

### 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.

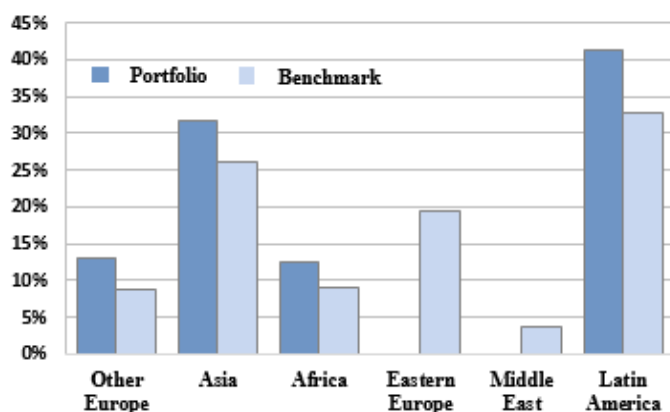
### Investment Philosophy & Process

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.

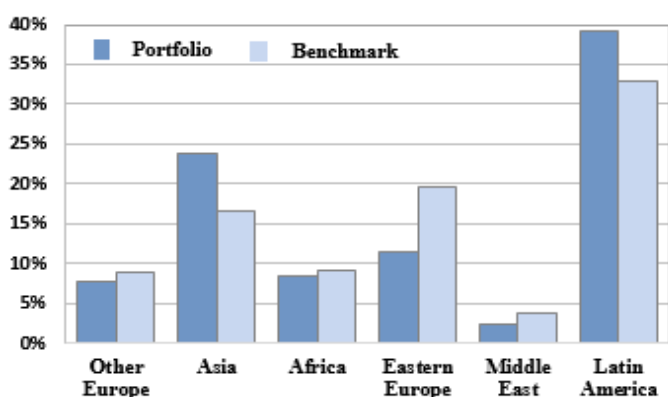
### Fund Facts

Benchmark <sup>1</sup>	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:	Ausmaq, HUB24, Netwealth, Praemium,

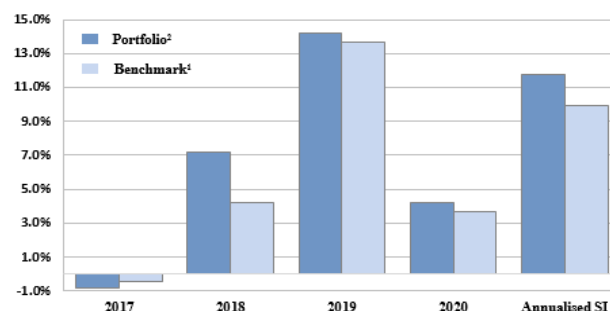
### Country Exposure (%)



### Currency Exposure (%)



### Gross Performance



Total Return <sup>3</sup>	2017	2018	2019	2020	Ann SI <sup>4</sup>
Gross Returns	-0.84%	7.19%	14.19	4.19%	11.76%
Benchmark <sup>1</sup>	-0.46%	4.20%	13.64	3.65%	9.95%
Relative Gross	-0.38%	2.99%	0.55%	0.53%	1.81%

### Fund Characteristics

	Portfolio <sup>2</sup>	Benchmark <sup>1</sup>
Duration	5.55	5.44
Flat Yield	6.82	5.50
Yield to Maturity	5.70	4.91
Average Coupon	7.08	5.98
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	Indonesia Government Bond 8.25% 15May2029
4	Nota Do Tesouro Nacional 10% 01Jan2021
5	Mexican Bonos 10% 5Dec2024

### Top Active Bond Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
<b>Overweights</b>		
1 Mexico	+8.78	18.78
2 Indonesia	+6.59	16.59
3 Malaysia	+5.34	11.68
<b>Underweights</b>		
1 Poland	-8.97	0.00
2 Thailand	-6.00	3.47
3 Czech Republic	-4.18	0.00

### Top Active Currency Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
<b>Overweights</b>		
1 Mexican Peso	+7.11	17.11
2 Malaysia Ringgit	+5.36	11.70
3 Colombian Peso	+4.01	10.12
<b>Underweights</b>		
1 Thai Baht	-6.79	2.67
2 Peruvian Sol	-3.70	0.09
3 Polish Zloty	-3.30	5.67

## Monthly Performance Commentary

The fund returned 4.19% over the month, outperforming the benchmark which returned 3.65%. Bond selection added 0.13% to relative returns and currency selection added 0.40%. The top three positive bond contributors to relative returns were the overweight positions in Indonesia, Mexico and South Africa. The top three positive currency contributors to relative returns were the overweight positions in Mexican Peso, Malaysia Ringgit and Indonesian Rupiah.

## Market Commentary

Local currency denominated emerging market government bonds had a strong opening month of performance in 2020, with the JP Morgan GBI-EM Global Diversified Index returning 1.2% in US dollar hedged terms. However, with the strong appreciation of the US dollar over the month the unhedged return of the same index was weaker at -1.3% in US dollar terms.

The year started with investors feeling increasingly positive about the global economic prospects, but this optimism was tempered towards the month end as the news of the novel coronavirus in China came to prominence. The US Federal Reserve has acknowledged the possible downside risk to economic growth caused by the flu-like virus. So far Asia has been affected the most and air travel in the region already has lower volumes of travellers. Despite these concerns, Asian government bond markets performed reasonably well over the month. Over 15% of Thai GDP is generated from tourism and over 25% of tourist arrivals come from China. Investors sought safe havens by purchasing Thai government bonds, which returned 1.1% over the month. Indonesia was the strongest performer in the region with the bond market returning 1.9% as the latest inflation rate came in lower at 2.7%. The Malaysian central bank surprised investors in the month by cutting their policy rate by 0.25% to 2.75%. This came before the news of the virus was making an impact and the Bank justified the move saying that is was “pre-emptive” to secure growth in the country whilst inflation was subdued.

In Turkey the main policy rate was reduced by 0.75% to 11.25%. The annual rate of Turkish inflation has fallen over the last year, with the latest reading of 12.2%, which has allowed the central bank to cut rates at a precipitous rate whilst the Turkish bond market returned 6.4% over the month. The South Africa Reserve Bank also cut rates in the month, by 0.25% to 6.25%. This rate cut also came somewhat as a surprise as Governor Lesetja Kganyago had previously attributed low growth to ‘supply side constraints’ rather than tight monetary policy. Although inflation has been relatively stable over the last year, the last print was 4.0%, well within the central bank’s policy inflation target range of 3-6%, although economic growth in the country has been subdued over recent quarters. South Africa returned 1.1% over the month.

In Latin America, the Mexican bond market returned a healthy 1.9% over the month. Consumer prices rose at their slowest annual pace in four years in 2019, rising just 2.8% which was close to the central bank’s inflation target of 3%. Although the inflation numbers were positively received by investors, the country is still struggling to increase the rate of economic activity, with the latest growth numbers showing that the economy contracted slightly at -0.3%. Colombian bonds performed well, returning 2.5% over the month. The pace of inflation has begun to slow after the recent rise in prices over the last several months. The annual rate of inflation of 3.8% announced in January was the lowest since September 2019 and was consistent with the policymaker’s expectation that inflation will fall this year. This resulted in the central bank keeping rates on hold at 4.25% at their latest meeting. Brazilian bonds returned 1.2% in January.

The US dollar appreciated in value against most emerging currencies over the month. One of the notable exemptions to this was the Indonesian rupiah, which continued its recent strong performance. The worst performing currencies were the South African rand and Chilean peso, falling by -6.8% and -6.1% respectively. The Thai baht depreciated in value by -4.6% in a response to the possible severe fall in Chinese tourism to the country. The Brazilian real fell -5.9%, and the Colombian peso fell by 4.2%. Brazil and Colombia are large commodity exporters to China and their currencies likely depreciated in part due to concerns surrounding the degree of economic impact caused by the novel coronavirus.

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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. Annualised 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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