MassMutual FINANCIAL GROUP℠

This notice contains important information that requires your immediate attention. Should you have any queries, you are recommended to seek independent professional advice.

The following change(s) in investment choice(s) relate(s) to the "Premier-Choice Series" plans, including Premier-Choice ULife InvestPlan, Premier-Choice Flexi, Premier-Choice Flexi Plus, Premier-Choice InvestPlan and Premier-Choice Plus InvestPlan.

1. Change of Investment Objective and Strategy of the Investment Choices – VPCFU and VPAFU

Value Partners Classic Fund - "C" Unit (VPCFU) and Value Partners Classic Fund - "B" Unit (VPAFU)*

As advised by Value Partners Limited, "Value Partners Classic Fund", the underlying fund corresponding to the above investment choices may indirectly invest in A shares (subject to a maximum exposure of 30 per cent. of the underlying fund's total net asset value) through:

- China A Shares Access Products ("CAAPs"); and/or
- Collective investment schemes including but not limited to those directly investing in A shares through qualified foreign institutional investors ("QFIIs") or Renminbi qualified foreign institutional investors ("RQFIIs").

Such change may allow greater flexibility for the manager to better capture A shares investment opportunities and better achieve the underlying fund's investment objective. The investment objectives and policies of the underlying fund will be changed with effect from April 7, 2014.

Consequential to the above changes, the investment objective and strategy of the above investment choices will be changed (as marked in **bold** below), with effect from April 7, 2014:

"~~**The underlying fund aims to deliver consistent returns over the long term by using a bottom-up, value discipline to invest in the Asia-Pacific region with an emphasis on the stock markets of Greater China.**~~

The investment objective of the underlying fund is to achieve consistent superior returns through an investment discipline that places emphasis on the fundamental value of potential investments. The manager seeks to select stocks which it believes are being traded at deep discounts to their intrinsic values.

The underlying fund will concentrate on investing in the markets of the Asia Pacific region. There are no fixed geographical or sector weightings in the allocation of assets in the underlying fund. The manager does not attempt to follow benchmark indices in determining the geographical or sectoral weighting of the underlying fund. The manager may make large investments in a relatively small number of stocks.

The manager may also place a substantial portion of the portfolio in cash or cash equivalents, and may invest in any collective investment schemes (including those managed or offered by the manager or its Connected Persons (as defined in the section headed "Conflicts of Interest" of the underlying fund explanatory memorandum)). The underlying fund may also invest in commodities, futures, options, warrants, equity-linked notes and other financial instruments.

It may indirectly invest in A shares (subject to a maximum exposure of 30 per cent. of its total net asset value ("NAV")) through:

- **China A Shares Access Products ("CAAPs") (such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("CAAP Issuer") which represents an obligation of the CAAP Issuer to pay to the underlying fund an economic return equivalent to holding the underlying A shares); and/or**
- **Collective investment schemes directly investing in A shares through qualified foreign institutional investors ("QFIIs") or Renminbi qualified foreign institutional investors ("RQFIIs")("A Shares CIS").**

A shares are shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange and traded in Renminbi. The maximum exposure stated above may be changed from time to time; investors will be notified if the limit is to be changed.

The underlying fund does not currently have direct access to A shares through QFIIs or RQFIIs.

The value of the underlying fund's holding of securities issued by any single issuer will not exceed 10 per cent. of the total NAV of the underlying fund. It will not use securitized and structured finance instruments such as collateralised debt obligations, mortgage backed securities, asset-backed securities and credit default swaps.

Remarks:

1. **There are risks of investing in other collective investment schemes, risks associated with CAAPs and A Shares CIS.** For details **of the risks and the** ~~**about**~~ performance charge, please refer to the explanatory memorandum of the respective underlying fund, which is made available by the Company.
2. This investment choice is not applicable to Cayman Islands residents."

** This investment choice has been closed for new subscription since October 15, 2009.*

2. Update of Investment Objective and Strategy of the Investment Choices – FTEBU, FTGBU and FTGTU

Franklin Templeton Investment Funds - Templeton Emerging Markets Bond "A(Qdis)" Shares (FTEBU), Franklin Templeton Investment Funds - Templeton Global Bond Fund "A(Mdis)" Shares (FTGBU) and Franklin Templeton Investment Funds - Templeton Global Total Return Fund "A(acc)" Shares (FTGTU)

As advised by Franklin Templeton Investments (Asia) Limited, the investment policies of "Franklin Templeton Investment Funds - Templeton Emerging Markets Bond Fund", "Franklin Templeton Investment Funds - Templeton Global Bond Fund" and "Franklin Templeton Investment Funds - Templeton Global Total Return Fund", the underlying funds corresponding to the above investment choices, will be revised for clarification purposes, with effect from April 17, 2014. There will be no change to the way that the underlying funds are currently managed or to the investment strategy of the underlying funds.

Consequential to the clarification of the investment policies of the above underlying funds, the investment objective and strategy of the following investment choices will be updated (as marked in **bold** below) in the Investment Choice Brochure, with effect from April 17, 2014:

Franklin Templeton Investment Funds - Templeton Global Bond Fund "A(Mdis)" Shares (FTGBU)

"The underlying fund's investment objective is to maximize total investment return consisting of a combination of interest income, capital appreciation and currency gain. It seeks to achieve by primarily investing in a portfolio of fixed or floating rate debt securities and debt obligations of government and government-related or corporate issuers worldwide.

The underlying fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.

Remarks:

The use of financial derivative instruments may involve additional risks. Please refer to page 1 for details."

Franklin Templeton Investment Funds - Templeton Global Total Return Fund "A(acc)" Shares (FTGTU)

"The underlying fund aims to maximise total investment return consisting of a combination of interest income, capital appreciation, and currency gains by investing principally in a portfolio of fixed and/or floating rate debt securities and debt obligations issued by government and government- related issuers or corporate entities worldwide as well as certain financial instruments for investment purposes. The underlying fund may also purchase mortgage- and asset- backed securities, convertible bonds and debt obligations issued by supranational entities organized or supported by several national governments.

The underlying fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forward and cross forwards, futures contracts (including those on government securities), as well as options.

Remarks:

The use of financial derivative instruments may involve additional risks. Please refer to page 1 for details."

3. Change of Investment Objective and Strategy of the Investment Choices – FIEAU and FIEFU

Fidelity Funds – Emerging Asia Fund "A" Shares (FIEAU) and Fidelity Funds - Emerging Markets Fund "A-acc" (FIEFU)

As advised by FIL Investment Management (Hong Kong) Limited, the board of directors of Fidelity Funds regularly reviews the range of funds offered with the aim of providing choice, diversity and value for its investors. As part of this ongoing process, the directors have approved changes to the investment objectives and restrictions of "Fidelity Funds – Emerging Asia Fund" and "Fidelity Funds – Emerging Markets Fund", the underlying funds corresponding to the above investment choices. The changes are designed to allow the investment manager/ investment advisor greater flexibility to invest in China markets and to broaden the opportunity set for investing in Asia in general. It is important to emphasize that the new investment objectives and restrictions of the underlying funds do not entail any material change in the manner in which they are managed. The changes will become effective on May 2, 2014.

Consequential to the change to the investment objectives of the above underlying funds, the investment objective and strategy of the following investment choices will be updated (as marked in **bold** below) in the Investment Choice Brochure, with effect from May 2, 2014:

Fidelity Funds – Emerging Asia Fund "A" Shares (FIEAU)

"~~The underlying fund aims to generate long-term capital growth through investing principally in securities of companies having their head office or exercising a predominant part of their activity in less developed countries of Asia that are considered as emerging markets according to the MSCI Emerging Markets Asia Index.~~

The underlying fund is an equity fund and aims to provide long-term capital growth with the level of income expected to be low.

At least 70% of its net asset value (and normally 75%) will be invested in securities of companies that have their head office or main activities in the less developed countries of Asia. The countries are emerging markets according to the MSCI Emerging Markets Asia Index. The underlying fund may invest its net assets directly in China A and B Shares.

For the remaining assets, the investment manager has the freedom to invest outside the underlying fund's principal geographies, market sectors, industries or asset classes.

In selecting securities for the underlying fund, several factors are considered in the investment process; for example, consideration may include, but is not limited to, a company's financials, including revenue and profit growth, return on capital, cash flows and other financial measures. In addition, company management, industry and economic environment, and other factors may be considered in the investment process.

The underlying fund may use financial derivative instruments provided (a) they are economically appropriate in that they are realised in a cost-effective way, (b) they are entered into for one or more of (i) reduction of risk, (ii) reduction of cost and (iii) generation of additional capital or income for the underlying fund with a level of risk which is consistent with its risk profile and the risk diversification rules laid down in underlying fund's prospectus, and (c) their risks are adequately captured by the risk management process of the underlying fund. Financial derivative instruments may include over-the-counter and/or exchange traded options, equity index and single stock futures, contracts for difference, forward contracts or a combination thereof. The underlying fund will not make extensive use of financial derivative instruments for investment purposes or use complex derivative instruments or strategies to meet the investment objectives of the underlying fund.

The underlying fund will not invest more than 10% of their net asset value in securities issued by or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade.

Remarks:

The use of financial derivative instruments may involve additional risks. Please refer to page 1 for details."

Fidelity Funds - Emerging Markets Fund "A-acc" (FIEFU)

"The underlying fund is an equity fund and aims to provide long-term capital growth with the level of income expected to be low.

At least 70% of the underlying fund's net asset value (and normally 75%) will be invested in equity securities of areas experiencing rapid economic growth including countries in Latin America, South East Asia, Africa, Eastern Europe (including Russia) and the Middle East. **The underlying fund may invest its net assets directly in China A and B Shares.**

For the remaining assets, the investment manager has the freedom to invest outside the underlying fund's principal geographies, market sectors, industries or asset classes.

In selecting securities for the underlying fund, several factors are considered in the investment process; for example, consideration may include, but is not limited to, a company's financials, including revenue and profit growth, return on capital, cash flows and other financial measures. In addition, company management, industry and economic environment, and other factors may be considered in the investment process.

The underlying fund may use financial derivative instruments provided (a) they are economically appropriate in that they are realised in a cost-effective way, (b) they are entered into for one or more of (i) reduction of risk, (ii) reduction of cost and (iii) generation of additional capital or income for the underlying fund with a level of risk which is consistent with its risk profile and the risk diversification rules laid down in

underlying fund's prospectus, and (c) their risks are adequately captured by the risk management process of the underlying fund. Financial derivative instruments may include over-the-counter and/or exchange traded options, equity index and single stock futures, contracts for difference, forward contracts or a combination thereof. The underlying fund will not make extensive use of financial derivative instruments for investment purposes or use complex derivative instruments or strategies to meet the investment objectives of the underlying fund.
The underlying fund will not invest more than 10% of their net asset value in securities issued by or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade.
Remarks:
~~The use of financial derivative instruments may give rise to leverage, liquidity, counterparty and valuations risks at times. In adverse situations, the underlying fund's use of derivative instruments may become ineffective and it may suffer significant losses.~~ The use of financial derivative instruments may involve additional risks. Please refer to page 1 for details."

The investment restrictions and risk factors under the above underlying funds' prospectus will be amended, with effect from May 2, 2014. There are no changes to the fees charged in relation to the underlying funds.

4. Appointment of Management Company and Change in Fee Structure of the Underlying Funds

Morgan Stanley Investment Funds Asian Property Fund "A" Shares (MSAPU), MassMutual Morgan Stanley Investment Funds Diversified Alpha Plus Fund "AH" Shares (MSDAU), MassMutual Morgan Stanley Investment Funds European Property Fund "A" Shares (MSEPU), Morgan Stanley Investment Funds Global Bond Fund "A" Shares (MSGBU), Morgan Stanley Investment Funds Latin American Equity Fund "A" Shares (MSLAU), Morgan Stanley Investment Funds US Advantage Fund "A" Shares (MSUAU) and Morgan Stanley Investment Funds US Property Fund "A" Shares (MSUPU)

As advised by Morgan Stanley Investment Management Limited, the board has decided to appoint Morgan Stanley Investment Management (ACD) Limited, as management company to Morgan Stanley Investment Funds with effect from April 1, 2014.

In addition, the fee structure of Morgan Stanley Investment Funds will be revised, with effect from April 1, 2014, in order to provide more transparency in relation to the fees and charges applicable by (i) centralizing the payment of charges and fees with the management company, and (ii) effectively capping the total fees, costs and expenses.

5. Other matters relating to some investment choice(s)

Franklin Templeton Investment Funds - Templeton Asian Growth Fund "A(acc)" Shares (FTAGU), Franklin Templeton Investment Funds - Templeton Global Balanced Fund "A(Qdis)" Shares (FTBAU), Franklin Templeton Investment Funds - Franklin Biotechnology Discovery Fund "A(acc)" Shares (FTBDU), Franklin Templeton Investment Funds - Templeton Emerging Markets Bond "A(Qdis)" Shares (FTEBU), MassMutual Franklin Templeton Eastern Europe Fund "A(acc)" Shares (FTEEU), Franklin Templeton Investment Funds - Templeton Emerging Markets Fund "A(acc)" Shares (FTEMU), Franklin Templeton Investment Funds - Templeton Emerging Markets Smaller Companies Fund "A(acc)" Shares (FTESU), Franklin Templeton Investment Funds - Templeton Global Bond Fund "A(Mdis)" Shares (FTGBU), Franklin Templeton Investment Funds - Templeton Global Fund "A(acc)" Shares (FTGLU), Franklin Templeton Investment Funds - Templeton Global Smaller Companies Fund "A(acc)" Shares (FTGSU), Franklin Templeton Investment Funds - Templeton Global Total Return Fund "A(acc)" Shares (FTGTU), Franklin Templeton Investment Funds - Franklin Technology Fund "A(acc)" Shares (FTTEU), Franklin Templeton Investment Funds - Templeton Thailand Fund "A(acc)" Shares (FTTHU) and Franklin Templeton Investment Funds - Franklin U.S. Opportunities Fund "A(acc)" Shares (FTUSU)

As advised by Franklin Templeton Investments (Asia) Limited, the following investment restrictions and risk management policy of Franklin Templeton Investment Funds and the underlying funds will be revised, with effect on April 17, 2014:

- revisions to the restrictions on the investment in transferable securities and liquid assets;
- revisions to the restrictions on the investment in other assets;
- revisions to the limits and restrictions on the use of financial derivative instruments;
- revisions to the restrictions on the use of techniques and instruments relating to transferable securities and money market instruments; and
- revisions to risk management policy.

You should refer to the relevant prospectuses and the notice to shareholders of the underlying fund(s) of the above investment choice(s), which are made available by MassMutual Asia Ltd. upon request, or visit our website (www.massmutualasia.com) to carefully read the details of the relevant documents in relation to the above change(s).

If you have selected the above investment choice(s) under your insurance policy and if for any reason you wish to change to other investment choice(s), you may switch your investment choice(s) to other available investment choice(s) provided by your policy. Currently, no switching charge and bid-offer spread apply to the investment choices. For details, please refer to Investment Choice Brochure or contact MassMutual Asia Ltd. - Customer Service Hotline at (852) 2919 9797 (Hong Kong)/ (853) 2832 2622 (Macau).

Value Partners
Investing through discipline

VALUE PARTNERS CLASSIC FUND (the "Fund")
ADDENDUM

Important

*The Fund has been authorised as a collective investment scheme by the Securities and Futures Commission of Hong Kong ("**SFC**"). SFC authorisation is not a recommendation or endorsement of the Fund nor does it guarantee the commercial merits of the Fund or its performance. It does not mean the Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC takes no responsibility for the accuracy of any of the statements made or opinions expressed in this Addendum.*

If you are in doubt about the contents of this Addendum, you should seek independent professional advice.

*This Addendum forms part of and should be read in conjunction with the Explanatory Memorandum of the Fund dated 15 October 2009, as amended by the notices dated 15 December 2009, 22 December 2009, 24 December 2009 and 26 August 2013, and the addenda dated 22 March 2010, 25 June 2011, 22 November 2011 ("**Explanatory Memorandum**"). The changes made to the Explanatory Memorandum by this Addendum shall take effect on 7 April 2014, unless otherwise stated herein.*

All capitalized terms used in this Addendum have the same meaning as in the Explanatory Memorandum, unless otherwise defined herein. Value Partners Limited, the Manager of the Fund, accepts full responsibility for the accuracy of the information contained in this Addendum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Addendum misleading as at the date of issuance.

The Explanatory Memorandum will hereby be amended as follows:

(A) Change in Investment Objectives and Policies

1. The third paragraph under the heading "*Investment Objectives and Policies*" on page 11 of the Explanatory Memorandum shall be amended in the manner as marked-up below:

   "In addition to equities, the portfolio may from time to time include cash, deposits, short-term papers such as treasury bills, certificates of deposit, bankers' acceptances, short-term commercial paper and other fixed income instruments. The Manager may also place a substantial portion of the portfolio in cash or cash equivalents and may invest in any collective investment schemes (including those managed or offered by the Manager or its Connected Persons (as defined below in the section headed "Conflicts of Interest")). The Fund may also invest in commodities, futures, options, warrants, equity-linked notes and other financial instruments.

   The Fund may indirectly invest in A shares (subject to a maximum exposure of 30 per cent. of the Fund's total net asset value) through:

   - China A Shares Access Products ("**CAAPs**") (such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("**CAAP Issuer**") which represents an obligation of the CAAP Issuer to pay to the Fund an economic return equivalent to holding the underlying A shares); and/or

- <u>Collective investment schemes (including those managed or offered by the Manager or its Connected Persons) directly investing in A shares through qualified foreign institutional investors ("**QFIIs**") or Renminbi qualified foreign institutional investors ("**RQFIIs**") ("**A Shares CIS**").</u>

<u>A shares are shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange and traded in Renminbi. The maximum exposure stated above may be changed from time to time; unitholders will be notified one month in advance if the limit is to be changed.</u>

<u>The Fund does not currently have direct access to A shares through QFIIs or RQFIIs.</u>

<u>The value of the Fund's holding of securities issued by any single issuer will not exceed 10 per cent. of the total net asset value of the Fund.</u> The Fund will not use securitized and structured finance instruments such as collateralised debt obligations, mortgage-backed securities, asset-backed securities and credit default swaps. All investments are subject to the investment restrictions under the Trust Deed. Please refer to the section headed "Investment Restrictions" of this Explanatory Memorandum for details of the investment restrictions under the Trust Deed."

2. The following new paragraph shall be inserted as the second paragraph under the risk factor headed "Liquidity Risk" on page 13 of the Explanatory Memorandum:

   "A shares may be subject to trading bands which restrict increases and decreases in the trading price. If the trading price of any A shares has increased or decreased to the extent beyond the trading band limit during the day, trading in the A shares on the relevant stock exchange may be suspended. CAAP Issuers and A Shares CIS will be prevented from trading underlying A shares when they hit the trading band limit. If this happens on a particular trading day, CAAP Issuers and A Shares CIS may be unable to trade A shares. As a result, the liquidity of the CAAPs and A Shares CIS may be adversely affected. This may in turn affect the value of the Fund's investments."

3. The following additional new risk factor sections shall be inserted under the heading "Risk Factors (Continued)" on page 23 of the Explanatory Memorandum:

   "***Risks of Investing in Other Collective Investment Schemes***

   Investment decisions of the underlying schemes are made at the level of such schemes. There can be no assurance that (i) the selection of the managers of the underlying schemes will result in an effective diversification of investment styles and that positions taken by the underlying schemes will always be consistent; and (ii) the investment objective and strategy of the underlying schemes will be successfully achieved.

   The Fund bears the fees payable to the Manager and its other service providers, as well as, indirectly, a proportionate share of the fees paid by the underlying schemes to their managers and the service providers of the underlying schemes (such as subscription fee, redemption fee, management fee and other costs and charges payable to the managers and service providers of the underlying schemes).

   The Fund may invest in shares or units of a collective investment scheme managed by the Manager, its delegates, or any Connected Persons. It is possible that any of the Manager or their Connected Persons may, in the course of business, have potential conflicts of interest with the Fund. In the event of such conflicts, the Manager will endeavour to ensure that such conflicts are resolved fairly and all transactions between the Fund and any of them are on an arm's length basis. Please refer to the section headed "Conflicts of Interest" for further details.

PRC Political, Economic and Social Risks

Political changes, social instability and unfavourable diplomatic developments in the People's Republic of China (excluding Hong Kong and Macau Special Administrative Regions and Taiwan) ("**PRC**") could result in the imposition of additional governmental restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the investments held by the Fund in the PRC.

Investors should also note that any change in the policies of the PRC may impose an adverse impact on the securities market in the PRC as well as the underlying securities of the Fund. Furthermore, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may have an adverse impact on the performance of the Fund.

Legal System of the PRC

The legal system of the PRC is based on written laws and regulations. The PRC government is continuously making improvements on its commercial laws and regulations. However, many of these laws and regulations are still at an experimental stage and the enforceability of such laws and regulations remains unclear.

Potential Market Volatility of the PRC

Investors should note that the stock exchanges in the PRC on which A shares are traded are at a developing stage and the market capitalization and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the China A shares markets may result in prices of securities traded on such markets fluctuating significantly resulting in substantial changes in the unit price of the Fund.

PRC Tax Risk

Under the Corporate Income Tax Law of the PRC ("**CITL**") and its detailed implementation rules, dividends, interest and capital gains derived from indirect A shares investments by the Fund are subject to PRC withholding income tax ("**WIT**") at a rate of 10 per cent., unless a specific exemption or reduction is available.

Specific rules governing taxes on capital gains derived from the trading of onshore PRC securities (including A shares) have yet to be announced. It is possible that the relevant tax authorities may in the future clarify the tax position on capital gains realised by the Fund via indirect A shares investments. In the absence of such specific rules, the income tax treatment should be governed by the general tax provisions of the CITL. If the Fund is a non-tax resident enterprise without with an establishment or place of business in the PRC, a 10 per cent. WIT should be imposed on the PRC sourced capital gains, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. The Manager will make provisions for any WIT payable by the Fund on PRC sourced capital gains at a rate of 10 per cent.. In light of the uncertainty on income tax treatment on capital gains derived from A shares investments, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities on capital gains derived from A shares investments. Any excessive provision or inadequate provision for such taxation may impact on the performance and hence the net asset value of the Fund during the period of such excessive or inadequate provision. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how capital gains from A shares investments will be taxed, the level of tax provision and when the investors subscribed and/or redeemed their units in/from the Fund.

For further details on the effects of PRC taxation on the Fund, please refer to the section titled "PRC Taxation on A Shares" under the heading "TAXATION" in the Explanatory Memorandum.

Renminbi Depreciation

The Fund may invest in investments which are related to the PRC and investments whose value the Manager believes would be boosted by a Renminbi appreciation. Conversely, the value of the Fund may be adversely affected in the event of Renminbi depreciation. Investors may lose money in such circumstances.

Risks associated with CAAPs

The policy and regulations imposed by the PRC government on the access into the China A shares markets are subject to change and any such change may adversely impact the issuance of CAAPs invested by the Fund. Under the PRC regulations, investment in China A share markets by foreign institutional investors is subject to an investment quota. Investors should note that there can be no assurance that the Fund may be able to maintain or obtain a sufficient investment in CAAPs. This may have an impact on the investors' investment in the Fund. If any CAAP Issuer has insufficient investment quota, the CAAP Issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and the Fund may be required to dispose of its existing CAAPs.

Further, the Fund will be exposed to the counterparty risk associated with each CAAP Issuer. Because a CAAP is a payment obligation of the CAAP Issuer, rather than a direct investment in A shares, the Fund may suffer losses potentially equal to the full value of the CAAP if the CAAP Issuer were to become insolvent or fails to perform its payment obligations under the CAAPs.

Risks associated with A Shares CIS

Risk related to QFII/RQFII Policy - The current QFII/RQFII policy and Regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the QFII/RQFII regulations will not be abolished. The Fund, which indirectly invests in the China A shares markets through A Shares CIS, may be adversely affected as a result of such changes.

Further, the QFII/RQFII licence of the QFII/RQFII holder of A Shares CIS may be revoked or terminated or otherwise invalidated, or the investment quota granted by PRC government to the QFII/RQFII holder of A Shares CIS may be reduced or withdrawn, at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFII/RQFII holder or for any other reasons. In such event, all or part of the assets held by the PRC QFII/RQFII custodian for the account of the A Shares CIS will be liquidated and repatriated to a bank account maintained for and on behalf of the A Shares CIS outside of the PRC in accordance with applicable laws and regulations. The A Shares CIS may suffer significant loss as a result of such liquidation and repatriation, and consequently, the Fund investing in such A Shares CIS may also suffer losses.

Under the relevant PRC law, regulations or measures, there are restrictions on repatriation of funds out of the PRC. Thus, the Fund may be exposed, indirectly, to risks associated with remittance and repatriation of monies, through its investment in A Shares CIS. The Fund may be adversely affected and may be exposed to potential losses by the ability of the underlying A Shares CIS to meet redemption requests and may therefore be subject to reduced liquidity.

Custodial risk - Custodians or sub-custodians may be appointed in local market for purpose of safekeeping assets of the A Shares CIS. Lack of adequate custodial systems in the PRC may subject the A Shares CIS to greater custodial risks. The A Shares CIS may also incur losses due to a default, act or omission of the PRC custodian in the execution or settlement of any transaction or in the transfer of any funds or securities. If the PRC custodian defaults, the A Shares CIS may suffer substantial losses. In the event of liquidation of the PRC custodian, the assets contained in cash account(s) with the PRC custodian may form part of the liquidation assets of the PRC custodian, and the A Shares CIS may become an unsecured creditor of the PRC custodian. This may affect the value of the Fund's investments.

Other risks - Other factors such as Renminbi ("**RMB**") depreciation, restriction or delay in RMB currency conversion, QFII/RQFII investment restriction, illiquidity of the China A shares market, and delay or disruption in execution of trades or in settlement of trades may also have negative impacts on A Shares CIS and in turn, the Fund investing in A Shares CIS under such circumstances may also incur losses."

4. The following new section titled "PRC Taxation on A Shares" shall be inserted under the heading "TAXATION (Continued)" on page 42 of the Explanatory Memorandum:

"**PRC**

PRC Taxation on A Shares

The CITL and the Regulation on the Implementation of the Corporate Income Tax Law of the PRC ("**RCITL**") took effect on 1 January 2008 and repealed the Income Tax Law of the PRC Concerning Foreign Investment Enterprises and Foreign Enterprises. Under CITL and RCITL, the foreign enterprise which does not set up any establishment in China is subject to the WIT at the rate of 10 per cent. The reduction/exemption of WIT may be possible if appropriate tax treaty protection can be sought.

There is a risk that PRC tax authorities would seek to collect the WIT imposed on capital gains derived from the disposal of A shares. Any such tax payable by the relevant QFII may be passed on to the Fund to the extent that the tax is attributable to the QFII's trading gains on the A shares. Certain CAAP Issuers have indicated their intention to withhold an amount equal to 10 per cent. of any gains representing the PRC tax in respect of any capital gains which would be payable on an actual sale of the underlying A shares. Similarly, for direct investments in A shares by A Shares CIS, managers of A Shares CIS may accrue for the 10 per cent. withholding tax referred to above. The amounts withheld should generally be retained for a period of 5 years, pending further clarification of the tax rules and tax collection measures adopted by the PRC tax authorities. If the tax withheld by CAAP Issuers or managers of A Shares CIS is inadequate to meet final PRC tax liabilities on capital gains, the CAAP Issuers or manager of A Shares CIS may pass on the additional tax liabilities to the Fund and therefore result in a decrease in the value of the Fund.

It should also be noted that the actual applicable tax rates imposed by the PRC tax authorities may be different and may change from time to time. There is a possibility of the tax rules being changed from time to time, possibly with retrospective effect. If the applicable tax rates change, the tax withheld by CAAP Issuers or managers of A Shares CIS may be excessive or inadequate to meet final PRC tax liabilities on capital gains on A shares. Consequently, unitholders may be advantaged or disadvantaged depending on the final tax outcome, the level of provision and when they subscribed and/or redeemed their units in or from the Fund.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for the WIT on such gains or income and withhold the tax for the account of the Fund. Upon any future resolution of the above-mentioned uncertainty or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

The Manager will make provisions for any WIT payable by the Fund on PRC sourced capital gains at a rate of 10 per cent..

Unitholders should refer to the latest financial report of the Fund for details of the amounts currently withheld as provision for taxation liabilities (if any)."

(B) Establishment of New Classes of Units

The following changes shall be effected from 17 March 2014:

5. The following risk factor headed "Currency Hedging Risk" shall be inserted after the paragraph under the risk factor headed "Currency Exchange Risk" on page 17 of the Explanatory Memorandum:

   "***Currency Hedging Risk***

   The Fund may issue currency hedged classes of units designated in currencies other than the Fund's base currency. Adverse exchange rate fluctuations between the base currency of the Fund and the class currency of the relevant currency hedged class may result in a decrease in return and/or loss of capital for unitholders. The Manager will try to mitigate this usually by hedging the foreign currency exposure of the currency hedged class units into the base currency of the Fund or into the currency or currencies in which the assets of the Fund are denominated. However, over-hedged or under-hedged positions may arise and there can be no assurance that these currency hedged class units will be hedged at all times or that the Manager will be successful in employing the hedge."

6. The following paragraphs shall be inserted after the fourth paragraph under the heading *"Nature of Units"* on page 29 of the Explanatory Memorandum:

   "As from 17 March 2014, the Manager has determined to create and establish the following new classes of units which are now available for subscription:

   1. "C" units AUD Hedged
   2. "C" units CAD Hedged
   3. "C" units NZD Hedged

   The Manager has also determined to create and establish the following new classes of units which will be launched on a future date to be determined and notified by the Manager, with the prior approval of the Trustee:

1. “C” units EUR Hedged
2. “C” units GBP Hedged
3. “C” units SGD Hedged

The above classes of units are collectively referred to as ““**C” units - Hedged**”.

For the purpose of this Explanatory Memorandum, class currencies of “C” units AUD Hedged, “C” units CAD Hedged, “C” units EUR Hedged, “C” units GBP Hedged, “C” units NZD Hedged and “C” units SGD Hedged are Australian dollars, Canadian dollars, Euros, Pounds Sterling, New Zealand Dollars and Singapore Dollars respectively.”

7. The table in the section on key features of “C” units after the fourth paragraph under the heading *“Nature of Units”* on page 29 of the Explanatory Memorandum shall be deleted and replaced with the following table:

“Key features of “C” units and “C” units - Hedged are summarized below:

	“C” Units	**“C” Units – Hedged**
Preliminary charge	Up to 5% of the issue price	Up to 5% of the issue price
Management fee	1.25% per annum	1.25% per annum
Minimum initial subscription	US$10,000	US$10,000 (or its equivalent in the relevant class currency)
Minimum subsequent subscription	US$5,000	US$5,000 (or its equivalent in the relevant class currency)
Minimum holding applicable to partial redemption	US$10,000	US$10,000 (or its equivalent in the relevant class currency)
Performance fee	15% per annum of the increase in net asset value per unit in the relevant class in the relevant performance period calculated annually on a high on high basis	15% per annum of the increase in net asset value per unit in the relevant class in the relevant performance period calculated annually on a high on high basis
Redemption charge	Currently nil	Currently nil
Switching charge	Currently nil*	Currently nil*”

** Certain distributors may impose a charge for each switching of units in a class of the Fund acquired through them for units in another class of the Fund, which will be deducted at the time of the switching and paid to the relevant* *distributors. Unitholders who intend to switch their units in one class to units in another class should check with their respective distributors for the charge on switching.*

8. References to "“C” units" in sub-paragraphs (a) to (e) under the heading *“Nature of Units (Continued)”* on page 30 of the Explanatory Memorandum shall be deleted and replaced with “each of “C” units and “C” units – Hedged”.

9. Sub-paragraph (c) under the heading *“Nature of Units (Continued)”* on page 30 of the Explanatory Memorandum shall be amended in the manner as marked-up below:

   “(c) **in respect of “C” units,** the minimum initial subscription is US$10,000 and the minimum subsequent subscription is US$5,000. **In respect of “C” units – Hedged, the minimum initial subscription is US$10,000 (or its equivalent in the relevant class currency) and the minimum subsequent subscription is US$5,000 (or its equivalent in the relevant class currency).** However, the Manager reserves the right to waive the minimum initial and subsequent subscription requirement for any class of units. Each of the minimum amount required is inclusive of the preliminary charge and any bank charges in the case of a telegraphic transfer;”

10. Reference to "“A” units", “B” units” and “C” units” in sub-paragraph (f) under the heading *“Nature of Units (Continued)”* on page 31 of the Explanatory Memorandum shall be deleted and replaced with "“A” units", “B” units", “C” units” and “C” units” – Hedged”.

11. The following paragraph shall be inserted after the third paragraph under the heading *“Issue of Units”* on page 31 of the Explanatory Memorandum:

   "“C” units - Hedged will be offered from 17 March 2014 (in the case of “C” units AUD Hedged, “C” units CAD Hedged and “C” units NZD Hedged) and from a future date to be determined and notified by the Manager (in the case of “C” units EUR Hedged, “C” units GBP Hedged and “C” units SGD Hedged) and will be initially issued at the following initial issue prices:

Class	**Initial Issue Price**
“C” unit AUD Hedged	AUD10
“C” unit CAD Hedged	CAD10
“C” unit EUR Hedged	EUR10
“C” unit GBP Hedged	GBP10
“C” unit NZD Hedged	NZD10
“C” unit SGD Hedged	SGD10”

12. References to "“C” units" in paragraphs under the heading *“Issue of Units (Continued)”* on page 32 of the Explanatory Memorandum shall be deleted and replaced with “each of “C” units and “C” units – Hedged”.

13. The third paragraph under the heading *“Issue of Units (Continued)”* on page 33 of the Explanatory Memorandum shall be amended in the manner as marked-up below:

"Payment of subscription monies can be made in US dollars or HK dollars **or the class currency of the relevant class of units** and must be received in full and in cleared funds on the relevant Dealing Day or within such period as the Manager may, in its absolute discretion, determine (which shall not be more than 3 Business Days under normal circumstances unless otherwise agreed by the Manager). Please note that, for cleared funds in US dollars or HK dollars **or the class currency of the relevant class of units** to be received in Hong Kong prior to 5:00 p.m. on the relevant Dealing Day, payment by telegraphic transfer must be made for value at least one Business Day in New York (for US dollars), ~~or~~ one Business Day in Hong Kong (for HK dollars), **two business days in Australia (for Australian Dollars), two business days in Canada (for Canadian Dollars), two business days in Europe (for Euros), two business days in United Kingdom (for Pounds Sterling), two business days in New Zealand (for New Zealand Dollars) or one business day in Singapore (for Singapore dollars)** before such Dealing Day. Please note that US dollar cheques **or cheques in the class currency of the relevant class of units** drawn on banks outside Hong Kong will involve substantial delay. Investors are therefore advised not to pay via such ~~US dollar~~ cheques."

14. Sub-paragraph (b) of the first paragraph, the second paragraph and the third paragraph under the heading *"Redemption of Units (Continued)"* on page 37 of the Explanatory Memorandum shall be amended in the manner as marked-up below:

"(b) where redemption moneys are to be paid to any person other than the redeeming unitholder or by telegraphic transfer to a bank account in New York State**,** ~~or~~ Hong Kong**, Australia, Canada, any of all European countries, United Kingdom, New Zealand or Singapore**, the signature of the unitholder (or the relevant joint unitholder or unitholders) shown on the payment instruction is verified to the satisfaction of the Registrar's Agent. No redemption proceeds will be paid to third parties.

Redemption moneys will normally be paid in US dollars **or the class currency of the relevant class of units** by telegraphic transfer according to instructions given by the redeeming unitholder to the Manager or by cheque made in favour of, and sent at the risk of the person(s) entitled to such proceeds by post to the registered address of, the unitholder or (in the case of joint unitholders) the first named on the register of unitholders **or to the registered address of such other of the joint unitholders as may be authorized in writing by all of them**. Assuming no delay in submitting completed documentation and the Manager not exercising any of the powers described below under the section headed "Suspension and Limitation of Redemptions", the maximum period which should elapse between the receipt of a valid redemption request and the date of despatch of redemption moneys is 30 days.

If at any time during the period from the time as at which the Redemption Price is calculated and the time at which redemption proceeds are converted out of any other currency into the class currency of the relevant class of units there is an officially announced devaluation or depreciation of that other currency, the amount payable to any relevant redeeming unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.

Partial redemptions of holdings are permitted provided that they do not result in the unitholder holding units having a value of less than US$100,000 in the case of "A" units, ~~or~~ US$10,000 in the case of "B" units **and** "C" units **or US$10,000 (or its equivalent in the relevant class currency) in the case of "C" units - Hedged**. However, the Manager reserves the right to waive the minimum holding requirement for any partial redemption."

15. The third paragraph under the heading *"Preliminary, Switching and Redemption Charges:"* on page 43 of the Explanatory Memorandum shall be deleted and replaced with the following paragraph:

 "No switching charge will apply to switching of units between classes within the Fund. However, certain distributors may impose a charge for each switching of units in a class of the Fund acquired through it for units in another class of the Fund, which will be deducted at the time of the switching and paid to the relevant distributor. Unitholder who intends to switch their units in one class to units in another class should check with their respective distributors for the charge on switching."

16. The paragraph under the heading *"Management Fee:"* on page 44 of the Explanatory Memorandum shall be amended in the manner as marked-up below:

 "The Manager is entitled to receive annual management fees out of the assets of the Fund. These management fees are payable monthly in arrears, at the rates of 0.75 per cent. per annum of that portion of the net asset value of the Fund attributable to the "A" units and 1.25 per cent. per annum of that portion of the net asset value of the Fund attributable to the "B" units, **~~and~~** "C" units **and "C" units - Hedged**. The Manager may increase the rate of its management fee in relation to any class of units up to a maximum of 2 per cent. per annum of the net asset value of the Fund of any class of units by giving to the Trustee and the holders of units of the relevant class not less than one month's prior notice (or such shorter notice period as approved by the SFC) in writing."

17. References to ""C" units" in the second paragraph under the heading *"Performance Fee:"* on page 44 of the Explanatory Memorandum shall be deleted and replaced with "each of "C" units and "C" units – Hedged".

18. Sub-paragraph (d) under the heading *""A" units and "B" units (Continued)"* on page 57 of the Explanatory Memorandum shall be amended in the manner as marked-up below:

 "(d) unitholders of "A" units and "B" units can continue to hold their existing holdings during any period in which the Manager decides not to accept application for "A" units and "B" units. If such unitholders wish to make any subsequent subscription to the Fund, they can for the time being only subscribe for "C" units **or "C" units - Hedged**."

19. The three paragraphs under the heading *""A" units and "B" units (Continued)"* on page 58 of the Explanatory Memorandum shall be amended in the manner as marked-up below:

 ""A" units, "B" units**,** ~~and~~ "C" units **and "C" units - Hedged** are subject to the same terms, conditions and restrictions of this Explanatory Memorandum and the Trust Deed. However, the performance fees that are payable (if applicable) by the unitholders of each class may be subject to different calculation methods and a different high watermark. Please refer to the section headed "Performance Fees" for further details on calculating the Manager's annual performance fee. The net asset value of each class will be calculated independently by apportioning the relevant fees, costs, expenses or other liabilities attributable to each class. Accordingly, the performance results and the net asset value of each class may be different.

For existing unitholders of "B" units who are making regular contribution amounts to the Fund under an insurance savings plan commencing before 15 October 2009, the Fund will continue to issue "B" units for those previously agreed regular contributions. Where a unitholder wishes to increase the regular contribution amount, the Fund will issue "C" units for those contributions exceeding the originally agreed amount.

When unitholders wish to redeem any of their units, they must indicate clearly the class of units which they wish to redeem. In determining whether the unitholder has been holding the relevant units for less than 12 consecutive months, the period relating to holding "A" units, "B" units, ~~**and**~~ "C" units **and "C" units - Hedged** will be calculated separately."

20. The heading *"Method of Application for "C" units"* in the Explanatory Memorandum shall be changed into *"Method of Application for "C" units and "C" units - Hedged"*

21. The first paragraph under the heading *"Method of Application for "C" units"* on page 59 of the Explanatory Memorandum shall be amended in the manner as marked-up below:

    "The initial application for "C" units **or "C" units - Hedged** must be made on the prescribed subscription form available from the Manager and sent in original to the Manager. Any subsequent applications must be made on the prescribed subsequent subscription form available from the Manager."

22. The following paragraph shall be inserted after the first paragraph under the heading *"Payment Procedure"* on page 59 of the Explanatory Memorandum:

    "Payment will normally be made in the class currency of the relevant class of units as disclosed in the Explanatory Memorandum unless the applicant has made arrangements with the Manager to make payment in some other currency."

23. Items 1. to 3. in relation to payment of application moneys under the heading *"Method of Application for "C" units"* from pages 60, 61, 62 and 63 of the Explanatory Memorandum shall be deleted and replaced with the following:

"Payment must be made either:–

1. (a) in US dollars by telegraphic transfer **(net of bank charges)** to:

HSBC Bank USA (SWIFT Address: MRMDUS33)
452 Fifth Avenue, New York, New York 10018, USA
A/C Name: HSBC Institutional Trust Services (Asia) Limited – Value Partners Subscription Account
A/C No.: 000-14165-8
For credit to Value Partners Classic Fund DDA No. 00546028

(b) in HK dollars by telegraphic transfer (**net of bank charges**) to: –

The Hongkong and Shanghai Banking Corporation Limited
(SWIFT Address: HSBCHKHHHKH)

1 Queen's Road Central, Hong Kong
A/C Name: HSBC Institutional Trust Services (Asia) Limited – Value Partners Subscription Account
A/C No.: 502-657802-001
For credit to Value Partners Classic Fund DDA No. 00546028

(c) in Australian dollars by telegraphic transfer (**net of bank charges**) to:

HSBC Australia
SWIFT Address: HKBAAU2S
HSBC Centre, 580 George Street, Sydney NSW 2000, Australia
A/C Name: HSBC Institutional Trust Services (Asia) Limited – AFS Subscription Account
A/C No.: 011-024619-041
For credit to Value Partners Classic Fund DDA No. 00546028

(d) in Canadian dollars by telegraphic transfer (**net of bank charges**) to:

Correspondence Bank: HSBC Bank Canada
SWIFT Address: HKBCCATT
Toronto Canada
Beneficiary Bank A/C Name: 930-136500-181
Beneficiary Bank: HSBC Hong Kong
SWIFT Address: HSBCHKHHGCC
Beneficiary A/C Name: HSBC Institutional Trust Services (Asia) Limited – TP Subscription Account
Beneficiary A/C No: 808-847818-204
For credit to Value Partners Classic Fund DDA No. 00546028

(e) in Euros by telegraphic transfer (**net of bank charges**) to:

HSBC London
SWIFT Address: MIDLGB22
27-32 Poultry, London EC29 2BX, UK
IBAN No. : GB81MIDL40051558836396
A/C Name: HSBC Institutional Trust Services (Asia) Ltd – AFS Subscription Account
A/C No.: 58836396
For credit to Value Partners Classic Fund DDA No. 00546028

(f) in Pounds Sterling by telegraphic transfer (**net of bank charges**) to:

HSBC London
SWIFT Address: MIDLGB22
27-32 Poultry, London EC2P 2BX, UK
IBAN No.: GB15MIDL40051558836420
A/C Name: HSBC Institutional Trust Services (Asia) Limited – AFS Subscription Account
A/C No.: 58836420
For credit to Value Partners Classic Fund DDA No. 00546028

(g) in New Zealand dollars by telegraphic transfer (**net of bank charges**) to:

HSBC Auckland
SWIFT Address: HSBCNZ2A
HSBC House Level 9, One Queen Street, Auckland, 1010, New Zealand
A/C Name: HSBC Institutional Trust Services (Asia) Ltd – AFS Subscription Account
A/C No.: 040-035404-261
For credit to Value Partners Classic Fund DDA No. 00546028

(h) in Singapore dollars by telegraphic transfer (**net of bank charges**) to:

HSBC Singapore
SWIFT Address: HSBCSGSG
21, Collyer Quay, Singapore 049320
A/C Name: HSBC Institutional Trust Services (Asia) Ltd – AFS Subscription Account
A/C No.: 041-463688-001
For credit to Value Partners Classic Fund DDA No. 00546028

In each case the remitter should instruct the remitting bank to send a SWIFT advice (format MT103) to HSBC Institutional Trust Services (Asia) Limited (SWIFT Address: BTFEHKHH) advising details of the remittance, ***including the full name of the applicant, the class of units and the name of the Fund to which the application relates.***

Please note that for cleared funds in US dollars or HK dollars to be received in Hong Kong prior to the relevant Dealing Day, payment must be made for value at least one business day in New York (for US dollars) or one Business Day in Hong Kong (for HK dollars), two business days (for Australian Dollars), two business days in Canada (for Canadian Dollars), two business days in Europe (for Euros), two business days in United Kingdom (for Pounds Sterling), two business days in New Zealand (for New Zealand Dollars) or one business day in Singapore (for Singapore dollars) before such Dealing Day.

OR

2. by cheque (crossed "Not Negotiable & A/C Payee Only") or banker's draft in Hong Kong dollars* issued from a bank account in the name of the applicant made payable to "HSBC Institutional Trust Services (Asia) Limited";

The cheque or banker draft should be sent to:
HSBC Institutional Trust Services (Asia) Limited
17/F Tower 2 & 3, HSBC Centre
1 Sham Mong Road
Kowloon
Hong Kong
bearing the name of the applicant, the class of units and the name of the Fund in which investment is to be made on the reverse. Please note that for cleared funds to be received in Hong Kong prior to 5:00 p.m. on the last day of the relevant Dealing Day, cheques or banker's draft have to be received by Value Partners Limited at least two Business Days in Hong Kong before the last day of such Dealing Day.

*	*Please note that cheque or banker's draft in currencies other than Hong Kong dollars are not accepted.*

OR

3. via RTGS CHATS payment Bank Code: 004-local USD clearing system to:

The Hongkong and Shanghai Banking Corporation Limited
(SWIFT Address: HSBCHKHHHKH)
1 Queen's Road Central, Hong Kong
A/C Name: HSBC Institutional Trust Services (Asia) Limited –
Value Partners Subscription Account
A/C No.: 502-657802-201
For credit to Value Partners Classic Fund DDA No. 00546028

*The remitter should instruct the remitting bank to send a SWIFT advice (format MT103) to HSBC Institutional Trust Services (Asia) Limited (SWIFT Address:BTFEHKHH) advising details of the remittance, **including the full name of the applicant, the class of units and the name of the Fund to which the application relates.***

Please note that for cleared funds in US dollars or HK dollars to be received in Hong Kong prior to the relevant Dealing Day, payment must be made for value at least one business day in New York (for US dollars) or one Business Day in Hong Kong (for HK dollars) before such Dealing Day."

(C) Summary of Amendments

24. For ease of reference, the amendments set out in the notices to the Explanatory Memorandum dated 15 December 2009, 22 December 2009, 24 December 2009 and 26 August 2013 are summarised below:

Date of Notice(s)	Amendments
15 December 2009 and 22 December 2009	**Adjustment to the Trustee Fee** With effect from 1 March 2010 (the "**Effective Date**"), the Trustee Fee of the fund will be adjusted so that: (a) 0.15 per cent. per annum will be charged on the first US$150 million of the net asset value of the Fund, (b) 0.13 per cent. per annum will be charged on the next US$150 million of the net asset value of the Fund, and (c) 0.11 per cent. per annum will be charged on the remaining balance thereafter. Accordingly, the paragraph "Trustee Fee" under the section "Fees and Expenses" in the Explanatory Memorandum will, with effect from the Effective Date, be amended by the deletion of the first two sentences of that paragraph in their

	entirety with their replacement by the following: "The trustee fee is calculated and accrued as at each Dealing Day at a rate of 0.15 per cent. per annum for the first US$150 million of the net asset value of the Fund and is charged monthly in arrears. A rate of 0.13 per cent. per annum is charged on the next US$150 million, and the remaining balance thereafter is charged at a rate of 0.11 per cent. per annum of the net asset value of the Fund." Please note that the Trustee's entitlement to a fixed annual fee of US$3,000 and a fee of 0.075 per cent. per annum of the net asset value of the Fund for the Trustee's performance of the duties and functions of the Registrar will remain unchanged.* * With effect from 26 August 2013, the fee for the Trustee's performance of the duties and functions of the Registrar will be reduced from the current rate of 0.075 per cent. per annum of the net asset value of the Fund to 0.03 per cent. per annum of the net asset value of the Fund. Please refer to the notice to the Explanatory Memorandum dated 26 August 2013 (as summarised below) for more details.
24 December 2009	**<u>Resignation and Appointment of Director of the Manager</u>** With effect from 1 November 2009, Mr. Ngan Wai Wah, Franco has resigned as Director of the Manager. Mr. So Louis Chun Ki has been appointed as the new Director of the Manager with effect from 14 December 2009. Consequently, the profile of Mr. Ngan Wai Wah, Franco in the Explanatory Memorandum ("EM") will be deleted and replaced with the following:- "So Louis Chun Ki Mr. So is involved in all aspects of the investment process of the Manager, including portfolio management. He joined Value Partners group of companies, of which the Manager is one of the members, in May 1999 as an analyst and was later promoted to Fund Manager, Senior Fund Manager and is now the Deputy Chief Investment Officer. He received a Bachelor's of Commerce degree from the University of Auckland and a Master's degree in Commerce from the University of New South Wales."
26 August 2013	The following changes took effect on 26 August 2013. **<u>Reduction of Fees payable to the Trustee</u>** The minimum Trustee fee of US$4,000 per month will be waived and will no longer be applicable to the Fund.

	Accordingly, the following language in the second sentence of the first paragraph of "Trustee Fee" under the section "Fees and Expenses" on page 43 of the Explanatory Memorandum will be deleted in its entirety: "provided that the aggregate Trustee fees payable to the Trustee in respect of the Fund for any month shall be no less than US$4,000." Please note that the Trustee's entitlement to a fixed annual fee of US$3,000 remains unchanged. The fee for the Trustee's performance of the duties and functions of the Registrar will be reduced from the current rate of 0.075 per cent. per annum of the net asset value of the Fund to 0.03 per cent. per annum of the net asset value of the Fund to be paid to the Trustee (calculated and accrued on each Dealing Day and payable monthly in arrears). Accordingly, the second paragraph of "Trustee Fee:" under the section "Fees and Expenses" on page 43 of the Explanatory Memorandum will be revised as follows: "The Trustee performs the duties and functions of the Registrar and the Manager has agreed to a fee of 0.03 per cent. per annum of the net asset value of the Fund to be paid to the Trustee (calculated and accrued on each Dealing Day and payable monthly in arrears)." **<u>Foreign Account Tax Compliance Act (FATCA)</u>** The Foreign Account Tax Compliance Act ("**FATCA**") provisions under the U.S. Internal Revenue Code of 1986, as amended will impose new rules with respect to certain payments to non-U.S. persons which may affect the Fund Disclosure regarding FATCA will be added to describe such rules, to clarify that Unitholders will be required to provide information to the Fund regarding their status under FATCA. The risk factor "Foreign Account Tax Compliance" will be inserted immediately after the risk factor "Valuation and Accounting" on page 23 of the Explanatory Memorandum as follows: *"**Foreign Account Tax Compliance*** Sections 1471 – 1474 (referred to as "FATCA") of the U.S. Internal Revenue Code of 1986, as amended (the "Code") will impose new rules with respect to certain payments to non-U.S. persons, such as the Fund, including interest and dividends from securities of U.S. issuers and gross proceeds from the sale of such securities. All such payments may be subject to withholding at a 30% rate, unless the recipient of the payment

	satisfies certain requirements intended to enable the Internal Revenue Service (the "IRS") to identify U.S. persons (within the meaning of the Code) with interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (an "FFI"), such as the Fund (and, generally, other investment funds organized outside the U.S.), generally will be required to enter into an agreement (an "FFI Agreement") with the IRS under which it will agree to identify its direct or indirect U.S. owners and report certain information concerning such U.S. owners to the IRS. The FFI Agreement will also generally require that an FFI withhold U.S. tax at a rate of 30% on certain payments to investors who fail to cooperate with certain information requests made by the FFI or on such payments made to investors that are FFIs that have not entered into an FFI Agreement with the IRS. FATCA withholding will be effective with respect to payments, including U.S. source dividends and interest, made after 30 June 2014 (and after 31 December 2016 with respect to payments of gross proceeds from the sale of securities giving rise to dividends and interest). The first reporting deadline for FFIs that have entered into the FFI Agreement will be 31 March 2015 with respect to the 2014 calendar year. The Cayman Islands government announced on 15 March 2013, that it would adopt a Model 1 intergovernmental agreement (an "IGA") with the U.S. government for the implementation of the provisions of FATCA. Under this model of IGA, the Fund will generally be relieved from the obligation to enter into an FFI Agreement and will generally not be required to withhold tax on payments made to their investors provided that the Cayman Islands government and the Fund comply with the terms of the IGA. However, if the Fund receives payments covered by FATCA, withholding may apply if it cannot satisfy the applicable requirements under the IGA or the Cayman Islands government is not in compliance with the IGA. The Fund will endeavour to satisfy the requirements imposed under FATCA or the IGA to avoid any withholding tax. In the event that the Fund is not able to comply with the requirements imposed by FATCA or the IGA and the Fund does suffer US withholding tax on its investments as a result of non- compliance, the net asset value of the Fund may be adversely affected and the Fund may suffer significant loss as a result. To the extent that the Fund suffers withholding tax on its investments as a result of FATCA, the Trustee on behalf of the Fund, may, after completing due process to ascertain and confirm that the Unitholder has failed to cooperate and provide the required information, bring action against the Unitholder

	for losses suffered by the Fund as a result of such withholding tax. Each prospective investor should consult with its own tax advisor as to the potential impact of FATCA in its own tax situation.”

7 March 2014

Value Partners
Investing through discipline

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Important

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice.

All capitalized terms used herein but not otherwise defined will have the same meanings as defined in the Explanatory Memorandum (as defined below).

7 March 2014

NOTICE TO UNITHOLDERS – VALUE PARTNERS CLASSIC FUND ("Fund")

Dear Unitholders,

Addendum to Explanatory Memorandum and Product Key Facts Statement

We are writing to inform you that the Explanatory Memorandum of the Fund dated 15 October 2009, as amended by the notices dated 15 December 2009, 22 December 2009, 24 December 2009 and 26 August 2013, and the addenda dated 22 March 2010, 25 June 2011 and 22 November 2011 ("**Explanatory Memorandum**") has been updated by way of an addendum dated 7 March 2014 ("**Addendum**").

Change in Investment Objectives and Policies

With effect from 7 April 2014, the Fund may indirectly invest in A shares (subject to a maximum exposure of 30 per cent. of the Fund's total net asset value) through:

- *China A Shares Access Products ("**CAAPs**") (such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("**CAAP Issuer**") which represents an obligation of the CAAP Issuer to pay to the Fund an economic return equivalent to holding the underlying A shares); and/or*

- *Collective investment schemes (including those managed or offered by the Manager or its Connected Persons) including but not limited to those directly investing in A shares through qualified foreign institutional investors ("**QFIIs**") or Renminbi qualified foreign institutional investors ("**RQFIIs**") ("**A Shares CIS**").*

Such change may allow greater flexibility for the Manager to better capture A shares investment opportunities and better achieve the Fund's investment objective. Key updates to the "Investment Objectives and Policies" section on page 11 of the Explanatory Memorandum are set out (as marked up) below for your reference:

"In addition to equities, the portfolio may from time to time include cash, deposits, short-term papers such as treasury bills, certificates of deposit, bankers' acceptances, short-term commercial paper and other fixed income instruments. The Manager may also place a substantial portion of the portfolio in cash or cash equivalents and may invest in any collective investment schemes (including those managed or offered by the Manager or its Connected Persons (as defined below in the section headed "Conflicts of Interest")). The Fund may also invest in commodities, futures, options, warrants, equity-linked notes and other financial instruments.

The Fund may indirectly invest in A shares (subject to a maximum exposure of 30 per cent. of the Fund's total net asset value) through:

- China A Shares Access Products ("**CAAPs**") (such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("**CAAP Issuer**") which represents an obligation of the CAAP Issuer to pay to the Fund an economic return equivalent to holding the underlying A shares); and/or

- Collective investment schemes (including those managed or offered by the Manager or its Connected Persons) directly investing in A shares through qualified foreign institutional investors ("**QFIIs**") or Renminbi qualified foreign institutional investors ("**RQFIIs**") ("**A Shares CIS**").

A shares are shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange and traded in Renminbi. The maximum exposure stated above may be changed from time to time; unitholders will be notified one month in advance if the limit is to be changed.

The Fund does not currently have direct access to A shares through QFIIs or RQFIIs.

The value of the Fund's holding of securities issued by any single issuer will not exceed 10 per cent. of the total net asset value of the Fund. The Fund will not use securitized and structured finance instruments such as collateralised debt obligations, mortgage-backed securities, asset-backed securities and credit default swaps. All investments are subject to the investment restrictions under the Trust Deed. Please refer to the section headed "Investment Restrictions" of this Explanatory Memorandum for details of the investment restrictions under the Trust Deed."

Accordingly, the "Risk Factors" section of the Explanatory Memorandum has also been amended to include additional key risk factors that are relevant to indirect investment in A shares (namely, Liquidity Risk, Risks of Investing in Other Collective Investment Schemes, PRC Political, Economic and Social Risks, Legal System of the PRC, Potential Market Volatility of the PRC, PRC Tax Risk, Renminbi Depreciation, Risks associated with CAAPs and Risks associated with A Shares CIS).

A new section "PRC Taxation on A Shares" has also been added to the Explanatory Memorandum to further explain the potential impacts of PRC tax on the Fund.

Establishment of New Classes of Units

We would also like to inform you that "C" units AUD Hedged, "C" units CAD Hedged, and "C" units NZD Hedged classes will be available for subscription from 17 March 2014, while "C" units EUR Hedged, "C" units GBP Hedged and "C" units SGD Hedged classes will be available for subscription at a future date to be determined and notified by the Manager.

The above classes of units are collectively referred to as "**"C" units - Hedged**".

Key features of "C" units – Hedged are as follows:

	"C" units – Hedged
Preliminary charge	Up to 5% of the issue price
Management fee	1.25% per annum
Minimum initial subscription	US$10,000 (or its equivalent in the relevant class currency)
Minimum subsequent subscription	US$5,000 (or its equivalent in the relevant class currency)
Minimum holding applicable to partial redemption	US$10,000 (or its equivalent in the relevant class currency)
Performance fee	15% per annum of the increase in net asset value per unit in the relevant class in the relevant

	performance period calculated annually on a high-on-high basis
Redemption charge	Currently nil
Switching charge	Currently nil*

** Certain distributors may impose a charge for each switching of units in a class of the Fund acquired through them for units in another class of the Fund, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their units in one class to units in another class should check with their respective distributors for the charge on switching.*

Please refer to the Explanatory Memorandum and the Addendum for further details regarding "C" units – Hedged.

The Addendum and the latest Explanatory Memorandum and updated Product Key Facts Statement are available on our website (www.valuepartners.com.hk) and are available for your inspection at the Manager's office during normal business hours (except on Saturdays, Sundays and public holidays).

Thank you for your continued support. If you have any questions relating to the above, please contact our Fund Investor Services team at (852) 2880-9263 or email to vpl@vp.com.hk.

The Manager accepts full responsibility for the accuracy of the information contained in this Notice and confirms, having made all reasonable enquiries, that to the best of its knowledge and believe there are no other facts the omission of which would make any statement in this Notice misleading as at the date of issuance.

Value Partners Limited

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This letter is important and requires your immediate attention.

If you are in doubt, please consult your legal, financial or professional advisers.

7 March 2014

Dear Shareholder,

Franklin Templeton Investment Funds (the "Company")

The purpose of this letter is to inform you of the following revisions to the Explanatory Memorandum dated December 2010, as amended, of the Company (the "**Current Explanatory Memorandum**") in respect of the Company and its sub-funds (each a "**Fund**" and collectively, the "**Funds**"):

(i) the investment restrictions and risk management policy of the Company and the Funds (see paragraphs 1 to 5 below);

(ii) the names of the following Funds (see paragraph 6 below); and

(iii) the investment policies of the following Funds (see paragraphs 7 to 24 below).

The revisions to Fund names shall take effect on 31 March 2014 and the revisions to investment policies, investment restrictions and risk management policy shall take effect on 17 April 2014.

1. Revisions to the restrictions on the Company's investment in transferable securities and liquid assets

For clarification purposes, each of the references to "Community law" in paragraphs a)(vii) and a)(ix) of the section "INVESTMENT RESTRICTIONS – 1. Investment in transferable securities and liquid assets" on page 52 of the Current Explanatory Memorandum shall be replaced by a reference to "EU law".

For the purpose of complying with legal and regulatory requirements, the following amendments will be made to paragraph d)(vii) of the section "INVESTMENT RESTRICTIONS – 1. Investment in transferable securities and liquid assets" on page 54 of the Current Explanatory Memorandum (with changes marked up):-

> "*d)(vii) where any Fund has invested in accordance with the principle of risk spreading in transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members ~~or~~, by any other State of the OECD, by Singapore or any member state of the G20, the Company may invest 100% of the assets of any Fund in such securities provided that such Fund must hold securities from at least six different issues and securities from one issue must not account for more than 30% of that Fund's net assets.*"

2. Revisions to the restrictions on the Company's investment in other assets

For clarification purposes, the following amendments will be made to paragraph c) of the section "INVESTMENT RESTRICTIONS – 2. Investment in other assets" on page 57 of the Current Explanatory Memorandum (with changes marked up):-

> "*c) The Company may not enter into ~~transactions involving~~direct commodities transactions or commodity contracts, except that the Company may, in order to hedge risk~~s~~, enter into financial futures on such transactions within the limits laid down in clause 3. c) below.*"

3. Revisions to the limits and restrictions on the Company's use of financial derivative instruments

For the purpose of complying with legal and regulatory requirements, the section "INVESTMENT RESTRICTIONS – 3. Financial derivative instruments" on pages 57 to 63 of the Current Explanatory Memorandum shall be revised as follows:-

(A) the following paragraphs shall be inserted immediately after the fourth paragraph of the section:

> "*The Company on behalf of a relevant Fund may only choose swap counterparties that are first class financial institutions selected by the Board of Directors and that are subject to prudential supervision and belonging to the categories approved by the Commission de Surveillance du Secteur Financier ("CSSF") for the purposes of OTC derivative transactions and specialized in these types of transactions.*
>
> *As the case may be, collateral received by each Fund in relation to OTC derivative transactions may offset net exposure to the counterparty provided it meets a range of standards, including those for liquidity, valuation, and issuer credit quality. Collateral primarily consist of cash and highly rated sovereign bonds. Collateral value is reduced by a percentage (a "haircut") which accounts for short term fluctuations in the value of the collateral. Net exposures are calculated daily by the counterparty and subject to the terms of the agreements, including a minimum transfer amount, collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure. Non-cash collateral received is not sold, reinvested or pledged. Cash collateral may be reinvested in a manner consistent with the provisions established in the Credit Support Annex ("CSA") of the International Swaps and Derivatives Association Master Agreement ("ISDA Master Agreement") executed with the relevant counterparty and with the risk diversification requirements detailed in the section on "Investment Restrictions" in (a) shares or units issued by short term money market undertakings for collective investment as defined in the Guidelines on a Common Definition of European Money Market Funds, (b) deposits with a credit institution having its registered office in an EU Member State or with a credit institution situated in a non-EU Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in the EU Law, (c) high quality government bonds that are deemed eligible collateral according to the terms of the CSA of the ISDA Master Agreement, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the global exposure calculation.*"; and

(B) the disclosure on currency hedging as provided in item c) of the section shall be revised by:

(I) replacing the words "*held by the Company*" in the second paragraph of that item with the words "*held by the relevant Fund*"; and

(II) deleting the fourth paragraph beginning with "*The Company may not*" in its entirety.

4. Revisions to the restrictions on the Company's use of techniques and instruments relating to transferable securities and money market instruments

For the purpose of clarification and to comply with legal and regulatory requirements, the following amendments will be made to the section "INVESTMENT RESTRICTIONS – 4. Use of techniques and instruments relating to transferable securities and money market instruments" appearing on page 63 of the Current Explanatory Memorandum:-

(I) the first paragraph of the section shall be amended as follows (with changes marked up):

"*To the maximum extent allowed by, and within the limits set forth in, the Law ~~relating to collective investment undertakings~~of 17 December 2010 as well as any present or future related Luxembourg laws or implementing regulations, circulars and the Luxembourg supervisory authority's positions (the "Regulations"), in particular the provisions of (i) article 11 of the Grand-Ducal regulation of February 8, 2008 relating to certain definitions of the ~~Law relating to collective investment undertakings~~Luxembourg Law of 20 December 2002 on undertakings for collective investment and of (ii) CSSF Circulars 08/356 and 13/559 relating to the rules applicable to undertakings for collective investments when they use certain techniques and instruments relating to transferable securities and money market instruments, each Fund may for the purpose of generating additional capital or income or for reducing costs or risks (A) enter, either as purchaser or seller, into optional as well as non optional repurchase transactions and (B) engage in securities lending transactions.*";

(II) the fifth paragraph of the section shall be deleted in its entirety and replaced with the following paragraph:

"*As the case may be, collateral received by each Fund in relation to any of these transactions may offset net exposure by the counterparty provided it meets a range of standards, including those for liquidity, valuation, and issuer credit quality. Collateral primarily consist of cash and highly rated sovereign fixed income securities. Collateral value is reduced by a percentage (a "haircut") which provides for short term fluctuations in the value of the collateral. Net exposures are calculated daily by the counterparty and subject to the terms of the agreements, including a minimum transfer amount, collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure. Non-cash collateral received is not sold, reinvested or pledged. Cash collateral received by each Fund in relation to any of these transactions may be reinvested in a manner consistent with the investment objectives of such Fund and with the risk diversification requirements detailed in the section on "Investment Restrictions" in (a) shares or units issued by short term money market undertakings for collective investment as defined in the Guidelines on a Common Definition of European Money Market Funds, (b) deposits with a credit institution having its registered office in a Member State or with a credit institution situated in a non-Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law, (c) high quality government bonds, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the Global Exposure calculation.*"; and

(III) the following paragraph will be inserted as a new paragraph immediately following the end of the existing second paragraph:

"*The securities lending agent receives a fee of up to 10% of the gross revenue generated as a result of the lent securities for its services, the remainder of the revenue being received and retained by the relevant lending Fund.*"

The wording on the securities lending agent's fee is being added for disclosure purposes to comply with applicable regulatory requirements and do not reflect any change to the fee structure of the Company. The additional disclosure on the securities lending agent's fee will not result in any change in the fee levels and costs borne by the Company.

5. Revisions to risk management policy

The risk management policy of the Company will be amended to reflect a change in the frequency of comparing the predicted risk of loss for Funds using an advanced risk measurement methodology with actual figures (from a quarterly to a monthly frequency) and to incorporate other changes for clarification.

Consequently, the third to fifth paragraphs under the section "Investment Restrictions – 5. The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in any country in which the Shares are authorized for sale." on pages 64 and 65 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:-

"*For Funds that consider the use of derivatives as core investment objective and not primarily for the purposes of hedging or efficient portfolio management, the Management Company will assess factors such as the number of derivatives and their complexity and qualify them as ~~"Sophisticated"~~ funds which will require application of an advanced risk measurement methodology and enhanced rules of conduct and organization. The assessment process is documented and kept available for inspection by the primary regulator of the Management Company.*

The Management Company has an organization-wide group called ~~Portfolio~~Performance Analysis and Investment Risk Management (PAIR) which consists of investment professionals across the globe with complementary risk and investment backgrounds to help manage investment risk for portfolios. By quantifying and decomposing detailed risk data and by applying a unified risk management process, the PAIR group increases the risk awareness of the portfolio managers and monitors risk at portfolio level. The PAIR group conducts periodic reviews of each fund and the frequency of these reviews will depend on factors such as the turnover in the portfolio, market conditions and the performance and volatility of the fund. During the review process, key elements and information on historical risk and performance statistics, historical performance attribution and predicted risk analysis are considered and discussed by investment professionals as appropriate.

For ~~Sophisticated~~ funds using an advanced risk measurement methodology, the PAIR group completes on a ~~quarterly~~monthly basis a comparison of ~~predicted tracking error variance with actual, historical tracking error experienced in the fund~~ the predicted risk of loss with actual figures and such analysis is reviewed by investment professionals. The potential impact and risk of extreme market events on a fund's investment risk parameters will also be reviewed as part of the oversight process. In line with requirements of the Company's investment restrictions, counterparty risk will be monitored at both the issuer and the group level."

Rest assured, the revisions to the risk management policy of the Company do not reflect any change to the risk profile of the Company. The revisions will not result in any change in the risk profile of the Company or the Funds.

6. Changes to Fund names

Over the past decade, Franklin Templeton has broadened its capabilities extensively by adding new investment platforms and strategies. In an effort to make investing with us easier, we are simplifying our branding and product naming conventions across the globe.

Our new naming approach is designed to enable investors to more easily search for and find our funds as well as enhance their understanding of our diverse product line-up. We hope this will have a positive impact on the experience we offer our investors.

With effect from 31 March 2014, the names of the following Funds shall be revised as follows, and all references to the Funds' names in the Current Explanatory Memorandum shall be revised accordingly:-

Current Name of Fund	Name of Fund with effect from 31 March 2014
Franklin Templeton Global Growth and Value Fund	Franklin Global Growth and Value Fund
Templeton Euro Government Bond Fund	Franklin Euro Government Bond Fund
Templeton Euro High Yield Fund	Franklin Euro High Yield Fund
Templeton Global High Income Bond Fund	Franklin Global High Income Bond Fund

7. Franklin European Small-Mid Cap Growth Fund

To better reflect the existing investment suitability of this Fund and the profile of its typical investors and to ensure the same is brought to your attention, the sixth paragraph of the investment objective and policy of Franklin European Small-Mid Cap Growth Fund on page 11 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> "*The Fund is suitable for investors seeking capital appreciation by investing in equity securities ~~and seeking a growth investment concentrated in~~ of small or mid-cap companies ~~of~~located in any European ~~countries~~country and planning to hold their investments for the medium to long term.*"

Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations of this Fund, please refer to the "Risk Considerations" section in the Current Explanatory Memorandum of the Company.

8. Franklin Global Convertible Securities Fund

For clarification purposes, the second paragraph of the investment objective and policy of Franklin Global Convertible Securities Fund on page 1 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum relating to (amongst other things) the Franklin Global Convertible Securities Fund will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

(a) Changes to the first and second sentences of the second paragraph:-

> **"***The Fund ~~will~~ seeks to achieve its investment objectives by investing primarily** in convertible securities (including low-rated ~~(including~~, unrated~~)~~, investment grade ~~securities~~, non-investment grade securities and/or securities in default) of corporate*

issuers globally. The Fund may also invest in other securities, such as common or preferred stocks and non-convertible debt securities (including low-rated~~ (including~~<u>,</u> unrated~~)~~, investment grade~~ securities~~, non-investment grade securities and/or securities in default)."

(b) Changes to the fifth sentence of the second paragraph:-

"*The Fund may also utilize certain financial derivative instruments for ~~investment or~~ currency hedging<u>, efficient portfolio management and/or investment</u> purposes.*"

The revisions are to clarify (amongst other things) that the Fund may utilize certain financial derivative instruments for efficient portfolio management. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

9. <u>Franklin High Yield Fund</u>

For clarification purposes, the second sentence of the second paragraph of the objective and policy of the Franklin High Yield Fund on page 12 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

"*The financial derivative instruments may include, inter alia, swaps such as credit default swaps or <u>fixed income related</u> total return swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter.*"

The revisions are to clarify that the Fund may be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

10. <u>Franklin Mutual Beacon Fund</u>

For clarification purposes, the first sentence of the fifth paragraph of the objective and policy of the Franklin Mutual Beacon Fund on page 15 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

"*The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps~~,~~<u> or</u> synthetic equity swaps~~ or total return swaps~~.*"

The revisions are to clarify that the Fund currently does not intend to invest in total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

11. <u>Franklin Mutual European Fund</u>

For clarification purposes, the first sentence of the fifth paragraph of the objective and policy of the Franklin Mutual European Fund on page 16 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> "*The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps~~,~~ or synthetic equity swaps~~ or total return swaps~~.*"

The revisions are to clarify that the Fund currently does not intend to invest in total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

12. Franklin Mutual Global Discovery Fund

For clarification purposes, the first sentence of the fifth paragraph of the objective and policy of the Franklin Mutual Global Discovery Fund on pages 16 and 17 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> "*The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps~~,~~ or synthetic equity swaps~~ or total return swaps~~.*"

The revisions are to clarify that the Fund currently does not intend to invest in total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

13. Franklin World Perspectives Fund

For clarification purposes, the second sentence of the second paragraph of the objective and policy of the Franklin World Perspectives Fund on page 21 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> "*The financial derivative instruments may include, inter alia, swaps such as credit default ~~swaps or total return~~ swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter.*"

The revisions are to clarify that the Fund currently does not intend to invest in total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

14. Templeton Asian Bond Fund

For clarification purposes, the third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Asian Bond Fund, as set out in page 23 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> "*The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total*

return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options."

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 40% measured as the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's net asset value).

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

15. Templeton Asian Dividend Fund

For clarification purposes, the third and fourth paragraphs of the investment policy of the Templeton Asian Dividend Fund on page 2 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum relating to (amongst other things) the Templeton Asian Dividend Fund will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

(a) Changes to the first and second sentences of the third paragraph:-

"*The Fund may also utilise financial derivative instruments for hedging<u>, efficient portfolio management</u> and/or investment purposes. These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps ~~or~~<u>, and</u> total return swaps<u> on equity securities</u>), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

(b) Changes to the fourth paragraph:-

"*In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also, on an ancillary basis, invest in <u>participatory notes, </u>other types of transferable securities, including equity and fixed income securities of issuers worldwide (investment grade, non-investment grade and unrated) and other instruments (including convertible securities, money market instruments and liquid assets as more specifically set out in the section "Investment Restrictions" on pages 50 to 57 of the Current Explanatory Memorandum) that are consistent with the investment objective of the Fund.*"

The revisions are to clarify (amongst other things) that the Fund may: (i) utilize certain financial derivative instruments for efficient portfolio management; (ii) be exposed to equity securities through total return swaps; and (iii) may invest in participatory notes on an ancillary basis. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

To draw investors' attention to the relevant risk considerations pertaining to the Fund's investment in participatory notes, the following new risk disclosure shall be added after the sub-section headed "Non-Regulated Markets risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 46 of the Current Explanatory Memorandum:-

"***Participatory Notes risk***

Participatory notes, also known as P-Notes, are financial instruments that may be used by some Funds (such as the Templeton Asian Dividend Fund, Templeton Asian Smaller Companies Fund and Templeton Global Equity Income Fund) to obtain exposure to an equity investment, including common stocks and warrants, in a local market where direct ownership is not allowed. Investment in participatory notes may involve an OTC transaction with a third party. Therefore, Funds investing in participatory notes may be exposed not only to movements in the value of the underlying equity, but also to the risk of counterparty default, which may in the event of counterparty default result in a substantial loss to the Fund."

16. Templeton Asian Smaller Companies Fund

For clarification purposes, the third paragraph of the investment objective and policy of Templeton Asian Smaller Companies Fund on page 24 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

"*In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also invest in participatory notes and other types of transferable securities, including equity and fixed income securities of issuers worldwide.*"

The revisions are to clarify that the Fund may invest in participatory notes. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund's investment in participatory notes, please refer to the risk disclosure on "Participatory Notes risk" in paragraph 10 of this letter.

17. Templeton Emerging Markets Balanced Fund

For clarification purposes, the second sentence of the third paragraph of the investment objective and policy of the Templeton Emerging Markets Balanced Fund, as set out in the 2011 Second Addendum dated October 2011 to the Current Explanatory Memorandum and amended by the 2013 Third Addendum dated June 2013 to the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

"*These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

The revisions are to clarify that the Fund may be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

18. Templeton Emerging Markets Bond Fund

For clarification purposes, the third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Emerging Markets Bond Fund, as set out in page 27 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> **"***The Fund may also utilise financial derivative instruments for* <u>*hedging, efficient portfolio management and/or*</u> *investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or* <u>*fixed income related*</u> *total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management; and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 40% measured as the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's net asset value).

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

19. <u>Templeton Euro High Yield Fund</u>

For clarification purposes, the second sentence of the second paragraph of the investment objective and policy of the Templeton Euro High Yield Fund, as set out in page 28 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> **"***The financial derivative instruments may include, inter alia, swaps such as credit default swaps or* <u>*fixed income related*</u> *total return swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter.*"

The revisions are to clarify that the Fund may be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

20. <u>Templeton Global Bond Fund</u>

For clarification purposes, the fourth and fifth sentences of the second paragraph of the investment objective and policy of the Templeton Global Bond Fund, as set out in page 32 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> **"***The Fund may also utilise financial derivative instruments for* <u>*hedging, efficient portfolio management and/or*</u> *investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or* <u>*fixed income related*</u> *total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management; and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 90% measured as the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's net asset value).

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

21. Templeton Global Equity Income Fund

For clarification purposes, the second and third sentences of the third paragraph of the investment objective and policy of Templeton Global Equity Income Fund on page 2 of the 2013 Third Addendum dated June 2013 to the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> **"***These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps on equity indices), forwards and cross forwards, futures contracts (including those on government securities), as well as options (including covered calls). Use of financial derivative instruments may result in negative returns in a specific yield curve/duration, currency or credit since, among other things, the price of financial derivatives instruments are dependent on the price of their underlying instruments and these prices may go up or down. The Fund may also purchase participatory notes, equity-linked notes or other structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any country.*"

The revisions are to clarify that the Fund may be exposed to equity indices through total return swaps, and to allow the investment manager to purchase participatory notes, equity-linked notes or other structured products. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund's investment in participatory notes, please refer to the risk disclosure on "Participatory Notes risk" in paragraph 10 of this letter.

For details of the relevant risk considerations pertaining to the Fund's investment in equity-linked notes and other structured products, please refer to the sub-section "Structured Notes risk" of the "Risk Considerations" section on page 48 of the Current Explanatory Memorandum of the Company.

If you do not agree with the changes to the investment objective and policy of Templeton Global Equity Income Fund, you may request, free of charge until 4 p.m. 16 April 2014 (Hong Kong time), the redemption of your shares of the Fund or the switching of such shares into shares of other Funds of the Company, details of which are disclosed in the Current Explanatory Memorandum.

Please note that "free of any redemption charge" does not apply to the contingent deferred sales charge ("CDSC") for all classes subject to such CDSC, due to the nature of such fee. Accordingly, should you decide to redeem any shares subject to a CDSC, such redemption will be subject to the applicable CDSC as more fully disclosed in the Current Explanatory Memorandum.

Please also note that in some cases your bank, investment adviser or other intermediary may charge you switching and/or transaction fees.

The Company comprises a wide range of Funds catering for many different objectives. Exchanges of your existing holding may be made into other Funds within the Company. On receipt of your instructions, we will execute the switch for you in accordance with the provisions of the Current Explanatory Memorandum, free of any charge.

If you do not wish to switch your shares and would like to redeem and receive a cash payment, the redemption will be made in accordance with the provisions of the Current Explanatory Memorandum, free of charge. Please return your instructions to the Hong Kong Representative at 17/F, Chater House, 8 Connaught Road Central, Hong Kong.

You should consult your professional advisers as to the possible tax or other consequences of buying, holding, transferring or selling any of the Company's shares affected by the changes described above, under the laws of your country of citizenship, residence and domicile.

22. Templeton Global High Yield Fund

For clarification purposes, the third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Global High Yield Fund, as set out in page 34 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> **"***The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management; and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 20% measured as the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's net asset value).

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

23. Templeton Global Income Fund

For clarification purposes, the fifth and sixth sentences of the second paragraph of the investment objective and policy of the Templeton Global Income Fund, as set out in page 34 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> **"***The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management; and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 30% measured as the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's net asset value).

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

24. <u>Templeton Global Total Return Fund</u>

For clarification purposes, the third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Global Total Return Fund, as set out in pages 35 and 36 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

> **"***The Fund may also utilise financial derivative instruments for <u>hedging, efficient portfolio management and/or </u>investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or <u>fixed income related </u>total return swaps), forward and cross forwards, futures contracts (including those on government securities), as well as options.*"

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management; and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 80% measured as the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's net asset value).

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

* * * * * *

The Management Company accepts full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

If you require further information please do not hesitate to contact your investment consultant or call our Investor Hotline at +852 2805 0111.

Yours faithfully,

For and on behalf of
Franklin Templeton Investments (Asia) Limited

David Chang
Director

FIDELITY FUNDS
Société d'Investissement à Capital Variable
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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.**

17 March 2014

Dear Shareholder,

Important Changes to Fidelity Funds

Changes to the Investment Objectives and Restrictions for certain funds of Fidelity Funds

The Board of Directors of Fidelity Funds (the "Directors") regularly reviews the range of funds offered with the aim of providing choice, diversity and value for its investors. We are writing to let you know that, as part of this ongoing process, the Directors have approved changes to the investment objectives and restrictions of the funds listed below:

- Fidelity Funds – Emerging Asia Fund
- Fidelity Funds – Emerging Markets Fund
- Fidelity Funds – Institutional Emerging Markets Equity Fund
- Fidelity Funds – Asian High Yield Fund (the "Sub-Funds")

The changes described below are designed to allow the Investment Manager / Investment Advisor greater flexibility to invest in China markets and to broaden the opportunity set for investing in Asia in general. It is important to emphasise that the new investment objectives and restrictions of these Sub-Funds do not entail any material change in the manner in which they are managed.

In the case of equity funds, having the flexibility to invest directly in China A shares provides access to a wider range of industries and individual companies to invest in when compared to Chinese shares listed outside China. There are over 2,400 companies listed in the combined Shanghai and Shenzhen stock markets, many times the number of Chinese companies listed on the Hong Kong Stock Exchange. The China onshore market also offers more diversified sector distribution compared to the overseas-listed China market which is concentrated in the financial, energy and telecom sectors.

Similarly in the case of fixed income funds, having the flexibility to invest in the onshore Chinese bond market provides access to a larger volume and variety of RMB denominated fixed income instruments than are available within the offshore RMB bond market in terms of issuer type, sectors and credit quality.

The Directors confirm that the Sub-Funds have been allocated with the sufficient level of quota under the Qualified Foreign Institutional Investor ("QFII") scheme for the investments of the Sub-Funds. In addition, all necessary approvals in accordance with all applicable laws and regulations have been obtained in relation to the QFII quota. The Directors believe that the changes to the investment objectives and restrictions of the Sub-Funds are in the best interests of shareholders. Full details of the current and new wording of the investment objectives and restrictions for these Sub-Funds as well as other changes to be introduced in the Hong Kong Prospectus are shown in the Appendix 1.

Any expense incurred as a result of the above changes will be borne by FIL Fund Management Limited as Investment Manager of Fidelity Funds. There are no changes to the fees charged in relation to the Sub-Funds.

Next Steps

The changes will become effective on 2 May 2014 and if you agree with the proposed changes, there is no need for you to take any action. The Hong Kong Prospectus and the Product Key Facts will be updated to include the above changes accordingly.

However, shareholders who are not in agreement with these changes and do not want to continue to invest in any of the Sub-Funds once the investment objectives and restrictions have been changed, may switch into another fund offered by Fidelity as available to you or sell their holdings free of charge.

Redemptions or switches for Fidelity Funds – Emerging Markets Fund and Fidelity Funds – Institutional Emerging Markets Equity Fund can be instructed on any valuation day until 6.00 pm CET (4.00 pm HK time) on 30 April 2014, and will normally be dealt with at the next calculated net asset value. Redemptions or switches can be instructed for any of the other affected Sub-Funds listed above on any valuation day until 1.00 pm CET (4.00 pm HK time) on 30 April 2014, and will normally be dealt with at the next calculated net asset value.

In relation to redemption, payment of proceeds will normally be made within three business days of receipt of completed redemption/sale documentation. Unless such payment or proceeds are subject to legal or regulatory hurdles which render payment impracticable, the maximum interval between the receipt of completed redemption/sale documentation and the payment of proceeds may not exceed one calendar month.

For more details regarding switching and redemption, please refer to the “Dealing Procedures” section in the “Appendix: Important Information for Investors in Hong Kong” section of the Hong Kong Prospectus.

Please note, the redemption or switching of your holding may be deemed as a disposal for tax purposes. Generally, investors will not be subject to any Hong Kong tax on capital gains realised on the redemption or switching of any Shares. However, if any acquisition, switching or redemption of Shares is or forms part of a trade, profession or business carried on in Hong Kong, gains realised may attract Hong Kong profits tax. If you have any concerns about your tax position, we recommend that you seek independent tax advice.

The Directors accepts full responsibility for the accuracy of the information contained in this letter and confirms, having made all reasonable enquiries that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Any terms not defined in this letter shall have the same meaning as in the Hong Kong Prospectus of Fidelity Funds.

If you have any questions related to this letter, please contact your financial adviser or Fidelity Investor Hotline (852) 2629 2629, or you can write to the Hong Kong Representative at Level 21, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong.

Yours sincerely,

Marc Wathelet
Director, FIL (Luxembourg) S.A.
Corporate Director, Fidelity Funds

APPENDIX 1 – CHANGES TO THE SUB-FUNDS

With effect from 2 May 2014, the following changes will become effective:

A. LIST OF CURRENT AND NEW INVESTMENT OBJECTIVES

The investment objectives of the Sub-funds under section 1.3 "Investment Policies and Objectives" of the Hong Kong Prospectus will be amended to provide for greater flexibility to invest in the China A and B markets as well as onshore China fixed income securities markets:

1. Fidelity Funds – Emerging Asia Fund:

The information in the section "Investment Objective" will be amended as follows:

From:
The fund aims to generate long-term capital growth through investing principally in securities of companies having their head office or exercising a predominant part of their activity in less developed countries of Asia that are considered as emerging markets according to the MSCI Emerging Markets Asia Index.

To:
The fund aims to generate long-term capital growth through investing principally in securities of companies having their head office or exercising a predominant part of their activity in less developed countries of Asia that are considered as emerging markets according to the MSCI Emerging Markets Asia Index. The fund may invest its net assets directly in China A and B Shares.

The information in the section "Notes" of the above fund will be amended to include the following sentence:

"From 2 May 2014, or such later date as decided by the Board, the fund may directly invest in China A Shares through the QFII quota of FIL Investment Management (Hong Kong) Limited. The fund may invest up to 10% of its net assets directly in China A and B Shares (with aggregate exposure including direct and indirect investments up to 30% of its assets)."

2. Fidelity Funds – Emerging Markets Fund:

The information in the section "Investment Objective" will be amended as follows:

From:
Invests principally in areas experiencing rapid economic growth including countries in Latin America, South East Asia, Africa, Eastern Europe (including Russia) and the Middle East.

To:
Invests principally in areas experiencing rapid economic growth including countries in Latin America, South East Asia, Africa, Eastern Europe (including Russia) and the Middle East. The fund may invest its net assets directly in China A and B Shares.

The information in the section "Notes" of the above fund will be amended to include the following sentence:

"From 2 May 2014, or such later date as decided by the Board, the fund may directly invest in China A Shares through the QFII quota of FIL Investment Management (Hong Kong) Limited. The fund may invest up to 10% of its net assets directly in China A and B Shares (with aggregate exposure including direct and indirect investments up to 30% of its assets)."

3. Fidelity Funds – Institutional Emerging Markets Equity Fund:

The information in the section "Investment Objective" will be amended as follows:

From:
Invests primarily in equity securities of companies in global markets that are experiencing rapid economic growth including countries in Latin America, South East Asia, Africa, Eastern Europe (including Russia) and the Middle East.

To:
Invests primarily in equity securities of companies in global markets that are experiencing rapid economic growth including countries in Latin America, South East Asia, Africa, Eastern Europe (including Russia) and the Middle East. The fund may invest its net assets directly in China A and B Shares.

The information in the section "Notes" of the above fund will be amended to include the following sentence:

"From 2 May 2014, or such later date as decided by the Board, the fund may directly invest in China A Shares through the QFII quota of FIL Investment Management (Hong Kong) Limited. The fund may invest up to 10% of its net assets directly in China A and B Shares (with aggregate exposure including direct and indirect investments up to 30% of its assets)."

4. Fidelity Funds – Asian High Yield Fund:

The information in the section "Investment Objective" will be amended as follows:

From:
This fund seeks a high level of current income and capital appreciation by investing primarily in high-yielding, sub investment grade securities of issuers that have their principal business activities in the Asian region. This fund will suit those investors seeking high income and capital appreciation and who are prepared to accept the risks associated with this type of investment. The type of debt securities in which the fund will primarily invest will be subject to high risk and will not be required to meet a minimum rating standard. Most but not all will be rated for creditworthiness by an internationally recognised rating agency.

To:
This fund seeks a high level of current income and capital appreciation by investing primarily in high-yielding sub investment grade securities of issuers, or in high-yielding securities of sub investment grade issuers, all having their principal business activities in the Asian region. This fund will suit those investors seeking high income and capital appreciation and who are prepared to accept the risks associated with this type of investment. The type of debt securities in which the fund will primarily invest will be subject to high risk and will not be required to meet a minimum rating standard. Not all securities will be rated for creditworthiness by an internationally recognized rating agency. The fund may invest its net assets directly in onshore China fixed income securities listed or traded on exchanges in China.

Portfolio Information:

Such onshore China fixed income securities are listed or traded on exchanges in China such as the Shanghai and Shenzhen Stock Exchange, and are issued by a variety of issuers such as government, quasi-government, banks, financial institutions or other corporate entities established or incorporated in China or corporate entities whose commercial activities are mainly carried out in China.

The information in the section "Notes" of the above fund will be amended to include the following sentence:

"From 2 May 2014, or such later date as decided by the Board, the fund may directly invest in onshore China fixed income securities listed or traded on exchanges in China through the QFII quota of FIL Investment Management (Hong Kong) Limited. The fund may invest up to 10% of its net assets directly in onshore China fixed income securities (with aggregate exposure including direct and indirect investments up to 30% of its assets)."

B. INVESTMENT RESTRICTIONS

The following changes shall be made to "**Section 5. INVESTMENT RESTRICTIONS, 5.2.2 Additional information and investment restrictions applying to funds registered in Hong Kong and Macau**":

- Paragraph 4 shall be amended as follows:

From:
"4. With the exception of Fidelity Funds – China Focus Fund, Fidelity Funds – South East Asia Fund, Fidelity Funds – China Consumer Fund, Fidelity Funds – Asian Special Situations Fund and Fidelity Funds – Greater China Fund, the Fund currently intends that each of its funds will not directly or indirectly invest more than 10% of its Net Asset Value in securities listed in the China A Share and B Share markets. Should this investment policy change in the future, the Fund's Prospectus will be updated and at least one month's prior notification will be given to the Fund's Shareholders. This will be disclosed in the investment objectives of the relevant funds."
To:
"4. With the exception of Fidelity Funds – China Focus Fund, Fidelity Funds – South East Asia Fund, Fidelity Funds – China Consumer Fund, Fidelity Funds – Asian Special Situations Fund, Fidelity Funds – Greater China Fund, and from 2 May 2014, also with the exception of Fidelity Funds – Emerging Asia Fund, Fidelity Funds – Emerging Markets Fund and Fidelity Funds – Institutional Emerging Markets Equity Fund, the Fund currently intends that each of its funds will not directly or indirectly invest more than 10% of its Net Asset Value in securities listed in the China A Share and B Share markets. Should this investment policy change in the future, the Fund's Prospectus will be updated and at least one month's prior notification will be given to the Fund's Shareholders. This will be disclosed in the investment objectives of the relevant funds."

- Paragraph 5 shall be replaced by the following:

From:
5. Fidelity Funds – China Focus Fund, Fidelity Funds – South East Asia Fund, Fidelity Funds – China Consumer Fund, Fidelity Funds – Asian Special Situations Fund and Fidelity Funds – Greater China Fund currently intend that they will not directly invest more than 10% of its Net Asset Value in securities listed in the China A Share and B Share markets (with aggregate exposure including direct and indirect investments up to 30% of its assets).
To:
"5. It is currently intended that each of Fidelity Funds – China Focus Fund, Fidelity Funds – South East Asia Fund, Fidelity Funds – China Consumer Fund, Fidelity Funds – Asian Special Situations Fund, Fidelity Funds – Greater China Fund, and from 2 May 2014, also Fidelity Funds – Emerging Asia Fund, Fidelity Funds – Emerging Markets Fund and Fidelity Funds – Institutional Emerging Markets Equity Fund, will not directly invest more than 10% of its Net Asset Value in securities listed in the China A Share and B Share markets (with aggregate exposure including direct and indirect investments up to 30% of its assets). From 2 May 2014, Fidelity Funds – Asian High Yield Fund will not directly invest more than 10% of its Net Asset Value in onshore China fixed income securities listed or traded on exchanges in China (with aggregate exposure including direct and indirect investments up to 30% of its assets)."

- Paragraph 6 shall be replaced by the following:

From:
"6. Unless it is stated clearly that the fund will have direct access to China A Shares via the QFII quota, all funds will only have indirect exposures to the China A Shares markets through financial instruments that invest in or are linked to the performance of China A Shares, e.g. via participation notes."
To:
"6. Unless it is stated clearly that the fund will have direct access to China A Shares or onshore China fixed income securities via the QFII quota, all funds will only have indirect exposures to the China A Shares markets and the onshore China fixed income securities through financial instruments that invest in or are linked to the performance of China A Shares or such onshore China fixed income securities, e.g. via participation notes and credit-linked notes."

C. RISK FACTORS

The risk factor "China A Shares" under "**Section 1.2. Risk Factors, VI. Specific Instrument Related Risks**" shall be replaced by the following:

QFII Risks

Under the prevailing regulations in the People's Republic of China ("PRC"), foreign investors can invest in China A Shares or onshore China fixed income securities through institutions that have obtained Qualified Foreign Institutional Investor ("QFII") status in the PRC. The current QFII regulations impose strict restrictions (including rules on investment restrictions, minimum investment holding period as well as remittance and repatriation of principal and profits) on China A Share investment or onshore China fixed income securities. The funds may not be able to freely repatriate principal and profits from China and there may be potential lock-up periods imposed for repatriation. The restrictions on or the delays in the repatriation of principal and profits may have an unfavorable impact on the fund.

In extreme circumstances, the funds may incur losses due to limited investment opportunities, or may not be able to fully implement or pursue their investment objectives or strategy, due to QFII investment restrictions, illiquidity of the China A Shares or onshore China fixed income securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The uncertainty and change of the laws and regulations in China may adversely impact the fund. The QFII policy and regulation are also subject to change with potential retrospective effect.

Investments by a fund in China A Shares or onshore China fixed income securities and other permissible securities denominated in Renminbi will be made through the QFII in Renminbi. Such fund will be exposed to any fluctuation in the exchange rate between the Reference Currency of the relevant fund and the Renminbi in respect of such investments. Renminbi is not freely convertible and is subject to policies of exchange controls and repatriation restrictions. There is no assurance that Renminbi will not be subject to devaluation or revaluation or that shortages in the availability of foreign currency will not develop.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE

MORGAN STANLEY INVESTMENT FUNDS

Société d'Investissement à Capital Variable

Registered office: 6B, route de Trèves, L-2633 Senningerberg

R.C.S. Luxembourg: B 29 192

(The "**Company**")

NOTICE

Luxembourg, 27 February 2014

Dear Shareholder,

Following the publication of CSSF Circular 12/546, the board of directors of the Company (the "**Board**") has determined that the appointment of a management company from the Morgan Stanley group is in the best interest of the Company and its shareholders.

The Board has further decided to proceed with some other material amendments to the prospectus of the Company (the "**Prospectus**") further disclosed under section II below.

I. APPOINTMENT OF MORGAN STANLEY INVESTMENT MANAGEMENT (ACD) LIMITED AS MANAGEMENT COMPANY

The Board has decided to appoint Morgan Stanley Investment Management (ACD) Limited, regulated in the UK by the Financial Conduct Authority and having its registered office at 25 Cabot Square, London, E14 4QA, United Kingdom, as management company to the Company (the "**Management Company**") with effect from 1 April 2014 (the "**Effective Date**").

* 1 0 0 0 1 2 2 *

The Company will delegate to the Management Company, under the overall supervision and control of the Board, its investment management services, administrative agency, registrar and transfer agency services as well as marketing, principal distribution and sales services, as more specifically detailed in the management company services agreement entered into with the Management Company as well as in the Prospectus.

The Management Company will in turn delegate at all times the investment management functions to Morgan Stanley Investment Management Limited (with respect to all Funds except the Liquidity Funds), and Morgan Stanley & Co. International plc (with respect to the Liquidity Funds, which are not authorized by the Securities and Futures Commission for offer to the public in Hong Kong), the Company's current investment advisers. The central administration functions will be delegated by the Management Company to the Company's current central administration, J.P. Morgan Bank Luxembourg S.A., and the registrar and transfer agent function to RBC Investors Services Bank S.A., the Company's current registrar and transfer agent, and the distribution function to Morgan Stanley Investment Management Limited, the Company's current principal distributor.

There will be no impact to the Company or its shareholders in the continuity of services or service providers performing these functions.

With effect from the Effective Date, the risk management process will be implemented by the Management Company in order to comply with its obligations under the UCITS Directive. The Management Company may calculate global exposure for the Funds using the commitment approach, relative VaR or absolute VaR.

II. <u>CHANGE IN FEE STRUCTURE</u>

In addition, the fee structure of the Company will be revised.

Under the current fee structure the Funds are subject to an Investment Advisory Fee, a Distribution Fee (the Distribution Fee is payable to the Distributor in relation to Class B shares only. Class B shares are not available to Hong Kong investors, and the Distribution Fee therefore has no impact on Hong Kong investors) and a Shareholder Service Fee. In addition, a number of fees under "other operating costs and expenses" are currently charged to the Funds (for example, legal and audit fees). The Board has sought to provide more transparency in relation to the fees and charges applicable by (i) centralising the payment of charges and fees with the Management Company, and (ii) effectively capping the total fees, costs and expenses, so that from the Effective Date, the Funds will be subject to the following:

(a) a Management Fee at the levels, which will be up to 3% of the average daily net assets;

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(b) a monthly Administration Charge at a current maximum annual rate of 0.25%;

(c) a Distribution Fee (payable to the Distributor in relation to class B shares only. Please note that Class B Shares are not made available to Hong Kong investors, and the Distribution Fee has therefore no impact on Hong Kong investors), and;

d) Specific Additional Costs payable by certain sub-funds and share classes, including, without limitation the Luxembourg subscription tax ("*taxe d'abonnement*"), additional custody fees applicable to investment in emerging markets, hedging expenses and the costs relating to the subsidiaries.

The Management Fee covers the fees of the principal distributor and the Investment Adviser (together formerly known as the Investment Advisory Fee), while the Administration Charge covers the fees of the Management Company[1], Administrator, the Registrar and Transfer Agent, the Custodian and certain other expenses incurred in the operation of the Funds (for instance, legal and audit fees).

There will no longer be a Shareholder Service Fee under the new fee structure.

The Management Fee, Administration Charge and Specific Additional Costs are paid to the Management Company, which will then remunerate the Company's service providers and pay the Company's operating expenses accordingly.

This revised structure provides more certainty for investors, as all costs are contained within the Management Fee, the Administration Charge and the Specific Additional Costs, except for the limited additional costs, which includes transaction fees (each sub-fund bears the costs transaction related expenses, which may include the buying and selling of portfolio securities and financial instruments for instance), and extraordinary expenses (which may include litigation expenses and taxes for instance).

III. <u>DISTRIBUTION OF FINANCIAL STATEMENTS AND REPORTS</u>

With effect from the Effective Date, the audited reports in respect of the preceding financial year and the unaudited semi-annual reports for Morgan Stanley Investment Funds in English, will no longer be mailed to investors, the reports however remain available to Hong Kong investors within 4 months and 2 months of the end of the financial year respectively on the Company's website (www.morganstanley.com/im) and at the registered office of Morgan Stanley Asia Limited at Floor

[1] Whilst the Management Company will delegate its investment management functions to the Investment Adviser, it will be providing other functions including general management, monitoring of service providers that it appoints, and will receive a fee for such services.

1000122

41, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

IV. AMENDMENT TO INVESTMENT OBJECTIVES OF THE FOLLOWING SUB-FUNDS

The Board has further decided to implement the following changes to the Prospectus with effect as of 1 April 2014 (the "**Effective Date**"):

1.1. Morgan Stanley Investment Funds Asian Equity Fund (the "Fund")

As of the Effective Date, the investment objective and policy of the Fund will be amended to expand the ancillary strategies of investment in International Depository Receipts (IDRs) and other collective schemes and to clarify the region of investment. The changes are as reflected in strike-through and underline below, and shall as a result be read as follows:

*"The Asian Equity Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, through investment primarily in the equity securities of companies domiciled in or exercising the predominant part of their economic activity in Asia, excluding Japan, thereby taking advantage of the dynamic economic growth capabilities of the region. The Fund invests in ~~established~~ **developed and emerging** markets of the region, such as South Korea, Taiwan, Singapore, Malaysia, Hong Kong and Thailand but additional opportunities are also sought, whenever regulations permit, in any of the emerging markets **and frontier markets** in Asia. The Fund may also invest on an ancillary basis in depositary receipts (including American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs), **International Depository Receipts (IDRs)** and European Depositary Receipts (EDRs)), debt securities convertible into common shares, preference shares, debentures, warrants, **collective investment schemes including closed-end funds and the Company's Funds**, and securities not widely traded."*

1.2. Morgan Stanley Investment Funds Emerging Markets Equity Fund (the "Fund")

As of the Effective Date, the investment objective and policy of the Fund will be revised to clarify the definition of regions and to clarify the ancillary investments. The changes are as reflected in strike-through and underline below, and shall as a result be read as follows:

Emerging Markets Equity Fund

The Emerging Markets Equity Fund's investment objective is to seek to maximise total return, measured in US Dollars, through investment primarily in emerging market country equity securities. The Fund will principally invest in those emerging market countries in which the Company believes that economies are developing strongly and in which the markets are becoming more sophisticated.

~~Such countries include Argentina, Botswana, Brazil, Chile, China, Colombia, Greece, Hungary, India, Indonesia, Jamaica, Jordan, Kenya, Malaysia, Mexico, Nigeria, Pakistan, the Philippines, Poland, Portugal, the Russian Federation, South Africa, South Korea, Sri Lanka, Taiwan, Thailand, Turkey, Venezuela and Zimbabwe.~~ "Emerging Market" countries, for the purposes of this Fund, are as defined by the MSCI Emerging Market Index, provided that the markets of these countries are considered to be recognised exchanges ("Recognised Exchanges") within the meaning of Article 41(1) of the 2010 Law. ~~As markets~~To achieve its principal investment in ~~other~~Emerging Market countries~~-develop~~, the Fund ~~expects to expand and further diversify the emerging markets in which it invests. Investments in securities listed on exchanges which are not Recognised Exchanges shall be treated as investments in non-listed securities (see Appendix A -Investment Powers and Restrictions) until such time as such exchanges are deemed to be Recognised Exchanges. The Fund~~ may invest in the securities of companies organised and located in Emerging Market countries ~~other than an emerging market~~and may also invest in the securities of companies organised and located in Developed Market countries (for the purposes of this Fund, as defined by MSCI World) where the value of the company's securities will reflect principally conditions in an emerging country, or where the principal securities trading market for which is in emerging country, or where at the time of purchase 50% of the company's revenue alone or on a consolidated basis is derived from either goods produced, sales made or services performed in emerging countries~~.~~ ~~The Fund may invest in debt securities convertible into common shares, preference shares and other equity linked instruments. To the extent the Fund's assets are not invested in emerging market equity or equity linked investments, the remainder of the assets may be invested in~~, or in other equity linked instruments located in Developed Markets but providing exposure to Emerging Markets (for example depositary receipts) ("EM Exposed Securities").

The Fund may invest on an ancillary basis in eligible Frontier Markets equity (meaning those countries that are neither Developed Markets nor Emerging Markets as such terms are defined above for this Fund). The Fund may also invest on an ancillary basis in units/shares of other collective investment schemes, including the Company's Funds as well as in closed-end funds, debt securities convertible into common shares and preference shares, in each case to gain exposure to Emerging Markets or Frontier Markets. The Fund may also invest on an ancillary basis in and debt securities. For temporary defensive purposes, during periods in which the Company believes changes in economic, financial or political conditions make it advisable, the Fund may reduce its holdings in emerging country equity securities to below 50% of the Fund's assets and invest in ~~other~~ equity securities in Developed Market countries (whether EM Exposed Securities or not) or in debt securities~~.~~ (whether providing exposure to Emerging Markets or Developed Markets).

1.3. Morgan Stanley Investment Funds Emerging Markets Debt Fund (the "Fund")

As of the Effective Date, the investment objective and policy of the Fund will be revised to clarify the definition of regions and to clarify the ancillary investments. The changes are as reflected in strike-through and underline below, and shall as a result be read as follows:

Emerging Markets Debt Fund

The Emerging Markets Debt Fund's investment objective is to seek to maximise total return, measured in US Dollars, primarily through investment in the debt securities of government and government-related issuers located in ~~emerging~~ Emerging Market countries (including, to the extent these instruments are securitised, participations in loans between governments and financial institutions), ~~and to the extent such securities comply with Article 41(1) of the 2010 Law, the Fund may invest in debt securities of entities organised to restructure outstanding debt of such issuers,~~ together with investing in the debt securities of corporate issuers located in or organised under the laws of ~~emerging~~Emerging Market countries. The Fund intends to invest its assets in ~~emerging~~Emerging Market country debt securities that provide a high level of current income, while at the same time holding the potential for capital appreciation ~~if the perceived creditworthiness of the issuer improves due to improving economic, financial, political, social or other conditions in the country in which the issuer is located~~.

~~Such~~"Emerging Market" countries ~~include Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Costa Rica, Czech Republic, Dominican Republic, Ecuador, Egypt, Greece, Hungary, India, Indonesia, Ivory Coast, Jamaica, Jordan, Malaysia, Mexico, Morocco, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru,~~, for the ~~Philippines, Poland, Portugal,~~purposes of this Fund, are as defined by the ~~Russian Federation, Slovakia, South Africa, Thailand, Trinidad & Tobago, Tunisia, Turkey, Uruguay and Venezuela,~~JP Morgan Emerging Markets Bond Index Global provided that the markets of these countries are considered to be recognised exchanges ("Recognised Exchanges") within the meaning of Article 41(1) of the 2010 Law. As markets in other countries develop, the Fund expects to expand and further diversify the emerging markets in which it ~~invests. Investment in securities listed on exchanges which are not Recognised Exchanges shall be treated as investments in non-listed securities (see Appendix A Investment Powers and Restrictions) until such time~~ primarily invests as such ~~exchanges~~markets are ~~deemed~~added to ~~be Recognised Exchanges. The~~this index. To achieve its principal investment in Emerging Market countries, the Fund may invest in the securities of companies organised and located in ~~countries other than an emerging market~~Emerging Market countries and may also invest in the securities of companies organised and located in Developed Market countries (for the purpose of this Fund, as defined by JP Morgan Government Bond Index) where the value of the company's securities will reflect principally conditions in an ~~emerging~~Emerging Market country or where the principal securities trading market for which is in an emerging country, or where 50% of the company's revenues alone or on a consolidated basis is derived from either goods produced, sales made or services performed in ~~emerging~~Emerging Market countries~~. Emerging market debt~~ ("EM Exposed Securities") Debt securities held by the Fund will take the form of bonds, notes, bills, debentures, convertible securities, bank debt obligations, short-term paper, mortgage and, subject to applicable law, other asset-backed securities, loan participations and loan assignments (to the extent that these instruments are securitised) and interests issued by entities organised and operated for the purpose of restructuring the investment characteristics of instruments issued by emerging market issuers.

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The Fund may also invest, to a limited extent, in warrants issued by emerging market issuers. With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes. The Fund may also invest on an ancillary basis in the aforementioned debt securities where such securities are issued by issuers organised and located (1) in neither Developed Market countries nor Emerging Market countries; or (2) in Developed Market countries but the securities are not EM Exposed Securities.

1.4. Morgan Stanley Investment Funds Emerging Markets Domestic Debt Fund (the "Fund")

As of the Effective Date, the investment objective and policy of the Fund will be revised to clarify the definition of regions and to clarify the ancillary investments. The changes are as reflected in strike-through and underline below, and shall as a result be read as follows:

Emerging Markets Domestic Debt Fund

The Emerging Markets Domestic Debt Fund's investment objective is to seek to maximise total return primarily through investment in a portfolio of ~~emerging market~~Emerging Market bonds and other ~~emerging market~~Emerging Market debt securities, denominated in the local currency of issue.
The Fund intends to invest its assets in ~~emerging market~~Emerging Market debt securities that provide a high level of current income, while at the same time holding the potential for capital appreciation.

"Emerging ~~markets means low or middle income~~Market" countries~~.~~, for the purposes of this Fund, are as ~~classified~~defined by the ~~World Bank~~JP Morgan Government Bond Index – Emerging Markets Global Diversified, provided that the markets of these countries are considered to be recognised exchanges ("Recognised Exchanges") within the meaning of Article 41(1) of the 2010 Law. ~~Investment~~As markets in ~~securities listed on exchanges~~ other countries develop, the Fund expects to expand and further diversify the emerging markets in which ~~are not Recognised Exchanges shall be treated~~it primarily invests as ~~investments in non-listed securities (see Appendix A – Investment Powers and Restrictions) until~~ such ~~time as such exchanges~~markets are ~~deemed to be Recognised Exchanges.~~added to this index.

~~The~~To achieve its principal investment in Emerging Market countries, the Fund may invest in debt securities of government and government-related issuers located in ~~emerging markets~~Emerging Markets countries (including, to the extent these instruments are securitised, participations in loans between governments and financial institutions) and debt securities of corporate issuers located in or organised under the laws of ~~emerging~~Emerging Market countries, denominated in the local currency of issue.

To the extent such securities comply with Article 41(1) of the 2010 Law, the Fund may invest in debt securities of entities organised to restructure outstanding debt of ~~emerging markets~~Emerging Market issuers.

~~Emerging market debt~~Debt securities held by the Fund will take the form of bonds, notes, bills, debentures, convertible securities, bank debt obligations, short-term paper, mortgage and, subject to applicable law, other asset-backed securities, loan participations and loan assignments to the extent that these instruments are securitized. The Fund may also invest, to a limited extent, in warrants on transferable securities issued by issuers in ~~emerging markets.~~ Emerging Market countries.

The Fund may use derivatives for the purpose of efficient portfolio management, hedging and for implementing investment strategies which aim to achieve the Fund's investment objectives. Derivatives that may be used include, but are not limited to, any exchange traded futures (specifically interest rate futures), currency forwards and futures, government bond forwards, interest rate swaps, bond options, currency options, options on swaps (swaptions), credit default swaps and credit linked notes to the extent that such securities comply with Article 41(1) of the 2010 Law.

The Fund may also invest on an ancillary basis in ~~certain short term fixed interest~~the aforementioned debt securities ~~for tactical~~where such securities are issued by issuers organised and located (1) in neither Developed Market countries nor Emerging Market countries; or (2) in Developed Market countries but the securities are not EM Exposed Securities.

Finally, the Fund may invest on an ancillary basis in debt securities which are not denominated in the local currency of issue, provided that for temporary defensive purposes~~. Such short term investments may include obligations of high income countries as classified by the World Bank, their agencies~~, during periods in which the Company believes changes in economic, financial or ~~instrumentalities, instruments issued by international development agencies, money market instruments, cash or cash equivalents such as commercial paper.~~ political conditions make it advisable, the Fund may reduce its holdings denominated in the local Emerging Market currency of issue to below 50% of the Fund's assets and invest in eligible debt securities denominated in the currencies of Developed Market countries.

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The above changes and appointment will be implemented as from their respective Effective Date and will be reflected in the latest version of the Prospectus dated April 2014. Your right to redeem your shares is not affected and you may redeem your shareholding without any redemption or conversion charges, with the exception of applicable Contingent Deferred Sales Charges, if you do not agree to the above change as from receipt of this notice and up to 1 pm CET on 31 March, 2014.

A copy of this new Prospectus will be available upon regulatory approval.

Capitalised terms used in this notice shall have the meaning ascribed to them in the current Prospectus, unless the context otherwise requires.

The Board accepts responsibility for the accuracy of the information contained in this notice.
The revised Prospectus and the relevant Key Fact Statements will be available to investors no later than 1 April, 2014, free of charge, at the registered office of the Company or at the offices of foreign representatives. The investment management agreement will be made available to the investors upon request.

Should you have any questions or concerns about the foregoing, please contact the Company at its registered office in Luxembourg, the Investment Adviser of the Company or the representative of the Company in your jurisdiction. You should inform yourself of, and where appropriate take advice on, the tax consequences of the foregoing in your country of citizenship, residence or domicile.

Hong Kong residents who require further information, please contact Morgan Stanley Asia Limited, of Floor 41, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or on (852) 2848 6632.

Yours sincerely

Luxembourg, 27 February 2014

MORGAN STANLEY INVESTMENT FUNDS
By order of the Board