

Investment Objective

To generate income and increase the amount invested by investing in a globally diversified portfolio of government bonds and currencies in emerging markets.

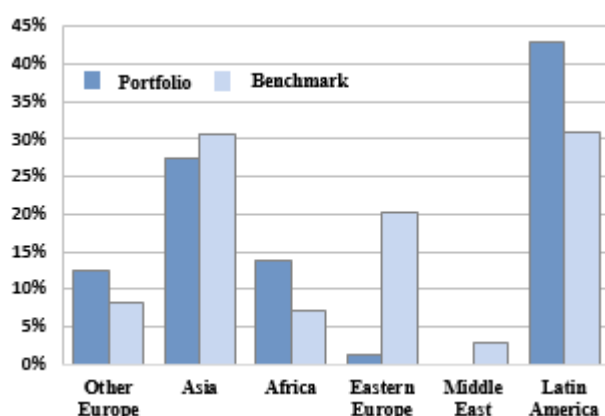
Investment Philosophy & Process

We believe that if we hold a portfolio of high real yielding bonds and currencies that are undervalued according to their real exchange rate that over time this will prove rewarding. At the heart of Colchester's value-oriented philosophy is the belief that investments should be valued in terms of the income they will generate in real terms. Our approach is based on the analysis of inflation, real interest rates and real exchange rates supplemented by an assessment of sovereign financial balances. Portfolios are constructed to benefit from those opportunities with the greatest relative investment potential for a given level of risk.

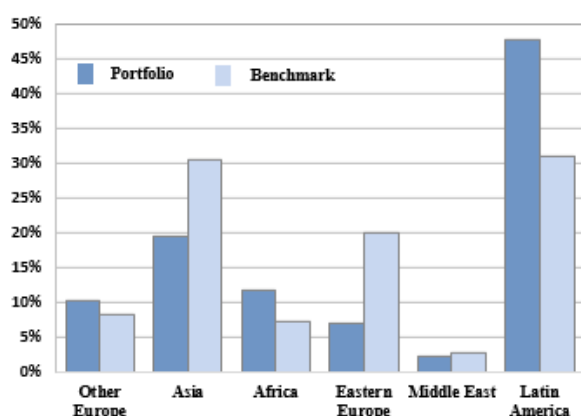
Fund Facts

Benchmark ¹	JPMorgan Government Bond Index Emerging Markets Global Diversified Australian Dollar Unhedged
Target	Outperform the benchmark by 2% p.a. gross of fees over full economic cycle 5-7yrs in length.
Fund Inception	21 December 2017
Management Fee	0.75% p.a.
Buy/Sell Spread	+/- 0.20%
Distributions	Quarterly
Liquidity	Daily
Application:	\$1million or as per platform minimum
Platforms:	Ausmaq, BT Panorama, HUB24, Netwealth, Praemium.

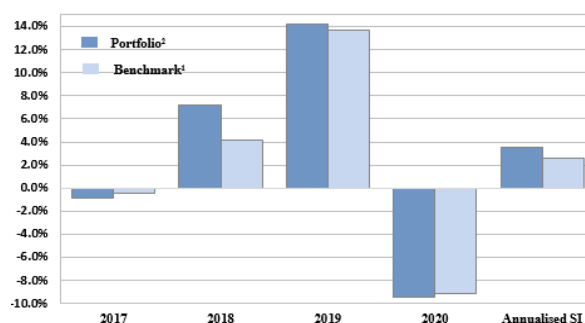
Country Exposure (%)



Currency Exposure (%)



Gross Performance



Total Return ³	2017	2018	2019	2020	Ann SI ⁴
Gross Returns	-0.84%	7.19%	14.19%	-9.50%	3.55%
Benchmark ¹	-0.46%	4.20%	13.64%	-9.12%	2.58%
Relative Gross	-0.38%	2.99%	0.55%	-0.37%	0.96%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	5.82	5.37
Flat Yield (unhedged)	7.04	5.14
Yield to Maturity (unhedged)	5.14	4.21
Average Coupon	7.58	5.59
Average Credit Rating	BBB	BBB+

Top 5 Bond Holdings

1	Republic of South Africa 10.5% 21Dec2026
2	Indonesia Government Bond 8.25% 15May2029
3	Mexican Bonos 10% 5Dec2024
4	Indonesia Government Bond 8.125% 15May2024
5	Nota Do Tesouro Nacional 10% 01Jan2029

Top Active Bond Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 Indonesia	+9.13	18.73
2 Mexico	+8.80	18.54
3 South Africa	+6.76	13.98
Underweights		
1 Thailand	-8.85	0.00
2 Poland	-7.26	1.22
3 China	-6.00	0.00

Top Active Currency Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 Mexican Peso	+7.12	16.86
2 Brazilian Real	+5.51	14.33
3 Colombian Peso	+4.97	10.58
Underweights		
1 Thai Baht	-7.86	0.99
2 China Yuan Renminbi	-6.00	0.00
3 Czech Koruna	-4.37	0.09

Monthly Performance Commentary

The fund returned -3.67% over the month, underperforming the benchmark which returned -3.35%. Bond selection added 0.04% to relative returns, while currency selection detracted -0.36%. The top three positive bond contributors to relative returns were the underweight positions in Turkey and Thailand and the overweight position in Indonesia. The top three currency detractors from relative returns were the overweight positions in Brazilian Real, Colombian Peso and South African Rand.

Market Commentary

Global markets continued to improve during August, though many economies remain constrained by measures aimed at slowing the spread of Covid-19. Risk appetite was buoyed by progress towards a coronavirus vaccine and affirmation from US and China that they remained committed to the phase-one trade deal. Against this backdrop however, emerging market local currency bonds fell modestly with the JP Morgan GBI-EM Global Diversified Index returned -0.5% in US dollar hedged terms. Performance across emerging market currencies were mixed, with the unhedged index return for the month at -0.3%.

In Latin America, the best performing bond market in the region was Colombia, with a return of 0.4%. The central bank cut interest rates by 0.25%, the fifth consecutive cut, as a return to stricter lockdown measures in the nation's biggest cities threatens to prolong the economic disruption. Brazilian bonds declined by 1.3% in August as the economy contracted by a record 9.7% q/q in the second quarter. Bolsonaro has continued to spend generously to shield poor Brazilians from the pandemic's economic effects. This, along with the sudden departure of more economic officials in the past month has cast doubts on the commitment of the Bolsonaro administration to economic reform plans. In Mexico, Banxico cut interest rates by a further 50bps to 4.5%, a four-year low. Mexican bond returns were broadly flat at -0.2%.

In South Africa, the bond market returned 0.8% in July. Inflation quickened to 3.2% in August to be back within the central bank's 3%-6% target range, and some measures of the economy point to recovery in growth this quarter as curbs to contain the coronavirus pandemic ease. Turkey was the worst performing bond market in the region in August, falling 2.3%. Inflation remains elevated but did fall slightly in August, to a lower-than-expected 11.8%, reversing two months of rising inflation.

Turning to Asia, the Indonesian bond market was the best performer in August. Indonesia's bond yields have fallen steadily since May on the central bank's explicit intervention and commitment to purchase bonds. Bank Indonesia is set to purchase \$40 billion in sovereign bonds to assist the Indonesian government's financial response to the coronavirus pandemic. Chinese bonds returned 1.3% in August as manufacturing activity and the services sector continued its expansion, with the official composite PMI rising to 54.5 in August. The Malaysian bond market was broadly flat, generating a return of -0.1%, as the government sets to raise the limit on government debt for the first time in more than a decade to 60% of GDP. In Thailand, bonds returned -1.1% over the month. Thailand reported the biggest economic contraction in more than two decades, as annual GDP fell 12.2% in the second quarter from a year earlier as restriction measures hit tourism, exports and domestic activity.

Despite the generally weaker US dollar, performance across emerging market currencies were mixed. The strongest performers were the Chinese yuan and Malaysian ringgit, both appreciating by 1.8%. The Chilean peso and Hungarian forint reversed strong gains from July, to depreciate by 2.4% and 1.8% in August. The Russian rouble and Indonesia rupiah were broadly flat. The Turkish lira was the worst performer, depreciating by 5.2% as the currency continues to come under pressure on the decline in the central bank's dollar reserves and country's deteriorating fundamentals.

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Disclaimers

1. JPMorgan Government Bond Index Emerging Markets Global Diversified 100% Unhedged in Australian Dollars (AUD Unhedged).
2. Colchester Emerging Markets Bond Fund – Class I whose inception date was 21 December 2017.
3. Total Fund Return comprises Growth and Income Return; and is reported gross of fees.
4. Annualised returns since inception.

Past performance is not a good indicator of future performance.

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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 Portfolio

The portfolio's guidelines and investment management fees are set out in PDS of the fund. Please refer to Equity Trustees (EQT) for further details <https://www.eqt.com.au/>.

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