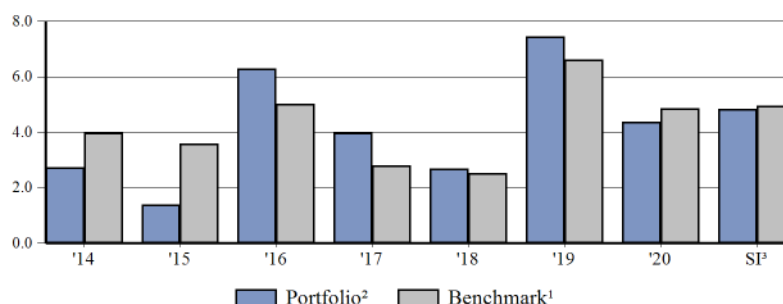


## Colchester Global Government Bond Fund – Class A

Monthly Report: August 2020

### GROSS PERFORMANCE AS AT END OF AUGUST 2020

ESTABLISHED 1999	
CURRENT ASSETS OVER \$41BN	
VALUE ORIENTATED	
Global Bonds	Emerging Market Debt
Global Inflation	Alpha



### MARKET COMMENTARY

Global bonds gave back a little of their gains from earlier in the year during the month of August, as the more positive sentiment pushed equity markets and commodity prices higher, and consequently “safe haven” assets dipped slightly. The FTSE World Government Bond Index returned -1.0% in US dollar hedged terms over the month as yields moved higher. The recent trend of a weaker US dollar continued in August however, mitigating some of the declines for US-based investors. The FTSE WGBI returned -0.5% in US dollar unhedged terms.

During August, the world’s major central banks convened for an economic policy symposium, usually held at Jackson Hole, Wyoming, but this year moved to a virtual gathering of policymakers and academics. Investors’ focus was largely on Federal Reserve chair, Jerome Powell and his speech outlining some of the conclusions of the Fed’s review of its monetary policy framework. Powell outlined a shift in the Fed’s inflation target, to the extent that inflation will be allowed to run moderately above the 2% target following a period when inflation has been running below the target. In other words, for inflation to average close to 2% over time, periods of below target inflation must be followed by periods of inflation overshooting the target. Such explicit acceptance of above target inflation may be a model that other central banks will look to emulate, and the ECB is itself conducting a strategic review of its policy. The US Treasury market returned -1.1% over the month, but inflation-linked bonds (TIPS) outperformed significantly, returning 1.0% as inflation expectations ticked up. US inflation dropped precipitously in the immediate aftermath of the pandemic but has since recovered somewhat. The German market performed similarly to Treasuries, declining by -1.3%. Other Euro area markets performed slightly better, for example Italian bonds returned -0.3%.

In Japan, news was dominated by the announcement that Prime Minister Shinzo Abe would step down for health reasons. Abe had become synonymous with Japan’s shift in economic policy over his tenure, including the aggressive monetary easing by the Bank of Japan, an increase in its inflation target from 1% to 2%, large fiscal stimulus, and structural reform to support growth. The Japanese government bond market followed the trend of the other major markets in generating negative returns in August. The market declined by -0.6% as yields rose modestly.

Amongst the smaller government bond markets returns were mixed over the month but generally stronger than in the major markets. The Malaysian market was broadly flat for example, generating a return of -0.1%. The Malaysian central bank cut rates to 1.75% in July, a lower level than during the 2008/09 crisis. The Colombian market generated a positive return of 0.4% this month also supported by accommodative monetary policy – a theme across emerging as well as developed markets.

On global currency markets, the theme remains one of a weaker US dollar. The Norwegian krone was one of the prime beneficiaries of this, strengthening by 4.6% against the greenback. The Norwegian currency was also supported by the rally in the oil price over the month. Other commodity-oriented currencies also tended to perform well, with the Australian dollar gaining 3.1% and the Canadian dollar 2.8%. The British pound rallied by 2% despite a seeming lack of progress on Brexit negotiations with the EU. The more positive sentiment amongst investors also boosted the Mexican peso, which rallied by 1.4%. In keeping with the general underperformance of “safe haven” assets, the Japanese yen weakened slightly, falling by -0.3% against the US dollar.

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.

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Gross Attribution of Total Returns			
	Portfolio <sup>2</sup>	Benchmark <sup>1</sup>	Relative Return
Monthly	-0.57%	-1.00%	0.43%
Bonds	-0.76%	-1.00%	0.24%
Currency	0.19%	0.00%	0.19%

## MONTHLY PERFORMANCE COMMENTARY

The fund returned -0.57% over the month, outperforming the benchmark which returned -1.00%. Bond selection added 0.24% to relative returns and currency selection added 0.19%. The top three positive bond contributors to relative returns were the underweight positions in Europe, United Kingdom and United States. The top three positive currency contributors to relative returns were the short positions in United States Dollars, Swiss Franc and Euro.

Top 5 Bond Holdings	
1	US Treasury 1.625% 15Nov2022
2	US Treasury 1.5% 15 Aug 2026
3	US Treasury Inflation IX 2.125 15Feb2041
4	US Treasury 2% 15Feb2025
5	Japanese Government 0.3% 20Jun2039

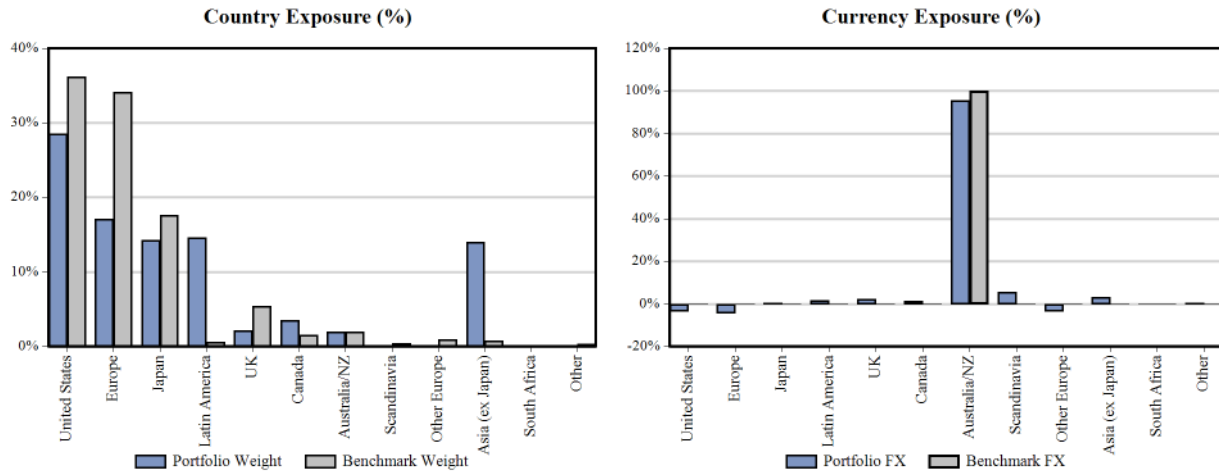
Top Active Currency Positions		
Portfolio Exposure relative to Benchmark		% of Portfolio
<i>Overweights</i>		
1	Malaysia Ringgit	4.0%
2	Swedish Krona	3.0%
3	Norwegian Krone	2.7%
<i>Underweights</i>		
1	Euro	-4.2%
2	Swiss Franc	-4.1%
3	New Zealand Dollars	-3.6%

Portfolio Characteristics		
	Portfolio <sup>2</sup>	Benchmark <sup>1</sup>
Modified Duration	7.63	8.61
Flat Yield	2.30	1.77
Yield to Maturity	1.12	0.32
Average Coupon	2.64	2.21
Average Credit Rating	AA-	AA

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**MONTH END POSITIONING**

**PERFORMANCE SINCE INCEPTION**

Portfolio	2014	2015	2016	2017	2018	2019	2020	SI <sup>23</sup>
Gross Returns	2.73%	1.38%	6.28%	3.98%	2.68%	7.46%	4.37%	4.85%
Benchmark <sup>1</sup>	3.99%	3.59%	5.02%	2.79%	2.51%	6.63%	4.86%	4.95%
Relative Gross	-1.25%	-2.21%	1.26%	1.18%	0.16%	0.83%	-0.49%	-0.10%

YTD Returns	Q1:20	Q2:20	Jul	Aug	YTD
Gross Returns	0.40%	3.08%	1.43%	-0.57%	4.37%
Benchmark <sup>1</sup>	3.92%	0.97%	0.94%	-1.00%	4.86%
Relative Gross	-3.52%	2.10%	0.49%	0.43%	-0.49%

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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 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\$13.255 million gross of investment management fees and A\$12.786 million net of fees as at the end of August 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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