

Investment Objective

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

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

Benchmark¹: FTSE World Government Bond Index AUD Hedged
Target: Outperform the benchmark by 2% p.a. gross of fees over full economic cycle 5-7yrs in length.

Fund Inception: 9 December 2016 FUM: \$679.48m

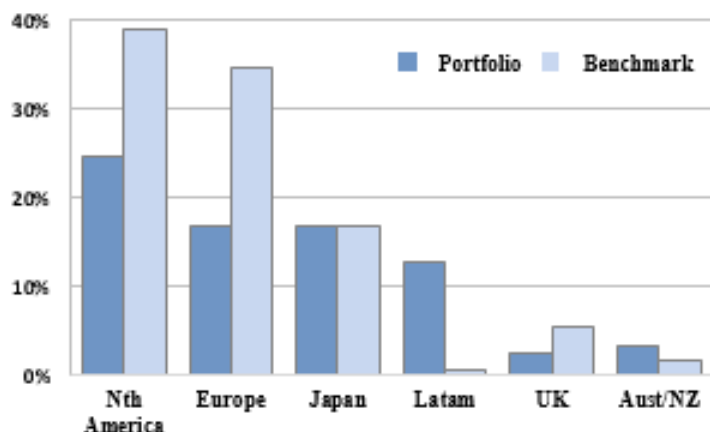
Management Fee: 0.60% p.a. Distributions: Quarterly

Buy/Sell Fee: Nil Liquidity: Daily

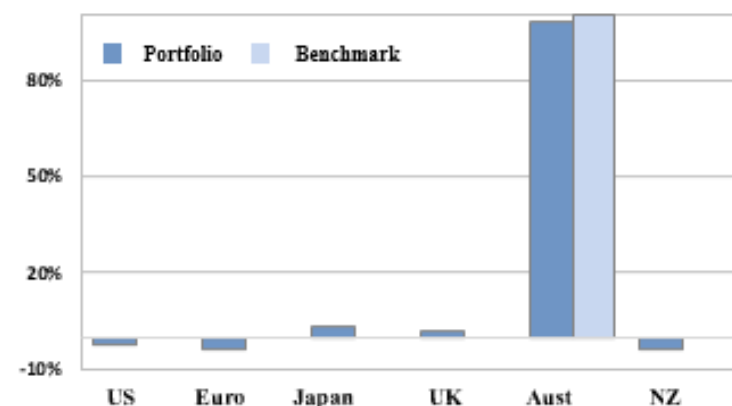
Application: As per platform minimum or \$1million wholesale direct
Platforms:

AMP North, Portfolio Care, Summit & iAccess, Asgard, Ausmaq, BT Panorama, BT Wrap, CFS FirstChoice & FirstWrap, Grow Wrap, HUB24, IOOF Pursuit, eXpand & FinHQ, Macquarie Wrap, Mason Stevens, MLC Wrap & Navigator, Netwealth, Oasis, OneVue Wrap, Portfolio One, PowerWrap, Praemium, uXchange, WealthO2Super, Xplore Wealth.

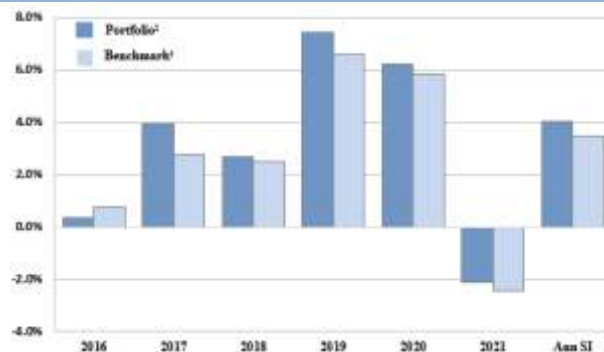
Country Exposure (%)



Currency Exposure (%)



Gross Performance



Total Return ³	2016 ²	2017	2018	2019	2020	2021	Ann SI ⁴
Gross Returns	0.36%	3.95%	2.68%	7.46%	6.23%	-2.14%	4.02%
Benchmark ¹	0.78%	2.79%	2.51%	6.63%	5.87%	-2.44%	3.49%
Relative Gross	-0.42%	1.16%	0.17%	0.84%	0.37%	0.30%	0.52%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	7.33	8.57
Flat Yield	2.54	1.60
Yield to Maturity (Unhedged)	1.74	0.54
Average Coupon	2.74	1.93
Average Credit Rating	AA-	AA

Top 5 Bond Holdings

1	US Treasury Inflation IX 2.125 15Feb2041
2	Japanese Government 0.1% 20Sep2029
3	US Treasury N/B 0.125% 15May2023
4	Japanese Government 0.3% 20Jun2039
5	US Treasury 2.75 15Feb2024

Top Active Bond Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 Singapore	+9.30	9.66
2 Mexico	+8.25	8.94
3 Indonesia	+5.10	5.10
Underweights		
1 Europe	-19.83	13.84
2 United States	-14.57	22.64
3 UK	-3.08	2.35

Top Active Currency Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 Malaysia Ringgit	+5.08	5.08
2 Japanese Yen	+3.25	3.25
3 Swedish Krona	+2.33	2.33
Underweights		
1 Euro	-4.12	-4.12
2 Swiss Franc	-3.67	-3.67
3 New Zealand Dollars	-3.55	-3.55

Monthly Performance Commentary

The fund returned 0.44% over the month, underperforming the benchmark which returned 0.55%. Bond selection detracted -0.28% from relative returns, while currency selection added 0.18%. The top three bond detractors from relative returns were the underweight positions in United States and Europe and the overweight position in Mexico. The top three positive currency contributors to relative returns were the long positions in Malaysia Ringgit, Mexican Peso and Japanese Yen.

Market Commentary

Global inflation data has continued to surprise to the upside throughout the past quarter, re-igniting the debate over whether current inflation pressures will prove transitory or permanent. Despite these concerns, global government bonds generated modest gains in June and over the second quarter as yields generally held stable. The FTSE World Government Bond Index returned 0.5% in USD hedged terms for the month and 0.7% for the quarter, whilst the return on the unhedged index was -1.1% in June reflecting a strengthening of the US dollar. Unhedged returns for the quarter however benefited from the weakness of the US dollar at the beginning of the period and ended at a positive 1.0%.

US headline inflation rose to 5% year-on-year in May, which reflected a steady increase over the quarter, and the highest level since August 2008. The rise in the inflation rate was in part due to base effects and an increase in commodity prices. Supply chain disruptions were also apparent however, particularly in goods prices such as used car and trucks. Other economic data continues to point to a robust recovery in US economic activity with the ISM Services PMI hitting a record high in May. The unemployment rate fell to its lowest since its April 2020 peak of 14.8%, hitting 5.8% in May. Despite these stronger indicators, coupled with a perceived shift in the Federal Reserve's policy stance, the US Treasury market still generated positive returns of 0.8% in June and 1.9% over the quarter.

The ECB has retained a clear dovish stance, in contrast to the above-mentioned shift in the US, where the median expectation of FOMC members is now for rates to rise in 2023. The economic backdrop in the Eurozone did improve over the quarter however as the vaccine rollout allows for some relaxation of Covid restrictions. Returns were muted on Eurozone government bond markets, with modest positive returns in June and slightly negative returns over the quarter. The notable exception was Greece which recorded positive returns of 1% in June and 2% over the quarter, supported by a credit rating upgrade by S&P.

In the UK meanwhile, the rate of inflation increased again in May to 2.1% due to higher prices for clothing, fuel and restaurant dining. However, some of these price pressures may ease as the removal of Covid restrictions has been delayed from the 21st June to the 19th July. Bank of England Governor Andrew Bailey also mentioned that he would tighten monetary policy if inflation remained persistently above the Bank's target. UK gilts performed well over the month and the quarter generating returns of 0.8% and 1.9% respectively.

Turning to emerging markets, events in Colombia were dominated by political issues and protests as the National Strike Committee temporarily ended its seven week-long protest. The strikes started in opposition to the government's proposed tax reform in April. Despite inconclusive talks between the Committee and the Colombian government the Duque administration intends to table a tax reform again later this year. The local bond market ended the quarter with a modest return of 0.4%. In Mexico, the President's Morena party did not win the two-thirds majority it had hoped for in midterm elections last month. Mexican bonds underperformed in June returning -1.0% but recorded positive returns of 0.7% over the quarter.

The US dollar strengthened against most major currencies in June as investors focussed on stronger economic data, higher inflation and the implications for interest rates, but it did however lose ground over the quarter. Amongst the prime beneficiaries of a weaker dollar, were the Mexican peso, which strengthened 2.8% over the past three months and the Swedish krona which gained 1.9%. The Australian dollar slipped however, weakening by 1.4% over the quarter and the Japanese yen fell slightly, down 0.4% over the quarter.

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. FTSE World Government Bond Index 100% hedged in Australian dollars (AUD) formerly Citigroup World Government Bond Index 100% hedged in AUD. Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2018. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" is a trademark of the relevant LSE Group companies and is used by any other LSE Group company under license. "TMX®" is a trademark of TSX, Inc. and used by the LSE Group under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication. 2. Colchester Global Government Bond Fund – Class I whose inception date was 9 December 2016. 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.

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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 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/>.

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The Average Coupon, as it relates to any inflation-linked bonds in the Portfolio or Benchmark, has not been adjusted for the impact of inflation on such coupons. From April 2020, the presentation of the Average Coupon of the Portfolio, which had previously incorporated the impact of the indexation factor, was amended to reflect this methodology.