

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

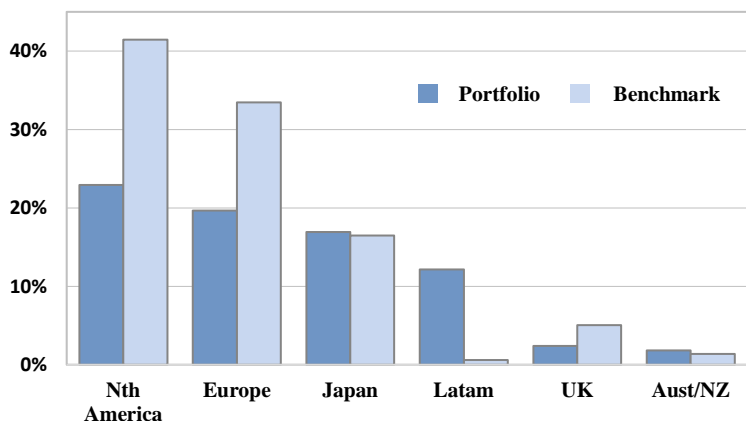
We believe that if we hold a portfolio of high real yielding bonds and currencies that are undervalued according to their real exchange rate that over time this will prove rewarding. At the heart of Colchester's value-oriented philosophy is the belief that investments should be valued in terms of the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

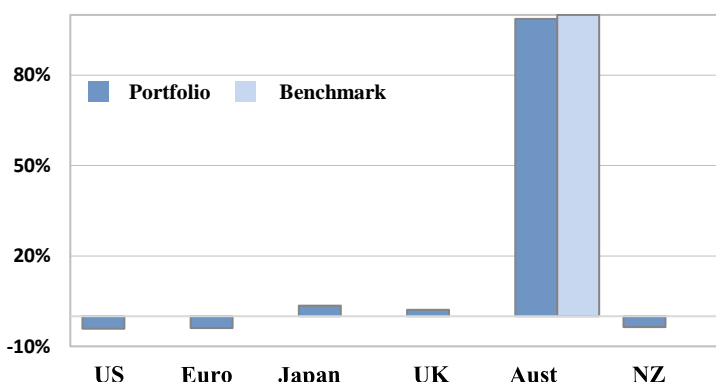
Benchmark¹: FTSE World Government Bond Index AUD Hedged
Target: Outperform the benchmark by 2% p.a. gross of fees over full economic cycle 5-7yrs in length.

Fund Inception: 9 December 2016 **FUM:** \$731.84m
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.

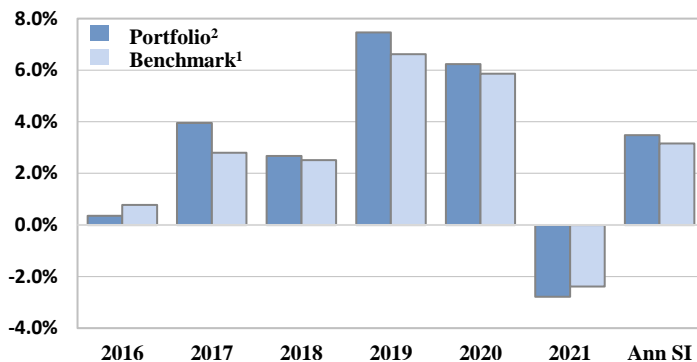
Country Exposure (%)



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%	-2.78%	3.48%
Benchmark ¹	0.78%	2.79%	2.51%	6.63%	5.87%	-2.38%	3.15%
Relative Gross	-0.42%	1.16%	0.17%	0.84%	0.37%	-0.40%	0.32%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	6.92	8.63
Flat Yield	2.58	1.54
Yield to Maturity (Unhedged)	1.71	0.75
Average Coupon	2.71	1.83
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	Singapore Government 3.5 1Mar 2027
5	US Treasury 1.5% 15 Aug 2026

Top Active Bond Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio	
Overweights			
1	Singapore	+9.08	9.45
2	Mexico	+8.11	8.72
3	Norway	+5.82	6.03
Underweights			
1	United States	-19.28	20.52
2	Europe	-19.22	13.03
3	UK	-2.71	2.33

Top Active Currency Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio	
Overweights			
1	Malaysia Ringgit	+5.14	5.14
2	Japanese Yen	+3.49	3.49
3	Swedish Krona	+2.40	2.40
Underweights			
1	United States Dollars	-4.15	-4.15
2	Euro	-3.90	-3.90
3	Swiss Franc	-3.75	-3.75

Monthly Performance Commentary

The fund returned -0.47% over the month, outperforming the benchmark which returned -0.93%. Bond selection added 0.48% to relative returns, while currency selection detracted -0.02%. The top three positive bond contributors to relative returns were the underweight positions in Europe, United States and United Kingdom. The top three currency detractors from relative returns were the long positions in Japanese Yen, Malaysia Ringgit and Swedish Krona.

Market Commentary

Although the year ended with record Covid-19 cases attributable to the rapid spread of the omicron variant, investors sought encouragement in that the impact to global health and economic disruption may be less severe than originally feared. This shifted attention to the prospect of an improving global economic outlook and the policy reaction of global central banks to persistently higher inflation prints. For global bond markets, the rise in yields in December, and over the past year, reflected this backdrop. The FTSE World Government Bond Index returned -0.9% in US dollar hedged terms over the month, leaving the return for the year at -2.3%. In unhedged terms the index did slightly better for the month with a return of -0.6%, but the strength of the US dollar resulted in a full year return of -7.0%.

The US Federal Reserve announced in December a doubling of the rate of tapering per month, essentially ending their Quantitative Easing programme in March 2022, two months earlier than expected. Projections are now for three interest rate increases in 2022, rather than one from September's forward guidance. In the post-meeting statement the term "transitory", which had been used to describe the increase in inflation, was removed. Inflation in the year to November was 6.8%. While the US Treasury market posted a modest gain of 0.3% for the quarter, performance for the year was negative at -2.3%. Even with a rise in nominal yields, our prospective real yield valuation for the US 10 year is at -1.3% and it remains one of the most unattractive bond markets in our global opportunity set.

Eurozone inflation has also risen, from 1.3% in March 2021 to 4.9% in November, but economic recovery has been slower. Although the European Central Bank has argued for a more cautious approach in withdrawing stimulus it has indicated it will end its Pandemic Emergency Purchase Programme by March 2022. Meanwhile, Germany's "traffic light" coalition government was finally formed. Fiscal policy will be closely observed as the coalition agreement contains an ambitious agenda for long term investment spending to modernise the economy in areas such as digital infrastructure and energy transition. While this suggests some openness to adjusting its self-imposed fiscal rules, debt discipline remains the primary principle. Eurozone bond markets sold off in December to generate a negative return over the quarter of -0.6% and a return of -3.5% for the year. Prospective real yields remain deeply negative in the region however, underpinning our underweight exposure. In the UK, the Bank of England hiked interest rates by 0.15% as inflation reached 5.1%, but gilts were the best performer in the index over the quarter, delivering returns of 2.8%, the UK market was the worst performer in the G7 over the full year however, returning -5.4%.

Elsewhere, central banks in countries such as Mexico and Colombia raised interest rates multiple times in 2021. Their respective bond markets both suffered negative returns of -4.1% and -7.6% over the period. In contrast however, inflation pressures in Asia have been muted and bond markets in Indonesia and China registered strong returns of 5.1% in 2021. The Japanese market meanwhile was broadly unchanged over the year. Colombia, Mexico, and Indonesia remain attractively valued and we are generally overweight these bond markets across our investment programmes.

The strength of the US dollar has been a theme for much of 2021 despite the currency's relative overvaluation according to our real exchange rate analysis. Amongst the majors, the British pound performed relatively well, depreciating a modest -0.9% over the year whilst the Euro fell -7.1% and the Japanese yen performed poorly, down -10.1%. The Mexican peso and Malaysian ringgit, two material overweight positions in the programme, held up relatively well. They rallied by 0.4% and 0.5% respectively over the fourth quarter and over the full year weakened by -2.4% and -3.6%.

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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.