

### 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 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: \$642.2m

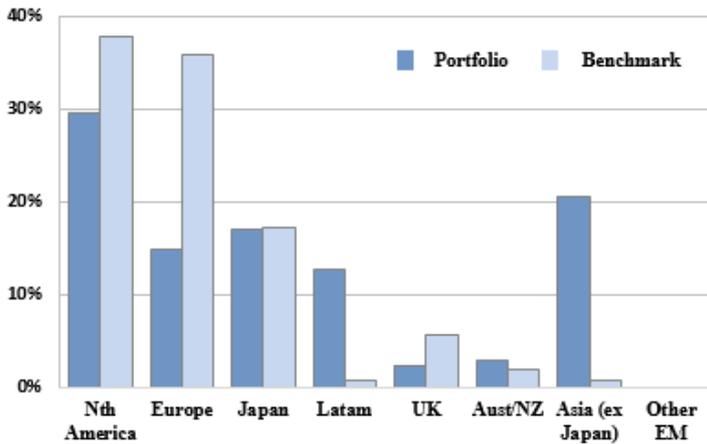
Management Fee: 0.60% p.a. Distributions: Quarterly

Buy/Sell Fee: Nil Liquidity: Daily

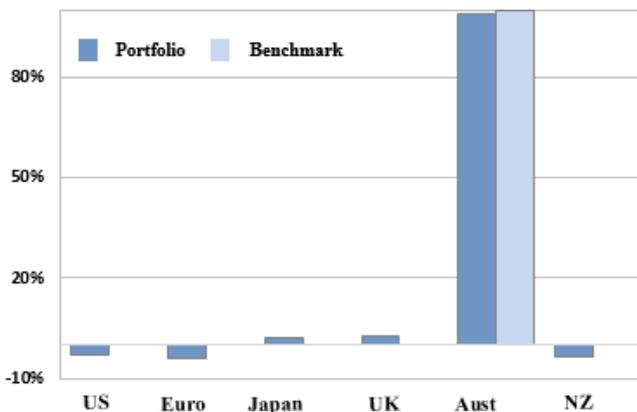
Application: As per platform minimum or \$1million wholesale direct Platforms:

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.

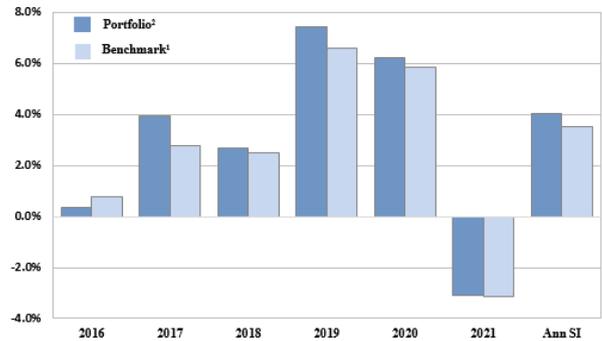
### Country Exposure (%)



### Currency Exposure (%)



### Gross Performance



Total Return <sup>3</sup>	2016 <sup>2</sup>	2017	2018	2019	2020	2021	Ann SI <sup>4</sup>
Gross Returns	0.36%	3.95%	2.68%	7.46%	6.23%	-3.08%	4.02%
Benchmark <sup>1</sup>	0.78%	2.79%	2.51%	6.63%	5.87%	-3.13%	3.53%
Relative Gross	-0.42%	1.16%	0.17%	0.84%	0.37%	0.05%	0.49%

### Fund Characteristics

	Portfolio <sup>2</sup>	Benchmark <sup>1</sup>
Duration	7.28	8.48
Flat Yield (unhedged)	2.42	1.67
Yield to Maturity (unhedged)	1.52	0.54
Average Coupon	2.61	2.00
Average Credit Rating	AA-	AA

### Top 5 Bond Holdings

1	US Treasury 1.5% 15 Aug 2026
2	Japanese Government 0.1% 20Sep2029
3	US Treasury Inflation IX 2.125 15Feb2041
4	US Treasury N/B 0.125% 15May2023
5	Japanese Government 0.3% 20Jun2039

### Top Active Bond Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio	
<b>Overweights</b>			
1	Singapore	+9.21	9.57
2	Mexico	+8.19	8.86
3	Malaysia	+4.04	4.44
<b>Underweights</b>			
1	Europe	-20.75	13.56
2	United States	-8.86	27.23
3	UK	-3.22	2.31

### Top Active Currency Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio	
<b>Overweights</b>			
1	Malaysia Ringgit	+4.50	4.50
2	Swedish Krona	+2.63	2.63
3	British Pound	+2.46	2.46
<b>Underweights</b>			
1	Euro	-4.15	-4.15
2	Swiss Franc	-3.75	-3.75
3	New Zealand Dollars	-3.71	-3.71

## Monthly Performance Commentary

The fund returned -0.37% over the month, underperforming the benchmark which returned -0.21%. Bond selection detracted -0.40% from relative returns, while currency selection added 0.25%. The top three bond detractors from relative returns were the overweight positions in Mexico, Colombia and Singapore. The top three positive currency contributors to relative returns were the short positions in Swiss Franc, New Zealand Dollars and Euro.

## Market Commentary

The outlook for the global economy has improved as confidence in the vaccine rollout, supportive fiscal, and accommodative monetary policies continued to push the theme of a strong recovery in 2021. Bond yields have continued to rise; returning to levels witnessed just before the beginning of the pandemic. The total return of the FTSE World Government Bond Index in USD hedged terms was -0.2% in the month of March, ending the quarter with a negative return of -3.1%. In unhedged terms, total returns for March and the quarter were -2.1% and -5.7% respectively; comparatively weaker given the relative strength of the US dollar thus far in 2021.

In the US, the prospect of resuming normal economic activity, the surge in money supply and significantly larger than expected fiscal spending have sparked a debate as to whether the economy will overheat leading to rising inflationary pressures. President Biden's fiscal package of USD1.9trn was approved by Congress and the President also launched his heavily anticipated infrastructure package at the end of March. The proposal contains USD2trn in infrastructure investments and manufacturing subsidies and is likely to spark intense political debate. The latest unemployment rate of 6.2% in February is down from a high of 14.8% last year and is likely to fall further as the economy reopens in the coming months. Inflation has risen and is likely to rise further due to the base effect of the oil price collapse in early 2020 but the Federal Reserve has stated it will be patient in withdrawing support for the economy. The back up in yields resulted in the US Treasury market returning -4.3% over the quarter.

In Europe, performance of government bond markets fared better than that of the US in local terms. For the quarter, German, French and Italian Bonds returned -2.4%, -3.0% and -0.9% respectively. The relatively slower vaccine rollout is expected to delay economic recovery in the region but the UK is an exception, with a much larger portion of its population having received a Covid-19 vaccine. The significant underperformance of the UK market at -7.8% over the quarter, in part, reflects the relatively clearer path of economic reopening and recovery and a somewhat hawkish Bank of England.

In Asia, the Chinese government bond market was an outlier in terms of performance, gaining +0.5% over the quarter. Anticipation of index inclusion in the FTSE World Government Bond Index from October of this year helped to support the bond market as well as the Chinese currency. Elsewhere in the region, the increase in the cap on government borrowing in Singapore led investors to push yields higher on Singapore government bonds. It was a notable underperformer over the quarter with a return of -5.6%.

Against the strength of the US dollar, few currencies really held up over the past quarter. The Canadian dollar and Norwegian krone were marginally stronger over the period, probably supported by higher commodity prices, gaining 1.4% and 0.3% respectively. The British pound was another outperformer, strengthening by 0.9%. The euro and Japanese yen however were weaker by -3.9% and -6.6% respectively as the ECB and BoJ continued to reiterate a dovish tone on monetary policy. Other currencies generally weakened somewhat, with the Mexican peso down by -2.6% and Korean won returning -4.0%.

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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.