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Colchester Global Government Bond Fund – Class A

Monthly Report: June 2020

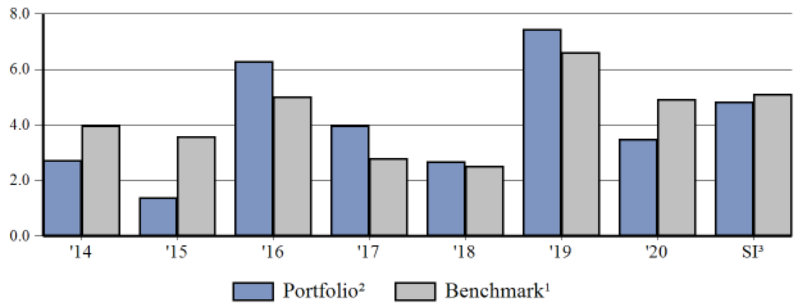
ESTABLISHED 1999

CURRENT ASSETS OVER $41BN

VALUE ORIENTATED

Global Bonds	Emerging Market Debt
Global Inflation	Alpha

GROSS PERFORMANCE AS AT END OF JUNE 2020



MARKET COMMENTARY

The second quarter of 2020 began with most major countries in 'lockdown' as governments fought to contain the spread of the coronavirus. So far there have been varying degrees of success in containing the virus, but most countries are slowly re-opening after a severe and dramatic slowdown in economic activity. Along with the slow return to normality, risk assets performed positively over the quarter. Global bond returns were modest over the quarter as central bank support and lingering caution from some investors continued to underpin bond markets. The FTSE World Government Bond Index returned 0.3% in US dollar hedged terms over the month and 1.1% for the quarter. The US dollar continued to depreciate against other major currencies over the month and the unhedged return of the same index was higher at 0.6% for June and 2.0% for the quarter.

The US unemployment rate over the last few months has been a good bellwether to monitor the impact of the coronavirus. In March the unemployment rate was low at 4.4% but in April this jumped to a staggering 14.7% before falling slightly to 13.3% in May. The numbers for April and May are higher than at any other point since the great Depression. Despite the extremely weak labor market, investor sentiment responded well to the drop in the unemployment rate in May as well as the gradual re-opening of many sectors of the economy. During June however, concerns have once more emerged about increases in Covid-19 case numbers in some states underlining how the pandemic has not yet been defeated. US Treasury yields were broadly stable over the quarter, with the market generating a return of 0.1% in June and 0.6% over the past quarter.

Remarkably, the UK economy shrunk by 20.4% in April as the full effects of the lockdown became apparent. This is the largest monthly fall since the data started in 1997. Although all areas of the economy contracted, construction was the worse sector falling 43.6% over the month. Not surprisingly inflation in the UK has fallen along with demand and, while annual inflation was 1.8% in January, headline inflation was only 0.5% in May. The return from the UK government bond market over the month was -0.7% but 2.9% for the quarter. In the Eurozone unemployment has not risen to the same degree as in other major economies. This is a reflection of different labor market structures and particularly the prevalence of government supports such as short time work schemes. German bond yields were relatively stable leading to a return of 0.3% for the month of June, and 0.2% for the quarter. More positive sentiment supported the Italian market, which returned 2.1% in June and 2.5% over the quarter.

Whilst infection rates have been falling around the world, some countries in Latin America have struggled to slow the spread of Covid-19. Colombia, Mexico and Brazil have all seen the number of confirmed cases continue to rise over the last few months, although the speed of the increase has started to slow. Central banks in the region have cut rates over the quarter. The low inflation environment in Mexico allowed rates to be reduced by 0.5% each month over the quarter leaving rates at 5.0%. Similarly, rates in Brazil were reduced to a new low of 2.25% and in Colombia the policy rate is now 3.25% having started the year at 4.25%. The respective bond markets returns from Mexico, Colombia and Brazil were 2.1%, -0.4%, and 1.2% for June and 8.6%, 8.7% and 4.7% for the quarter.

With improved investor sentiment over the quarter global currencies generally performed well against the US dollar. The Australian and New Zealand dollar appreciated by 12.5% and 8.6% respectively over the three-month period. The Norwegian Krone was aided by the improvement in energy prices and appreciated by 8.9% over the quarter and the Swedish Krona was lifted by 6.3%. The Japanese yen and the British pound were laggards with the yen 0.1% stronger over the quarter, whilst the pound fell by 0.4%.

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.

June 2020

Monthly Report: June 2020

Gross Attribution of Total Returns			
	Portfolio [2]	Benchmark [1]	Relative Return
Monthly	0.26%	0.28%	-0.02%
Bonds	0.43%	0.28%	0.15%
Currency	-0.17%	0.00%	-0.17%
Quarterly	3.08%	0.97%	2.10%
Bonds	2.34%	0.97%	1.36%
Currency	0.74%	0.00%	0.74%

Top 5 Bond Holdings	
1	US Treasury 2% 15Feb2025
2	US Treasury Inflation IX 2.125 15Feb2041
3	Mexican Bonos 8.5% 31May2029
4	US Treasury 1.625% 15Nov2022
5	Japanese Govt 0.1% 20Jun2029

Top Active Currency Positions		
Portfolio Exposure relative to Benchmark		*% of Portfolio*
Overweights		
1	Norwegian Krone	3.9%
2	Malaysia Ringgit	3.3%
3	Mexican Peso	3.2%
Underweights		
1	United States Dollars	-5.3%
2	Swiss Franc	-4.1%
3	New Zealand Dollars	-4.0%

Portfolio Characteristics		
	Portfolio [2]	**Benchmark [1]**
Modified Duration	7.36	8.62
Flat Yield	2.34	1.82
Yield to Maturity	1.21	0.32
Average Coupon	2.67	2.27
Average Credit Rating	AA-	AA

MONTHLY PERFORMANCE COMMENTARY

The fund returned 0.26% over the month, performing in line with the benchmark which returned 0.28%. Bond selection added 0.15% to relative returns, while currency selection detracted -0.17%.The top three positive bond contributors to relative returns were the overweight positions in Mexican nominal bonds and US inflation-linked bonds and the underweight position in UK nominal bonds. The top three currency detractors from relative returns were the long positions in Mexican Peso, Norwegian Krone and British Pound.

QUARTERLY PERFORMANCE COMMENTARY

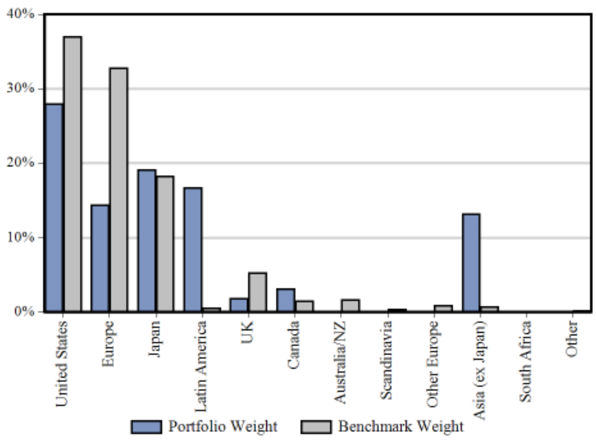
The fund returned 3.08% over the quarter, outperforming the benchmark which returned 0.97%. Bond selection added 1.36% to relative returns and currency selection added 0.74%.The top three positive bond contributors to relative returns were the overweight positions in Mexican nominal bonds, US inflation-linked bonds and Colombian nominal bonds. The top three positive currency contributors to relative returns were the short positions in United States Dollars, Euro and Swiss Franc.

Colchester Global Government Bond Fund – Class A

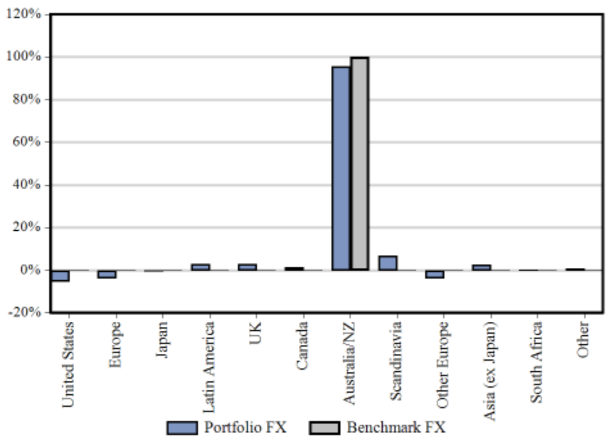
Monthly Report: June 2020

MONTH END POSITIONING

Country Exposure (%)



Currency Exposure (%)



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%	3.48%	4.84%
Benchmark[1]	3.99%	3.59%	5.02%	2.79%	2.51%	6.63%	4.93%	5.11%
Relative Gross	-1.25%	-2.21%	1.26%	1.18%	0.16%	0.83%	-1.45%	-0.27%

YTD Returns	Q1:20	Apr	May	Jun	Q2:20	YTD
Gross Returns	0.40%	1.25%	1.53%	0.26%	3.08%	3.48%
Benchmark[1]	3.92%	0.83%	-0.14%	0.28%	0.97%	4.93%
Relative Gross	-3.52%	0.42%	1.67%	-0.02%	2.10%	-1.45%

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$13.142 million gross of investment management fees and A$12.690 million net of fees as at the end of June 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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