

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

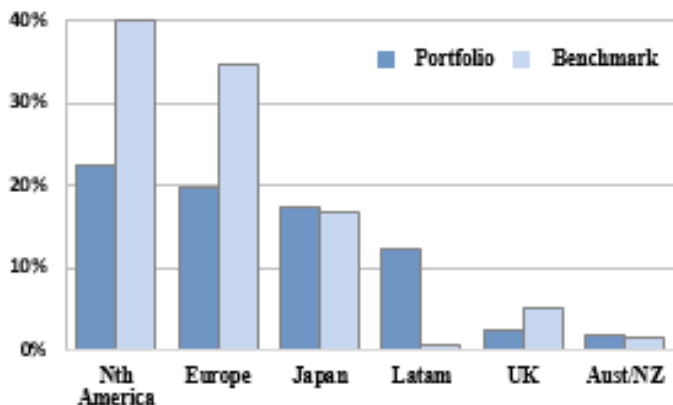
We believe that if we hold a portfolio of high real yielding bonds and currencies that are undervalued according to their real exchange rate that over time this will prove rewarding. At the heart of Colchester's value-oriented philosophy is the belief that investments should be valued in terms of the 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

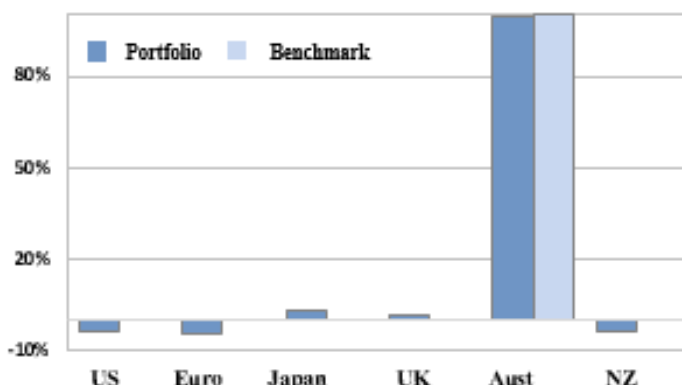
Benchmark¹: FTSE World Government Bond Index AUD Hedged
Target: Outperform the benchmark by 2% p.a. gross of fees over full economic cycle 5-7yrs in length.

Fund Inception: 9 December 2016 **FUM:** \$731.56m
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, MyNorth, 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.

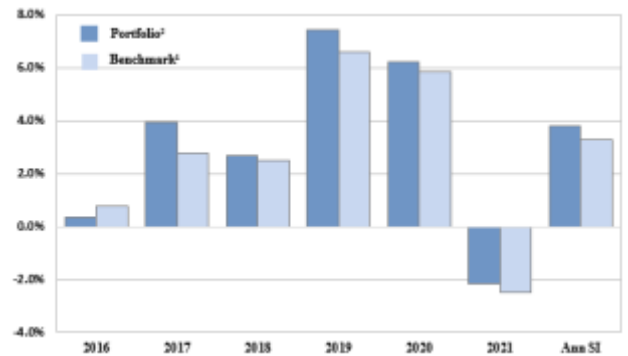
Country Exposure (%)



Currency Exposure (%)



Gross Performance



Total Return ³	2016 ²	2017	2018	2019	2020	2021	Ann SI ⁴
Gross Returns	0.36%	3.95%	2.68%	7.46%	6.23%	-2.17%	3.80%
Benchmark ¹	0.78%	2.79%	2.51%	6.63%	5.87%	-2.49%	3.30%
Relative Gross	-0.42%	1.16%	0.17%	0.84%	0.37%	0.32%	0.50%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	7.13	8.55
Flat Yield	2.57	1.57
Yield to Maturity (Unhedged)	1.79	0.59
Average Coupon	2.74	1.87
Average Credit Rating	AA-	AA

Top 5 Bond Holdings

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

Top Active Bond Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio	
Overweights			
1	Singapore	+9.43	9.80
2	Mexico	+8.17	8.76
3	Norway	+6.05	6.25
Underweights			
1	Europe	-20.17	13.21
2	United States	-18.19	20.32
3	UK	-2.72	2.28

Top Active Currency Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio	
Overweights			
1	Malaysia Ringgit	+5.15	5.15
2	Japanese Yen	+2.90	2.90
3	Swedish Krona	+2.42	2.42
Underweights			
1	Euro	-4.43	-4.43
2	New Zealand Dollars	-3.80	-3.80
3	Swiss Franc	-3.69	-3.69

Monthly Performance Commentary

The fund returned -0.99% over the month, outperforming the benchmark which returned -1.22%. Bond selection added 0.08% to relative returns and currency selection added 0.15%. The top three positive bond contributors to relative returns were the underweight positions in United States, Europe and United Kingdom. The top three positive currency contributors to relative returns were the short positions in Thai Baht, Euro and New Zealand Dollars.

Market Commentary

September proved to be a difficult month for financial markets as global equity and bond markets weakened. The third quarter ended on expectations of more persistent inflationary pressures and slower global growth driven by rising energy prices, supply bottlenecks in goods and labour, and the continuing impact of the Delta variant in some regions. Given these concerns, global bond yields rose in September, reverting to levels witnessed at the beginning of the quarter. The FTSE World Government Bond Index returned -1.2% in USD hedged terms for September whilst for the quarter the return was flat. The return on the unhedged index was -2.3% for the month and -1.2% for the quarter, reflecting an overall strengthening of the US dollar.

In the U.S, the Federal Reserve signalled that a tapering of bond purchases would begin this year with support amongst committee members to fully end the stimulus programme by mid-2022. Despite weaker than expected growth of 6.5% in Q2, it also acknowledged the return of GDP to its pre-pandemic levels and that the economy no longer needed as much stimulus. In terms of interest rate policy, forward guidance from September's committee meeting indicated, in their so-called dot plot, that a rate hike may come towards the end of 2022 and projected "transitory" inflation to last longer than had been anticipated. As the Fed set the stage to raise interest rates sooner than expected, headline inflation in August remained elevated at 5.3%, while core inflation eased somewhat to 4.0%. U.S Treasuries returned -1.1% over the month but returns were flat over the quarter.

In Europe, the prospective change in the political landscape dominated headlines in Germany as the election results showed no party achieving a parliamentary majority. The Social Democrat Party (SPD) gained the largest share of votes for the first time since 2002 and look likely to lead a coalition. However, the Green Party and Free Democratic Party (FDP) will be key in formulating any new coalition government, prioritising investment spending and green transition funding as national policy objectives. The prospect of increasing government spending would not only challenge Germany's constitutional fiscal rule but could also set the blueprint for expanding fiscal policy in the rest of the European Union. German inflation meanwhile rose to a three decade high of 4.1% while Eurozone inflation rose to 3.4%, the highest in 13 years. German government bonds returned -1.5% over the month and -0.1% for the quarter. In the UK, inflation surprised on the upside at 3.2% leading to some more hawkish comments from the Bank of England (BoE) and brought forward expectations of a hike in interest rates. The UK was the worst performing bond market in the index over the month and quarter returning -4.1% and -2.0% respectively.

Elsewhere, the Reserve Bank of Australia (RBA) followed through with tapering of its bond buying programme despite concerns of weak growth in the quarter and possible further lockdowns. Australian bonds returned -2.1% over the month while maintaining a positive return of 0.3% for the quarter. New Zealand bonds returned -1% over the month and -1.2% over the quarter as the central bank eased concerns of an aggressive hike in interest rates. In Asia, despite negative headlines around Evergrande, Chinese government bonds generated positive returns of 0.3% over the month and 2.0% for the quarter.

The US dollar strengthened against most currencies over the month and quarter. Weaker currencies over the quarter included the Korean won which fell by 4.9% and the Mexican peso which was down by 3.1%. The Indonesian rupiah was an outlier, as it gained 1.3% against the U.S dollar. In Japan, the yen was relatively stable following the resignation of Prime Minister Suga but ended 0.5% weaker over the quarter.

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