

Investment Objective

To generate income and increase the amount invested by investing in a globally diversified portfolio of government bonds and currencies in emerging markets.

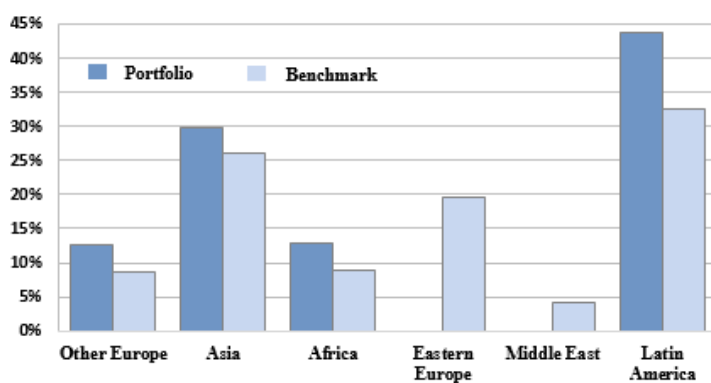
Investment Philosophy & Process

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.

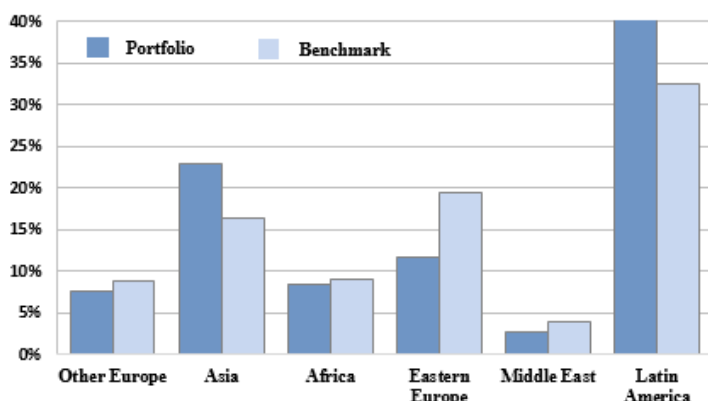
Fund Facts

Benchmark ¹	JPMorgan Government Bond Index Emerging Markets Global Diversified Australian Dollar Unhedged
Target	Outperform the benchmark by 2% p.a. gross of fees over full economic cycle 5-7yrs in length.
Fund Inception	21 December 2017
Management Fee	0.75% p.a.
Buy/Sell Spread	+/- 0.15%
Distributions	Quarterly
Liquidity	Daily
Application:	\$1million or as per platform minimum
Platforms:	Netwealth, HUB24, Praemium, Ausmaq (ready for trade)

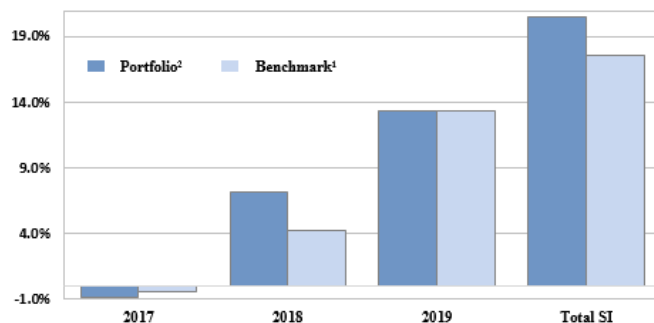
Country Exposure (%)



Currency Exposure (%)



Gross Performance



Total Fund Return ³	2017	2018	2019	Total SI ⁴
Gross Returns	-0.84%	7.19%	13.38%	20.52%
Benchmark ¹	-0.46%	4.20%	13.41%	17.64%
Relative Gross	-0.38%	2.99%	-0.04%	2.88%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	5.51	5.37
Flat Yield	7.06	5.68
Yield to Maturity	6.05	5.20
Average Coupon	7.37	6.09
Average Credit Rating	BBB	BBB+

Top 5 Bond Holdings

1	Republic of South Africa 10.5% 21Dec2026
2	Titulos De Tesoreria B 7% 4May2022
3	Nota Do Tesouro Nacional 10% 01Jan2021
4	Mexican Bonos 10% 5Dec2024
5	Indonesia Government Bond 8.25% 15May2029

Top Active Bond Positions

Portfolio Exposure		% Relative to Benchmark	Current % of Portfolio
Overweights			
1	Mexico	+8.93	18.93
2	Indonesia	+6.21	16.21
3	Colombia	+5.17	11.15
Underweights			
1	Poland	-8.95	0.00
2	Thailand	-5.97	3.64
3	Hungary	-4.06	0.00

Top Active Currency Positions

Portfolio Exposure		% Relative to Benchmark	Current % of Portfolio
Overweights			
1	Mexican Peso	+6.43	16.43
2	Colombian Peso	+4.97	10.95
3	Malaysian Ringgit	+3.87	10.08
Underweights			
1	Thai Baht	-8.13	1.48
2	Peruvian Sol	-3.40	0.09
3	Polish Zloty	-3.20	5.75

Monthly Performance Commentary

The fund returned -0.06% over the month, underperforming the benchmark which returned 0.00%. Bond selection added 0.03% to relative returns, while currency selection detracted -0.09%. The top three positive bond contributors to relative returns were the underweight positions in Thailand, Argentina and Peru. The top three currency detractors from relative returns were the overweight positions in Colombian Peso and Brazilian Real and the underweight position in Thai Baht.

Market Commentary

Emerging market local currency bonds had a mixed month in November. Hopes of a “Phase One” trade deal between the US and China buoyed risk sentiment, whilst at the same time political tensions rose across Latin America. The JP Morgan GBI-EM Global Diversified Index returned -0.4% in US dollar hedged terms as yields moved higher. Emerging market currency weakness against the US dollar detracted from unhedged returns, with the index returning -1.8% over the month in US dollar terms.

Mounting social unrest and political tensions in Latin America led to underperformance across the region. The government bond market most affected was Colombia, returning -1.7%. The Mexican and Brazilian government bond markets also suffered negative performance in the past month, returning -0.9% and -0.8% respectively. In Chile, street protests had been building since late October. After more than a month of demonstrations, the Chilean government and lawmakers agreed to rewrite the constitution and to deliver a package of measures to boost pensions for the poor and cut public transport fares for the elderly. In Colombia however, what began as labour union strikes (on rumours about reforms and pension cuts) escalated into more widespread action by indigenous groups, pensioners and students against the unpopular government of President Ivan Duque. Notwithstanding the protests the Colombian economy is in fact one of the better performers in the region with growth running above 3% and the government has announced some tax reforms including VAT rebates for the poorest cohort of the population. Meanwhile, in Mexico policymakers reduced the benchmark interest rate for the third consecutive meeting by 25bps to 7.5% as inflation has slowed in recent months and is now at 3%, the central bank’s target level.

In Emerging Europe, local bond returns were generally positive. Turkish government bonds outperformed, returning 2.1%, as Fitch raised Turkey’s sovereign rating outlook to stable from negative, citing an improving current account balance, continued economic growth and falling inflation. In Russia, inflation fell further to 3.8% in November and the return on the local bond market was 0.7%. Hungary and Poland also delivered modest positive returns, up 0.2% and 0.1% respectively.

Turning to Asia, the region returned -0.2% for the month. The trade tensions between the US and China continue to weigh on growth in the region. In an effort to combat the economic slowdown, the Bank of Thailand cut its benchmark interest rate for the second time in three months and said it will ease rules on outflows to curb the currency’s gains. Thailand government bonds returned -0.8% over the month. Malaysia’s economic growth eased in the third quarter to 0.9%, the slowest pace in over a year amid declining exports and weaker factory output. Malaysia’s government bond market returned 0.5% with inflation coming down slightly to 1.1%. The Philippines bond market returned 0.4% with inflation coming down to 0.8% (the lowest inflation rate in over three years).

In general, emerging market currencies fell against the US dollar in November. In particular, the unrest across Latin America weighed heavily on the currencies in that region. The Chilean and Colombian peso, and the Brazilian real fell sharply, depreciating 8.2%, 4.1%, and 5.1% respectively against the US dollar. Other currencies to underperform were the Hungarian forint and Polish zloty, weakening by 3% and 2.5% respectively. The South African rand was something of an outlier, rallying by 2.8% against the US dollar. South Africa avoided a downgrade to sub-investment grade by Moody’s at the beginning of the month, although the rating agency did change the outlook on the country’s rating to negative.

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Disclaimers

1. JPMorgan Government Bond Index Emerging Markets Global Diversified 100% Unhedged in Australian Dollars (AUD Unhedged).
2. Colchester Emerging Markets Bond Fund – Class I whose inception date was 21 December 2017.
3. Total Fund Return comprises Growth and Income Return; and is reported gross of fees.
4. Total returns since inception.

Past performance is not a good indicator of future performance.

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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 Portfolio

The portfolio’s guidelines and investment management fees are set out in PDS of the fund. Please refer to Equity Trustees (EQT) for further details <https://www.eqt.com.au/>.

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