

Investment Objective

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

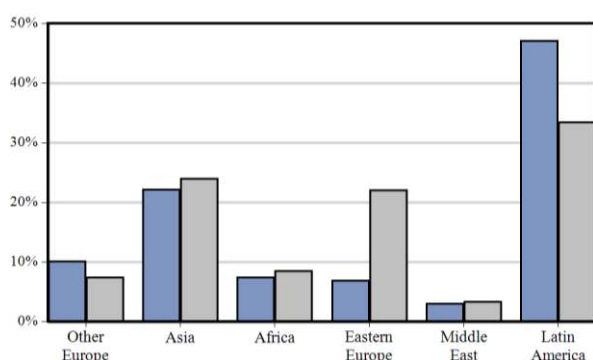
Investment Philosophy & Process

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.

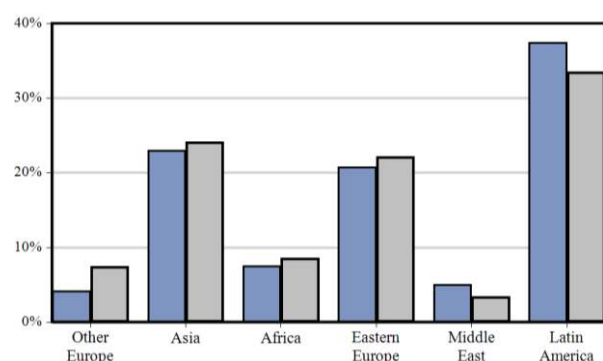
Fund Facts

Benchmark ¹	JPMorgan Government Bond Index Emerging Markets Global Diversified Australian Dollar Unhedged
Target	Outperform the benchmark by 2% p.a. gross of fees over full economic cycle 5-7yrs in length.
Fund Inception	21 December 2017
Management Fee	0.75% p.a.
Buy/Sell Spread	+/- 0.15%
Distributions	Quarterly
Liquidity	Daily
Application:	\$1million or as per platform minimum
Platforms:	Ausmaq (ready for trade)

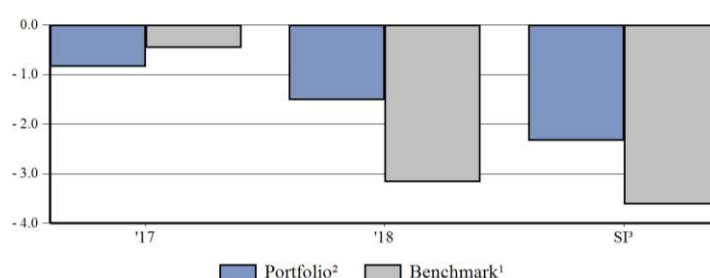
Country Exposure (%)



Currency Exposure (%)



Gross Performance



Total Fund Return ³	2017	2018	SI ⁴
Gross Returns	-0.84%	-1.51%	-2.34%
Benchmark ¹	-0.46%	-3.17%	-3.62%
Relative Gross	-0.38%	1.66%	1.28%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	5.01	5.13
Yield	7.23	6.07
Yield to Maturity	7.25	6.75
Average Coupon	6.74	5.97
Average Credit Rating	BBB	BBB+

Top 5 Bond Holdings

1	Mexican Bonos 10% 5Dec2024
2	Titulos De Tesoreria B 7% 4May2022
3	Nota Do Tesouro Nacional 10% 01Jan2021
4	Nota Do Tesouro Nacional 10% 01Jan2023
5	Malaysian Government Bond 3.882% 10Mar2022

Top Active Bond Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 Brazil	+8.01	18.01
2 Mexico	+6.68	16.68
3 Malaysia	+6.54	12.43
Underweights		
1 Thailand	-5.14	3.25
2 Czech Republic	-4.80	0.00
3 Hungary	-4.75	0.00

Top Active Currency Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 Mexican Peso	+6.60	16.60
2 Malaysian Ringgit	+6.55	12.43
3 Polish Zloty	+3.26	12.93
Underweights		
1 Thai Baht	-5.70	2.68
2 Indonesian Rupiah	-4.93	4.62
3 Czech Koruna	-4.80	0.00

Monthly Performance Commentary

The fund returned -4.19% over the month, underperforming the benchmark which returned -3.46%. Bond selection detracted -0.35% from relative returns and currency selection detracted -0.38%. The top three bond detractors from relative returns were the overweight positions in Brazil and Russia and the underweight position in Romania. The top three currency detractors from relative returns were the overweight positions in United States Dollars and Turkish Lira and the underweight position in Thai Baht.

Market Commentary

August was a challenging month for emerging markets with problems in Argentina and Turkey casting a shadow over the asset class. The JPM GBI-EM Global Diversified index returned -1.2% in US dollar hedged terms. With the dollar strengthening against most emerging currencies, the unhedged returns over the month were -6.1%.

In South America troubles in Argentina grabbed the headlines as the central bank was forced to raise interest rates to 60% to help defend the currency. With inflation in the country still running over 30% questions have been raised about the government's ability to implement the painful economic and fiscal reforms that the country needs. In combination with the declining currency this has dented the popularity of President Macri who faces elections next year. If he was to lose it could spell the end of the reforms altogether. The bond market returned -10.5% in US dollar hedged terms over the month. One of the best performing markets in the region was Peru with a US dollar hedged return of 0.4%. After inflation peaked early in 2017 to over 4.0% it has now fallen and is looking well contained with the latest reading at 1.6%.

For the EMEA region Turkey was the main detractor as investors continue to worry about the economic policies of President Erdogan's government. Inflation came in at 17.9% during the month which is up from 9.2% at the end of 2017. Despite the rise in inflation the central bank has been reluctant to increase interest rates to control the situation. This has only led to further disillusionment amongst investors which has led to a fall in the currency. The bond market in Turkey returned -9.6% in US dollar returns over the month.

Elsewhere in the region the Polish bond market had another good month returning 0.3% in US dollar hedged terms. Growth in the country is strong, GDP was growing at an annualised 5.1% at the end of the second quarter, yet despite this inflation has remained under control. The latest inflation release showed that prices are rising just 2.0%.

In the Asian region the central bank in Indonesia was raising rates again with a 25bp hike bringing their benchmark rate to 5.5%. Unlike other central banks that are raising rates to control inflation, Indonesia has relatively subdued inflation with the latest number only being 3.2%. Rather, the bank acted to help hold up the currency and to ensure that the country was able to maintain investor confidence whilst other countries are coming under pressure. The Indonesian bond market returned -1.3% in US dollar hedged terms over the month. In contrast to the low inflation environment in Indonesia, there are concerns that inflation is starting to get too high in the Philippines. After a number of years with growth of over 5% inflation had remaining subdued but is now rising. At the end of 2017 inflation was at 2.9% but has now risen to 5.7%. Although it is widely believed that inflation may now be peaking there might be further rate hikes from the central bank to ensure that it remains under control. The bond market returned 0.3% in US dollar hedged terms in August.

During August the US dollar continued to perform strongly against most currencies and especially against certain emerging currencies. The Argentine peso struggled in August falling -28.1% during the month. This was closely followed by the Turkish lira which returned -25.9%. The Brazilian real returned -8.8% and the Chilean peso -5.7%. Amongst the better performing currencies were the Thai baht that returned 1.4% and the Polish zloty that returned -0.6% over the month against the US dollar.

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Disclaimers

1. JPMorgan Government Bond Index Emerging Markets Global Diversified 100% Unhedged in Australian Dollars (AUD Unhedged).
2. Colchester Emerging Markets Bond Fund – Class I whose inception date was 21 December 2017.
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.

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

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