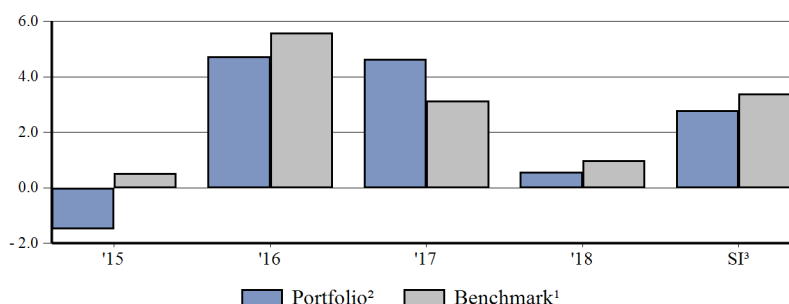


Colchester Global Government Bond Fund – Class N

Monthly Report: November 2018

GROSS PERFORMANCE AS AT END OF NOVEMBER 2018



MARKET COMMENTARY

Global government bond markets generally continued the trend of the previous month during November, producing positive returns as the global growth backdrop remains somewhat uncertain, at least outside of the USA. The FTSE World Government Bond Index returned 0.7% over the month in US dollar hedged terms, whilst the unhedged return was 0.5% as the major global currencies were relatively unchanged over the period.

There has been much focus of late on the US Federal Reserve and the likely path of monetary policy in 2019. With most investors expecting a rate increase in December 2018, comments from Chairman Jerome Powell this month did lead to some downward reassessment of the path for next year. Whilst the US economy continues to experience strong growth with non-farm payrolls rising by 250,000 in October and unemployment remaining at 3.7%, Powell has hinted that rates are close to levels that would be considered neutral for the US economy. In terms of inflation, core inflation in the US has dipped slightly in recent months after increasing in the first half of the year. The latest reading declined to 2.1% year-on-year, from 2.2% the previous month, and a high of 2.4% in July. The backdrop has therefore been relatively supportive of US Treasuries in November and consequently the market generated a return of 0.9%.

The trade dispute between the US and China has been unnerving investors for much of this year and markets were closely following the G20 summit in Buenos Aires which took place at the end of November. A much anticipated meeting of President Trump and President Xi resulted in progress of sorts, as the US announced that tariffs on \$200bn of imports from China will stay at 10%, and not rise to 25% as had been planned. Nonetheless, the concerns during the month clearly supported government bond markets in Asia, with the Singapore market generating a return of 1.4%, and the Japanese market rallying by 0.5% in November.

Eurozone bonds also generated positive returns during the month with the Italian market the standout performer. Italian government bonds returned 1.6% as investors reacted positively to reports that the Italian government may amend its budget for next year. The European Commission has rejected Italy's proposed budget, which targets a deficit of 2.4% of GDP next year but the coalition government in Rome have suggested there is indeed some scope for some "fine-tuning" of the budget.

The ongoing Brexit debate has provided another source of potential uncertainty for investors. During November the UK and the EU reached agreement on the text of the Withdrawal Agreement governing the UK's exit in March of 2019. As the month of November came to an end however, there remains considerable doubt as to whether the Withdrawal Agreement will survive a vote in the House of Commons in mid-December. The UK gilt market bucked the trend of positive returns during the month, declining by -1.6% as long-dated yields increased. The Mexican bond market also suffered a negative return during November, returning -1.1%, as the central bank raised interest rates to 8%. Inflation has generally been declining in Mexico but it remains above the central bank's target. Meanwhile, the new president Andres Manuel Lopez Obrador was due to formally take power on 1 December.

In November, most major global currencies were relatively flat against the US dollar. The Euro declined by -0.1% for example whilst the Japanese Yen fell -0.6% against the US dollar. The New Zealand dollar however did appreciate significantly, rising 5.2% against the US dollar as employment growth was reported to be stronger than expected. Employment in the third quarter of 2018 was 2.8% higher than a year previously fuelling speculation that the next move by the Reserve Bank of New Zealand may be to increase interest rates.

1. The FTSE World Government Bond Index 100% hedged in New Zealand dollars (NZD), formerly, The Citigroup World Government Bond Index 100% hedged in New Zealand dollars (NZD).

2. Colchester Global Government Bond Fund – Class N whose inception date was 03 December 2015. Please see further footnotes on following pages for more details.

3. Annualized returns since inception.

Monthly Report: November 2018

Gross Attribution of Total Returns			
	Portfolio ²	Benchmark ¹	Relative Return
Monthly	-0.51%	0.64%	-1.14%
Bonds	0.42%	0.64%	-0.21%
Currency	-0.93%	0.00%	-0.93%

MONTHLY PERFORMANCE COMMENTARY

The fund returned -0.51% over the month, underperforming the benchmark which returned 0.64%. Bond selection detracted -0.21% from relative returns and currency selection detracted -0.93%. The top three bond detractors from relative returns were the underweight positions in Europe and United States and the overweight position in Mexico. The top three currency detractors from relative returns were the overweight positions in Malaysia Ringgit, Japanese Yen and Norwegian Krone.

Top 5 Bond Holdings	
1	US Treasury 5.375% 15Feb2031
2	US Treasury 2% 31Aug 2021
3	Japanese Govt 0.1% 20Mar2020
4	US Treasury 1.5% 15 Aug 2026
5	New Zealand Government 6% 15May2021

Top Active Currency Positions		
Portfolio Exposure relative to Benchmark		% of Portfolio
<i>Overweights</i>		
1	Malaysia Ringgit	4.9%
2	Japanese Yen	2.3%
3	British Pound	1.9%
<i>Underweights</i>		
1	New Zealand Dollars	-18.0%

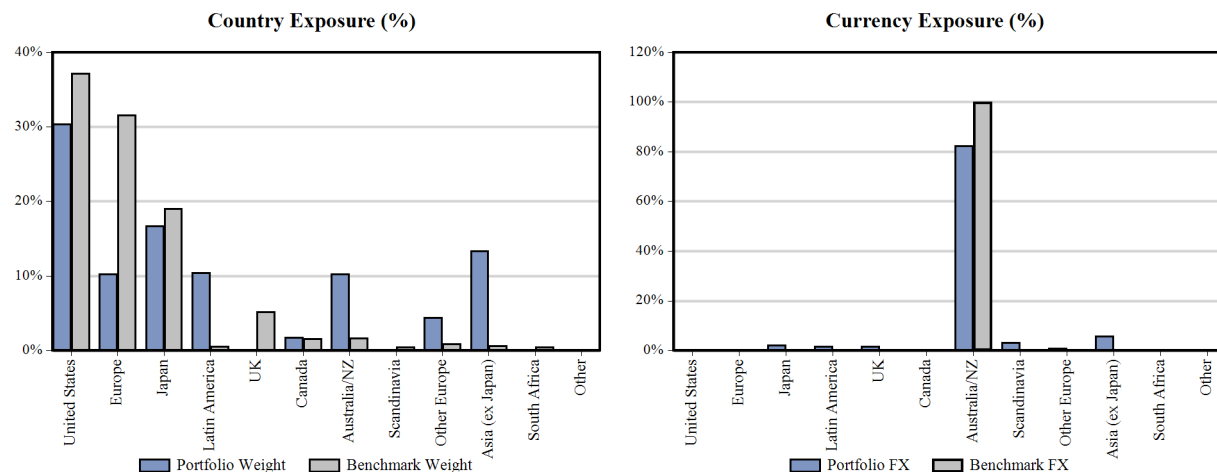
Portfolio Characteristics		
	Portfolio ²	Benchmark ¹
Duration	6.13	7.63
Yield	2.85	2.20
Yield to Maturity	2.50	1.70
Average Coupon	3.05	2.45
Average Credit Rating	AA-	AA

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November 2018

Monthly Report: November 2018

MONTH END POSITIONING



PERFORMANCE SINCE INCEPTION

Portfolio	2015	2016	2017	2018	SI ²³
Gross Returns	-1.50%	4.73%	4.64%	0.57%	2.78%
Benchmark ¹	0.52%	5.58%	3.14%	0.98%	3.40%
Relative Gross	-2.02%	-0.85%	1.50%	-0.42%	-0.62%

YTD Returns	Q1:18	Q2:18	Q3:18	Oct	Nov	YTD
Gross Returns	1.20%	0.16%	0.16%	-0.43%	-0.51%	0.57%
Benchmark ¹	0.73%	0.20%	-0.56%	-0.02%	0.64%	0.98%
Relative Gross	0.47%	-0.04%	0.72%	-0.42%	-1.14%	-0.42%

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November 2018

DISCLAIMERS

- Valuation and returns have been calculated in NZD 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.
- Past performance is no guarantee of future performance and the value of any investment may fall as well as rise. This information is provided for indicative purposes only, and is supplied in good faith based on sources which we believe, but do not guarantee, to be accurate or complete as of the date of this document. Such information is current as of the date of this document and may be subject to change without notice. This document is not to be used or considered as an offer to sell or solicitation of an offer to buy any securities. Nothing in this document should be construed as providing any type of investment, tax or other advice. A full performance presentation in compliance with the Global Investment Performance Standards (GIPS®) is available upon request. Additional information regarding policies and procedures for calculating and reporting returns is also available on request.
- The portfolio was in compliance with applicable investment guidelines throughout November 2018. The portfolio's guidelines are set out in the current prospectus.
- The gross performance record presented above does not reflect the deduction of management and custody fees, which will reduce overall client returns. As an example of the impact of investment management fees on the net return to investors: the value of a \$10 million investment at inception of 03 December 2015 on which the highest 70 basis points was payable, would be worth \$10.856 million gross of investment management fees and \$10.631 million net of fees as at the end of November 2018. The basis for calculating this example is to start with an investment amount, apply the monthly gross performance to the previous computed month end value, and deduct the highest fees payable (70.0 basis points) to compute the new month end value net of fees. Investment management fees are described in the current prospectus.
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