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Colchester Global Government Bond Fund – Class A

Monthly Report: January 2021

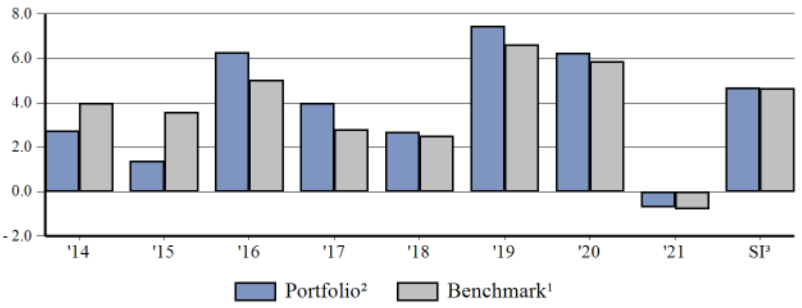
ESTABLISHED 1999

CURRENT ASSETS OVER $41BN

VALUE ORIENTATED

Global Bonds	Emerging Market Debt
Global Inflation	Alpha

GROSS PERFORMANCE AS AT END OF JANUARY 2021



MARKET COMMENTARY

New year optimism and rising equity markets pushed bond yields higher in early January, before concerns over the rollout of Covid vaccines and gyrating stock markets, tempered the positive sentiment and boosted government bonds. The return on the FTSE World Government Bond Index was -0.7% in USD hedged terms over the month, dragged down by the early month spike in yields. In unhedged USD terms, returns were slightly lower at -1.3% as the uncertain backdrop provided some support for the US dollar against other major currencies.

The eyes of the world were focused on Washington in the early days of 2021, as a new administration prepared to take power. Before the inauguration of President Biden, the world witnessed the remarkable scenes of the Capitol building being stormed by protesters, as well as the Democrats' victory in the senate run-off election in Georgia, which gave them effective control of both houses of Congress. US Treasury yields rose to their highest levels since March 2020 as the prospect of a larger fiscal support programme was contemplated by investors. As the month developed, the prospects of a USD1.9trn package receded amid opposition from Republicans, but a compromise package remains likely. The Treasury market recovered somewhat in the second half of the month, but returns were still negative at -1.1% for January.

As 2021 dawned, Britain and the EU's post-Brexit trading arrangements began with relatively little fuss. The attention of financial markets was more closely focused on the economic impact of renewed lockdown in Britain and elsewhere as cases and deaths from Covid-19 jumped. The Bank of England is due to publish the results of its consultation on negative interest rates in early February. Although inflation remains low at 0.6% in the 12 months to December 2020, analysts are not expecting the Bank to implement negative rates in the near term. The outlook has brightened somewhat this month as the speed of the Covid vaccine rollout has been impressive. In the EU however, tensions have risen around a comparatively slower vaccination rollout, undermined by supply problems. Returns from government bonds across the region were negative, with UK gilts returning -1.8%, and the German market -0.4%. In Italy, the government was plunged into crisis as a small party led by former prime minister Matteo Renzi, withdrew support for the coalition. Bond markets were relatively sanguine about developments however, and Italian bonds declined modestly, returning -0.6%.

Few government bond markets produced positive returns this month but Mexico and Colombia were exceptions, both returning 0.2%. Relatively low inflation in each market, and the potential for the respective central banks to reduce interest rates further have underpinned bonds in each country. In Colombia for example, inflation is running at only 1.6% in December 2020, compared to the central bank's target of 3%. In Mexico, official interest rates remain relatively high compared to peers at 4.25% but lower rates are widely expected in the coming months. A policy framework of relatively tight monetary and fiscal policy has constrained economic activity in Mexico, but it has generated a relatively low fiscal deficit of only 2.9% of GDP in 2020, and stable inflation expectations.

Despite dramatic headlines around politics and equity markets during the past month, exchange rate changes were relatively muted amongst the major currencies. Having weakened in the second half of 2020, the US dollar made something of a modest recovery in January gaining slightly against the Euro, which fell -0.7%, and the Japanese yen, which dropped -1.4%. The Norwegian krone strengthened fractionally, up by 0.1% against the US dollar over the month, perhaps supported by the stronger oil price. Emerging Market currencies gave back some of the gains of the last quarter of 2020, with the Mexican peso for example depreciating -1.5%. The British pound meanwhile outperformed, rising 0.5%.

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	-0.70%	-0.78%	0.09%
Bonds	-0.54%	-0.78%	0.24%
Currency	-0.16%	0.00%	-0.16%

Top 5 Bond Holdings	
1	US Treasury 1.5% 15 Aug 2026
2	Japanese Government 0.1% 20Sep2029
3	Singapore Government 3.5 1Mar 2027
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*
Overweights		
1	Malaysia Ringgit	4.4%
2	Swedish Krona	2.5%
3	British Pound	2.4%
Underweights		
1	Euro	-4.3%
2	United States Dollars	-4.1%
3	Swiss Franc	-3.8%

Portfolio Characteristics		
	Portfolio ²	**Benchmark ¹**
Modified Duration	7.66	8.72
Flat Yield	2.40	1.67
Yield to Maturity	1.23	0.31
Average Coupon	2.73	2.08
Average Credit Rating	AA-	AA

MONTHLY PERFORMANCE COMMENTARY

The fund returned -0.70% over the month, outperforming the benchmark which returned -0.78%. Bond selection added 0.24% to relative returns, while currency selection detracted -0.16%.The top three positive bond contributors to relative returns were the underweight positions in United States, Europe and United Kingdom. The top three currency detractors from relative returns were the long positions in Colombian Peso and Korean Won and the short position in United States Dollars.

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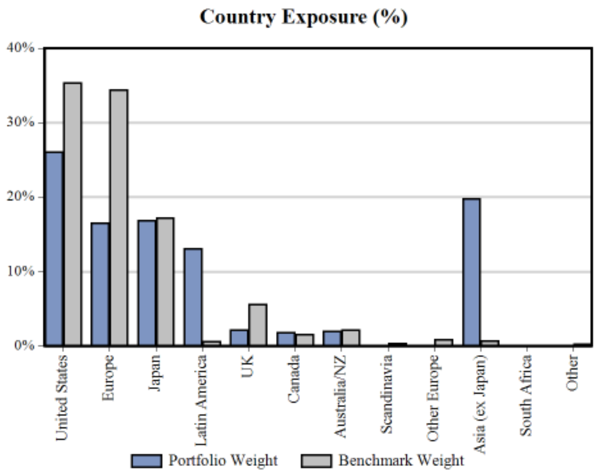
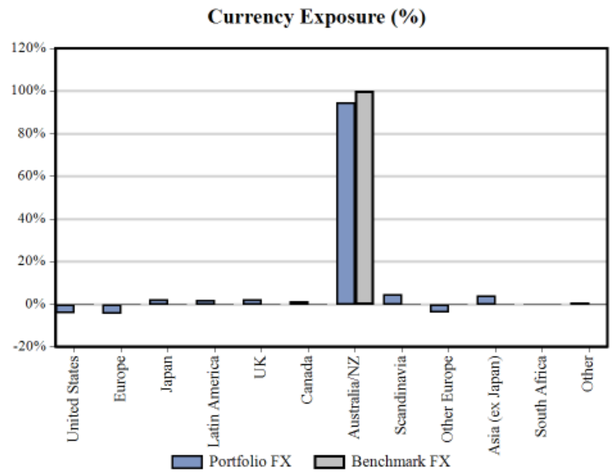
Monthly Report: January 2021

MONTH END POSITIONING





PERFORMANCE SINCE INCEPTION

Portfolio	2014	2015	2016	2017	2018	2019	2020	2021	SI[23]
Gross Returns	2.73%	1.38%	6.28%	3.98%	2.68%	7.46%	6.24%	-0.70%	4.70%
Benchmark[1]	3.99%	3.59%	5.02%	2.79%	2.51%	6.63%	5.87%	-0.78%	4.64%
Relative Gross	-1.25%	-2.21%	1.26%	1.18%	0.16%	0.83%	0.37%	0.09%	0.06%

YTD Returns	Jan	YTD
Gross Returns	-0.70%	-0.70%
Benchmark[1]	-0.78%	-0.78%
Relative Gross	0.09%	0.09%

DISCLAIMERS

- 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$13.398 million gross of investment management fees and A$12.891 million net of fees as at the end of January 2021. 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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