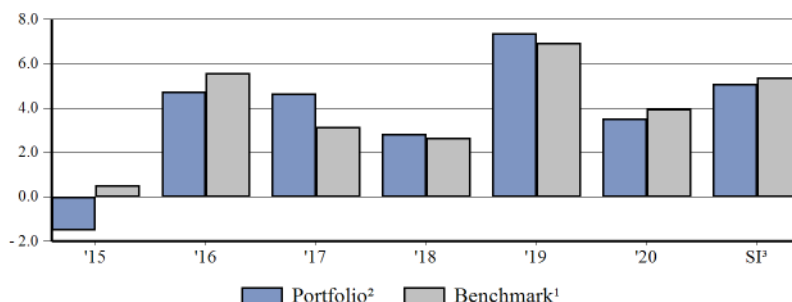


Colchester Global Government Bond Fund – Class N

Monthly Report: February 2020

ESTABLISHED 1999	
CURRENT ASSETS OVER \$45BN	
VALUE ORIENTATED	
Global Bonds	Emerging Market Debt
Global Inflation	Alpha

GROSS PERFORMANCE AS AT END OF FEBRUARY 2020



MARKET COMMENTARY

Heightened concerns surrounding the economic impact of the outbreak of the novel coronavirus (Covid-19) have led investors to seek safety in government bonds and “safe haven” type currencies in February, while many stock markets around the world fell sharply over the month. Yields fell sharply in most of the major government bond markets fuelling positive returns. The FTSE World Government Bond Index gained 1.0% in US dollar unhedged terms. With the US dollar appreciating over the month, the hedged return was higher at 1.6%, bringing the year-to-date return to 3.9% as at the end of February.

While the overall impact on global growth from the coronavirus is still highly uncertain, there has clearly been a material disruption to production and economic activity in China where the virus first appeared. In recent weeks fears have risen that the disruption to activity outside of China will be worse than initially thought as outbreaks of the virus spread to countries such as South Korea and Italy. In the US, the S&P 500 equity index fell -8.4% over the month and the 10-year US Treasury yield fell to a historical low of 1.15% at the end of the month. Perhaps unsurprisingly, US Treasuries were the best performing government bond market with a return of 2.6% in February.

Core European bond markets followed a similar trend to the US during this period of volatility and risk aversion. The German and Dutch bond markets both returned 1.4% whilst the French market rallied by 1.2% over the month. Yields in Italy did spike towards the end of the month as the coronavirus spread in the North of the country. The impact raises fears that the Italian economy will enter recession and the Italian government has responded by announcing a 3.6bn Euro support package. Italian government bonds generated a negative return of -1.2% over the past month as a consequence of the rise in yields. In Singapore meanwhile the government bond market performed strongly, returning 2.1%. The Singapore economy is one of the most open in the world and is likely to be materially affected by the decline in activity in China.

Returns in Latin America were mixed over the month. Oil exporters such as Mexico and Colombia will be impacted by the sharp decline in the oil price. Over the past month the price of a barrel of crude has fallen from \$52 to \$45 amid concerns over falling demand. The Mexican government bond market returned -0.5% in February and the Colombian market declined by -0.4%. In Brazil the bond market bucked the regional trend with a positive return of 0.8% over the month. The Brazilian central bank cut its policy rate to a record low during February, from 4.5% to 4.25% as the economy continues a gradual recovery and underlying inflation remains low.

On currency markets the US dollar generally strengthened in the past month with only the Japanese yen performing better. The yen rose 0.5% in February supported by its status as a relative “safe haven”. The worst performing currencies tended to be those of economies exposed to declining commodity prices and/or those with close trade links to China. Hence the South African rand sold off by -4.7% and the Mexican peso by -4.4% against the US dollar. The New Zealand dollar and Australian dollar also performed poorly declining by -4.2% and -3.7% respectively. The British pound weakened by -3.1% as trade talks are about to commence between the UK and the European Union. The transition period agreed as part of the UK’s withdrawal from the EU expires at the end of 2020 hence some commentators are expressing concern that a trade deal can be struck in time.

1. The FTSE World Government Bond Index 100% hedged in New Zealand dollars (NZD), formerly, The Citigroup World Government Bond Index 100% hedged in New Zealand dollars (NZD).

2. Colchester Global Government Bond Fund – Class N whose inception date was 03 December 2015. 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	1.49%	1.62%	-0.13%
Bonds	1.08%	1.62%	-0.54%
Currency	0.42%	0.00%	0.42%

MONTHLY PERFORMANCE COMMENTARY

The fund returned 1.49% over the month, underperforming the benchmark which returned 1.62%. Bond selection detracted -0.54% from relative returns, while currency selection added 0.42%. The top three bond detractors from relative returns were the underweight positions in United States and Europe and the overweight position in Mexico. The top three positive currency contributors to relative returns were the overweight positions in Japanese Yen, Swedish Krona and Malaysia Ringgit.

Top 5 Bond Holdings	
1	Japanese Govt 0.1% 20Jun2029
2	Japanese Govt 0.1% 20Dec2021
3	US Treasury Inflation IX 2.125 15Feb2041
4	US Treasury 2% 15Feb2025
5	US Treasury 2% 31Aug 2021

Top Active Currency Positions		
Portfolio Exposure relative to Benchmark		% of Portfolio
<i>Overweights</i>		
1	Malaysia Ringgit	3.1%
2	Japanese Yen	2.8%
3	Swedish Krona	2.7%
<i>Underweights</i>		
1	New Zealand Dollars	-22.9%

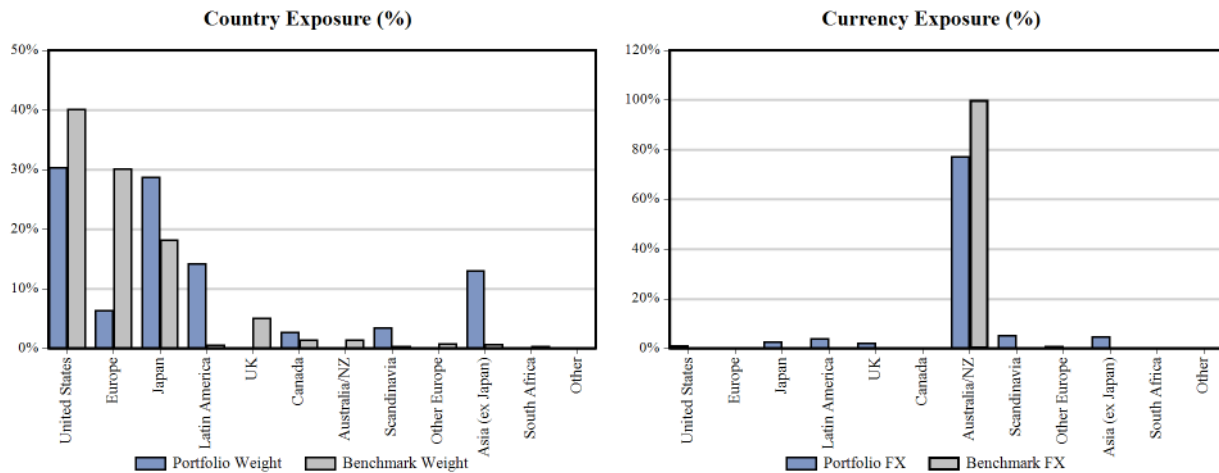
Portfolio Characteristics		
	Portfolio ²	Benchmark ¹
Modified Duration	6.68	8.49
Flat Yield	2.31	1.95
Yield to Maturity	1.42	0.60
Average Coupon	2.56	2.39
Average Credit Rating	AA-	AA

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MONTH END POSITIONING



PERFORMANCE SINCE INCEPTION

Portfolio	2015	2016	2017	2018	2019	2020	SI ²³
Gross Returns	-1.50%	4.73%	4.64%	2.82%	7.38%	3.53%	5.08%
Benchmark ¹	0.52%	5.58%	3.14%	2.66%	6.93%	3.97%	5.38%
Relative Gross	-2.02%	-0.85%	1.50%	0.16%	0.45%	-0.43%	-0.31%

YTD Returns	Jan	Feb	YTD
Gross Returns	2.01%	1.49%	3.53%
Benchmark ¹	2.31%	1.62%	3.97%
Relative Gross	-0.30%	-0.13%	-0.43%

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DISCLAIMERS

- Valuation and returns have been calculated in NZD 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 was in compliance with applicable investment guidelines throughout February 2020. The portfolio's guidelines are set out in the current prospectus.
- 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 NZ\$10 million investment at inception of 03 December 2015 on which the highest 70 basis points was payable, would be worth NZ\$12.339 million gross of investment management fees and NZ\$11.977 million net of fees as at the end of February 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 (70.0 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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