
Colchester Investment Funds

Statement of Investment Policy and Objectives

Effective date: 28 March 2025

Issued by FundRock NZ Limited



A. Description of the Managed Investment Scheme

The Colchester Investment Funds (“Scheme”) is a managed investment scheme. The Scheme comprises two single sector investment funds:

- the Colchester Global Government Bond PIE Fund (“Government Bond Fund”), which provides investors with exposure to international fixed interest (hedged to New Zealand Dollars); and
- the Colchester Global Green Bond PIE Fund (“Green Bond Fund”), which provides investors with exposure to international fixed interest (hedged to New Zealand Dollars).

The Funds, or any underlying investment portfolio, are actively managed. The Funds may invest through other managed investment schemes or in direct securities and currencies (including derivatives).

Currently, the Government Bond Fund invests in The Colchester Global Bond Enhanced Currency Fund and the Green Bond Fund, invests in The Colchester Global Green Bond Enhanced Currency Fund (“Underlying Funds”). Both Underlying Funds are sub-funds of The Colchester Multi-Strategy Global Bond Fund plc (an Irish registered UCITS fund).

B. Roles and Responsibilities

FundRock NZ Limited (“FundRock”) is the licensed manager (“Manager”) of the Scheme. The Manager’s key roles and responsibilities are:

- Preparation of disclosure material.
- Establishing, reviewing and maintaining this Statement of Investment Policy and Objectives (“SIPO”).
- The ongoing management and oversight of the Scheme and each Fund. This includes appointing, managing and monitoring specialist providers for:
 - fund administration; and
 - investment management.
- Monitoring investment performance and outcomes.

Colchester Global Investors (Singapore) Pte Limited (“Investment Manager”) is the Scheme’s investment manager and is responsible for making recommendations and decisions about what the Funds invest in, in accordance with this SIPO.

The Funds currently invest in Underlying Funds established and managed by the Investment Manager’s affiliate, Colchester Global Investors (Dublin) Management Limited. The Investment Manager’s parent, Colchester Global Investors Limited, acts as investment manager for the Underlying Funds. Each and all Colchester entities, either individually or together, shall be referred to as ‘Colchester’ as the context requires.

The Scheme is invested in accordance with Colchester’s investment philosophy and process and Colchester also participates in reviewing this SIPO.

Key administration functions, being fund accounting and unit pricing, and are currently performed by BNP Paribas Fund Services Australasia Pty Ltd. Apex Investment Administration (NZ) Limited has been appointed as Registry Manager.

Public Trust is the Scheme’s Supervisor. The Supervisor is responsible for supervision of the Manager and the Scheme, including:

- acting on behalf of the Funds' investors in relation to the Manager and any contravention of the Manager's issuer obligations;
- supervising the performance by the Manager of its functions and the financial position of the Manager and the Scheme; and
- holding the Scheme property or ensuring that the assets are held in accordance with applicable legislative requirements. BNP Paribas Fund Services Australasia Pty Ltd has been appointed by the Supervisor as Custodian for the Funds.

C. Investment Philosophy

The Investment Manager's parent, Colchester Global Investors Limited, is the investment manager for the Underlying Funds. Colchester is a privately owned investment management firm offering value oriented, global bond management services.

Colchester generally seeks to invest primarily in sovereign debt or debt-like securities that, in its opinion, possess fundamental value. Colchester believes that debt securities that offer higher prospective real yields i.e. yields after allowing for the impact of estimated future inflation, and accounting for the financial stability of the underlying issuer, typically possess fundamental investment value.

In addition, Colchester believes that currencies that are undervalued or of a reasonable value according to purchasing power parity analysis, after adjusting for financial stability and the short te

m real interest rate differential, also typically possess fundamental investment value. Colchester may purchase a local currency debt security and hedge some or all of its currency exposure and may take exposure to a currency without purchasing a debt security to achieve that currency exposure.

Colchester carries out financial analysis on countries and individual sovereign issuers in order to assess their respective financial strengths and vulnerabilities.

As a signatory to the PRI (as defined in Section E), Colchester adheres to the six principles of responsible investment and takes environmental, social and governance ("ESG") considerations into account when determining the financial stability of the issuer.

Selection of debt security investments is based on the relative valuation of each country's bond market based on the prospective real yield, and Colchester's assessment of financial stability within that market. Colchester assesses the outlook for inflation within each market in order to derive the prospective real yield, and Colchester will look to invest in debt securities in those markets offering relatively higher prospective real yields all other things being equal.

Colchester's assessment of financial stability, including environmental, social and governance considerations such as political stability, the rule of law, and levels of human capital, (i.e. the knowledge, skills and experience of the population), will be incorporated into the relative valuation of each market. This assessment may also involve analysis of a country's macroeconomic fundamentals, the level of public debt, the sustainability and cost of financing, government policies, and monetary policy framework. In selecting debt secur

ties, Colchester will also have regard to the depth and liquidity of a given market.

Selection of currency investments is undertaken separately from the selection of debt securities. Colchester looks to assess the relative value of each currency based on its real exchange rate. Colchester will evaluate the over- or undervaluation of a currency's real exchange rate and also consider the financial stability of each economy, and the level of

short- term real interest rates in assessing value. Colchester will look to take exposure to those currencies offering relative value based on the criteria described above.

D. Fund Investment Objectives and Strategies

Colchester Global Government Bond PIE Fund

Objectives

To achieve favourable income and capital returns from a globally diversified portfolio of primarily sovereign debt or debt-like securities and currencies. An associated objective is the preservation and enhancement of principal.

Investment Strategy

Benchmark index:

- FTSE World Government Bond Index NZD Hedged

Benchmark asset allocation:

- 100% International fixed interest¹

Asset allocation ranges:

- 95%-105% The Colchester Global Bond Enhanced Currency Fund - NZD Hedged Accumulation Class – Z Shares, a sub-fund of The Colchester Multi-Strategy Global Bond Fund plc (an Irish registered UCITS fund)
- -5%-5% funding account (holds NZD cash and cash equivalents²)

Appointed investment manager:

- Colchester Global Investors (Singapore) Pte. Ltd

Investment Manager strategy:

- The Fund invests in The Colchester Global Bond Enhanced Currency Fund - NZD Hedged Accumulation Class – Z Shares³ (ISIN: IE00BMYCB138).

Permitted investments:

- International fixed interest¹
- Cash and cash equivalents
- Financial derivative instruments limited to forward foreign exchange transactions (including non-deliverable forward foreign exchange transactions) currency hedging instruments
- Managed investment schemes

Rebalancing policy:

- As a single-sector fund, there is no need for a rebalancing policy.

¹ Includes investments in New Zealand fixed interest.

² Accrued fund expenses and other fund liabilities are not deducted from cash and cash equivalents for this range. Excludes any cash held by the Underlying Fund.

³ Details of the Underlying Fund's portfolio strategy and configuration can be obtained by contacting the Investment Manager.

Currency hedging policy:

- The Fund invests into a NZD hedged share class of the Underlying Fund. The currency risk of the NZD hedged share class is hedged to a minimum of 80% and a maximum of 125% of the Net Asset Value of the NZD hedged share class.

Funding account

- The purpose of the funding account is to manage non-investment related liquidity amounts primarily attributable to Fund expenses and investor contributions or withdrawals. Large investor contributions or withdrawals may result in the funding account exposure temporarily being outside the -5% to 5% range.
- FundRock manages the funding account and aims to have a balance of less than NZD 100,000. The funding account balance is monitored daily and surplus amounts of NZD 100,000 or more are invested in the Underlying Fund. FundRock makes no active investment decisions in relation to the funding account cash holding.

Other

- The Fund can borrow up to 5% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses).
- The Underlying Fund will employ a “long-short” currency strategy with a maximum of 130% in long currency positions and up to 30% in short currency positions. Long and short currency positions are established through the use of currency forwards (including non-deliverable currency forwards) and debt securities.

Colchester Global Green Bond PIE Fund

Objectives

To achieve favourable income and capital returns from a globally diversified portfolio of Green Bonds and currencies. An associated objective is the preservation and enhancement of principal.

Investment Strategy

Benchmark index:

- ICE Sovereign and Government Related Green Bond Custom Index NZD Hedged

Benchmark asset allocation:

- 100% International fixed interest⁴

Asset allocation ranges:

- 95%-105% The Colchester Global Green Bond Enhanced Currency Fund - NZD Hedged Accumulation Class – Z Shares, a sub-fund of The Colchester Multi-Strategy Global Bond Fund plc (an Irish registered UCITS fund)
- -5%-5% funding account (holds NZD cash and cash equivalents⁵)

⁴ Includes investments in New Zealand fixed interest.

⁵ Accrued fund expenses and other fund liabilities are not deducted from cash and cash equivalents for this range. Excludes any cash held by the Underlying Fund.

Appointed investment manager:

- Colchester Global Investors (Singapore) Pte. Ltd

Investment Manager strategy:

- The Fund invests in The Colchester Global Green Bond Enhanced Currency Fund - NZD Hedged Accumulation Class – Z Shares⁶ (ISIN: IE000JYSW0A1).

Permitted investments:

- International fixed interest⁴
- Cash and cash equivalents
- Financial derivative instruments limited to forward foreign exchange transactions (including non-deliverable forward foreign exchange transactions) currency hedging instruments
- Managed investment schemes

Rebalancing policy:

- As a single-sector fund, there is no need for a rebalancing policy.

Currency hedging policy:

- The Fund invests into a NZD hedged share class. The currency risk of the NZD hedged share class is hedged to a minimum of 80% and a maximum of 125% of the Net Asset Value of the NZD hedged share class.

Funding account

- The purpose of the funding account is to manage non-investment related liquidity amounts primarily attributable to Fund expenses and investor contributions or withdrawals. Large investor contributions or withdrawals may result in the funding account exposure temporarily being outside the -5% to 5% range.
- FundRock manages the funding account and aims to have a balance of less than NZD 100,000. The funding account balance is monitored daily and surplus amounts of NZD 100,000 or more are invested in the Underlying Fund. FundRock makes no active investment decisions in relation to the funding account cash holding.

Other

- The Fund can borrow up to 5% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses).
- The Underlying Fund will employ a “long-short” currency strategy along with a maximum of 130% in long currency positions and up to 30% in short currency positions. Long and short currency positions are established through the use of currency forwards (including non-deliverable currency forwards) and debt securities.

E. ESG Considerations in the Underlying Funds

Colchester employs a value-based investment approach and integrates ESG risks into its valuation framework for sovereign debt.

⁶ Details of the Underlying Fund’s portfolio strategy and configuration can be obtained by contacting the Investment Manager.

Countries are assigned a proprietary Financial Stability Score (“FSS”) which combines an assessment of balance sheet and economic strength, with an assessment of ESG risks, and potential opportunities. Each bond and currency market within the Underlying Funds’ investment universe is assigned an FSS and this translates into a premium or discount being applied to the valuation of any bond issued in that particular market.

Whilst there are strong interlinkages between ESG factors and traditional balance sheet or “credit” metrics, Colchester has developed a sovereign ESG Scoring Framework to measure and compare countries exposure specifically to ESG risks, in a systematic and consistent fashion.

A series of publicly available metrics are used to assess ESG risks under a variety of categories. For example, environmental metrics consider a country’s vulnerability to climate through two lenses, namely physical risk and transition risk.

Physical risk relates to a country’s sensitivity to the implications of climate change such as extreme weather events, whilst transition risk is concerned with the implications of adjusting to a low-carbon economy.

The percentage of electricity generated from renewable sources is one metric Colchester considers to assess transition risk.

Social characteristics of a country are assessed via human capital i.e. the knowledge, skills and experience of the population, and social cohesion i.e. the levels of trust, accountability and equality prevailing in society.

Labour standards are measured through considering, for example, a country’s education levels, old age dependency, modern slavery, female labour force participation and youth unemployment.

Governance standards such as the rule of law, property rights and financial freedom are also measured.

The full list of ESG factors taken into account by Colchester is set out more fully in Colchester’s ESG Policy available on its website at www.colchesterglobal.co.nz/esg-policy.

These metrics are distilled into a score for each country, which feeds into the FSS and hence the valuation of each bond and currency market. A country with stronger ESG metrics and a more robust balance sheet than its peers will therefore be a more attractive investment, all other things being equal.

In general, the data used in Colchester’s ESG Scoring Framework, and the broader financial stability assessment of the countries within the investment universe, is sourced from third party data providers including supranational entities such as the World Bank and the International Monetary Fund, as well as independent think tanks and foundations. Such data sources generally rely in turn on national statistical offices for the raw data. There is a risk that such data is incomplete, unavailable or inaccurate. Colchester does not verify the data produced from such third party data providers.

As a sovereign debt investor, Colchester recognises the inherent dilemma in considering whether or not to exclude countries from its investment universe based on an assessment of ESG metrics. In many instances such metrics are positively correlated to income per capita, and hence such exclusions run the risk of cutting off access to international capital for lower income countries. Such countries are often highly dependent on foreign capital to develop infrastructure, build human capital and underpin social stability. Hence, Colchester will give

careful consideration of the implications on a particular sovereign issuer when assessing whether to include it in the Underlying Funds' investment universe.

It should be noted that, while ESG integration is a binding element of the investment process for the Underlying Funds, Colchester's investment decisions are not based solely on ESG matters.

Colchester is a signatory to the Principles for Responsible Investment ("PRI"). Commitments made as a signatory to the PRI are not legally binding, but are voluntary and aspirational. They include efforts, where consistent with an investment manager's fiduciary responsibilities, to incorporate ESG issues into investment analysis and investment decision making.

Colchester's approach to ESG is more fully described in Colchester's ESG Policy available on Colchester's website at www.colchesterglobal.co.nz/esg-policy.

F. The Colchester Global Green Bond Enhanced Currency Fund

The Underlying Fund has a sustainable objective to fund projects that benefit the environment through investing in a globally diversified portfolio of Green Bonds.

100% of the fixed income securities held by the Underlying Fund will be Green Bonds. In determining the eligibility of a Green Bond for the Underlying Fund, Colchester implements the following steps ("Green Bond Framework"):

Firstly, that the Green Bonds are aligned with the International Capital Market Association ("ICMA")'s Green Bond Principles. In the event that the issue is not expressly aligned with the ICMA Green Bond Principles, that the issue is aligned with any other market recognised standard, such as but not limited to the EU Green Bond Framework, Climate Bond Initiative, Green Bond - Made by KfW, World Bank and its entities. In addition, the issuer shall also have arranged for an independent assessment on labelling the issue as "green", which may be in the form of second party opinion, verification, certification or Green Bond scoring/rating.

Secondly, Colchester will monitor on an annual basis an issuer's use of proceeds reporting by looking at its allocation report. In the absence of an allocation report, Colchester will either engage with the issuer or make an appropriate determination based on the information available.

In the event that a security is no longer aligned with the ICMA's Green Bond Principles or any other applicable standards, in accordance with Colchester's Green Bond Framework, the Investment Manager will engage with the issuer to determine the circumstances around the change in determination as a Green Bond. If after engagement the Investment Manager considers that the security no longer meets the requirements of a Green Bond, it will sell the security as soon as reasonably practicable, taking into account the best interest of investors in the Underlying Fund. In most circumstances, the Investment Manager normally expects to divest within three months of its determination that the security is no longer considered a Green Bond. However there may be circumstances beyond the Investment Manager's control, such as low liquidity, market disruption or other events, that may cause divesting to take longer.

There are some limitations around the methodologies and data sources relevant to Green Bonds. Allocation reports (which are produced to show how the proceeds from the bond issuance are used) tend not to be published consistently which therefore makes monitoring and ongoing assessment more challenging. Furthermore, the still nascent Green Bond asset class means that there are currently fewer issuers compared to that of non-Green Bond strategies. However, this should change over time as more sovereign and agency issuers

might enter the market. Currently, there is no readily accepted framework with which to assess a sovereign's climate related actions. Therefore, until such a framework is available, it is challenging to compare how sovereign issuers meet climate actions.

G. Investment Policies

Taxation

The Funds have elected to be Portfolio Investment Entities ("PIEs") and therefore are taxed under the PIE regime.

The taxation implications of an investment method, such as holding assets directly or investing in a managed investment scheme, are taken into account when determining the most appropriate approach for a particular Fund. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility.

Liquidity

The liquidity risk of the Funds is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Fund. The Funds invest predominantly in liquid investments and hence has daily applications and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. Hence if the Funds were to experience liquidity problems the Manager may defer or suspend redemptions for a period of time.

Related-party transactions

Related-party transactions, other than the types permitted under the FMC Act, are prohibited.

The Funds may enter into transactions with related parties if permitted under section 174 of the FMC Act or consented to by the Supervisor under section 173(2)(a). Examples of such transactions include:

- a Fund investing in a Colchester fund offshore; or,
- a related party of the Investment Manager being appointed to provide investment services for a particular Fund; or
- parties related to the Funds, including the staff and directors of Colchester and their families, and the staff of FundRock and their families from time to time investing in the Funds.

The Manager will report such transactions by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

Trade allocations and transactions

The Funds invest in other managed investment schemes rather than trading directly in securities.

Other relevant policies

Summaries of the key relevant policies are set out below.

Pricing and Asset Valuation Policy

The purpose of this policy is to set out how FundRock manages its unit pricing and asset valuation obligations, and the way in which FundRock exercises its discretions authorised by the Trust Deed and the Funds' establishment documentation.

This policy also links to FundRock's Outsourcing Policy reflecting that it outsources functions including registry, fund administration and unit pricing to third parties. In particular, the policy governs how FundRock selects, monitors and undertakes ongoing due diligence on third party providers.

Within the bounds of what is reasonable and practical FundRock's goals are to:

- Have unit prices that reflect fair, realisable value of underlying assets and liabilities.
- Ensure equitable treatment of investors entering, exiting or remaining in a Fund.
- Have a consistent and objective process for determining unit prices.
- Comply with FundRock's governing documents, offer documents and the law.

Conflicts of Interest and Related Party Transactions Policy

FundRock's Conflicts of Interest and Related Party Transactions Policies set out the principles and procedures relating to the management of conflicts of interest within FundRock. The policies apply to all of FundRock's directors, relevant officers, senior management and employees.

The policy provides guidance on:

- what is meant by a conflict of interest;
- what constitutes a related party transaction; and
- how these are managed.

Investment Management Policy

This document sets out FundRock's policies and procedures in relation to appointing and monitoring investment managers. In particular the policy covers:

- investment management governance;
- investment manager selection and appointment; and
- investment manager monitoring and compliance.

H. Investment Performance Monitoring

FundRock monitors investment performance of the Funds on a monthly basis. Performance is measured and assessed on the following basis for 1, 3 and 5 year periods:

- gross return (before fees and before tax);
- net return (after fees and before tax);
- benchmark index return;
- performance relative to benchmark;
- annualised standard deviation of gross return;
- annualised standard deviation of benchmark index return; and
- annualised tracking error.

FundRock also monitors portfolio holdings of the Green Bond Fund's Underlying Fund on a quarterly basis against Colchester's Green Bond Framework. If FundRock determines that the Green Bond label is no longer appropriate, then the Green Bond label will be removed.

FundRock reports performance to the Supervisor and to the FundRock Board.

I. Investment Strategy Review

The FundRock Board has responsibility for oversight of the Investment Manager's performance and aims to meet at least quarterly.

The Funds are single sector funds that invest into international fixed interest securities, through Underlying Funds, with a portion allocated to cash and cash equivalents for liquidity purposes. FundRock does not intend to amend the Funds' investment strategies (including the Funds' benchmark asset allocations or ranges), although amendments may be made following recommendations by the Investment Manager.

J. SIPO Monitoring and Review

The FundRock Board is responsible for governance oversight of the SIPO.

The Manager's compliance processes include periodic policy reviews. The SIPO is reviewed annually by FundRock management with the outcomes of the review reported to the FundRock Board. In addition, FundRock management may initiate an ad hoc review, with examples of events that could lead to this being:

- the Investment Manager recommending changes to the SIPO;
- a change in roles and responsibilities of key persons of the Manager or key service providers; and
- a permanent change in risk and return characteristics of a relevant investment market.

SIPO reviews take into account the views of FundRock and the Investment Manager and if required the views of external experts.

The Manager can make changes to the SIPO in accordance with the Trust Deed and the FMC Act. Before making changes to the SIPO, the Manager will consider if the changes are in the best interests of investors and consult with the Supervisor. Any changes to the SIPO require FundRock Board approval. The Manager will give notice to fund investors before implementing any material SIPO changes.

The Manager is responsible for monitoring adherence to the SIPO and reporting any breaches to the FundRock Board and the Supervisor.

The current version of this SIPO is available on the schemes register at www.companiesoffice.govt.nz/disclose.

This SIPO was approved by the FundRock Board on 28 March 2025 and takes effect on 28 March 2025 .

Glossary

Act and **FMC Act** means the Financial Markets Conduct Act 2013.

Benchmark index means the financial index or indices against which a Fund's performance is measured.

Colchester means Colchester Global Investors Limited, Colchester Global Investors (Dublin) Management Limited and/or Colchester Global Investors (Singapore) Pte. Ltd as the context requires.

Funds means the investment funds offered within the Scheme, being the Colchester Global Government Bond PIE Fund and the Colchester Global Green Bond PIE Fund.

FundRock means FundRock NZ Limited, the Manager of the Scheme.

Green Bond means bonds issued by governments, supra-nationals, agencies and other types of issuers to fund projects that are designed to benefit the environment. This includes financing or re-financing investments, projects, expenditure or assets helping to address climate and environmental issues.

Investment Manager means Colchester Global Investors (Singapore) Pte Ltd.

Manager means FundRock.

Scheme means the Colchester Investment Funds, a managed investment scheme governed by the Master Trust Deed dated 1 December 2016 and the Scheme Establishment Deed.

Supervisor means the supervisor of the Scheme, which is Public Trust.

Tracking error means the annualised standard deviation of the difference between the returns of the Fund and the Benchmark against which its performance is measured.

Underlying Fund means The Colchester Global Bond Enhanced Currency Fund in relation to the Colchester Global Government Bond PIE Fund, and The Colchester Global Green Bond Enhanced Currency Fund in relation to the Colchester Global Green Bond PIE Fund, each a sub-fund of The Colchester Multi-Strategy Global Bond Fund plc (an Irish registered UCITS fund).