

Investment Objective

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

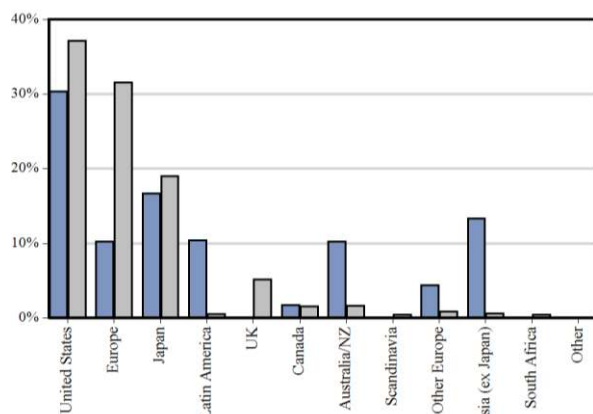
Investment Philosophy & Process

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.

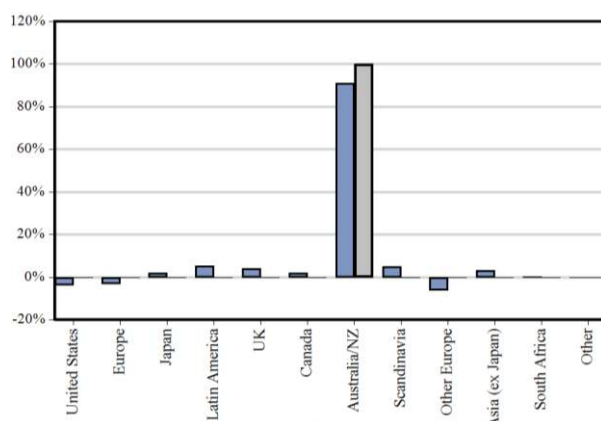
Fund Facts

Benchmark ¹	FTSE 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, Macquarie Wrap, Netwealth, OneVue, PowerWrap, Ausmaq (ready for trade)

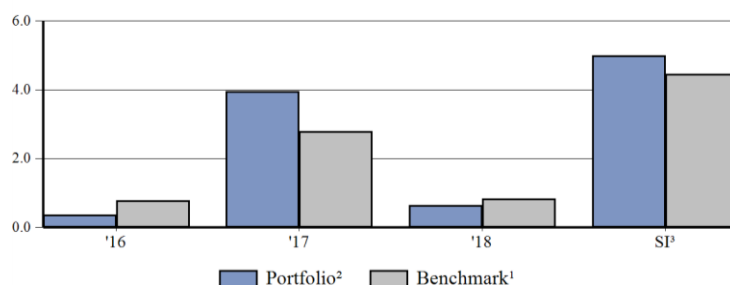
Country Exposure (%)



Currency Exposure (%)



Gross Performance



Total Fund Return ³	2016 ²	2017	2018	Total SI ⁴
Gross Returns	0.36%	3.95%	0.65%	5.00%
Benchmark ¹	0.78%	2.79%	0.82%	4.45%
Relative Gross	-0.42%	1.16%	-0.18%	0.55%

Fund Characteristics

	Portfolio ²	Benchmark ¹
Duration	6.14	7.63
Flat Yield	2.85	2.20
Yield to Maturity	2.50	1.70
Average Coupon	3.06	2.45
Average Credit Rating	AA-	AA

Top 5 Bond Holdings

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

Top Active Bond Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 Singapore	+7.35	7.67
2 New Zealand	+6.91	6.91
3 Mexico	+6.38	7.02
Underweights		
1 Europe	-21.34	10.33
2 USA	-6.76	30.48
3 UK	-5.29	0.00

Top Active Currency Positions

Portfolio Exposure	% Relative to Benchmark	Current % of Portfolio
Overweights		
1 Malaysian Ringgit	+5.74	5.74
2 British Pound	+4.07	4.07
3 Swedish Krona	+3.43	3.43
Underweights		
1 New Zealand Dollars	-5.38	-5.38
2 Hungarian Forint	-3.84	-3.84
3 United States Dollars	-3.63	-3.63

Monthly Performance Commentary

The fund returned -0.12% over the month, underperforming the benchmark which returned 0.64%. Bond selection detracted -0.22% from relative returns and currency selection detracted -0.54%. The top three bond detractors from relative returns were the underweight positions in Europe and Japan and the overweight position in Mexico. The top three currency detractors from relative returns were the long positions in Malaysia Ringgit, British Pound and Colombian Peso.

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.

Contact

Administration & Client Servicing Enquiries:

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

Sales & Marketing Enquiries:

Colchester Global Investors
Angela MacPherson, Head of Distribution Australia
Phone: +61 2 8599 2132
Email: MCSAPAC@colchesterglobal.com
Web: www.colchesterglobal.com.au

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 trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. "TMX®" is a trade mark 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. 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 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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