

SUPPLEMENT – MUZINICH BONDYIELD ESG FUND

Dated: 26 July, 2016

This Supplement contains information relating specifically to Muzinich Bondyield ESG Fund (the “Fund”), a sub-fund of Muzinich Funds (the “Trust”), an open-ended umbrella unit trust with segregated liability between sub-funds authorised by the Central Bank as a UCITS.

This Supplement forms part of the Prospectus dated 26 July, 2016 and should be read in conjunction with the Prospectus. Capitalised terms not defined herein shall have the same meaning as in the Prospectus.

1 Investment Objective

The Fund seeks to protect capital and generate attractive returns which exceed those available from similar duration Benchmark Government Bonds.

2 Investment Policies

The Investment Manager seeks to meet its objective through a prudently managed corporate bond portfolio with an average investment grade rating and which has a focus on environmental, social, and governance policies.

The Fund primarily invests in debt securities (including fixed and floating rate notes and bonds) which are publicly traded on Recognised Exchanges and which are issued by companies domiciled in or having their principal place of business in the US, European Union, or other OECD Member Countries. Such bonds will be rated by Moody’s or Standard & Poor’s (or as deemed equivalent by the Investment Manager) at least B3 or B- at the time of purchase. However, the Fund’s portfolio will maintain an average investment grade Moody’s, Standard & Poor’s, or equivalent rating of at least Baa3 or BBB-, respectively, and will at all times invest at least 60% of its Net Asset Value in investment grade bonds (including ancillary liquid assets). No more than 40% of the Fund’s Net Asset Value may be rated below investment grade. The Fund’s investment portfolio will consist of at least 50 issuers with no issuer comprising more than 3% of the Fund’s Net Asset Value.

The Fund seeks to invest in bonds issued by companies that, upon research, meet the Investment Manager’s criteria for offering compelling financial risk/reward characteristics, but which also meet certain minimum standards for environmental, social, and governance (ESG) policies. The Investment Manager focuses on investing in companies it deems not only creditworthy, but also well-run with regard to their ESG exposures.

The Investment Manager defines environmental exposures as a company’s environmental impact, recognizing that damaging environmental practices can be not only harmful for people, but that liability for such impact can be costly to a company. Companies will be assessed both for their absolute environmental impact, as well as their relative impact versus other companies in the same industry.

The Investment Manager defines social exposure as a company's interaction with its stakeholders and with the overall community that supports its operations. The Investment Manager recognizes that different companies in different industries pose exposures that will be assessed in an industry-relevant framework.

The Investment Manager believes that governance exposure includes, but is not limited to, a company's ethical standards and transparency practices.

The Fund will be assisted in evaluating companies for their ESG proficiency by experienced, independent ESG advisers. The Investment Manager will not buy securities the independent advisers consider in violation of minimum standards of business practice as codified by the principles of the United Nations Global Compact, a description of global ethical standards. The Investment Manager, through its ESG advisers, will monitor portfolio companies for their ongoing compliance with the Fund's ESG standards.

The Fund may utilise futures, options, credit default swaps (only to buy protection), interest rate swaps and forward currency contracts, solely for hedging purposes and/or to protect against currency, interest rate and credit risks, in accordance with the conditions and limits of the Central Bank. The Fund will not use derivatives for investment purposes nor for speculative purposes. Details of any forward currency transactions entered into by the Investment Manager on behalf of the Fund will be set-out in the periodic reports relating to the Fund. The Fund will not speculate on interest rate fluctuations. A description of such techniques and instruments is set out in the section headed "FINANCIAL DERIVATIVE INSTRUMENTS AND TECHNIQUES FOR EFFICIENT PORTFOLIO MANAGEMENT".

The Fund will not invest in equities. The Fund may invest in broken convertible bonds, as detailed in the section headed "FINANCIAL DERIVATIVE INSTRUMENTS AND TECHNIQUES FOR EFFICIENT PORTFOLIO MANAGEMENT". The Fund will not be leveraged as a result of an investment in broken convertible bonds.

The use of interest rate swaps is subject to the following restrictions (i) such swaps are used in conjunction with assets held by the Fund, (ii) the commitments undertaken in the context of such transactions shall not exceed the value of the assets in conjunction with which they shall have been entered into, and (iii) entering into the swap transactions shall not unduly restrict the liquidity of the portfolio of the Fund. Interest rate swaps will not be used for the purposes of gearing or leveraging. The Investment Manager may maintain a certain level of liquidity in the Fund. The liquid assets may be in the form of cash balances and/or money market instruments (including but not limited to OECD government bills, treasury notes, commercial paper and certificates of deposit) ordinarily deemed to be used for such a purpose.

The Fund may invest in other open-ended collective investment schemes, with similar investment policies to the Fund, subject to a limit of 10% of the Net Asset Value of the Fund being invested in aggregate in units/shares of other collective investment schemes, which include UCITS or non-UCITS ETFs which are considered to be collective investment schemes. The Fund may invest in ETFs for the purpose of gaining indirect exposure to debt securities, as detailed above. It is intended that the ETFs in which the Fund may invest will be listed on a Recognised Exchange, and will be domiciled in,

or have exposure to the US, the European Union, or OECD Member Countries. Within the 10% limit for investment in other collective investment schemes, the Fund may invest a maximum of 2% of its Net Asset Value in other Funds of the Trust, subject to and in accordance with the requirements of the Central Bank.

The Investment Manager may invest, through the purchase of loan receivables, in assignments of existing corporate loan receivables (which are collateralised, freely transferable, traded on a regulated market and unlisted); this is subject to an overall limit of 9.9% of the Net Asset Value of the Fund being invested in loans, in any other investments (including, without limitation, investments for liquidity purposes) to which paragraph 2.1 or sentence 1 or 2 of paragraph 2.2 of the section headed "PERMITTED INVESTMENTS" is applicable and in unlisted securities generally.

3 Investment Strategy

The Investment Manager seeks to invest the Fund in companies it considers to be sound, well-positioned enterprises possessing attractive longer term prospects and which also offer, in the Investment Manager's opinion, attractive risk adjusted returns and attractive environmental, social, and governance characteristics. The Investment Manager's proprietary research process is credit-intensive. Investment decisions are generally based on quantitative and qualitative analysis using internally generated financial models and projections. Diversified portfolios are built to reflect the Investment Manager's decisions about credit-worthiness and industry merit. The Investment Manager emphasises a rigorous and proactive sell discipline to seek to mitigate downside volatility, particularly as higher-yielding credits may entail greater risk.

The Muzinich Portfolio Risk Analytics Committee, which is independent of the portfolio management team, regularly monitors portfolios to check for securities' portfolio suitability, to assess absolute risk, and to confirm cross-portfolio consistency and compliance with guidelines using both proprietary models and outside services.

4 Profile of a Typical Investor

An investment in the Fund is suitable for investors seeking higher returns than those available in similar duration investment grade Benchmark Government Bonds over a 3-5 year period and can tolerate a medium level of volatility.

5 Borrowing and Leverage

The Fund will not be leveraged and the Investment Manager does not intend that the Fund will borrow.

6 Investment Restrictions

The Fund must comply with the investment restrictions outlined in the Prospectus in the sections headed "PERMITTED INVESTMENTS" and "APPENDIX I – ADDITIONAL RESTRICTIONS".

7 Risk Factors

Prospective investors should refer to the sections headed "General Risks" and "Fund Specific Risks" in the Prospectus before investing in the Fund.

8 Key Information for Buying and Selling Units

8.1 Base Currency

The Base Currency of the Fund is Euro.

8.2 Dealing Frequency and Dealing Deadline

Dealing Day	Each Business Day
Dealing Deadline (Subscriptions and Redemptions)	4.00 p.m. on the Business Day immediately prior to the relevant Dealing Day

8.3 Minimum Subscription

For details on the minimum initial subscription amounts applicable to the Classes for the Fund, please refer to the section headed "Minimum Subscription" in the Prospectus.

8.4 Initial Offer Period and Initial Offer Price

The initial offer period of the Units in the Fund shall be 9.00 am (Irish time) on 23 June 2016 to 5.00 p.m. on 2 December 2016 or such longer or shorter period as may be determined by the Manager and notified to the Central Bank.

Units which are yet to launch, other than Units denominated in JPY, shall be fixed for each relevant currency at 100 per Unit. Units denominated in JPY shall have an initial issue price during the initial offer period at JPY1.0000 per Unit.

Following the launch of the relevant Units in the Fund, Units shall be issued at a price equal to the Net Asset Value per Unit (plus duties and charges as applicable).

9 Distribution Policy

For details on the distribution policy applicable to the relevant Classes for the Fund, please refer to the section headed "Distribution Policy" in the Prospectus.

10 Fees and Expenses

10.1 Fees

The Manager Fees, Administrative Fees and performance fees applicable to the Classes for the Fund are as set out in the section headed "Unit Class Information" below.

10.2 Charges

The charges applicable to the Fund are set out below and should be read in conjunction with the section headed "Charges" in the Prospectus.

Subscription Fee	Not to exceed 1% of the Net Asset Value per Unit
Redemption Fee	Not to exceed 1% of the Net Asset Value per Unit

Further details of the fees and expenses payable out of the assets of the Fund are disclosed in the section headed "FEES AND EXPENSES" in the Prospectus.

11 Unit Class Information

Units are available in each unit category and unit type as hedged classes and unhedged classes in the following currencies: AUD, CAD, CHF, CZK, DKK, EUR, GBP, HKD, JPY, NOK, RMB, SEK, SGD and USD.

Unit Category	Unit Type Available	Maximum Annual Manager Fee ¹	Annual Administrative Fee	Performance Fee
R Units	Accumulation and Income	1.10%	0.06%	N/A
A Units	Accumulation and Income	0.70%	0.06%	N/A
H Units	Accumulation and Income	0.50%	0.06%	N/A
S Units ²	Accumulation and Income	0.40%	0.06%	N/A
P Units	Accumulation and Income	1.40%	0.05%	N/A
Monthly Income R Units	Income	1.15%	0.06%	N/A
M Units	Accumulation and Income	0.60%	0.06%	N/A
Monthly Income	Income	0.45%	0.06%	N/A

¹ Where no Administrative Fee applies, the Manager Fee includes the Manager's direct payment of the annual basis point-based fees payable by a Fund to the Fund's Administrator.

² Acceptance by the Manager of subscriptions in this Class is conditional upon the execution of a separate agreement between the investor and the Investment Manager or an affiliate.

Unit Category	Unit Type Available	Maximum Annual Manager Fee ¹	Annual Administrative Fee	Performance Fee
Units				
Founder Units ³	Income	0.35%	0.06%	N/A
X Units ⁴	Accumulation and Income	N/A	0.06%	N/A
G Units ⁵	Accumulation and Income	0.50%	0.06%	N/A

The following naming convention applies to the title of each Class of Unit other than Monthly Income R Units and Monthly Income Units:

Hedging status/ Currency/ Unit type available/ Unit category (i.e. Hedged Euro Accumulation X).

Monthly Income R Units and Monthly Income Units apply the above naming convention except for the inclusion of reference to unit type available, which will already be included as part of the unit category.

³ Acceptance by the Manager of subscriptions in this Class is conditional upon the execution of a separate agreement between the investor and the Investment Manager or an affiliate.

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