

The Colchester Global Green Bond Fund - Article 8 Disclosures

January 2023

Summary

The Fund promotes environmental characteristics through investing primarily in Green Bonds. Green Bonds are bonds issued by governments, supra-nationals, agencies and other types of issuers to fund projects that benefit the environment. The Fund does not intend to make any sustainable investments. The Fund promotes environmental characteristics, without having as its objective sustainable investment.

The Fund aims to directly invest in and maintain a minimum holding of 70% in Green Bonds. The remaining portion of the Fund's investments is for liquidity management, hedging purposes, performance enhancements, amongst others.

The following sustainability indicators are used, and are incorporated within the Investment Manager's methodologies for ongoing monitoring of the portfolio, to measure the attainment of the environmental characteristics promoted by the Fund:

1. At least 70% of the Net Asset Value of the Fund will be in Green Bonds.
2. For the Fund's investments in Green Bonds, the Investment Manager applies two additional assessment steps:
 - i. that the Green Bonds are aligned with the International Capital Market Association (ICMA)'s Green Bond Principles¹ or any other national standards acceptable under the Investment Manager's Global Green Bond Framework and the issuer has arranged for an independent second party opinion on labelling the issue as "green" or, in the absence of an independent second party opinion that the Investment Manager has made its own determination that the issuer's green bond framework is aligned with accepted practices; and
 - ii. the Investment Manager was satisfied with the issuer's allocation report or information obtained following engagement or its other determinations in relation to use of proceeds for each Green Bond, based on the Investment Manager's investment criteria.

The Investment Manager applies pre-investment and ongoing due-diligence in the selection and monitoring of the Fund's Green Bond investments, to validate that the criteria set out by the Investment Manager have been, and continue to be, met. The Investment Manager will rely on its internal research of sustainability-related information published by the issuer, in addition to other relevant data sources. Data collected by the Investment Manager is used for ongoing monitoring throughout the investment holding period.

The following are some limitations around the methodologies and data sources relevant to Green Bonds but these are not currently considered by the Investment Manager to materially impede the Fund in attaining its environmental characteristics. Taxonomy compliance for Supranationals, Sovereigns and Agencies ("SSA") poses challenges. The still nascent green bond asset class relative to that of non-green bonds limits the investable country universe, however this should change over time as more SSA issuers are coming to the market. Currently, there is no readily accepted framework with which to assess the climate action and alignment of sovereigns.

The Investment Manager is a sovereign-only fixed income asset manager and a signatory to the UN Principles for Responsible Investment (PRI). Environmental, Social and Governance (ESG) factors are an integral part of the Investment Manager's investment process for developed and emerging economies. The Investment Manager seeks to engage with sovereigns helping to inform, promote and potentially drive best practices delivering better social and economic outcomes.

Responsible investing is an integral part of the investment process however ESG factors are not the sole driver of the investment decisions made by the Investment Manager.

¹ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

Zusammenfassung

Der Fonds fördert ökologische Merkmale, indem er hauptsächlich in grüne Anleihen investiert. Grüne Anleihen sind Anleihen, die von Regierungen, supranationalen Organisationen, Behörden und anderen Emittenten ausgegeben werden, um Projekte zu finanzieren, die der Umwelt zugute kommen. Der Fonds beabsichtigt nicht, nachhaltige Anlagen zu tätigen. Der Fonds fördert ökologische Eigenschaften, ohne das Ziel einer nachhaltigen Anlage zu verfolgen.

Der Fonds zielt darauf ab, direkt in grüne Anleihen zu investieren und einen Mindestanteil von 70 % in diesen zu halten. Der verbleibende Teil der Anlagen des Fonds dient u. a. dem Liquiditätsmanagement, Absicherungszwecken und der Verbesserung der Wertentwicklung.

Die folgenden Nachhaltigkeitsindikatoren werden verwendet und sind in die Methoden des Anlageverwalters zur laufenden Überwachung des Portfolios integriert, um die Erreichung der vom Fonds geförderten Umweltmerkmale zu messen:

1. Der Fonds wird mindestens 70 % seines Nettoinventarwerts in grüne Anleihen investieren.
2. Für die Investitionen des Fonds in grüne Anleihen wendet der Anlageverwalter zwei zusätzliche Bewertungsschritte an:
 - i. dass die grünen Anleihen mit den Green Bond Principles¹ der International Capital Market Association (ICMA) oder anderen nationalen Standards übereinstimmen, die im Rahmen des Global Green Bond Framework des Anlageverwalters akzeptabel sind, und dass der Emittent ein unabhängiges Gutachten über die Kennzeichnung der Emission als "grün" veranlasst hat, oder, falls kein unabhängiges Gutachten vorliegt, dass der Anlageverwalter seine eigene Entscheidung getroffen hat, dass der Rahmen des Emittenten für grüne Anleihen mit den anerkannten Praktiken übereinstimmt; und
 - ii. der Anlageverwalter mit dem Zuteilungsbericht des Emittenten oder den nach der Beauftragung eingeholten Informationen oder seinen sonstigen Festlegungen in Bezug auf die Verwendung der Erlöse für jede grüne Anleihe auf der Grundlage der Anlagekriterien des Anlageverwalters zufrieden war.

Der Anlageverwalter wendet bei der Auswahl und Überwachung der Green-Bond-Anlagen des Fonds eine Due-Diligence-Prüfung vor der Anlage und während der Laufzeit an, um sicherzustellen, dass die vom Anlageverwalter festgelegten Kriterien erfüllt wurden und weiterhin erfüllt werden. Der Anlageverwalter stützt sich dabei auf sein internes Research zu nachhaltigkeitsbezogenen Informationen, die vom Emittenten veröffentlicht werden, sowie auf andere relevante Datenquellen. Die vom Anlageverwalter gesammelten Daten werden für die laufende Überwachung während der gesamten Haltedauer der Anlage verwendet.

Im Folgenden finden Sie einige Einschränkungen in Bezug auf die Methoden und Datenquellen, die für grüne Anleihen relevant sind. Der Anlageverwalter ist jedoch derzeit nicht der Ansicht, dass diese den Fonds bei der Erreichung seiner ökologischen Merkmale wesentlich behindern. Die Einhaltung der Taxonomie für Supranationals, Sovereigns und Agencies („SSA“) stellt eine Herausforderung dar. Die im Vergleich zu nicht-grünen Anleihen noch junge Anlageklasse der grünen Anleihen schränkt das investierbare Länderuniversum ein. Dies sollte sich jedoch im Laufe der Zeit ändern, da mehr SSA-Emittenten auf den Markt kommen. Derzeit gibt es keinen allgemein akzeptierten Rahmen, mit dem die Klimaschutzmaßnahmen und die Anpassung der Staaten bewertet werden können.

Der Anlageverwalter ist ein ausschließlich auf Staatsanleihen spezialisierter Vermögensverwalter und ein Unterzeichner der UN Principles for Responsible Investment (PRI). Integraler Bestandteil des Anlageprozesses des Anlageverwalters für entwickelte und aufstrebende Volkswirtschaften sind Faktoren aus den Bereichen Umwelt, Soziales und Unternehmensführung (ESG).

¹ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

zu treten, um sie zu informieren, zu fördern und potenziell vorbildliche Praktiken voranzutreiben, die zu besseren sozialen und wirtschaftlichen Ergebnissen führen.

Verantwortungsbewusstes Investieren ist ein integraler Bestandteil des Anlageprozesses. ESG-Faktoren sind jedoch nicht die einzige Determinante für die vom Anlageverwalter getroffenen Anlageentscheidungen.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Fund promotes environmental characteristics through investing primarily in Green Bonds. Green Bonds are bonds issued by governments, supra-nationals, agencies and other types of issuers to fund projects that benefit the environment.

It is expected that, in pursuing its environmental characteristics, a portion of the Fund's investments will contribute to the following environmental objective as set out in the Taxonomy Regulation: climate change mitigation and climate change adaptation.

Investment strategy

The Fund's investment objective is to achieve favourable income and capital returns from a globally diversified portfolio of primarily Green Bonds and of currencies. An associated objective is the preservation and enhancement of principal.

The Fund will invest primarily in Green Bonds, which are bonds issued by governments, supra-nationals, agencies and other types of issuers to fund projects that benefit the environment.

In determining the eligibility of a Green Bond for the Fund, the Investment Manager implements its Green Bond Framework, set out below.

The Investment Manager's Green Bond Framework uses the same valuation framework, portfolio construction and risk management techniques as its other investment programmes. The Investment Manager then applies the following two additional steps that impact on which bonds are considered within the opportunity set, and its ongoing willingness to continue to hold them:

- Firstly, the Investment Manager makes an assessment to determine whether an issuer's green bond framework is aligned with ICMA's Green Bond Principles or any other national standards (including the future EU Green Bond Standard). The Investment Manager then assesses that the issuer has arranged for an independent second party opinion on the labelling of the issue as "green" or, in the absence of an independent second party opinion that the Investment Manager has made its own determination that the issuer's green bond framework is aligned with accepted practices.
- Secondly, the Investment Manager will monitor on an annual basis issuers' use of proceeds reporting by looking at their allocation report. In the absence of an allocation report the Investment Manager will either engage with the issuer or make an appropriate determination based on the information available.

Environmental, Social and Governance (ESG) factors are integrated holistically into the Investment Manager's valuation framework. Countries are assigned a proprietary Financial Stability Score (FSS) that combines an assessment of their overall issuer's balance sheet strength and ESG factors. Bond and currency scores are determined through an extensive assessment of the macro-economic environment, policy framework, ESG standards and other country specific factors. ESG factors are an integral part of the Investment Manager's investment process for developed and emerging economies. The Investment Manager has sought to engage with sovereigns helping to inform, promote and potentially drive best practices delivering better social and economic outcomes. Findings during the engagement work feed holistically into the FSS. The Investment Manager believes that countries with stronger governance, healthier and more educated workforces, and higher environmental standards tend to produce better economic outcomes. This may lead to more stable debt and currency paths, and ultimately better risk-adjusted returns.

The Fund invests in sovereign debt and as such the good governance practices under Article 8 SFDR do not apply.

Proportion of investments

The Fund does not intend to make any sustainable investments. The Fund promotes environmental characteristics, without having as its objective sustainable investment.

The Fund aims to maintain a minimum investment of 70% in Green Bonds, which promote environmental characteristics.

The remaining portion of the investments is for liquidity management, hedging purposes, performance enhancements, amongst others. No minimum safeguards are applied to the investments.

Monitoring of environmental or social characteristics

The following sustainability indicators are used to measure the attainment of the environmental characteristics promoted by the Fund.

1. At least 70% of the Net Asset Value of the Fund will be in Green Bonds.
2. For the Fund's investments in Green Bonds, the Investment Manager applies two additional assessment steps:
 - i. that the Green Bonds are aligned with the International Capital Market Association (ICMA)'s Green Bond Principles or any other national standards acceptable under the Investment Manager's Global Green Bond Framework and the issuer has arranged for an independent second party opinion on labelling the issue as "green" or, in the absence of an independent second party opinion that the Investment Manager has made its own determination that the issuer's green bond framework is aligned with accepted practices; and
 - ii. the Investment Manager was satisfied with the issuer's allocation report or information obtained following engagement or its other determinations in relation to use of proceeds for each Green Bond, based on the Investment Manager's investment criteria.

Pre-investment and ongoing due diligence is undertaken to determine whether an issuer's green bond framework is aligned with ICMA's principles (or alternative accepted practices) and whether its reporting requirements are comprehensive and appropriate. The Investment Manager records and tracks these determinations, as well as all engagements with the issuer and seeks clarification, where appropriate. Additionally, pre-trade checks are used prior to trade execution within Colchester's proprietary pre-trade compliance system to validate that all criteria set out by the Investment Manager have been met.

Post investment due diligence is undertaken at least annually during the review of the issuer's allocation report, or by such other determinations, based on the Investment Manager's investment criteria, in relation to the use of proceeds of each Green Bond. If the Investment Manager determines during its ongoing monitoring that an issuer or security no longer meets the required investment criteria, it will either engage as soon as possible with the issuer or, if deemed appropriate, divest.

The minimum threshold of 70% of the NAV of the Fund in Green Bonds is monitored daily by the Investment Manager and the Depositary of the Fund.

Methodologies for environmental or social characteristics

A minimum of 70% of the Fund will be invested in Green Bonds. As described above in more detail, the Investment Manager will assess and monitor the alignment of the Green Bonds in the Fund with the ICMA Green Bond Principles or similar standards.

Data sources and processing

As set out above, the Investment Manager uses ICMA's Green Bond Principles, and, if relevant, other national standards, in its assessment of Green Bonds as meeting the standard set out in the Investment Manager's Green Bond Framework. This assessment is undertaken by the Investment Manager's own research, in particular from reporting and data sourced directly from the issuer, and, where available, the Investment Manager will use other external sources to cross check, such as the Inter-American Development Bank's Green Bond Transparency Platform (more detail of which can be found on the following website <https://www.greenbondtransparency.com/support/about-us/>)

Data is collected into the Investment Manager's internal data depository. This data is used for ongoing monitoring throughout the investment holding period. This includes, but is not limited to, the issuers' recorded framework, second party opinion, allocation reports and engagements, where appropriate. Other data sources for the security setup within the Investment Manager's system are amongst others, Bloomberg, index providers, Green Bond Transparency Platforms and the Manager's own assessment.

None of the data used are estimated.

Limitations to methodologies and data

The following are some limitations around the methodologies and data sources relevant to Green Bonds but these are not currently considered by the Investment Manager to materially impede the Fund in attaining its environmental characteristics. Taxonomy compliance for Supranationals, Sovereigns and Agencies ("SSA") poses challenges, in the absence of a framework for non-use of proceeds bonds. Even for use of proceeds bonds, allocation reports tend to not be published consistently and make global comparability challenging.

The still nascent green bond asset class relative to that of non-green bonds limits the investable country universe, however this should change over time as more SSA issuers are coming to the market.

Currently, there is no readily accepted framework with which to assess the climate action and alignment of sovereigns. Therefore, the Investment Manager together with other asset managers, asset owners and academic partners are working on the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) Project (<https://www.unpri.org/download?ac=16400>). The aim of this project is to create the first publicly available, independent and opensource framework

to assess the climate action and alignment of sovereigns. Until such a framework is available, a fair and global assessment of sovereign alignment is challenging.

Due diligence

Pre-investment and ongoing due diligence is undertaken to determine whether an issuer's green bond framework is aligned with ICMA's principles (or alternative accepted practices) and whether its reporting requirements are comprehensive and appropriate. The Investment Manager records and tracks these determinations, as well as all engagements with the issuer and seeks clarification, where appropriate. Additionally, pre-trade checks are used prior to trade execution within the Investment Manager's proprietary pre-trade compliance system to validate that all criteria set out by the Investment Manager have been met.

Post investment due diligence is undertaken at least annually during the review of the issuer's allocation report, or by such other determinations, based on the Investment Manager's investment criteria, in relation to the use of proceeds of each Green Bond. If the Investment Manager determines during its ongoing monitoring that an issuer or security no longer meets the required investment criteria, it will either engage as soon as possible with the issuer or, if deemed appropriate divest.

Engagement policies

The Investment Manager is a sovereign-only fixed income asset manager and a signatory to the UN Principles for Responsible Investment (PRI). ESG factors are an integral part of the Investment Manager's investment process for developed and emerging economies. The Investment Manager seeks to engage with sovereigns helping to inform, promote and potentially drive best practices delivering better social and economic outcomes. The Investment Manager believes that sovereign engagement, if done effectively, should be recognised as being mutually beneficial to both issuers and investors.

We assign countries a proprietary Financial Stability Score (FSS) that combines an assessment of their overall balance sheet strength and ESG factors. Findings during this engagement work feed holistically into the FSS. The Investment Manager believes that countries with stronger governance, healthier and more educated workforces, and higher environmental standards tend to produce better economic outcomes. Typically, this leads to more stable debt and currency paths, and ultimately better risk-adjusted returns.

Should the Investment Manager find at any stage of the ongoing due diligence process that an issuer or security does not, or no longer meets, the required investment criteria, the Investment Manager will either engage as soon as possible, or divest if deemed appropriate.