

MGI FUNDS PLC (THE "COMPANY")

An open-ended investment company with variable capital incorporated in Ireland as a public limited company with segregated liability between sub-funds

Registered Office
70 Sir John Rogerson's Quay
Dublin 2
Ireland

THIS IS A COUNTRY SUPPLEMENT FOR INVESTORS IN THE U.K. DATED 29 MAY 2020 ("COUNTRY SUPPLEMENT") TO THE PROSPECTUS OF THE COMPANY DATED 20 MAY 2020 (THE "PROSPECTUS")

INFORMATION FOR INVESTORS IN THE U.K.

This Country Supplement forms part of, and should be read in conjunction with, the Prospectus. It is authorised for distribution only when accompanied by the Prospectus. This Country Supplement is issued with respect to the offering of shares in the Company. Unless otherwise defined, defined terms herein shall have the same meaning as set out in the Prospectus. If you are in any doubt about the contents of this Country Supplement you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised pursuant to FSMA. Information relating to the fees and expenses of the Company is set out in the section of the Prospectus headed "Fees and Expenses".

This Country Supplement constitutes neither an offer by the Company or by any other person to enter into an investment agreement with the recipient of this document nor an invitation to the recipient to respond to the document by making an offer to the Company, or to any other person, to enter into an investment agreement. Investors who have any doubt about or wish to discuss the suitability of an investment in the Shares and/or obtain further information on the Shares should contact an independent financial adviser. Nothing in this Country Supplement should be construed as investment advice.

The Company is a recognised scheme for the purposes of section 264 of FSMA. Accordingly, Shares may be marketed to the general public in the U.K.

The Manager will provide facilities in the U.K. at Mercer Limited, 1 Tower Place West, Tower Place, London EC3R 5BU at which the following documents in the English language can be inspected free of charge and copies obtained:

- (a) the Memorandum and Articles of Association establishing the Company in its original form and any amendments thereto;
- (b) the latest Prospectus and Key Investor Information Documents and any supplements or addenda most recently prepared and published in connection with the Company; and
- (c) the latest annual and half-yearly reports of the Company.

Furthermore, the Manager will also provide facilities in the U.K. at Mercer Limited, 1 Tower Place West, Tower Place, London EC3R 5BU where:

- (a) a Shareholder may arrange for redemption of Shares and arrange payment of the price on redemption;
- (b) a Shareholder can obtain orally and in writing in the English language about the Company's most recently published sale and purchase prices of shares; and
- (c) a Shareholder or other person who has a complaint about the operation of the Company can submit his complaint for transmission to the Manager.

THE STATEMENTS ON TAXATION BELOW ARE INTENDED TO BE A GENERAL SUMMARY OF CERTAIN U.K. TAX CONSEQUENCES THAT MAY RESULT TO THE COMPANY AND ITS SHAREHOLDERS WHO ARE RESIDENT IN THE U.K. (EXCEPT WHERE OTHERWISE INDICATED). THE STATEMENTS RELATE TO SHAREHOLDERS WHO HOLD SHARES AS AN INVESTMENT AND NOT AS AN ASSET OF A FINANCIAL OR OTHER TRADE AND WHO ARE THE ABSOLUTE BENEFICIAL OWNERS THEREOF. THE STATEMENTS DO NOT ADDRESS THE POSITION OF CERTAIN CLASSES OF INVESTOR SUCH AS TRUSTEES OF SETTLEMENTS, INSURANCE COMPANIES OR CHARITIES. THE STATEMENTS ARE BASED ON U.K. TAX LAW AND HM REVENUE & CUSTOMS ("HMRC") PRACTICE IN FORCE AT THE DATE OF THIS DOCUMENT, BUT PROSPECTIVE SHAREHOLDERS SHOULD BE AWARE THAT THE RELEVANT LAW AND HMRC PRACTICE OR THEIR INTERPRETATION MAY CHANGE. THE FOLLOWING TAX SUMMARY IS NOT A GUARANTEE TO ANY INVESTOR OF THE TAX RESULTS FROM INVESTING IN THE COMPANY.

PROSPECTIVE SHAREHOLDERS SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISORS ON THE POSSIBLE CONSEQUENCES OF BUYING, HOLDING, SELLING OR REDEEMING SHARES UNDER THE LAWS OF THE JURISDICTIONS TO WHICH THEY ARE SUBJECT.

THE COMPANY

As the Company is a UCITS, it should not be considered to be U.K. resident for U.K. tax purposes. Accordingly, and provided that the Company does not carry on a trade in the U.K. through a permanent establishment for U.K. corporation tax purposes, the Company will not be subject to U.K. corporation tax on income and capital gains arising to it. The Directors intend that the affairs of the Company are conducted so that no such permanent establishment will arise insofar as this is within their control, but it cannot be guaranteed that the conditions necessary to prevent any such permanent establishment coming into being will at all times be satisfied.

Interest and other income received by the Company which has a U.K. source may be subject to withholding taxes in the U.K.

The Company may be subject to local withholding taxes in respect of income or gains derived from its investments in underlying investee countries. Tax law and practice, and the levels and bases of, and relief from, tax relating to the Company and Shareholders may change from time to time.

SHAREHOLDERS

Offshore Fund Rules

Special tax rules apply to investments made in an offshore fund within the meaning of Part 8 of the Taxation (International and Other Provisions) Act 2010 ("**TIOPA**"). This legislation provides that if a Shareholder who is resident in the U.K. for U.K. tax purposes holds an interest in an overseas company that constitutes an "offshore fund" and that company is not accepted by HMRC as a "reporting fund" throughout the period during which the Shareholder holds that interest, any gain arising to the Shareholder on the sale, disposal or redemption of that interest will be taxed at the time of such sale, disposal or redemption as income and not as a capital gain.

Shares will constitute interests in an offshore fund for U.K. tax purposes. The overall umbrella arrangements are ignored and each Series of Shares/Sub-Fund is treated as a separate offshore fund.

An application is to be made to HMRC for certain Sub-Funds to be treated as 'reporting funds'. Shareholders should refer to the list of reporting funds maintained by HMRC and published on its website for confirmation of the Series of Shares/Sub-Funds approved as reporting funds. A 'reporting fund' under these regulations is, broadly, an offshore fund that meets certain upfront

and annual reporting requirements to HMRC and its Shareholders. The Directors intend to manage the affairs of the Company and those particular Sub-Funds so that these upfront and annual duties are met and continue to be met on an ongoing basis. These annual duties include calculating and reporting the "excess reportable income" of the offshore fund for each reporting period (as defined for U.K. tax purposes) on a per-Share basis to all relevant investors. However, prospective investors should be aware that (i) no assurance can be given as to whether such approval will actually be granted and retained in respect of any particular accounting period and (ii) an application to be treated as a 'reporting fund' is not intended to be made for all Sub-Funds. Accordingly, Shareholders who are resident in the U.K. for U.K. tax purposes may be liable to U.K. income tax in respect of gains arising from the sale, redemption or other disposal of their Shares. Such gains may remain taxable notwithstanding any general or specific U.K. capital gains tax exemption or allowance available to a Shareholder. Accordingly, this may result in certain Shareholders incurring a proportionately greater U.K. taxation charge. Prospective investors should seek their own professional advice as to the implications of the funds obtaining such status.

Chapter 6 of Part 3 of the Offshore Funds (Tax) Regulations 2009 (the "**Regulations**") provides that specified transactions carried out by a UCITS fund, such as the Company, will not generally be treated as trading transactions for the purposes of calculating the reportable income of reporting funds that meet a genuine diversity of ownership condition. The Directors confirm that all classes of Series of Shares with reporting fund status are primarily intended for and marketed to institutional investors. For the purposes of the Regulations, the Directors undertake that all Series of Shares in the Company with reporting fund status will be widely available and will be marketed and made available sufficiently widely to reach the intended category of investors and in a manner appropriate to attract those kinds of investors.

Tax treatment of distributions of income

Subject to their specific circumstances, Shareholders who are resident in the U.K. for U.K. tax purposes may be liable to U.K. income tax or corporation tax in respect of any income distributions of the Company or any amounts reported to investors as "reportable income" in respect of Shares held. The distribution policy of each Sub-Fund will be specified in the relevant Supplements.

For individual Shareholders subject to U.K. income tax, the first £2,000 of dividends received (or deemed to be received) by U.K. resident individuals (from all sources combined) in each tax year will not be subject to income tax (the "**Dividend Allowance**"). The rates of income tax on dividends above the Dividend Allowance are: (a) 7.5% for dividends taxed in the basic rate band; (b) 32.5% for dividends taxed in the higher rate band; and (c) 38.1% for dividends taxed in the additional rate band. There is no tax credit attached to dividends.

However, such treatment will not apply to individual investors in certain offshore funds where the market value of the fund's investments in "qualifying investments" (which include money placed at interest, securities or debt instruments, shares in a building society, certain interests in unit trusts, offshore funds or open-ended investment companies which invest in similar assets, derivative contracts based only on any of the foregoing and currency, or contracts for differences whose subject matter is only interest rates and/or credit worthiness and/or currency) exceeds 60% of the market value of all of the assets of the fund (excluding cash awaiting investment) at any relevant time. Investors in these funds will be treated as receiving an interest payment for U.K. income tax purposes, taxed at their marginal rate of income tax.

U.K. resident Shareholders who are not liable to U.K. income tax on their income should not be subject to U.K. tax on income distributions.

Legislation in Part 9A Corporation Tax Act 2009 ("**CTA 2009**") means that dividends and other income distributions received by a company within the charge to U.K. corporation tax will be exempt from U.K. corporation tax provided that the dividends and distributions fall within one or more classes which qualify for exemption and are not subject to specific anti-avoidance rules. This is generally the case where the Shareholder holds less than 10% of the issued share capital in each Series of Shares and is not a "small" company (as defined in Part 9A of the CTA

2009). The exemptions are not comprehensive and, as explained above, are also subject to anti-avoidance rules so U.K. resident investors which are subject to U.K. corporation tax are advised to seek advice on how these rules apply to their particular circumstances in relation to the Shares.

Chapter 3 of Part 6 of the CTA 2009 provides that, if at any time in an accounting period a Shareholder within the charge to U.K. corporation tax holds an interest in an offshore fund (see further above), and there is a time in the period when the fund fails to satisfy the qualifying investments test, the interest held by such a Shareholder will be treated for the accounting period as if it were rights under a creditor relationship for the purposes of the rules relating to taxation of most corporate debt contained in Part 5 of CTA 2009 (the "**Corporate Debt Regime**").

The Shares will (as explained above) constitute interests in an offshore fund. In circumstances where the qualifying investments test is not so satisfied (for example where a Sub-Fund invests in money placed at interest, securities or debt instruments, shares in a building society, certain interests in unit trusts, offshore funds or open-ended investment companies which invest in similar assets, derivative contracts based only on any of the foregoing and currency, or contracts for differences whose subject matter is only interest rates and/or credit worthiness and/or currency and the market value of such investments exceeds 60% of the market value of all its investments (excluding cash awaiting investments)) the Shares corresponding to that Sub-Fund will be treated for U.K. corporation tax purposes as within the Corporate Debt Regime. In such cases, all returns on the relevant Shares in respect of each corporate Shareholder accounting period during which the test is not met (including gains, profits and deficits and exchange gains and losses) will be taxed or relieved as an income receipt or expense on a fair value accounting basis. Accordingly, a corporate Shareholder may, depending on its own circumstances, incur a charge to U.K. corporation tax on an unrealised increase in the value of its holding of Shares (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding of Shares).

Chapters 2A and 6A of Part 6 of the CTA 2009 also provide that, in certain additional circumstances, Shares held by a corporate Shareholder within the charge to U.K. corporation tax may be treated as if they are rights under a creditor relationship even if this would not otherwise be the case. These provisions may apply:

- (a) in the case of Chapter 6A of Part 6 of the CTA 2009, if in particular the Shares are accounted for by the Company as a liability in accordance with generally accepted accounting practice and carry a return which is economically equivalent to interest. In these additional circumstances, all returns on the Shares in respect of each corporate Shareholder's accounting period (including gains, profits and exchange gains and losses) will be taxed or relieved as an income receipt or expense under the loan relationship rules. Accordingly, a corporate Shareholder may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of Shares; and
- (b) in the case of Chapter 2A of Part 6 of the CTA 2009, if in particular the Shares carry a return which is economically equivalent to interest and the rules in Chapter 6A of the CTA 2009 do not apply. In these additional circumstances, all returns on the Shares in respect of each corporate Shareholder's accounting period (including gains, profits, losses and exchange gains and losses) must be determined on an amortised cost basis and will be taxed or relieved as an income receipt or expense under the loan relationship rules.

Where the Shares are treated as rights under a creditor relationship, the provisions relating to non-reporting funds would not then apply to such corporate Shareholders.

Other U.K. Tax Considerations

U.K. tax legislation contains a number of provisions which are designed to ensure that U.K. residents who invest in non-U.K. assets are not doing so for tax avoidance purposes. The main provisions which could apply to the Company and its Shareholders are outlined below.

Transfer of assets abroad

The attention of Shareholders who are individuals resident in the U.K. is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007, under which the income accruing to the Company may be attributed to such a Shareholder and may render them liable to taxation in respect of the undistributed income and profits of the Company. This legislation will, however, not apply if such a Shareholder can satisfy HMRC that either:

- (a) it would not be reasonable to draw the conclusion from all the circumstances of the case, that the purpose of avoiding liability to taxation was the purpose, or one of the purposes, for which the relevant transactions or any of them were effected;
- (b) all the relevant transactions are genuine commercial transactions and it would not be reasonable to draw the conclusion, from all the circumstances of the case, that any one or more of the transactions was more than incidentally designed for the purpose of avoiding liability to taxation; or
- (c) all the relevant transactions were genuine, arm's length transactions and if the Shareholder were liable to tax under Chapter 2 of Part 13 in respect of such transactions such liability would constitute an unjustified and disproportionate restriction on a freedom protected by Title II or IV of Part Three of the Treaty on the Functioning of the European Union or Part II or III of the EEA Agreement.

Controlled foreign company rules

Part 9A of TIOPA subjects U.K.-resident companies to tax on the profits of companies not so resident in which they have an interest. Unless one of the exemptions applies, these provisions affect U.K.-resident companies that hold, alone or together with certain other associated persons, shares that confer a right to at least 25% of the chargeable profits of a non-U.K.-resident company (or in the case of an umbrella fund, a Sub-Fund thereof) where that non-U.K.-resident company (or Sub-Fund) is controlled by persons who are resident in the U.K. and is subject to a lower level of taxation in its territory of residence. The legislation is not directed towards the taxation of capital gains.

Any corporate Shareholder who may be subject to the rules should consult their professional advisers on how these rules apply to their particular circumstances in relation to the Shares.

Non-resident close companies

The attention of persons resident in the U.K. for taxation purposes is drawn to the provisions of section 3 of the Taxation of Chargeable Gains Act 1992 ("**section 3**"). Section 13 applies to a "participator" for U.K. taxation purposes (which term includes a shareholder) if at any time when any gain accrues to a company which constitutes a chargeable gain for those purposes, at the same time, the company is itself controlled by a sufficiently small number of persons so as to render the company a body corporate that would, were it to have been resident in the U.K. for taxation purposes, be a "close" company for those purposes. The provisions of section 3 could, if applied, result in any such person who is a "participator" in the Company being treated for the purposes of U.K. taxation of chargeable gains 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 on a just and reasonable basis to that person's proportionate interest in the Company as a "participator". No liability under section 3 could be incurred by such a person however, where such proportion does not exceed one quarter of the gain. In addition, exemptions may also apply where none of the acquisition, holding or disposal of the assets had

a tax avoidance main purpose or where the relevant gains arise on the disposal of assets used only for the purposes of genuine, economically significant business activities carried on outside the U.K.. In the case of U.K. resident individuals domiciled outside the U.K., section 3 applies only to gains relating to U.K. situate assets of the Company and gains relating to non-U.K. situate assets if such gains are remitted to the U.K..

Stamp duty reserve tax and stamp duty

On the basis that the Company does not maintain a share register in the U.K., the issue or transfer of shares of the Company should not, generally, give rise to stamp duty reserve tax nor stamp duty in the U.K.

Prospective investors should consult their own professional advisers on the tax and regulatory implications of making an investment in, holding or disposing of Shares and the receipt of distributions, if any, with respect to such Shares under the laws of their places of citizenship, residence and domicile. The tax consequences for each investor of acquiring, holding, redeeming or disposing of Shares will depend upon the relevant laws of any jurisdiction to which the investor is subject. Prospective investors should seek their own professional advice as to this, as well as to any relevant exchange control or other laws and regulations.

OECD Common Reporting Standard

Please see the "TAXATION" section of the prospectus for further details.

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