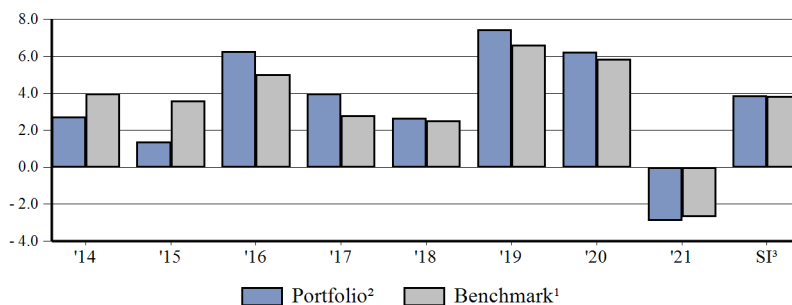


Colchester Global Government Bond Fund – Class A ISIN: AU60ETL04099

Monthly Report: October 2021

GROSS PERFORMANCE AS AT END OF OCTOBER 2021

ESTABLISHED 1999	
CURRENT ASSETS OVER \$40BN	
VALUE ORIENTATED	
Global Bonds	Emerging Market Debt
Global Inflation	Alpha



MARKET COMMENTARY

Global bond markets generated mildly negative returns in October, as expectations of monetary policy tightening were brought forward in several economies. Central banks are reacting to upward pressure on inflation and adjusting their guidance to markets as regards the future path of asset purchase programmes and interest rates. The FTSE World Government Bond Index returned -0.4% in US dollar unhedged terms in October as short-dated yields in particular moved higher. The USD dollar hedged return on the index was a slightly better -0.2% this month, reflecting a modest strengthening of the US dollar against the Japanese yen.

As mentioned last month, the US Federal Reserve has set the stage to wind down its bond purchases and data showed that headline inflation rose to 5.4% in the year to September. The US Treasury market was flat over the month however, leaving our prospective real yield valuation at a relatively unattractive -1.2%. The Monetary Policy Committee of the Bank of Canada surprised investors this month with a sharply hawkish statement, announcing an end to its quantitative easing programme. Markets had expected a more gradual tapering of purchases. The return on Canadian government bonds was -0.9% this month as yields pushed higher. Valuations in the Canadian market are somewhat more attractive than in the US with real yields close to zero. The Colombian government bond market also posted a negative return in October, -1.6% in local terms. Colombia's central bank raised the policy rate by 0.5% to 2.5%, as the balance of risks to inflation has shifted significantly higher over recent months.

The European Central Bank held a meeting this month where President Lagarde continued to make the case that the currently above target rate of inflation would prove temporary. In her view, the contributions from base effects, supply chain dislocations, and the recent rises in energy prices will fade over 2022, justifying the ECB's expectation that inflation will return below target in the medium term. Euro area government bonds collectively returned -0.7% over the month and the region remains one of the most overvalued markets we monitor. We continue to hold substantial underweight positions in Euro area markets across the Global Bond programme. In Sweden, inflation data released in the past month show prices having risen at a 2.8% annual rate, driven by the increase in electricity prices. Returns on Swedish bonds were -0.1% over the month and the market is relatively expensive with our 10yr real yield valuation at -0.9%.

Elsewhere, house price data released in October showed that Australian house prices continued to increase at a blistering pace over 2021, rising 17.4% to the end of September. Australian bonds generated a poor return of -3.8% this month, as investors contemplated a shift in the Reserve Bank's yield curve control policy. The Indonesian market enjoyed a strong performance however, with returns just shy of 1% 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. The relatively benign inflation outlook for Indonesia underpins our attractive valuation for the local bond market, with a real yield of 3.5%, and hence our programmes are generally overweight.

The US dollar experienced a mixed performance this month but was generally weaker against other major currencies. The Japanese yen was something of an exception as it weakened by 2.1% bringing it to even more undervalued levels. The best performing major currency over the month was the Australian dollar, appreciating by 4.0% against the US dollar leaving it overvalued in real terms. The Swedish krone also performed well, appreciating by 1.9% over the month, whilst the British pound rallied by 1.7% against the US dollar. Both currencies remain undervalued and are overweight positions in the Global Bond programme.

1. The FTSE World Government Bond Index 100% hedged in Australian dollars (AUD), formerly, The Citigroup World Government Bond Index 100% hedged in Australian dollars (AUD).

2. Colchester Global Government Bond Fund – Class A ISIN: AU60ETL04099 whose inception date was 19 September 2014. 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	-0.72%	-0.19%	-0.53%
Bonds	-0.59%	-0.19%	-0.40%
Currency	-0.12%	0.00%	-0.12%

MONTHLY PERFORMANCE COMMENTARY

The fund returned -0.72% over the month, underperforming the benchmark which returned -0.19%. Bond selection detracted -0.40% from relative returns and currency selection detracted -0.12%. The top three bond detractors from relative returns were the overweight positions in Singapore and South Korea and the underweight position in United Kingdom. The top three currency detractors from relative returns were the long positions in Japanese Yen, Malaysia Ringgit and Mexican Peso.

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

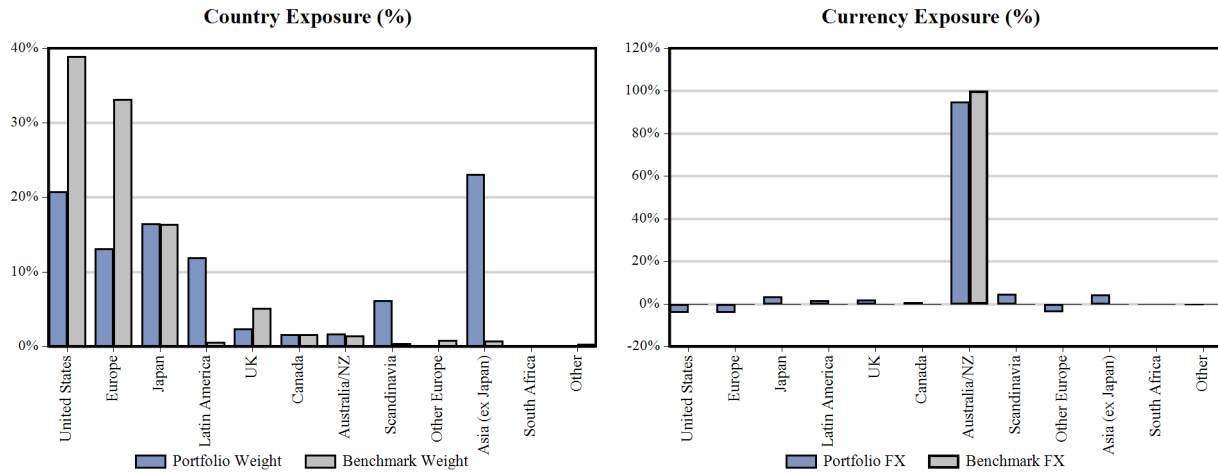
Top Active Currency Positions		
	Portfolio Exposure relative to Benchmark	% of Portfolio
<i>Overweights</i>		
1	Malaysia Ringgit	5.0%
2	Japanese Yen	3.5%
3	Swedish Krona	2.5%
<i>Underweights</i>		
1	United States Dollars	-4.0%
2	Euro	-3.9%
3	New Zealand Dollars	-3.7%

Portfolio Characteristics		
	Portfolio ²	Benchmark ¹
Modified Duration	7.05	8.67
Flat Yield	2.59	1.56
Yield to Maturity	1.93	0.71
Average Coupon	2.73	1.86
Average Credit Rating	AA-	AA

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MONTH END POSITIONING

PERFORMANCE SINCE INCEPTION

Portfolio	2014	2015	2016	2017	2018	2019	2020	2021	SI ²³
Gross Returns	2.73%	1.38%	6.28%	3.98%	2.68%	7.46%	6.24%	-2.88%	3.87%
Benchmark ¹	3.99%	3.59%	5.02%	2.79%	2.51%	6.63%	5.87%	-2.68%	3.86%
Relative Gross	-1.25%	-2.21%	1.26%	1.18%	0.16%	0.83%	0.37%	-0.20%	0.01%

YTD Returns	Q1:21	Q2:21	Q3:21	Oct	YTD
Gross Returns	-3.08%	0.98%	-0.04%	-0.72%	-2.88%
Benchmark ¹	-3.13%	0.71%	-0.05%	-0.19%	-2.68%
Relative Gross	0.05%	0.27%	0.01%	-0.53%	-0.20%

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DISCLAIMERS

- 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 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's guidelines are set out in PDS of the fund. Investment management fees are described in PDS of the fund.
- 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 A\$10 million investment at inception of 19 September 2014 on which the highest 60 basis points was payable, would be worth A\$13.104 million gross of investment management fees and A\$12.552 million net of fees as at the end of October 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 (60.0 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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