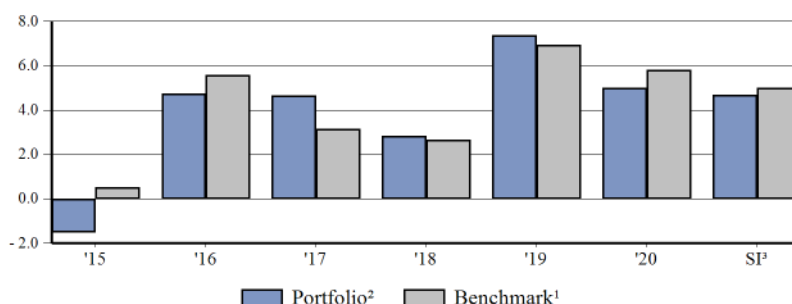


Colchester Global Government Bond Fund – Class N

Monthly Report: October 2020

GROSS PERFORMANCE AS AT END OF OCTOBER 2020

| | |
|----------------------------|----------------------|
| ESTABLISHED 1999 | |
| CURRENT ASSETS OVER \$39BN | |
| VALUE ORIENTATED | |
| Global Bonds | Emerging Market Debt |
| Global Inflation | Alpha |



MARKET COMMENTARY

Global government bonds produced tepid returns in October, following strong gains in the third quarter, despite heightened levels of uncertainty from the coronavirus pandemic and political risk from the upcoming US Presidential election. The FTSE World Government Bond Index generated a mild negative return of -0.1% in US dollar hedged terms over the month. In unhedged terms the return for October was -0.2% as the US dollar appreciated modestly against most major currencies over the month.

The yield on US Treasuries moved higher in October, resulting in a negative return for US government bonds of -0.9%. The US Presidential race continues to heat up apace and although the gap in the polls has somewhat narrowed, the Democratic candidate Joe Biden continues to lead the polls. The US economy continues to show signs of improvement since the height of the coronavirus crisis in the second quarter. Initial jobless claims, although remaining high have gradually lowered over the summer months into October, however the unemployment rate from the Bureau of Labor Statistics remains elevated at 7.9%. Inflation data released in October showed an increase to an annual rate of 1.4%, well above the low seen in May of just 0.1%. The US dollar initially appreciated in the initial stages of the crisis but has since depreciated, making the import of foreign goods more expensive. Elsewhere, the Canadian bond market return was negative at -0.6% in October. In Mexico inflation has remained elevated at just over 4%, driven largely due to the depreciation of the peso, but the local Mexican government bond market was broadly stable, returning -0.2%.

Japanese government bonds returned -0.2% in October as Bank of Japan policy maintains yields in a narrow range. In Singapore the bond market had another strong month, following the September return of 0.9% with a return of 0.7% in October. The Australian bond market also performed positively over the month, returning 0.2%. In New Zealand, Jacinda Arden and her Labour party won the general election with a landslide victory, forming the first single-party government for over two decades. The result had a modest impact on the bond market, and returns were slightly negative at -0.2% over the month.

The coronavirus crisis deepened in Europe in October with statistics showing an increase in the number of new cases of the virus, with many countries implementing more severe restrictions and even national lockdowns. This had the effect of supporting government bond values across the region. The German market returned 0.9%, France 0.8% and Italy returned 1.3%. In the UK, the approach was initially different than many countries, with a regional approach to fighting the virus however, at the time of writing, new lockdown measures have been announced and the country will also go into a national lockdown in the first week of November. UK gilts underperformed in October, returning -0.6% over the month.

The US dollar stabilized in October after benefitting from the increased risk aversion in September. The Norwegian krone depreciated by -2.1% with the price of oil falling by more than 11% in the month. The Australian dollar also weakened, falling -2.0% and the Euro -0.7% over the month. The Japanese yen continued to strengthen however, gaining 0.9% against the dollar. The best performing major currency was the Mexican peso. Although it underperformed in the early stages of the coronavirus crisis, it rose by 3.8% in October.

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 | -0.06% | -0.06% | 0.01% |
| Bonds | -0.19% | -0.06% | -0.12% |
| Currency | 0.13% | 0.00% | 0.13% |

MONTHLY PERFORMANCE COMMENTARY

The fund returned -0.06% over the month, performing in line with the benchmark which returned -0.06%. Bond selection detracted -0.12% from relative returns, while currency selection added 0.13%. The top three bond detractors from relative returns were the overweight positions in Mexican nominal bonds and US inflation-linked bonds and the underweight position in European nominal bonds. The two positive currency contributors to relative returns were the overweight positions in Mexican Peso and Japanese Yen.

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

| Top Active Currency Positions | | |
|--|---------------------|----------------|
| Portfolio Exposure relative to Benchmark | | % of Portfolio |
| <i>Overweights</i> | | |
| 1 | Malaysia Ringgit | 3.4% |
| 2 | British Pound | 3.4% |
| 3 | Norwegian Krone | 2.9% |
| <i>Underweights</i> | | |
| 1 | New Zealand Dollars | -23.3% |

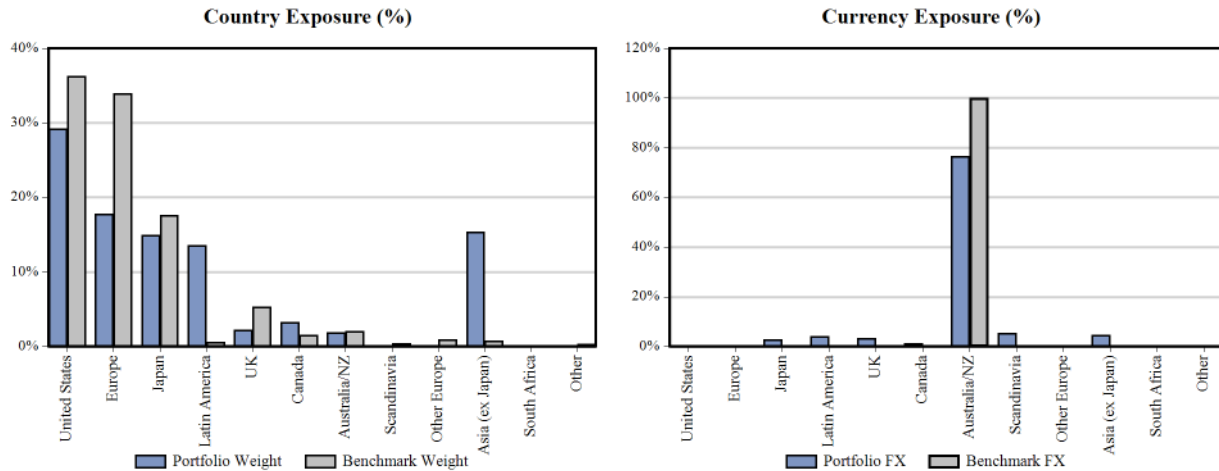
| Portfolio Characteristics | | |
|---------------------------|------------------------|------------------------|
| | Portfolio ² | Benchmark ¹ |
| Modified Duration | 7.77 | 8.72 |
| Flat Yield | 2.37 | 1.70 |
| Yield to Maturity | 1.16 | 0.26 |
| Average Coupon | 2.69 | 2.13 |
| Average Credit Rating | AA- | AA |

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October 2020

Monthly Report: October 2020

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% | 5.00% | 4.67% |
| Benchmark ¹ | 0.52% | 5.58% | 3.14% | 2.66% | 6.93% | 5.82% | 5.01% |
| Relative Gross | -2.02% | -0.85% | 1.50% | 0.16% | 0.45% | -0.81% | -0.34% |

| YTD Returns | Q1:20 | Q2:20 | Q3:20 | Oct | YTD |
|------------------------|--------|-------|-------|--------|--------|
| Gross Returns | 2.60% | 1.41% | 0.98% | -0.06% | 5.00% |
| Benchmark ¹ | 4.01% | 1.09% | 0.71% | -0.06% | 5.82% |
| Relative Gross | -1.41% | 0.32% | 0.27% | 0.01% | -0.81% |

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October 2020

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 October 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\$12.514 million gross of investment management fees and NZ\$12.091 million net of fees as at the end of October 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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