



COLCHESTER[®]
GLOBAL INVESTORS

Howard County Master Trust

24 October 2019

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- Colchester Global Investors Limited is authorized and regulated by the Financial Conduct Authority in the United Kingdom. Colchester Global Investors Limited is also registered with the Securities and Exchange Commission in the USA and is registered as a Commodity Trading Advisor and Commodity Pool Operator with the Commodity Futures Trading Commission.
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1. Company Update

ORGANISATION: Our Team

CHAIRMAN & CHIEF INVESTMENT OFFICER

Ian Sims

39 years industry experience
(previously Delaware International, Hill Samuel, Royal Bank of Canada)

CEO & DEPUTY CIO

Keith Lloyd, CFA

35 years industry experience
(previously The World Bank, The Reserve Bank of New Zealand)

MARKETING & CLIENT SERVICES

Dubai

Paul Allen

Senior Executive Officer - Middle East
Global Head of MCS
23 years industry experience
(previously Fidelity, PAM, PIMCO)

New York

Janhavi Kumar

Head of Distribution – North America
19 years industry experience

Lily Leong Vice-President

London

Jeremy Church
Giancarlo Fenton, CFA
Claire MacDuff
Constance de Wavrin
Product Specialists

Asia Pacific

Angela MacPherson
Head of Distribution - Australia
26 years industry experience

Calvin Liew, CFA
Product Specialist

Additional Staff not listed 3

INVESTMENT

Kathryn Elsby
Senior Investment Manager
37 years industry experience
(previously Hill Samuel)

Claudia Gollmeier, CFA
Managing Director - Singapore
Senior Investment Officer
20 years industry experience

Paul Grice, CFA
Senior Investment Officer
36 years industry experience

Cian O'Brien, CFA
Senior Investment Officer
17 years industry experience

Martyn Simpson, CFA
Investment Officer
20 years industry experience

Mark Capstick
Investment Officer
21 years industry experience

Carl Roberts
Investment Officer
14 years industry experience

Jean Lee, CFA
Investment Officer
16 years industry experience

Alex Fullarton
Investment Analyst
12 years industry experience

RISK, ANALYTICS & DEALING

Alberto Martin-Martin
Head of Risk & Analytics
20 years industry experience

Arun Patel, CFA
Quantitative Analyst

Additional Staff not listed 2

Tim Digby
Head of Dealing
16 years industry experience

Additional Staff not listed 4

Total Staff: 69
Five Offices:

London, New York,
Singapore, Sydney and
Dubai

* As of end September 2019

COMPLIANCE & CORPORATE SERVICES

Michele Connell
Head of Legal & Compliance
23 years industry experience

Rob Walker
Compliance & Legal Officer

James Christie
Senior Legal Associate

Paul Hecker
Senior Compliance Associate

Claire Hopkins
MLRO
Compliance Associate

Additional Staff not listed 5

Emma Amara
Head of Finance
19 years industry experience

Additional Staff not listed 5

OPERATIONS

Trevor Denton
Chief Operating Officer
27 years industry experience

Roxanne Aszkielowicz
Head of Fund Administration
17 years industry experience

Deborah Fritzsche
Senior Portfolio Administrator

Shamsul Khan
Senior Derivatives Administrator

Tristan Thomas
Senior Securities Administrator

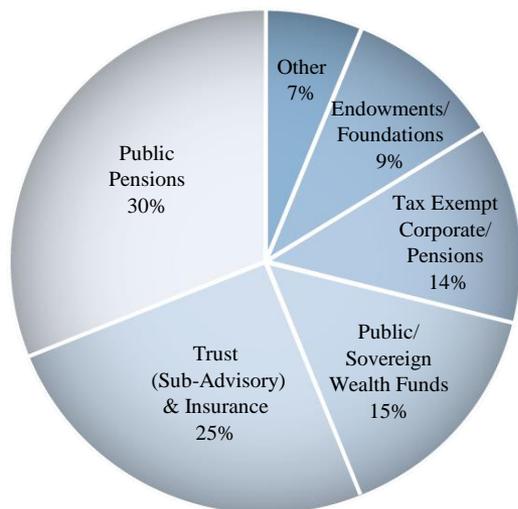
Edwin Teng
Senior Investment Operations
Officer

Arpita Shah
Head of Systems Development
12 years industry experience
Additional Staff not listed 14

ORGANISATION (As of 30 September 2019)

AN OVERVIEW

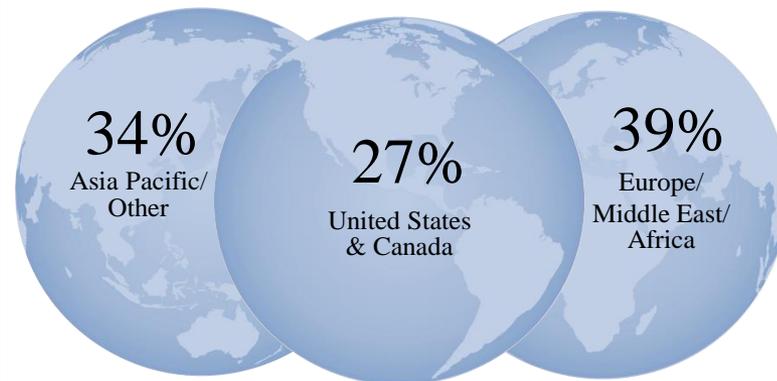
Entity Type



Assets Under Management

\$45,788 million

Geographic Location



PRODUCTS OFFERED

Global Sovereign	Global Inflation Linked	Emerging Local Markets Debt	Alpha Program
\$27.8bn	\$4.7bn	\$11.9bn	\$1.4bn

Colchester is a
value-oriented
global fixed income
manager

*We invest primarily in high quality
sovereign bond markets that offer
attractive real yields and sound finances*

A conscious focus on generating
attractive real returns

High quality sovereign-oriented
portfolios

Unique use of smaller market
and sector opportunities

PHILOSOPHY: Universe and Scope

GLOBAL FIXED INCOME

High Quality *Local* Government Bond Markets¹

CLASSIC²
(50 - 100%)

G3 Markets:
United States
Eurozone
Japan

Non G3 Markets:
Australia
Canada
Denmark
New Zealand
Norway
Sweden
Switzerland
United Kingdom

NON-CLASSIC³
(0 - 50%)

Countries in Major G.B. Indices⁴:

Brazil	Peru
Chile	Poland
Colombia	Singapore
Czech Republic	South Africa
Hong Kong	South Korea
Hungary	Taiwan
Malaysia	Thailand
Mexico	

INFLATION PROTECTION BOND

INFLATION PROTECTION BONDS (70 - 100%)

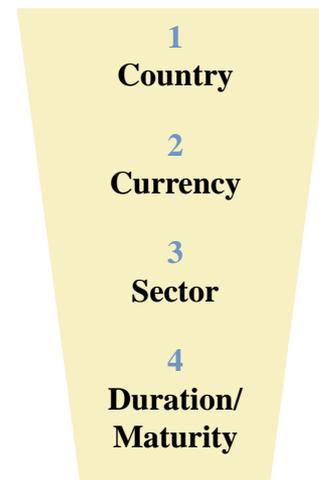
Australia	Italy	Spain
Brazil	Japan	Sweden
Canada	Mexico	United Kingdom
Colombia	New Zealand	United States
Denmark	Poland	
France	South Africa	
Germany	South Korea	

NOMINAL GLOBAL BONDS (0 - 30%)

Any Country in the Bloomberg Barclays Global Aggregate Bond Index

Any Other Country Rated BBB-⁵ or higher, deemed to be suitable for investment

MULTIPLE SOURCES OF ADDED VALUE



INSTRUMENTS

Physical Bonds
Currency Forwards

Single or blended product availability

1. Not an exhaustive list of all potential sovereigns meeting the minimum BBB- (or equivalent by another recognised rating agency) local currency rating, liquidity and stability investment criteria. Please note that Colchester may invest in a country with a split rating provided one of the ratings is BBB- (or equivalent) or higher. Colchester may in exceptional circumstances hold bonds that have lost investment grade status if supported by our financial stability analysis; currently this applies to Brazil.
2. For investment purposes, the Classic OECD markets include those countries that were members before 1974 with the exception of Turkey. The 23 countries included in this set were Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and the United States.
3. For investment purposes, Non-Classic refers to those countries not listed in the above 23 countries that meet the minimum credit requirement.
4. Countries with local bonds included in either the Bloomberg Barclays Global Aggregate Bond Index or the JP Morgan Government Bond Index (GBI) Broad.
5. BBB- according to Standard and Poor's, or equivalent by another recognised rating agency's local currency rating. Please note that Colchester may invest in a country with a split rating provided one of the ratings is BBB- (or equivalent) or higher.

PHILOSOPHY: Universe and Scope

EMERGING LOCAL MARKET DEBT

Local Government Bond Markets¹

BENCHMARK ²		NON-BENCHMARK ³
Argentina	Mexico	Hong Kong
Brazil	Peru	Nigeria
Chile	Philippines	Singapore
Colombia	Poland	South Korea
Czech Republic	Romania	Taiwan
Dominican Republic	Russia	
Hungary	South Africa	
Indonesia	Thailand	
Malaysia	Turkey	
	Uruguay	

EMERGING INFLATION PROTECTION BOND⁴

Local Inflation-Protected Government Bond Markets¹

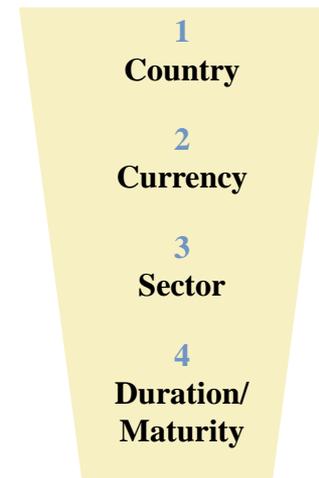
INFLATION PROTECTION BONDS (70 - 100%)

Argentina	Poland
Brazil	Russia
Chile	South Africa
Colombia	South Korea
Israel	Thailand
Mexico	Turkey
Peru	Uruguay

NOMINAL GLOBAL BONDS (0 - 30%)

Any country within the nominal emerging local market debt program or other markets deemed to be suitable for investment.

MULTIPLE SOURCES OF ADDED VALUE



INSTRUMENTS

Physical Bonds
Currency Forwards

Single or blended product availability

¹.Not an exhaustive list of all potential sovereigns, additional countries may be added to the opportunity set as their credit ratings, liquidity and institutional arrangements allow.

².The benchmark is the JP Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified Index unhedged in US dollars.

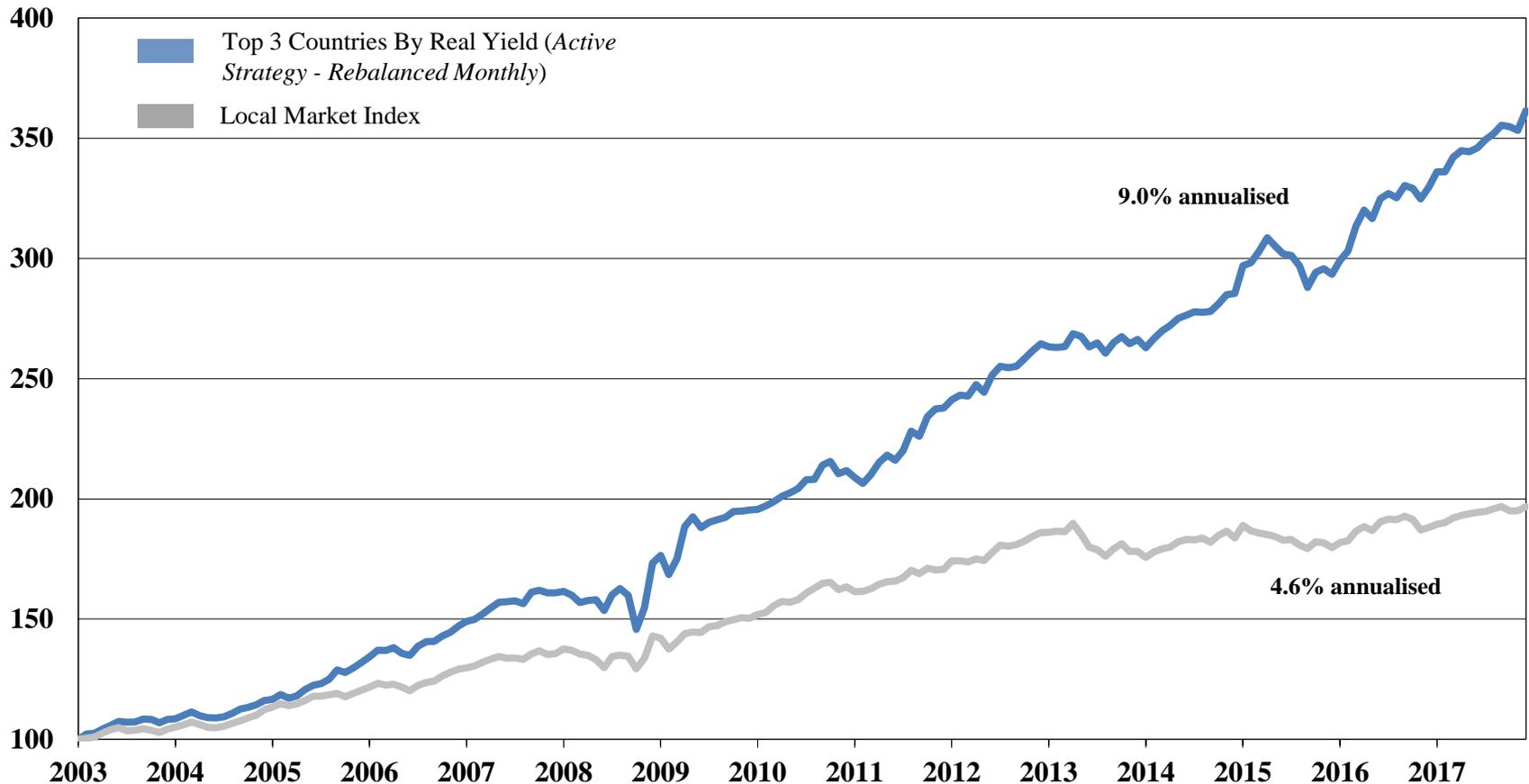
³.From time to time the portfolio may also be invested in any other sovereign bond market with a credit rating of B- or higher.

⁴.The benchmark is the Bloomberg Barclays Emerging Markets Tradable Inflation-Linked Bond (EMTIL) Index unhedged in US dollars.

PHILOSOPHY: Bond Management

Growth of \$100 Invested in Local Market Government Bond Markets Hedged into US Dollars

“Real yields offer a sound basis for country selection”



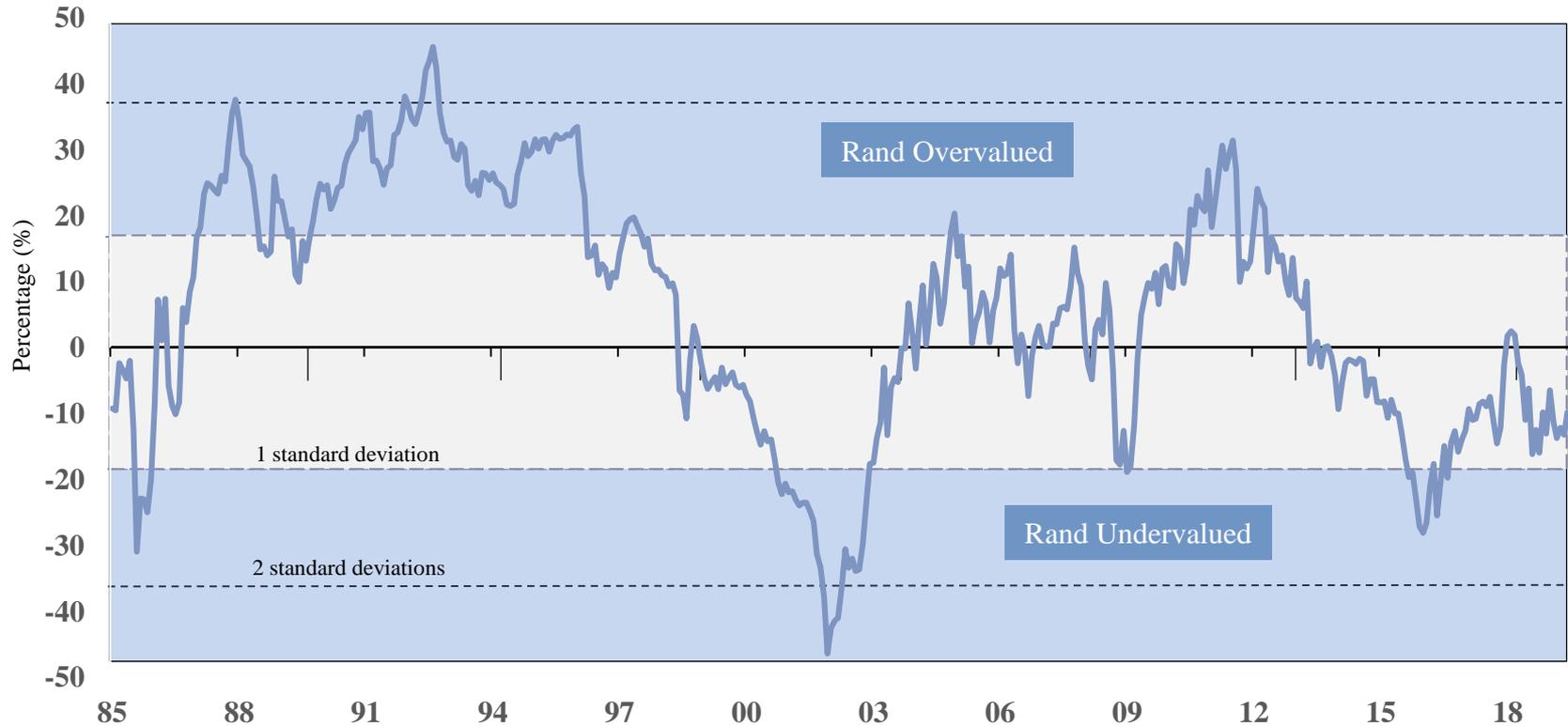
The active strategy calculates each month the average performance (hedged into US dollars) of the three countries' bond markets with the highest real yields at the prior month-end. "Real Yield" is defined as a country's ten-year yield to maturity less its (known) next 12 months' consumer price inflation. All countries included in the opportunity set are emerging market countries from the JP Morgan GBI-EM Global Diversified index and the list of eligible countries used in this analysis is available on request. The analysis commences in January 2003, and given the use of 12 month forward known inflation, concludes in December 2017 (i.e. using year-over-year inflation to end December 2018).

Performance data is sourced from the JP Morgan families of Government Bond Indices. Yield and consumer price index data is sourced from Bloomberg and Datastream.

PHILOSOPHY: Currency Management

South African Rand Real Exchange Rate Over (+) / Under (-) Valuation versus the US Dollar

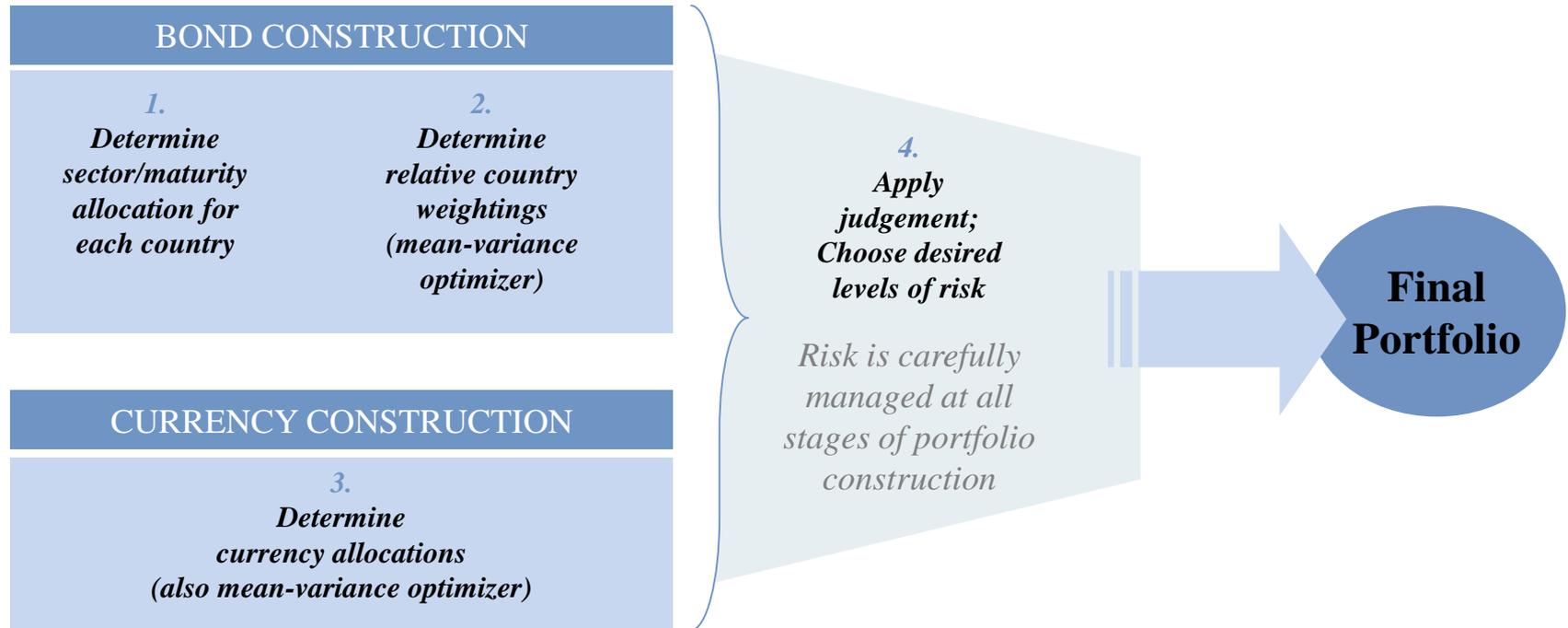
*“Defensively-Oriented Currency Hedging
based on Real Exchange Rates”*



Other factors taken into account:

- Real interest rates
- Current account balances and accumulated foreign assets/liabilities
- Analysis of global foreign exchange reserve holdings

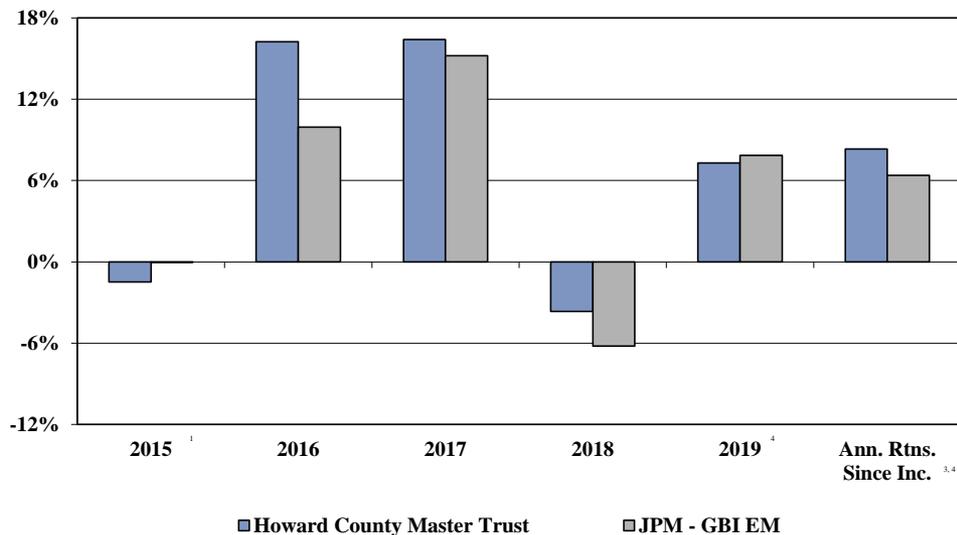
IMPLEMENTATION: Portfolio Construction



2. Performance Review

INVESTMENT PERFORMANCE (01 October 2015 to 30 September 2019)

Percentage Total Returns (Gross)



	Market Value
Initial Contribution	
01 October 2015	\$35,000,000
Additional Contributions	
15 March 2018	\$7,000,000
31 January 2019	\$2,000,000
Withdrawals	
01 May 2017	\$10,000,000
Ending Market Value	
30 September 2019	\$44,895,010

	2015 ¹	2016	2017	2018	2019 ⁴	Total Rtns. Since Inc. ^{2,4}	Ann. Rtns. Since Inc. ^{3,4}
Howard County Master Trust (gross)	-1.48%	16.24%	16.40%	-3.67%	7.29%	37.77%	8.33%
JPM-GBI EM Global Diversified Index	-0.01%	9.94%	15.22%	-6.21%	7.86%	28.13%	6.39%
Relative Performance	-1.47%	6.30%	1.18%	2.54%	-0.57%	9.64%	1.94%

1. Since inception date of 01 October 2015.
2. Total returns since the inception date of 01 October 2015
3. Annualized returns since inception date of 01 October 2015.
4. To the end of September 2019.

PERFORMANCE ATTRIBUTION: Emerging Local Markets Debt Product (USD Unhedged)

Q3 2019

	Bonds	Currency	Total
Portfolio	1.98%	-3.37%	-1.39%
Benchmark ¹	2.73%	-3.52%	-0.79%
Relative	-0.75%	0.15%	-0.60%

The top three bond contributors to relative returns were:

- The overweight position in Mexico (+0.30%)
- The underweight position in Argentina (+0.19%)
- The overweight position in Brazil (+0.08%)

The top three bond detractors from relative returns were:

- The underweight position in Thailand (-0.38%)
- The underweight position in Turkey (-0.33%)
- The underweight position in Peru (-0.16%)

The top three currency contributors to relative returns were:

- The underweight position in Hungarian Forint (+0.26%)
- The underweight position in Chilean Peso (+0.23%)
- The underweight position in Czech Koruna (+0.15%)

The top three currency detractors from relative returns were:

- The overweight position in Argentine Peso (-0.29%)
- The overweight position in Colombian Peso (-0.26%)
- The overweight position in Mexican Peso (-0.08%)

1. The benchmark is the JP Morgan GBI EM Global Diversified (USD Unhedged).

PERFORMANCE ATTRIBUTION: Emerging Local Markets Debt Product (USD Unhedged)

2019 YTD ²

	Bonds	Currency	Total
Portfolio	7.68%	-0.39%	7.29%
Benchmark ¹	8.27%	-0.41%	7.86%
Relative	-0.59%	0.02%	-0.57%

The top three bond contributors to relative returns were:

- The overweight position in Mexico (+0.76%)
- The overweight position in Brazil (+0.53%)
- The underweight position in Argentina (+0.33%)

The top three bond detractors from relative returns were:

- The underweight position in Thailand (-0.61%)
- The underweight position in Turkey (-0.53%)
- The underweight position in Peru (-0.48%)

The top three currency contributors to relative returns were:

- The underweight position in Hungarian Forint (+0.39%)
- The underweight position in Chilean Peso (+0.19%)
- The underweight position in Czech Koruna (+0.19%)

The top three currency detractors from relative returns were:

- The underweight position in Thai Baht (-0.44%)
- The overweight position in Colombian Peso (-0.26%)
- The overweight position in Argentine Peso (-0.22%)

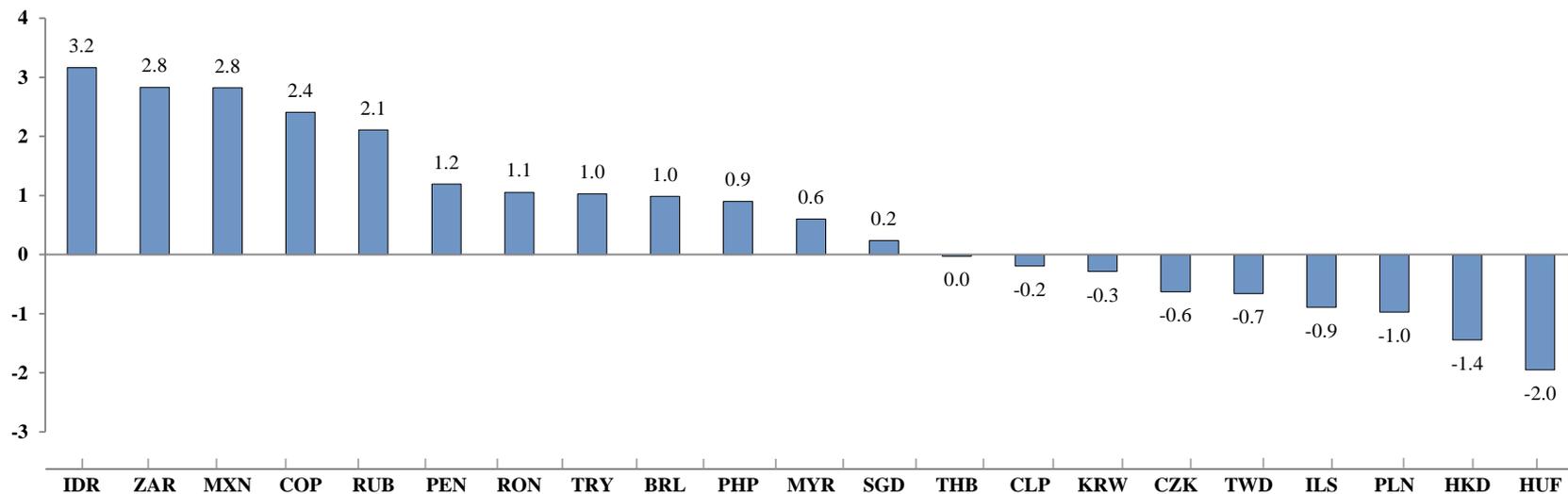
1. The benchmark is the JP Morgan GBI EM Global Diversified (USD Unhedged).
2. As at end September 2019.

3. Investment Valuations & Portfolio Positioning

BONDS: Local Market Real Yields

Real Yields equal 10 year market yield less Colchester inflation forecasts

September 2019



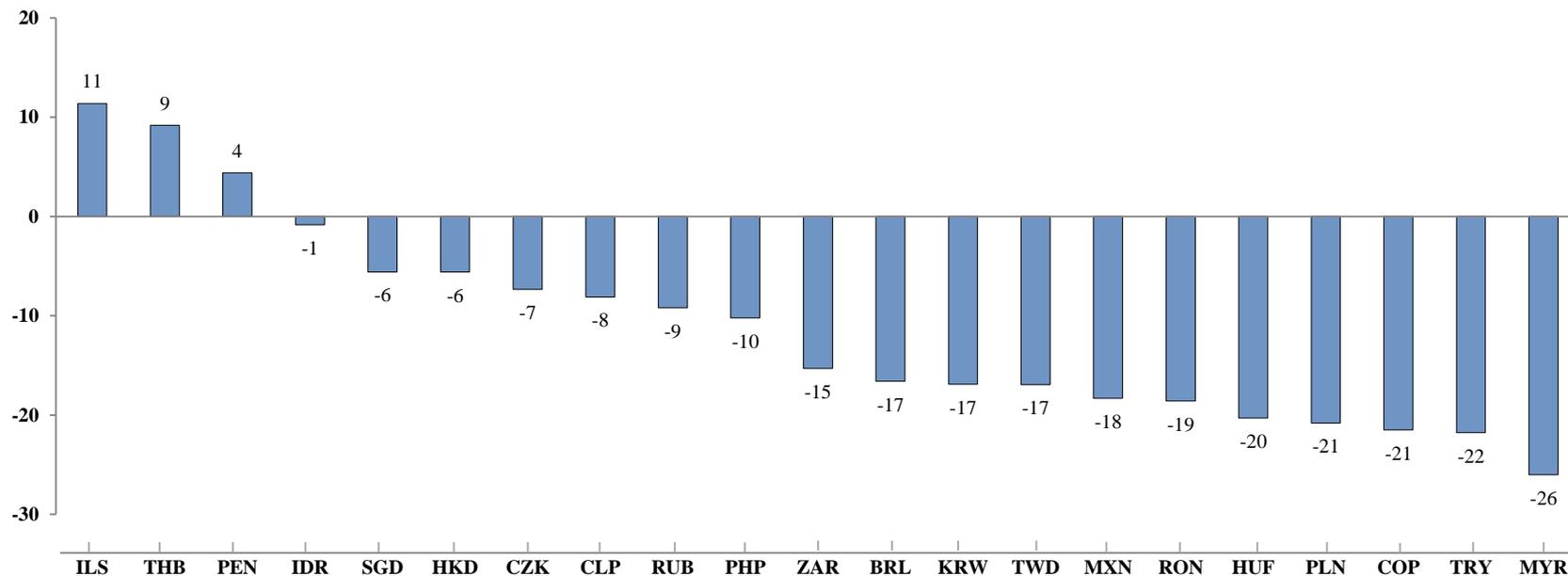
BRL Brazil	HKD Hong Kong	ILS Israel	PHP Philippines	SGD Singapore	ZAR South Africa
CLP Chile	HUF Hungary	MXN Mexico	PLN Poland	THB Thailand	
COP Colombia	IDR Indonesia	MYR Malaysia	RON Romania	TRY Turkey	
CZK Czech Republic	KRW Korea	PEN Peru	RUB Russia	TWD Taiwan	

1 The expected real yield for Argentina has been removed due to recent changes in policy and lack of liquidity.

CURRENCY: Local Market Real Exchange Rate Estimates

Real FX versus USD

September 2019



BRL Brazilian Real	HKD Hong Kong Dollar	ILS Israeli Shekel	PHP Philippine Peso	SGD Singapore Dollar	ZAR South Africa Rand
CLP Chilean Peso	HUF Hungarian Forint	MXN Mexican Peso	PLN Polish Zloty	THB Thai Baht	
COP Colombian Peso	IDR Indonesian Rupiah	MYR Malaysian Ringgit	RON Romanian Leu	TRY Turkish Lira	
CZK Czech Koruna	KRW Korean Won	PEN Peruvian Sol	RUB Russian Ruble	TWD Taiwan Dollar	

1 The expected real exchange rate for Argentina has been removed due to recent changes in policy.

PORTFOLIO: Emerging Local Markets Debt Product (USD Unhedged)

Illustrative Portfolio: September 2019 ¹

<i>Market</i>	<i>Expected Real Return ²</i>	<i>Colchester Range</i>	<i>Index ³</i>	<i>Colchester Country Exposure</i>	<i>Colchester Currency Exposure</i>
Brazil	1.0	0-25	10.0	14	11
Chile	-0.2	0-20	3.3	0	0
Colombia	2.4	0-20	6.4	11	12
Czech Republic	-0.6	0-25	3.9	0	2
Hungary	-2.0	0-20	4.2	0	2
Indonesia	3.2	0-20	10.0	16	14
Malaysia	0.6	0-25	6.0	10	11
Mexico	2.8	0-25	10.0	19	18
Peru	1.2	0-20	3.8	0	0
Philippines	0.9	0-20	0.3	0	0
Poland	-1.0	0-25	8.7	0	4
Romania	1.1	0-20	2.6	0	3
Russia	2.1	0-20	8.2	11	9
South Africa	2.8	0-25	8.6	13	9
Thailand	0.0	0-20	9.4	4	1
Turkey	1.0	0-20	4.0	2	4
<i>Other Countries ³</i>			0.6		
Total			100	100	100

1. The portfolio allocations represented on this page are for illustration purposes only. The portfolio presented above and on the following page is a close approximation to the holdings of The Colchester Local Markets Debt Fund at the end of September 2019, a portfolio which Colchester believes is illustrative of its local markets debt program. The country ranges shown are indicative and arise from Colchester's desire to control deviations from index weightings; they are subject to change over time and do not represent actual investment guidelines. The contents of this page should not be viewed as an investment recommendation to any third party.

2. These expected (annualized) real returns are for relative allocation decision-making purposes only and do not represent forecasts of actual returns.

3. The benchmark index is the JP Morgan Government Bond Index – Emerging Markets Global Diversified (unhedged in US dollars). Not all index countries are included in the table above. Specifically, Argentina (0.2% of the index), Dominican Republic (0.2% of the index) and Uruguay (0.2% of the index) are excluded.

PORTFOLIO: Emerging Local Markets Debt Product (USD Unhedged)

Portfolio Characteristics: September 2019 ^{1,2}

Country		Coupon	Maturity	Percent	Country		Coupon	Maturity	Percent
Brazil	Govt	10.000	2021	4.5	Malaysia	Govt	4.059	2024	1.4
	Govt	10.000	2023	3.6		(cont'd)	Govt	3.955	2025
	Govt	10.000	2025	0.5	Govt	3.900	2026	0.4	
	Govt	10.000	2027	2.4	Govt	3.899	2027	1.1	
	Govt (IPB)	6.000	2020	1.3	Mexico	Govt	8.000	2020	1.3
	Govt (IPB)	6.000	2045	1.2		Govt	6.500	2021	1.3
Govt (IPB)	6.000	2050	0.6	Govt		10.000	2024	4.0	
Govt	7.000	2022	3.1	Govt		7.500	2027	3.8	
Colombia	Govt	10.000	2024	4.0	Govt	8.500	2029	1.4	
	Govt	7.500	2026	3.0	Govt	7.750	2031	1.6	
	Govt	6.000	2028	0.6	Govt	7.750	2034	0.7	
	Govt	7.750	2030	0.6	Govt	10.000	2036	0.6	
	Govt	7.000	2032	0.2	Govt	8.500	2038	1.4	
	Govt	7.000	2042	1.0	Govt	7.750	2042	1.0	
Turkey	Govt	11.000	2022	0.8	Govt	8.000	2047	0.9	
	Govt (IPB)	4.000	2020	1.1	Govt (IPB)	4.500	2035	0.9	
Indonesia	Govt	5.625	2023	0.3	Russia	Govt	6.400	2020	0.9
	Govt	8.125	2024	2.8		Govt	7.500	2021	1.0
	Govt	7.000	2027	0.4		Govt	7.000	2023	0.7
	Govt	6.125	2028	1.1		Govt	7.100	2024	0.4
	Govt	9.000	2029	0.6	Govt	8.150	2027	3.1	
	Govt	8.250	2029	3.2	Govt	7.050	2028	2.3	
	Govt	8.750	2031	1.6	Govt	6.900	2029	0.6	
	Govt	7.500	2032	0.9	Govt	8.500	2031	1.2	
	Govt	6.625	2033	0.6	Govt	7.700	2033	1.2	
	Govt	8.375	2034	1.4	South Africa	Govt	7.750	2023	0.2
	Govt	8.250	2036	2.1		Govt	10.500	2026	6.7
	Govt	8.375	2039	0.7		Govt	7.000	2031	1.8
	Malaysia	Govt	3.492	2020	0.4	Govt	6.250	2036	2.0
		Govt	3.889	2020	0.5	Govt	6.500	2041	0.2
Govt		3.659	2020	1.0	Govt	8.750	2044	0.6	
Govt		3.441	2021	0.2	Govt	8.750	2048	1.1	
Govt		4.160	2021	1.6	Thailand	Govt	2.125	2026	2.1
Govt		3.620	2021	0.6		Govt	2.875	2028	0.8
Govt		3.882	2022	1.3		Govt	3.650	2031	0.8
Govt		3.480	2023	1.0	Total				100
Govt		3.800	2023	0.5					

SECTOR BREAKDOWN		Percent
Investment Grade Conventional		83
Below IG Conventional		12
Investment Grade IPB		1
Below IG IPB		4
Total		100
Government		100
Sovereign Eurobond/Supranational		0
Total		100

CREDIT BREAKDOWN		Percent
AAA		0
AA+ to AA-		0
A+ to A-		33
BBB+ to BBB-		51
Below BBB-		16
Total		100
Average Credit		BBB

MATURITY BREAKDOWN		Percent
0 - 5 years		34
5 -10 years		40
10 -20 years		20
Over 20 years		6
Total		100

YIELD		
Portfolio Average Coupon		7.27
Benchmark Average Coupon		6.14
Portfolio Yield to Maturity		6.02
Benchmark Yield to Maturity		5.32

DURATION		
Portfolio		5.3
Benchmark (JP Morgan EM Diversified) ²		5.5
Deviation		-0.2

1. The portfolio allocations represented on this page are for illustration purposes only. The portfolio presented above is a close approximation to the holdings of The Colchester Local Markets Debt Fund at the end of September 2019, a portfolio which Colchester believes is illustrative of its local markets debt program. The contents of this page should not be viewed as an investment recommendation to any third party.

2. The benchmark index is the JP Morgan Government Bond Index – Emerging Markets Global Diversified (unhedged in US dollars). Not all index countries are included in the table above. Specifically, Argentina (0.2% of index), Dominican Republic (0.2% of the index) and Uruguay (0.2% of the index) are excluded.

4. Economic & Inflation Outlook

ECONOMIC AND INFLATION OUTLOOK

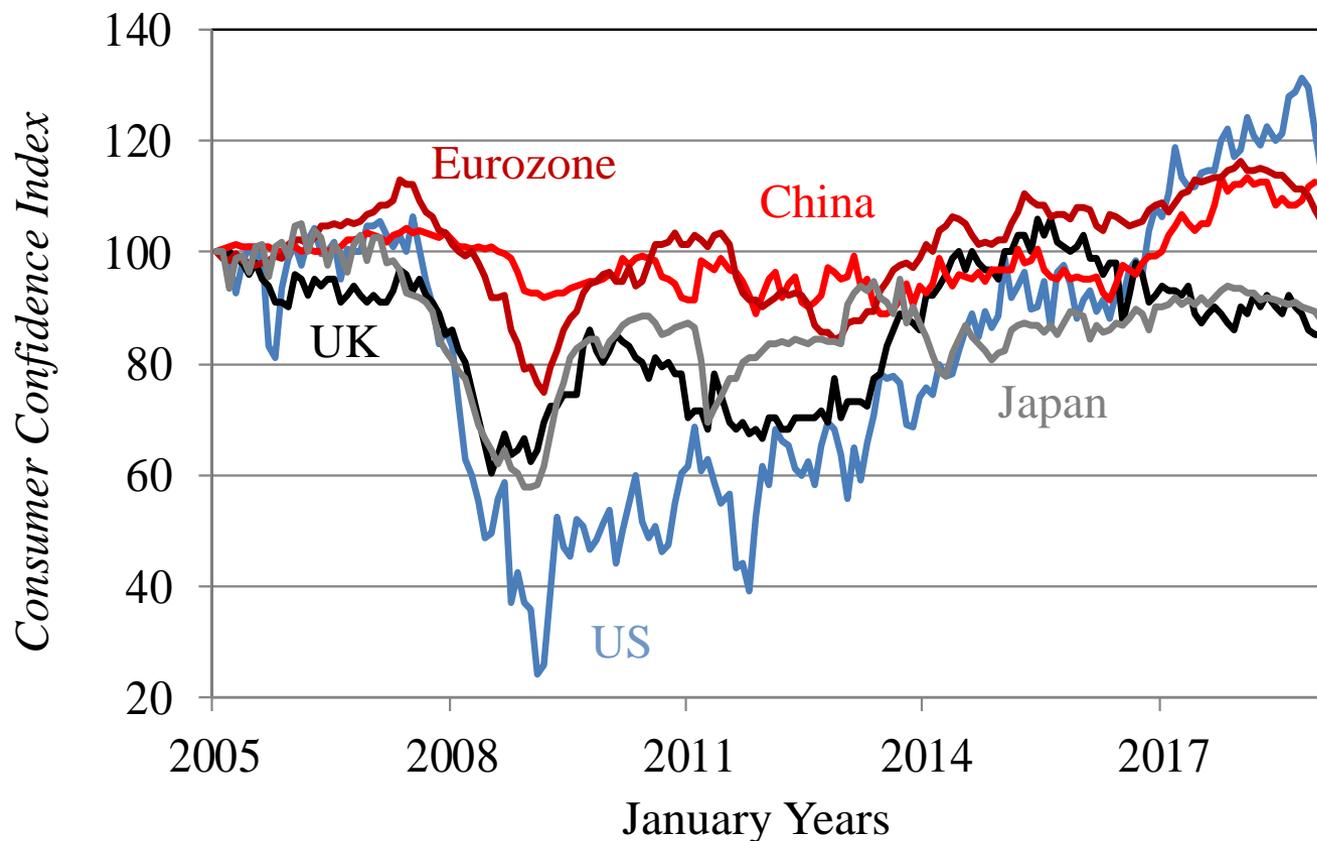
Steady Growth, Benign Inflation:

- Tightening financial conditions, fiscal restraint and trade concerns have tempered confidence and lowered the outlook for growth.
- Nonetheless, activity remains solid, underpinned by tight labor markets and rising income.
- Further softness in money and credit growth, slower activity and weaker commodity prices suggest inflationary pressures may have peaked.
- Success, or otherwise, of the China stimulus will be key driver of global growth and inflation over the next 12 to 24 months.
- In the absence of policy errors, benign inflation and steady, if not spectacular, growth environment expected to prevail.

ECONOMIC AND INFLATION OUTLOOK

Underpinned by a Confident Consumer:

Consumer Confidence

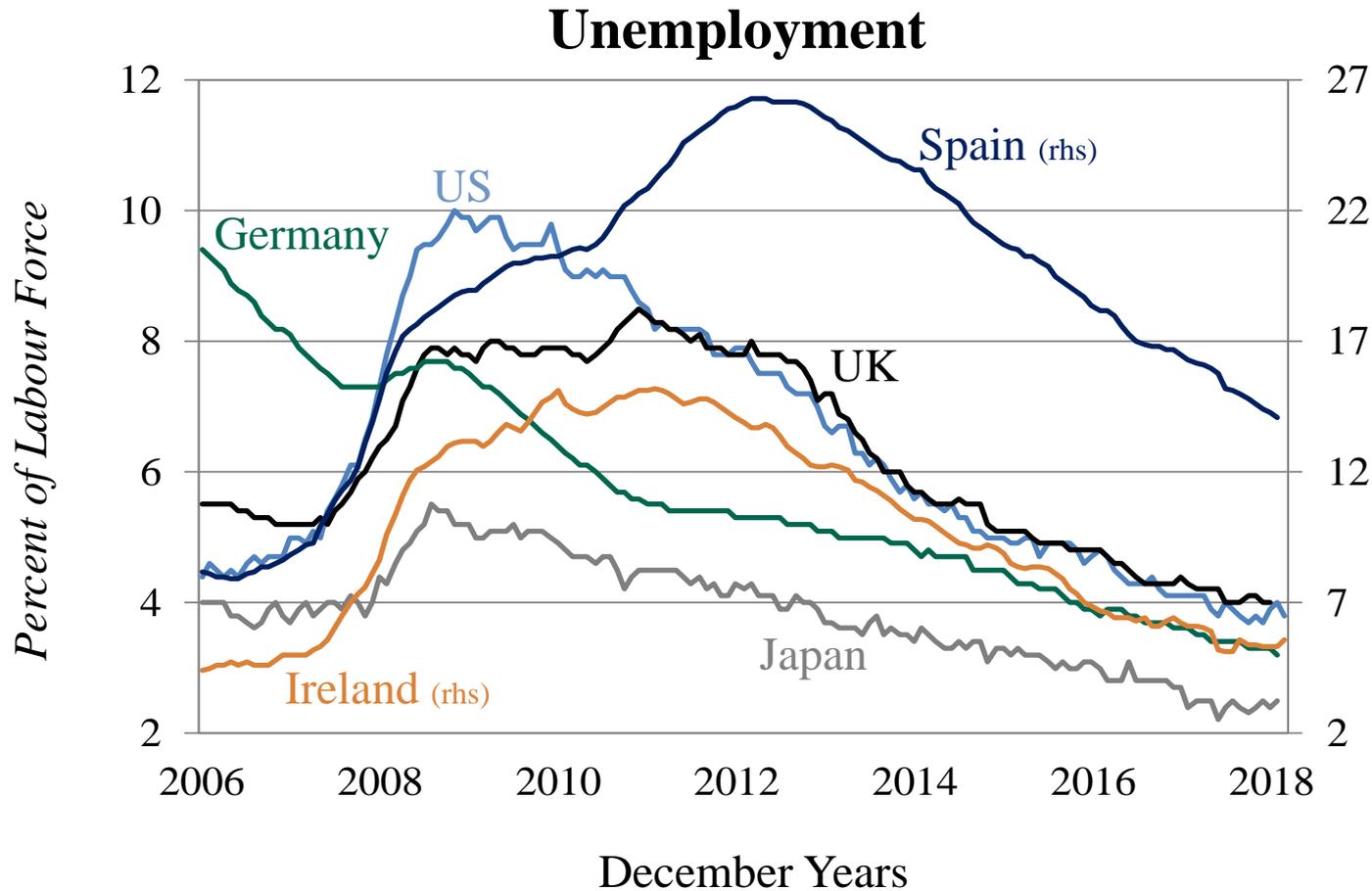


“Comprising 70% of US and 60% of world GDP, where they go, the economy goes.”

Sources: US Conference Board, European Commission, GfK UK, Economic & Social Research Institute Japan and National Bureau Statistics China. Note indices rebalanced to 100 as at January 2005. Updated to February 2019.

ECONOMIC AND INFLATION OUTLOOK

Happy About their Job Prospects:

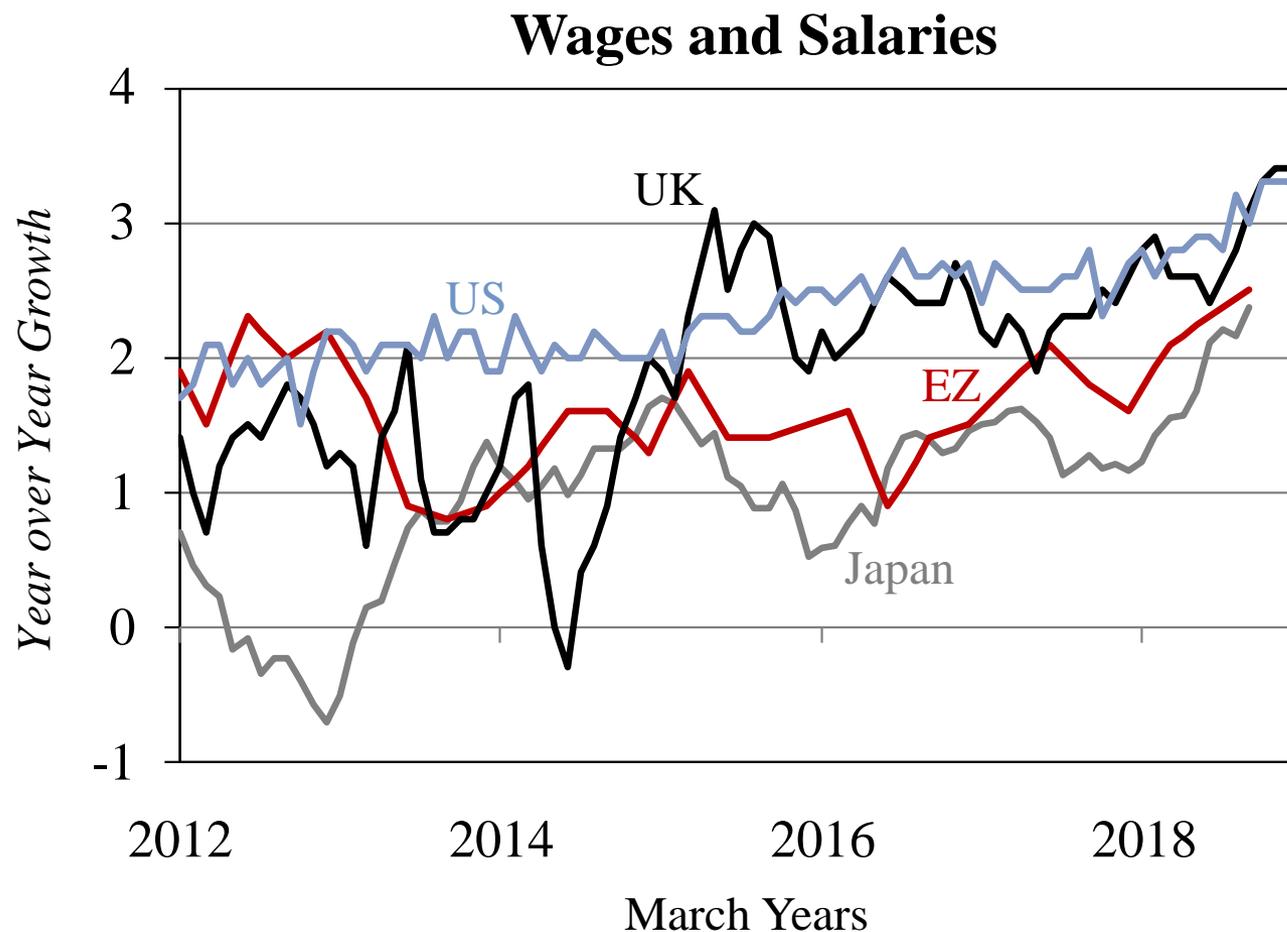


“at levels last seen in the US in 1969, UK 1975, Japan 1994 and Germany not at all post unification in 1990.”

Source: Official data sources.

ECONOMIC AND INFLATION OUTLOOK

And Benefitting from Rising Income Growth:



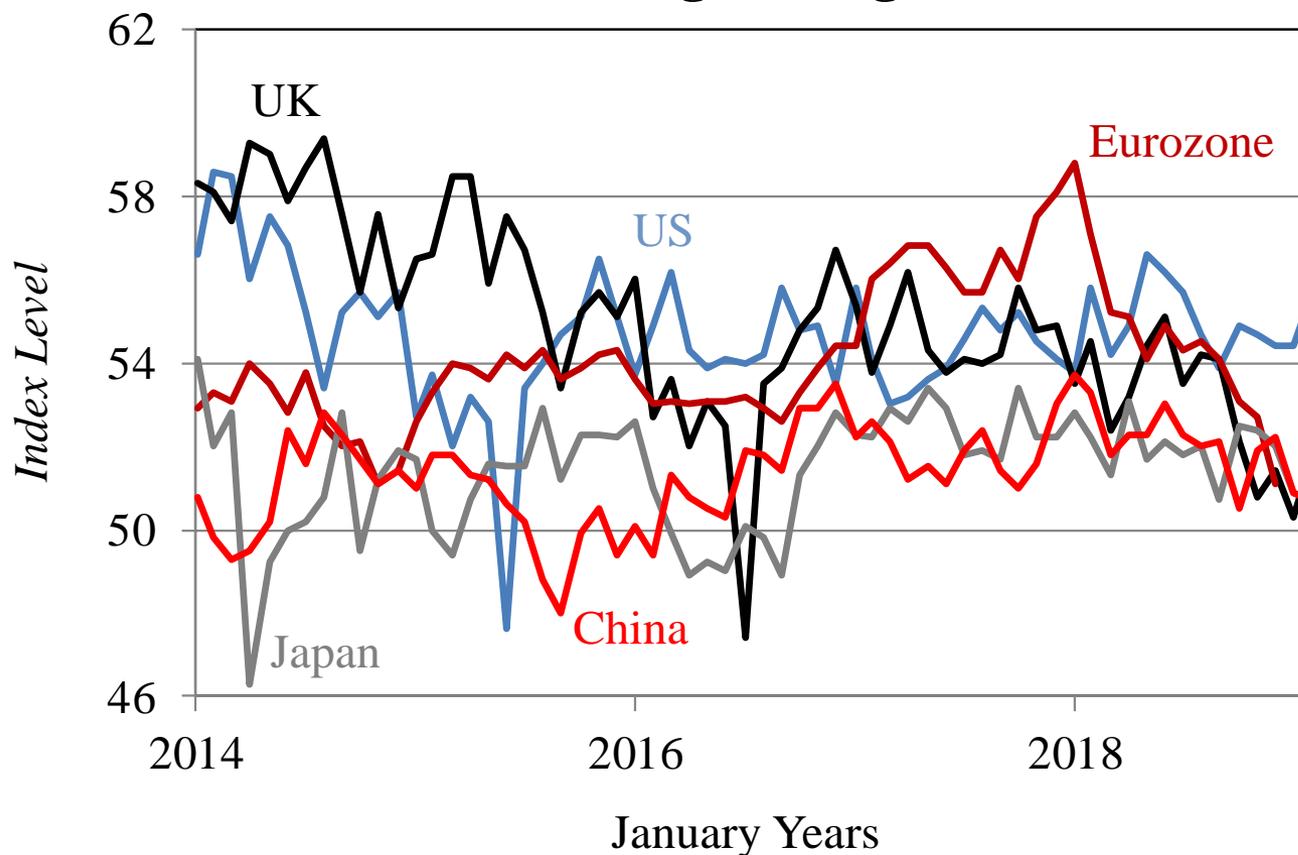
“Suggesting tight labor markets may eventually be feeding through into higher wage growth.”

Source: US: Bureau of Labor Statistics, Germany: Eurostat Labor Costs Nominal Value, Japan: Morgan Stanley Japan Hourly growth indicator, UK Office for NS.

ECONOMIC AND INFLATION OUTLOOK

Despite Softening, PMI's Remain Expansionary:

Purchasing Managers Index



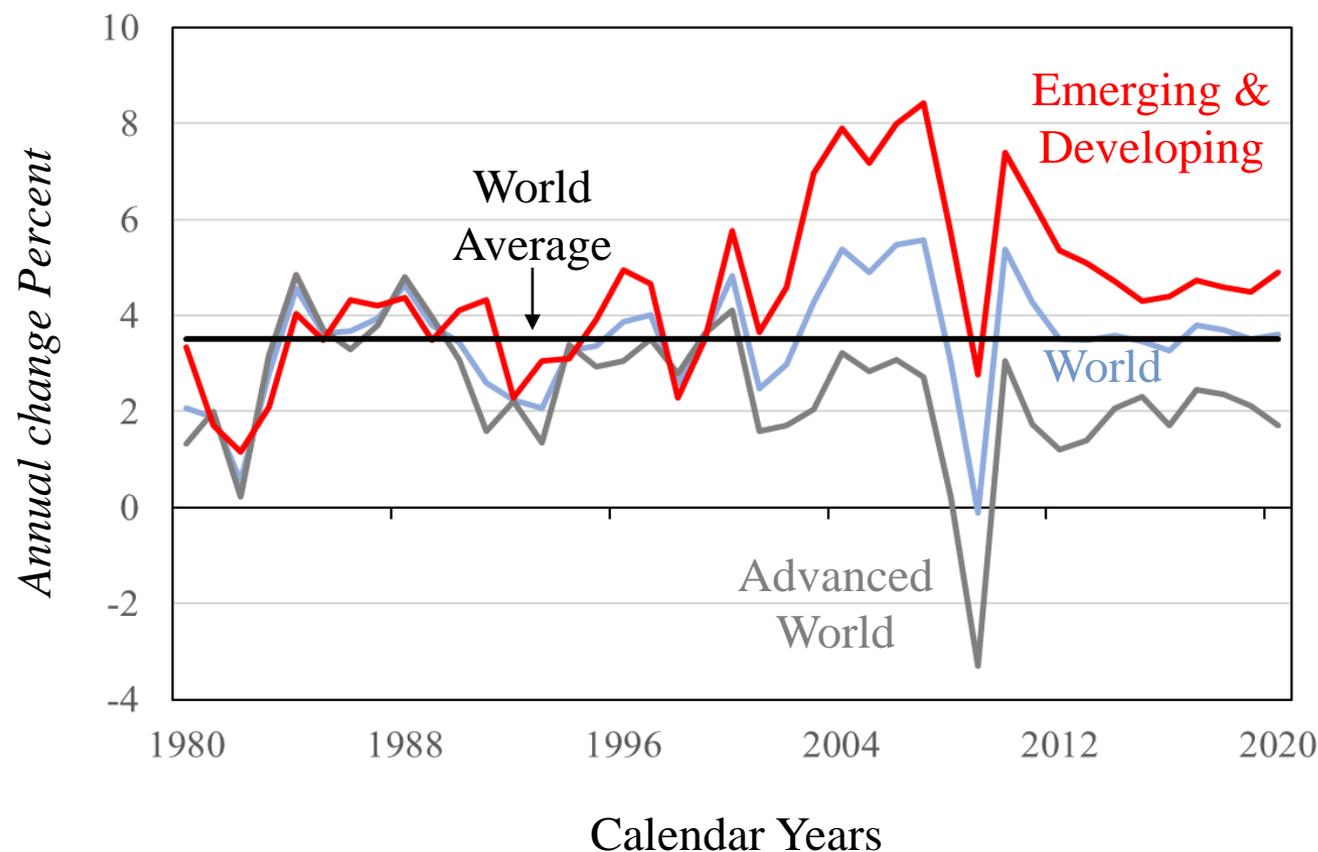
“don't forget to keep an eye on the level as well as the direction of travel.”

Source: Institute of Supply Management & Markit (Composite).

ECONOMIC AND INFLATION OUTLOOK

Supporting “Average” Global Growth:

World Economic Growth

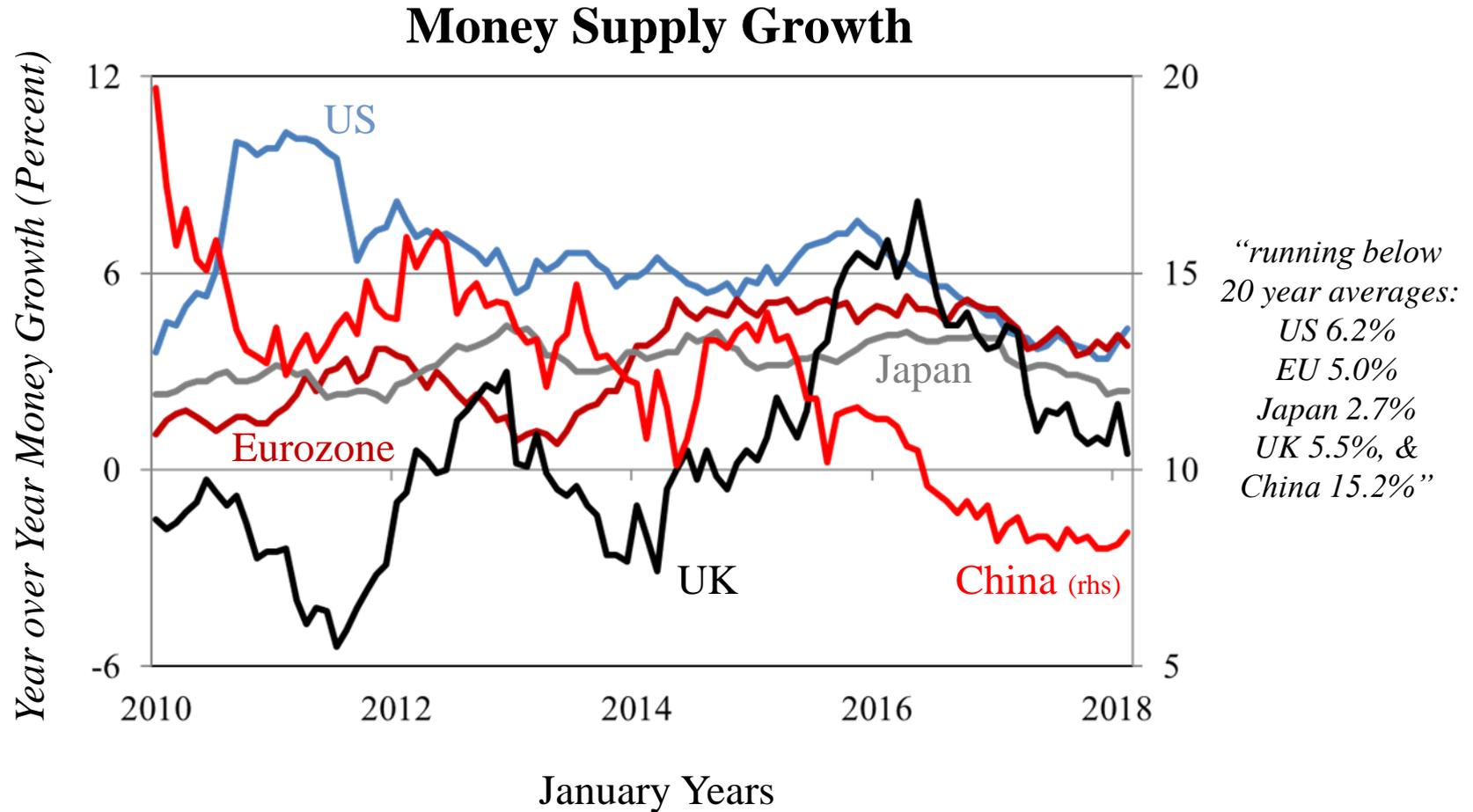


“EM increasingly not only the engine of, but also a larger proportion of economic activity. Rising from 28% of total GDP in 2007, to 40% in 2018 (current US dollar terms).”

Source: IMF (Forecast for 2019 and 2020).

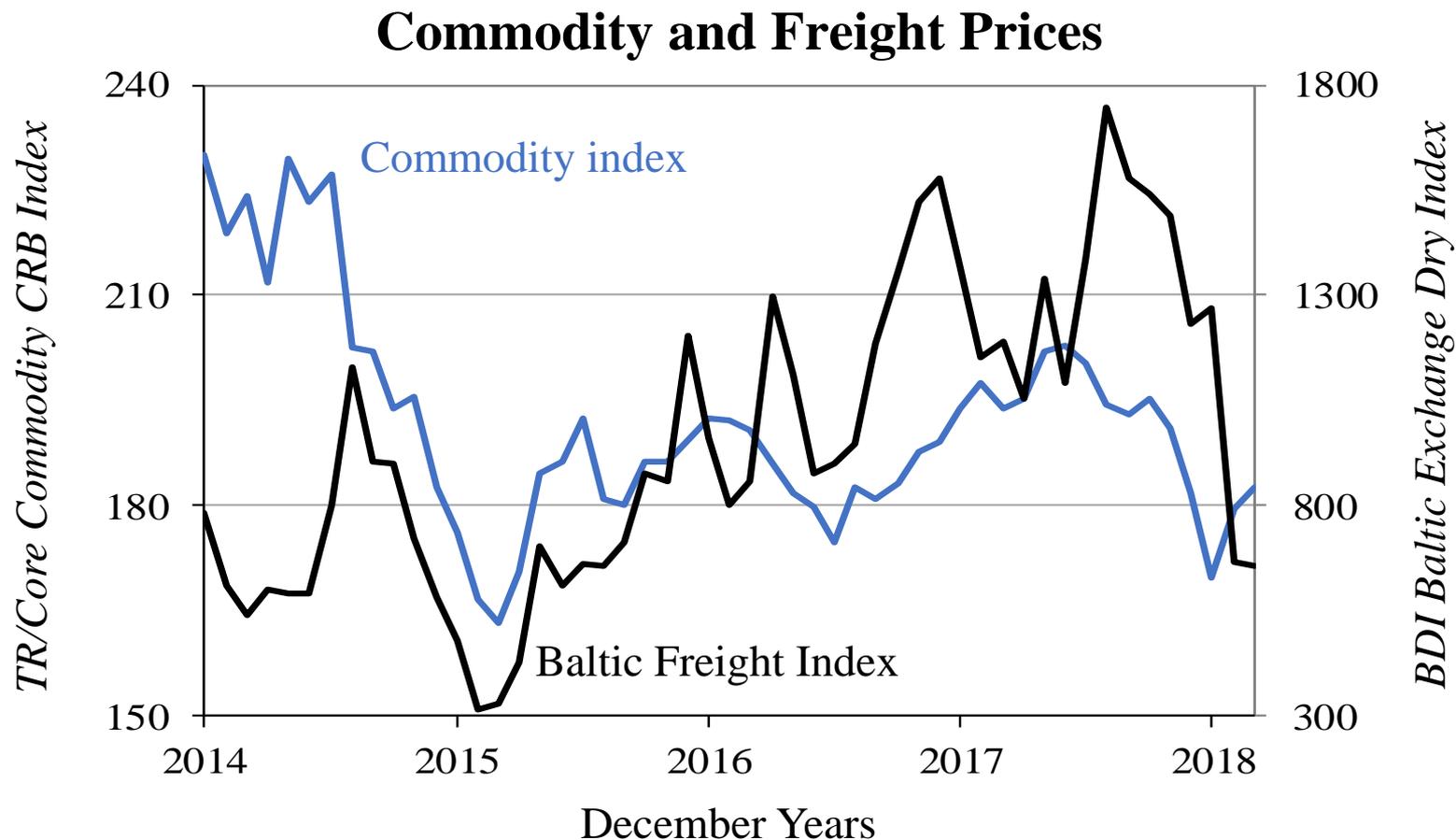
ECONOMIC AND INFLATION OUTLOOK

Inflationary Impulse Muted:



Source: Respective Central Bank Official data sources to end January 2019.

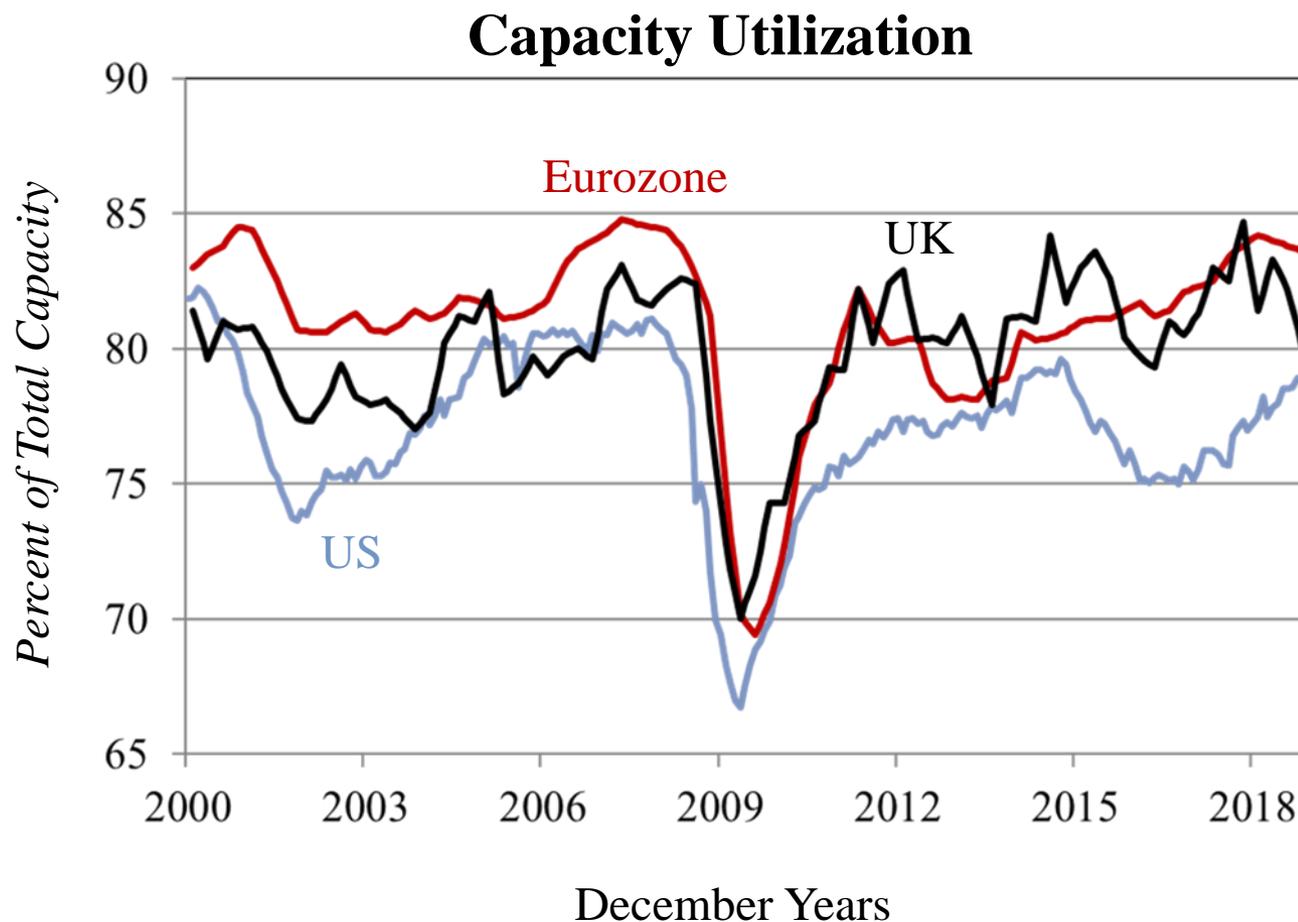
Raw Material and Shipping Cost Pressures are also Limited:



Source: Thomson Reuters/Core Commodity CRD Commodity Index and BDI Baltic Exchange Dry Index.

ECONOMIC AND INFLATION OUTLOOK

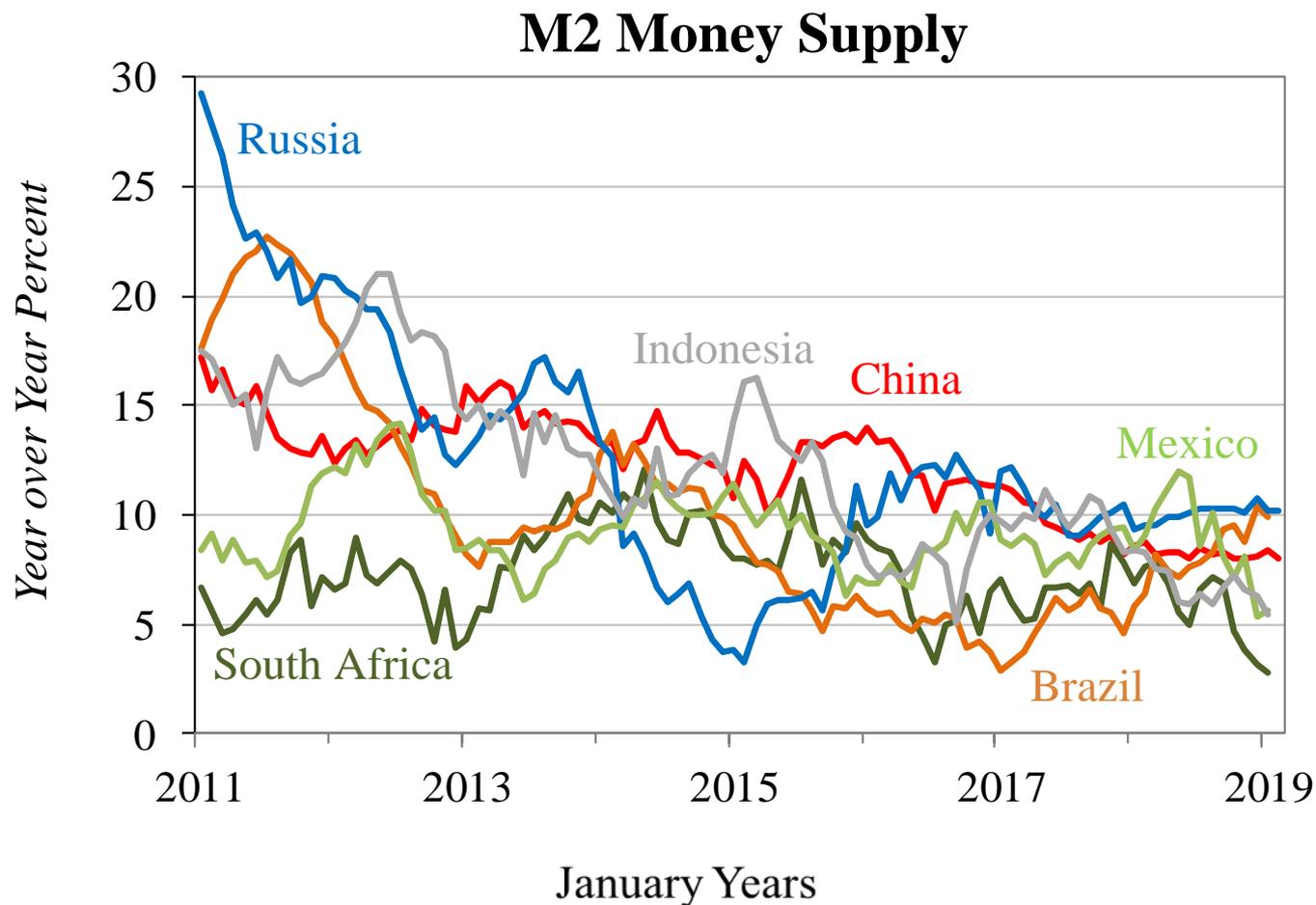
Whilst Solid, Capacity Constraints appear Non-Binding:



Source: US Federal Reserve and Eurostat. Seasonally adjusted.

ECONOMIC AND INFLATION OUTLOOK

Monetary Impulse is Also Limited in the Emerging Markets:

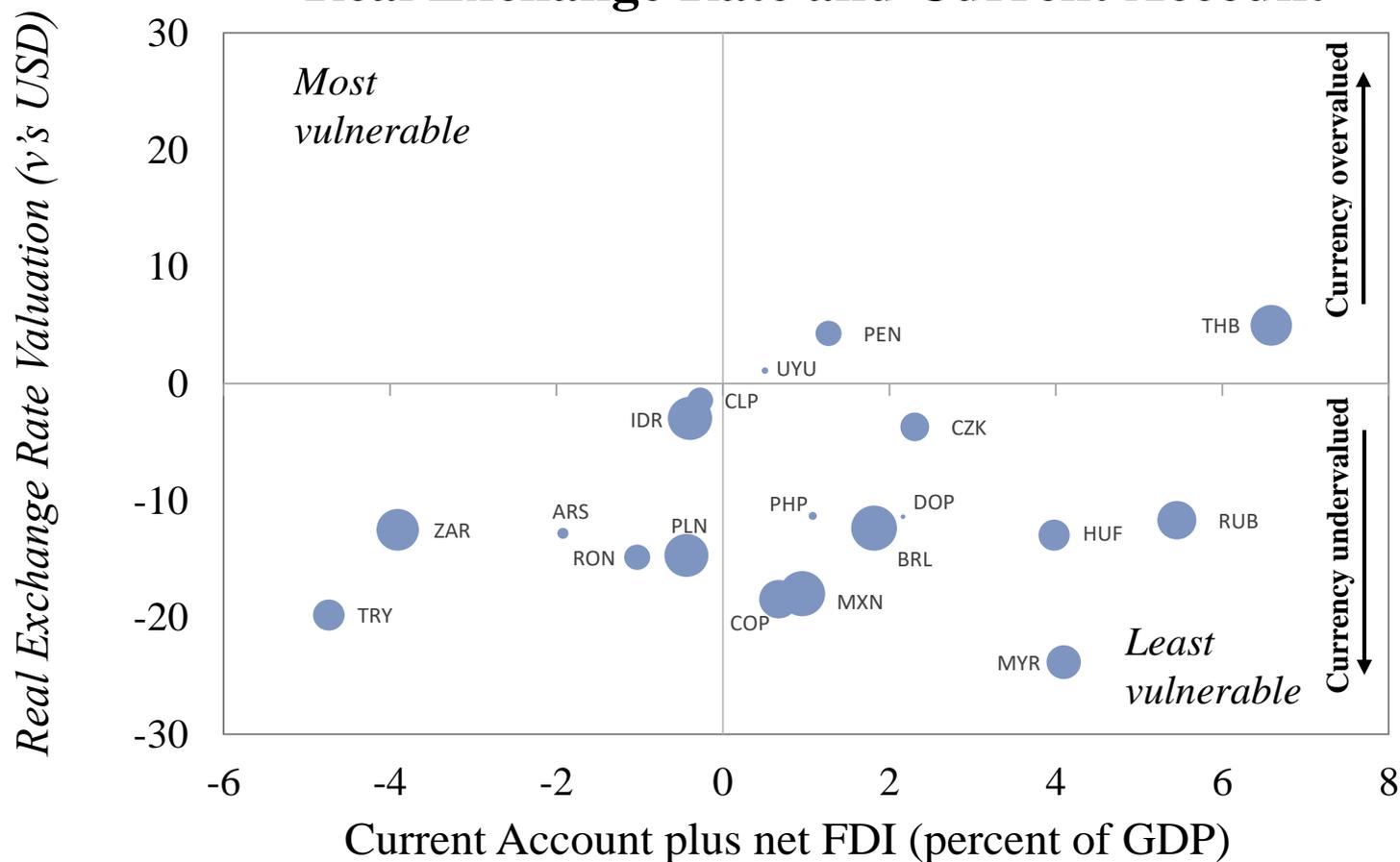


Source: Official data sources.

ECONOMIC AND INFLATION OUTLOOK

EM Currencies generally undervalued and external balance sheets robust:

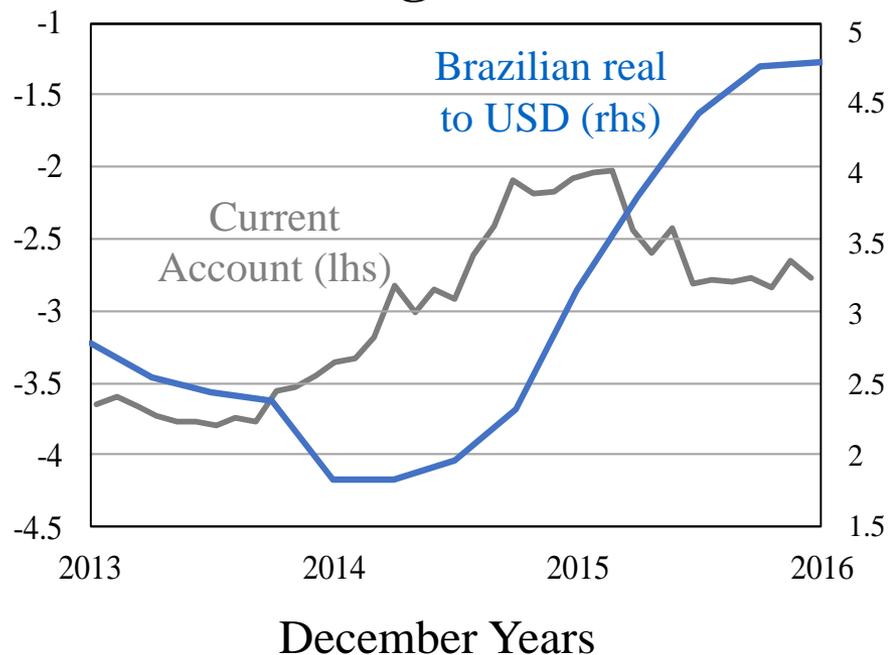
Real Exchange Rate and Current Account



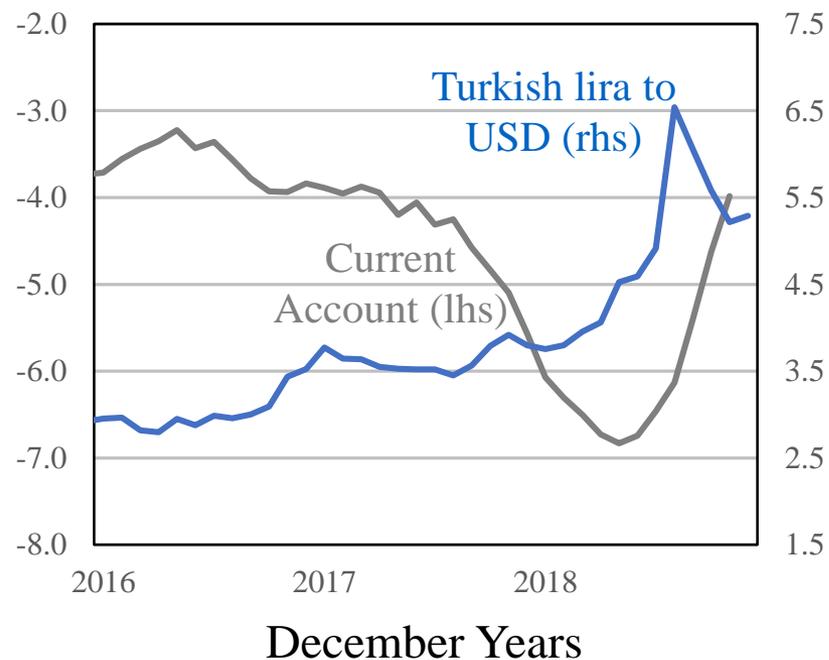
Source: IMF, Colchester Global Investors as of 31 December 2018.

Flexible Currency Regimes have Provided Escape Valve:

Brazil real depreciation during 2014-15



Turkey lira depreciation during 2018



Sources: Banco Central do Brasil, Turkish Statistical Institute and Bloomberg.

ECONOMIC AND INFLATION OUTLOOK

Global Economy Holding Up, Overheating and Inflationary Risks Contained:

- Despite a softening in growth and increased financial market volatility, the growth outlook remains intact:-
 - Labor markets remain tight, driving income gains;
 - The consumer remains confident;
 - Policy easing in China and Europe;
 - Emerging markets are robust and continue to expand;
- Subdued money and credit growth, continues to temper inflation.

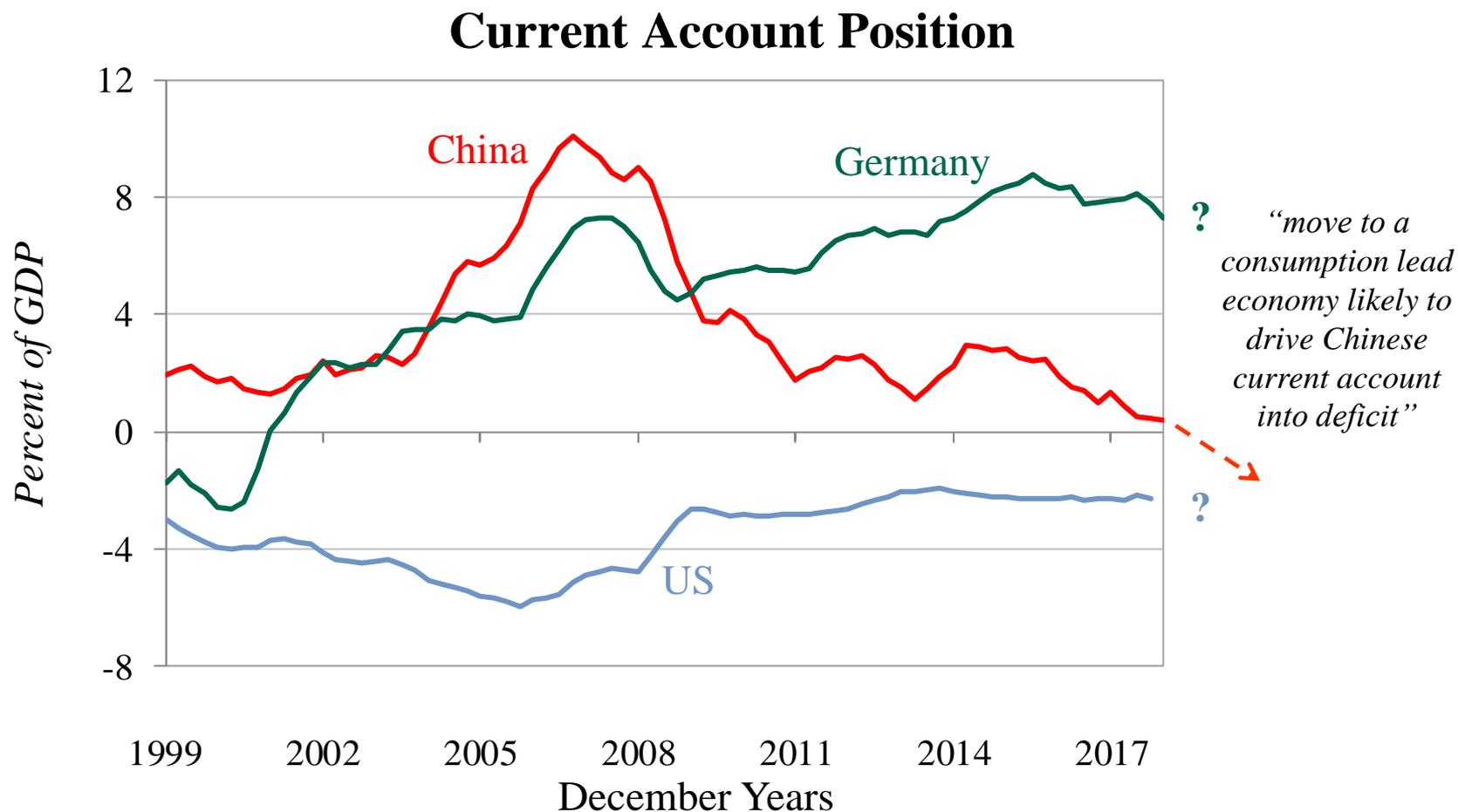
ECONOMIC AND INFLATION OUTLOOK

Risks:

- Labor markets overheat, the “Phillips curve returns” – especially in the US – accelerating monetary tightening.
- Uncertainty continues around global trade policies, delaying investment and other decisions.
- Slowdown in Europe broadens and becomes entrenched. Compounding the uncertainty associated with Brexit.
- The decline in money and credit growth continues.
- Chinese policy easing is *too little, too late*, exposing the economy’s high levels of indebtedness and weak corporate balance sheets.

ECONOMIC AND INFLATION OUTLOOK

Current Account Imbalances a Further Potential Source of Instability:



Source: Bloomberg Data series derived from official sources to December 2018.

ECONOMIC AND INFLATION OUTLOOK

Accelerating Chinese Efforts to Attract Capital:

- A number of barriers to foreign investors accessing the onshore bond market have been being removed since 2016.
- Cumulating in China's entry to the Bloomberg Barclays Global Aggregate Bond Index in April 2019.
- Inclusion in the Global Aggregate index will be graduated over 20 months, rising to 5-6% of index.
- Other index providers are expected to follow suit, including in the emerging bond indices, where China is expected to eventually account for 10% of the industry standard local market index.

ECONOMIC AND INFLATION OUTLOOK

Accelerating Chinese Efforts to Attract Capital:

- China Credit Rating: A+ (S&P), A1 (Moody's), A+ (Fitch).
- Government debt to GDP is relatively low at 50% but corporate debt is high at 161% of GDP. Total non-financial sector debt is 256% of GDP.
- China's domestic bond market is the third largest in the world, after the US and Japan. Dominated by corporate and quasi-sovereign bonds. The government bond market amounts to \$2.2 trillion.
- Commercial banks are the main holders of Chinese government bonds.
- Foreign investors currently own 2% of total outstanding bonds.