

Investment Objective

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

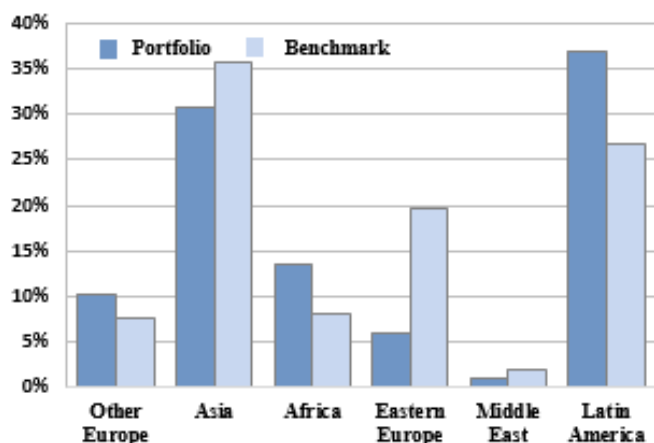
Investment Philosophy & Process

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.

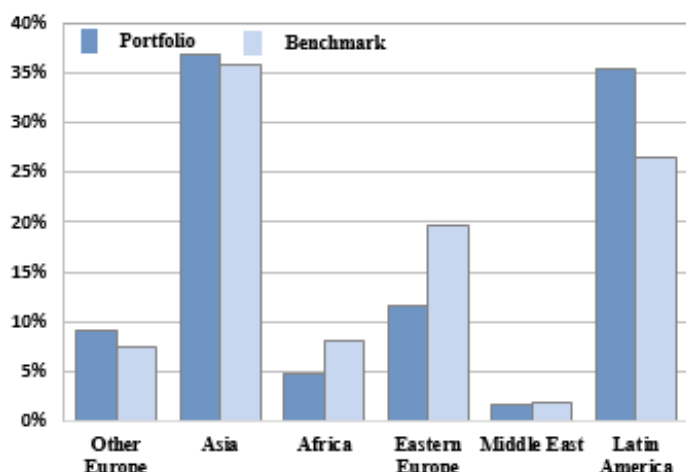
Fund Facts

Benchmark ¹	JPMorgan Government Bond Index Emerging Markets Global Diversified AUD Unhedged		
Target	Outperform the benchmark by 2% p.a. gross of fees over full economic cycle 5-7yrs in length.		
Fund Inception	21 December 2017	FUM	\$30.84m
Distributions	Quarterly	Liquidity	Daily
Management Fee	0.75% p.a.	Buy/Sell	+/- 0.16% (as at 5 Mar 21)
Application:	As per platform minimum or \$1million wholesale direct		
Platforms:	Asgard, Ausmaq, BT Panorama, HUB24, Netwealth, Praemium & uXchange.		

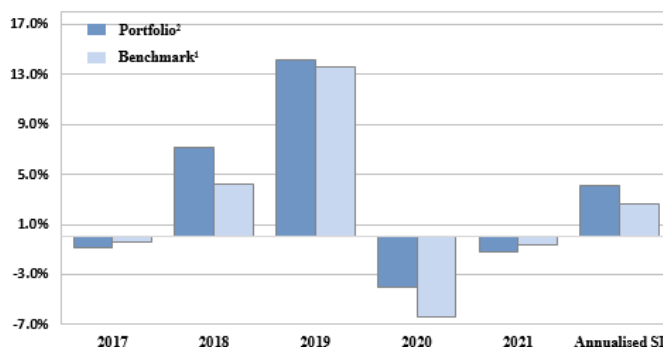
Country Exposure (%)



Currency Exposure (%)



Gross Performance



Total Return ³	2017 ²	2018	2019	2020	2021	Ann SI ⁴
Gross Returns	-0.84%	7.19%	14.19%	-4.04%	-1.20%	4.06%
Benchmark ¹	-0.46%	4.20%	13.64%	-6.45%	-0.69%	2.61%
Relative Gross	-0.38%	2.99%	0.55%	2.41%	-0.51%	1.45%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	5.68	5.26
Flat Yield (unhedged)	6.93	5.04
Yield to Maturity (unhedged)	6.17	4.87
Average Coupon	7.01	5.24
Average Credit Rating	BBB	BBB+

Top 5 Bond Holdings

1	Republic of South Africa 8.75% 28Feb2048
2	Nota Do Tesouro Nacional 10% 01Jan2023
3	Mexican Bonos 10% 5Dec2024
4	Republic of South Africa 8.75% 31Jan2044
5	Mexican Bonos 7.5% 3 Jun 2027

Top Active Bond Positions

Portfolio Exposure		% Relative to Benchmark	Current % of Portfolio
Overweights			
1	Indonesia	+7.89	17.41
2	Malaysia	+5.86	13.42
3	Mexico	+5.77	14.82
Underweights			
1	China	-10.00	0.00
2	Thailand	-8.58	0.00
3	Czech Republic	-4.10	0.00

Top Active Currency Positions

Portfolio Exposure		% Relative to Benchmark	Current % of Portfolio
Overweights			
1	Malaysia Ringgit	+6.07	13.63
2	Korean Won	+5.99	5.99
3	Mexican Peso	+5.69	14.73
Underweights			
1	Thai Baht	-7.69	0.89
2	Czech Koruna	-4.05	0.06
3	South African Rand	-3.32	4.72

Monthly Performance Commentary

The fund returned 2.35% over the month, outperforming the benchmark which returned 1.85%. Bond selection detracted -0.13% from relative returns, while currency selection added 0.63%. The top three bond detractors from relative returns were the overweight positions in Mexico and Colombia and the underweight position in Thailand. The top three positive currency contributors to relative returns were the overweight positions in Mexican Peso, Malaysia Ringgit and Brazilian Real.

Market Commentary

The second quarter of the year saw upside surprises in inflation prints throughout the emerging markets leading numerous central banks to commence a normalization of monetary policy despite the continued backdrop of uncertainty surrounding the Covid-19 pandemic. After rising in the first quarter yields stabilized in the most recent period leading the JP Morgan GBI-EM Global Diversified Index to generate a return of 0.8% in USD hedged terms. In unhedged terms returns were positive at 3.5% for the quarter as EM currencies generally strengthened.

Latin America was the worst performing region over the quarter, though returns from the various government bond markets showed a mixed performance with the likes of Peru, Mexico and Colombia suffering from political upheaval and social unrest. Brazil was amongst the relative outperformers in the region with its government bond market returning 1.7% over the quarter. As inflation has increased, the Central Bank has steadily raised the Selic rate taking it from 2.75% in March to the current level of 4.25%. Peru, on the other hand performed poorly, returning a negative 1.9% on the quarter, as the country faced increased uncertainty surrounding its presidential elections which will likely persist for some time as Peru undergoes a period of political transition. In Mexico's midterm elections, the incumbent government lost its stronghold in the lower chamber and Mexican bonds remained in positive territory returning 0.7% over the quarter. Despite Banxico reiterating its stance that the recent inflationary shocks to the upside were likely to prove transitory, there was enough concern to warrant a 0.25% hike in the policy rate to 4.25%.

South Africa was the best performing bond market in the index this quarter returning a positive 7.1% with Turkey following closely with a return of 7%. The South African Reserve Bank held rates at 3.5% as inflation remains well-contained despite reaching 5.2% in June, largely on the back of base effects. Significant political and economic reforms are also underway aiding the country in its path towards fiscal consolidation. Despite increasing political noise around a possible rate cut in Turkey the central bank maintained its key rate at 19% and reiterated that its current policy stance will continue until there is a decisive shift lower in inflation. Russia, having suffered from the threat of further sanctions along with consistently higher inflation prints, has seen its bond market return 0.7% on the quarter with the central bank having raised its policy rate by 1.0% to reach 5.5%. Elsewhere in the region, Poland returned -0.7%, Hungary's bond market fell -0.2% whilst the Czech Republic remained slightly positive at 0.7% over the quarter.

Asian bonds generally rallied over the quarter. Markets in Malaysia and Thailand were in positive territory, returning 1.2% and 1.7% respectively. Indonesia performed better again with a return of 3.1%, whilst the Chinese market rose a more modest 1.3%. China's economy has seen its growth momentum moderate somewhat and CPI has remained well within the government's target of around 3% however PPI has been gaining momentum, surging to 9% in June, mainly on the back of rising commodity prices.

Against the US dollar, emerging market currencies were generally stronger over the second quarter of 2021 although returns varied significantly. The three worst performing currencies were the Turkish lira, Thai baht and Peruvian sol weakening -4.7%, -2.5% and -1.8% respectively. The Brazilian real was the best performer, appreciating 12.5% over the quarter, followed by the Hungarian forint and Polish zloty at 4.1% and 3.7% respectively. The Russian ruble and South African rand both returned 3.4% whilst the likes of the Indonesian rupiah and Malaysian ringgit were flat over the same period.

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

Monica Hood
Business Development Manager
Phone: +61 431 478 780

Email: MarketingClientServiceAUS@colchesterglobal.com

Web: www.colchesterglobal.com.au

Disclaimers

1. JPMorgan Government Bond Index Emerging Markets Global Diversified 100% Unhedged in Australian Dollars (AUD Unhedged).
2. Colchester Emerging Markets Bond Fund – Class I whose inception date was 21 December 2017.
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 Emerging Markets 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: 201202440M. 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.