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# Colchester Investment Funds

## Product Disclosure Statement

Offer of units in the Colchester Investment Funds

Dated 13 April 2023

This document replaces the Product Disclosure Statement dated 9 April 2021

Issued by FundRock NZ Limited

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose). FundRock NZ Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you to make an investment decision.

## 1. Key information summary

### What is this?

This is a managed investment scheme. Your money will be pooled with other investors' money and invested in various investments. FundRock NZ Limited ("FundRock", "we", "us", "our"), will invest your money and charge you a fee for its services. The returns you receive are dependent on the investment decisions of FundRock and of its investment manager and the performance of the investments. The value of those investments may go up or down. The types of investments and the fees you will be charged are described in this document.

### What will your money be invested in?

There is one investment option offered under this Product Disclosure Statement ("PDS") for the Colchester Investment Funds ("Scheme"). This investment option is summarised below. More information about the investment target and strategy of the investment option is provided in section 3, "Description of your investment option".

Fund	Description	Risk Indicator*							Annual Fund Charges (Estimated, % of the Fund's net asset value)
Colchester Global Government Bond PIE Fund (the "Fund")	<p>The Fund aims 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.</p> <p>The benchmark of the Fund is the FTSE World Government Bond Index hedged into New Zealand dollars.</p>	Lower risk/ potentially lower returns						Higher risk/ potentially higher returns	0.77% (incl. GST)
		1	2	3	4	5	6	7	

\*Note: The Fund has been in existence for less than 5 years. The Fund's actual returns have been used to calculate the risk indicator for the period 9 April 2021 to 31 March 2023. Market index returns (rather than the Fund's actual returns) have been used to calculate the risk indicator for the period 31 March 2018 to 8 April 2021. The risk indicator may therefore provide a less reliable indicator of the Fund's future volatility.

See section 4, "What are the risks of investing?" for an explanation of the risk indicator and for information about other risks that are not included in the risk indicator. To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at [www.sorted.org.nz/tools/investor-kickstarter](http://www.sorted.org.nz/tools/investor-kickstarter).

### **Who manages the Colchester Investment Funds?**

FundRock is the manager of the Scheme.

See section 7, “Who is involved?” for more information.

### **What are the returns?**

The return on your investment comes from:

- Any increase or decrease in the Unit price of the Fund, and
- Any income distributions made from the Fund.

We expect to make quarterly distributions in respect of the periods ending on the last business day in March, June, September and December. You can elect for your distributions from the Fund to be reinvested in the Fund. If you do not make a distribution election the default option is reinvestment.

See section 2, “How does this investment work?” for more information.

### **How can you get your money out?**

Investments in the Fund are redeemable on request. We may suspend or defer redemptions if we determine this is in the best interests of investors generally. We may also suspend redemptions in certain circumstances set out in the Trust Deed including if we, in good faith, form the opinion that it is not practicable or would be materially prejudicial to the interests of the Fund’s investors to realise assets or borrow to permit Unit redemptions.

See section 2, “How does this investment work?” for more information.

Your investment in the Fund can be sold but there is no established market for trading this financial product. This means that you may not be able to find a buyer for your investment.

### **How will your investment be taxed?**

The Fund offered under this PDS is a portfolio investment entity (“PIE”).

The amount of tax you pay in respect of a PIE is based on your prescribed investor rate (“PIR”). To determine your PIR, go to [www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate](http://www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate).

See section 6, “What taxes will you pay?” for more information.

### **Where can you find more key information?**

We are required to publish quarterly updates for the Fund. The updates show the returns, and the total fees actually charged to investors, during the previous year. The latest fund updates are available at [www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting/](http://www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting/). We will also give you copies of those documents on request.

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## 2. How does this investment work?

This document is an offer to purchase units (“Units”) in the Fund. The Fund is part of the Scheme, which is a managed investment scheme established under a trust deed (“Trust Deed”).

The money you invest buys Units. Units do not constitute legal ownership of the Fund's assets but give you rights to the returns of the assets.

Colchester Global Investors (Singapore) Pte. Ltd is the Investment Manager (“Investment Manager”) of the Fund. The Fund invests in a New Zealand dollar hedged share class of an underlying offshore fund called the Colchester Global Bond Enhanced Currency Fund, a sub-fund of The Colchester Multi-Strategy Global Bond Fund plc (an Irish registered UCITS fund) (“Underlying Fund”) which is also managed by Colchester.

In 2012, the Investment Manager was established in Singapore as a wholly-owned subsidiary of Colchester Global Investors Limited. Colchester Global Investors Limited, the parent company of the Investment Manager, was established in London in 1999 as a specialist global sovereign fixed income manager. It is an independently owned, established market participant with experienced fund management professionals who have enjoyed long and successful careers managing global bonds with reputable institutions. Each entity or both together shall be referred to as “Colchester” as the context requires.

At the heart of Colchester’s philosophy is the belief that investments should be valued in terms of the income they will generate in real terms. Colchester generally seeks to invest primarily in sovereign debt securities that possess fundamental value. Colchester believes securities that (i) possess high yields after allowing for the impact of estimated future inflation and (ii) are denominated in currencies that are either undervalued, or of a reasonable value according to purchasing power parity analysis, typically possess fundamental investment value. Colchester carries out financial analysis on countries and individual issues in order to assess the issuer’s respective financial strengths and vulnerabilities. Having made a fundamental real assessment of the value of all country bond markets and currencies in the global opportunity set, Colchester then builds optimal portfolios seeking to maximise returns.

The price of each Unit you receive depends on the value of the Fund at the time you invest and any buy spread that applies. We calculate the Unit price for the Fund by subtracting the total value of the Fund's liabilities from the market value of its assets and dividing that number by the number of Units the Fund has issued. The Unit price is normally calculated each business day.

A change in the value of the Fund's assets affects the price of your Units. The Unit price for the Fund will change as the market value of the Fund's assets changes.

No assets of the Fund will be available to be applied to meet the liabilities of any other Fund in this Scheme.

Public Trust is the supervisor (“Supervisor”) of the Scheme and, in that role, monitors and supervises our management of the Fund. The assets of the Fund are held in independent custody by BNP Paribas Fund Services Australasia Pty Limited.

The significant benefits of investing in the Fund are:

- Access to Colchester's investment management expertise in relation to sovereign bonds;
- Access to investment opportunities in offshore markets that Colchester considers attractive;
- Prudent risk management;

- Access to investment opportunities and diversification through pooling of assets that may not be available to individual investors. This increased diversification can reduce risk and allows us to lower costs by negotiating better prices with service providers; and
- Potential for diversification when employed in conjunction with other asset classes and investment styles.

The return on your investment comes from:

- Any increase or decrease in the Unit price of the Fund, and
- Any income distributions made from the Fund.

We expect to make quarterly distributions for the Fund in respect of the periods ending on the last business day in March, June, September and December. We expect to pay distributions within 30 days of the period end. You can elect for your distributions to be paid to your nominated bank account, or reinvested in the Fund. If you do not make a distribution election the default option is reinvestment. We can vary the method of calculation of distributions and the period between distributions (including suspending distributions) by providing three months' notice to you.

### **Making investments**

You can make lump sum or regular investments into the Fund. The application process is described in section 10, "How to apply".

The minimum initial investment for the Fund is \$50,000. Thereafter, the minimum additional investment is \$5,000. These minimum amounts may be varied or waived at our discretion.

We may, in our absolute discretion, refuse any application without giving any reason. If we refuse your application, your application payment will be returned to you in full, without interest.

### **Withdrawing your investments**

You may request redemption of some or all of your investment at any time. Payment will normally be made within 15 business days of our receiving a redemption request from you. However, we may suspend withdrawals from the Fund if we decide to close the Fund, or in other circumstances where we believe that allowing investors to take their money out would not be workable, or would prejudice investors generally. A suspension can last up to six months. If withdrawals are suspended and you submit a withdrawal request, we will not process it until the suspension is lifted.

When you redeem all or part of your investment from the Fund, we will redeem your investment at the Unit price for the Fund, adjusted for any applicable sell spread for the Fund.

We reserve the right to refuse a redemption request for less than \$500 worth of Units or a redemption request that would result in you holding less than \$50,000 worth of Units (except where all of your Units are to be redeemed).

### 3. Description of your investment option

Fund	Summary of investment objectives and strategy	Target investment mix	Risk category	Minimum suggested investment timeframe
Colchester Global Government Bond PIE Fund	Objective: 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.	International fixed interest (hedged to NZD)  100%	3	5 years

\*Note: The Fund has been in existence for less than 5 years. The Fund's actual returns have been used to calculate the risk indicator for the period 9 April 2021 to 31 March 2023. Market index returns (rather than the Fund's actual returns) have been used to calculate the risk indicator for the period 31 March 2018 to 8 April 2021. The risk indicator may therefore provide a less reliable indicator of the Fund's future volatility.

We can make changes to the Scheme's Statement of Investment Policy and Objectives ("SIPO") in accordance with the Trust Deed and the Financial Markets Conduct Act 2013 ("FMC Act"). Before making changes to the SIPO, we will consider if the changes are in your best interests and consult with the Supervisor. We will give notice of changes to investors of the Fund prior to effecting any material change and any material changes to the SIPO will be advised in the Scheme's annual report. The most current SIPO for the Scheme can be found on the scheme register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

Further information about the assets in the Fund can be found in the fund updates at [www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting/](http://www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting/).

### 4. What are the risks of investing?

#### Understanding the risk indicator

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help investors understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator.

Lower risk/ potentially lower returns	Higher risk/ potentially higher returns
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1	2	3	4	5	6	7
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See page 2 for the risk indicator for the Fund offered under this PDS.

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the Fund's assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at [www.sorted.org.nz/tools/investor-kickstarter](http://www.sorted.org.nz/tools/investor-kickstarter).

Note that even the lowest category does not mean a risk-free investment, and there may be other risks (described under the heading "Other specific risks") that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 31 March 2023. While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent risk indicator in the latest fund update for this Fund.

### **General investment risks**

Some of the things that may cause the Fund's value to move up and down, which affect the risk indicator, are:

**Interest rate and credit risk:** The Fund invests in fixed interest securities and so is exposed to interest rate risk and credit risk.

Interest rate risk is the risk that the value of an investment changes due to movements in interest rates. If interest rates rise, the value of fixed interest securities falls. If interest rates fall, their value rises. Interest rates move for a range of factors including (but not limited to) the supply and demand for money, future inflation expectations, monetary policy, or market sentiment.

Credit risk is the risk an issuer is unable to pay principal and interest when due. The ability of the issuer to meet its obligations depends on the financial position and financial prospects of the issuer. This also can include the risk that a counterparty to a transaction that the Underlying Fund enters into either cannot or will not meet its obligations.

**Country and Currency risk:** The Fund will be exposed to offshore investments and hence is exposed to country and currency risk. Country risk relates to the relative performance of different markets and economies. Currency risk stems from the value of foreign currencies moving differently to the New Zealand dollar. For example, a fall in an investor's local currency can result in an increase in the value of their international investments. Conversely, a rise in that currency can decrease the value of an investor's international investments.

The Fund largely mitigates currency risk by aiming to be fully hedged to the New Zealand dollar. However, the Fund can be exposed to currency risk due to either not being fully hedged or as a result of currency positions adopted by the Investment Manager.

**Emerging market risk:** The Fund may have exposure to emerging markets securities. Investing in emerging markets include risks additional to those normally associated with an investment in securities in more developed markets. These risks may include restrictions on investment and repatriation of investment capital, the ability to exchange currencies for New Zealand dollars, currency and security price volatility, and markets that may be less liquid and less regulated. Political and social unrest together with government involvement in the economy can also increase risk.

**Manager risks:** The Fund is subject to manager risks, including human error, system failures, poor procedures, lack of management controls, termination of the Fund, changes in fees, replacement of the Manager and replacement of the Investment Manager.

**Liquidity risk:** The Fund is exposed to liquidity risk.

Low liquidity is a risk, as it can reflect the lack of demand for an investment, and make that investment harder to sell in a timely manner. This may affect returns if there is insufficient time to wait for demand to increase and a sale is required to be made at a lower price.

**Investment Risks:** Investment risks, including benchmark performance that is below Unit holder expectations and/or the Fund not meeting its investment objective.



**Derivative Risk:** Risk that arises from the use of derivatives where the value is derived from the performance of another asset, an index (such as a market index), an interest rate or an exchange rate. For example, investment losses could be caused by the other party to the derivatives contract failing to meet its contractual obligations. The use of derivatives may result in the Fund being leveraged, for example if this was not backed by cash, cash equivalents, or securities.

### Other specific risks

We are not aware of any other specific risks.

Further general information on risks (such as fund risk, key person risk and regulatory risk) is contained in the document "Other Material information" which can be found on the offer register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

## 5. What are the fees?

You will be charged fees for investing in the Fund. Fees are deducted from your investment and will reduce your returns. If we invest in other funds, those funds may also charge fees. The fees you pay will be charged in two ways:

- regular charges - for example, annual fund charges. Small differences in these fees can have a big impact on your investment over the long term.
- one-off fees (currently none).

### Annual Fund Charges (% of net asset value)

Fund	Annual Fund Charges (Excluding GST) (Estimated)	GST (Estimated)	Total Annual Fund Charges (Including GST) (Estimated, % of the Fund's net asset value)
Colchester Global Government Bond PIE Fund	0.75%	0.02%	0.77%

The charges outlined above include all normal day-to-day fund costs and expenses including the following:

#### Annual fund charges:

- the management fee paid to us and the investment management fee paid to the Investment Manager;
- fees and expenses charged within the Underlying Fund;
- the Supervisor's fee;
- costs incurred by us, the Supervisor and the Investment Manager in carrying out each of our respective duties (including the fees charged by auditors, solicitors, valuers and other advisers);
- bank account charges applicable to the Fund;
- costs for administration services, including Unit registry, asset registry, Unit pricing and investment accounting costs and costs associated with the provision of financial information related to the Fund; and

- custody costs.

The Total Annual Fund Charges do not include any extraordinary expenses such as costs of any litigation or Unitholder meetings.

## GST

The GST treatment of each of these components varies. For example, GST is currently charged at 15% on the audit fee, while custody fees are an exempt supply for the purposes of GST. These percentages vary, and may change in the future, which is why GST has been estimated.

### **Example of how fees apply to an investor**

Anthony invests \$100,000 in the Fund. He is charged management and administration fees, which work out to about \$770 (0.77% of \$100,000). These fees might be more or less if his account balance has increased or decreased over the year.

### **Estimated total fees for the first year**

Fund charges: \$770.00

See the latest fund update for an example of the actual returns and fees investors were charged over the past year.

### **The fees can be changed**

We can change fees from time to time. We can also add new fees. We may waive or decrease a management fee without notice. We may increase the management fee, or start charging additional fees, by giving you at least three months' notice. The rules about fee changes are in the Trust Deed, which can be found on the scheme register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

We must publish a fund update for the Fund showing the fees actually charged during the most recent year. Fund updates, including past updates, are available on the offer register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

## 6. What taxes will you pay?

The Fund is a portfolio investment entity. The amount of tax you pay is based on your prescribed investor rate ("PIR"). To determine your PIR, go to [www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate](http://www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate). If you are unsure of your PIR, we recommend you seek professional advice or contact Inland Revenue. It is your responsibility to tell us your PIR when you invest or if your PIR changes. If you do not tell us, a default rate may be applied. If the rate applied to your PIE income is lower than your correct PIR, you will be required to pay any tax shortfall as part of the income tax year-end process. If the rate applied to your PIE income is higher than your PIR, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

## 7. Who is involved?

### **About FundRock NZ Limited**

FundRock is the Manager of the Scheme. Our contact details are below.

Level 2, Woodward House  
1 Woodward Street  
PO Box 25003  
WELLINGTON 6140

Telephone: (04) 499 9654  
 Email: [contact@iisolutions.co.nz](mailto:contact@iisolutions.co.nz)

### Who else is involved?

Title	Name	Role
Supervisor	Public Trust	Supervisor of the Scheme under the FMC Act. Responsible for supervising us as the Manager of the Scheme.
Custodian	BNP Paribas Fund Services Australasia Pty Ltd	Appointed by Public Trust, as Supervisor, to hold the assets of the Fund on behalf of investors.
Investment Manager	Colchester Global Investors (Singapore) Pte. Ltd.	Defines the Fund's investment mandate and reviews the mandate and is responsible for selecting and monitoring the Underlying Fund. The Investment Manager is responsible for sales, marketing and client relationship management to support the Fund.  Colchester Global Investors Limited is the investment manager for the Underlying Fund. Colchester makes decisions about what the Underlying Fund invests in.
Administrator	BNP Paribas Fund Services Australasia Pty Ltd	Appointed by us to manage core administration functions including: unit pricing and fund accounting.
Registry Manager	Apex Investment Administration (NZ) Limited	Appointed by us to manage the fund registry functions.

## 8. How to complain

Any complaints or problems with the investment should be directed to us for resolution through our internal dispute resolution process:

FundRock NZ Limited  
 Level 2, Woodward House  
 1 Woodward Street  
 PO Box 25003  
 WELLINGTON 6140

Telephone: (04) 499 9654  
 Email: [contact@iisolutions.co.nz](mailto:contact@iisolutions.co.nz)

If you are not satisfied with the outcome of your complaint to us, you may refer the matter to the Supervisor for resolution through its internal dispute resolution process:

Public Trust  
 Private Bag 5902  
 WELLINGTON 6140

Telephone: 0800 371 471  
 Email: [cts.enquiry@trustee.co.nz](mailto:cts.enquiry@trustee.co.nz)

If your complaint is not able to be resolved through our internal dispute resolution process or that of the Supervisor, you may refer your complaint to the dispute resolution scheme operated by the Insurance and Financial Services Ombudsman, an approved dispute resolution scheme under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. We are a registered financial service provider and member of this scheme. The Insurance and Financial Services Ombudsman's service is provided at no cost to you. The contact details for the scheme are:

Insurance and Financial Services Ombudsman  
 Level 2, Solnet House  
 70 The Terrace  
 PO Box 10-845  
 WELLINGTON 6143

Telephone: 0800 888 202  
 Email: [info@ifso.nz](mailto:info@ifso.nz)

The Supervisor is a member of an approved dispute resolution scheme operated by Financial Services Complaints Limited ("FSCL") - A Financial Ombudsman Service. If your complaint to the Supervisor has not been resolved, you can refer it to FSCL by phoning 0800 347 257 or writing to:

Financial Services Complaints Limited - A Financial Ombudsman Service  
 PO Box 5967  
 Wellington 6140

The FSCL scheme is an independent external ombudsman and dispute resolution service that has been approved by the Minister of Consumer Affairs under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. FSCL will not charge a fee to any complainant to investigate or resolve a complaint.

## 9. Where you can find more information

Further information relating to the Colchester Investment Funds is available on the offer register and the scheme register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) and a copy of information on the offer register or scheme register is available on request to the Registrar of Financial Service Providers.

### Other information we will provide

You can also obtain the following information free of charge:

Information	How to obtain
Fund information relevant to you	You can inspect documents we hold that are relevant to you, and other documents that are legally required to be provided to you, at our offices during normal business hours, or you can request an extract of those documents, by making a written request to us.
Fund updates	The fund updates for the Fund are publicly available from our website and can be requested from us.

If you invest directly into the Fund, we will send you confirmation information relating to your transactions when Units are issued to you, as well as when you withdraw or transfer your Units and make available to you an annual report in respect of the Scheme.

You will also be sent an annual tax statement, which will include the amount of PIE income allocated to you and the amount of tax paid at your chosen PIR. You will also be asked to confirm your IRD number and PIR.

You can find general information about the Fund and us on our website [www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting/](http://www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting/).

## 10. How to apply

If you are making an investment directly with us, then you will be required to complete the application form, which can be obtained from us, and send it to:

FundRock NZ Limited  
PO Box 25003  
WELLINGTON 6140

Email: [contact@iisolutions.co.nz](mailto:contact@iisolutions.co.nz)

You can also apply to invest in the Fund through approved investment administration and custodial service platforms (also known as “wrap platforms” or “PIE investor proxies”). Many adviser groups and distributors prefer using wrap platforms in providing services to their clients. When reading this PDS you should remember that if your investments are purchased through a wrap platform they will be held by a custodian on your behalf. In that case you should refer to the wrap platform’s service terms and relevant material for how you may invest in the Fund. The terms of these wrap platform services are separate and independent to the offer of the Fund under this PDS. Please take time to read this PDS and other information contained on the scheme register ([www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz)) before making your investment decision.