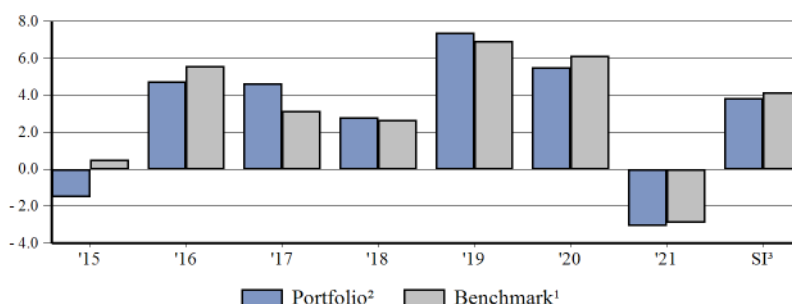


Colchester Global Government Bond Fund – Class N

Monthly Report: February 2021

GROSS PERFORMANCE AS AT END OF FEBRUARY 2021

| | |
|----------------------------|----------------------|
| ESTABLISHED 1999 | |
| CURRENT ASSETS OVER \$41BN | |
| VALUE ORIENTATED | |
| Global Bonds | Emerging Market Debt |
| Global Inflation | Alpha |



MARKET COMMENTARY

Government bond yields continued to climb higher in February, along with concerns that the rate of inflation may increase. Fiscal policy, in the form of government spending, continued to be supportive of economic activity and sentiment, highlighted by the proposed \$1.9 trillion package in the US. Confidence is also recovering as it has become clearer that global vaccination programs are making progress and a return of economic normality has come into view. As a result, the return on the FTSE World Government Bond Index was again negative for the month. [The return in unhedged US dollar terms at -2.4% and in US dollar hedged terms at -2.2% as the US dollar gained slightly against other major currencies.

In the US there has been a gradual pick-up in economic activity as virus cases drop and businesses activity resumes. The Markit Services PMI indicator at 59.8 is materially above the 50 level, which signals stable activity levels, indicating expectations for a robust improvement in activity. Monetary policy remains highly accommodative and the Federal Reserve has indicated that it would be willing to let inflation rise higher than their target temporarily, rather than take pre-emptive action. Despite the recent rise in inflation concerns, high unemployment levels and high savings rates are likely to keep inflation contained for some time. The return on the US Treasury market was -2.2% for February. In Mexico, the central bank cut interest rates to 4.0% on the back of growth concerns, but the bond market returned -2.2% over the month in line with the global trend. In Colombia, inflation data announced in February showed that annual price changes remained steady at 1.6% to the end of January. Colombia also announced that GDP had contracted by 6.8% in 2020 and the local bond market produced a negative return of -2.0% over the month.

The MPC at the Bank of England voted unanimously to keep interest rates ultra-low at 0.1% at their February meeting but they did state that “CPI inflation is expected to rise quite sharply towards the 2% target in the spring” due to the rise in energy prices and certain taxes. Inflation remains well below the target at 0.6% currently, giving the Committee plenty of policy room. This did not stop UK gilt yields moving higher, resulting in a return of -6.4% for the month, the higher duration of the UK market contributing to its underperformance relative to peers. Government bond yields throughout Europe traded higher in February, with returns from German, French and Italian bonds being -2.0%, -2.3% and -0.9% respectively.

Over in Asia, Indonesian bonds generated a negative return of -1.9% in February. Bank Indonesia cut its policy rate to 3.5% whilst expressing the view that room for further policy cuts is limited, and lowered its growth forecast for 2021 to 4.3-5.3%, from a previous forecast of 4.8-5.8%. The central bank of Malaysia announced that full year GDP growth for 2020 recorded a contraction of -5.6% and further expressed some concerns around the prospects for a recovery in the near term. The rate of inflation fell in February, showing that prices had fallen by 0.2% over the year to the end of January. Despite this, the Malaysian bond market returned -1.7%.

Volatility in bond and equity markets was not matched in currency markets this month, with exchange rate changes relatively muted amongst the major currencies. Having mildly appreciated in January, the US dollar experienced mixed fortunes in February. The top performer was the British pound, which was buoyed by the faster than expected rollout of the Covid-19 vaccine, appreciating 1.8% relative to the US dollar. Both the Australian and New Zealand dollars also enjoyed gains of 0.9%. Emerging market currencies had relatively poor performance this month, with the Mexican peso depreciating by -3.3% to the US dollar and the Indonesian rupiah was down -1.5%.

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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Monthly Report: February 2021

MONTHLY PERFORMANCE COMMENTARY

| Gross Attribution of Total Returns | | | |
|------------------------------------|------------------------|------------------------|-----------------|
| | Portfolio ² | Benchmark ¹ | Relative Return |
| Monthly | -2.32% | -2.15% | -0.17% |
| Bonds | -1.94% | -2.15% | 0.20% |
| Currency | -0.38% | 0.00% | -0.38% |

The fund returned -2.32% over the month, underperforming the benchmark which returned -2.15%. Bond selection added 0.20% to relative returns, while currency selection detracted -0.38%. The top three positive bond contributors to relative returns were the underweight positions in Europe, United States and United Kingdom. The top three currency detractors from relative returns were the long positions in Mexican Peso, Japanese Yen and Swedish Krona.

| 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 | US Treasury N/B 0.125% 15May2023 |
| 5 | Japanese Government 0.3% 20Jun2039 |

| Top Active Currency Positions | | |
|--|---------------------|----------------|
| Portfolio Exposure relative to Benchmark | | % of Portfolio |
| <i>Overweights</i> | | |
| 1 | Malaysia Ringgit | 3.2% |
| 2 | Mexican Peso | 3.0% |
| 3 | British Pound | 2.6% |
| <i>Underweights</i> | | |
| 1 | New Zealand Dollars | -22.2% |
| 2 | Indonesian Rupiah | 0.0% |

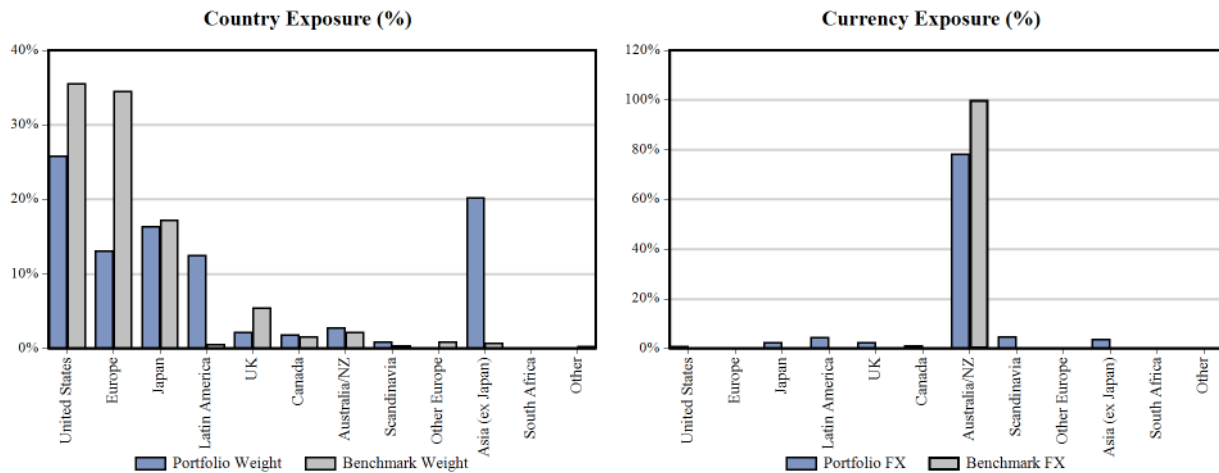
| Portfolio Characteristics | | |
|---------------------------|------------------------|------------------------|
| | Portfolio ² | Benchmark ¹ |
| Modified Duration | 7.22 | 8.50 |
| Flat Yield | 2.36 | 1.69 |
| Yield to Maturity | 1.44 | 0.51 |
| Average Coupon | 2.60 | 2.04 |
| Average Credit Rating | AA- | AA |

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Monthly Report: February 2021

MONTH END POSITIONING



PERFORMANCE SINCE INCEPTION

| Portfolio | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | SI ²³ |
|------------------------|--------|--------|-------|-------|-------|--------|--------|------------------|
| Gross Returns | -1.50% | 4.73% | 4.64% | 2.82% | 7.38% | 5.51% | -3.08% | 3.84% |
| Benchmark ¹ | 0.52% | 5.58% | 3.14% | 2.66% | 6.93% | 6.14% | -2.89% | 4.16% |
| Relative Gross | -2.02% | -0.85% | 1.50% | 0.16% | 0.45% | -0.63% | -0.19% | -0.32% |

| YTD Returns | Jan | Feb | YTD |
|------------------------|--------|--------|--------|
| Gross Returns | -0.78% | -2.32% | -3.08% |
| Benchmark ¹ | -0.76% | -2.15% | -2.89% |
| Relative Gross | -0.01% | -0.17% | -0.19% |

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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.

Such information is current as of the date of this document and may be subject to change without notice. This document is not to be used or considered as an offer to sell or solicitation of an offer to buy any securities. Nothing in this document should be construed as providing any type of investment, tax or other advice. A full performance presentation in compliance with the Global Investment Performance Standards (GIPS®) is available upon request. Additional information regarding policies and procedures for calculating and reporting returns is also available on request.

- The portfolio was in compliance with applicable investment guidelines throughout February 2021. 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\$12.188 million gross of investment management fees and NZ\$11.748 million net of fees as at the end of February 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 (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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