

**Mondrian Local Currency Emerging Market Debt Fund**  
**which is an open-ended fund of**  
**Mondrian Funds plc**  
**(an umbrella fund with segregated liability between sub-funds)**

**Supplement to the Prospectus dated 30 November 2016**  
**for Mondrian Funds plc**

This Supplement contains specific information in relation to **Mondrian Local Currency Emerging Market Debt Fund** (the **Fund**), a fund of Mondrian Funds plc (the **Company**) an umbrella type investment company with variable capital and segregated liability between sub-funds, which is incorporated in Ireland and authorised by the Central Bank of Ireland (the **Central Bank**) under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended).

**This Supplement forms part of and should be read in conjunction with the Prospectus dated 30 November 2016.**

The Directors of the Company, whose names appear under the section entitled **Directors of the Company** in the Prospectus, accept responsibility for the information contained in the Prospectus and this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

**An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

**Dated: [1 October] 2019**

## DIRECTORY

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## **1. INVESTMENT OBJECTIVE AND POLICIES**

### **1.1. Investment Objective**

The objective of the Fund is to achieve total return (high current income and long term capital growth).

### **1.2. Investment Policies**

The Fund seeks to achieve its investment objective primarily by investing in fixed-income securities of "emerging" or developing countries that may provide the potential for capital appreciation and the highest currency adjusted return over a market. The Fund is actively managed and will invest in government and government related issuer debt instruments that offer a high prospective yield based on the Investment Manager's proprietary research. As such, it may invest in securities issued in any currency and may hold foreign currencies. The selection of investments for the Fund will be oriented to country selection and will be value driven. The Fund may invest in a broad range of emerging debt securities, including emerging market government bonds, corporate bonds, limited maturity commercial paper in local currency as well as other currencies; non-deliverable forwards; and emerging market debt securities issued in hard currencies. The Fund may purchase fixed-income instruments with zero, variable, stepped or index-linked coupons. The Fund will invest in debt securities which, at the date of purchase, are rated at least B- by S&P or an equivalent rating from an internationally recognised rating agency or which may be rated or unrated and which in the opinion of the Investment Manager are at least of equivalent quality to B-. The Investment Manager will make its own assessment of the relevant security's credit rating. In case of three ratings, the lower rating of the two best ratings shall be decisive. In case of two such ratings, the lower rating shall be decisive. In case of only one such rating, this rating shall be decisive. In practice, it is likely that at least 50% of the portfolio will be rated investment grade (above BB+/Ba1) but given the nature of the emerging market bond universe, this cannot be guaranteed.

The Fund invests primarily in local currency debt instruments that offer a high Prospective Real Yield (PRY). The PRY is calculated by using a long term government bond yield for each market minus the Investment Manager's inflation forecast for that country. Prospective Real Yields form the basis of the Investment Manager's allocations to bond markets, with higher allocations made to those markets which have higher PRYs and lower or zero allocations to those markets with low PRYs. The Fund will usually purchase bonds, and take the associated currency exposure ("unhedged"). The Fund will not usually currency hedge when the Investment Manager considers that a local bond market offers good value as the currency is likely to increase in value. Further value may also be added through defensive currency hedging by selling the currency forward into the base currency or into a non-base currency. Defensive currency hedging may be utilised when currencies are extremely overvalued. The Fund's currency hedging strategy is based on the Investment Manager's proprietary research and models.

The Investment Manager employs a discounted income stream methodology to attempt to isolate value across country boundaries. The approach focuses on future income and discounts the value of these payments back to what they would be worth if they were paid today. Comparisons of the values of different possible investments are then made.

The Fund may also hold cash and invest in ancillary liquid assets. To facilitate investment activities, the Fund will generally hold a small portion of its assets in cash or cash equivalent instruments. In anticipation of a large redemption or for cash management or rebalancing purposes, the Fund may temporarily hold a significant portion of its assets in cash, or money market instruments. Money market instruments are short term assets and securities that are traded on money markets such as certificates of deposit, commercial paper and short-term money market funds. As a result, the Fund may not be fully invested in accordance with its fundamental investment objectives. The Fund may also invest part of its assets in cash in bank accounts held by the Depositary paying interest at the Depositary's prevailing rates.

The Company considers an "emerging country" to be any country which is generally recognised to be an emerging or developing country by the international financial community, including the World Bank and the International Monetary Fund and the International Finance Corporation, as well as countries that are classified by the United Nations or otherwise regarded by their authorities as developing. In addition, any country that is included in the JPMorgan Emerging Market suite of indices will be considered an "emerging" country.

There are more than 130 countries that are generally considered to be emerging or developing countries by the international financial community. Almost every nation in the world is included within this group of developing or emerging countries except the United States, Canada, Australia, Japan, New Zealand and most nations located in Western and Northern Europe. A representative list of the developing countries in which the Fund may invest includes: Argentina, Botswana, Brazil, Chile, China, Colombia, Croatia, The Czech Republic, Egypt, Estonia, Ghana, Hungary, India, Indonesia, Israel, Ivory Coast, Jamaica, Jordan, Kazakhstan, Kenya, Latvia, Lithuania, Malaysia, Mauritius, Mexico, Morocco, Nigeria, Pakistan, Peru, the Philippines, Poland, Romania, Russia, Slovakia, Slovenia, South Africa, South Korea, Sri Lanka, Taiwan, Thailand, Turkey and Venezuela. As markets in other emerging countries develop, the Investment Manager expects to expand and further diversify the countries in which the Fund invests.

Currency considerations carry a special risk for a portfolio of international securities. The Fund may invest in securities issued in any currency and may hold foreign currency. Securities of issuers within a given country may be denominated in the currency of another country or in multinational currency units, including the Euro. The Investment Manager primarily uses a purchasing power parity approach to evaluate currency risk. In this regard, the Fund may carry out hedging activities, and may invest in forward foreign currency contracts to hedge currency risks associated with the purchase of individual securities denominated in a particular currency. The Investment Manager will only carry out such hedging if it is cost effective to do so. The Fund will not automatically hedge positions. Under normal circumstances, hedging is undertaken defensively back into the base currency of the Fund although the Investment Manager may cross hedge using forward foreign currency contracts.

### Benchmark

The Fund's investment performance will be measured, over a full market cycle of three-to-five years, by comparing the total return of the Fund relative to the JP Morgan Global Bond Index – Emerging Market Global Diversified. The J.P. Morgan Government Bond Index-Emerging Markets (**GBI-EM**) Indices are comprehensive Emerging Markets debt benchmarks that track local currency bonds issued by Emerging Market governments. The three main composite indices are GBI-EM, GBI-EM Global, and GBI-EM Broad. DIVERSIFIED versions exist for all three composites, where the weightings among the countries are more evenly distributed within the index. GBI-EM Global is an investable benchmark that includes only those countries that are directly accessible to international investors. All eligible countries containing eligible instruments will be included regardless of capital controls, taxes, or access issues.

In order to seek to take advantage of specific investment opportunities, the Investment Manager has discretion to vary the weightings of bonds to that of the benchmark and invest in bonds which are not included in the benchmark. By way of example, as at 30 June 2019, the Fund's active share (a measure of how the Fund's composition differs from that of the benchmark) was 80.4%.

## **2. PROFILE OF A TYPICAL INVESTOR**

The Fund is suitable for investors who seek capital appreciation through a focused large cap emerging market equity portfolio and seek portfolio diversification through exposure to developing geographic regions across the world. Investors have a high level of risk tolerance commensurate with an investment in developing countries and can tolerate potentially frequent periods of high volatility of risk and have a long-term investment horizon.

## **3. FINANCIAL DERIVATIVE INSTRUMENTS & EFFICIENT PORTFOLIO MANAGEMENT**

The Fund may use FDI, including currency forwards, for investment and efficient portfolio management purposes in accordance with the section entitled **Utilisation of FDI and Efficient Portfolio Management** in the Prospectus and as further described below. The use of FDI for investment purposes may, lead to an increase in the Fund's risk profile or result in higher volatility. The Fund will not be leveraged in excess of 100% of its Net Asset Value through the use of FDI and the Fund will use the commitment approach to calculate its daily global exposure, being the incremental exposure and leverage generated through the use of FDI in accordance with its risk management process and the requirements of the Central Bank.

### **Currency Forwards**

The Fund may buy and sell currencies on a spot and forward basis, subject to the limits and restrictions

adopted by the Central Bank from time to time, to reduce the risks of adverse changes in exchange rates, as well as to enhance the return of a Fund by gaining an exposure to a particular foreign currency. A forward currency exchange contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces the Fund's exposure to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will receive for the duration of the contract. The effect on the value of the Fund is similar to selling securities denominated in one currency and purchasing securities denominated in another currency. A contract to sell currency would limit any potential gain, which might be realised if the value of the hedged currency increases. The Fund may enter into these contracts to hedge against exchange risk, to increase exposure to a currency or to shift exposure to currency fluctuations from one currency to another. Suitable hedging transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in such transactions at any given time. Also, such transactions may not be successful and may eliminate any chance for the Fund to benefit from favourable fluctuations in relevant foreign currencies. The Fund may use one currency (or a basket of currencies) to hedge against adverse changes in the value of another currency (or a basket of currencies) when exchange rates between the two currencies are positively correlated. The Fund may also use Non Deliverable Forwards (NDF). An NDF is a forward currency exchange instrument where the physical exchange of currency at expiry is replaced by settlement between counterparties of the net profit/loss on the contract calculated using the prevailing spot foreign exchange rate two days prior to settlement. The net settlement will occur in a predetermined currency usually US dollars. An NDF is used when an investor needs to hedge or gain exposure against or in a currency that does not have a deliverable market offshore.

#### **4. INVESTMENT RESTRICTIONS**

The general investment restrictions set out under the heading **Investment Restrictions** in the Prospectus apply to the Fund.

#### **5. BORROWING**

The Fund may borrow up to 10 per cent of its Net Asset Value for temporary purposes.

#### **6. INVESTMENT MANAGER**

The Company has appointed Mondrian Investment Partners Limited as Investment Manager of the Fund to provide investment management services to the Fund pursuant to an Investment Management Agreement described under the heading **Material Contracts** in the Prospectus.

#### **7. DIVIDEND POLICY**

The Directors do not currently intend to declare dividends.

Should the Directors determine that dividends are payable out of the Fund, the distribution dates will be notified to all Shareholders in advance of the declaration of such dividends.

#### **8. KEY INFORMATION FOR BUYING AND SELLING**

##### **8.1. Base Currency**

US Dollar

##### **8.2. Classes available**

US Dollar Class

Other classes may be established within the Fund which may be subject to higher or lower fees. Information in relation to the fees applicable to other classes is available on request.

##### **8.3. Minimum Initial Investment Amount**

USD\$5,000,000 or such lesser amounts as the Directors may, in their absolute discretion, decide. Applicants may also pay in the currency equivalent in euro or Sterling. The Administrator shall be

responsible for converting the subscription amount into USD at the prevailing market rate at the close of business on the Dealing Day.

#### 8.4. **Applications for Shares**

Shares are available for subscription at the Net Asset Value per Share of the relevant class of the Fund on the relevant Dealing Day.

The Net Asset Value per Share of each Class of Shares in each Fund is available from the Administrator following calculation on each Valuation Point and will be published on [www.bloomberg.com](http://www.bloomberg.com) or such other websites or places as the Directors may decide from time to time and as notified to the Shareholders in advance. Please refer to the Prospectus for details on notification of prices.

#### 8.5. **Minimum Additional Investment Amount**

USD\$1,000,000 or the currency equivalent thereof subject to the discretion of the Directors to allow lesser amounts.

#### 8.6. **Business Day**

Any day (except Saturday or Sunday) on which banks in Ireland and the United Kingdom are generally open for business or such other day or days as may be determined by the Directors.

#### 8.7. **Dealing Day**

In respect of subscriptions and redemptions, the Dealing Day is every Business Day.

#### 8.8. **Application Deadline**

Applicants making their initial investment should complete an irrevocable Application Form and send it to the Administrator 3 Business Days before the Dealing Day. However, if the applicant wishes to apply for Shares in-specie, the applicant must notify the Investment Manager directly in respect of such an in-specie application on or before the 10<sup>th</sup> Business Day of the month preceding the Dealing Day

#### 8.9. **Application Settlement Date**

Subscription monies must be received in cleared funds by the close of business on the Business Day immediately prior to the relevant Dealing Day. Confirmation of each purchase of Shares will normally be made within 5 Business Days after the allotment of Shares.

#### 8.10. **Valuation Point**

The point in time by reference to which the Net Asset Value of the Fund is calculated which, unless otherwise specified by the Directors (and notified in advance to Shareholders) with the approval of the Depositary, shall be close of business in the relevant markets on the relevant Dealing Day (the **Valuation Day**).

#### 8.11. **Minimum Shareholding**

USD\$5,000,000 or such lesser amount as may be determined by the Directors.

#### 8.12. **Subscription Charge**

The Subscription Charge may be up to 0.75% but is currently set at 0.25% to reflect the current costs of investing in the emerging debt markets. The Directors may in their discretion waive or reduce the amount of Subscription Charge where it is considered equitable to do so. The Subscription Charge is paid to the Fund and reflects the Investment Manager's estimate of the brokerage, taxes and spread costs in relation to buying the underlying investments. The Subscription Charge is reviewed periodically to ensure it reflects the Investment Manager's current best estimate of the costs of investing in emerging markets. Any increase in the current Subscription Charge will be updated in the Supplement and notified to Shareholders in advance.

### 8.13. **Redemption Deadline**

Shares may be redeemed on a Dealing Day by providing at least 2 Business Days' prior written notice to the Administrator, provided however, such Shareholder redeems Shares with an aggregate Share value of at least USD 1,000,000 and the aggregate Share value of held by the redeeming Shareholder after such redemption equals to or exceeds USD 3,000,000 (unless waived by the Directors). A redemption notice once made cannot be cancelled without the Directors' written consent. Redemptions may be permitted at such other times or with such shorter notice as the Directors, in their discretion may determine upon prior notification to all Shareholders provided always that the redemption deadline is prior to the relevant Valuation Point for that Dealing Day. Applications for redemption of Shares may only be accepted after the Dealing Deadline in exceptional circumstances. Redemption requests may be sent to the Administrator by facsimile. The Administrator will commence processing requests initially sent by facsimile but no redemption proceeds will be paid out until the Administrator has received the original Application Form in respect of the Shareholder's initial subscription for Shares in the Fund and all supporting documentation (including all relevant anti-money laundering documentation) is in order.

### 8.14. **Redemption Settlement Date**

Redemption proceeds will generally be paid within 5 Business Days after finalisation of the Fund's Net Asset Value and no later than 10 Business Days after the Dealing Deadline in the Base Currency.

### 8.15. **Redemption Charge**

The Redemption Charge may be up to 0.75% but is currently set at 0.25% to reflect the current costs of investing in the emerging debt markets. The Directors may in their discretion waive or reduce the amount of Redemption Charge where it is considered equitable to do so. The Redemption Charge is paid to the Fund and reflects the Investment Manager's estimate of the brokerage, taxes and spread costs in relation to selling the underlying investments. The Redemption Charge is reviewed periodically to ensure it reflects the Investment Manager's current best estimate of the costs of disposing of investments in emerging markets. Any increase in the current Redemption Charge will be updated in the Supplement and notified to Shareholders in advance.

### 8.16. **Minimum Net Asset Value**

USD\$25 million subject to the discretion of the Directors to allow a lesser amount.

## 9. **NET ASSET VALUE**

The Administrator calculates the Net Asset Value per Share as at the Valuation Point of each Dealing Day in accordance with the procedure provided for under the heading **Calculation of Net Asset Value/Valuation of Assets** in the Prospectus.

## 10. **CHARGES AND EXPENSES**

### 10.1. **Management Fee**

The Investment Manager is entitled to a fee not exceeding 0.55% per annum of the Net Asset Value of the Fund. The Management Fee accrues and is payable quarterly in arrears.

The Directors are entitled to increase the Management Fee up to a maximum of 1% per annum of the Net Asset Value of the Fund. Shareholders will be notified in advance of any proposed increase of such fees up to such maximum and the Supplement will be updated accordingly.

The Company may differentiate between Shareholders of the Fund by reducing the investment management fee charged to certain Shareholders.

### 10.2. **Administrative Expenses**

The maximum Administrative Expenses of the Fund will be capped at 0.20% of the average monthly

Net Asset Value of the Fund. The Company expects to evaluate this limitation on an annual basis. This limits does not apply to or include the Management Fee, transaction related expenses and any non-recurring expenses. The Administrative Expenses accrue and are payable monthly in arrears

All other ongoing charges and expenses which are described in the **Fees and Expenses** section of the Prospectus may be charged to the Fund.

### 10.3. **Initial Expenses**

Initial costs incurred in connection with the Company's and the Fund's organisation and initial offering are set out in the section entitled **Fees and Expenses** in the Prospectus.

### 10.4. **Other Fees and Expenses**

Any other fees and expenses payable out of the assets of a Fund are set out in the Prospectus under the heading **Fees and Expenses**.

This section should be read in conjunction with the section entitled **Fees and Expenses** in the Prospectus.

## 11. **REPORTS**

Unless requested otherwise, each Shareholder will be provided with audited financial statements of the Fund after the close of the Fund's financial year, 30 June and the semi-annual and unaudited accounts which will be made available within two months after the period ending on 31 December in each year. Each Shareholder will also receive such tax information as the Fund is required to furnish for UK tax reporting purposes if applicable. Monthly reports of the Fund's performance and quarterly reports including the Investment Manager's commentary will also be provided.

## 12. **RISK FACTORS**

The general risk factors set out in the **Risk Factors** section of the Prospectus apply to the Fund. In addition, the following risk factors apply to the Fund.

**AN INVESTMENT IN THE SHARES OF THE FUND IS SPECULATIVE AND INVOLVES A DEGREE OF RISK. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD CONSIDER THE FOLLOWING RISK FACTORS. THESE RISK FACTORS MAY NOT BE A COMPLETE LIST OF ALL RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN THE FUND.**

**INVESTORS SHOULD NOTE THE DIFFERENCE BETWEEN THE NATURE OF A DEPOSIT AND THE NATURE OF AN INVESTMENT IN THE FUND, IN PARTICULAR, THE RISK THAT THE PRINCIPAL INVESTED IN THE FUND IS CAPABLE OF FLUCTUATION AND THUS SHAREHOLDERS MAY NOT HAVE ALL OF THEIR PRINCIPAL RETURNED TO THEM ON REDEMPTION. IN ADDITION, INVESTMENT IN THE FUND WILL NOT BENEFIT FROM ANY DEPOSIT PROTECTION SCHEME SUCH AS MIGHT BE APPLICABLE TO AN INVESTMENT IN A DEPOSIT.**

### 12.1. **Emerging Market Risk**

The Fund will invest in emerging markets. The securities markets of emerging countries are substantially smaller, less developed, less liquid and more volatile than the securities markets of more developed countries. In particular, the securities markets of emerging countries have substantially less trading volumes, resulting in a lack of liquidity and high price volatility. There may be a high concentration of market capitalisation and trading volume in a small number of issuers representing a limited number of industries as well as a high concentration of investors and financial intermediaries. These factors may adversely affect the timing and pricing of a Fund's acquisition or disposal of securities, and it be difficult to assess the value of a Fund's investments.

Disclosure and regulatory standards in many respects are less stringent than in major markets. There also may be a lower level of monitoring and regulation of the markets and the activities of investors in

certain less developed countries, and enforcement of existing regulations can be extremely limited.

The economics of emerging markets in which the Fund may invest may differ favourably or unfavourably from the economics of industrialised countries. The economies of developing countries are generally heavily dependent on international trade and have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. Investment in emerging markets entail risks which include the possibility of political or social instability, adverse changes in investment or exchange control regulations, expropriation and withholding of dividends at source. In addition, such securities may trade with less frequency and volume than securities of companies and governments of developed, stable nations.

Assets maintained in certain emerging countries also may be subject to other types of risks that either are not present or less pronounced in more established markets, including political and economic risks (including nationalization of foreign bank deposits or other assets, and poor political and economic infrastructure and stability), commercial and credit risks (including poorly developed and regulated banks and financial systems), liquidity risks (including restrictions on repatriation and convertibility of currencies), legal and regulatory risks (including risks relating to evolving and/or undeveloped legal systems and regulatory frameworks) and operational risks (including risks relating to maintenance of shareholder title, clearing and settlement procedures and market transparency).

### *Sovereign Debt*

The governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the state of its country's economy, the relative size of the debt service burden to the economy as a whole, restrictions on its ability to raise more cash, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability to service its debt on a timely basis. Consequently, governmental entities may default on their sovereign debt. Holders of sovereign debt, including, where relevant, the Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities.

In addition, emerging markets may impose withholding taxes on investment income and capital gains taxes or different capital gains taxes on foreign investment. These taxes may be imposed without notice or retrospectively

## **12.2. Emerging Market Custody Arrangements**

The scope and range of custodial services offered in many emerging markets may be more limited than in more developed countries and, as a result, the Fund's assets may be maintained with banks, brokers, depositories and other financial institutions or organizations offering more limited custody services, and possessing less experience, less developed procedures for safekeeping of assets, poorer capitalization, and greater risks of bankruptcy, insolvency and fraud, than would typically be the case in more developed countries.

Assets which have been entrusted to sub-custodians, in circumstances where the use of such sub-custodians is necessary in emerging markets, may be exposed to risks including but not limited to the following:

- a non-true delivery versus payment settlement
- a physical market, and as a consequence the circulation of forged securities

- poor information about corporate actions
- registration process that impacts the availability of the securities
- lack of appropriate legal/fiscal infrastructure advices
- lack of compensation/risk fund with the central depository.

### 12.3. **Emerging Market Registration Risk**

In some emerging market countries evidence of legal title to shares is maintained in "book-entry" form. In order to be recognised as the registered owner of the shares of a company, a purchaser or purchaser's representative must physically travel to a registrar and open an account with the registrar (which, in certain cases, requires the payment of an account opening fee). Thereafter, each time that the purchaser purchases additional shares of the company, the purchaser's representative must present to the registrar powers of attorney from the purchaser and the seller of such shares, along with evidence of such purchase, at which time the registrar will debit such purchased shares from the seller's account maintained on the register and credit such purchased shares to the purchaser's account to be maintained to the register.

The role of the registrar in such custodial and registration processes is crucial. Registrars may not be subject to effective government supervision and it is possible for the Fund to lose its registration through fraud, negligence or mere oversight on the part of the registrar. Furthermore, while companies in certain emerging market countries may be required to maintain independent registrars that meet certain statutory criteria, in practice, there can be no guarantee that this regulation has been strictly enforced. Because of this possible lack of independence, management of companies in such emerging market countries can potentially exert significant influence over the shareholding in such companies. If the company register were to be destroyed or mutilated, a holding of the relevant shares of the company could be substantially impaired, or in certain cases, deleted. Registrars often do not maintain insurance against such occurrences, nor are they likely to have assets sufficient to compensate investors as a result thereof. While the registrar and the company may be legally obliged to remedy such loss, there is no guarantee that either of them would do so, nor is there any guarantee that an investor would be able to successfully bring a claim against them as a result of such loss. Furthermore, the registrar or the relevant company could wilfully refuse to recognise the investor as the registered holder of shares previously purchased by the investor due to the destruction of the company's register.

### 12.4. **Investment and Repatriation Restrictions**

A number of emerging markets restrict, to varying degrees, foreign investment in securities. Restrictions may include maximum amounts foreigners can hold of certain securities, and registration requirements for investment and repatriation of capital and income. New or additional restrictions may be imposed subsequent to the Fund's investment in a given market.

### 12.5. **Investment Approach**

All investments of the Fund risk the loss of capital. No guarantee or representation is made that the investment approach utilized on behalf of the Fund will be successful.

### 12.6. **Market Risks**

The Investment Manager's trading and investment strategies are subject to market risk. Certain general market conditions - for example, a reduction in the volatility or pricing inefficiencies of the markets in which the Fund is active - could materially reduce the Fund's profit potential.

### 12.7. **Debt Securities**

Debt securities are subject to credit risk. Credit risk relates to the ability of the issuer of a security to make interest and principal payments on the security as they become due. If the issuer fails to pay interest, the Fund's income might be reduced and if the issuer fails to repay principal, the value of that security and the Net Asset Value of the Fund might be reduced.

Debt securities also are subject to interest rate risk. Debt securities will increase or decrease in value based on changes in interest rates. If interest rates increase, the value of the Fund's investments generally declines. On the other hand, if interest rates fall, the value of the Fund's investments generally increases. Securities with greater interest rate sensitivity and longer maturities tend to

produce higher yields, but are subject to greater fluctuations in value. Usually, changes in the value of fixed income securities will not affect cash generated, but may affect the performance of the Fund.

#### **12.8. Possible Concentration**

Subject to the Company's obligation to spread investment risk in accordance with the Regulations and Central Bank requirements, the Fund has not adopted fixed guidelines for diversification of its investments among issuers, industries, instruments, currencies or markets and may be heavily concentrated, at any time, in a limited number of positions. In attempting to maximize the Fund's returns, the Investment Manager may concentrate the holdings of the Fund in those industries, companies, instruments, currencies or markets which, in the sole judgment of the Investment Manager, provide the best profit opportunity in view of the Fund's investment objectives.

#### **12.9. Currency Risks**

The Fund invests a substantial amount of its assets in fixed income securities denominated in currencies other than the Base Currency and in other financial instruments, the price of which is determined with reference to currencies other than the Base Currency. However, the Fund's securities and other assets are valued in the Base Currency. To the extent unhedged, the value of the Fund's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes of the Fund's investments in the various local markets and currencies. Thus, a change in the value of the U.S. Dollar compared to the other currencies in which the Fund makes its investments will affect the prices of the Fund's securities in their local markets.

#### **12.10. Forward Contracts on Foreign Currencies**

The Fund may engage in interbank spot and forward contract markets for foreign currencies. There is relatively little regulation with respect to trading of forward contracts. There are generally no margin requirements and generally no limitation on price movements of forward contracts. Forward contracts are not traded on exchanges; rather, a bank or dealer will act as agent or as principal in order to make or take future delivery of a specified lot of a particular currency for the Fund's account. The Fund is subject to the risk of a principal's failure or inability or refusal to perform with respect to such contracts.

No assurance can be given that currency hedging policies if conducted will be successful. Currency hedging policies may substantially limit Shareholders from benefiting if the base currency falls against the currency in which the assets of the Fund are denominated. In addition over-hedged or under-hedged positions may arise due to market volatility which is outside the control of the Investment Manager.

#### **12.11. Reclamation of Foreign Withholding Tax**

The Company, with the assistance of the Administrator and/or other third parties, may choose to attempt to reclaim withholding taxes in a limited number of markets. The Company and the Administrator are not obligated to pursue withholding tax reclaims in any market and there is no guarantee any amounts can or will be reclaimed. Changes in law, treaty rates, tax status of Shareholders, filing obligations, and deadlines for tax submission can all affect the amount of any taxes that can be reclaimed on behalf of the Fund and the Shareholders.

#### **12.12. Credit Ratings**

Potential investors are advised that ratings applied to debt securities are not absolute measures of credit quality and do not reflect all potential market risks. Ratings agencies may fail to timely reflect changes in an issuer's underlying financial condition.

#### **12.13. Investment in Lower Rated Securities**

The Fund may invest in debt securities that are unrated or rated the lowest rating category by recognized ratings services such as Standard & Poor's or Moody's. All such obligations, although high yielding, can be characterized by a correspondingly greater risk of default. In addition, the Fund may have difficulty disposing of lower quality debt securities because there may be a thin trading market for such debt securities. The lack of a liquid secondary market also may have an adverse impact on market prices of such instruments and may make it more difficult for accurate market quotations to be

obtained for purposes of valuing its portfolio securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, also may decrease the values and liquidity of lower rated debt securities, especially in a thinly traded market.

**12.14. Illiquidity in Certain Markets**

The Fund may invest in securities that later become illiquid or otherwise restricted. The Fund might only be able to liquidate these positions at disadvantageous prices, should the Investment Manager determine, or it becomes necessary, to do so. For example, substantial withdrawals from the Fund could require the Fund to liquidate its positions more rapidly than otherwise desired in order to obtain the cash necessary to fund the withdrawals. Illiquidity in certain markets could make it difficult for the Fund to liquidate positions on favourable terms, thereby resulting in losses or a decrease in the Net Asset Value of the Fund.

**12.15. High Cash Position to Accommodate Subscriptions and Redemptions**

In order to accommodate monthly subscriptions and redemptions by investors, the Fund may hold more cash than normal at the end and beginning of each month. During these periods, the Fund may not perform as the Investment Manager otherwise would have expected.

**PROSPECTIVE INVESTORS SHOULD READ THE ENTIRE PROSPECTUS AND THIS SUPPLEMENT AND FULLY EVALUATE ALL OTHER INFORMATION THAT THEY DEEM TO BE NECESSARY BEFORE DETERMINING TO INVEST IN THE FUND.**

**13. MISCELLANEOUS**

At the date of this Supplement there are three other Funds of the Company in existence, the Mondrian Focused Emerging Markets Equity Fund, the Mondrian Global Equity Fund and the Mondrian Global Fixed Income Fund.