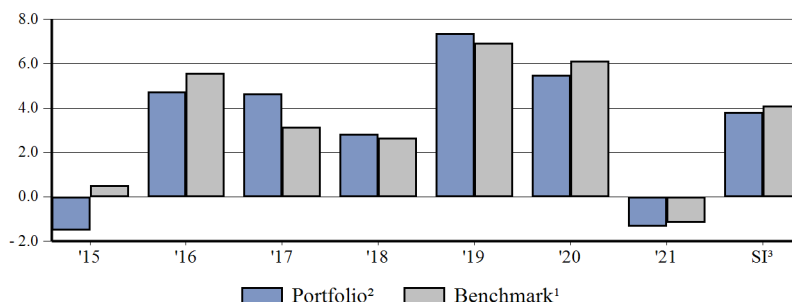


Colchester Global Government Bond Fund – Class N ISIN: AU60ETL04677

Monthly Report: August 2021

GROSS PERFORMANCE AS AT END OF AUGUST 2021

ESTABLISHED 1999	
CURRENT ASSETS OVER \$41BN	
VALUE ORIENTATED	
Global Bonds	Emerging Market Debt
Global Inflation	Alpha



MARKET COMMENTARY

Financial markets looked to the Federal Reserve's annual symposium in Jackson Hole, Wyoming this month, hoping to get a clearer picture of the road map for US monetary policy. Although little was given away in terms of clear policy direction, it appears that tapering of the USD120bn per month quantitative easing program will start later this year. Chair of the Federal Reserve Jerome Powell was at pains to stress however that the reduction in asset purchases was not a direct signal regarding the timing of increases to the policy rate. The FTSE World Government Bond Index was down -0.3% in USD hedged terms, with the unhedged index down -0.6% as the US dollar gained a little over the month.

Although financial markets may have been focussed on Jackson Hole, the real economy in the United States continues to strengthen. Unemployment fell from 5.9% to 5.4% during the month as hiring continues to be strong. There are now signs that there could be shortages of labour in sectors that laid off large numbers of workers last year such as the hospitality sector, whilst there are also shortages in the transportation industry. The negative side of the economic recovery is that the inflation rate remains elevated, this was the second month that inflation came in at 5.4%, although the core inflation rate did fall slightly to 4.3%. Both readings are considerably above the Federal Reserve's medium-term target but US Treasuries remained relatively stable, returning -0.1% over the month. In Canada political events took centre stage with Prime Minister Trudeau calling an election two years ahead of schedule. Initially this was viewed as a smart political move with Trudeau expected to win comfortably, but it now seems the vote may be much closer than expected and the gamble may not pay off. Canadian bonds were flat over the month.

In Europe there is less pressure on the European Central Bank (ECB) to start tightening monetary policy, but inflation is rising and the more hawkish policy makers have become more vocal. Inflation in the Eurozone rose to 3%, this is the highest rate since 2011. So far, the ECB has taken a similar view to US policymakers that the rise in inflation is likely to prove transitory. Although not as strong as the US labour market, unemployment is falling, and the Eurozone rate has now reduced to 7.6%. German bonds fell over the month, returning -0.6%. In the UK, Covid-related restrictions have largely been removed, and the economy has recovered strongly. The vaccination program has helped to keep hospitalisation rates at relatively low levels. The bond market in the UK sold off by -0.9% in August.

Whilst the UK was coming out of social distancing measures, parts of Australia and New Zealand were forced back into lockdowns. After both countries had handled the first wave of the virus last year very well, the respective economies had been growing strongly. It was expected that New Zealand would be the first developed country to raise interest rates in August, but with restrictions renewed, this has been delayed. New Zealand bonds returned -1.3% whereas Australian bonds generated a positive return of 0.2%. Although many central banks are still on hold, in emerging markets there have been rate rises over the last few months as inflation picked up. The Mexican central bank increased rates for the second time this year to bring rates to 4.5%. The Mexican bond market reacted positively, returning 0.5%.

Overall, the US dollar gained against the benchmark currencies in August. Some of the weaker currencies included the Canadian dollar, down -1.2% along with the Australian dollar which fell by 0.6%. Currencies that gained over the month included the Norwegian krone, up 1.5% and the Colombian peso which rose 2.7%. In Malaysia the fact that Ismail Yaakob took over as prime minister did not worry the currency markets and the ringgit gained 1.5%. The Japanese yen was flat against the US dollar this month.

1. The FTSE World Government Bond Index 100% hedged in New Zealand dollars (NZD), formerly, The Citigroup World Government Bond Index 100% hedged in New Zealand dollars (NZD).

2. Colchester Global Government Bond Fund – Class N ISIN: AU60ETL04677 whose inception date was 03 December 2015. Please see further footnotes on following pages for more details.

3. Annualized returns since inception.

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Gross Attribution of Total Returns			
	Portfolio ²	Benchmark ¹	Relative Return
Monthly	-0.17%	-0.30%	0.13%
Bonds	-0.06%	-0.30%	0.23%
Currency	-0.10%	0.00%	-0.10%

MONTHLY PERFORMANCE COMMENTARY

The fund returned -0.17% over the month, outperforming the benchmark which returned -0.30%. Bond selection added 0.23% to relative returns, while currency selection detracted -0.10%. The top three positive bond contributors to relative returns were the underweight positions in Europe and United Kingdom and the overweight position in Indonesia. The top three currency detractors from relative returns were the long positions in British Pound, Mexican Peso and Swedish Krona.

Top 5 Bond Holdings	
1	US Treasury Inflation IX 2.125 15Feb2041
2	Japanese Government 0.3% 20Jun2039
3	Japanese Government 0.1% 20Sep2029
4	US Treasury 2.75 15Feb2024
5	Singapore Government 3.5 1Mar 2027

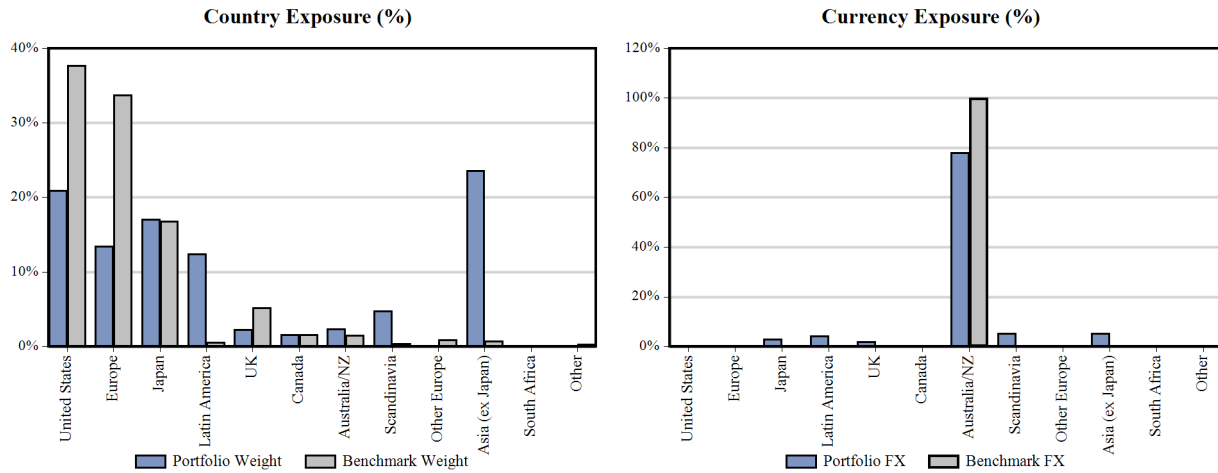
Top Active Currency Positions		
	Portfolio Exposure relative to Benchmark	% of Portfolio
<i>Overweights</i>		
1	Malaysia Ringgit	3.3%
2	Japanese Yen	3.3%
3	Mexican Peso	2.9%
<i>Underweights</i>		
1	New Zealand Dollars	-21.7%
2	Australian Dollars	0.0%

Portfolio Characteristics		
	Portfolio ²	Benchmark ¹
Modified Duration	7.32	8.70
Flat Yield	2.56	1.56
Yield to Maturity	1.66	0.45
Average Coupon	2.77	1.89
Average Credit Rating	AA-	AA

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MONTH END POSITIONING

PERFORMANCE SINCE INCEPTION

Portfolio	2015	2016	2017	2018	2019	2020	2021	SI ²³
Gross Returns	-1.50%	4.73%	4.64%	2.82%	7.38%	5.51%	-1.34%	3.82%
Benchmark ¹	0.52%	5.58%	3.14%	2.66%	6.93%	6.14%	-1.15%	4.11%
Relative Gross	-2.02%	-0.85%	1.50%	0.16%	0.45%	-0.63%	-0.19%	-0.29%

YTD Returns	Q1:21	Q2:21	Jul	Aug	YTD
Gross Returns	-3.54%	1.52%	0.92%	-0.17%	-1.34%
Benchmark ¹	-3.09%	0.78%	1.51%	-0.30%	-1.15%
Relative Gross	-0.45%	0.73%	-0.59%	0.13%	-0.19%

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DISCLAIMERS

- Valuation and returns have been calculated in NZD 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 Fund.
- Past performance is no guarantee of future performance and the value of any investment may fall as well as rise. This information is provided for indicative purposes only, and is supplied in good faith based on sources which we believe, but do not guarantee, to be accurate or complete as of the date of this document.

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- The portfolio was in compliance with applicable investment guidelines throughout August 2021. The portfolio's guidelines are set out in the current prospectus.
- The gross performance record presented above does not reflect the deduction of management and custody fees, which will reduce overall client returns. As an example of the impact of investment management fees on the net return to investors: the value of a NZ\$10 million investment at inception of 03 December 2015 on which the highest 70 basis points was payable, would be worth NZ\$12.406 million gross of investment management fees and NZ\$11.916 million net of fees as at the end of August 2021. The basis for calculating this example is to start with an investment amount, apply the monthly gross performance to the previous computed month end value, and deduct the highest fees payable (70.0 basis points) to compute the new month end value net of fees. Investment management fees are described in the current prospectus.
- Clients may request net performance results at fees agreed in their Investment Management Agreement at any time
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