Polunin Capital Partners Limited SRD Institutional Investor Annual Disclosure

Fund: Polunin Funds SICAV – Developing Countries

Date: June 30, 2021

Under obligations arising from Article 3i(1) of the revised Shareholder Rights Directive (EU 2017/828) ("SRD II"), the following is Polunin Capital Partners Limited's ("Polunin" or the "Investment Manager") annual disclosure to SRD Institutional investors in Polunin Funds SICAV – Developing Countries (the "Fund"), as defined in Article 1(2)(b).

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<td>How the investment strategy and its implementation contribute to the medium to long-term performance of the assets (of the asset owner or fund)

COBS 2.2B.9R (2)(a)</td>
<td>The Fund is actively managed with an investment objective of outperforming the MSCI Emerging Markets Total Return (Net) Index (USD) over three to five year cycles.

The Fund aims to achieve its investment objective by investing at least seventy five percent (75%) of its net assets in equities of companies operating in developing countries.

The Fund may use financial derivative instruments or structured products (e.g. certificates) qualifying as transferable securities for the purpose of obtaining exposure to certain companies in markets where direct investments in securities of these companies cannot be made or where a direct investment would be on terms substantially less favourable for the Fund (e.g., China or India). The Fund may invest up to 50% of its net assets in China A Shares via Stock Connect but it may represent up to 100% under exceptional market circumstances and where financial market conditions so require.

The Fund may also invest directly in a diversified portfolio of:

• Transferable Securities issued by (i) financial institutions or corporates, (ii) sovereign states that are OECD Member States and/or supranational organisations/entities, (iii) special purpose vehicles that are rated (or invested in rated bonds), in each case with investment grade ratings by a recognised rating agency or equivalent long-term credit ratings at the time of the investment;

• Money Market;

• Short-term deposits with highly rated credit institutions provided that the credit institution has its registered office in a country which is an OECD Member State.

all in accordance with the Investment Restrictions (the "Cash Management Instruments"). These Cash Management Instruments may represent up to 100% of the assets of the Fund under exceptional market circumstances and where financial market conditions so require.

In addition, and for efficient portfolio management purposes, the Fund may also employ techniques and instruments and financial derivative instruments subject to the investment restrictions set out in the Fund's</td>
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	prospectus. There can be no assurance that the investment objective and policy of the Fund will be achieved. The Investment Manager has full discretion over the composition of the Fund's portfolio and may take exposure to companies, countries or sectors not included in the MSCI Emerging Markets Total Return (Net) Index (USD) benchmark and there are no restrictions on the extent to which the Fund's portfolio and performance may deviate from the ones within this benchmark.
Key material medium- to long-term risks associated with the investment **COBS 2.2B.9R (2)(b)**	Investors should carefully review the risk factors set out within the Fund's prospectus. In addition, Investors should carefully review the following risk factor that are specific to the Fund: *Reliance on the Investment Manager and dependence on key personnel.* The Shareholders have no authority to make investment decisions on behalf of the Fund. The performance of the Fund will depend in large part on the allocations proposed by the Investment Manager in accordance with the investment restrictions set out in the Fund's prospectus. The aim of achieving the Fund's investment objective does not represent an assurance that the Investment Manager will achieve it (or any particular level of performance) and the Investment Manager is not obliged to take any steps beyond the exercise of the Investment Manager's skill and care as an experienced professional adviser in the investments as set out in the Fund's prospectus No warranty is given by the Investment Manager as to the performance or profitability of the Fund. There can be no guarantee that the investments made by the Fund will be profitable or will effectively insulate against the risk of market or other conditions which may cause the value of the shares of the Fund to decline. In addition, since the performance of the Fund is dependent on the skills of the Investment Manager if the services of the Investment Manager or its principals were to become unavailable, such unavailability might have a detrimental effect on the Fund and its performance. Neither the Investment Manager nor its principals or its or their affiliates are required to devote its or their full time to the affairs of the Fund, and each of them will allocate as much time to the business of the Fund as it or they deem necessary in its or their sole and absolute discretion. The Investment Manager is also engaged in other similar business activities to which they devote substantial time. *Historical performance.* The past performance of the Fund or any other investment vehicle managed by the Investment Manager or any of their affiliates is not meant to be an indication of its potential future performance. The nature of, and risk associated with, the Fund may differ substantially from those investments and strategies undertaken historically by the Investment Manager, their affiliates or the Fund. In addition, market conditions and investment opportunities may not be the same for the Fund as they had been in the past, and may be less favourable. Therefore, there can be no assurance that the Fund's assets will perform as well as the past investments managed by the Investment Manager or their affiliates. It is possible that significant

	disruptions in, or historically unprecedented effects on, the financial markets and/or the businesses in which the Fund invests in may occur, which could diminish any relevance the historical performance data of the Fund may have to the future performance of the Fund. *Business risk*. There can be no assurance that the Fund will achieve its investment objectives in respect of any of the strategies employed. The investment results of the Fund are reliant upon the success of the strategies implemented by the Investment Manager. *Declining performance with asset growth.* Trading large positions may adversely affect prices and performance. In addition, there can be no assurance that appropriate investment opportunities will be available to accommodate future increases in assets under management which may require the Investment Manager to modify its investment decisions for the Fund because it cannot deploy all the assets in the manner it desires or the Investment Manager to modify its investment advice for the Fund. There can be no assurance whatsoever as to the effect of an increase in equity under management may have on the Fund's future performance. *Effect of substantial redemptions*. Substantial redemptions by Shareholders within a short period of time could require the Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Fund's assets and/or disrupting the investment strategy. Reduction in the size of the Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses. *Other trading activities of the Investment Manager and its affiliates.* The Investment Manager and its principals, directors, officers, partners, members, managers, shareholders, employees and affiliates trade or may trade for their own accounts, and certain of such persons have sponsored or may in the future sponsor or establish other public and private investment funds. The Investment Manager may trade for accounts other than the Fund's account and will remain free to trade for such other accounts and to utilize trading strategies and formulae in trading for such accounts which are the same as or different from the ones that the Investment Manager will utilise in making trading decisions on behalf of the Fund. In addition, and if and when applicable, in their respective proprietary trading, the Investment Manager may take positions the same as or different than those taken on behalf of the Fund in accordance with their internal policies. The records of any such trading will not be available for inspection by investors except to the extent required by law. Because of price volatility, occasional variations in liquidity, and differences in order execution, it might not be possible for the Investment Manager to obtain identical trade execution for all their respective clients. When block orders are filled at different prices, the Investment Manager will assign the executed trades on a systematic basis among all client accounts.

Portfolio composition **COBS 2.2B.9R (3)(b)**	For portfolio construction ideas are presented to the investment team formally on Tuesdays and Thursdays during our weekly meetings, but also informally throughout the day between the teams in London and via a live TV screen in Singapore. The five portfolio managers must agree before a new stock is made available for the portfolios. The CIO retains ultimate responsibility for portfolio construction and also performs a housekeeping function, for example, deciding which stocks will exit the portfolio in order to make room for new ideas, etc. Trading liquidity is a key consideration when investing in emerging markets. Typically, the portfolio comprises approximately 150 stocks across 25 countries and 10 to 15 sectors, and the majority of the portfolio is made up of out-of-index stocks at any point in time. All positions are equally weighted at approximately 0.8% to 1% of NAV at inception, except in cases where a company may be less liquid (i.e. Frontier Markets or micro caps) and we are not able to allocate a full position. For risk management purposes and to accommodate capital gains, we limit any individual holding to a maximum 5% of the portfolio, or 1.5x the benchmark weight, whichever is greater. There are no minimum country or sector weightings. Actual country weightings are the pure result of the number of stock ideas that are ultimately included from each country subject to the country caps below (i.e. they must be in the cheapest quartile of their sector). Sector weighting are limited to the caps below and are determined by the number of investible opportunities in a particular sector at the bottom of the valuation cycle. Countries – higher of 15% of 2.5x MSCI EM weight Sectors – higher of 25% of 2.5x MSCI EM GICS Level I weight Single stock – higher of 5% or 2.5x MSCI EM weight In terms of importance, security selection is clearly the overriding driver of portfolio construction. Currency and country exposure is a residual of the stock selection process. There is a clear sector overlay or decision which guides asset allocations away from sectors which, in aggregate, are valued at or above their long term highs relative to replacement value, and towards those trading at significant lows. This ensures that the portfolio exposed to sectors which are cheap in absolute terms. https://www.fundweblibrary.com/public-sector/luxembourg/en/POLUNIN

Turnover and turnover costs **COBS 2.2B.6R (3)(c)**	Over the last five years, Developing Countries turnover has averaged 26%, with the expected turnover range typically between 30% - 50%. In terms of expectations and reality, we expect to experience higher turnover when market volatility rises as our research generates more ideas and stocks move more freely between the valuation quartiles. This is broadly borne out in reality. With equally weighted portfolios name turnover tends to evenly match dollar turnover. In Q4 2008 and Q1 2009 turnover briefly exceeded 100% on an annualized basis. At the lows in 2014 turnover fell to just over 10%. The ratio between name turnover and total turnover is fairly linear, primarily because positions are equally weighted. As a rule, when we sell a loser, we are selling a position which started life as 80bps to 100bps of the portfolio and has underperformed such that its size is 40bps to 60bps of the portfolio. Hence in order to buy a new position we need to sell 1.5 old/broken/unsuccessful positions. By contrast when we sell a winner, we are usually selling 200bps or more of the portfolio which leaves room for at least 2 new positions. We do not trim/add as a rule. Positions are bought or sold in one "decision" although execution can take anything from one day to over one week. https://www.fundweblibrary.com/public-sector/luxembourg/en/POLUNIN
The use of proxy advisors for the purpose of engagement activities **COBS 2.2B.6R (3)(d)**	Polunin does not engage proxy advisors for the purpose of engagement activities.
Policy on securities lending and how that policy is applied to supports the firm's engagement, particularly at the time of the general meeting of the investee companies **COBS 2.2B.6R (3)(e)**	The Fund does not participate in securities lending.
Whether and, if so, how, the firm makes investment decisions based on evaluation of medium- to long-term performance of an	Polunin as Investment Manager evaluates investee companies based on their replacement value ("RV"), with the RV representing the current cost to replicate its entire business in US dollars. Within its sector, an investee company is ranked by ratio of EV to RV, with the lower ratio representing the highest discount to fair value. Polunin's process systematically reveals undervalued companies not considered by the

investee company, including non-financial performance **COBS 2.2B.6R (3)(f)**	market and highlights overvalued companies. By aggregating valuations in US dollars, macro risk is incorporated into the Firm's investment process and provides a bird's eye view of the country and sector valuation cycle. Polunin's investment methodology enforces a structured buy and sell discipline at turning points in country and sector cycles. All investee companies are monitored by an appropriate investment analyst or portfolio manager. Regular company meetings with investee companies are an important part of the Firm's investment philosophy and provide the opportunity to discuss issues that affect corporate value with their senior management. Polunin's interaction with investee companies' senior management is intended to form an understanding of a company's culture, policies and business practices that underpin the improvement and subsequent sustainability of its operating and financial performance. Polunin believes that this interaction provides a deeper understanding of any adverse issues that may arise, their causes as well as management responses to these issues. Polunin Capital believes incorporating ESG considerations into our stock selection process is integral to our commitment to responsible investment. The approach, policies and reporting are overseen by the ESG & Stewardship Committee, which is chaired by our CEO, with our Board of Directors taking ultimate responsibility for the integration of these policies into the investment process and portfolio construction. Polunin typically undertakes in excess of 1,000 company meetings each year. Discussions may include, but are not limited to, business strategy, acquisitions and disposals, capital expenditure, capital raisings and financing operations, as well as key governance issues such as shareholder rights and corporate responsibility.
Conflicts of interests that have arisen in connection with engagement activities and how the firm has dealt with these conflicts. **COBS 2.2B.6R (3)(g)**	No conflicts of interest have arisen in the period in connection with engagement activities conducted by the Firm.