

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.

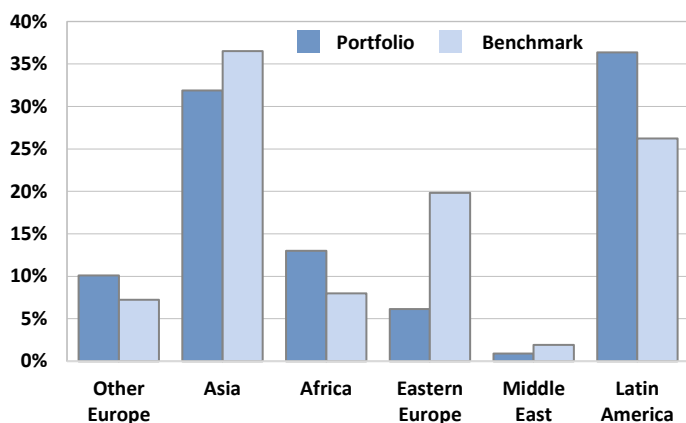
Investment Philosophy & Process

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.

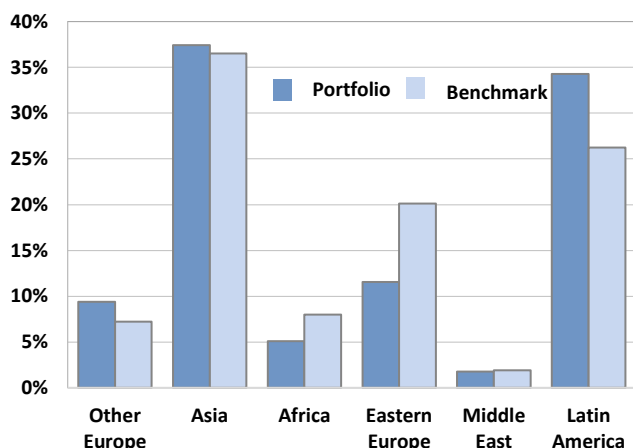
Fund Facts

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	\$35.45m
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:	AMP North, MyNorth, Asgard, Ausmaq, BT Panorama HUB24, Macquarie Wrap Netwealth, Praemium uXchange		

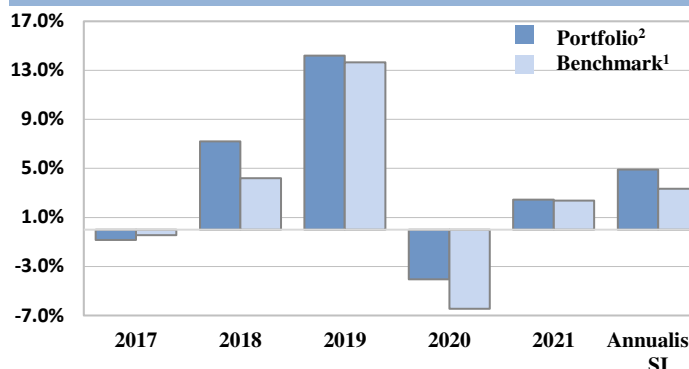
Country Exposure (%)



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%	2.45%	4.90%
Benchmark ¹	-0.46%	4.20%	13.64%	-6.45%	2.36%	3.33%
Relative Gross	-0.38%	2.99%	0.55%	2.41%	0.09%	1.57%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	5.82	5.24
Flat Yield	6.87	5.02
Yield to Maturity (Unhedged)	6.23	4.93
Average Coupon	6.93	5.21
Average Credit Rating	BBB	BBB+

Top 5 Bond Holdings

1	Republic of South Africa 8.75% 28Feb2048
2	Mexican Bonos 10% 5Dec2024
3	Nota Do Tesouro Nacional 10% 01Jan2023
4	Poland Government Bond 1.25% 25Oct2030
5	Mexican Bonos 7.5% 3 Jun 2027

Top Active Bond Positions

Portfolio Exposure		% Relative to Benchmark	Current % of Portfolio
Overweights			
1	Indonesia	+8.37	18.31
2	Colombia	+5.90	10.49
3	Malaysia	+5.82	13.56
Underweights			
1	China	-10.00	0.00
2	Thailand	-8.69	0.00
3	Czech Republic	-4.48	0.00

Top Active Currency Positions

Portfolio Exposure		% Relative to Benchmark	Current % of Portfolio
Overweights			
1	Malaysia Ringgit	+6.04	13.78
2	Korean Won	+5.74	5.74
3	Mexican Peso	+5.38	14.56
Underweights			
1	Thai Baht	-7.79	0.91
2	Czech Koruna	-4.43	0.05
3	South African Rand	-2.92	5.08

Monthly Performance Commentary

The fund returned 1.62% over the month, outperforming the benchmark which returned 1.35%. Bond selection added 0.26% to relative returns and currency selection added 0.01%. The top three positive bond contributors to relative returns were the overweight positions in South Africa and Indonesia and the underweight position in Hungary. The top three positive currency contributors to relative returns were the overweight positions in Colombian Peso, Malaysia Ringgit and Brazilian Real.

Market Commentary

Emerging market local currency government bonds were almost flat over the month as investors appeared to take a well-deserved summer break. The US dollar hedged return of the JP Morgan GBI-EM Global Diversified Index was barely negative at -0.1% for August. In unhedged US dollar terms, returns were positive at 0.8%, as the US dollar lost some ground against EM currencies.

In Latin America, Colombian bonds performed well, returning 0.6% over the month. Although inflation rose to almost 4.0%, vs. 3.6% previously, the market continues to view this rise as transitory. On the other hand, Mexico saw a slightly lower inflation print than previous, coming in at 5.8%, lower by one-tenth on the prior month. Banxico, the central bank, raised rates by 25bps to 4.5% citing inflation risks that were still biased to the upside, and suggesting they view inflation remaining close to 6.0% for longer than initially expected. In Brazil, the central bank continued to raise rates, this time by 100bps to 5.25%, continuing their hawkish tone on the back of increased concerns around demand-driven inflationary pressures. Inflation in the country is currently running at 9.0%, impacted by a rise in electricity tariffs due to low water levels in the country's dams. The Brazilian government bond market returned -1.1%. The Chilean bond market was the worst performer in the region declining by -1.6%. Inflation surprised to the upside hitting 4.5%, with a broad rise in prices in both core and non-core goods. Furthermore, congress is set to start legislative proceedings on a fourth round of early pension withdrawals, something the country's Finance Minister has called irresponsible.

In Turkey, government bonds enjoyed another positive month, gaining 1.4%. Despite inflation in the country hitting a post-pandemic high of 19.3%, the central bank kept rates on hold at 19%, which came as welcome relief after comments from the President's office calling for lower rates. Hungary was the worst performer in CEEMEA, with government bonds declining -1.3%. The Hungarian central bank continued its hiking cycle which began in June this year, increasing the base rate by another 30bps to 1.5%, and reiterated its hawkish stance. Inflation in the country sits at 4.6%, the lowest in the past four months which saw inflation prints above 5.0%. In South Africa, the anticipated cabinet reshuffle took place, which included the replacement of the country's Finance Minister. This was taken as a positive by the market, as it further entrenches President Ramaphosa's power base. Government bonds returned 1.7%. Elsewhere in the region, Polish government bonds sold off, returning -0.4%, as did both Czech and Romanian markets, declining -0.8%.

In Asia, Indonesia was the best performing market, returning 1.4% over the month. Inflation continues to remain below even the lower end of the central bank's 3-5% target at 1.6%. The central bank has kept rates on hold at 3.5% since February this year. In Thailand, the central bank kept the policy rate unchanged at 0.5%. Inflation fell significantly to 0.5% from 1.3% previously. Government bonds were flat over the month. In the Philippines, the central bank also kept rates unchanged at 2%. Inflation expectations have increased very slightly, but still well within the bank's target range of 2-4%. Government bonds there returned 0.8%.

Emerging market currencies broadly appreciated versus the US dollar over the month. The Colombian peso was the best performing currency over the month, returning 2.7%. Both the Hungarian forint and Thai baht returned 2.0%. The Malaysian ringgit appreciated 1.5% as the country continues to reopen from the pandemic, improving the country's growth outlook. The Chilean peso was the worst performer, declining -2.1% on continued political noise. The Mexican peso and Romanian leu each returned -0.9%, followed by the Peruvian sol falling -0.8% as fears linger over the extent of the new administration's economic policies.

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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.

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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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