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Colchester Global Government Bond Fund – Class A

Monthly Report: January 2020

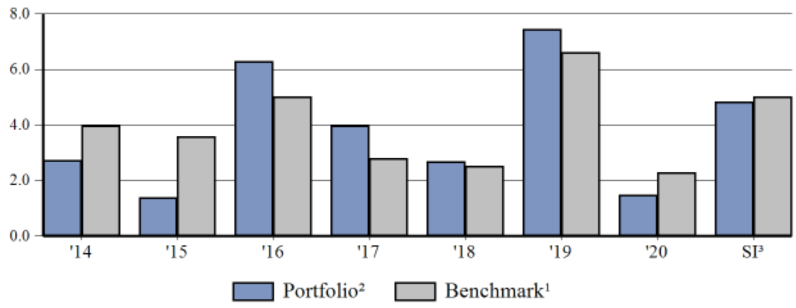
ESTABLISHED 1999

CURRENT ASSETS OVER $45BN

VALUE ORIENTATED

Global Bonds	Emerging Market Debt
Global Inflation	Alpha

GROSS PERFORMANCE AS AT END OF JANUARY 2020



MARKET COMMENTARY

Global Government bonds had a positive start to the year with the FTSE World Government Bond Index returning 2.3% in USD hedged terms. With the US dollar stronger over the month, the unhedged return was somewhat lower at 1.6%.

US Treasuries performed well over the month, up 2.4%, despite the continuing gradual rise in inflation, which registered 2.3% at the latest reading. Instead, markets became more concerned over the outlook for growth and inflation following the outbreak of the Coronavirus in China. Although the flu-like virus was noted as a possible downside risk by the Federal Reserve in its latest policy decision statement, the central bank decided to keep rates on hold at the current 1.50% to 1.75% range. They noted the low levels of unemployment, diminishing uncertainties around trade policy following the signing of the Phase 1 trade deal between the US and China, and their own forecast of inflation returning to target.

In the Euro area, the annual inflation rate in the bloc was 1.4% in January, still lower than the ECB's target of below, but close to 2%. Although the latest reading was higher than last month's, excluding volatile items such as energy and food, the core inflation level was actually lower than the previous month, falling from 1.3% to 1.1%. Italian bonds enjoyed a strong month as the risk of snap national elections was removed after the failure of the populist Lega party to win regional elections in Emilia Romagna. Although this gives a boost to the current ruling coalition, risks still remain given further regional votes in the coming year could tip the thin majority in the Senate against them. Italian bonds returned 3.3% for the month. In Germany, GDP growth for 2019 registered just 0.6%, the lowest in over 5 years. The ongoing slowdown in the country's manufacturing sectors, such as the car industry, was the main drag on growth. However, this growth rate still marks a decade of continuous positive annual growth for the country, something not seen since the reunification in the 1990's. German bonds returned 2.1% for January.

Turning to Asia, Japanese headline inflation moved up to 0.8%, higher than expectations of 0.7%, driven mainly by the higher sales tax increasing prices for a third month. Consumer prices excluding fresh food prices rose 0.7%, rising from 0.5% the previous month. Still, that did not stop the Bank of Japan trimming its inflation forecasts for the next two years to 1.0% and 0.6%, still shy of the bank's 2% target. Japanese government bonds returned 0.4%.

The Mexican bond market was up 1.9% over the month. Consumer prices rose at their slowest pace in four years in 2019, rising just 2.8%, in line with the central bank's target of 3%. Colombian bonds rallied 2.5% for the month of January, as inflation eased off from the recent rise over the past several months. The 3.8% reading for January was the lowest since September 2019, 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. Elsewhere in Latin America, Brazilian bonds were up 1.2%.

The US dollar was stronger against most major currencies in January. The worst performing currencies were the South African rand and Chilean peso, falling by -6.8% and -6.1% respectively. The Brazilian real fell -5.9%, and the Australian dollar fell by -4.8%. As large commodity exporters, the aforementioned currencies suffered to a greater or lesser extent from the fears around the degree of impact on global growth due to the Coronavirus. The best performing currencies were the Swiss franc, which rose 0.4%, and the Japanese yen, which rose 0.3%.

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: January 2020

Gross Attribution of Total Returns			
	Portfolio [2]	Benchmark [1]	Relative Return
Monthly	1.47%	2.29%	-0.82%
Bonds	1.43%	2.29%	-0.86%
Currency	0.04%	0.00%	0.04%

Top 5 Bond Holdings	
1	Japanese Govt 0.1% 20Jun2029
2	US Treasury Inflation IX 2.125 15Feb2041
3	US Treasury 5.375% 15Feb2031
4	US Treasury 2% 15Feb2025
5	US Treasury 2% 31Aug 2021

Top Active Currency Positions		
Portfolio Exposure relative to Benchmark		*% of Portfolio*
Overweights		
1	Norwegian Krone	4.4%
2	Malaysia Ringgit	4.0%
3	Swedish Krona	3.9%
Underweights		
1	United States Dollars	-6.2%
2	Euro	-3.9%
3	Swiss Franc	-3.7%

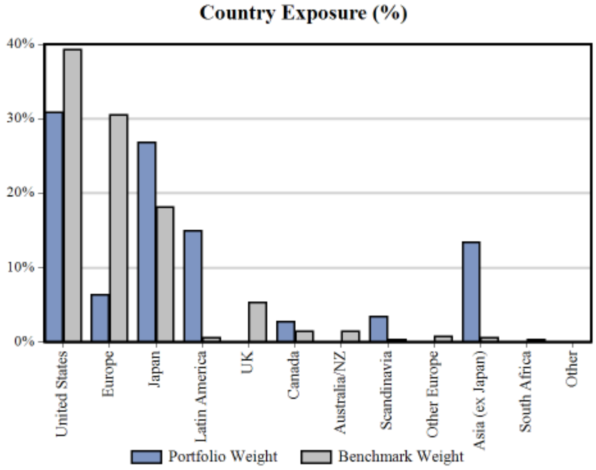
Portfolio Characteristics		
	Portfolio [2]	**Benchmark [1]**
Modified Duration	6.74	8.40
Flat Yield	2.40	2.00
Yield to Maturity	1.62	0.79
Average Coupon	2.68	2.41
Average Credit Rating	AA-	AA

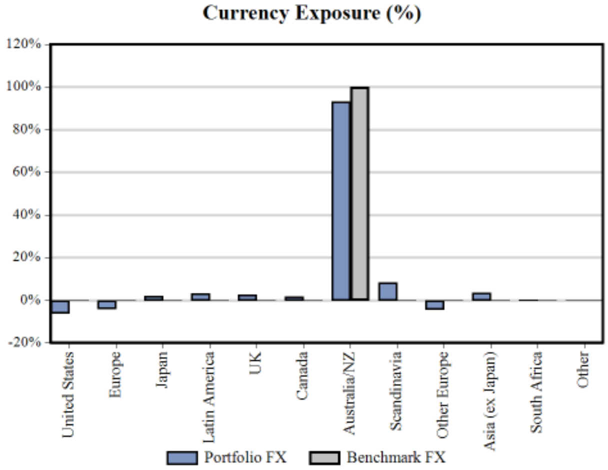
MONTHLY PERFORMANCE COMMENTARY

The fund returned 1.47% over the month, underperforming the benchmark which returned 2.29%. Bond selection detracted -0.86% from relative returns, while currency selection added 0.04%.The top three bond detractors from relative returns were the underweight positions in Europe, United States and United Kingdom. The top three positive currency contributors to relative returns were the long positions in Malaysia Ringgit, Mexican Peso and British Pound.

Monthly Report: January 2020

MONTH END POSITIONING





PERFORMANCE SINCE INCEPTION

Portfolio	2014	2015	2016	2017	2018	2019	2020	SI[23]
Gross Returns	2.73%	1.38%	6.28%	3.98%	2.68%	7.46%	1.47%	4.84%
Benchmark[1]	3.99%	3.59%	5.02%	2.79%	2.51%	6.63%	2.29%	5.01%
Relative Gross	-1.25%	-2.21%	1.26%	1.18%	0.16%	0.83%	-0.82%	-0.17%

YTD Returns	Jan	YTD
Gross Returns	1.47%	1.47%
Benchmark[1]	2.29%	2.29%
Relative Gross	-0.82%	-0.82%

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$12.887 million gross of investment management fees and A$12.475 million net of fees as at the end of January 2020. 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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