Qualitative Fund Research

Colchester Global Government Bond PIE Fund

10 October 2023

The views and opinions in this document are considered valid from one year from the date published.

Qualitative Fund Research Contents

Research Factor Weighting

Research Process Category	Model Factor Weight	Analyst Average Score	Maximum Factor Score
Corporate & Investment Governance	15%	4.00	/ 5
Investment Philosophy & Process	20%	4.00	/ 5
People	25%	4.67	/ 5
Portfolio Construction & Implementation	15%	4.17	/ 5
Risk Management	15%	5.00	/ 5
Investment Fees	10%	3.71	/ 5
Overall Average Score		**4.31**	**/ 5**

What We Look At?

The qualitative rating of a fund is a function of the Research IP Research Factor Weighting process, which incorporates the following:

Meet the Manager

Colchester Global Investors is a privately owned investment management firm offering value oriented, global bond management services. Chairman and CIO Ian Sims founded the asset management business in 1999. Colchester's headquarters are located in London. The firm also has offices in New York, Dublin, Madrid, Singapore, Sydney and Dubai. Further information about the Manager can be found in its online profile.

Colchester's investment philosophy believes that a portfolio of higher real yielding bonds and undervalued currencies, according to their real exchange rate, will outperform its benchmark over a medium to long term investment horizon.

Colchester is a signatory to the United Nations Principles of Responsible Investment (UNPRI). Colchester which has the primary purpose of delivering medium to long term value for its clients has always believed that a country with good standards of governance, sound environmental and social policies will have a stable debt path which is conducive to a medium-term investment strategy.

Access the full range of investment options here.

Key Takeouts

This is General Advice only and should be read in conjunction with the Disclaimers, Disclosures and Warnings at the end of this document.

Quantitative Tear Sheet - TBC

Platform is FREE to access via registration – performance data updated monthly.

Factsheet ***Report*** ***PDS*** ***Articles / Views***

For important Fund Facts view the RIPPL Effect

The Fund

Fund Details	**Colchester Global Government Bond PIE Fund**
Investment Objectives	The Colchester Global Government Bond PIE Fund (PIE Fund) aims to generate income and increase the amount invested by investing in a globally diversified portfolio of government bonds and currencies. An associated objective is the preservation and enhancement of principal. The Fund may also use forward foreign exchange transactions (including non-deliverable foreign exchange transactions). Investing in the Fund provides investors with the following significant features and benefits: • Access to Colchester's investment management expertise in relation to global sovereign bonds and currencies • Prudent risk management • Access to investment opportunities and diversification through pooling of assets that may not be available to individual investors • Potential for a regular income stream by way of quarterly distributions • Potential for diversification when employed in conjunction with other asset classes and investment styles. • Robustness of the real yield approach with consistent and disciplined application of time-proven value-oriented techniques, including the separation of bond choice from the currency choice as currencies are some three to four times more volatile than bond returns • The Global Bond program does not make use of interest rate derivatives as they can cause leverage issues • Never has any of Colchester's products faced a bond default since inception of the firm • Unique use of the smaller high quality government bond markets, differentiating from most other fixed income managers • The fund only invests in liquid cash settled government bonds and actively manage currency through forward FX • Low turnover for the strategy at approximately 40% since inception The Fund has elected to be a Portfolio Investment Entity ("PIE") and therefore is taxed under the PIE regime. Investors are provided with an annual tax statement, which outlines the level of PIE income allocated and the level of tax relevant to the investors' prescribed investor rate (PIR).
Benchmark	FTSE World Government Bond Index (NZD Hedged)

Alpha Objective	Outperform the Benchmark by 2% p.a. gross of fees over full economic cycle 5yrs in length.
Management Fee	Management Fee 0.75% p.a. (excluding of GST)
Performance Fee	N/A
Estimate of Total Fund Charges	0.77% (inc GST) – 13 April 2023

The Colchester Global Government Bond PIE Fund ("the Fund") provides investors with exposure to international fixed interest (hedged to New Zealand Dollars). The Fund invests in The Colchester Global Bond Enhanced Currency Fund - NZD Hedged Accumulation Class – Z Shares. In managing the Fund, the Manager uses the following internal risk measures (as guidelines only):

Factor	Lower Limit	Upper Limit	Reference
Ex Ante Tracking Error Range	1%	5%	Typically 3-4%
Duration Range versus benchmark	-	-	+/- 25%
Typical number of holdings	-	-	Approx. 150
Expected Portfolio Turnover	-	-	30-40% based on normal conditions
Cash	-5%	5%	Typically 2-3%
NZD Currency Exposure	85%	125%	-
Government/Sovereign	-	100%	-
Supranational/Agency	-	15%	-
Corporate, Mortgage/Asset Backed, Securitised	-	0%	0%

Using this Fund

This Fund would suit an investor seeking a defensive allocation to fixed interest within a diversified portfolio. The Fund invests in global government bonds and currencies which are subject to movements (both positive and negative) in the prices of fixed interest securities of the underlying securities in the portfolio. The most pertinent underlying risks affecting fixed interest securities being currency risk, credit risk, interest rate risk, and inflation risk.

Accordingly, investors should therefore be aware that the Fund may experience periods of negative returns and that there is a risk of potential capital loss being incurred on their investment. Research IP believes an investor should have a minimum investment time horizon of 5 years.

What the Manager Says?

Insight	Manager view	Research IP opinion
Who is accountable for managing the fund? **Is the investment teams work history relevant to the funds they manage?**	Colchester uses a team approach to investing and each member of the Investment Team contributes to the investment decision making process through our Investment Management Committee (IMC) meetings. Ian Sims chairs the IMC and, in his capacity as Chief Investment Officer, has the final say in any investment matter and is ultimately responsible for all Colchester's portfolios and Funds. Ian is Chairman and Chief Investment Officer of Colchester Global Investors. Ian founded the firm in 1999 and is responsible for the strategic direction of the firm. Ian oversees the management of the firm's assets globally as Chief Investment Officer. Ian has enjoyed a successful career in the field of global fixed income and currency investment management. Prior to Colchester, Ian was founder and Chief Investment Officer for Global Fixed Income at Delaware International Advisors, Ltd., subsequently renamed Mondrian, where he worked for nearly 10 years. His previous work experience includes fixed income portfolio management at Royal Bank of Canada and Hill Samuel Investment Advisers. Ian has authored a widely read publication on the use of real yields in global bond management. Colchester's Investment Team is comprised, in addition to Ian, of 12 investment managers. Keith Lloyd Group CEO & Deputy CIO, Kathryn Elsby Senior Investment Manager, Claudia Gollmeier Senior Investment Officer & MD Singapore, Cian O'Brien Senior Investment Officer & CEO Dublin, Vi-Minh Tran, Senior Investment Officer; Investment Officers are Martyn Simpson, Mark Capstick, Carl Roberts, Jean Lee, Alex Fullarton, Joanna David and Daniel Locke. While we have a very experienced and capable team, the key advantage of our investment process is the consistent and disciplined application of our time- proven value-oriented investment philosophy. We believe in the strength of our underlying real yield/real exchange orientated	The Manager has a repeatable and disciplined investment approach which enables the Manager to employ a relatively flat team structure globally. Research IP believe that having ultimate accountability with one person (Sims) allows for less hesitancy in decision-making and has proven effective to-date. Research IP is aware that contentious portfolio decisions and issues have resulted in Sims making the final call when there was no team consensus at Investment Management Committee meetings, though these have been few and far between. Research IP highlights one notable aspect, that is the rotation of the investment team and how the experience within the team is managed and developed across the different offices (London, Dublin, and Singapore). Each team member essentially changes the set of countries they look at every few years. Rotating the teams country responsibility remains a feature implemented by the CEO and Deputy CIO post working for the World Bank in Washington, US; he didn't find it useful being in one country too long as you're effectively 'stuck at the coal face'. Accordingly, decision making becomes difficult and the investment team are expected to remain active and have the ability to engage in vibrant discussions with respect to the portfolio's positioning and investment issues as they arise. Research IP believes there is value in the Manager's rotation policy. It can assist with team stability due to the variety of the work, as long as it is managed consistently. The rotation timing has been fluid, every 2-3 years. It essentially reduces the risk of someone leaving and the Manager losing that experience go with them if that team member is focussed on a particular area of the portfolio.

	investment philosophy and all investment professionals "buy in" or heavily subscribe to this rationale. As a result, our investment philosophy, process, and implementation are the same for all the strategies we offer. Accordingly, our process and resulting return profile is the result of a collective effort of all Investment Team members. We use a team approach to investing, and each member of the Investment Team contributes to the investment decision making process through our IMC meetings. Each Investment Officer is directly responsible for (1) a range of portfolios; and (2) specific country research, covering both inflation and balance sheet analysis. These responsibilities are both as primary and back up and are rotated every few years. No one individual is the "emerging market" or "inflation linked" specialist, rather all Investment Officers are accountable for all strategies. In our opinion this builds depth across the firm and ensures consistency of performance across similar portfolios, as well as ensuring that more than one set of eyes is looking at all portfolios. Similarly, each team member is assigned a specific number of countries to cover for research purposes. Back-up coverage is also assigned for all countries.	Research IP notes the career experience across the investment team averages 24 years, and average tenure at the firm is 11 years (as at the date of this report). Of the 13 investment team, there are 7 based in London, 4 in Singapore, and 2 in Dublin. The investment team is supported by a team of five traders, which is viewed positively. This relieves the need for the investment team to place trades and allows for some potential synergies to be gained across the firm as various funds and strategies buy and sell securities.
Has the CIO/ PM personally invested in the Fund? Are they paying the same fees as other investors?	Yes, in equivalent UCITS funds. Most of the Investment Team are invested in equivalent UCITS funds. Across the Global Fixed, Emerging Markets, Inflation-Linked and Alpha strategies, 8 members of the Investment Managers have personally invested a total of A$13m via our UCITS vehicles. No, all Colchester staff are offered a 0% management fee. Note: Secondary question relating to incentives below.	This should be an aspect that potential investors consider when deciding to invest in any financial product. Investing in funds alongside investors and at the same fees aligns the interests of investment personnel with those of the investors. In this case the majority of the investment team have invested in equivalent UCITS (Undertakings for the Collective Investment in Transferable Securities i.e., the European Union regulatory framework that allows for the sale of managed funds) strategy. However, this is not completely aligned with investors given staff do not pay management fees. Research IP notes that complete alignment with investors is limited by the risk profile of the Manager's funds, which are predominantly at the lower end of the risk spectrum given they invest in fixed interest assets. Team members may opt to invest into other risk assets depending on their personal

		circumstances. Currently, all of the investment team hold equity in Colchester and 8 have invested in Colchester's UCITS Funds.
Why would you allocate to this fund?	Colchester has a proven track record of generating attractive alpha while not compromising the defensive and liquid characteristics of the global sovereign allocation. We have delivered positive alpha (gross of fees) across our Global Bond programs since inception – 1.29% p.a. over the last 11 years for our AUD hedged Global Bond program and 2.30% p.a. for our USD unhedged Global Bond program over the last 22 years, as of 30 June 2023. Additionally, if an active manager can deliver alpha, which we have demonstrated a long history of doing, then the compounding over time can result in meaningful outperformance. Given this, not being active can be a meaningful opportunity cost, 1% alpha compounded over 10 years is over 15% cumulative outperformance. The optimal time to be active, if you are a believer in our investment process, is when opportunities are maximal, and this is normally the time following a dislocation. Global sovereign bonds are a defensive and highly liquid asset class which provides diversification benefits due to its low correlation to growth assets and other fixed income securities, such as investment grade and high yield corporate bonds. Over the medium to long term the asset class will deliver capital growth and regular income via coupons. During a risk off environment, global sovereign bonds are likely to rally where cash won't and provide a liquidity pool. Governments can generally print money and raise tax to repay their local government debt, whereas corporates cannot, therefore one could argue government bonds have a lower default risk to credit and equity. The benefits for investors accessing this fund include: 1. the potential to defend performance when other assets fall 2. the ability for investors to access funds whenever needed	The Fund should be part of the defensive allocation of a diversified portfolio, so the liquid aspect of the Fund must hold true, especially in times of stress when risk assets are not performing. The universe is inherently liquid when considered against other assets across the broader risk spectrum, and Research IP believes the Manager has demonstrated a consistent and repeatable process in ensuring the liquid nature of the Fund. The Manager avoids derivatives where possible to assist with this liquidity risk, instead holding physical bonds. The reasoning being that it is unlikely that a country will suddenly sell their bonds and buy US in times of stress. The Manager differentiates themselves within this asset class by combining this focus on liquidity risk with a value-oriented approach to bond selection through active management of the portfolio. Research IP believes an active approach to fixed interest investment is prudent, and even more so in an environment of heightened volatility. There is potential for fragmentation risks as the normalization of interest rates has an uneven impact on different countries. A focus on fiscal strength and stability is important. Research IP believes the Manager has demonstrated this so far and can continue to demonstrate the ability to manage these risks. This active approach is elaborated on in the section: "What are key factors in the buying and selling decisions of the Fund?" Research IP believes the Manager has also demonstrated an effective approach to ESG integration which is inherently more difficult in the fixed interest space. More information on the Manager's approach is explained in the section: "Describe the Manager's ESG, Corporate Sustainability policies and engagement."

	3. the opportunity for investors to receive medium-term growth in investment principal and regular income distributions 4. the ability to receive returns historically higher than cash Colchester applies a qualitative screen to all high quality investment grade countries to decide upon their inclusion, or otherwise, in the opportunity set. We do this through an extensive assessment of the macro-economic environment, policy framework, ESG standards and other country specific factors. The data used in the financial health assessment comes from local governments and international institutions (OECD, IMF, BIS, etc.). Countries with strong financial balance sheets will receive a premium while weaker ones will be penalised. At an extreme a country may be excluded from the investment opportunity set when the balance sheet is impaired. Colchester constantly monitors the suitability of all existing and potential countries for inclusion in the investment opportunity set. A specific risk from investing in the Fund beyond those specified in the PDS is: There is a risk to performance if, in unison, inflation and interest rates round the globe hiked quickly and beyond broad market consensus. The Fund would experience capital losses that may not be fully offset by coupons and gains from FX positions.	Research IP believes bonds remain a portfolio diversifier. However, all investors should remain mindful, there are periods where the direction across asset classes can be the same. That is correlations equal one and equities and bonds all move in the same direction, positively or negatively. It can be shown in past performances that they are, though this depends on the time horizon chosen and the specific time period. Accordingly, Research IP believes bonds are a part of the puzzle for effective diversification. The better the quality of the bonds, the better the probability of achieving the defensiveness pursued.
What are key factors in the buying and selling decisions of the Fund?	Colchester covers around 50 markets and considers bonds that include government (nominal and inflation-linked), government sponsored / guaranteed bonds, supranationals, and foreign sovereigns (e.g. Yankees, Eurobonds, etc.). We only invest in bonds with a minimum credit quality of BBB- at time of purchase as defined by the higher of split rated securities rated by S&P, Moody's and Fitch. All markets that Colchester invests in meet minimum liquidity and institutional/legal requirements determined by Colchester. Colchester's investment process focuses on identifying "Investment Value" at each important level: country, currency, sector and duration/maturity. Investment Value is the synthesis of what we term "Real Value" and "Financial Stability" and its determination provides the basis on which Colchester takes investment decisions.	Research IP highlights the process of forecasting inflation across different countries in the Manager's assessment of real yields and real exchange rates. The final output of the forecasts for portfolio construction and optimization is an 18-24 month point estimate as a proxy for longer term inflation expectations. The inflation forecasting framework is underpinned by the monetarist approach (MV=PT), with analysis of capacity utilization also used e.g. factory orders/surveys and unemployment rates. Importantly, the investment team uses judgement in assessing the practical use of the forecasting model and any data availability issues that can make model outcomes inconsistent. The Manager's proprietary database with key variables in the model goes back to 1960.

"Real Value" is composed primarily of traditional real yield and real exchange rate measures, supplemented with an analysis of the term structure of interest rates. The determination of real yields and rates requires forecasts of future inflation, for which we employ robust, time-proven quantitatively oriented methodologies and balance sheet analysis. We complement this analysis with qualitative assessments backed up by country visits. "Financial Stability" has as its key determinants economic deficits and surpluses, monetary conditions, policy objectives and ESG factors. We appraise these determinants through a combination of rigorous analytical methods and experienced judgment. Special geo-political factors may be taken into account in unusual circumstances. This methodology provides an integrated framework within which all fixed income assets and currencies we invest in can be appraised on a consistent basis; relative investment value determines portfolio allocations.

Individual security selection is determined within the same framework as the overall allocation process. Colchester's primary focus is on determining 'value' at the individual country, sector and security level. Notional single currency portfolios are constructed for each country using these 'investment values' or expected returns of each sector and bond in each market in the opportunity set. These are essentially optimised local market portfolios combining the highest expected return bonds available in each country. The reason for doing this is so that "bottom-up" opportunities – such as attractive maturities, inflation-linked securities or attractive foreign currency-denominated sovereigns – do not get overlooked as might be the case with a traditional "top-down" approach. The firm's optimisation model is based on a standard mean- variance framework and risk is defined as the volatility of excess returns versus the index. Risk is allocated between the alternative strategies as a direct function of the size of the opportunity available. The resulting allocation reflects constraints imposed by the benchmark/guidelines and the overall balance and composition of risks. Specifically, Colchester seeks to add value primarily through both its country bond market and currency selection. Smaller, but

Identifying 'high quality' investment grade countries through macroeconomic and fundamental analysis is an important part of how the Manager constructs the portfolio. Not all investment grade countries are included in the investment universe, a qualitative screen is applied initially on aspects such as political uncertainty, governance issues, and barriers to foreign entry. Other factors analysed include various sovereign risk indicators, fiscal measures, monetary attributes, economic characteristics, ESG, market factors, forex, and settlement issues. Research IP views this as imperative in an environment of rising inflation rates and dispersion in interest rates across the globe.

Purchasing Power Parity (PPP) is used to inform the currency valuation process (accounts for approximately 60% of the Manager's currency valuation). One calculation is for consumer prices and another for producer price levels. These PPP valuations can take 5-7 years to mean revert. When currencies are a higher number of standard deviations from fair value, currencies have shown a tendency to move back to the mean more sharply. The Manager looks at baskets of currencies that are overvalued or undervalued. The more undervalued, the more exposure the Manager will take. In addition to this estimate of the real exchange rate, the Manager also looks at the strength of external financial balances and short-term real rate differentials (both account for approximately 20% of the Manager's currency valuation), but not necessarily short-term carry.

The real bond investment valuation and estimate of real currency value are separate processes but ultimately intersect when weightings are determined by the mean-variance optimiser. This is an iterative process, with the outcomes discussed at the monthly IMC meetings. The optimiser uses inputs categorised according to country, yield curve segment (maturities), and bond sector (e.g., nominal, inflation-linked, government guaranteed, quasi government). The number of expected

	not insignificant, potential alpha is added through maturity and sector decisions. Our buy and sell decisions are driven by our portfolio construction and optimisation framework rather than a separate sell process. Portfolios are only rebalanced when there are changes in valuations that prompt changes in allocations, subject to the overall level and balance of risk within the whole portfolio. Both 'buy' and 'sell' decisions are determined within this framework, with resulting transactions being undertaken at market in liquid transparent markets. Stop loss orders ("stops") are not used as part of our trading methodology. As entry and exit decisions are a function of their relative and absolute value, no stops are used in the management of the bond portfolio.	real return inputs could be up to 10 for each country, which are then optimised for risk guidelines and limits to come to the final portfolio. Research IP believes the investment team trust the outcomes of the optimiser. However, there is still in-depth consideration of final portfolio weights. The use of a model and qualitative inputs is considered a robust risk management process. Decisions on portfolio construction are made at the formal IMC meetings. The decisions are made mostly and evidently by consensus. The optimiser will always give suggested portfolio weightings, but the team can challenge it if they can justify it, and subsequently all work towards a consensus view. Sims will have the final say if there is no consensus. For example, regarding Brexit, the optimiser outcome suggested holding Sterling, but Sims decided not to hold it because they hadn't seen anything like it before. The optimiser will provide the framework and tools for the team to work with and dive into the magnitude of positions.
What are the key drivers of the Fund's performance?	Colchester's investment process seeks to exploit two pricing inefficiencies and, therefore, generate two separate sources of alpha. First, we look to capture the alpha inherent in the differences in real yield around the globe by building our portfolios with the highest real yielding countries in our opportunity set. Historically, this strategy has generated significant alpha for the bond portfolio. We also look to capture the mean-reverting process inherent in currencies values over the intermediate term as they move towards their purchasing power parity valuation. Higher real yields provide greater opportunity for positive capital returns. Importantly for Colchester, it is the greater the dispersion among the real yields of our opportunity set that allows for a greater opportunity to add alpha. We may allocate more risk to bonds if there is a large potential real yield enhancement on offer relative to the benchmark and similarly may allocate	Generation of alpha is dependent on the Manager's ability to forecast inflation (real value) consistently across different countries, and the ability to exploit deviations in the assessment of a currency's fair value. Critical to this is fundamental research, particularly the Manager's financial stability score. An assessment of the portfolio holdings highlights that active bond selection is being taken, relative to the benchmark. Comparing country exposure and currency exposure shows the outcome of the Manager's portfolio construction at a point in time. Constant re-evaluation of these holdings and the iterative process of estimating the real value of each country, yield segment and bond sector is where the Manager aims to add value through time at the margin. For example, the Manager's valuation of Colombia's prospective real yield at the country level is the highest of the countries it analyses. Consequently, an

	more risk to currencies if there is greater opportunity on the currency side. Because currencies tend to be more volatile than bonds there is the mistaken belief that all currency investment must therefore add to risk. As we take both "long" and "short" currency positions in the fund, over time this can mean that some of these positions can actually help to reduce risk in the fund. It's also important to note that the alpha generated from our country selection generally represents 2/3rds while currency has historically contributed 1/3rd. The value investment approach used at Colchester is indifferent to economic and financial market cycles. Philosophically, we believe that real value will express itself in our portfolios irrespective of short-run fluctuations. Accordingly, performance simply reflects the impact of financial market movements on the underlying value positions held in the portfolios at any one point in time. Our investment philosophy and process does not change in response to these moves - other than when they result in a change in our value estimates. The real yield relative value approach is most likely to outperform when dispersion among the real yields in the opportunity set is high, and equally, Colchester is more likely to underperform when dispersion is low and difference between the highest and lowest real yield is low compared to history. We will reduce ex-ante tracking error in the latter environment. We would expect the portfolio to experience absolute underperformance, or negative returns, if there was a scenario where rates around the world rose sharply and in unison. This would typically be a result of a global inflation shock.	allocation to Colombian sovereign bonds is worth it, notwithstanding an assessment of Columbia's financial stability and real FX rate. The benchmark did not have any exposure to Colombia at March 2022 quarter-end, whilst the Manager's portfolio had 4%. This remains a portfolio position 12 months post the 2022 review. The typical number of holdings in the portfolio is approximately 150, compared to the benchmark with over 1,150. The Manager is benchmark aware with an ex ante tracking error range of 1-5%. When the market is more volatile there are naturally going to be more opportunities for alpha. The ability to identify the difference between short-term noise and long-term value is what really matters. Research IP believes the Manager has a solid foundation to take appropriate opportunities regardless of the environment, this is largely based on the Manager's consistent and repeatable investment process. The Manager does not attempt to drive return through allocations to credit. Nor does the Manager adjust duration to generate alpha as compared to the competitor landscape.
What are the risks of investing in this Fund?	The Fund's active risk is measured in terms of the ex-ante tracking error and absolute risk in terms of portfolio volatility. Tracking error is defined as the volatility of excess returns versus the index. We break down tracking error at the portfolio level into the major high-level attribution buckets:	Sovereign credit risk has been less of a concern for investors since the GFC given the ability for governments to print money and technically enable them to avoid defaulting on the debt. However, this hasn't stopped certain countries from defaulting on their debt e.g. Russia, Argentina and Greece. Certain elements

country, currency, sector, and duration/maturity.

In managing active and absolute risk, we employ proprietary risk and money management techniques. These techniques are integrated into the investment decision and portfolio construction process during which the expected return on the portfolio is balanced with the level of active risk through an optimisation process. Cross correlation risk between bond and currency exposures are analysed as part of the assessment of the overall composition of risks in the final portfolio. Certain advanced statistical procedures may be utilised in an attempt to overcome some of the difficulties encountered in using historical data for the volatility and correlation assumptions. We monitor our ex-post tracking error versus its ex-ante equivalent, and significant differences are investigated. Standard mean-variance optimisation techniques are applied to calculate optimal portfolios for a range of tracking errors. Risk is allocated between the alternative strategies as a direct function of the size of the opportunity available. The resulting allocation reflects constraints imposed by the benchmark/guidelines and the overall balance and composition of risks.

Investors allocate to the Fund as a core defensive fixed income allocation within a well-diversified portfolio of New Zealand and global Fixed Interest funds. The Fund only invests in physical government bonds and eschews credit and sub investment grade securities. We don't use derivatives to access bonds, maintain close to the duration of the benchmark and have a low turnover portfolio. As a result, the Fund provides a defensive allocation with low volatility, exceptionally good liquidity and a consistent delivery of coupons distributed quarterly. The Fund's low correlation to growth assets and other fixed income securities (such as investment grade and high yield corporate bonds) means in times of market stress investors benefit from its potential to defend performance when these growth assets fall.

Colchester does not use interest rate or credit derivatives in the Fund. Specifically, Colchester does not use futures, options, swaps, structured products or other similar derivative products in its portfolios. We do,

of these defaults have been country specific but analysis of global trade, central bank policies and commodities are important to anticipate default risk. The Manager's understanding of fundamentals is critical to avoid these risks, or at least manage them prudently. Research IP believes the active approach taken by the Manager with a focus on financial stability will reduce risk to a fixed interest portfolio. The Manager is solely focused on sovereign bond and currency markets across their product range.

An example of fundamental analysis at play is the Manager's assessment of Mexico (approximately +10% allocation compared to the benchmark). In summary, at the time of writing, the Manager's justification for the overweight allocation has improved to the point the allocation has increased in the last 12 months.

The Manager actively manages duration however the positions are within + / - 25% of the Benchmark. The Manager believes that taking large duration positions would dilute the defensive nature of the securities and the overall portfolio. Research IP believes this approach has merit given the level of influence that central banks have on bond markets, consequent distortion of risk pricing, the volatility that comes with it, but ultimately the difficulty in consistently managing the duration against these factors.

	however, use currency forwards (including non-deliverable forwards) when either hedging bond exposures or establishing outright currency positions. These are typically three months in length. Exposure is measured as the unrealised profit or loss on outstanding contracts at any one time.	
On what basis are the fees charged justified?	The fees are consistent with our pricing of equivalent funds offered globally. We analysed the pricing of our NZ competitors, and it revealed that the Fund is competitively priced. Colchester will consider a fee rebate for investors making a large investment allocation. There are no additional expenses for the fund beyond the Annual Fund Charge and GST.	Research IP believes the Manager is transparent from a fees perspective. Fees are disclosed in the Product Disclosure Statement, with additional information in the Other Material Information document which can be found on the disclose register. Research IP observes that the manager's basic fee is in the middle of the pack compared to sector peer relevant funds in New Zealand.
Describe the quality of the organisational and investment governance processes?	Colchester's Investment Management Team establishes new portfolio guideline and risk limits which are reviewed and verified by Risk prior to their implementation. Colchester's Reporting Engine (CGIRE) is at the heart of the guideline monitoring process. CGIRE takes data daily from BITON (a commercially available fixed income trade administration system which is matched to the outside world through daily automated cash reconciliations and monthly custodial holding reconciliations) together with index information, by bond, from all of the index providers in use. The investment guideline compliance module draws upon the analysed data described above to confirm on a daily basis that positions are in accordance with client requirements. All data is stored daily, so an audit trail exists for historical verification, if required. Trade Manager (a module within the reporting engine run by the dealers) utilises all this information to propose bond and FX trades, whether due to policy changes, customer flows or daily cash flow management. Prior to the production of pre-trade tickets for approval/checking by Investment Management and Operations, proposed trades are checked by the system against guidelines on a what-if basis. All trade tickets are approved by an Investment Manager.	The Manager has approximately 80 staff worldwide, spread across London, Dublin, Madrid, New York, Singapore, Sydney, and Dubai. This is a positive, considering the Manager is investing in global assets, but it means that the quality of governance and systems in place must be high to ensure decision-making is sound. The Manager has a transparent risk management framework applied across the business. Research IP observes distinct separation of duties from day-to-day business operation units and investment management. Business operation units form the first line of defence focusing on risk management day to day. Risk oversight of these business units is carried out by the Risk & Analytics and Compliance teams as a second line of defence. The third line of defence is internal audit which provides independent assurance of risk and compliance and reports directly to the Board. BDO also conducts an annual review to provide assurance of key controls within the business. Research IP highlights the direct reporting line to the Board for the Compliance Group and Business Risk Committee.

	A further line of responsibility resides with the Compliance Team who receive daily reports of guideline compliance from the reporting engine. They also conduct periodic reviews of dealing to ensure wider compliance requirements are met. Our trading function is performed by the Dealing Team under the supervision of one of the Investment Managers, all of whom report to the Chief Investment Officer who assumes overall responsibility. Separation of duties is the principle behind our compliance procedures. Investment Managers initiate the dealing instructions, and the Dealing Team prepares the deal tickets. The Dealing Team uses two main external trading platforms, Bloomberg for bond trading and FX Connect for foreign exchange. In addition, we have developed our own in- house application to support our trading decision making. This system extracts positions from a data warehouse linked to our back-office, and then, given target changes (arising both from investment management decision to switch positions, as well as inflows or outflows of client funds), produces a selection of recommended trades, showing at the same time the effect in percentage of NAV terms for both FX and bonds, and in addition in duration terms for bonds alone. There is a total of 13 staff who support Operations which includes Trevor Denton, Chief Operating Officer and Roxanne Aszkielowicz, Head of Operations. Operations is divided into two separate teams, namely Reconciliations and Reporting, and Trade Processing and Settlements. Michele Connell is our Global Head of Legal and Compliance and is responsible for the management of the firm's legal and compliance resources and the oversight of procedural, legal and regulatory compliance of the firm. Michele is supported by 12 dedicated members of the Legal/Compliance team. The Compliance Committee, chaired by Michele Connell, meets quarterly to consider the findings of compliance reviews, regulatory and business developments, policy changes and the status of regulatory filings. All Board members and employees receive minutes of these meetings.	The formal investment management committee (IMC) is chaired by CIO Ian Sims and includes investment officers from Colchester London, Singapore and Dublin. The Risk and Dealing teams also attend the IMC. The use of a dedicated dealing team is industry best practice, separating the investment decision from the buying/selling of securities. Head of Dealing is Tim Digby. Digby has 17+ years of experience in the dealing team and has oversight of three traders in London and one in Singapore. Digby also Chairs the Counterparty Review Committee which monitors the effectiveness and best execution for clients. Research IP highlights the Task Force on Climate-related Financial Disclosures (TCFD) Advisory Committee which reports directly to the Board. This illustrates the level of work required to assess and manage these risks across the business. More information on this is noted in the following section.

Describe the Manager's ESG, Corporate Sustainability policies and engagement.	Colchester believes that countries with better ESG standards tend to produce better economic growth, more stable balance sheets, and better long-term and sustainable financial outcomes. Our investment strategy therefore rewards those countries with better and penalises those with weaker ESG standards, as we believe that this will deliver better risk-adjusted returns for our clients over the medium-term. Colchester's investment programs invest primarily in sovereign bond markets that offer attractive real yields adjusted for the strength of their balance sheet and in undervalued real exchange rates adjusted by the strength of their external financial balance sheet. Colchester does not rely upon external credit rating assessments as we perform our own research. Our portfolios are highly transparent, liquid, unlevered and do not utilise securitization vehicles, credit or other corporate bonds. All portfolios managed by Colchester follow a similar investment management strategy based on the analysis of inflation, real interest rates and real exchange rates, supplemented by an assessment of sovereign financial balances - fiscal, external, monetary and ESG factors. Colchester invests on a global basis in both developed and developing/emerging markets. Risks associated with the investment process include, but are not limited to the following: 1. Currency exchange-rate risk; 2. The possible imposition of withholding, income or excise taxes; 3. The absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and weak government supervision and regulation; 4. Financial, economic, and political risks, including capital controls; and 5. Global market turmoil. While ESG considerations are inherent in our financial stability analysis, they also inform our assessment of these, and other risks, that impact on the construction of our portfolios. ESG factors are not as easily identified, measured or acted upon for sovereign debt as they are for equity or corporate debt, but can still be	As far as ESG investing goes, fixed interest remains more complex than it is with equity investing. This is simply due to the definitional differences of equity/debt as it sits in the capital structure e.g., ownership; but also differences between sovereign debt and corporate debt. However, if investors are conscious of ESG factors and being responsible investors, the approach applied by the Manager is thorough in terms of how ESG factors are integrated into the investment process, and the engagement framework applied. The integration of ESG is firmwide, an illustration of the commitment and conviction the Manager has in these factors. In terms of ESG research and travel, the research tends to be skewed more towards the emerging market countries. There is more to learn and assess. For example, in Indonesia coal is used, but if coal was not available then the country would struggle to generate enough power. The issue isn't just an environment issue, it's a social issue too as poverty is a potential outcome. The integration of ESG works more like a penalty. If a country is assessed as being riskier due to an ESG factor within the Financial Stability Score (FSS), then the optimiser will work it into the model by including a higher risk input for that country, and therefore more likely to have a lower weighting or no weighting at all in the final portfolio. The Manager's engagement framework is applied as a part of the broader integration of ESG factors within their valuation process. Engagement can be directly with debt issuers but also through broader industry collaborations. Naturally, engagement with sovereigns is different to corporates given no ownership rights, so caution must be taken to ensure no lobbying or interference with government policies etc. Any gains from engagement are likely to be at the margin and difficult to quantify, but Research IP believes the information gained by the Manager from engagement can be beneficial in a pragmatic sense regarding bond

incorporated into the investment process. Governance is clearly a key consideration, although environmental and social considerations also play a role in determining the medium-term stability and economic performance of a country.

Investment Process

The Investment Team perform detailed research assessments for all countries within the investment opportunity set. This country research process is performed independently by Colchester's investment professionals and is supplemented, where possible, by meetings with relevant government finance departments, economists, political analysts, major corporates and independent 'think tanks' to develop a rounded picture of a country's status and prospects. Colchester's Investment Team also engage with stakeholders, where possible, during country research trips.

ESG factors are integrated holistically into our valuation framework. Countries are assigned a proprietary Financial Stability Score (FSS) that combines an assessment of their overall balance sheet strength and ESG factors (Figure 1). Bond and currency scores range from +4 to –4 and are determined through an extensive assessment of the macro-economic environment, policy framework, ESG standards and other country specific factors. The data used in the financial health assessment comes from government statistical offices, central banks and international institutions such as the OECD, IMF and BIS. Similarly, ESG data comes from standardised internationally recognised organisations such as the United Nations and the World Bank, as well as relevant databases and other independent sources such as the Notre Dame Global Adaptation Initiative and the YALE Environmental Performance Index. The ESG data is standardised into a proprietary ranking or ESG score for each country, which in turn is incorporated into the overall FSS along with the assessment of balance sheet strength and qualitative analysis.

Sovereign ESG Scoring Framework

Whilst there are strong interlinkages between ESG factors and traditional balance sheet or "credit" metrics, selection, particularly regarding risk management in developing markets.

The Manager set up the Task Force on Climate-related Financial Disclosures (TCFD) Advisory Committee to assess risks related to the climate. Claudia Gollmeier (Senior Investment Officer & Managing Director - Singapore) chairs this committee which reports directly to the Board. Key areas of oversight include assessing risks and opportunities at the product and company level, identifying targets and metrics, creating client reporting frameworks, and voluntary disclosure requirements of the TCFD in financial accounts. Research IP highlights the Manager's commitment to sustainability, which is demonstrated through the annual sustainability report, an outcome of the work led by the TCFD Advisory Committee.

The Manager's approach to ESG has evolved through time and has improved according to PRI assessments. The Manager moved from a B rating in 2017 to an A+ in 2020 regarding Strategy and Governance. The PRI assessment for the Manager's Fixed Income approach moved from an A to an A+.

The Manager will continue to evolve their approach to as the global environment changes. For example, the Manager is considering the implications of the Task Force on Nature-related Financial Disclosures and Task Force on Climate-related Financial Disclosures, and how to bring this into the portfolio. For instance, the Manager is considering how renewable energy in NZ as a percentage of total power will differ to Australia, and thus how they could factor it into the FSS.

	Colchester has developed a sovereign ESG Scoring Framework to measure and compare countries' exposures 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. Social characteristics of a country are assessed via Human Capital (the knowledge, skills, and experience of the population) and Social Cohesion (the levels of trust, accountability and equality prevailing in society). Governance standards such as the rule of law, property rights and financial freedom are also measured. These indicators and risk factors are combined and distilled into a composite ESG score for each country on a normalised scale of 1-100. Colchester has been a signatory to the Principles of Responsible Investment since 7th December 2016. The UN PRI have scored Colchester 4/5 stars for the Investment & Stewardship Policy and 5/5 stars for the Direct Fixed Income – SSA. Colchester tracks initiatives within UNPRI including a work-stream to assess the practicalities of integrating ESG factors into the construction of fixed income portfolios. Colchester has further signed the Statement on ESG in Credit Ratings. By signing the ESG in Credit Ratings Statement, credit rating agencies and fixed income investors commit to incorporating ESG into credit ratings and analysis in a systematic and transparent way. Since May 2019, Colchester is a supporter of the Task Force on Climate-related Financial Disclosures (TFCD) and has also fed back to the Technical Expert Group on sustainable finance (TEG) on Green Bond Standards. Yes, Colchester does have a CSR Policy which encompasses a range of initiatives including ESG-Integrated Investment Process, Collaboration with Industry Bodies, Sovereign Engagement,	

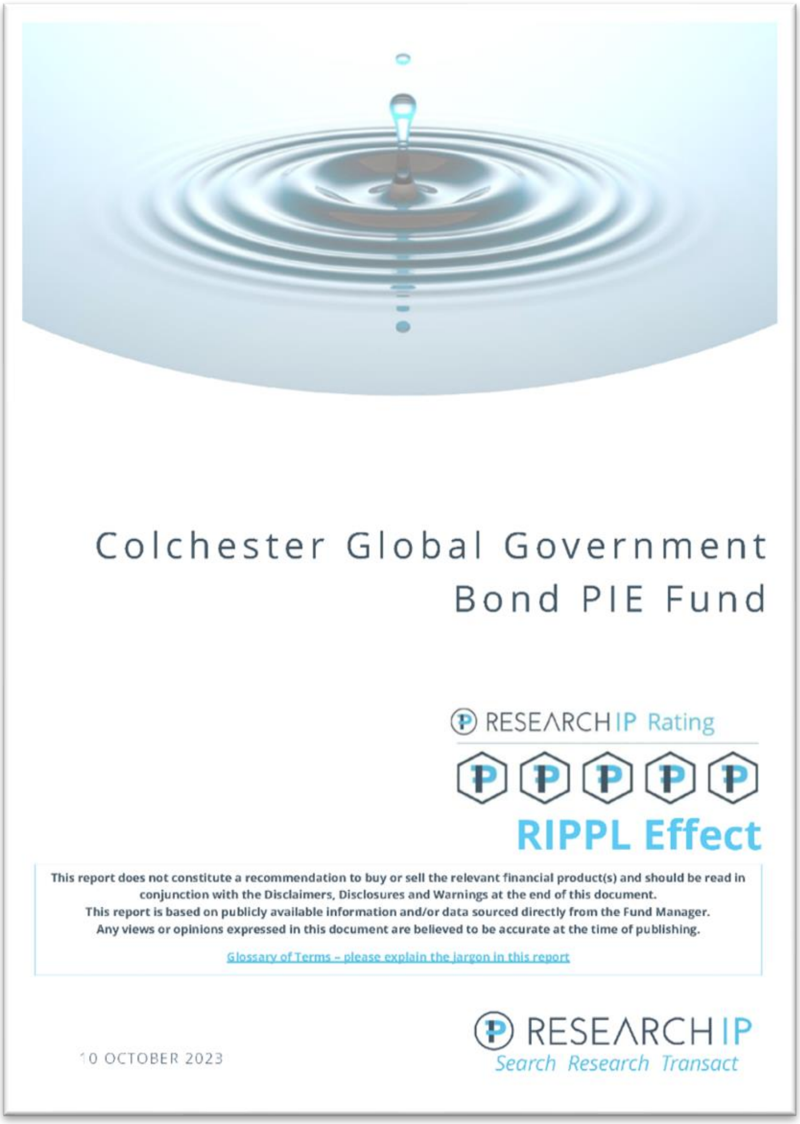
	Engagement and Collaboration and Our People. In addition to the CSR Policy Colchester maintains an Equal Opportunities and Diversity Policy, a Modern Slavery Statement, and a Code of Ethics to which we have a commitment to manage the business to high standards of ethical behaviour. Colchester, to the best of its ability as a small organisation, aims to manage the business economically without significant wastage of resource or environmental impact through measures such as recycling and the use of video-conferencing to minimise business travel (particularly with regard to interaction with its own overseas offices). Colchester has ongoing projects to reduce hard copy print documentation where possible in the context of external requirements. Please refer to Appendices: Appendix 13 Equal Opportunities and Diversity Policy, Appendix 14 Modern Slavery Statement and Appendix 15 Code of Ethics. Our ESG, CSR-Sustainability section provides details on our approach.	
Is there alignment with the interests of investors through ownership of the Manager and/or remuneration of the investment team?	All senior investment professionals have an ownership interest in Colchester and receive competitive base salaries. Bonuses are tied to the overall profitability of the firm, and the majority of income before compensation is distributed to those active in the business. Bonus and total compensation levels are reviewed and set annually based on contribution. For the investment staff, no set performance criteria or algorithms are used, but rather an overall assessment of work quality and commitment is made during the remuneration process. Colchester has conducted benchmarking exercises in New York, London, and Singapore to ensure base salary levels and benefits packages remain competitive. Typically, all permanent employees are eligible to participate in share sales once they have completed a year of employment with Colchester. Shares purchased vest immediately. All permanent staff are offered the opportunity to purchase company stock. Our widespread employee ownership of Colchester clearly aligns the interests of staff with the long-term interests of the firm, and ultimately those of our clients. A majority of staff own equity in the firm and the investment professionals	The Manager is majority owned by current and former employees (51.35%). These are the 'B' shareholders which have the right to appoint a majority of directors to the Board and therefore to elect the Chairman. Ian Sims is the majority holder of the 'B' shares. 'A' shareholders make up the remaining 48.65% of shares in Colchester Global Investors Limited. These are held by Silchester Partners Limited. Silchester initially provided the seed money and back-office support to the Manager. The Manager is transparent on ownership and remuneration incentives. The Manager's Remuneration Policy outlines the client and shareholder aligned philosophy, which is overseen by the Board, and is reviewed/approved at least annually. The Board consists of three executive directors and two non-executive directors. The Compliance team is also involved in reviewing the Remuneration Policy, including the identification of 'material risk takers' which are referred to as 'Code Staff'. The Code Staff are assessed throughout the year and approved by

	in particular own meaningful stakes. As "owners", our staff are directly rewarded by the overall profitability of Colchester through their dividend stream. This ownership coupled with our independence provides a strong incentive for all employees as shareholders in the going concern, profitability, and stability of the firm. We strongly believe in this independence and the objectivity which it brings to our operation. Furthermore, we believe that this aligns our own interests with those of our clients. When a shareholder retires or leaves the firm, they are allowed to retain their shares if they have been with the firm for five years or more, otherwise their equity will have to be offered back to existing Colchester employees. Investment Officers and certain other senior individuals (as determined by senior management) currently invest a proportion of their base salary and annual bonus to purchased one or more of Colchester's investment programs and/or to purchase employee equity. A sliding scale is in place, with an initial target of 5% of net employment income per relevant participant by year 3 of the inception of the program. Colchester's ownership structure has remained unchanged since inception of the firm. Colchester is 51% owned by its employees with Silchester Partners Limited – also a private investment company – holding a minority interest. Currently, a majority of our employees have ownership interests in the firm. However, Ian Sims, Chairman and Founder of Colchester, and Keith Lloyd, Chief Executive Officer, are the only members of staff who each own more than 10% of the firm. It is Colchester's intention that future key employees will also have shares in the company. Under the Shareholders' Agreement between Colchester and its minority shareholder, Silchester currently receives a 20% share of profit before remuneration and taxation paid after tax as a dividend. This arrangement ensures that the majority of the income/profit goes back to Colchester's employees.	the Board each quarter. They are individuals that have a material impact on the Manager's overall business, including prudential, operational, market, conduct and reputational risk and the underlying investment portfolios. Research IP believe the equity ownership of the Manager is evidence of strong alignment of interest with investors. The Manager requires certain employees to invest a percentage of their total net remuneration into shares of Colchester Global Investors Limited or units or shares of the Manager's unit trusts. There are no share options, the employee has to actually purchase the shares using their own cash. Note, there is no requirement to put any bonuses into the fixed interest products as many employees may choose to invest into shares given their age and risk profile. Research IP highlights that remuneration is based off the performance of all portfolios and the firm, not a single portfolio. This encourages a collective approach to decision-making, helping to ensure employees don't take unnecessary risks for personal gain. Research IP believes there is a sensible balance in remuneration between competitive fixed remuneration and more variable longer-term incentives through share ownership in Colchester.
Comment on the assets under management, flow and capacity?	NZD$41.4 million as of 30 June 2023.	Research IP believes the Manager has enough resources to manage this fund and their broader product offering. The

	Recent growth has been derived from the Fund's inclusion on the Makao and Morningstar models, available via the Consilium platform. To-date significant flows have been received from Wealthpoint and Morningstar model supporters. Colchester manages six strategies in total worldwide including the Global Bond Strategy, Global Green Bond Strategy, Global Inflation-Linked Bond Strategy, Local Currency Emerging Markets Bond Strategy, Local Currency Frontier Markets Bond Strategy, and the Alpha Program. At this time, we do not foresee any capacity constraint for the PIE Fund. Critical to our success has been our ability to freely enter and exit markets within our investable opportunity set with minimal or no disruption to market pricing. Accordingly, we are conscious about maintaining an appropriate 'size' relative to the capacity of those markets. In terms of methodology, attention is paid to the size of individual issuance, the liquidity of different segments of the yield curve, the depth of market participants and the institutional and legal framework to ensure that our ability to invest in those markets is not constrained in any way. While these other factors are important and have precluded Colchester from potentially investing in some markets in the past, the binding constraint is the size of the markets. Maximum capacity for the strategy is reviewed on an ongoing basis.	Manager is focused entirely on sovereign bonds and currencies and has a well-structured investment process with necessary constraints in place to navigate potential liquidity in sovereign bond markets. Whilst the product had NZD$41.4 million as of 30 June 2023, the Manager had approximately NZD$702 million in the same strategy (includes institutional mandates). This was part of approximately NZD$46.7 billion managed across all strategies globally.

The RIPPL Effect

For important Fund Facts, please view the **RIPPL Effect report**:


Colchester Global Government Bond PIE Fund

RESEARCH IP Rating

RIPPL Effect

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Glossary of Terms – please explain the jargon in this report

10 OCTOBER 2023

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About Research IP

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Research IP is a specialist investment research provider which is used and trusted by investors & financial advisers for investment, KiwiSaver, Superannuation and other Pension schemes throughout the Asia Pacific region.

Research IP has grown its team and footprint by utilising the specialist skills of its analysts which include;

- data scientists,
- equity, bond and alternative asset specialists
- portfolio managers
- asset allocation analysts
- and ratings specialists.

Our experience has been gained in well over 20 years of roles across different facets of the industry, so we understand the key drivers and challenges for managers, as well as the impact for investors and the Financial Advice industry.

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Research IP delivers high quality quantitative and qualitative fund research to financial advisers and the broader financial services industry. Research IP works with a number of expert providers to source this data. Quantitative data is supplied by a variety of sources, including directly from the Fund Manager, while qualitative research is provided by Research IP.

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We recommend you obtain appropriate financial, legal and taxation advice before making any financial investment decision.