

Investment Objective

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

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

Benchmark¹ FTSE World Government Bond Index AUD Hedged
Target Outperform the benchmark by 2% p.a. gross of fees over full economic cycle 5-7yrs in length.

Fund Inception 9 December 2016

Management Fee 0.60% p.a.

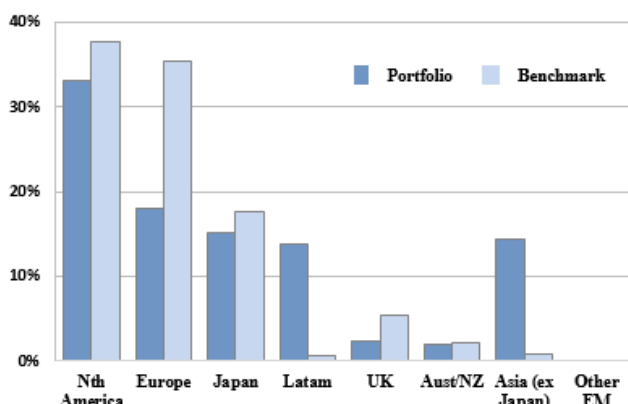
Distributions Quarterly

Liquidity Daily

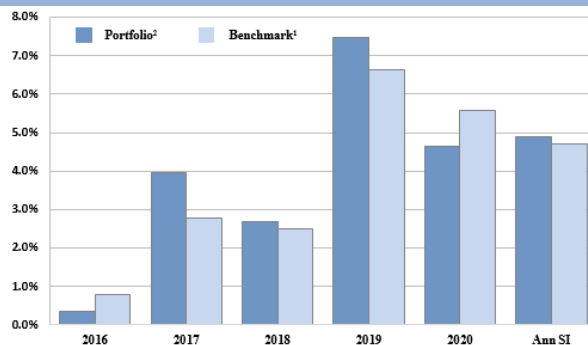
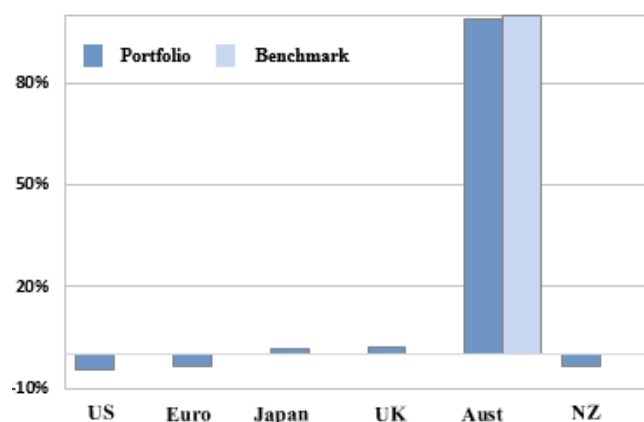
Application: \$1million or as per platform minimum

Platforms: AMP North & Portfolio Care, Asgard, Ausmaq, BT Panorama, BT Wrap, CFS FirstWrap, Grow Wrap, HUB24, IOOF Pursuit, Macquarie Wrap, Mason Stevens, MLC Wrap, Navigator, Netwealth, Oasis, PowerWrap, Praemium, Symetry, uXchange, WealthO2Super, Xplore Wealth

Country Exposure (%)



Currency Exposure (%)



Total Return ³	2016 ²	2017	2018	2019	2020	Ann SI ⁴
Gross Returns	0.36%	3.95%	2.68%	7.46%	4.66%	4.90%
Benchmark ¹	0.78%	2.79%	2.51%	6.63%	5.59%	4.69%
Relative Gross	-0.42%	1.16%	0.17%	0.84%	-0.93%	0.21%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	7.83	8.72
Flat Yield (unhedged)	2.38	1.70
Yield to Maturity (unhedged)	1.17	0.26
Average Coupon	2.71	2.13
Average Credit Rating	AA-	AA

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 Bond Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 Singapore	+9.71	10.08
2 Mexico	+9.19	9.83
3 Colombia	+3.88	3.88
Underweights		
1 Europe	-16.02	17.91
2 United States	-6.79	29.46
3 UK	-3.09	2.24

Top Active Currency Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 Malaysia Ringgit	+4.15	4.15
2 Swedish Krona	+2.94	2.94
3 British Pound	+2.35	2.35
Underweights		
1 United States Dollars	-4.75	-4.75
2 Swiss Franc	-4.04	-4.04
3 New Zealand Dollars	-3.55	-3.55

Monthly Performance Commentary

The fund returned -0.08% over the month, performing in line with the benchmark which returned -0.07%. Bond selection detracted -0.12% from relative returns, while currency selection added 0.12%. 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 top three positive currency contributors to relative returns were the long positions in Mexican Peso, Malaysia Ringgit and Swedish Krona.

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.

Contact

Administration & Client Servicing Enquiries:

Colchester Global Client Services
GPO Box 804, Melbourne, VIC 3001
Phone: +61 3 9046 4040
Email: colchester@onevue.com.au

Sales & Marketing Enquiries:

Angela MacPherson
Head of Distribution Australia
Phone: +61 431 075 024

Email: MarketingClientServiceAPAC@colchesterglobal.com
Web: www.colchesterglobal.com.au

Disclaimers

1. FTSE World Government Bond Index 100% hedged in Australian dollars (AUD) formerly Citigroup World Government Bond Index 100% hedged in AUD. Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2018. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" is a trademark of the relevant LSE Group companies and is used by any other LSE Group company under license. "TMX®" is a trademark of TSX, Inc. and used by the LSE Group under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication. 2. Colchester Global Government Bond Fund – Class I whose inception date was 9 December 2016. 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. This document is prepared by Colchester Global Investors (Singapore) Pte. Ltd (ABN 58 159 947 583). Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited, a publicly listed company on the Australian Securities Exchange (ASX: EQT), is the Responsible Entity of the Colchester Global Government Bond Fund (ARSN 168 909 671) (the "Fund"). This document is not intended to be securities or financial product advice and should not be relied upon as such. To obtain a copy of the Fund's PDS please contact Colchester. The PDS should be considered in deciding whether to acquire, or continue to hold, an investment in the Fund. This information is of a general nature only and does not take into account the investment objectives, financial situation or particular needs of any investor and should not be taken as a securities or stock recommendation. These factors should be considered before any investment decision is made in relation to the Fund. The performance of the Fund is not guaranteed. Colchester, Equity Trustees Limited and their related parties, their employees and directors make no representation (express or implied) and shall have no liability in any way arising from the provision of this document for any loss or damage, direct or indirect, arising from the use of this document.

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/>.

Colchester Global Investors (Singapore) Pte. Ltd is registered in Singapore, Company Registration No: 20122440M. Registered Office: 6 Battery Road #40-02A, Six Battery Road, Singapore 049909. Colchester Global Investors (Singapore) Pte. Ltd holds a capital markets services licence in fund management issued by the Monetary Authority of Singapore pursuant to the Securities and Futures Act, Chapter 289 of Singapore. Colchester Global Investors (Singapore) Pte. Ltd is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cwlth) in respect of financial services provided to wholesale clients in Australia. Colchester Global Investors (Singapore) Pte. Ltd. is regulated by the Monetary Authority of Singapore under Singaporean laws which differ from Australian laws. Therefore, Australian wholesale clients are not necessarily subject to the same types of legal protections or remedies that they would enjoy if Colchester was directly subject to the Corporations Act. Colchester is entitled to offer its financial services in Australia pursuant to an exemption from the requirement to hold an Australian Financial Services Licence under the Corporations Act, on the basis, among other things, that the clients are "wholesale clients" within the meaning of the Corporations Act.

The Average Coupon, as it relates to any inflation-linked bonds in the Portfolio or Benchmark, has not been adjusted for the impact of inflation on such coupons. From April 2020, the presentation of the Average Coupon of the Portfolio, which had previously incorporated the impact of the indexation factor, was amended to reflect this methodology.