

**Harding Loevner Funds plc**  
**An umbrella fund with segregated liability between sub-funds**

**A company incorporated with limited liability as an investment company with variable capital under the laws of Ireland with registered number 437095**  
**(the "Company")**

**Additional Information for Investors in United Kingdom**

**Information contained herein is selective, containing specific information in relation to the Company. This document (the UK Country Supplement) forms part of and should be read in conjunction with the Prospectus for the Company dated 2 July 2018 (the Prospectus). This document is for distribution in the United Kingdom only.**

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

Dated: 24 July 2018

The Company is a recognised collective investment scheme within the meaning of Section 264 of the UK Financial Services and Markets Act 2000 as amended (the **FSMA**) and Shares in the Company may be promoted to the UK public by persons authorised to carry on investment business in the UK. This Prospectus constitutes a financial promotion under Section 21 of the FSMA, and has been approved by Harding Loevner (UK) Limited who is authorised and regulated by the Financial Conduct Authority to carry on regulated activities in the UK and is subject to the rules of the Financial Conduct Authority.

Any advice or recommendation which may be given or offered by this Prospectus does not relate to products and services of Harding Loevner (UK) Limited, but to those of the Company.

The Company does not carry on investment business in the UK, so as to require the conduct of its business to be regulated under the FCA. Shareholders will therefore not benefit from the protections provided by the UK regulatory system.

This Prospectus is issued only to, or directed only at, persons who are: (i) Investment Professionals within the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **FP Order**); (ii) High Net Worth Companies and certain other entities falling within Article 49 of the FP Order; or (iii) any other persons to whom the Company or any Fund may lawfully be promoted (the persons in (i), (ii) and (iii) together, the **Relevant Persons**).

This Prospectus must not be acted on or relied on by persons who are not Relevant Persons and/or addressed to or disseminated in such a way that is likely to be received by any person who is a “retail client” for the purposes of the European Parliament and Council Directive on Markets in Financial Instruments (No. 2014/65/EU). Prior to accepting an application from any applicant who claims to fall within any of the above categories, verifiable evidence of the applicant’s status may be required.

### **Important**

Compensation under the Financial Services Compensation Scheme will generally not be available to UK investors.

A UK investor who enters into an investment agreement with the Company to acquire Shares in response to the Prospectus will not have the right to cancel the agreement under the cancellation rules made by the FCA. The agreement will be binding upon acceptance of the order by the Company.

In connection with the Company’s recognition under section 264 of the FSMA, the Company has appointed Harding Loevner (UK) Limited (the **Facilities Agent**) who is responsible for providing facilities services to the Company and maintenance of the facilities required of a recognised scheme pursuant to the rules contained in the Collective Investment Schemes Sourcebook (**COLL**) published by the Financial Conduct Authority as part of the Financial Conduct Authority’s Handbook of Rules and Guidance governing recognised schemes.

The facilities will be located at the offices of the Facilities Agent at Level 17, Dashwood House, 69 Old Broad Street, London EC2M 1QS, United Kingdom.

At these facilities, any person may:

1. Inspect (free of charge), during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted), a copy of the following documents:

- (a) the Articles of Association of the Company and any instruments amending these;
  - (b) the latest Prospectus including any addenda or supplements thereto;
  - (c) the latest key investor information documents;
  - (d) the latest annual and half-yearly reports; and
  - (e) any other documents required from time to time by COLL to be made available;
2. Obtain a copy (in English) of any of the above documents (free of charge in the case of documents (b)-(d));
  3. Obtain information (in English) relating to the prices of Shares;
  4. Redeem or arrange for the redemption of Shares (and obtain payment for such Shares); any redemption request received shall be sent to the Administrator for processing;
  5. Make a complaint about the operation of the Company, which complaint will be transmitted to the Company;
  6. Obtain, free of charge, details or copies of any notices which have been given or sent to Shareholders.

## **UK Taxation**

### **The Company**

The Directors intend to conduct the affairs of the Company so that it should not become resident in the United Kingdom for the purposes of United Kingdom taxation. Moreover, for so long as the Company is a UCITS, then there may be further protection against the Company becoming UK tax resident pursuant to section 363A Taxation (International and Other Provisions) Act 2010 ("**TIOPA**").

Accordingly, and provided that the Company does not carry on a trade in the United Kingdom through a permanent establishment situated therein, or that any such trading transactions in the United Kingdom are carried out through a broker or investment manager acting as an agent of independent status in the ordinary course of its business, the Company should not be subject to United Kingdom corporation tax on its income and capital gains, and any United Kingdom tax liability should be limited to any withholding tax deducted from the Company's United Kingdom source investment income. The Directors, and the Investment Manager each intend that the respective affairs of the Company and the Investment Manager should be conducted in such a manner that these requirements are met in so far as this is within their respective control. However, it cannot be guaranteed that the necessary conditions will at all times be satisfied.

Dividends, interest and other income as well as capital gains received by the Company may be subject to withholding taxes or similar taxes imposed by the country in which such dividend, interest, other income or capital gain arose.

## **Shareholders**

### **Taxation of distributions**

According to their personal circumstances, individual Shareholders resident in the United Kingdom for tax purposes will, in general, be liable to income tax in respect of the amount of any dividends or other income distributions of the Company, whether or not such dividends or distributions are reinvested. Provided the underlying assets of the relevant Class of Shares are not substantially interest bearing assets (in which case higher rates potentially apply - see below), Shareholders who are individuals resident in the United Kingdom and subject to income tax will pay tax on dividends as set out below:

### **Treatment for dividends arising on or before 5 April 2016:**

- (a) to the extent that the amount of the "gross dividend" (which prior to 6 April 2016 is defined as an amount equal to 111.1% of the cash dividend) when treated as the top slice of his or her income does not exceed the threshold for higher rate tax, they will not pay any United Kingdom income tax on dividends;
- (b) to the extent that the amount of the "gross dividend" when treated as the top slice of his or her income exceeds the threshold for higher rate tax, they will pay United Kingdom income tax at an effective rate of 25% of the cash dividend; and
- (c) to the extent that the amount of the "gross dividend" when treated as the top slice of his or her income exceeds the threshold for the additional rate tax, they will pay United Kingdom income tax at an effective rate of 30.56% of the cash dividend.

### **Treatment for dividends arising after 6 April 2016:**

There will be a tax-free dividend allowance for the first £5,000 of dividend income, regardless of the individual Shareholder's other non-dividend income (please note that this will reduce to £2,000 from the 2018/19 tax year). The excess dividend income over that £5,000 allowance will be treated as the top slice of his or her income and will be subject to income tax at the following rates:

- (a) 7.5% on dividend income within the basic rate band;
- (b) 32.5% on dividend income within the higher rate band; and
- (c) 38.1% on dividend income within the additional rate band.

Please consult your own tax advisor if you are unsure how the change of law will affect your tax position.

Special rules and different rates apply to United Kingdom resident individual Shareholders who are not domiciled in the United Kingdom. However, such investors should be aware of the Finance Bill changes to the taxation of non-UK domiciled individuals with effect from April 2017. Broadly, this means that non-UK domiciled individuals who have been UK resident for 15 out of the previous 20 years and who are UK resident in at least one tax year after 2016/2017 will become deemed domiciled in the UK for all taxes.

In the case of individuals domiciled outside the United Kingdom for United Kingdom tax purposes, and to whom the "remittance basis" of taxation applies, any such dividends or income distributions will only be subject to United Kingdom taxation to the extent that they are remitted to the United

Kingdom. United Kingdom resident but non-domiciled individuals who have been resident in the United Kingdom for at least 7 of the past 9 tax years will be subject to an annual charge of £30,000 and non-domiciled individuals who have been resident in the United Kingdom for at least 12 of the past 14 tax years will be subject to an annual charge of £60,000, and non-domiciled individuals who have been resident in the United Kingdom for at least 17 of the past 20 tax years will be subject to an annual charge of £90,000 if they wish only to be taxed on overseas income on a remittance basis. Otherwise all income will be subject to United Kingdom taxation whether or not it is remitted to the United Kingdom. The £30,000/£60,000/£90,000 (as applicable) is intended to be creditable under double taxation agreements. Certain exemptions apply; for example, no such charge applies to children and individuals domiciled outside the United Kingdom who have offshore income of less than £2,000.

Shareholders who are subject to United Kingdom corporation tax should generally expect to be exempt from United Kingdom taxation in respect of dividends from the Company subject to the "qualifying investments test" outlined below and provided that the dividend income does not fall to be treated as trading income.

#### Taxation of gains

The Company is an "offshore fund" for the purpose of The Offshore Company (Tax) Regulations 2009 (the "**Offshore Fund Regulations**") and accordingly, gains accruing to the Shareholder upon the sale or other disposal of that interest, including a deemed disposal on death, will be taxed at the time of such sale or other disposal as income ("**offshore income gains**") rather than as a capital gain for United Kingdom tax purposes unless the Shares which the Shareholder disposes of are of a Class which qualifies as a "reporting fund". That test is assessed on a class by class basis.

#### Global Equity Fund Sterling Class A Shares

The Directors currently intend that the Company will seek to comply with the conditions necessary for the Global Equity Fund Sterling Class A Shares to qualify as a "reporting fund". The remainder of this section assumes reporting fund status is retained at all material times for the Global Equity Fund Sterling Class A Shares.

On that basis, any gain accruing to the Shareholder on disposal of their Global Equity Fund Sterling Class A Shares will be taxed as a capital gain.

The Company will send a statement as to whether the Global Equity Fund Sterling Class A Shares remains a 'reporting fund' and a statement of the "reportable income" to each Shareholder by post or electronic communications as previously elected by each Shareholder for each reporting period within six months of the year end. If the reportable income in that statement exceeds the amount actually distributed during the relevant period, then the taxpayer has to pay income tax on that excess at the rates set out above (even though that excess was not actually distributed). In previous years, there has been no such excess though there can be no guarantee that that will remain the case in future years.

Under current law any gain realised on repurchase of the Global Equity Fund Sterling Class A Shares or on any switch from that Fund to another within the Company or any other disposal of the Global Equity Fund Sterling Class A Shares (which includes a redemption) by an individual Shareholder who is resident in the United Kingdom for taxation purposes should be taxed at the current capital gains tax rate of 10 or 20%, depending on the level of other income and gains earned by each individual shareholder to the extent that holdings in the Fund do not constitute "carried interest" for UK taxation purposes. The principal factors that will determine the extent to which such capital gains will be subject to capital gains tax are the level of annual allowance of tax free gains in the year in which the disposal takes place, the extent to which the Shareholder realises any other

capital gains in that year and the extent to which the Shareholder has incurred capital losses in that or any earlier tax year.

Holders of Global Equity Fund Sterling Class A Shares which are bodies corporate resident in the United Kingdom for taxation purposes will be taxed on any such gains at the applicable corporation tax rate (currently 19%), but may benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail prices index.

#### Global Equity Fund Sterling Class B Shares

The Directors intend to apply for reporting fund status for the Global Equity Fund Sterling Class B shares. Assuming that is obtained and retained, then the comments above in relation to the Global Equity Fund Sterling Class A Shares would apply equally to the Global Equity Fund Sterling Class B Shares.

#### Other Classes of Shares

The Directors do not currently intend that the Company will obtain reporting fund status for other Classes of Shares. Assuming that remains the case, any gains on such Shares realised by UK residents will be taxed as income rather than as capital gains. For individuals, the tax rates applicable to income are generally higher than on capital gains. More particularly, offshore income gains of this sort are currently charged at the individual's appropriate marginal rate of 20%, 40% or 45% (rather than the lower rates for capital gains or dividends set out above).

#### Qualifying Investment Test

Persons within the charge to United Kingdom corporation tax should be aware that Part 6 of the Corporation Tax Act 2009 (the "**loan relationships regime**") provides that, if at any time in an accounting period, such a person holds a "interest" in an offshore fund, and there is a time in that period when that fund fails to satisfy the "qualifying investments test", the interest held by such a person will be treated for that accounting period as if it were rights under a creditor relationship for the purposes of the loan relationships regime. A Class of Shares fails to satisfy the "qualifying investments test" at any time where more than 60% of that Class's underlying assets by market value comprise government and corporate debt securities or cash on deposit or certain derivative contracts or holdings in other collective investment schemes which at any time in the relevant accounting period do not themselves satisfy the "qualifying investments test". In that eventuality, the relevant shareholding will be treated for corporation tax purposes as within the loan relationships regime with the result that all returns on that shareholding in respect of such a person's accounting period (including gains, profits and losses, all calculated as if fair value accounting treatment has been adopted) will be taxed or relieved as a loan relationship debit or credit.

Similarly, a distribution on particular Shares to a UK resident individual is treated as interest if, at any time during the "relevant period", more than 60% of the relevant Class's underlying assets calculated by market value comprises qualifying investments. In such cases, the UK resident individual will be subject to income tax on such distributions at their appropriate marginal rate of 20%, 40% or 45% rather than the lower rates for capital gains or dividends set out above.

#### Chapter 2 of Part 13 of the Income Tax Act 2007

The attention of individual Shareholders resident in the United Kingdom is drawn to Chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are aimed at preventing the avoidance of

income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to taxation in respect of undistributed income and profits of the Company on an annual basis. These provisions do not apply if the purpose of the transfer was for bona fide commercial reasons and/or were not for the purpose of avoiding any liability to taxation.

### Controlled Foreign Companies

Part 9A of TIOPA contains provisions which subject certain United Kingdom resident companies to corporation tax on chargeable profits of companies not so resident in which they have an interest. This legislation effectively treats each sub-fund as a separate Company. The provisions may affect United Kingdom resident companies which are deemed to be interested (together with any connected or associated companies) in at least 25 per cent. of the chargeable profits of the Sub-Fund if it is controlled or deemed to be controlled by residents of the United Kingdom (or is controlled by two persons taken together, one of whom is resident in the United Kingdom for tax purposes and has at least 40 per cent of the holdings, rights and powers by which those persons control the relevant Sub-Fund, and the other is a non-UK resident person who has at least 40 per cent and not more than 55 per cent of such holdings, rights and powers). The legislation is not directed towards the taxation of chargeable gains. The effect of these provisions could be to render such companies liable to United Kingdom corporation tax in respect of the chargeable profits of the relevant Sub-Fund, unless a statutory exemption applies.

### Section 13

The attention of persons resident in the United Kingdom for taxation purposes is drawn to the provisions of section 13 Taxation of Chargeable Gains Act 1992 ("section 13"). Section 13 could be material to any such person who has an interest in the Company as a "participator" for United Kingdom taxation purposes (which term includes, but is not limited to, a shareholder) at a time when a chargeable gain accrues to the Company (such as on a disposal of any of its investments) if, at the same time, the Company is itself controlled in such a manner and by a sufficiently small number of persons as to render the Company a body corporate that would, were it to have been resident in the United Kingdom for taxation purposes, be a "close" company for those purposes. The provisions of section 13 would result in any such person who is a participator being treated for the purposes of United Kingdom taxation as if a part of any chargeable gain accruing to the Company had accrued to that person directly, that part being equal to the proportion of the gain that corresponds to that person's proportionate interest in the Company. No liability under section 13 could be incurred by such a person, however, in respect of a chargeable gain accruing to the Company if the aggregate proportion of that gain that could be attributed under section 13 both to that person and to any persons connected with him for United Kingdom taxation purposes does not exceed one-quarter of the gain. For those resident individuals who are domiciled outside the U.K. and are generally eligible under the remittance basis, that basis would only apply to any gain relating to the disposal of non-UK assets by the Company. Any gain relating to disposal of U.K. assets in the Company will be taxed on an arising basis.

If section 13 were to apply, the amounts attributed to UK resident individuals would include not only capital gains but also any "offshore income gains" made by the Company.

### Non-resident Shareholders

Shareholders who are not resident in the United Kingdom for taxation purposes should not generally be subject to United Kingdom taxation on (i) any distributions from the Company; or (ii) any gain realised on any sale, redemption or other disposal of their Shares unless, in either case, their

holding of Shares is connected with a branch or agency through which the relevant Shareholder carries on a trade, profession or vocation in the United Kingdom.

Special rules and different rates apply to United Kingdom resident individual Shareholders who are not domiciled in the United Kingdom. However, such investors should be aware of the Finance Bill changes to the taxation of non-UK domiciled individuals with effect from April 2017, as highlighted above.

### **Stamp Duty**

The following comments are intended as a guide to the general United Kingdom stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply. If a Shareholder is in any doubt as to their taxation position or if a Shareholder is subject to tax in any jurisdiction in addition to or other than the United Kingdom, they should consult an appropriate professional adviser immediately.

No United Kingdom stamp duty, or stamp duty reserve tax, is payable on the issues of the Shares. No United Kingdom stamp duty should be payable on the transfer of Shares provided that any instrument of transfer is not executed in the United Kingdom and does not relate to any property situated, or to any matter or things done or to be done, in the United Kingdom. If any one of these three conditions cannot be satisfied then there could be a stamp duty liability at the rate of 0.5% of the value of the consideration for the transfer of any Shares (rounded up where necessary to the nearest £5). If the register is kept in the United Kingdom then a registration of a transfer of ownership will require a stamped transfer document.

### **Stamp Duty Reserve Tax**

Provided that the shares are not registered in any register maintained in the United Kingdom by or on behalf of the Company, any agreement to transfer the Shares should not be subject to United Kingdom stamp duty reserve tax. If the register is kept in the United Kingdom a 0.5% liability would arise and the tax would apply whether the deal was done in the United Kingdom or overseas and whether or not the parties involved are United Kingdom resident.

### **Inheritance Tax**

An individual Shareholder domiciled or deemed to be domiciled in the United Kingdom for inheritance tax purposes may be liable to inheritance tax on their Shares in the event of death or on making certain categories of lifetime transfers.

### **Taxation in Other Jurisdictions**

As Shareholders are no doubt aware, the tax consequences of any investment can vary considerably from one jurisdiction to another, and ultimately will depend on the tax regime of the jurisdictions within which a person is tax resident. Therefore the Directors strongly recommend that Shareholders obtain tax advice from an appropriate source in relation to the tax liability arising from the holding of Shares in the Company and any investment returns from those Shares. It is the Directors' intention to manage the affairs of the Company so that it does not become resident outside of Ireland for tax purposes.

## **Fees and Expenses**

Information relating to the fees and expenses payable by investors in each of the Funds is set out in the section of the Prospectus headed "Fees and Expenses". The attention of investors and/or prospective investors is drawn to the information relating to fees and expenses set out therein.