

SUPPLEMENT – MUZINICH EUROPEAN CREDIT ALPHA FUND

Dated: 03 February 2020

This Supplement contains information relating specifically to Muzinich European Credit Alpha 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 10 January, 2020 and should be read in conjunction with the Prospectus. Capitalised terms not defined herein shall have the same meaning as in the Prospectus.

The Fund may invest principally in FDI for investment purposes and for hedging purposes. An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

1 Investment Objective

The Fund seeks to generate consistent attractive returns on a risk-adjusted basis over a three to five year period.

2 Investment Policies

The Investment Manager seeks to meet its objective by investing primarily, either directly or indirectly through the use of FDI, in high yield corporate debt securities (including notes, such as floating rate short-term and medium-term notes, Contingent Convertible Securities and bonds) issued primarily by European issuers, or by companies that carry out a substantial proportion of their activities in Europe but whose issues may be in non-European currencies.

The corporate bonds in which the Investment Manager will primarily invest will be non-investment grade, but the Investment Manager may also invest in investment grade corporate bonds, which the Investment Manager believes may enhance the overall returns of the Fund. The securities in which the Fund may invest will be listed or traded on a Recognised Exchange.

The Fund employs a range of hedging and leveraging techniques, as described below, to seek to enhance returns and reduce volatility. The Fund may also invest 10% of its Net Asset Value in transferable securities that are equity securities including, but not limited to, shares and depositary receipts.

Whilst it is the intention that the Fund be fully invested as described above, the Investment Manager retains the flexibility to invest substantially in cash and/or money market instruments in circumstances where the Investment Manager considers it to be in the best interest of the Fund to do so including, but not limited to, (i) OECD commercial paper and certificates of deposit, (ii) term deposits, (iii) OECD government bills and notes with investment grade ratings, and (iv) debt instruments issued by OECD banks and corporates.

The Investment Manager may utilise futures, options, swaps, credit default swaps and total return swaps (details of which are set out in the section headed "FINANCIAL DERIVATIVE INSTRUMENTS AND TECHNIQUES FOR EFFICIENT PORTFOLIO MANAGEMENT") to gain exposure to higher yielding corporate debt and to hedge investments in the Fund's securities and their related assets, markets and currencies. Use of derivatives will be subject to the conditions and within the limits laid down by the Central Bank and in accordance with the risk management statement for the Fund approved by the Central Bank. The Fund will be leveraged through the use of derivatives. The leveraged exposure of the Fund through the use of derivatives and Contingent Convertible Securities will be measured using VaR methodology as defined and set out in the section headed "BORROWING AND LEVERAGE". Investments (if any) in Contingent Convertible Securities will be limited and are not expected to form a material part of the portfolio.

The Investment Manager may invest, either directly through the purchase of loan receivables in assignments of existing corporate loan receivables or indirectly via a total return swap, in 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 directly or indirectly 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" are applicable and in unlisted securities generally (and in the case of exposure through total return swaps, the overall 9.9% limit above will be applied to the market value of the underlying assets or the value of the swap, whichever is higher).

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 corporate bonds, 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 European markets. 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 Fund may be significantly invested in FDI.

THE FUND'S INVESTMENT STRATEGY IS SPECULATIVE AND ENTAILS SUBSTANTIAL RISKS. THERE CAN BE NO ASSURANCE THAT THE INVESTMENT OBJECTIVE OF THE FUND WILL BE ACHIEVED, AND RESULTS MAY VARY SUBSTANTIALLY OVER TIME. YOU SHOULD BE AWARE THAT SYNTHETIC SHORT SELLING AND THE USE OF DERIVATIVES COULD, IN CERTAIN CIRCUMSTANCES, SUBSTANTIALLY INCREASE THE IMPACT OF ADVERSE MARKET CONDITIONS ON THE FUND'S NET ASSET VALUE.

3 Investment Strategy

The overall strategy will stress total returns and risk control through a disciplined investment style focused on capital preservation and the delivery of total returns through measures such as industry and issuer diversification, position limitations and opportunistic synthetic shorting through the use of

FDI. The Manager expects that the Fund will operate in normal circumstances with full flexibility with respect to long/short exposure (whereby all the assets of the Fund can be subject to long positions and/or short positions, each permitted up to a maximum of 100% of the assets of the Fund at any given time). The investment strategy of the Fund is not industry specific.

The Investment Manager will seek to take advantage of enhanced return and hedging opportunities primarily in Europe. The Investment Manager believes that the corporate debt market offers investment opportunities that arise from the fact that bond prices do not always reflect the fundamental value of a given issuer. This may be due to market distortions and inefficiencies and sometimes a lack of sophisticated credit modeling and analytical capabilities on the part of investors. To take advantage of these opportunities, the Investment Manager will seek income and trading gains, and will seek to invest in relative value or paired trades, in the context of a diversified portfolio primarily of higher yielding corporate bonds. Relative value or paired trades are trades involving long and/or synthetic short investments (expected short exposure will be as outlined above) in at least two instruments (for example, a long option and a credit default swap over two corporate bonds) which together provide opportunities for additional return and/or for returns with more market-neutral risk profiles than either instrument alone offers. Investment in relative value or paired trades will be on an opportunistic basis, *i.e.* as and when opportunities in the markets present themselves.

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 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 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 who seek higher returns than those available in investment grade credit over a three to five year period and who can tolerate a medium level of volatility.

5 Borrowing and Leverage

The Fund will be leveraged through the use of derivatives. The Fund will use the absolute Value at Risk ("**VaR**") model to measure its market risk. The VaR shall not exceed 20% of the Net Asset Value of the Fund based on a one-tailed confidence level of 99%, a holding period equivalent to 1 month and an effective observation period of at least 1 year, unless a shorter observation period is justified (for example, as a result of significant recent changes in price volatility). The total leveraged exposure of the Fund through the use of derivatives and Contingent Convertible Securities will be calculated as the sum of the notional exposure of the FDIs being utilised by the Fund.

The Fund will be leveraged as a result of its use of FDI and may therefore generate a notional exposure above 100% of the Net Asset Value of the Fund. Leverage is calculated using a sum of the gross notionals approach.

The level of leverage (meaning increases to the Fund's exposure achieved by any method, and calculated based on the sum of the gross notionals of the derivatives used, in accordance with the requirements of the Central Bank) is expected to be within the range of 150% to 400%. It is also possible that leverage could vary from this range during abnormal market conditions. Such events are not expected to occur at a regular frequency but could present for short periods depending on market circumstances.

The sum of gross notionals is not a risk-adjusted method of measuring exposure - which means these figures are higher than they otherwise would be if netting and hedging arrangements were taken into account. As these netting and hedging arrangements, if taken into account, may reduce the risk exposure, these figures may not provide an accurate measure of the Fund's actual risk of loss and may not be an accurate reflection of what is economically at stake.

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	4.00 p.m. (Irish time) on the relevant Dealing Day
Dealing Deadline - Redemptions	4.00 p.m. (Irish time) four Business Days 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 04 February 2020 to 5.00 p.m. on 05 August 2020 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 unless the subscription is in respect of NP1 Units, where the fee is not to exceed 5% of the Net Asset Value per Unit *
Redemption Fee	Not to exceed 2% 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.

* P Units are not subject to the subscription fee.

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, ISK, JPY, NOK, RMB, SEK, SGD and USD.

Unit Category	Unit Type Available	Maximum Annual Manager Fee	Annual Administrative Fee	Maximum Performance Fee
Founder**	Accumulation, Income and IRD Income	0.35%	0.10%	20.00% Non-Equalisation Performance Fee over a 3.00% hurdle
NR Units	Accumulation, Income and IRD Income	1.50%	0.10%	20.00% Non-Equalisation Performance Fee over a 3.00% hurdle
NR1 Units**	Accumulation, Income and IRD Income	1.50%	0.10%	20.00% Non-Equalisation Performance Fee over a 3.00% hurdle
ER Units	Accumulation, Income and IRD Income	1.50%	0.10%	20.00% Equalisation Performance Fee over a 3.00% hurdle
ER1 Units**	Accumulation, Income and IRD Income	1.50%	0.10%	20.00% Equalisation Performance Fee over a 3.00% hurdle
N Units	Accumulation, Income and IRD Income	1.00%	0.10%	20.00% Non-Equalisation Performance Fee over a 3.00% hurdle
E Units	Accumulation, Income and IRD Income	1.00%	0.10%	20.00% Equalisation Performance Fee over a 3.00% hurdle
NH Units***	Accumulation, Income and IRD Income	0.65%	0.10%	20.00% Non-Equalisation Performance Fee over a 3.00% hurdle
EH Units***	Accumulation, Income and IRD Income	0.65%	0.10%	20.00% Equalisation Performance Fee over a 3.00% hurdle

** 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.

*** H Units are available to institutional investors (for investors in the European Union, this means "Eligible Counterparties" as defined under MIFID II) investing for their own account. In addition, H Units are available to investors that are not allowed to accept and retain commissions due to regulatory requirements or due to individual fee arrangements with their clients. In such circumstances, the H Units minimum initial subscription will not be applicable at the discretion of the Manager.

Unit Category	Unit Type Available	Maximum Annual Manager Fee	Annual Administrative Fee	Maximum Performance Fee
NX Units**	Accumulation, Income and IRD Income	N/A	0.10%	20.00% Non-Equalisation Performance Fee over a 3.00% hurdle
EX Units**	Accumulation, Income and IRD Income	N/A	0.10%	20.00% Equalisation Performance Fee over a 3.00% hurdle
NP Units	Accumulation, Income and IRD Income	1.80%	0.10%	20.00% Non-Equalisation Performance Fee over a 3.00% hurdle
NP1 Units	Accumulation, Income and IRD Income	1.80%	0.10%	20.00% Non-Equalisation Performance Fee over a 3.00% hurdle
EG Units**	Accumulation, Income and IRD Income	0.65%	0.10%	20.00% Equalisation Performance Fee over a 3.00% hurdle
NG Units**	Accumulation, Income and IRD Income	0.65%	0.10%	20.00% Non-Equalisation Performance Fee over a 3.00% hurdle
ES Units	Accumulation, Income and IRD Income	0.55%	0.10%	20.00% Equalisation Performance Fee over a 3.00% hurdle
NS Units	Accumulation, Income and IRD Income	0.55%	0.10%	20.00% Non-Equalisation Performance Fee over a 3.00% hurdle

The following naming convention applies to the title of each Class of Unit:

Hedging status/ Currency/ Unit type available/ Unit category/ Distribution frequency**** (i.e. Hedged Euro Accumulation NX).

**** Only applicable to (Monthly) and (Quarterly) Units