

### 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

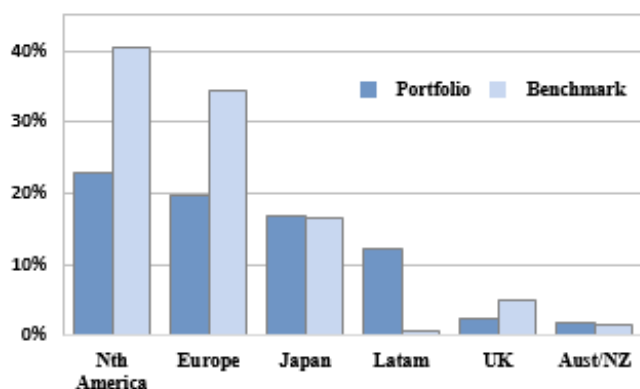
We believe that if we hold a portfolio of high real yielding bonds and currencies that are undervalued according to their real exchange rate that over time this will prove rewarding. At the heart of Colchester's value-oriented philosophy is the belief that investments should be valued in terms of the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

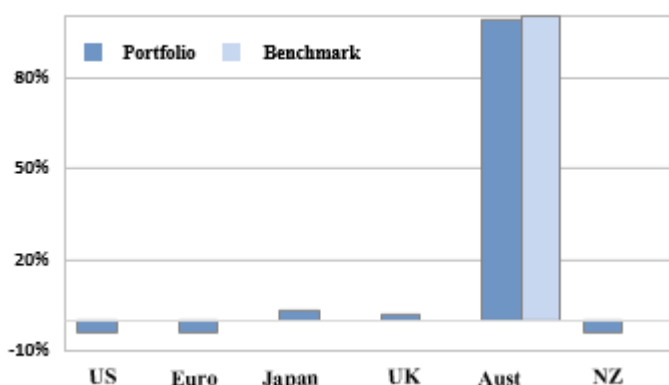
Benchmark<sup>1</sup>: FTSE World Government Bond Index AUD Hedged  
Target: Outperform the benchmark by 2% p.a. gross of fees over full economic cycle 5-7yrs in length.

Fund Inception: 9 December 2016 FUM: \$730.28m  
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.

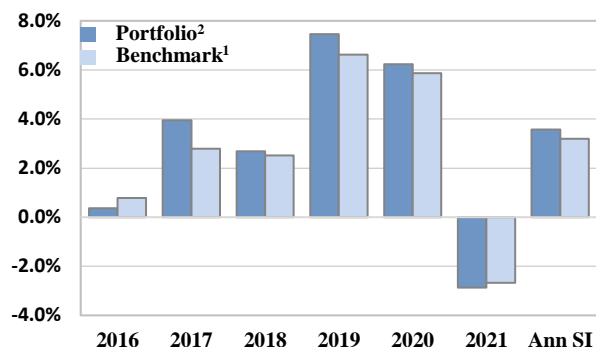
### Country Exposure (%)



### Currency Exposure (%)



### Gross Performance



Total Return <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%	-2.87%	3.58%
Benchmark <sup>1</sup>	0.78%	2.79%	2.51%	6.63%	5.87%	-2.68%	3.20%
Relative Gross	-0.42%	1.16%	0.17%	0.84%	0.37%	-0.19%	0.38%

### Fund Characteristics

	Portfolio <sup>2</sup>	Benchmark <sup>1</sup>
Duration	7.05	8.67
Flat Yield	2.59	1.56
Yield to Maturity (Unhedged)	1.93	0.71
Average Coupon	2.73	1.86
Average Credit Rating	AA-	AA

### 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 Bond Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio	
<b>Overweights</b>			
1	Singapore	+9.29	9.64
2	Mexico	+8.10	8.69
3	Norway	+6.01	6.22
<b>Underweights</b>			
1	Europe	-20.01	13.18
2	United States	-18.15	20.83
3	UK	-2.75	2.40

### Top Active Currency Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio	
<b>Overweights</b>			
1	Malaysia Ringgit	+5.04	5.04
2	Japanese Yen	+3.46	3.46
3	Swedish Krona	+2.49	2.49
<b>Underweights</b>			
1	United States Dollars	-3.99	-3.99
2	Euro	-3.93	-3.93
3	New Zealand Dollars	-3.69	-3.69

## 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.

## 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 krona 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.

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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.