

# 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 June 30, 2021)

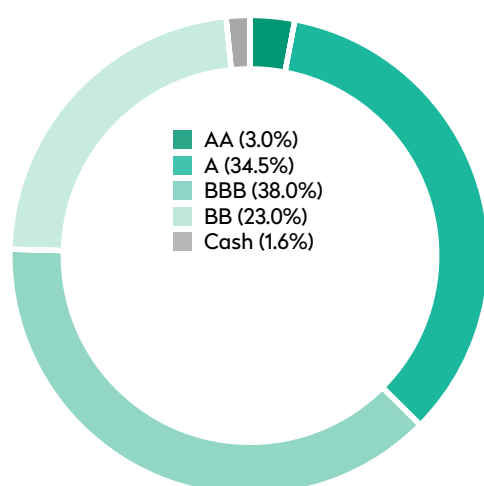
	Quarter to Date	Year to Date	12 Months	3 Yrs (Ann)	5 Yrs (Ann)	10 Yrs (Ann)	SI (Ann)
Fund NAV Return	3.3%	-4.7%	5.6%	3.5%	2.9%	-0.1%	0.6%
Benchmark Return	3.5%	-3.4%	6.6%	4.1%	3.2%	1.0%	1.6%
Relative Returns	-0.3%	-1.4%	-0.9%	-0.6%	-0.3%	-1.1%	-0.9%

### Fund Characteristics

(as of June 30, 2021)

	Average Coupon	Average Maturity	Modified Duration	Number of Issues	Average Quality	Yield to Maturity
Fund	6.5%	7.3	5.1	51	BBB	5.4%
Index	5.3%	7.3	5.3	283	BBB+	4.9%

### Credit Rating Distribution



Average = BBB

### Country Allocation

	Bond Exposure	Currency Exposure	JPMorgan GBI-EM Global Div
<b>Asia Pacific</b>	<b>30.4</b>	<b>32.1</b>	<b>35.8</b>
Malaysia	7.2	9.0	7.6
Indonesia	10.1	7.8	9.5
Thailand	6.4	5.5	8.6
Philippines	0.0	1.0	0.1
China	6.7	8.9	10.0
<b>Europe</b>	<b>23.4</b>	<b>28.9</b>	<b>29.4</b>
Czech Republic	3.0	2.0	4.1
Hungary	3.9	3.9	4.0
Poland	6.9	8.0	8.6
Russia	6.7	9.1	7.5
Turkey	3.0	4.0	1.9
Romania	0.0	2.0	3.1
Serbia	0.0	0.0	0.3
<b>Latin America</b>	<b>36.1</b>	<b>30.6</b>	<b>26.8</b>
Brazil	11.5	9.4	8.4
Chile	3.7	0.9	2.2
Colombia	7.4	7.4	4.7
Mexico	9.9	9.9	9.0
Peru	3.6	3.0	2.3
Dominican Republic	0.0	0.0	0.1
Uruguay	0.0	0.0	0.1
<b>Middle East and Africa</b>	<b>8.5</b>	<b>7.5</b>	<b>8.0</b>
South Africa	8.5	7.5	8.0
<b>Cash</b>	<b>1.6</b>	<b>1.6</b>	<b>0.0</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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, Mondrian Local Currency Emerging Market Debt Fund, Mondrian Emerging Markets Equity Fund, Mondrian Global Equity Fund and Mondrian Global Green Bond 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 June 30, 2021)	Holdings (%) Bond Exposure	Holdings (%) Currency Exposure	JP Morgan GBI-EM Global Div
<b>Asia Pacific</b>	<b>30.4</b>	<b>32.1</b>	<b>35.8</b>
<b>Malaysia</b>	7.2	9.0	7.6
Malaysia Govt 3.733% 15-Jun-28	0.0		
Malaysia Govt 3.828% 05-Jul-34	0.2		
Malaysia Govt 3.885% 15-Aug-29	2.2		
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	1.3		
Malaysia Govt 4.059% 30-Sep-24	2.5		
<b>Indonesia</b>	10.1	7.8	9.5
Indonesia Govt 5.625% 15-May-23	0.8		
Indonesia Govt 7% 15-May-22	0.1		
Indonesia Govt 7% 15-May-27	1.1		
Indonesia Govt 8.375% 15-Mar-34	4.8		
Indonesia Govt 9% 15-Mar-29	3.3		
<b>Thailand</b>	6.4	5.5	8.6
Thailand 2.125% 17-Dec-26	0.1		
Thailand 2.875% 17-Dec-28	4.3		
Thailand 3.65% 20-Jun-31	2.0		
<b>Philippines</b>	0.0	1.0	0.1
<b>China</b>	6.7	8.9	10.0
China 2.68% 21-May-30	5.0		
China 2.85% 04-Jun-27	0.9		
China 3.81% 14-Sep-50	0.7		
<b>Europe</b>	<b>23.4</b>	<b>28.9</b>	<b>29.4</b>
<b>Czech Republic</b>	3.0	2.0	4.1
Czech Republic 4.7% 12-Sep-22	1.5		
Czech Republic 5.7% 25-May-24	1.4		
<b>Hungary</b>	3.9	3.9	4.0
Hungary 2.5% 27-Oct-21	1.9		
Hungary 2.5% 24-Oct-24	2.0		
<b>Poland</b>	6.9	8.0	8.6
Poland Govt 2.5% 25-Jul-26	2.1		
Poland Govt 4% 25-Oct-23	2.9		
Poland Govt 5.75% 25-Oct-21	1.4		
Poland Govt 5.75% 25-Apr-29	0.5		
<b>Russia</b>	6.7	9.1	7.5
Russia 7.05% OFZ 19-Jan-28	0.9		
Russia 7.7% 23-Mar-33	4.1		
Russia 8.15% 03-Feb-27	0.9		
Russia 8.5% 17-Sep-31	0.8		
<b>Turkey</b>	3.0	4.0	1.9
Turkey Govt 11.7% 13-Nov-30	0.7		
Turkey Govt 12.6% 01-Oct-25	2.3		
<b>Romania</b>	0.0	2.0	3.1
<b>Serbia</b>	0.0	0.0	0.3
<b>Latin America</b>	<b>36.1</b>	<b>30.6</b>	<b>26.8</b>
<b>Brazil</b>	11.5	9.4	8.4
Brazil NTN-F 10% 01-Jan-23	5.1		
Brazil NTN-F 10% 01-Jan-25	2.9		
Brazil NTN-F 10% 01-Jan-27	3.4		
<b>Chile</b>	3.7	0.9	2.2
Republic of Chile 4% 01-Mar-23	1.3		
Republic of Chile 4.5% 01-Mar-26	1.7		
Republic of Chile 5% 01-Mar-35	0.7		
<b>Colombia</b>	7.4	7.4	4.7
Colombia Tes 6% 28-Apr-28	4.3		
Colombia Tes 7% 04-May-22	0.5		
Colombia Tes 7.5% 26-Aug-26	2.5		
<b>Mexico</b>	9.9	9.9	9.0
Mexico Bonos 10% 20-Nov-36	1.0		
Mexico Bonos 7.5% 03-Jun-27	4.7		
Mexico Bonos 8.5% 31-May-29	4.3		
<b>Peru</b>	3.6	3.0	2.3
Peruvian Govt 6.9% 12-Aug-37	2.7		
Peruvian Govt 8.2% 12-Aug-26	1.0		
<b>Dominican Republic</b>			0.1
<b>Uruguay</b>			0.1
<b>Middle East and Africa</b>	<b>8.5</b>	<b>7.5</b>	<b>8.0</b>
<b>South Africa</b>	8.5	7.5	8.0
Rep of South Africa 10.5% 21-Dec-26	2.2		
Rep of South Africa 6.25% 31-Mar-36	1.9		
Rep of South Africa 6.5% 28-Feb-41	0.5		
Rep of South Africa 8.25% 31-Mar-32	1.6		
Rep of South Africa 8.75% 28-Feb-48	2.4		
<b>Cash</b>	1.6	1.6	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### Quarterly Commentary for Quarter 2, 2021

#### Market Background

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Over the second quarter, the JP Morgan GBI-EM Global Diversified Index rose 3.5% in US dollar unhedged terms. In local currency terms the index rose 1.4%, with benchmark EM currencies rising 2.1% on average against the US dollar. The strongest performing markets were Brazil (+14.3%), South Africa (+10.7%) and the Dominican Republic (+5.0%). Currency was the main driver of outperformance in the case of Brazil, whereas for South Africa and the Dominican Republic it was local bond market outperformance. The weakest performing markets were Chile (-6.9%), Peru (-3.7%) and the Philippines (-2.6%). Local bond market weakness was the main driver of underperformance in the case of Chile, whereas for Peru and the Philippines it was more balanced between currency weakness and local bond market underperformance.

#### Investment Performance

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Over the second quarter the fund was up 3.46% in gross terms, slightly behind the benchmark which was up 3.54%. In NAV terms, the fund returned 3.26% over the quarter. Overall, currency allocation was positive for relative performance but country positioning detracted. In terms of currency allocation, the overweights to the Brazilian real and Russian rouble, along with the underweight to the Thai baht, were all positive; the overweight to the Colombian peso detracted. In terms of country positioning, the duration overweights to Russia and Brazil were positive; the duration overweight to Colombia and Peru detracted.

#### Investment Outlook

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Emerging market local currency bonds offer attractive value opportunities. In terms of Prospective Real Yields, our measure of value within bonds markets, many countries within the local currency bond benchmark, the JP Morgan GBI-EM Global Diversified index, more than compensate for inflation and sovereign credit risks. This is in stark contrast with developed markets where in many cases, Prospective Real Yields fail to compensate for inflation and sovereign credit risks.

Further, with the US dollar overvalued against most emerging market countries, there is the opportunity for additional gains from currency appreciation. Amongst emerging market countries, we find Prospective Real Yields are most attractive in Indonesia, Peru, Brazil, Mexico and Colombia and we are overweight these bonds markets on our local currency emerging market debt portfolios.

Inflation risks in these markets are modest to low, with inflation surprises in Brazil and Mexico expected to be transitory and a response to recent rises in energy prices and food prices. With the central banks in these markets already turning hawkish, nominal yields have responded leading to higher Prospective Real Yields.

In Peru, the higher Prospective Real Yield reflects uncertainty regarding the result of the recent Presidential election, which at the time of writing still has not been decided. The second round of the election, held in early June resulted in a near 50/50 split between the left wing candidate, Castillo and the right wing candidate Fujimori. With the votes between the candidates so close, the electoral commission is still in the process of scrutinizing the result and has yet to declare a winner of the second round of voting. Despite market apprehension regarding the economic program of the left wing candidate Castillo, he has recently made pledges to uphold the institutions of Peru, most recently pledging to re-affirm the current central bank governor and the independence of the central bank. In this respect, Castillo is following in the path of the previous president, Humala, who, as a left wing candidate won the Presidency in 2011 after moderating his agenda to a more centralist stance. This proved to be a positive for both bonds and currency in the aftermath of his victory.

In terms of currency valuations, we find that the Turkish lira, Peruvian sol and Philippine peso are the most undervalued currencies against the US dollar according to our Purchasing Power Parity valuation metrics and we are overweight these currencies on our local currency emerging market debt portfolios. We have recently taken the opportunity to diversify our currency risk budget, taking profits on our overweight position in the Brazilian real and Russian rouble both of which have done very well against the US dollar and increasing exposure to European currencies such as the Romanian leu and Polish zloty.

### Investment Strategy

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- Overweight to Brazilian real; overweight to Brazilian duration
- Underweight Chilean peso; broadly neutral to Chilean duration
- Overweight Colombian peso; overweight Colombian duration
- Modest overweight to Mexican peso; overweight to Mexican duration
- Overweight to Peruvian sol; overweight Peruvian duration
- Underweight Indonesian rupiah; overweight Indonesian duration
- Overweight Malaysian ringgit; underweight to Malaysian duration
- Small overweight to Philippine peso; no Philippine bonds
- Underweight Thai currency; underweight Thai duration
- Small underweight to Chinese renminbi; slight overweight to Chinese duration
- Broadly neutral to Hungarian forint; underweight Hungarian duration
- Underweight Poland, Romania and Czech Republic currency and duration
- Small overweight to Turkish duration and the Turkish lira
- Overweight Russian ruble and duration
- Broadly neutral to South African rand; overweight South African duration

## Contact Us

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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.
9. Views expressed were current as of the date indicated, are subject to change, and may not reflect current views. Views should not be considered a recommendation to buy, hold or sell any security and should not be relied on as research or investment advice.
10. This Fund Overview may include forward-looking statements. All statements other than statements of historical facts are forward-looking statements (including words such as "believe," "estimate," "anticipate," "may," "will," "should," "expect"). Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those reflected in such forward-looking statements.

### Key Investor Information Documents for qualified investors only in Switzerland.

Qualified investors can obtain the extract prospectus (edition for Switzerland), the Key Investor Information Documents, the memorandum and articles of association, the extract annual and semi-annual report, and further information free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, web: [www.carnegie-fund-services.ch](http://www.carnegie-fund-services.ch). The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l'Île, CH-1204 Geneva. For the units of the Funds distributed to qualified investors in Switzerland, the place of performance is Geneva.

Mondrian Investment Partners Limited is authorised and regulated by the Financial Conduct Authority.

[www.mondrian.com](http://www.mondrian.com)