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Colchester Global Government Bond Fund – Class A ISIN: AU60ETL04099

Monthly Report: May 2021

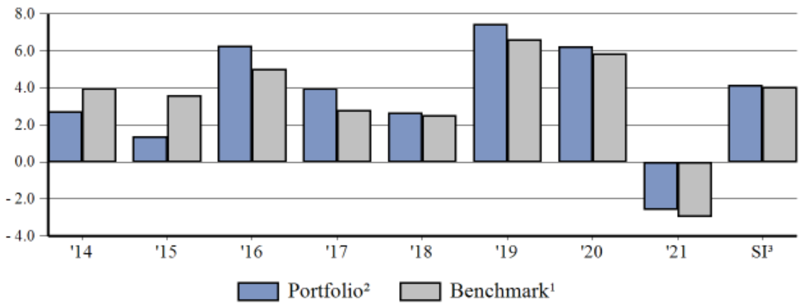
ESTABLISHED 1999

CURRENT ASSETS OVER $42BN

VALUE ORIENTATED

Global Bonds	Emerging Market Debt
Global Inflation	Alpha

GROSS PERFORMANCE AS AT END OF MAY 2021



MARKET COMMENTARY

While global inflation data has continued to show rising prices, the debate intensified as to whether the effects of the pandemic, measures to contain it and subsequent government stimulus policies were likely to cause a temporary distortion or longer-term pricing pressures. Despite these concerns, global government bonds generated modest gains in May as yields generally held stable. The FTSE World Government Bond Index returned 0.2% in USD hedged terms, whilst the return on the unhedged index was 0.9% reflecting a weakening of the US dollar over the month.

The US headline inflation reading for April, released during the past month, showed a year-on-year increase of 4.2% - the sharpest rise since the Global Financial Crisis in 2007-2008. The unemployment rate disappointed however as it remained above 6% whilst the increase in non-farm payroll significantly missed expectations during the month. Despite stronger commodity prices, ongoing supply chain challenges and the associated increase in inflation, the US Treasury market generated a positive return of 0.3% in May.

Performance of government bond markets elsewhere was somewhat mixed. In the Eurozone, the core markets of Germany and France each returned -0.1% as yields ticked higher, albeit from very low levels. Eurozone inflation rose to 2% in May. This was just above the European Central Bank's target and a level last witnessed two years ago. Looking at the peripheral markets, Italy and Spain slightly outperformed relative to the core markets, with returns of 0.2% and 0.1% respectively. Staying within Europe, the UK government bond market was a noticeable outperformer, returning 0.5% in May. Amongst the major developed market economies, the UK's Bank of England is perhaps an outlier in terms of its cautious stance towards allowing inflation to build. Given the current inflation debate, earlier hikes in rates could avoid the potential for aggressive action later if the economy were to overheat. In contrast, the Polish bond market was a material underperformer, returning -0.9% in May. The national central bank is perceived to be overly dovish whilst recent stronger economic indicators and persisting capacity issues in manufacturing and employment point to significant inflationary pressures.

In Asia, the Singapore bond market was one of the best performing markets in May, returning 1.0%. As is the case elsewhere, inflation has ticked up in Singapore with the most recent April reading up from 1.3% to 2.1% year-on-year. However, with almost zero tolerance for COVID to spread, renewed restrictions are likely to dampen economic activity and ease inflationary pressures. Elsewhere, the New Zealand and Australian bond markets returned -0.8% and 0.3% respectively.

The US dollar continued to lose ground in May. Its weakness was predominantly against the European crosses reflecting the "catch up" in economies reopening, particularly in the Eurozone. For the month, the euro was up 1.6%, the British pound increased by 2.7% and the Polish Zloty gained 3.4%. The Mexican peso also strengthened, rising 1.3% over the month. There were a few exceptions to this trend with the Malaysian ringgit falling by 0.7% and the Chilean peso weakening 1%. In China, the central bank, the PBoC announced an increase in the foreign currency reserve requirement ratio for financial institutions from 5% to 7%. This was generally regarded as an attempt to curb the direction of the Chinese yuan which has appreciated by over 10% versus the US dollar in the past 12 months. The yuan continued to strengthen in May however, appreciating by 1.7% against the dollar.

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 ISIN: AU60ETL04099 whose inception date was 19 September 2014. Please see further footnotes on following pages for more details.

3. Annualized returns since inception.

Monthly Report: May 2021

MONTHLY PERFORMANCE COMMENTARY

The fund returned 0.31% over the month, outperforming the benchmark which returned 0.17%. Bond selection added 0.14% to relative returns, while currency selection neither added to nor detracted from relative returns.The top three positive bond contributors to relative returns were the overweight positions in Mexican nominal bonds, US inflation-linked bonds and Singaporean nominal bonds.

Gross Attribution of Total Returns

	Portfolio [2]	Benchmark [1]	Relative Return
Monthly	0.31%	0.17%	0.14%
Bonds	0.31%	0.17%	0.14%
Currency	0.00%	0.00%	0.00%

Top 5 Bond Holdings

1	US Treasury 1.5% 15 Aug 2026
2	US Treasury Inflation IX 2.125 15Feb2041
3	Japanese Government 0.1% 20Sep2029
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*
Overweights		
1	Malaysia Ringgit	4.3%
2	Japanese Yen	2.7%
3	Swedish Krona	2.6%
Underweights		
1	Euro	-4.3%
2	Swiss Franc	-3.7%
3	New Zealand Dollars	-3.7%

Portfolio Characteristics

	Portfolio [2]	**Benchmark [1]**
Modified Duration	7.35	8.53
Flat Yield	2.44	1.63
Yield to Maturity	1.63	0.54
Average Coupon	2.64	1.95
Average Credit Rating	AA-	

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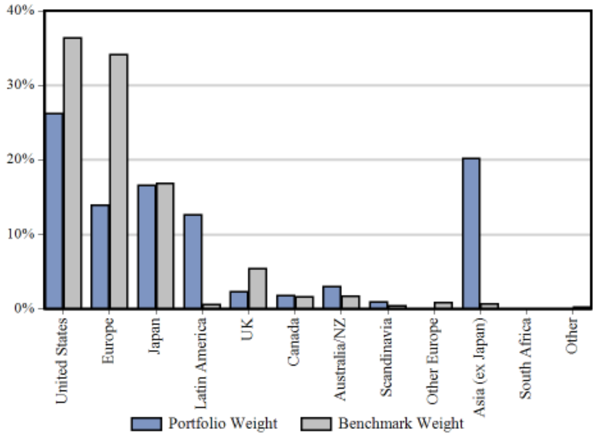
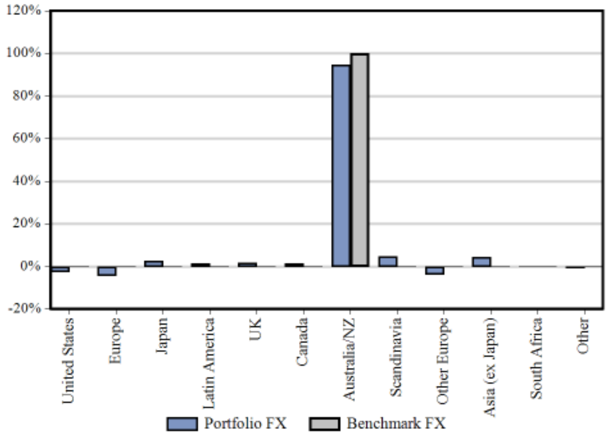
Monthly Report: May 2021

MONTH END POSITIONING

Country Exposure (%)



Currency Exposure (%)



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%	-2.57%	4.16%
Benchmark[1]	3.99%	3.59%	5.02%	2.79%	2.51%	6.63%	5.87%	-2.97%	4.06%
Relative Gross	-1.25%	-2.21%	1.26%	1.18%	0.16%	0.83%	0.37%	0.40%	0.10%

YTD Returns	Q1:21	Apr	May	YTD
Gross Returns	-3.08%	0.22%	0.31%	-2.57%
Benchmark[1]	-3.13%	0.00%	0.17%	-2.97%
Relative Gross	0.05%	0.22%	0.14%	0.40%

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$13.145 million gross of investment management fees and A$12.623 million net of fees as at the end of May 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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