

## THE HARDING LOEVNER FRONTIER EMERGING MARKETS EQUITY FUND

### Supplement to the Prospectus dated 2 July 2018 For Harding Loevner Funds plc

This Supplement contains specific information in relation to The Harding Loevner Frontier Emerging Markets Equity Fund (the “**Fund**”), a Fund of Harding Loevner Funds plc (the “**Company**”) an umbrella type open-ended investment company with variable capital and segregated liability between sub-funds governed by the laws of Ireland and authorised by the Central Bank of Ireland (the “**Central Bank**”).

**This Supplement forms part of, may not be distributed unless accompanied by the Prospectus of the Company dated 2 July 2018 (the “Prospectus”) (other than to prior recipients of the Prospectus), and must be read in conjunction with, the Prospectus.**

The Directors of Harding Loevner Funds plc, whose names appear in the **Directors of the Company** section of 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.

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

**The Fund may invest in in financial derivative instruments for investment and efficient portfolio management purposes.**

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

Dated: 2 July 2018

<b><u>Directory</u></b>	<b><u>Page No.</u></b>
Investment Objective and Policies	3
Investment Restrictions	3
Borrowings	4
Leverage	4
Risk Factors	4
Risk Management Process	5
Dividend Policy	5
Profile of a Typical Investor	5
Key Information for Buying and Selling	5
Fees and Expenses	7
Miscellaneous	7
Notification of Prices	7

## **Investment Objective and Policies**

### **Investment Objective:**

The investment objective of the Fund is to achieve long-term capital appreciation by investing primarily in frontier emerging markets equities.

### **Investment Policies:**

The Fund seeks to achieve its objective by investing in frontier emerging markets companies that the Investment Manager regards as possessing competitive advantages, capable management, strong financials, and above-average growth potential, and regards as priced by the market below their estimated value. The Investment Manager undertakes in-depth fundamental research to identify companies that meet its quality-growth investment criteria (competitive advantage, quality management, financial strength, and sustainable growth) before making judgments about share prices. The Investment Manager believes up-front business analysis enables it to recognize when transient market misperceptions (eg mispricings) create investment opportunities. It further believes insights gained through the systematic study of individual companies are more valuable and reliable in the long term than forecasts of aggregate stock market directions.

The Fund will invest in freely transferable equities and equity-related securities primarily of issuers based in frontier emerging markets. Frontier emerging markets include countries that are represented in the MSCI Frontier Markets Index or the S&P Frontier Markets BMI, or similar market indices, and the smaller of the traditionally-recognized emerging markets, such as those individually constituting less than 5% of the MSCI Emerging Markets Index or the S&P Emerging Markets BMI. Factors bearing on whether an issuer is considered to be “based” in a frontier emerging market may include: (i) it is legally domiciled in a frontier emerging market; (ii) it conducts at least 50% of its business, as measured by the location of its sales, earnings, assets, or production, in frontier emerging markets; or (iii) it has the principal exchange listing for its securities in a frontier emerging market.

The securities will primarily be common stocks and other securities with equity characteristics, including but not limited to preferred stocks, warrants (not more than 5% of the Fund's Net Asset Value including participatory notes structured as warrants), rights (which are issued by a company to allow holders to subscribe for additional securities issued by that company), and convertible securities, as well as depository receipts for such securities, all of which are traded on stock exchanges or regulated markets.

Because some frontier emerging markets countries do not permit foreigners to participate directly in their securities markets or otherwise present difficulties for efficient foreign investment, the Fund may use equity derivative securities, and, in particular, equity-linked participation notes, to gain exposure to those countries. The participation notes, while still considered to be a transferable security, may embed a derivative.

The Fund will invest on a long only basis.

The Fund may also invest (up to 10% of its Net Asset Value) indirectly in such securities through holdings in open-ended collective investment schemes that satisfy Regulation 3(2) of the Regulations which shall be predominantly in the form of exchange traded funds and listed and traded in the US and Europe.

Under normal circumstances at least 80% of the Fund's net assets will be invested in the foregoing instruments, i.e., freely transferable equities and equity-related securities primarily of issuers based in frontier emerging markets. The Fund will be highly diversified and therefore will not be concentrating on any specific regions or economic sectors. It will pursue a policy of active stock selection in the markets in which it operates.

The Investment Manager has a single research team organized primarily by global sector, in which analysts study companies worldwide that operate within their industry specialties. In addition, it has regional analysts responsible for companies in frontier markets, Japan, and China. This division of

responsibilities encourages development of deep expertise in the global competitive dynamics of industries and facilitates collaboration and cross-border comparisons.

Portfolio managers choose among analyst-rated companies—considering both analyst recommendations and impact on portfolio risk—to construct a model portfolio for each strategy. Internal risk-control limits applied to geography, sector, and holding weights ensure diversification. Portfolio managers may sell a stock when it is “crowded out” by a more attractive investment opportunity or the rating is downgraded due to price concerns or deterioration in its fundamentals.

### **Investment Restrictions**

The general investment restrictions set out under the heading **FUNDS - Investment Restrictions** in the Prospectus shall apply.

### **Borrowings**

In accordance with the general provisions set out in the Prospectus under the heading **FUNDS - Borrowing and Lending Powers** the Fund may borrow up to 10% of its net assets on a temporary basis.

### **Leverage**

It is not intended that the Fund will be leveraged, however, should leverage be generated by the use of financial derivatives instruments it will not exceed 100% of the Net Asset Value of the Fund thus total exposure cannot exceed 200% of Net Asset Value. The market risk of the Fund associated with the use of financial derivative instruments will be measured using the commitment approach in accordance with the requirements of the Central Bank.

### **Risk Factors**

The general risk factors are set out in the Prospectus under the heading **RISK FACTORS**. In addition, the following risk factors apply to the Fund:

#### **Market Risk**

Investments in the Fund may lose value due to a general downturn in stock markets.

#### **Currency Risk**

The Base Currency of the Fund is US Dollars. As the Euro, Australian Dollar and Sterling Classes are denominated in a currency other than the Base Currency of the Fund, and as currency conversions will take place on subscriptions, redemptions and distributions at prevailing exchange rates, the Euro, Australian Dollar and Sterling Classes will have a currency risk exposure to US Dollars.

#### **Frontier Emerging Market Risk**

Investors in the Fund should be aware of the following additional risks associated with the investment in frontier emerging markets:

- (a) *Frontier Emerging Market Securities Risks:* Investments in the securities market(s) are subject to the risks pertaining to frontier emerging markets generally. These risks could include the imposition of limits on the holdings of listed securities by foreign investors, and the requirement for foreign investors to maintain a trading account with only one licensed securities company in the relevant market. These may contribute to the illiquidity of the relevant securities market, as well as create inflexibility and uncertainty as to the trading environment.
- (b) *Legal and Regulatory Risks:* The laws and regulations affecting an investment in securities in frontier emerging markets are often not as well developed and/or established as the laws and regulations of developed countries, may not have been drafted to cover specifically an

investment via a fund vehicle, may be drafted in a less concise or otherwise ambiguous manner which could lead to differences in interpretation and, in some countries, may remain untested. Consequently, there may be a lower level of regulatory monitoring of the relevant securities markets than is the case for securities markets in developed countries. Additionally, in the event of a securities-related dispute involving a foreign party, the laws and regulations of these countries would generally apply (unless an applicable international treaty provides otherwise), the court systems of these countries may not be as transparent and effective as court systems in more developed countries, there can be no assurance of obtaining effective enforcement of rights through legal proceedings and the judgments of foreign courts may not be recognised.

- (c) *Trading Volumes and Volatility:* The securities markets in frontier emerging market countries are often smaller, with lower trading volumes and shorter trading hours than securities markets in developed countries. The market capitalisations of the companies that are listed on frontier emerging markets' securities exchanges are often smaller than those on the primary securities markets of more developed countries. As a consequence, such securities are often materially less liquid, substantially more volatile and subject to significantly greater bid/offer spreads than securities listed on the securities markets in developed countries.
- (d) *Foreign Exchange Risk:* Some frontier emerging market currencies are controlled. Additionally, there is limited liquidity in the foreign exchange markets for certain frontier emerging market currencies.

### **Risk Management Process**

The Fund employs a Risk Management Process which enables it to accurately measure, monitor and manage the various risks associated with financial derivative instruments and which is available to investors.

### **Dividend Policy**

There are no dividend entitlements for the Shares.

### **Profile of a Typical Investor**

The Fund is suitable for investors seeking capital growth who are prepared to accept a medium to high degree of volatility over a five to seven year market cycle.

### **Key Information for Buying and Selling**

#### **Base Currency**

US Dollars

#### **Business Day**

Any day on which banks are open for business in London, New York and Dublin and/or such other place or places as the Directors may, with the consent of the Depositary, determine.

#### **Dealing Day**

Each Business Day and/or such other day or days as the Directors may in their absolute discretion determine and notify in advance to Shareholders provided that there shall be at least two Dealing Days in each month (with at least one Dealing Day per two week period).

#### **Dealing Deadline**

In respect of a Dealing Day, the Dealing Deadline is 3.00pm (Irish time) on each Dealing Day.

Investors should note that share purchase and repurchase requests received prior to the Dealing Deadline may not be withdrawn prior to the relevant Dealing Day.

### Minimum Amounts

Class	Minimum Shareholding	Minimum Initial Investment Amount	Minimum Additional Investment Amount
Euro Class A	\$1,000,000 or currency equivalent	\$1,000,000 or currency equivalent	€100
US Dollar Class A	\$1,000,000	\$1,000,000	\$100
Australian Dollar Class A	\$1,000,000 or currency equivalent	\$1,000,000 or currency equivalent	AUD100
Sterling Class A	\$1,000,000 or currency equivalent	\$1,000,000 or currency equivalent	£100

(subject to the discretion of the Directors in each case to allow lesser amounts).

### Initial Offer Period

The Initial Offer Period for all Share Classes will open at 9.00 a.m. (Irish time) on 29 January 2018 and close at 5.00 p.m. (Irish time) on 27 July 2018.

The end date of the Initial Offer Period may be subject to such earlier or later date as the Directors may determine and notified to the Central Bank.

### Initial Issue Price

1.000 of the applicable currency per Share.

### Settlement Date

In the case of initial share requests, the Application Form and all supporting documentation must be received before the Dealing Deadline.

Subsequent share purchase requests and repurchase requests should be made by completing the appropriate dealing form and be submitted in accordance with the provisions set out in the Prospectus to be received by the Administrator before the Dealing Deadline.

Payment in respect of the issue of Shares must be received by the Administrator within two Business Days of the relevant Dealing Day by electronic transfer in cleared funds in the currency of the relevant Share Class.

The amount due on the repurchase of Shares of any Share Class in the Fund will be paid within seven Business Days by electronic transfer to an account in the name of the Shareholder. Repurchase proceeds will only be paid on receipt by the Administrator of any relevant repurchase documentation.

### Subscription Charge

No subscription charge will be charged in respect of Shares in the Fund. However, the Directors may in their discretion introduce such a fee at a later date in accordance with the terms of the Prospectus and upon prior written notification to Shareholders of the affected Share Class(es).

### **Repurchase Charge**

A repurchase charge of up to 2% of the Net Asset Value in respect of redemptions within 90 days of purchase (subject to the Directors' discretion to waive such fee).

### **Anti-Dilution Charge**

Cost of dealing (subject to the Director's discretion to waive such fees).

The Directors may, where there are large net subscriptions and/or redemptions, charge an Anti-Dilution Levy which will be calculated to cover the costs of acquiring and/or redeeming investments as a result of net subscriptions and/or redemptions on any Dealing Day, which will include any dealing spreads and commissions and will be charged in circumstances where the Directors believe it is necessary to prevent an adverse effect on the value of the assets of the Fund.

### **Valuation Point**

Close of business (New York time) on the relevant Dealing Day.

### **Fees and Expenses**

#### **Fees of the Investment Manager**

The Investment Manager will be entitled to receive from the Company out of the assets of the Fund an annual fee of 1.50% of the net assets attributable to the Euro Class A Shares, the US Dollar Class A Shares, the Australian Dollar Class A Shares and the Sterling Class A Shares (plus VAT if any). This fee will accrue and be calculated on each Dealing Day and be payable monthly in arrears. The Investment Manager may, at its absolute discretion, waive any portion of the investment management fee or pay any portion of the such investment management fee to any third party in any manner whatsoever, whether by rebate or otherwise. The Investment Manager shall also be entitled to be reimbursed out of the assets of the Fund for its reasonable out-of-pocket costs and expenses incurred by the Investment Manager in the performance of its duties.

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

### **Miscellaneous**

There are three other Funds of the Company currently in existence, namely:

**The Harding Loevner Emerging Markets Equity Fund**

**The Harding Loevner Global Equity Fund**

**The Harding Loevner International Equity Fund**

### **Notification of Prices**

The Net Asset Value per Share will be available on each Business Day from the Administrator.