

Investment Objective

To generate income and increase the amount invested by investing in a globally diversified portfolio of government bonds and currencies.

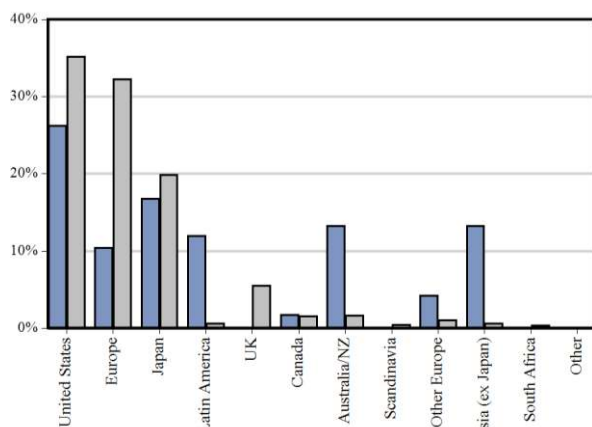
Investment Philosophy & Process

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.

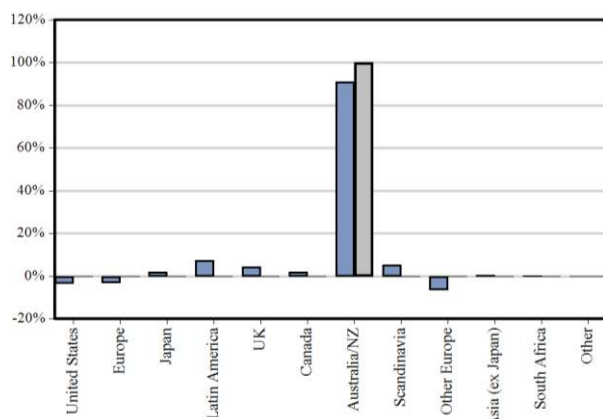
Fund Facts

Benchmark ¹	Citigroup World Government Bond Index Australian Dollar 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
Management Fee	0.60% p.a.
Distributions	Quarterly
Liquidity	Daily
Application:	\$1million or as per platform minimum
Platforms:	BT Wrap, BT Panorama, Hub24, Netwealth, OneVue, PowerWrap, Ausmaq (ready for trade)

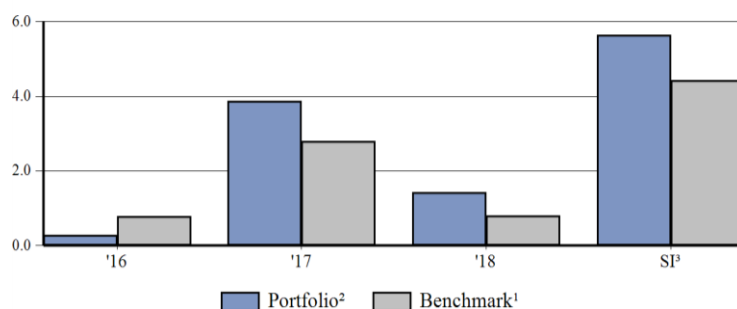
Country Exposure (%)



Currency Exposure (%)



Gross Performance



Total Fund Return ³	2016	2017	2018	SI ⁴
Gross Returns	0.28%	3.88%	1.42%	5.64%
Benchmark ¹	0.78%	2.79%	0.79%	4.42%
Relative Gross	-0.51%	1.08%	0.62%	1.22%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	6.18	7.75
Flat Yield	2.94	2.15
Yield to Maturity	2.36	1.49
Average Coupon	3.21	2.45
Average Credit Rating	AA-	AA

Top 5 Bond Holdings

1	US Treasury 2% 31Aug 2021
2	New Zealand Government 5% 15Mar2019
3	New Zealand Government 6% 15May2021
4	US Treasury 5.375% 15Feb2031
5	Japanese Government 0.1% 20Mar2020

Top Active Bond Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 New Zealand	+8.52	8.52
2 Singapore	+7.16	7.49
3 Mexico	+6.92	7.59
Underweights		
1 Europe	-21.84	10.53
2 USA	-8.98	26.29
3 UK	-5.59	0.00

Top Active Currency Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 Malaysian Ringgit	+5.91	5.91
2 British Pound	+4.31	4.31
3 Mexican Peso	+3.84	3.84
Underweights		
1 New Zealand Dollars	-4.49	-4.64
2 Australian Dollars	-4.37	95.63
3 Hungarian Forint	-3.99	-3.99

Monthly Performance Commentary

The fund returned 0.57% over the month, outperforming the benchmark which returned 0.37%. Bond selection detracted -0.07% from relative returns, while currency selection added 0.27%. The two bond detractors from relative returns were the underweight position in European nominal bonds and the overweight position in Brazilian inflation-linked bonds. The top three positive currency contributors to relative returns were the long positions in Mexican Peso, British Pound and Malaysian Ringgit.

Market Commentary

The FTSE World Government Bond Index delivered a return of 0.2% over the second quarter in US dollar hedged terms. As the US dollar rose against most foreign currencies, on an unhedged basis global bonds delivered -0.3% during June and -3.4% over the second quarter.

Talk of tariffs and trade sanctions continued in June, emanating from the USA. Various measures proposed by the White House in June alone included a 20% tariff on EU car imports, further tariffs on USD200bn worth of Chinese imports (in the event that the Chinese impose their own tariffs on US goods) as well as removing exemptions of the steel and aluminium tariffs for US allies. However, the US economy continues to do well, this prompted the Federal Reserve to raise interest rates by 25bps to a new target range of 1.75% to 2.00%. Whilst US bonds were broadly flat over the quarter, this masks significant volatility as the 10-year treasury bond traded in a range of 2.7% to 3.1%. Negotiations on NAFTA continued without any formal resolutions ahead of the Mexican presidential elections taking place at the beginning of July. Polls ahead of the election have consistently shown the populist Lopez Obrador winning. Despite initial fears of populist policies markets have responded well, ratcheting down the negative rhetoric. Mexican bonds returned 1.0% over the month in US dollar hedged terms and -0.9% for the quarter.

Following the formation of the coalition in Italy between the populist Five Star Movement and the nationalist League earlier this quarter, the new prime minister Giuseppe Conte took a hard-line to recent EU economic and immigration policies. However, the populist fiscal policy overtones have been dampened and this gave Italian bonds a positive month returning 1.7% in US dollar hedged terms, partly reversing some of the weakness earlier in the quarter. Both Germany and Spain also generated political noise over the quarter. Chancellor Angela Merkel faced a brewing domestic political crisis over the handling of refugees which is now threatening the three-month-old coalition government. In Spain, dramatic political change occurred as Prime Minister Rajoy lost a vote of confidence in parliament and handed power to the centre-left Socialist party. Despite the political noise, in their rate setting meeting this month the ECB highlighted the still solid and ongoing broad based economic growth across the Eurozone region. German bonds returned 0.3% for the month and 1.9% on the quarter, whereas Spanish bonds bounced back by 1.6% in June to end the quarter just 0.5% down after weakness earlier in the period.

Turning to Emerging Markets, presidential elections in Malaysia resulted in a surprise outcome with Mohamad Mahathir returning as Prime Minister thus removing the UMNO from power for the first time since independence in 1957. The new government were helped to power by running on an anti-corruption ticket, and since taking power they have been investigating the former Prime Minister Najib Razak. In June the Malaysian bond market returned 0.2%, with the return for the quarter in US dollar hedged terms being -0.7%. The Brazilian bond market was also down over the quarter returning -3.0%. This was driven by the government agreeing to meet striking truckers' demands for a reduction in the diesel price. It is feared that this will further weaken government finances as the reduction in price will be funded by government subsidies.

In currency markets the broad appreciation of the US dollar continued, particularly against the emerging market currencies. With the external environment combining with the presidential elections, the Colombian peso depreciated by 1.4% in June. However, the worst performing currency was the South African rand which fell 7.5% as the new president's honeymoon period comes to an end and the economy slows. The euro and the British pound were relatively resilient over the month, depreciating by 0.1% and 0.7% respectively. The Norwegian krone was the only positive performing currency in the month, appreciating by 0.3% boosted by comments from the central bank suggesting a likely first rate hike in September.

Contact

Administration & Client Servicing Enquiries:

Colchester Global Client Services
GPO Box 804, Melbourne, VIC 3001
Phone: +61 3 9046 4040
Email: colchester@onevue.com.au
Fax: +61 3 8672 7741

Sales & Marketing Enquiries:

Colchester Global Investors
Angela MacPherson
Head of Distribution Australia
Phone: +61 431 075 024
Email: amacpherson@colchesterglobal.com
Web: www.colchesterglobal.com.au

Disclaimers

1. Citigroup World Government Bond Index 100% hedged in Australian dollars (AUD).
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. Total returns since inception.

Past performance is not a good indicator of future performance.

This document is prepared by Colchester Global Investors (Singapore) Pte. Ltd (ABN 58 159 947 583). Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited, a publicly listed company on the Australian Securities Exchange (ASX: EQT), is the Responsible Entity of the Colchester Global Government Bond Fund (ARSN 168 909 671) (the "Fund"). This document is not intended to be securities or financial product advice and should not be relied upon as such. To obtain a copy of the Fund's PDS please contact Colchester. The PDS should be considered in deciding whether to acquire, or continue to hold, an investment in the Fund. This information is of a general nature only and does not take into account the investment objectives, financial situation or particular needs of any investor and should not be taken as a securities or stock recommendation. These factors should be considered before any investment decision is made in relation to the Fund. The performance of the Fund is not guaranteed. Colchester, Equity Trustees Limited and their related parties, their employees and directors make no representation (express or implied) and shall have no liability in any way arising from the provision of this document for any loss or damage, direct or indirect, arising from the use of this document.

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 are set out in PDS of the fund. Investment management fees are described in PDS of the fund.

Colchester Global Investors (Singapore) Pte. Ltd is registered in Singapore, Company Registration No: 201202440M. Registered Office: 6 Battery Road #18-06, Six Battery Road, Singapore 049909. Colchester Global Investors (Singapore) Pte. Ltd holds a capital markets services licence in fund management issued by the Monetary Authority of Singapore pursuant to the Securities and Futures Act, Chapter 289 of Singapore. Colchester Global Investors (Singapore) Pte. Ltd is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cwlth) in respect of financial services provided to wholesale clients in Australia. Colchester Global Investors (Singapore) Pte. Ltd. is regulated by the Monetary Authority of Singapore under Singaporean laws which differ from Australian laws. Therefore, Australian wholesale clients are not necessarily subject to the same types of legal protections or remedies that they would enjoy if Colchester was directly subject to the Corporations Act. Colchester is entitled to offer its financial services in Australia pursuant to an exemption from the requirement to hold an Australian Financial Services Licence under the Corporations Act, on the basis, among other things, that the clients are "wholesale clients" within the meaning of the Corporations Act.