

**Investment Objective**

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

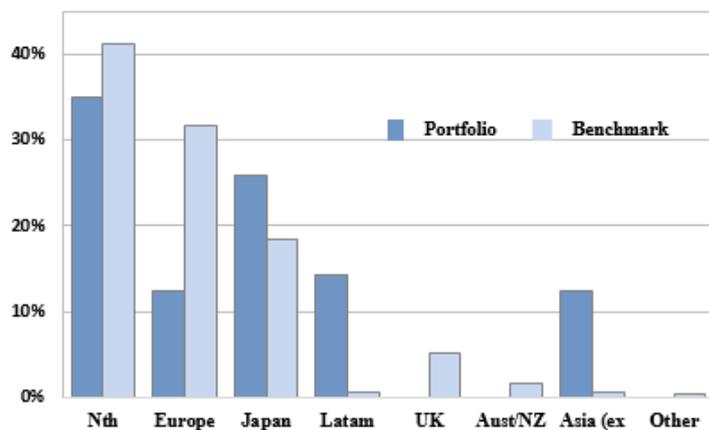
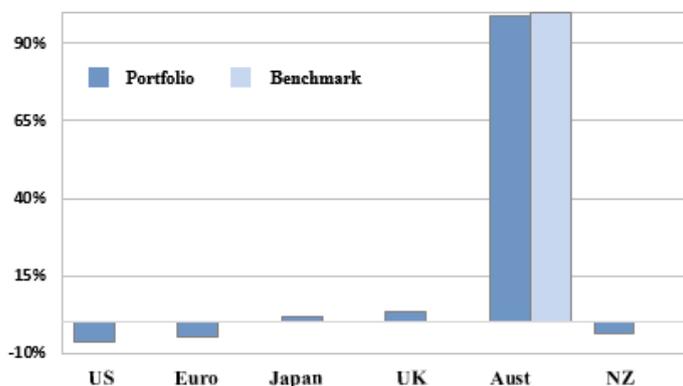
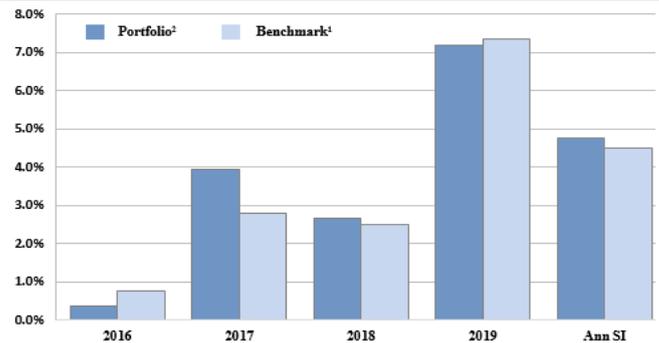
**Investment Philosophy & Process**

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**

|                        |  |
|------------------------|--|
| Benchmark <sup>1</sup> | FTSE World Government Bond Index<br>Australian Dollar 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  |
| Management Fee         | 0.60% p.a.   |
| Distributions          | Quarterly  |
| Liquidity              | Daily  |
| Application:           | \$1million or as per platform minimum  |
| Platforms:             |  |

Asgard, AMP North & Portfolio Care, BT Panorama & BT Wrap, CFS FirstWrap, HUB24, IOOF Pursuit, Macquarie Wrap, Mason Stevens, Netwealth, PowerWrap, Praemium, Symetry, uXchange, WealthO2Super, OneVue & Ausmaq (ready for trade)

**Country Exposure (%)**

**Currency Exposure (%)**

**Gross Performance**


| Total Fund Return <sup>3</sup> | 2016 <sup>2</sup> | 2017  | 2018  | 2019   | Ann SI <sup>4</sup> |
|--------------------------------|-------------------|-------|-------|--------|---------------------|
| Gross Returns                  | 0.36%             | 3.95% | 2.68% | 7.20%  | 4.76%               |
| Benchmark <sup>1</sup>         | 0.78%             | 2.79% | 2.51% | 7.34%  | 4.50%               |
| Relative Gross                 | -0.42%            | 1.16% | 0.17% | -0.14% | 0.26%               |

**Fund Characteristics**

|                              | Portfolio <sup>2</sup> | Benchmark <sup>1</sup> |
|------------------------------|------------------------|------------------------|
| Duration                     | 6.75                   | 8.26                   |
| Flat Yield                   | 2.45                   | 2.03                   |
| Yield to Maturity (Unhedged) | 1.80                   | 0.95                   |
| Average Coupon               | 2.76                   | 2.42                   |
| Average Credit Rating        | AA-                    | AA                     |

**Top 5 Bond Holdings**

|   |                              |
|---|------------------------------|
| 1 | Japanese Govt 0.1% 20Jun2029 |
| 2 | US Treasury 5.375% 15Feb2031 |
| 3 | US Treasury 2% 15Feb2025     |
| 4 | US Treasury 2% 31Aug 2021    |
| 5 | Japanese Govt 0.1% 20Dec2021 |

**Top Active Bond Positions**

| Portfolio Exposure  | % Relative to Benchmark | Current % of Portfolio |       |
|---------------------|-------------------------|------------------------|-------|
| <b>Overweights</b>  |                         |                        |       |
| 1                   | Mexico                  | +9.36                  | 10.05 |
| 2                   | Singapore               | +7.52                  | 7.86  |
| 3                   | Japan                   | +6.93                  | 25.30 |
| <b>Underweights</b> |                         |                        |       |
| 1                   | Europe                  | -23.72                 | 6.68  |
| 2                   | USA                     | -7.19                  | 32.42 |
| 3                   | UK                      | -5.21                  | 0.00  |

**Top Active Currency Positions**

| Portfolio Exposure  | % Relative to Benchmark | Current % of Portfolio |       |
|---------------------|-------------------------|------------------------|-------|
| <b>Overweights</b>  |                         |                        |       |
| 1                   | Malaysian Ringgit       | +4.28                  | 4.28  |
| 2                   | Norwegian Krone         | +3.97                  | 3.97  |
| 3                   | British Pound           | +3.32                  | 3.32  |
| <b>Underweights</b> |                         |                        |       |
| 1                   | United States Dollars   | -6.26                  | -6.26 |
| 2                   | Euro                    | -4.73                  | -4.73 |
| 3                   | Thai Baht               | -3.82                  | -3.82 |

## Monthly Performance Commentary

The fund returned -0.59% over the month, underperforming the benchmark which returned -0.50%. Bond selection detracted -0.02% from relative returns and currency selection detracted -0.08%. The top three bond detractors from relative returns were the overweight positions in Mexican nominal bonds, Brazilian inflation-linked bonds and Colombian nominal bonds. The top three currency detractors from relative returns were the short positions in United States Dollars, Australian Dollars and Thai Baht.

## Market Commentary

Global government bond yields moved higher again this month with a cautious improvement in sentiment due to the reduction in geopolitical tensions. The focus for investors continues to be speculation surrounding the US-China trade deal and this has impacted on bond markets over the past month. The rise in yields translated into a return of -0.4% for the FTSE World Government Bond Index in US dollar hedged terms. The general strength of the US dollar resulted in an unhedged return of -1.2% for the same index.

Trade talks between China and the United States has continued to set the tone for market sentiment over the month. Negotiations appear to be advancing however US support for the anti-government protesters in Hong Kong may complicate matters. Inflation data that were released during the month showed that the annual rate of consumer prices in the US had risen by 1.8%, a little higher than 1.7% seen the month prior. US Treasuries returned -0.3% over the month as yields increased. In Canada meanwhile, consumer price inflation remained unchanged at 1.9% and the government bond market return was flat on the month. In Latin America, social unrest in Chile caused some volatility across regional markets with Colombian bonds declining by 1.7% and the Mexican market by 0.9%. The Brazilian market performed slightly better returning -0.8% over the month.

European economic data was stronger than seen over recent months, although it was confirmed that Eurozone inflation was confirmed at a 3 year low of 0.7% during October. Core inflation was slightly higher however at 1.1%. While European Purchasing Manager Index (PMI) data remain subdued, key German manufacturing data has started to improve, albeit from a low base. This had the effect of boosting investor confidence in the region. European government bonds had negative returns over the month, with Germany, France and Netherland all returning -0.4% over the month, whilst the Italian market returned -2.1%. In the UK, the electorate and investors remain focused on the general election set for mid-December. Economic data in the UK has been mixed recently, with the economy returning to growth in the third quarter after contraction in the second. UK inflation data released in November showed that the rate of price increases fell to 1.5% in the year to October, due to the introduction of an energy price cap. The UK gilt market returned -0.8% in November underperforming most other major markets.

Australia was the best performing developed government bond market in the month of November. Australian house prices showed a strong correction following the reduction in interest rates in October to an all-time low of 0.75%. The bond market returned a solid 0.9% as yields declined across the curve. The Singapore bond market also rallied last month amid an ongoing economic backdrop of low growth and inflation. Government bonds returned 0.3% in the city-state. Elsewhere South Africa avoided a credit rating downgrade by Moody's, retaining their investment grade status, although the outlook for the rating was changed to negative. Weak growth, high inequality and rising public debt represent significant challenges for the government of South Africa to overcome.

On the currency markets, the US dollar was generally stronger over the month, although the Swedish krona did buck the trend with a modest appreciation of 0.6%. The British pound is also performing relatively well, strengthening against the Euro by 1.1% but flat against the US dollar. The Australian dollar was relatively weak, returning -1.8% not helped by weak employment data during the month. Currencies in Latin America were negatively affected by political upheaval in a number of countries in the region. The Brazilian real weakened by 5.1%, the Colombian peso by 4.1% and the Mexican peso declined a more modest 1.7%.

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## 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 trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. "TMX®" is a trade mark 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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