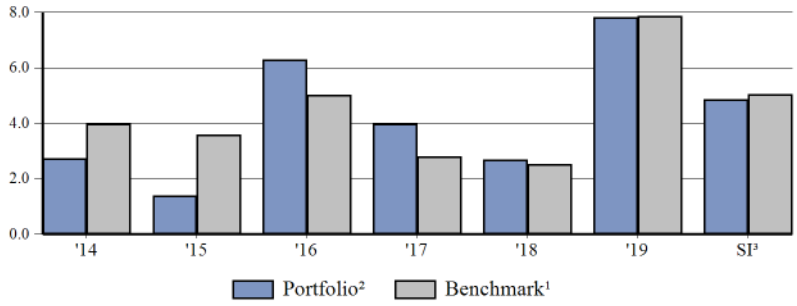
ESTABLISHED 1999

CURRENT ASSETS OVER $45BN

VALUE ORIENTATED

Global Bonds	Emerging Market Debt
Global Inflation	Alpha

GROSS PERFORMANCE AS AT END OF OCTOBER 2019



MARKET COMMENTARY

Global bond yields generally rose in October as risk appetite returned to markets amid signs of an easing in geopolitical tensions. The US and China moved closer towards agreement on a trade deal, the UK once again edged back from the precipice of a "no-deal" Brexit, and the US Federal Reserve cut interest rates, all of which combined to boost sentiment. The FTSE World Government Bond Index returned -0.4% in US dollar hedged terms as a result of the increase in yields. Overseas currencies generally outperformed the US dollar however such that the US dollar unhedged index return was 0.5%.

Signs of progress in the US-China trade negotiations fuelled a rising sense of optimism in October. With the announcement that negotiations over what President Trump has called "Phase One" of a trade deal advancing, expectations are building that an agreement could be reached as soon as November when the leaders were due to meet in Chile. Whether talks go beyond this initial phase however remains uncertain as Chinese officials are cautious about reaching a comprehensive long-term trade deal with the US. While the markets welcomed the announcement of a preliminary agreement, data published in the US continue to suggest a slowdown in the manufacturing sector amid global trade uncertainties. This uncertainty over the economic outlook led the Federal Reserve to reduce its target rate for the third time this year to a range of 1.50-1.75% but the statement also pointed to the strong labour market and robust consumption. This was aptly demonstrated by the unemployment rate reaching 3.5% in September, the lowest rate in 50 years.

The effects of the trade tensions continue to weigh heavily in the Euro-area, particularly in Germany due to that country's larger dependence on manufacturing exports and global trade. For the European Central Bank, where Christine Lagarde has taken over as President from Mario Draghi, inflation remains a concern. The headline rate for the Euro-area dropped to 0.7% in October, slipping further from the target of below, but close to 2%. Despite the low inflation backdrop bond yields pushed higher during the month leading to negative returns on the major markets. German bonds returned -1.4% as yields edged back to the highest level since July, whilst Austrian and Belgian bonds returned -1.8%. In the UK, Prime Minster Boris Johnson secured a new Brexit deal with the European Union after agreeing that Northern Ireland would remain more closely tied to the EU's regulations and customs. Under this new deal, the whole of the UK would leave the customs union, but Northern Ireland would remain an entry point into the EU's custom zone. Despite the new deal gaining majority support in the House of Commons, Parliament refused to approve the legislative timeline necessary to meet the 31st October deadline. This resulted in an extension to the departure deadline to the 31st January 2020 and precipitated the calling of a general election to be held on 12 December. The UK bond market was the weakest of the major bond markets over the month as it produced a negative return of -1.9%.

In other developed markets, Australia's central bank (the RBA) lowered the official cash rate by 0.25% to a new record of 0.75%. The recent cut marked the third reduction in the cash rate in five months as the prospect of slower jobs growth and low inflation compelled the RBA to act. Nonetheless, bond yields rose in line with the global trend, leading to a negative return for Australian government debt. The Mexican and Brazilian bond markets outperformed in October returning 1.4% and 2.2% respectively amid declining inflation in Mexico and progress on pension reform in Brazil.

In currency markets, the US dollar generally weakened over the month. The British pound was the leading performer rising 5.0% in October as the probability of a "no-deal" Brexit on the 31st October faded, whilst the Mexican peso gained 3.0% and the Korean won 2.8%.

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.

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Gross Attribution of Total Returns			
	Portfolio [2]	Benchmark [1]	Relative Return
Monthly	0.12%	-0.53%	0.65%
Bonds	0.03%	-0.53%	0.55%
Currency	0.10%	0.00%	0.10%

MONTHLY PERFORMANCE COMMENTARY

The fund returned 0.12% over the month, outperforming the benchmark which returned -0.53%. Bond selection added 0.55% to relative returns and currency selection added 0.10%.The top three positive bond contributors to relative returns were the underweight positions in Europe and United Kingdom and the overweight position in Mexico. The top three positive currency contributors to relative returns were the long positions in British Pound and Polish Zloty and the short position in United States Dollars.

Top 5 Bond Holdings	
1	Japanese Govt 0.1% 20Jun2029
2	US Treasury 5.375% 15Feb2031
3	US Treasury 2% 31Aug 2021
4	Japanese Govt 0.1% 20Dec2021
5	US Treasury 5.5% 15Aug2028

Top Active Currency Positions		
Portfolio Exposure relative to Benchmark		*% of Portfolio*
Overweights		
1	Malaysia Ringgit	4.2%
2	Norwegian Krone	4.0%
3	British Pound	3.3%
Underweights		
1	United States Dollars	-6.1%
2	Euro	-4.6%
3	Thai Baht	-3.8%

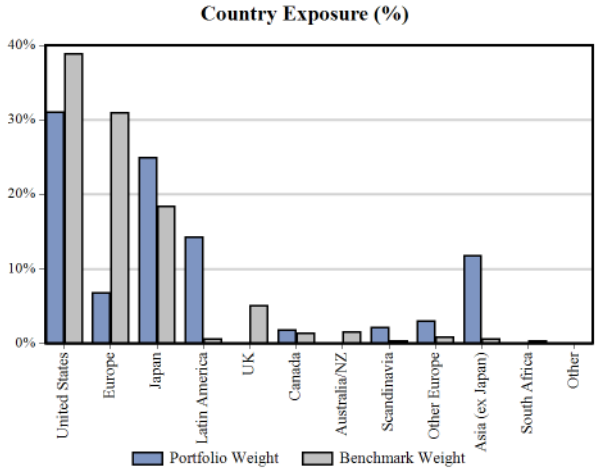
Portfolio Characteristics		
	Portfolio [2]	**Benchmark [1]**
Modified Duration	6.83	8.30
Flat Yield	2.41	2.03
Yield to Maturity	1.70	0.85
Average Coupon	2.77	2.43
Average Credit Rating	AA-	AA

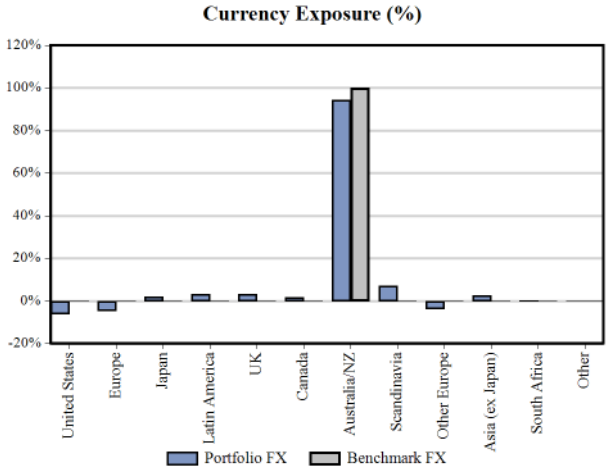
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Colchester Global Government Bond Fund – Class A

Monthly Report: October 2019

MONTH END POSITIONING





PERFORMANCE SINCE INCEPTION

Portfolio	2014	2015	2016	2017	2018	2019	SI[2,3]
Gross Returns	2.73%	1.38%	6.28%	3.98%	2.68%	7.83%	4.85%
Benchmark[1]	3.99%	3.59%	5.02%	2.79%	2.51%	7.88%	5.04%
Relative Gross	-1.25%	-2.21%	1.26%	1.18%	0.16%	-0.05%	-0.19%

YTD Returns	Q1:19	Q2:19	Q3:19	Oct	YTD
Gross Returns	2.50%	2.63%	2.38%	0.12%	7.83%
Benchmark[1]	2.54%	2.86%	2.83%	-0.53%	7.88%
Relative Gross	-0.03%	-0.23%	-0.45%	0.65%	-0.05%

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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$12.744 million gross of investment management fees and A$12.355 million net of fees as at the end of October 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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