COLCHESTER GLOBAL INVESTORS

London
20 Savile Row
London W1S 3PR UK
MCS@colchesterglobal.com
Phone 44 20 7292.6920
Fax 44 20 7292.6932

New York
885 Third Avenue, 24th Floor
New York, NY 10022, USA
MCS@colchesterglobal.com
Phone 646 472 1800
Fax 646 472 1810

Singapore
6 Battery Road, #40-02A
Six Battery Road, Singapore
049909
MCS@colchesterglobal.com
Phone 65.3158.3760

Colchester Global Government Bond Fund – Class N

Monthly Report: April 2020

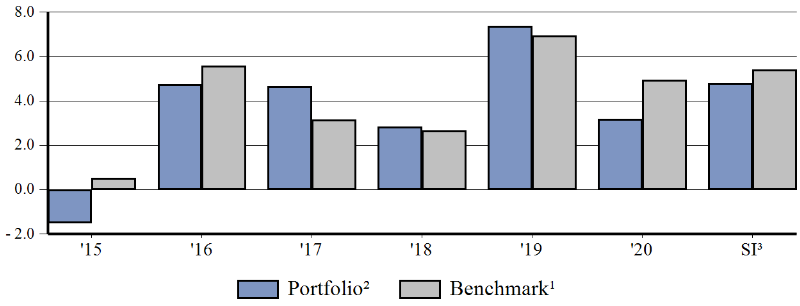
ESTABLISHED 1999

CURRENT ASSETS OVER $41BN

VALUE ORIENTATED

Global Bonds	Emerging Market Debt
Global Inflation	Alpha

GROSS PERFORMANCE AS AT END OF APRIL 2020



MARKET COMMENTARY

As many countries started to outline plans towards the end of April for gradually re-opening their economies, and most governments have launched substantial economic support programs, market volatility generally declined over the month. Yields fell modestly in most of the major government bond markets, meaning the FTSE World Government Bond Index gained 0.9% in US dollar hedged terms over the month. As the US dollar was slightly weaker over the month, the unhedged return was 1.2%.

In the US, the more positive sentiment was best exemplified in the S&P 500 equity index, which rose 12.7% over the month. This was despite a backdrop of the largest increase in unemployment the country has ever seen, with more than 20 million people filing initial jobless claims in April alone. In part due to this, the 10-year US Treasury yield hovered just above its recent historical lows, closing the month at 0.64%. This meant a return of 0.7% over the month for the US market, still making it one of the highest returning bond markets for the year to date. Canadian government bonds outperformed Treasuries to return 1.5% over the month. The Bank of Canada has followed the lead of the Federal Reserve in announcing an increase in the scope and scale of its asset purchase program.

Core European bond markets also generated positive returns over the month of April, with the best performer being Austrian debt, rallying by 2.6%. The Italian market had another volatile month as fears mounted it could be downgraded to junk by one or more ratings agencies. S&P affirmed its rating at BBB but Fitch downgraded Italy to BBB-, only one notch above non-investment grade. The agency cited the expected jump in the country's debt/GDP ratio, which exacerbates debt sustainability risks. It did note, however, that the ECB's purchase program provides a significant support for the Italian market and maintains the government's funding costs at a very low level. This rating change brings Fitch and Moody's in line at the lowest investment grade rating with S&P rating Italy one notch higher at BBB. Italian government bonds returned -1.1% in April. Elsewhere in the Eurozone, the Spanish bond market returned 0.3% whilst German government bonds gained 1.3%.

Returns in Latin American bond markets were quite robust over the month. In oil producing economies such as Mexico and Colombia local bonds rallied even as oil prices briefly turned negative for the first time ever during the month. In Mexico the bond market returned 3.5% and in Colombia, 3%. The price of a barrel of oil reached an unprecedented intraday low of around -40 USD as the May futures contract came to expiry. Due to the large decline in end-user demand, oil storage facilities are close to full, and so holders of long positions in futures contracts scrambled to avoid taking delivery. As April drew to a close, oil prices were back in positive territory. In Brazil the bond market was up 1.4% as political headlines took centre stage once again towards the end of the month. The well-respected Justice Minister resigned over the firing and appointment of a new police chief and threatened to reveal incriminating text messages from the President.

In currency markets the rally in the US dollar waned after a very strong first quarter pushed the currency's valuation towards extreme levels. The Australian dollar was the strongest performer for the month, up 7.0%. This was followed by the 4.1% appreciation of the New Zealand dollar, and the 3.6% rise in the Colombian peso. All three benefitted from the improvement in risk sentiment as investors began to contemplate an easing of restrictions in a number of major economies. This backdrop also supported the Norwegian krone which rallied 2.8% after a tumultuous March. Amongst the worst performing currencies was the Brazilian real, down -4.2%, on the back of the aforementioned political headlines, and the Mexican peso which declined -1.5%.

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.

Monthly Report: April 2020

Gross Attribution of Total Returns			
	Portfolio [2]	Benchmark [1]	Relative Return
Monthly	0.58%	0.90%	-0.32%
Bonds	1.18%	0.90%	0.28%
Currency	-0.61%	0.00%	-0.61%

MONTHLY PERFORMANCE COMMENTARY

The fund returned 0.58% over the month, underperforming the benchmark which returned 0.90%. Bond selection added 0.28% to relative returns, while currency selection detracted -0.61%.The top three positive bond contributors to relative returns were the overweight positions in Mexican nominal bonds, US inflation-linked bonds and Singaporean nominal bonds. The top three currency detractors from relative returns were the overweight positions in Mexican Peso, Malaysia Ringgit and Swedish Krona.

Top 5 Bond Holdings	
1	US Treasury Inflation IX 2.125 15Feb2041
2	US Treasury 2% 15Feb2025
3	US Treasury 1.625% 15Nov2022
4	Japanese Govt 0.1% 20Jun2029
5	US Treasury 5.5% 15Aug2028

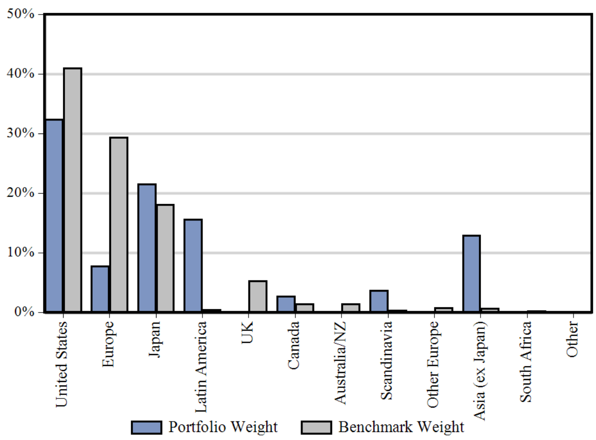
Top Active Currency Positions		
Portfolio Exposure relative to Benchmark		*% of Portfolio*
Overweights		
1	Norwegian Krone	6.2%
2	British Pound	4.1%
3	Mexican Peso	3.8%
Underweights		
1	New Zealand Dollars	-29.2%

Portfolio Characteristics		
	Portfolio [2]	**Benchmark [1]**
Modified Duration	7.29	8.51
Flat Yield	2.45	1.92
Yield to Maturity	1.38	0.41
Average Coupon	2.77	2.36
Average Credit Rating	AA-	AA

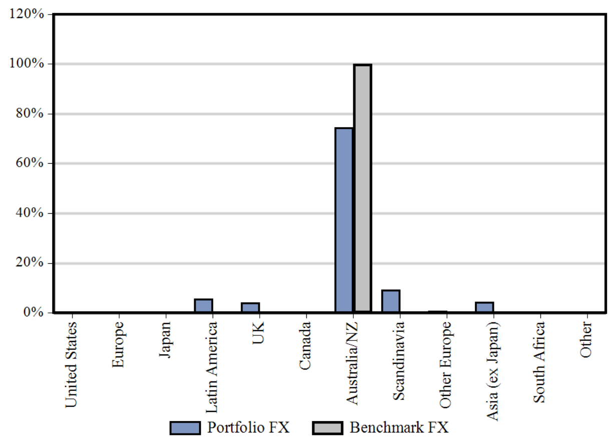
Monthly Report: April 2020

MONTH END POSITIONING

Country Exposure (%)



Currency Exposure (%)



PERFORMANCE SINCE INCEPTION

Portfolio	2015	2016	2017	2018	2019	2020	SI[23]
Gross Returns	-1.50%	4.73%	4.64%	2.82%	7.38%	3.19%	4.80%
Benchmark[1]	0.52%	5.58%	3.14%	2.66%	6.93%	4.94%	5.40%
Relative Gross	-2.02%	-0.85%	1.50%	0.16%	0.45%	-1.75%	-0.60%

YTD Returns	Q1:20	Apr	YTD
Gross Returns	2.60%	0.58%	3.19%
Benchmark[1]	4.01%	0.90%	4.94%
Relative Gross	-1.41%	-0.32%	-1.75%

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 April 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$12.298 million gross of investment management fees and NZ$11.924 million net of fees as at the end of April 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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