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Colchester Global Government Bond Fund – Class N

Monthly Report: June 2019

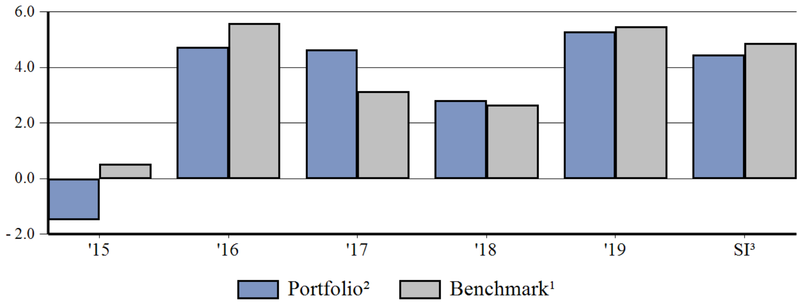
ESTABLISHED 1999

CURRENT ASSETS OVER $45BN

VALUE ORIENTATED

Global Bonds	Emerging Market Debt
Global Inflation	Alpha

GROSS PERFORMANCE AS AT END OF JUNE 2019



MARKET COMMENTARY

Global bonds performed positively over the second quarter, as ongoing trade and geopolitical concerns coupled with slower global growth expectations led most major global central banks turn dovish. Combined with a relatively low inflation environment this generally favoured global bond markets. In US dollar hedged terms, the FTSE World Government Bond Index returned 1.4% and 3.1% over June and the second quarter respectively. Overseas currencies outperformed the US dollar so that on an unhedged basis the June and second quarter returns were 2.3% and 3.6% respectively.

Accommodative monetary policy has assumed great prominence in recent months against the backdrop of weaker economic growth, partly due to ongoing global trade tensions and low inflation rates. This has impacted the US, Japan, the Eurozone, the UK, Australia and New Zealand. While the Fed left interest rates unchanged during its June meeting, it cited rising “uncertainties” about the economic outlook, stating that it would “act as appropriate to sustain the expansion”. Similarly, the ECB noted May’s sharp slowdown in inflation to 1.2% and signaled to keep rates on hold “at least through the first half of 2020.” ECB President Draghi also mentioned that other measures would be available, such as cutting deposit rates and a new round of bond purchases later in the year. This follows his earlier announcement of providing banks with cheap “TLTRO III” long-term loans, due to start in September. This led to strong Eurozone bond returns, especially for peripheral markets Spain and Portugal which returned 5.5% and 4.7% respectively over the quarter. Another strong performing bond market was Australia, in June the Reserve Bank of Australia lowered interest rates for the first time in three years by 25bps to 1.25%. One exception to the major central bank’s dovish trend is Norges Bank, which hiked rates in June by 25bps to 1.25% and forecasts another two hikes between now and next summer. Accordingly, Norwegian bond returns lagged most global bond markets delivering 0.4% and 0.9% in June and the quarter.

On the political front, the European Parliamentary elections took center stage. Both Green and Liberal groups and right-wing populist parties recorded the biggest wins as the traditional parties lost ground. The UK witnessed similar results with the Brexit party gaining most seats despite only being founded a few months prior to the local elections. Such a devastating result triggered the resignation of Prime Minster Theresa May, leading to a Conservative Party Leadership contest now in its final stage, and which will be concluded by the end of July. The October Brexit deadline leaves little time for the new Prime Minister to renegotiate a new deal. Against this continued uncertainty UK Gilts performed positively. Elsewhere, the EU and Italy remain in an ongoing discussion over its deficit target for 2020; its conclusion will determine whether Italy becomes subject to the punitive excessive deficit procedure. Despite this, Italian bonds delivered 3.8% over the quarter.

Turning to emerging markets, trade tensions keep simmering between the US and China. Also, Mexico endured some uncertainty during the quarter as US President Trump threatened tariffs on all Mexican goods entering the US, unless a tougher stance is taken on cross boarder migration. Nevertheless, Mexican bonds returned a positive 5.1% over the quarter. Similarly, Brazilian bonds performed strongly, with the central bank keeping rates on hold at 6.5%, despite the economy struggling to recover and annual inflation declining to 4.7% in May. Other positive news in Brazil included the congressional commission’s review of the pension reform package in an effort to restore Brazil’s fiscal position in the future.

The US dollar weakened against most currencies with some notable exceptions such as the British pound, the Australian and New Zealand dollars. The pound remains challenged by the ongoing Brexit uncertainties and was the worst performing G10 currency over the quarter. On the other hand, safe haven currencies such as the Japanese yen and Swiss franc were the strongest performers amongst the G10. Similarly, the currencies of commodity linked economies Canada and Norway recorded strong performances against the US dollar over the quarter.

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.

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Gross Attribution of Total Returns			
	Portfolio [2]	Benchmark [1]	Relative Return
Monthly	1.14%	1.33%	-0.19%
Bonds	1.43%	1.33%	0.09%
Currency	-0.28%	0.00%	-0.28%
Quarterly	3.21%	2.89%	0.31%
Bonds	3.04%	2.89%	0.15%
Currency	0.16%	0.00%	0.16%

Top 5 Bond Holdings	
1	US Treasury 2% 31Aug 2021
2	US Treasury 5.375% 15Feb2031
3	Japanese Govt 0.1% 20Dec2021
4	US Treasury 2.375% 15 Aug2024
5	US Treasury Inflation IX 2.125 15Feb2041

Top Active Currency Positions		
Portfolio Exposure relative to Benchmark		*% of Portfolio*
Overweights		
1	Malaysia Ringgit	4.0%
2	Japanese Yen	2.0%
3	British Pound	1.9%
Underweights		
1	New Zealand Dollars	-20.0%

Portfolio Characteristics		
	Portfolio [2]	**Benchmark [1]**
Modfied Duration	6.36	8.11
Flat Yield	2.39	2.09
Yield to Maturity	1.80	1.03
Average Coupon	2.78	2.46
Average Credit Rating	AA-	AA

MONTHLY PERFORMANCE COMMENTARY

The fund returned 1.14% over the month, underperforming the benchmark which returned 1.33%. Bond selection added 0.09% to relative returns, while currency selection detracted -0.28%.The top three positive bond contributors to relative returns were the overweight positions in Mexican nominal bonds, Brazilian inflation-linked bonds and Singaporean nominal bonds. The top three currency detractors from relative returns were the overweight positions in Japanese Yen, United States Dollars and British Pound.

QUARTERLY PERFORMANCE COMMENTARY

The fund returned 3.21% over the quarter, outperforming the benchmark which returned 2.89%. Bond selection added 0.15% to relative returns and currency selection added 0.16%.The top three positive bond contributors to relative returns were the overweight positions in Mexican nominal bonds, Brazilian inflation-linked bonds and US inflation-linked bonds. The top three positive currency contributors to relative returns were the overweight positions in Thai Baht, Norwegian Krone and Mexican Peso.

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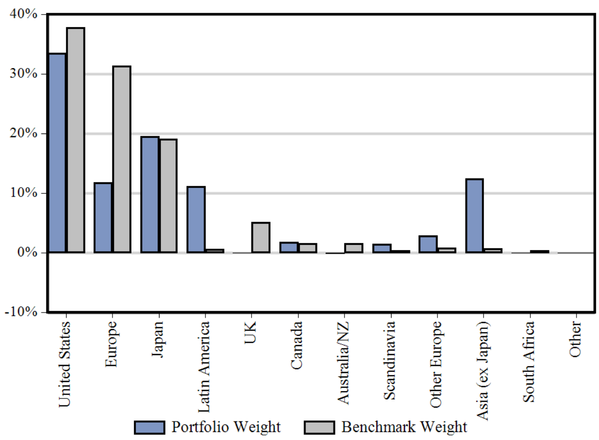
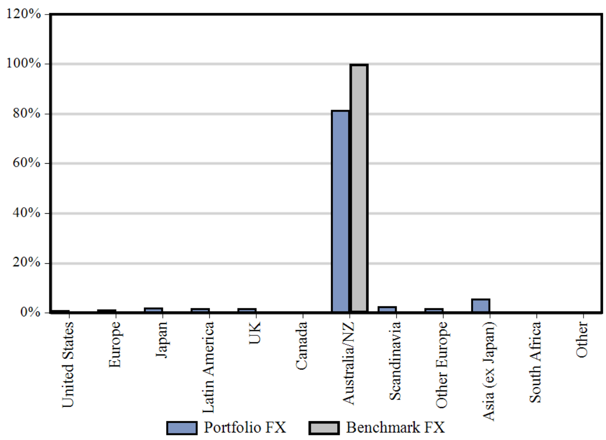
MONTH END POSITIONING

Country Exposure (%)



Currency Exposure (%)



PERFORMANCE SINCE INCEPTION

Portfolio	2015	2016	2017	2018	2019	SI[23]
Gross Returns	-1.50%	4.73%	4.64%	2.82%	5.30%	4.46%
Benchmark[1]	0.52%	5.58%	3.14%	2.66%	5.48%	4.87%
Relative Gross	-2.02%	-0.85%	1.50%	0.16%	-0.18%	-0.41%

YTD Returns	Q1:19	Apr	May	Jun	Q2:19	YTD
Gross Returns	2.03%	0.36%	1.67%	1.14%	3.21%	5.30%
Benchmark[1]	2.51%	-0.23%	1.78%	1.33%	2.89%	5.48%
Relative Gross	-0.49%	0.59%	-0.10%	-0.19%	0.31%	-0.18%

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 Fund.

- 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 June 2019. 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 NZ$10 million investment at inception of 03 December 2015 on which the highest 70 basis points was payable, would be worth NZ$11.687 million gross of investment management fees and NZ$11.428 million net of fees as at the end of June 2019. 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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June 2019