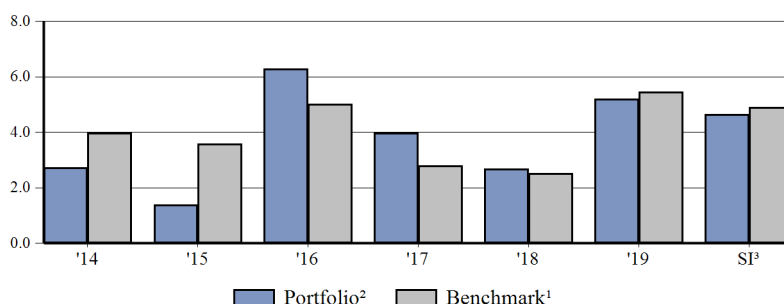


Colchester Global Government Bond Fund – Class A

Monthly Report: June 2019

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 Minister 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 Australian dollars (AUD), formerly, The Citigroup World Government Bond Index 100% hedged in Australian dollars (AUD).

2. Colchester Global Government Bond Fund – Class A whose inception date was 19 September 2014. Please see further footnotes on following pages for more details.

3. Annualized returns since inception.

Monthly Report: June 2019

Gross Attribution of Total Returns			
	Portfolio ²	Benchmark ¹	Relative Return
Monthly	1.37%	1.33%	0.04%
Bonds	1.36%	1.33%	0.03%
Currency	0.01%	0.00%	0.01%

Quarterly	2.63%	2.86%	-0.23%
Bonds	2.76%	2.86%	-0.10%
Currency	-0.13%	0.00%	-0.13%

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
<i>Overweights</i>		
1	Malaysia Ringgit	5.0%
2	British Pound	4.8%
3	Swedish Krona	3.6%
<i>Underweights</i>		
1	United States Dollars	-4.9%
2	Australian Dollars	-3.9%
3	New Zealand Dollars	-3.7%

Portfolio Characteristics		
	Portfolio ²	Benchmark ¹
Modified Duration	6.44	8.11
Flat Yield	2.42	2.09
Yield to Maturity	1.82	1.03
Average Coupon	2.81	2.46
Average Credit Rating	AA-	AA

MONTHLY PERFORMANCE COMMENTARY

The fund returned 1.37% over the month, outperforming the benchmark which returned 1.33%. Bond/Currency selection neither added or detracted from returns.

QUARTERLY PERFORMANCE COMMENTARY

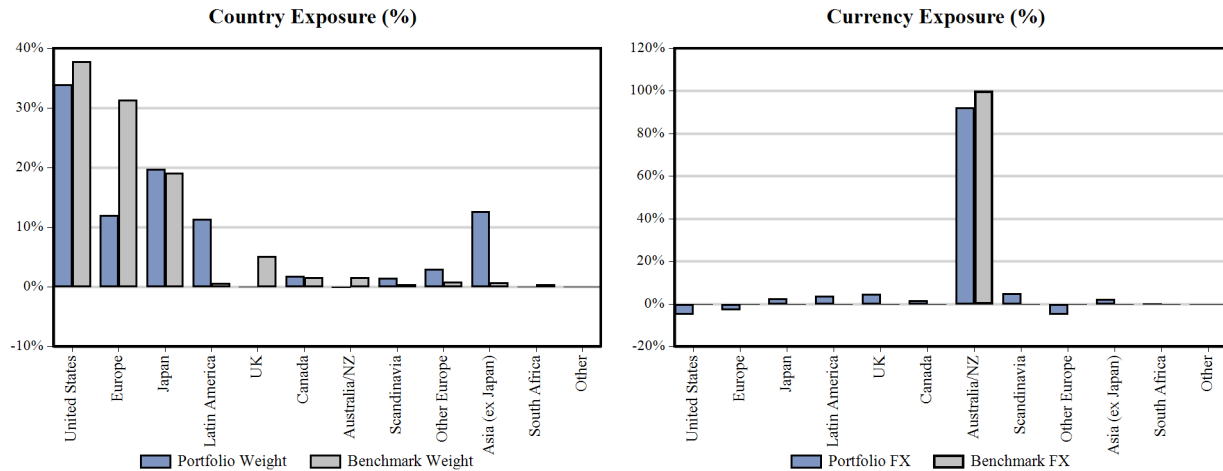
The fund returned 2.63% over the quarter, underperforming the benchmark which returned 2.86%. Bond selection detracted -0.10% from relative returns and currency selection detracted -0.13%. The top three bond detractors from relative returns were the underweight positions in Europe and United States and the overweight position in Japan. The top three currency detractors from relative returns were the short positions in Thai Baht and Euro and the long position in British Pound.

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June 2019

Monthly Report: June 2019

MONTH END POSITIONING



PERFORMANCE SINCE INCEPTION

Portfolio	2014	2015	2016	2017	2018	2019	SI ²³
Gross Returns	2.73%	1.38%	6.28%	3.98%	2.68%	5.20%	4.66%
Benchmark ¹	3.99%	3.59%	5.02%	2.79%	2.51%	5.47%	4.91%
Relative Gross	-1.25%	-2.21%	1.26%	1.18%	0.16%	-0.27%	-0.25%

YTD Returns	Q1:19	Apr	May	Jun	Q2:19	YTD
Gross Returns	2.50%	0.04%	1.20%	1.37%	2.63%	5.20%
Benchmark ¹	2.54%	-0.23%	1.75%	1.33%	2.86%	5.47%
Relative Gross	-0.03%	0.27%	-0.55%	0.04%	-0.23%	-0.27%

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June 2019

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- The portfolio's guidelines are set out in PDS of the fund. Investment management fees are described in PDS of the fund.
- 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 A\$10 million investment at inception of 19 September 2014 on which the highest 60 basis points was payable, would be worth A\$12.433 million gross of investment management fees and A\$12.055 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 (60.0 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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