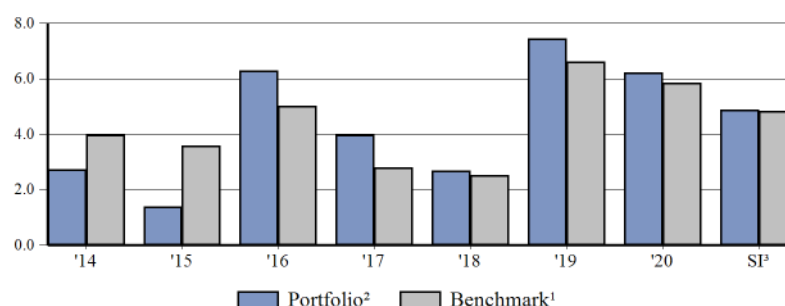


Colchester Global Government Bond Fund – Class A

Monthly Report: December 2020

GROSS PERFORMANCE AS AT END OF DECEMBER 2020

ESTABLISHED 1999	
CURRENT ASSETS OVER \$43BN	
VALUE ORIENTATED	
Global Bonds	Emerging Market Debt
Global Inflation	Alpha



MARKET COMMENTARY

Unfortunately, 2020 will be best remembered for the Covid-19 pandemic, which generated a global public health emergency and an economic and financial crisis. Risk assets sold off dramatically in March, before large scale intervention from central banks and governments stabilized the market. Once this stabilization was achieved risk assets recovered, the rally continuing through December as there has been increasingly positive news about vaccines. As would be expected through such volatile markets, global bonds performed well in 2020 with the FTSE World Government Bond Index returning 6.1% in US dollar hedged terms, although the return over past month was a modest 0.1%. The unhedged return on the index was 10.1% over the full year as the US dollar lost ground, and 1.4% in December.

The US Federal Reserve reacted to the crisis by cutting its target rate to 0-0.25% in March, a cumulative cut of 150bps from the start of the year. It also re-started its quantitative easing program, with securities held by the Federal Reserve at the end of December 2020 reaching USD6.7 trillion, up from USD3.1 trillion a year before. The variety of programs also increased, with support offered to businesses through direct lending, as well as the purchasing of corporate bonds in the secondary market. Not only did the monetary authorities take large actions, but the federal government also increased spending significantly. The budget deficit for 2020 is estimated at 19% of GDP, well in excess of the deficits throughout the GFC. With the Democratic candidate winning the Presidential election in November there could be even more fiscal stimulus to come. US Treasuries weakened towards the end of the year but returned 8.0% over the past twelve months.

Over the year certain European countries were amongst the hardest hit by the virus. Widespread lockdowns in many nations led to a collapse in GDP, mainly in the second quarter, which then rebounded later in the year. Once again both the monetary and fiscal authorities provided substantial support to the economy. Both the ECB and the Bank of England increased their quantitative easing programs, with the Bank of England also cutting interest rates to a record low of 0.1%. Although Covid cases have picked up with the onset of winter in the region, immunization programs have started across Europe. Towards the end of December, the EU and the UK finally agreed on a trade deal to help smooth the Brexit process. UK government bonds returned a robust 9.7% over the year whereas in the Eurozone they returned 5.0%.

It was not just the largest global central banks that implemented quantitative easing programs in 2020, with both New Zealand and Australia initiating their own purchase programs. The RBA in Australia reduced interest rates to 0.1% with the latest cut coming in November and also implemented 'Yield Curve Control' to keep the three-year bond yield at just 0.25%. With yields already low in Australia the market returned 4.4% over the year. New Zealand also saw interest rates cut to 0.25% along with large buying of domestic government bonds by the central bank. By the end of October, the RBNZ had bought 24% of the total government bond market, a higher percentage than the Federal Reserve held of the US Treasury market. New Zealand bonds gave a return of 5.4% through the year.

Over the course of 2020 the US dollar fluctuated hugely with the currency being one of the strongest through the first quarter, benefitting from its reserve currency status and liquidity, before then giving back these gains through the remainder of the year. Amongst the top performers over the year were the Swedish krona which strengthened 14% against the US dollar, and the Australian dollar which gained 9.8%. The Euro also performed strongly, rising 9% whilst the Japanese yen gained 5.3%, and the British pound 3.2%. Amongst the weaker currencies were the Canadian dollar which rose a modest 1.8% and the Mexican peso which weakened by 5%.

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 ²	Benchmark ¹	Relative Return
Monthly	0.67%	0.10%	0.57%
Bonds	0.50%	0.10%	0.41%
Currency	0.16%	0.00%	0.16%

Quarterly	1.43%	0.19%	1.24%
Bonds	0.83%	0.19%	0.64%
Currency	0.59%	0.00%	0.59%

Top 5 Bond Holdings	
1	US Treasury 1.5% 15 Aug 2026
2	Japanese Government 0.1% 20Sep2029
3	US Treasury 1.625% 15Nov2022
4	Japanese Government 0.3% 20Jun2039
5	US Treasury Inflation IX 2.125 15Feb2041

Top Active Currency Positions		
Portfolio Exposure relative to Benchmark		% of Portfolio
<i>Overweights</i>		
1	Malaysia Ringgit	4.3%
2	Swedish Krona	2.7%
3	British Pound	2.6%
<i>Underweights</i>		
1	United States Dollars	-4.5%
2	Euro	-4.2%
3	Swiss Franc	-3.8%

Portfolio Characteristics		
	Portfolio ²	Benchmark ¹
Modified Duration	7.56	8.78
Flat Yield	2.35	1.66
Yield to Maturity	1.13	0.25
Average Coupon	2.71	2.09
Average Credit Rating	AA-	AA

MONTHLY PERFORMANCE COMMENTARY

The fund returned 0.67% over the month, outperforming the benchmark which returned 0.10%. Bond selection added 0.41% to relative returns and currency selection added 0.16%. The top three positive bond contributors to relative returns were the overweight positions in Mexico, Indonesia and Malaysia. The top three positive currency contributors to relative returns were the short positions in United States Dollars, Euro and Swiss Franc.

QUARTERLY PERFORMANCE COMMENTARY

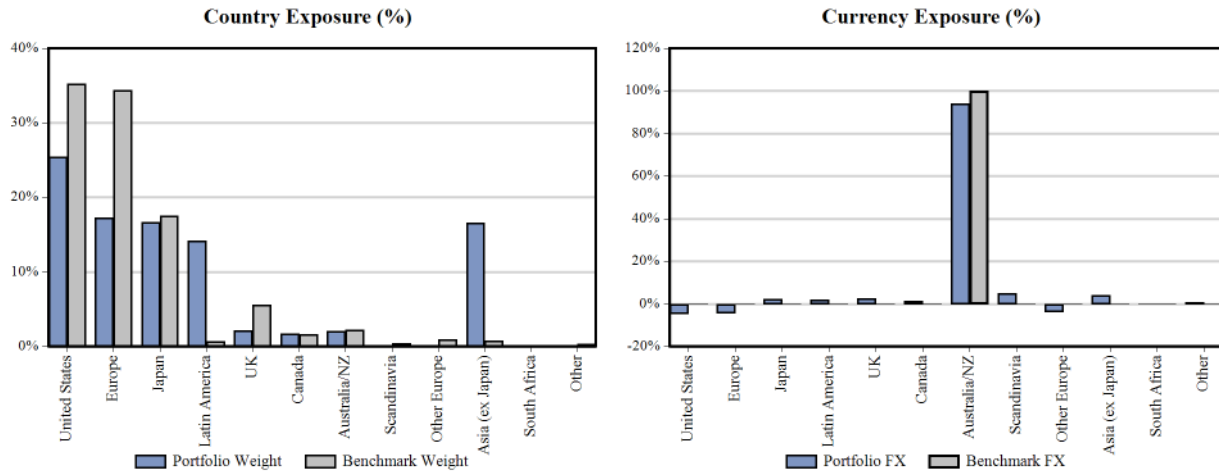
The fund returned 1.43% over the quarter, outperforming the benchmark which returned 0.19%. Bond selection added 0.64% to relative returns and currency selection added 0.59%. The top three positive bond contributors to relative returns were the overweight positions in Mexico and Indonesia and the underweight position in United States. The top three positive currency contributors to relative returns were the short positions in United States Dollars, Swiss Franc and Euro.

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Monthly Report: December 2020

MONTH END POSITIONING



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%	6.24%	4.88%
Benchmark ¹	3.99%	3.59%	5.02%	2.79%	2.51%	6.63%	5.87%	4.84%
Relative Gross	-1.25%	-2.21%	1.26%	1.18%	0.16%	0.83%	0.37%	0.04%

YTD Returns	Q1:20	Q2:20	Q3:20	Oct	Nov	Dec	Q4:20	YTD
Gross Returns	0.40%	3.08%	1.21%	-0.08%	0.83%	0.67%	1.43%	6.24%
Benchmark ¹	3.92%	0.97%	0.70%	-0.07%	0.17%	0.10%	0.19%	5.87%
Relative Gross	-3.52%	2.10%	0.51%	0.00%	0.66%	0.57%	1.24%	0.37%

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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\$13.492 million gross of investment management fees and A\$12.988 million net of fees as at the end of December 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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