
Colchester Investment Funds

Statement of Investment Policy and Objectives

Effective date: 13 April 2023
Issued by FundRock NZ Limited



A. Description of the managed investment scheme

The Colchester Investment Funds (“Scheme”) is a managed investment scheme. The Scheme offers one single sector investment fund, the Colchester Global Government Bond PIE Fund (“Fund”) which provides investors with exposure to international fixed interest (hedged to New Zealand Dollars).

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

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 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 Fund’s investment manager and is responsible for making recommendations and decisions about what the Fund invests in, in accordance with this SIPO. The Fund is invested in accordance with Colchester’s investment philosophy and process. Currently the Fund invests in an underlying offshore fund established and managed by the Investment Manager’s parent, Colchester Global Investors Limited (each entity or both together shall be referred to as ‘Colchester’ as the context requires). This underlying fund is 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”).

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 Fund’s 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 Fund.

C. Investment philosophy

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

D. Fund Investment Objectives and Strategies

The Investment objectives and strategies for the Fund are:

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 interest

Asset allocation ranges:

- 95%-105% 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) (Underlying Fund)
- -5%-5% funding account (holds NZD cash and cash equivalents¹)

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 Shares ² (ISIN: IE00BMYCB138).

Permitted investments:

- International fixed interest
- 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

¹ 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.

² Details of the Underlying Fund's portfolio strategy and configuration can be obtained by contacting the Manager.

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).

E. Investment Policies

Taxation

The Fund has elected to be a Portfolio Investment Entity ("PIE") and therefore is 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 the 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 Fund 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 Fund invests 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 Fund 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 type described below, are prohibited.

The Fund may invest in other managed investment schemes. If these schemes are managed by related parties (for example where the Fund invests in a Colchester fund offshore, such as the Underlying Fund), and are permitted under section 174 of the FMC Act, they are permitted investments for the Fund. The Manager will report transactions in managed investment schemes managed by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

Parties related to the Fund, including the staff of Colchester and their families, and the staff of FundRock and their families may from time to time invest in the Fund. 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 Fund invests in another managed investment scheme 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 Fund's 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

The Conflicts of Interest and Related Party Transactions Policy sets out the principles and procedures relating to the management of conflicts of interest within FundRock. The policy applies 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.

The core policy statement is:

'As a licensed manager of Managed Investment Schemes, FundRock must act honestly and in the best interests of the Scheme participants. FundRock recognises that in order to satisfy this duty, it and its Staff must put the interests of Scheme participants ahead of those of itself or the Staff members.'

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.
- Investment manager monitoring and compliance.

F. Investment performance monitoring

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

- Gross return.
- Benchmark index return.
- Performance relative to benchmark.
- Annualised standard deviation of gross return.
- Annualised standard deviation of benchmark index return.
- Annualised tracking error.

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

G. 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.
- A permanent change in risk and return characteristics of the relevant 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, as well as written approval of the Supervisor. 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.

This SIPO was approved by the FundRock Board on 12 April 2023 and takes effect on 13 April 2023.

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 and/or Colchester Global Investors (Singapore) Pte. Ltd as the context requires.

Fund means the investment fund offered within the Scheme, being the Colchester Global Government Bond PIE Fund.

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

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, a sub-fund of The Colchester Multi-Strategy Global Bond Fund plc (an Irish registered UCITS fund).