

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.

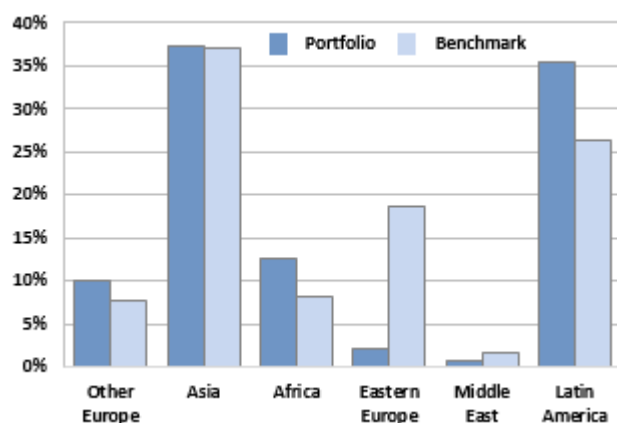
Investment Philosophy & Process

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.

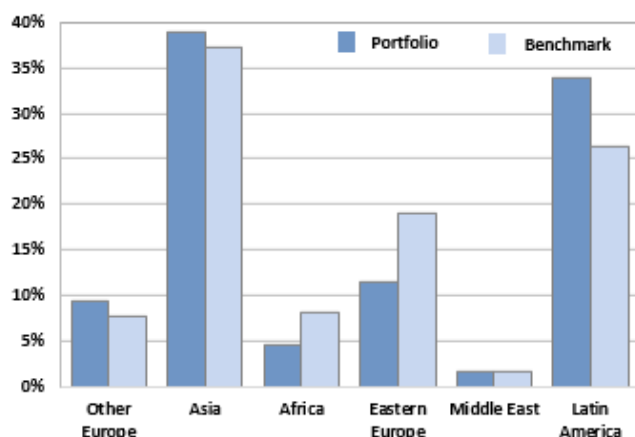
Fund Facts

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	\$35.50m
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		

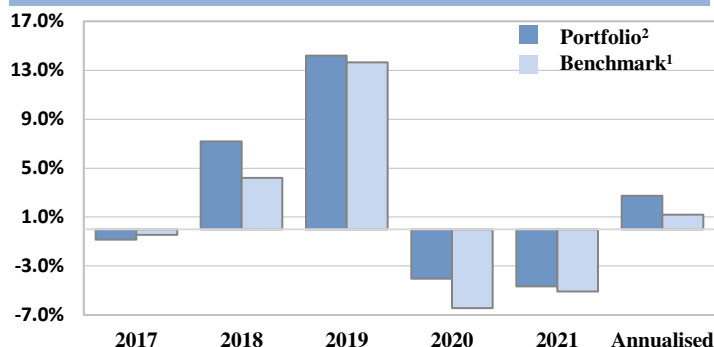
Country Exposure (%)



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%	-4.65%	2.75%
Benchmark ¹	-0.46%	4.20%	13.64%	-6.45%	-5.09%	1.19%
Relative Gross	-0.38%	2.99%	0.55%	2.41%	0.44%	1.57%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	5.65	5.17
Flat Yield	7.13	5.20
Yield to Maturity (Unhedged)	6.97	5.83
Average Coupon	6.92	5.22
Average Credit Rating	BBB	BBB+

Top 5 Bond Holdings

1	Mexican Bonos 10% 5Dec2024
2	Republic of South Africa 8.75% 28Feb2048
3	Nota Do Tesouro Nacional 10% 01Jan2023
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	+9.24	19.24
2	Colombia	+6.04	10.34
3	Malaysia	+5.75	13.96
Underweights			
1	Thailand	-8.83	0.00
2	China	-5.91	4.09
3	Poland	-5.39	2.12

Top Active Currency Positions

Portfolio Exposure		% Relative to Benchmark	Current % of Portfolio
Overweights			
1	Korean Won	+5.97	5.97
2	Malaysia Ringgit	+5.75	13.96
3	Mexican Peso	+5.38	14.87
Underweights			
1	Thai Baht	-7.87	0.96
2	Czech Koruna	-4.42	0.05
3	South African Rand	-3.53	4.63

Monthly Performance Commentary

The fund returned -4.79% over the month, outperforming the benchmark which returned -5.10%. Bond selection added 0.15% to relative returns and currency selection added 0.16%. The top three positive bond contributors to relative returns were the underweight positions in Czech Republic, Hungary and Thailand. The top three positive currency contributors to relative returns were the underweight positions in Czech Koruna, Thai Baht and South African Rand.

Market Commentary

Local currency emerging market government bonds weakened this month as investors continued to grapple with elevated inflation rates, uncertainty over the trajectory of economic growth, and idiosyncratic political noise. The JP Morgan GBI-EM Global Diversified Index returned -1.7% in US dollar hedged terms as yields moved higher, whilst returns in unhedged terms were slightly better at -1.3% as the US dollar lost some ground against emerging market currencies.

In Latin America, the Peruvian bond market was the top performer, returning 4.2% this month. The political backdrop in the country has calmed as President Castillo replaced members of his cabinet with more moderate candidates. The central bank of Peru increased interest rates to 1.50% as headline inflation jumped to 5.2% in September. Brazil was the worst performer returning -3.5% for the month, as the central bank was forced into accelerating the pace of monetary tightening, as the government's fiscal discipline has been called into question. The official policy rate in Brazil was raised to 7.75% this month. Bond markets in Chile and Colombia also both posted negative returns for October, at -2.5% and -1.6% respectively. Chile is grappling with a heightened degree of uncertainty surrounding the fourth pension fund withdrawal and Colombia's central bank raised the policy rate by 50bps, to 2.50%, as the balance of risks to inflation have shifted significantly higher.

In Turkey, returns on the government bond market were mildly negative at -0.7%, despite inflation hitting a post-pandemic high of 19.6% and the central bank unexpectedly lowering rates by 200bps. The Czech Republic was the worst performer in central Europe, with local government bonds declining -3.6% as inflation continues to ratchet up, reaching 4.9% in September, against a backdrop of general elections. This was closely followed by Poland where the market sold off by -3.4%. Polish inflation has been accelerating for some time reaching 6.8% in October, far exceeding the target of 2.5%, and forcing the central bank to begin normalising monetary policy. In a similar vein, the Russian central bank increased the pace of tightening to 75bps with guidance pointing towards further increases to come. The local government bond market in Russia returned -3.3% in October. Hungary and Romania posted -2.6% and -2.3% respectively as the latter continues to grapple with political deadlock and the prospect of a snap election still looms. In South Africa, the local bond market outperformed peers with a slightly negative return of -0.6%. Investors keenly await results of the upcoming local government elections along with the Medium Term Budget Statement due in early November.

In Asia, Indonesia was the best performing market, returning 0.9% over the month. Inflation continues to remain below even the lower end of the central bank's target at 1.7% in October and the central bank has kept rates on hold at 3.5% since February this year. In Thailand, government bonds returned -0.8% over the month as inflation ticked up in September. This turnaround in inflation comes just as the country is set to reopen its sizeable tourism sector. In China, local government bond market returns were marginally negative at -0.4% in October. High frequency economic data continue to edge lower, leading to downward revisions of growth forecasts for the Chinese economy whilst inflation remains low at 0.7% in September.

Emerging market currencies posted a mixed performance against the US dollar this month. The Peruvian sol was the best performing currency, rallying 3.7%, and the Russian ruble was the next best, returning 2.6%, followed by the Thai baht at 2.0%. The Philippine peso, Malaysian ringgit and Indonesian rupiah all appreciated by a similar degree of around 1.0%. The Turkish lira and Brazilian real were the worst performers, declining -7.6% and -3.3% respectively, each impacted by country specific issues. The Czech koruna and the South African rand both weakened modestly, whilst the Polish zloty was broadly unchanged, declining -0.4%..

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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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