



Colchester[®]
GLOBAL INVESTORS

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 Manger 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

Samantekt

Sjóðurinn stuðlar að umhverfiseiginleikum með því að fjárfesta fyrst og fremst í grænum skuldabréfum. Græn skuldabréf eru skuldabréf gefin út af stjórnvöldum, yfirþjóðlegum stofnunum og annars konar útgefendum til að fjármagna verkefni sem gagnast umhverfinu. Sjóðurinn hyggst ekki fjárfesta í sjálfbærum fjárfestingum. Sjóðurinn stuðlar að umhverfiseiginleikum án þess að eiga sjálfbæra fjárfestingu að markmiði.

Sjóðurinn stefnir að því að fjárfesta beint í og halda að lágmarki 70% af eignum sínum í grænum skuldabréfum. Það sem eftir er af fjárfestingum sjóðsins er meðal annars til lausafjárstyringar, áhættuvarna, auk annarra þátta.

Eftirfarandi sjálfbærnisvarir eru notaðir og eru teknir inn í aðferðafræði fjárfestingarstjóra fyrir áframhaldandi eftirlit með eignasafninu, til að mæla árangur þeirra umhverfiseiginleika sem sjóðurinn stuðlar að:

1. Að minnsta kosti 70% af hreinum eignum sjóðsins verða í grænum skuldabréfum.
2. Við fjárfestingar sjóðsins í grænum skuldabréfum beitir fjárfestingarstjóri tveimur viðbótarmatsaðferðum:
 - i. að grænu skuldabréfin séu í samræmi við meginreglur ICMA varðandi græn skuldabréf¹ eða aðra innlenda staðla sem eru ásættanlegir samkvæmt alþjóðlegum ramma fjárfestingarstjórans um græn skuldabréf og útgefandinn hefur séð fyrir, óháð álit annars aðila, merkingum málsins sem „grænt“ eða, ef ekki liggur fyrir álit óháðs annars aðila, að fjárfestingarstjórinn hafi sjálfur ákveðið að rammi grænna skuldabréfa sé í samræmi við viðteknar venjur; og
 - ii. fjárfestingarstjórinn var ánægður með úthlutunarskýrslu útgefanda eða upplýsingar sem aflað var í kjölfar ráðningar eða aðrar ákvarðanir hans í tengslum við notkun ágóða fyrir hvert grænt skuldabréf, byggt á fjárfestingarviðmiðum fjárfestingarstjórans.

Fjárfestingarstjóri beitir forathugun og áframhaldandi áreiðanleikakönnun við val og eftirlit með fjárfestingum í grænum skuldabréfum sjóðsins til að sannreyna að skilyrðin sem fjárfestingarstjórinn hefur sett fram hafi verið og eru enn uppfyllt. Fjárfestingarstjóri mun treysta á eigin rannsóknir sínar á sjálfbærni tengdum upplýsingum sem útgefandi gefur út, auk annarra viðeigandi gagnaheimilda. Gögn sem fjárfestingarstjóri safnar eru notuð til áframhaldandi eftirlits allan fjárfestingartímann.

Eftirfarandi eru nokkrar takmarkanir í tengslum við aðferðafræði og gagnaheimildir sem tengjast grænum skuldabréfum en þær eru ekki taldar með af fjárfestingarstjóra til að hindra efnislega sjóðinn við að ná umhverfiseiginleikum sínum. Flokkunarkerfi yfirþjóðlegra stofnana, fullvalda og stofnanir („SSA“) veldur áskorunum. Hinn nýbyrjaði eignaflokkur grænna skuldabréfa samanborið við skuldabréf sem ekki teljast græn takmarka fjárfestingarmengið sem hægt er að fjárfesta í, en þetta ætti að breytast með tímanum eftir því sem fleiri SSA-útgefendur koma á markaðinn. Eins og er, er enginn viðurkenndur rammi til að leggja mat á loftslagsaðgerðir og aðlögun ríkja.

Fjárfestingarstjórinn fjárfestir eingöngu í skuldabréfum opinberra aðila sem eingöngu starfa samkvæmt meginreglum Sameinuðu þjóðanna varðandi ábyrgar fjárfestingar (e. PRI). Umhverfispættir, félagslegir þættir og stjórnarhættir (e. ESG) eru óaðskiljanlegur hluti af fjárfestingarferli fjárfestingarstjóra fyrir þróuð hagkerfi og nýmarkaði. Fjárfestingarstjórinn leitast við að eiga samskipti við ríki sem hjálpa til við að upplýsa, kynna og hugsanlega knýja fram bestu starfsvenjur sem skila betri félagslegum og efnahagslegum árangri.

Ábyrg fjárfesting er óaðskiljanlegur hluti af fjárfestingarferlinu, en ESG-þættir eru ekki eini drifkrafturinn varðandi fjárfestingarákvarðanir sem fjárfestingarstjórinn tekur.

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

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.