Mondrian Funds Plc

Quarter 3, 2020

Mondrian INVESTMENT PARTNERS

Mondrian Local Currency Emerging Markets Debt Fund

Fund Overview

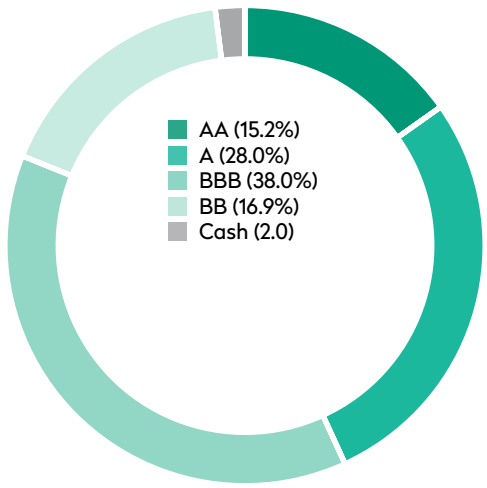
Investment Philosophy

- A value-oriented, defensive philosophy, which focuses on "emerging" or developing fixed income markets that offer high income in real (inflation-adjusted) terms and long-term capital growth.
- Considers the relative value of country bond markets as well as foreign currency valuations for a US dollar-based investor when selecting bonds for the Fund. Because of special risks associated with foreign currencies, the Fund may defensively hedge currency exposures.

Fund Performance* (as of September 30, 2020)	Quarter to Date	Year to Date	12 Months	3 Yrs (Ann)	5 Yrs (Ann)	10 Yrs (Ann)	SI (Ann)
Fund NAV Return	0.1%	-7.7%	-2.9%	-0.2%	5.0%	N.A.	0.1%
Benchmark Return	0.6%	-6.3%	-1.4%	0.2%	4.3%	N.A.	1.1%
Relative Returns	-0.5%	-1.4%	-1.5%	-0.4%	0.7%	N.A.	-0.9%

Fund Characteristics (as of September 30, 2020)	Average Coupon	Average Maturity	Modified Duration	Number of Issues	Average Quality	Yield to Maturity
Fund	6.7%	7.3	5.2	54	BBB+	3.8%
Index	5.6%	7.4	5.4	240	BBB+	4.3%

Credit Rating Distribution



Average = BBB+

Country Allocation	Bond Exposure	Currency Exposure	JPMorgan GBI-EM Global Div
Asia Pacific	**25.1**	**23.2**	**32.8**
Malaysia	7.1	7.6	7.4
Indonesia	10.1	7.9	9.4
Thailand	8.0	5.6	8.9
Philippines	0.0	0.0	0.2
China	0.0	2.1	7.0
Europe	**23.7**	**30.3**	**29.9**
Czech Republic	4.2	2.8	4.3
Hungary	4.0	4.0	3.9
Poland	9.1	9.1	8.3
Russia	6.4	9.9	8.2
Turkey	0.0	4.5	2.3
Romania	0.0	0.0	2.9
North America	**7.1**	**0.7**	**0.0**
USA	7.1	0.7	0.0
Latin America	**33.9**	**35.0**	**30.1**
Brazil	8.7	12.1	8.7
Chile	3.8	3.8	2.7
Colombia	7.1	7.1	5.6
Mexico	10.4	10.0	9.6
Peru	3.8	1.8	3.1
Dominican Republic	0.0	0.0	0.2
Uruguay	0.0	0.0	0.1
Middle East & Africa	**8.2**	**8.2**	**7.2**
South Africa	8.2	8.2	7.2
Cash	**2.0**	**2.6**	**0.0**
Total	**100.0**	**100.0**	**100.0**

Source: Mondrian Investment Partners Limited/JPM GBI-EM Global Div

*Portfolio Inception Date: December 13, 2010. Performance Inception Date: January 1, 2011.

Mondrian Global Fixed Income Fund, Local Currency Emerging Market Debt Fund, Focused Emerging Markets Equity Fund and Mondrian Global Equity Fund are sub funds of Mondrian Funds Plc; a UCITS Fund.

See important notes on page 5.

Mondrian Local Currency Emerging Markets Debt Fund Overview

Portfolio (as of September 30, 2020)	Holdings (%) Bond Exposure	Holdings (%) Currency Exposure	JP Morgan GBI-EM Global Div
Asia Pacific	**25.1**	**23.2**	**32.8**
Malaysia	7.1	7.6	7.4
Malaysia Govt 3.733% 15-Jun-28	0.0		
Malaysia Govt 3.828% 05-Jul-34	2.8		
Malaysia Govt 3.885% 15-Aug-29	2.1		
Malaysia Govt 3.9% 30-Nov-26	0.5		
Malaysia Govt 3.906% 15-Jul-26	0.6		
Malaysia Govt 3.955% 15-Sep-25	1.0		
Malaysia Govt 4.059% 30-Sep-24	0.0		
Indonesia	10.1	7.9	9.4
Indonesia Govt 5.625% 15-May-23	1.1		
Indonesia Govt 7% 15-May-22	0.1		
Indonesia Govt 7% 15-May-27	1.1		
Indonesia Govt 8.375% 15-Mar-34	4.6		
Indonesia Govt 9% 15-Mar-29	3.2		
Thailand	8.0	5.6	8.9
Thailand 2.125% 17-Dec-26	0.2		
Thailand 2.875% 17-Dec-28	4.0		
Thailand 3.3% 17-Jun-38	1.5		
Thailand 3.65% 20-Jun-31	2.2		
Philippines	0.0		0.2
China		2.1	7.0
Europe	**23.7**	**30.3**	**29.9**
Czech Republic	4.2	2.8	4.3
Czech Republic 3.85% 29-Sep-21	1.0		
Czech Republic 4.7% 12-Sep-22	3.2		
Hungary	4.0	4.0	3.9
Hungary 2.5% 27-Oct-21	2.0		
Hungary 2.5% 24-Oct-24	2.0		
Poland	9.1	9.1	8.3
Poland Govt 2% 25-Apr-21	2.1		
Poland Govt 2.5% 25-Jul-26	2.2		
Poland Govt 4% 25-Oct-23	0.4		
Poland Govt 5.25% 25-Oct-20	1.7		
Poland Govt 5.75% 25-Oct-21	1.5		
Poland Govt 5.75% 25-Apr-29	1.2		
Russia	6.4	9.9	8.2
Russia 7.05% OFZ 19-Jan-28	0.9		
Russia 7.7% 23-Mar-33	3.7		
Russia 8.15% 03-Feb-27	0.9		
Russia 8.5% 17-Sep-31	0.8		
Turkey	0.0	4.5	2.3
Romania			2.9
North America	**7.1**	**0.7**	
USA	7.1	0.7	
US Treasury Bill 0% 05-Nov-20	1.1		
US Treasury Bill 0% 12-Aug-21	3.5		
US Treasury 2% 15-Nov-26	2.6		
Latin America	**33.9**	**35.0**	**30.1**
Brazil	8.7	12.1	8.7
Brazil NTN-F 10% 01-Jan-21	2.6		
Brazil NTN-F 10% 01-Jan-23	2.0		
Brazil NTN-F 10% 01-Jan-25	1.9		
Brazil NTN-F 10% 01-Jan-27	2.2		
Chile	3.8	3.8	2.7
Republic of Chile 4.5% 28-Feb-21	0.9		
Republic of Chile 4.5% 01-Mar-26	1.8		
Republic of Chile 5% 01-Mar-35	1.1		
Colombia	7.1	7.1	5.6
Colombia Tes 10% 24-Jul-24	1.2		
Colombia Tes 6% 28-Apr-28	2.8		
Colombia Tes 7% 04-May-22	0.6		
Colombia Tes 7.5% 26-Aug-26	2.6		
Mexico	10.4	10.0	9.6
Mexico Bonos 10% 20-Nov-36	2.8		
Mexico Bonos 7.5% 03-Jun-27	3.8		
Mexico Bonos 8.5% 31-May-29	3.8		
Peru	3.8	1.8	3.1
Peruvian Govt 6.9% 12-Aug-37	2.7		
Peruvian Govt 8.2% 12-Aug-26	1.1		
Dominican Republic			0.2
Uruguay			0.1
Middle East & Africa	**8.2**	**8.2**	**7.2**
South Africa	8.2	8.2	7.2
Rep of South Africa 10.5% 21-Dec-26	4.3		
Rep of South Africa 6.25% 31-Mar-36	1.5		
Rep of South Africa 6.5% 28-Feb-41	0.4		
Rep of South Africa 8.25% 31-Mar-32	1.3		
Rep of South Africa 8.75% 28-Feb-48	0.7		
Cash	2.0	2.6	0.0
Total	**100.0**	**100.0**	**100.0**

See important notes on page 5.

Quarterly Commentary for Quarter 3, 2020

Market Background

Over the third quarter, the JP Morgan GBI-EM Global Diversified Index rose 0.6% in US dollar unhedged terms. In local currency terms the index rose 0.9%, with benchmark EM currencies falling 0.3% on average against the US dollar. The strongest performing markets were the Dominican Republic (+13.1%), Uruguay (+11.1%) and the Philippines (+7.5%). Local bond market strength was the main driver of outperformance in the case of the Dominican Republic and Uruguay, whereas for the Philippines it was more balanced between currency strength and local bond market outperformance. The weakest performing markets were Turkey (-13.8%), Russia (-8.2%) and Brazil (-3.3%). Currency was the chief detractor in the case of Turkey and Russia, whereas for Brazil it was more balanced between currency weakness and local bond market underperformance.

Investment Performance

Over the quarter, the Fund underperformed the benchmark by 0.5%. The overweight to the Brazilian real, Russian rouble and Turkish lira detracted from performance as did the underweight to the Chinese renminbi, Colombian bonds, Czech Republic bonds and Romania. However, the underweight to the Turkish bond market, overweight to Mexico and underweight to the Chinese bond market benefited performance over the quarter.

Investment Outlook

Prospective Real Yields in local bond markets across the emerging market (EM) sphere are attractive especially when compared against those of developed markets where negative real rates have become the rule. With the differential between the highest and lowest Prospective Real Yields on offer amongst EM local currency debt markets also being quite wide, this signals a greater range of value opportunities within the asset class. Currency valuations remain attractive with many emerging market currencies undervalued against the US dollar according to our Purchasing Power Parity valuation metrics and some extremely so.

In Asia, we find Prospective Real Yields are attractive in Malaysia and Indonesia primarily due to subdued inflation conditions. Whilst high frequency data is showing that these economies are starting to recover from the sharp fall in output due to the global pandemic, inflation remains at relatively low levels. This has allowed the central banks to cut rates without substantially eroding real interest rates. We are overweight Malaysian and Indonesian bond markets on a duration weighted basis whilst also being slightly overweight Thailand on a duration weighted basis. On our currency valuation models, the Malaysian ringgit screens as one of the better value currencies and we have recently increased our exposure to the currency, taking profits from our overweight position in the Mexican peso. However, the Indonesian rupiah is relatively expensive according to our valuation models and we maintain a modest underweight to the currency.

In Turkey, Prospective Real Yields are very unattractive given high inflation and deterioration in sovereign creditworthiness as a result of the rapid increase in external indebtedness. Whilst Turkey has historically had twin deficit issues (i.e. current account deficit coinciding with budget deficits), it has usually offered a higher interest rate to compensate investors for the increased risks associated with higher indebtedness. However, with the central bank cutting interest rates by over 1,700 basis points in response to the global pandemic and encouraging a rapid increase in credit growth which has fuelled a surge in imports, arguably interest rates have been cut too low and no longer compensate for increased risks. With external indebtedness having risen sharply, we recently increased our Sovereign credit adjustment for Turkey, demanding a higher premium to compensate for the increased risks in investing in the market. Consequently we are very underweight Turkey on a duration weighted basis, having no bond exposure on our local currency emerging market debt portfolios. We maintain a modest overweight to the Turkish lira, which screens amongst one of the cheapest currencies on our Purchasing Power Parity valuation models and are monitoring closely recent declines in the lira for further opportunities to add. However, given the higher sovereign risk attached to the market as well as high inflation in Turkey eroding the undervaluation, we are seeking a high threshold for the currency before adding to existing exposures.

Investment Strategy

- Broadly neutral Mexican peso; overweight Mexican duration Underweight Peruvian sol; overweight Peruvian duration
- Overweight exposure to Brazilian real; slight underweight to Brazilian duration Modest overweights to Chile and Colombian peso
- No exposure to Uruguay or Dominican Republic or Colombian bonds Small overweight to Turkish lira, underweight Turkish duration
- Small overweight to Russian rouble; overweight Russian duration
- Small overweight to South Africa

All commentary returns in USD.
See important notes on page 5.

- Broadly neutral to Polish zloty; underweight Polish duration Underweight Romania and Czech Republic
- Neutral to Hungarian forint; underweight Hungarian duration
- Small underweight to Indonesian rupiah; overweight Indonesian duration Broadly neutral to Malaysian ringgit; overweight Malaysian duration
- Underweight to Thailand
- Underweight China

Fund Transactions

Due to changes in currency valuations, in September we increased exposure to the Malaysian ringgit to broadly neutral whilst taking profits on the overweight exposure to the Mexican peso and reducing it to broadly neutral exposure.

All commentary returns in USD.

See important notes on page 5.

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Important Notes

1. Calculations for Average Coupon, Average Maturity, Modified Duration, Average Quality, and Yield to Maturity are based on generally accepted industry standards. All Fund characteristics are derived by first calculating the characteristics for each security, and then calculating the weighted-average of these values for the Fund. The details of exact calculations can be provided upon request.
2. Past performance is not indicative of future results. An investment in the Fund involves the risk of loss. The investment return and value of Shares in the Fund will fluctuate. When a redemption is made, the Shares may be worth more or less than when originally purchased.
3. There can be no assurance that the investment objectives of the Fund will be achieved.
4. The Fund is managed in accordance with the investment objective and guidelines and other terms and conditions described in the Prospectus and Fund Supplement. The Fund is not managed in accordance with the individual guidelines of any one investor.
5. The Total Assets of the Fund and the Fund Return are calculated using the official Net Asset Value data of the Fund. All other information has been calculated using Mondrian's accounting system data, which may differ from official Net Asset Value data of the Fund, for example because of timing of the accounting of Administrative Expenses and pricing for securities.
6. All performance information provided in this Fund Overview is net of Transaction Expenses, Administrative Expenses and Management Fees but gross of the Subscription and Redemption charges (each as described in the Supplement to the Prospectus).

   Subscription Charges and Redemption Charges are automatically deducted from subscription payments and redemption proceeds. Investor returns will be reduced by Subscription Charges and Redemption Charges paid.
7. The JP Morgan Global Bond Index – Emerging Market Global Diversified (GBI-EM Global Div) is a broad measure of the local currency denominated debt of emerging market countries. It currently comprises 18 emerging market countries and applies a 10% maximum cap on any one country, with the excess distributed proportionately across the rest of the Index. The Index is measured in US dollar terms and is unhedged.
8. This Fund Overview is confidential and only for the use of investors in the Fund and their advisers. This Fund Overview may not be redistributed or reproduced, in whole or in part.
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Key Investor Information Documents for qualified investors only in Switzerland.

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