

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.

As advised by BNP Paribas Investment Partners, there will be the following changes on the underlying funds with effect from April 30, 2015 (unless otherwise specified below).

1. Changes of the Underlying Fund of the Investment Choice

- *Parvest Bond USD Government "Classic-Capitalisation" (BPUBU)(the "Investment Choice")*

The underlying fund of the Investment Choice, Parvest Bond USD Government (the “Underlying Fund”), will be renamed as **Parvest Bond USD Short Duration** and its investment policy will be revised as follows:

Current Investment Policy	Revised Investment Policy
<p>The underlying fund invests at least two-thirds of its assets in bonds and/or securities treated as equivalent to bonds denominated in USD and issued and/or guaranteed by the US federal government, and also in derivatives on this type of asset.</p> <p>The remainder, namely one-third of its assets maximum, may be invested in any other transferable securities, money market instruments, derivatives or cash, and also, within a limit of 10% of the assets, in UCITS or UCIs.</p>	<p>The underlying fund invests at least 2/3 of its assets in <i>USD denominated debt securities such as US treasury debt securities or notes, sovereign government bonds, supranationals bills & notes (defined as securities issued by international organisations, whereby member states transcend national boundaries), mortgage backed securities (both agency and non-agency), corporate bonds including high yield corporate bonds, asset backed securities and other structured debts, money market instruments and deposits</i>, and in financial derivative instruments on this type of asset.</p> <p><i>With regards to investments in structured debts¹ the following ratios apply:</i></p> <ul style="list-style-type: none"> • <i>0-30% US Agency MBS</i> • <i>0-10% investment grade CMBS</i> • <i>0-10% investment grade ABS issued by corporate entities and denominated in USD</i> • <i>No ABS Home Equity Loans, HELOC², CDOs nor CLOs is allowed</i> • <i>Exposure to structured debts will not exceed 30% of the NAV with a combined limit of 10% for both ABS and CMBS.</i> <p><i>In the event the portfolio ends up with any default/distressed securities³ as a result of a restricting event or any event beyond the control of the company, the manager will assess the situation and, if he believes necessary, promptly adjust the composition of the portfolio in order to preserve the best interest of the shareholders.</i></p> <p>The remaining portion, namely a maximum of 1/3 of its assets, may be invested in any other transferable securities, financial derivative instruments or cash, and also, within a limit of 10% of the assets, in UCITS or UCIs.</p> <p><i>The average duration of the portfolio does not exceed four years.</i></p>

As a consequence, the risk factors “Risk linked to Structured Debt” and “Risks related to distressed (default) securities” are also specified under the “Risk profile” of the Underlying Fund in the prospectus.

As a result of the changes above, the name of the Investment Choices will be changed to **Parvest Bond USD Short Duration "Classic-Capitalisation"** with effect from April 30, 2015.

Other changes

	Current	After Change
Calculation of global exposure	Relative VaR	Commitment Approach
Leverage	The maximum leverage under the commitment methodology is 200% of NAV	The maximum leverage calculated by commitment methodology will be 100% of NAV
Management Fee	0.75%	0.5%
Other Fee	0.3%	0.25%

¹ “Structured Debts” means “Financial package (off-balance sheet) which consists of issuing securities backed to a basket of assets (receivables, inventories, buildings, consumer loans, mortgages, etc) and based on the quality of the collateral they offer or their level of risk. The underlying assets are virtually “transformed” into assets, hence “securitization”. Income paid to the holder of the asset are derived from the underlying assets products, hence Asset-Backed Securities (ABS), Collateralised Bond Obligation (CBO), Collateralised Debt Obligation (CDO), Collateralised Mortgage Obligation (CMO), Mortgage Back Security (MBS), Commercial Mortgage Back Security (CMBS), Residential Mortgage Back Security (RMBS), Collateralised Loan Obligation (CLO).”

² “HELOC” means “Home Equity Line of Credit: A line of credit extended to a homeowner that uses the borrower’s home as collateral. Once a maximum loan balance is established, the homeowner may draw on the line of credit at his or her discretion. Interest is charged on a predetermined variable rate, which is usually based on prevailing prime rates.”

³ “Distressed (default) securities” means “Financial instruments of companies or government entities or central bank that is near or is currently going through default and or bankruptcy (inability to meet financial obligations; reorganisation, restructuring). As a result, this financial instrument suffers a substantial reduction in value (when yield to maturity is greater than 8% to 10% above the risk free rate of return and or when rated CCC or below). Distressed securities include corporate bonds, common and preferred shares, bank debt, trade claims (goods owed), warrants, convertible bonds.”

Other than the changes set out above, the extent of the use of financial derivative instruments and the operation of the Underlying Fund, and the way that the Underlying Fund is being managed will not be changed. There will be no new costs/ expenses that will be incurred and no impact that may materially prejudice existing shareholders' rights or interests.

2. **Clarification of Investment Policy of the Underlying Fund of the Investment Choice**

- *Parvest Equity China "Classic-Capitalisation" (BPHCU)*

The investment policy of Parvest Equity China, the underlying fund of the above investment choice, will be changed by (1) replacing "at least 2/3 of its assets" with "at least 75% of its assets" in the first paragraph of the investment policy; (2) removing "and in financial derivative instruments on this type of asset" from the first paragraph of the investment policy; (3) decreasing the remainder investment from "1/3 of its assets" to "25% of its assets"; (4) clarification of current practice of the investment policy; (5) clarification of the use of financial derivative instruments; and (6) clarification of the means to invest in mainland China securities. The entire change of investment policy of Parvest Equity China is set out below.

Current Investment Policy	Revised Investment Policy
<p>The underlying fund invests at least 2/3 of its assets in shares or other similar securities of companies that have their registered offices or conduct the majority of their business activities in China, Hong Kong or Taiwan and in financial derivative instruments on this type of asset.</p> <p>The remaining portion, namely a maximum of 1/3 of its assets, may be invested in any other transferable securities, money market instruments, financial derivative instruments or cash, provided that investments in debt securities of any kind do not exceed 15% of its assets, and up to 10% of its assets may be invested in UCITS or UCI.</p> <p>The underlying fund's overall exposure (via both direct and indirect investments) to mainland China equity and debt securities will not exceed 30% of its assets.</p>	<p>At all times, the underlying fund invests at least 75% of its assets in equities and/or equity equivalent securities issued by companies that have their registered offices or conduct the majority of their business activities in China, Hong Kong or Taiwan.</p> <p>The remaining portion, namely a maximum of 25% of its assets, may be invested in any other transferable securities, money market instruments, financial derivative instruments or cash, provided that investments in debt securities of any kind do not exceed 15% of its assets, and up to 10% of its assets may be invested in UCITS or UCI.</p> <p>Financial derivative instruments may be used both for hedging and trading (investment) purposes.</p> <p>In the respect of the above investments limits, the underlying fund's overall exposure (via both direct and indirect investments) to mainland China securities may reach up to 30% of its assets by investment in "China A Shares" via the RQFII and/or Stock Connect, debt securities and financial derivative instruments on this type of assets.</p>

As a consequence, the risk factors "Counterparty Risk" and "Specific risks related to investments in Mainland China" including "Change in PRC taxation risk", "Risks related to RQFII investments" and "Risks related to Shanghai – Hong Kong Stock Connect" are also specified under the "Risk profile" of the underlying fund in the prospectus.

3. **Other Matters Relating to the Underlying Funds of Some Investment Choice(s)**

- *Parvest Convertible Bond Asia "Classic-Capitalisation" (BPACU)*
 - *Parvest Bond USD Government "Classic-Capitalisation" (BPUBU)*

- With immediate effect, the latest maximum level of leverage under commitment methodology for Parvest Convertible Bond Asia and Parvest Bond USD Government, the respective underlying funds of the above investment choices, which use VaR to calculate global exposure, is updated.
- PARVEST Convertible Bond Asia and Parvest Bond USD Government are also subject to "High leverage risk" as disclosed in the Hong Kong Covering Document and Information for Hong Kong Investors.

You should refer to the relevant offering documents 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).

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

Notice to Shareholders

PART A

The following changes will be effective on 30 April 2015 (unless otherwise specified below) and will be incorporated in the next version of the Hong Kong Offering Document:

Changes of PARVEST Bond USD Government

The sub-fund will be renamed as **PARVEST Bond USD Short Duration** and its investment policy will be revised as follows:

Current Investment Policy	Revised Investment Policy
<p>The sub-fund invests at least two-thirds of its assets in bonds and/or securities treated as equivalent to bonds denominated in USD and issued and/or guaranteed by the US federal government, and also in derivatives on this type of asset.</p> <p>The remainder, namely one-third of its assets maximum, may be invested in any other transferable securities, money market instruments, derivatives or cash, and also, within a limit of 10% of the assets, in UCITS or UCIs.</p>	<p>The sub-fund invests at least 2/3 of its assets in USD denominated debt securities such as US treasury debt securities or notes, sovereign government bonds, supranationals bills & notes (defined as securities issued by international organisations, whereby member states transcend national boundaries), mortgage backed securities (both agency and non-agency), corporate bonds including high yield corporate bonds, asset backed securities and other structured debts, money market instruments and deposits, and in financial derivative instruments on this type of asset.</p> <p>With regards to investments in structured debts¹ the following ratios apply:</p> <ul style="list-style-type: none">• 0-30% US Agency MBS• 0-10% investment grade CMBS• 0-10% investment grade ABS issued by corporate entities and denominated in USD• No ABS Home Equity Loans, HELOC², CDOs nor CLOs is allowed• Exposure to structured debts will not exceed 30% of the NAV with a combined limit of 10% for both ABS and CMBS. <p>In the event the portfolio ends up with any default/distressed securities³ as a result of a restricting event or any event beyond the control of the company, the manager will assess the situation</p>

¹ "Structured Debts" means "Financial package (off-balance sheet) which consists of issuing securities backed to a basket of assets (receivables, inventories, buildings, consumer loans, mortgages, etc) and based on the quality of the collateral they offer or their level of risk. The underlying assets are virtually "transformed" into assets, hence "securitization". Income paid to the holder of the asset are derived from the underlying assets products, hence Asset-Backed Securities (ABS), Collateralised Bond Obligation (CBO), Collateralised Debt Obligation (CDO), Collateralised Mortgage Obligation (CMO), Mortgage Back Security (MBS), Commercial Mortgage Back Security (CMBS), Residential Mortgage Back Security (RMBS), Collateralised Loan Obligation (CLO)."

² "HELOC" means "Home Equity Line of Credit: A line of credit extended to a homeowner that uses the borrower's home as collateral. Once a maximum loan balance is established, the homeowner may draw on the line of credit at his or her discretion. Interest is charged on a predetermined variable rate, which is usually based on prevailing prime rates."

³ "Distressed (default) securities" means "Financial instruments of companies or government entities or central bank that is near or is currently going through default and or bankruptcy (inability to meet financial obligations; reorganisation, restructuring). As a result, this financial instrument suffers a substantial reduction in value (when yield to maturity is greater than 8% to 10% above the risk free rate of return and or when rated CCC or below). Distressed securities include corporate bonds, common and preferred shares, bank debt, trade claims (goods owed), warrants, convertible bonds."

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	<p><i>and, if he believes necessary, promptly adjust the composition of the portfolio in order to preserve the best interest of the shareholders.</i></p> <p>The remaining portion, namely a maximum of 1/3 of its assets, may be invested in any other transferable securities, financial derivative instruments or cash, and also, within a limit of 10% of the assets, in UCITS or UCIs.</p> <p><i>The average duration of the portfolio does not exceed four years.</i></p>
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As a consequence, the risk factors “Risk linked to Structured Debt” and “Risks related to distressed (default) securities” are also specified under the “Risk profile” of the sub-fund in Book II of the Prospectus. Please refer to Appendix 1 of the notice for details of the risk factors.

Other changes

	Current	After Change
Calculation of global exposure	Relative VaR	Commitment Approach
Leverage	The maximum leverage under the commitment methodology is 200% of NAV [^]	The maximum leverage calculated by commitment methodology will be 100% of NAV
Management Fee	Classic categories: 0.75% Privilege categories: 0.4%	Classic categories: 0.5% Privilege categories: 0.25%
Other Fee	Classic categories: 0.3% Privilege categories: 0.3%	Classic categories: 0.25% Privilege categories: 0.25%

[^] Please refer to the section “Other updates / enhancements” under PART C of this notice in relation to the update of maximum leverage level under the commitment methodology.

Other than the changes set out above, the extent of the use of financial derivative instruments and the operation of the sub-fund, and the way that the sub-fund is being managed will not be changed. There will be no new costs/ expenses that will be incurred and no impact that may materially prejudice existing shareholders’ rights or interests.

PART B

Clarification of Investment Policies

PARVEST Bond USD

The investment policy of the PARVEST Bond USD will be enhanced to mention examples of its current investments which is a clarification of existing practice. As a consequence, the risk factor “Risk linked to Structured Debt” (Please refer to Appendix 1 of the notice for details) is also specified under the “Risk profile” of the sub-fund in Book II of the Prospectus.

Current Investment Policy	Revised Investment Policy
<p>This sub-fund invests at least 2/3 of its assets in USD denominated debt or other similar securities and in financial derivative instruments on this type of asset.</p> <p>The remaining portion, namely a maximum of 1/3 of its assets, may be invested in any other transferable securities, money market instruments, financial derivative instruments or cash, and up to 10% of its</p>	<p>This sub-fund invests at least 2/3 of its assets in USD denominated debt securities <i>such as (but not limited to): US treasury debt securities or notes, sovereign government bonds, supnationals bills & notes (defined as securities issued by international organisations, whereby member states transcend national boundaries), mortgage backed securities (both agency and non-agency), corporate bonds</i></p>

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<p>assets may be invested in UCITS or UCI. After hedging, the sub-fund's exposure to currencies other than USD will not exceed 5%.</p>	<p><i>including high yield corporate bonds, asset backed securities and other structured debts securities and in financial derivative instruments on this type of asset.</i></p> <p><i>The sub-fund is actively managed versus its benchmark (Barclays US Aggregate). The asset allocation, including structured debts, depends on target tracking error.</i></p> <p><i>Exposure to structured debt securities including MBS, ABS, CMBS and derivatives on such securities, may exceed 20% of the sub-fund NAV and shall not exceed twice the benchmark weight of the aggregate securitized sectors in the aforesaid Index.</i></p> <p><i>In the event the portfolio ends up with any default/distressed securities as a result of a restricting event or any event beyond the control of the company, the manager will assess the situation and, if he believes necessary, promptly adjust the composition of the portfolio in order to preserve the best interest of the shareholders.</i></p> <p>The remaining portion, namely a maximum of 1/3 of its assets, may be invested in any other transferable securities, money market instruments, financial derivative instruments or cash, and up to 10% of its assets may be invested in UCITS or UCI. After hedging, the sub-fund's exposure to currencies other than USD will not exceed 5%.</p>
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To better reflect the investment policy of the sub-fund, the risk disclosures will be enhanced to specify the risk factor “Risks related to distressed (default) securities” under the “Risk profile” of the sub-fund in Book II of the Prospectus. Please refer to Appendix 1 of the notice for details of the risk factor.

PARVEST Bond World

The investment policy of the PARVEST Bond World will be enhanced to mention investments in structured debts which is a clarification of existing practice. As a consequence, the risk factor “Risk linked to Structured Debt” (Please refer to Appendix 1 of the notice for details) is also specified under the “Risk profile” of the sub-fund in Book II of the Prospectus.

Current Investment Policy	Revised Investment Policy
<p>This sub-fund invests at least 2/3 of its assets in investment grade bonds or other similar securities denominated in various currencies and in financial derivative instruments on this type of asset. The remaining portion, namely a maximum of 1/3 of its assets, may be invested in any other transferable securities, money market instruments, financial derivative instruments or cash, and up to 10% of its assets may be invested in UCITS or UCI. If these ratings criteria are not met, the manager shall adjust the portfolio's composition in the best interests of investors and in the timeliest manner.</p>	<p>This sub-fund invests at least 2/3 of its assets in investment grade <i>debt securities such as (but not limited to): treasury debt securities or notes, sovereign government bonds, supranationals bills & notes (defined as securities issued by international organisations, whereby member states transcend national boundaries), mortgage backed securities (both agency and non-agency), corporate bonds including corporate high yield corporate bonds, asset backed securities and other structured debts</i> and in financial derivative instruments on this type of asset.</p> <p><i>The sub-fund is actively managed versus its benchmark the Barclays Global Aggregate⁴. The asset allocation, including structured debts, depends on target tracking error.</i></p> <p><i>In the event the portfolio ends up with any default/distressed securities as a result of a restricting event or any event beyond the control of the company, the manager will assess the situation and, if he believes necessary, promptly adjust the</i></p>

⁴ Barclays Global Aggregate refers to Barclays Global Aggregate Gross Return Index.

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	<p>composition of the portfolio in order to preserve the best interest of the shareholders.</p> <p>The remaining portion, namely a maximum of 1/3 of its assets, may be invested in any other transferable securities, money market instruments, financial derivative instruments or cash, and up to 10% of its assets may be invested in UCITS or UCI.</p> <p>If these ratings criteria are not met, the manager shall adjust the portfolio's composition in the best interests of investors and in the timeliest manner.</p>
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To better reflect the investment policy of the sub-fund, the risk disclosures will be enhanced to specify the risk factor "Risks related to distressed (default) securities" under "Risk Profile" of the sub-fund in Book II of the Prospectus. Please refer to Appendix 1 of the notice for details of the risk factor.

PARVEST Equity China

The investment policy of PARVEST Equity China will be changed by (1) replacing "at least 2/3 of its assets" with "at least 75% of its assets" in the first paragraph of the investment policy; (2) removing "and in financial derivative instruments on this type of asset" from the first paragraph of the investment policy; (3) decreasing the remainder investment from "1/3 of its assets" to "25% of its assets"; (4) clarification of current practice of the investment policy; (5) clarification of the use of financial derivative instruments; and (6) clarification of the means to invest in mainland China securities. The entire change of investment policy of PARVEST Equity China is set out below.

Current Investment Policy	Revised Investment Policy
<p>This sub-fund invests at least 2/3 of its assets in shares or other similar securities of companies that have their registered offices or conduct the majority of their business activities in China, Hong Kong or Taiwan and in financial derivative instruments on this type of asset.</p> <p>The remaining portion, namely a maximum of 1/3 of its assets, may be invested in any other transferable securities, money market instruments, financial derivative instruments or cash, provided that investments in debt securities of any kind do not exceed 15% of its assets, and up to 10% of its assets may be invested in UCITS or UCI.</p> <p>The sub-fund's overall exposure (via both direct and indirect investments) to mainland China equity and debt securities will not exceed 30% of its assets.</p>	<p>At all times, this sub-fund invests at least 75% of its assets in equities and/or equity equivalent securities issued by companies that have their registered offices or conduct the majority of their business activities in China, Hong Kong or Taiwan.</p> <p>The remaining portion, namely a maximum of 25% of its assets, may be invested in any other transferable securities, money market instruments, financial derivative instruments or cash, provided that investments in debt securities of any kind do not exceed 15% of its assets, and up to 10% of its assets may be invested in UCITS or UCI.</p> <p>Financial derivative instruments may be used both for hedging and trading (investment) purposes.</p> <p>In the respect of the above investments limits, the sub-fund's overall exposure (via both direct and indirect investments) to mainland China securities may reach up 30% of its assets by investment in "China A Shares" via the RQFII and/or Stock Connect, debt securities and financial derivative instruments on this type of assets .</p>

For the avoidance of doubt, the financial derivative instruments that the sub-fund may invest in to access the mainland China market refer to access products which are primarily participation notes (P-Notes).

As a consequence, the risk factors "Counterparty Risk" and "Specific risks related to investments in Mainland China" including "Change in PRC taxation risk", "Risks related to RQFII investments" and "Risks related to

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Shanghai – Hong Kong Stock Connect” are also specified under the “Risk profile” of the sub-fund in Book II of the Prospectus. Please refer to Appendix 1 for the risk factor “Specific risks related to investments in Mainland China”.

PARVEST Equity BRIC

To clarify the current practice, the third paragraph of the investment policy will be replaced by the following paragraphs:

“Financial derivative instruments may be used both for hedging and trading (investment) purposes.

In the respect of the above investment limits, the sub-fund’s overall exposure (via both direct and indirect investments) to mainland China securities will not exceed 30% of its assets by investments in “China A Shares” via the RQFII and/or Stock Connect, debt securities and financial derivative instruments on this type of assets”.

For the avoidance of doubt, the financial derivative instruments that the sub-fund may invest in to access the mainland China market refer to access products which are primarily participation notes (P-Notes).

PART C

Investment Advisor

TKB BNP Paribas Investment Partners J.S.C. (“TKB”), a Russian joint-stock company member of BNP Paribas group, will no longer be the investment advisor of PARVEST Equity Europe Emerging, PARVEST Equity Russia, PARVEST Russia Opportunities and PARVEST Equity BRIC with effect from 30 March 2015. TKB assumed pure advisory role for the sub-funds without any discretionary power in the management of the sub-funds. There is no impact on the sub-funds and/or shareholders resulting from this change.

“Operational & Custody Risk” disclosure

The risk disclosure “Operational & Custody Risk” in APPENDIX 3 – INVESTMENT RISKS of the Prospectus will be enhanced by adding the following sentences at the end of the disclosure with effect from 30 March 2015.

“Operational risk is the risk of contract on financial markets, the risk of back office operations, custody of securities, as well as administrative problems that could cause a loss to the sub funds. The risk could also result from omissions and inefficient securities processing procedures, computer systems or human errors.”

Other updates / enhancements

With immediate effect, shareholders should refer to the table below for the latest maximum level of leverage under commitment methodology for the following sub-funds which use VaR to calculate global exposure. The maximum level of leverage as provided in the table will be reflected in the next version of the Hong Kong Offering Document.

Sub-fund	Level of leverage under commitment methodology as disclosed in the current Hong Kong Covering Document and Information for Hong Kong Investors dated November 2014	Latest Level of leverage under commitment methodology
PARVEST Bond USD	Up to 100% of NAV	Up to 200% of NAV
PARVEST Bond USD Government *	Up to 100% of NAV	Up to 200% of NAV
PARVEST Bond World **	Up to 250% of NAV	Up to 200% of NAV
PAVEST Convertible Bond Asia	Up to 100% of NAV	Up to 200% of NAV

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PARVEST Convertible Bond World**	Up to 250% of NAV	Up to 200% of NAV
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* As mentioned in PART A of this notice, PARVEST Bond USD Government will use commitment approach instead of relative VaR to calculate global exposure with effect from 30 April 2015. Accordingly, leverage will only be calculated under the commitment methodology with effect from 30 April 2015.

** The disclosures regarding the maximum leverage under commitment methodology for PARVEST Bond World and PARVEST Convertible Bond World in the notice dated 16 February 2015 (i.e. the maximum leverage under commitment methodology remains to be 250% of the net asset value) have been superseded by the relevant disclosures under this section.

PARVEST Bond USD, PARVEST Bond USD Government and PARVEST Convertible Bond Asia are also subject to “High leverage risk” as disclosed in the Hong Kong Covering Document and Information for Hong Kong Investors.

Shareholders who do not agree to these changes may request redemption of their shares free of charge from the date of this notice until 29 April 2015.

The Board of Directors of PARVEST accepts responsibility for the accuracy of the contents of this notice.

Hong Kong shareholders may contact BNP Paribas Investment Partners Asia Limited, the Hong Kong Representative of PARVEST, at (852) 2533 0088 for questions.

17 March 2015

The Board of Directors

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Appendix 1

Risk linked to Structured Debts:

Structured debts and securitisation involve following risks: credit risk, default risk and downgrading risk (on the different underlying asset tranches), liquidity risk.

More detailed risk warnings about structured debts

Mortgage and Other Asset Back Securities (ABS)

The yield characteristics of mortgage- and other asset-backed securities differ from traditional debt securities.

A major difference is that the principal amount of the obligation generally may be prepaid at any time because the underlying assets generally may be prepaid at any time. As a result, if an asset-backed security is purchased at a premium, a prepayment rate that is faster than expected will reduce yield to maturity, while a prepayment rate that is slower than expected will have the opposite effect of increasing yield to maturity.

Conversely, if an asset-backed security is purchased at a discount, faster than expected prepayments will increase, while slower than expected prepayments will decrease, yield to maturity.

Generally, pre-payments on fixed-rate mortgage loans will increase during a period of falling interest rates and decrease during a period of rising interest rates. Mortgage and asset-backed securities may also decrease in value as a result of increases in interest rates and, because of prepayments, may benefit less than other fixed income securities from declining interest rates. Reinvestment of prepayments may occur at lower interest rates than the original investment, thus adversely affecting a sub-fund's yield. Actual prepayment experience may cause the yield of mortgage-backed securities to differ from what was assumed when the Company purchased the security.

The market for privately issued mortgage- and asset-backed securities is smaller and less liquid than the market for U.S. government mortgage- and asset-backed securities.

Collateralized Mortgage Obligation (CMO)

Classes may be specially structured in a manner that provides any of a wide variety of investment characteristics, such as yield, effective maturity and interest rate sensitivity. As market conditions change, however, and especially during periods of rapid or unanticipated changes in market interest rates, the attractiveness of some CMO Classes and the ability of the structure to provide the anticipated investment characteristics may be significantly reduced. These changes can result in volatility in the market value, and in some instances reduced liquidity, of the CMO Classes.

Certain Classes of CMOs are structured in a manner that makes them extremely sensitive to changes in prepayments rates. IO (Interest Only) and PO (Principal Only) Classes are examples of this. IO Classes are entitled to receive all or a portion of the interest, but none (or only a nominal amount) of the principal payments, from the underlying mortgage assets. If the mortgage assets underlying an IO experience greater than anticipated principal prepayments, than the total amount of interest payments allocable to the IO Class, and therefore the yield to investors, generally will be reduced. In some instances, an investor in an IO may fail to recoup all of his or her initial investment, even if the securities are government guaranteed or considered to be of the highest quality (rated AAA or the equivalent). Conversely, PO Classes are entitled to receive all or a portion of the principal payments, but none of the interest, from the underlying mortgage assets. PO Classes are purchased at substantial discounts from par, and the yield to investors will be reduced if principal prepayments are slower than expected. Some IOs and POs, as well as other CMO Classes, are structured to have special protections against the effect of prepayments. These structural protections, however, normally are effective only within certain ranges of prepayments rates and thus will not protect investors in all circumstances.

Inverse floating rate CMO Classes also may be extremely volatile. These Classes pay interest at a rate that decreases when a specified index of market rates increases.

Non-mortgage related asset-backed securities may not have the benefit of any security interest in the underlying assets and recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The Company will only invest in asset-backed securities that the Investment Manager believes are liquid.

Risks related to distressed (default) securities:

Holding distressed securities creates significant risk due to the possibility that bankruptcy may render such securities worthless (zero recovery). While potentially lucrative, these investment strategies require significant levels of resources and expertise to analyze each instrument and assess its position in an issuer's capital structure along with the likelihood of ultimate recovery. Distressed securities tend to trade at substantial discounts to their

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intrinsic or par value and are therefore considered to be below investment grade. Under certain circumstances the sub-fund could sale these positions in the investor interest.

II. SPECIFIC RISKS RELATED TO INVESTMENTS IN MAINLAND CHINA

Certain sub-funds may invest in Chinese domestic securities market, i.e. China A-Shares, debt instruments traded on the Chinese Interbank Bond market and other permitted domestic securities in accordance with the investment policies of the relevant sub-fund. Investing in the PRC carries a high degree of risk. Apart from the usual investment risks, investing in the PRC ("People's Republic of China) is also subject to certain other inherent risks and uncertainties.

Government intervention and restriction risk:

Prior to 1978, the PRC economy was centrally planned. Since 1978, however, China has implemented a series of economic reform programmes in an effort to revitalise its economy and improve living standards through the creation of a socialist market economy. The PRC government has also been continuing to reform its state-owned enterprises in order to increase their productivity, efficiency and profitability. In March 1999, the National People's Congress of the PRC amended China's Constitution to further confirm, as a constitutional matter, that individual and private sectors of the economy constitute an important component of China's socialist market economy and that legitimate rights and interests of individual and private sectors of the economy are protected by law. The economy of China, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, state of development, growth rate, control of foreign exchange and allocation of resources.

The PRC government has in recent years implemented economic reform measures emphasising the utilisation of market forces in the development of the PRC's economy and a high level of management autonomy. However, there can be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any adjustment and modification of those economic policies may have an adverse impact on the securities markets in the PRC as well as on overseas companies which trade with or invest in the PRC.

The PRC legal system is a codified legal system. Unlike common law jurisdictions, decided cases do not form part of the legal structure of the PRC and prior court decisions may be cited for reference but have no binding effect. Experience in the implementation, interpretation and enforcement of the laws and regulations and of commercial contracts, undertakings and commitments entered into is also limited. As such, the administration of the PRC laws and regulations may be subject to a certain degree of discretion by the authorities. The outcome of dispute resolutions may not have the level of consistency or predictability as in other countries with more developed legal systems. Due to such inconsistency and unpredictability, if the sub-funds should be involved in any legal dispute in the PRC, it may experience difficulties in obtaining legal redress or in enforcing its legal rights. Thus, there is no assurance that such inconsistency or future changes in legislation or the interpretation thereof may not have any adverse impact upon the investments and the performance of the sub-funds in the PRC.

PRC Political, Economic and Social Risks:

The economy of the PRC has experienced significant growth in the past twenty years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government may from time to time adopt corrective measures to control inflation and restrain the rate of economic growth, which may also have an adverse impact on the capital growth and performance of the sub-funds. Further, political changes, social instability and adverse diplomatic developments in the PRC could result in the imposition of additional government restrictions including the expropriation of assets, confiscatory taxes or nationalisation of some or all of the investments held by the underlying securities in which the sub-funds may invest.

Government control of currency conversion and future movements in exchange rates:

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Currently, the RMB is traded in two different and separated markets, i.e. one in the Mainland China, and one outside the Mainland China (primarily in Hong Kong). The two RMB markets operate independently where the flow between them is highly restricted. Though the CNH is a proxy's of the CNY, they do not necessarily have the same exchange rate and their movement may not be in the same direction. This is because these currencies act in separate jurisdictions, which leads to separate supply and demand conditions for each, and therefore separate but related currency markets. While the RMB traded outside the Mainland China, the CNH, is subject to different regulatory requirements and is more freely tradable, the RMB traded in the Mainland China, the CNY, is not a freely convertible currency and is subject to foreign exchange control policies of and repatriation restrictions imposed by the central government of the Mainland China. Investors should note that such restrictions may limit the depth of the RMB market available outside of Mainland China. If such policies or restrictions change in the future, the position of the sub-funds or its Shareholders may be adversely affected. Generally speaking, the conversion of CNY into another currency for capital account transactions is subject to SAFE ("State Administration of Foreign Exchange") approvals. Such conversion rate is based on a managed floating exchange rate system which allows the value of CNY to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Any divergence between CNH and CNY may adversely impact investors who intend to gain exposure to CNY through investments in a sub-fund.

Accounting and Reporting Standards:

PRC companies which may issue RMB securities to be invested by the sub-funds are required to follow PRC accounting standards and practices which follow international accounting standards to a certain extent. However, the accounting, auditing and financial reporting standards and practices applicable to PRC companies may be less rigorous, and there may be significant differences between financial statements prepared in accordance with the PRC accounting standards and practice and those prepared in accordance with international accounting standards. As the disclosure and regulatory standards in China are less stringent than in more developed markets, there might be substantially less publicly available information about Chinese issuers. Therefore, less information may be available to the sub-funds and other investors. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

Changes in PRC taxation risk:

Investment in the relevant sub-funds may involve risks due to fiscal measures that the Chinese government could impose on foreign investors. According to Circular 79 (caishui [2014] No.79), published on 14 November 2014, RQFIIs without an establishment or place in China are temporarily exempt from withholding tax on capital gains and business taxes on capital gains realised from the trading in direct equity investments in PRC enterprises with effect from 17 November 2014. Circular 81 (Caishui [2014] No.81), also published on 14 November 2014, provided that Northbound investors in Stock Connect (including certain sub-funds) are temporarily exempt from withholding tax and Business tax on capital gains realised from the trading of A-Shares through Stock Connect. These exemptions are a temporary measure and there is no guidance on how long this will be in place and what measures (if any) will be announced if this exemption is eventually removed. Circular 155 (Caishui [2005] No.155) exempts Business Tax on gains derived from the trading in direct equity investments in PRC enterprises by QFIIs. It is uncertain whether RQFIIs benefit from the same exemption.

Accordingly, the sub-funds may have to make a provision to cover potential taxes without prior notification in the event that an amendment to tax legislation were decided or expected or a removal of the current exemptions. Circular 79 did not provide an exemption from withholding tax on capital gains derived from non-equity assets and accordingly provision to cover such potential taxes will be made.

For dividends, interest and potentially other income, applicable PRC taxes are withheld at source at the moment of payment. Therefore, no provision is made in the NAV Calculation for these taxes. There can be no guarantee that new tax laws, regulations and practice in the PRC specifically relating to the RQFII regime or the Shanghai-Hong Kong Stock Connect may be announced in the future. Such new laws, regulations and practice may operate to the advantage or disadvantage of the investors due to the sub-funds' investments in the PRC market.

Risks related to RQFII investments

RQFII Regulations:

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The RQFII Regulations are relatively new. The application and interpretation of such investment regulations are therefore relatively untested and there is no certainty as to how they will be applied as the PRC authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future.

RQFII Quota:

The Investment Manager of the relevant RQFII sub-funds⁵ has obtained a RQFII license and has been granted a RQFII investment quota (the “RQFII Quota”) through which the Investment Manager may invest on behalf of RQFII sub-funds directly in China domestic securities. To the extent the Investment Manager has, on behalf of the RQFII sub-funds, utilised its entire RQFII Quota, the Investment Manager may, subject to any applicable regulations, apply for an increase of its RQFII quota. There can however be no assurance that additional RQFII quota can be obtained to fully satisfy subscription requests in a RQFII sub-fund, which may result in a need to close such RQFII sub-fund to further subscriptions, to reject and/or (pending receipt of additional RQFII Quota) to defer all or part of any new subscription requests, subject to the provisions of this Prospectus. On the other hand, the size of the quota may generally be reduced or cancelled by the relevant Chinese authorities if the RQFII is unable to use its RQFII quota effectively within one (1) year since the quota is granted. Also, regulatory sanctions may be imposed on RQFIIs if the latter (or the PRC Custodian – please see “PRC Custodian Risks” below) breach any provision of the RQFII Regulations, which could potentially result in the revocation of the RQFII quota or other regulatory sanctions that may impact on the portion of the RQFII Quota made available for investment by the RQFII sub-funds. Should the Investment Manager lose its RQFII status or its investment quota is revoked or reduced, a RQFII sub-fund may no longer be able to invest directly in China or may be required to dispose of its investments in the Chinese domestic securities markets held through the RQFII Quota, which could have an adverse effect on its performance or result in a significant loss.

Investment Restrictions and Repatriation Risks:

A RQFII sub-fund may be impacted by the rules and restrictions under the RQFII Regulations (including investment restrictions, limitations on foreign ownership or holdings), which may have an adverse impact on its performance and/or its liquidity. The SAFE regulates and monitors the repatriation of funds out of the PRC by RQFIIs pursuant to the RQFII Regulations. Repatriations by RQFIIs in respect of an open-ended RQFII sub-fund, such as the RQFII sub-funds, conducted in RMB are currently conducted daily and are not subject to repatriation restrictions or prior approval. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the RQFII sub-funds’ ability to meet redemption requests from the Shareholders. In extreme circumstances, the RQFII sub-funds may incur significant loss due to limited investment capabilities, or may not be able fully to implement or pursue its investment objectives or strategies, due to RQFII investment restrictions, illiquidity of the PRC’s securities markets, and delay or disruption in execution of trades or in settlement of trades.

PRC Custodian Risks:

The Investment Manager (in its capacity as a RQFII’s licence holder) and the Depositary have appointed a local sub-custodian approved by Chinese authorities (the “PRC Custodian”) to maintain the RQFII sub-funds’ assets in custody in the PRC, pursuant to relevant laws and regulations. Onshore PRC securities are registered in the name of “the full name of the Investment Manager – the name of the RQFII sub-fund” in accordance with the relevant rules and regulations, and maintained by the PRC Custodian in electronic form via a securities account with the China Securities Depository and Clearing Corporation Limited (“ChinaClear”) and cash shall be maintained in a cash account with the PRC Custodian.

The Depositary will make arrangements to ensure that the PRC Custodian has appropriate procedures to properly safe-keep the RQFII sub-funds’ securities, including maintaining records that clearly show that such RQFII sub-funds’ securities are recorded in the name of such RQFII sub-fund and segregated from the other assets of the PRC Custodian. Investors should however note that cash deposited in the cash account of the RQFII sub-funds with the PRC Custodian will not be segregated but will be a debt owing from the PRC Custodian to the RQFII sub-funds. Such cash will be co-mingled with cash belonging to other clients of the PRC Custodian. In the event

⁵ The Investment Manager with the RQFII license and RQFII quota would be appointed as the Investment Manager of the relevant RQFII sub-fund when such sub-fund has decided to invest directly in China domestic securities via RQFII.

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of bankruptcy or liquidation of the PRC Custodian, the RQFII sub-funds will not have any proprietary rights to the cash deposited in such cash account, and will be treated and ranked an unsecured creditor, ranking *pari passu* with all other unsecured creditors, of the PRC Custodian. The RQFII sub-funds may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the RQFII sub-funds will suffer losses. Also, the RQFII sub-funds may incur losses due to the acts or omissions of the PRC Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities.

PRC Brokerage Risk:

The execution and settlement of transactions or the transfer of any funds or securities may be conducted by brokers (“PRC Brokers”) appointed by the Investment Manager. Reasonably competitive commission rates and prices of securities will generally be sought to execute the relevant transactions in PRC markets. It is possible that, in circumstances where only a single PRC Broker is appointed where it is considered appropriate to do so by the Investment Manager, the RQFII sub-funds may not necessarily pay the lowest commission or spread available, but the transaction execution will be consistent with best execution standards and in the best interest of the Shareholders. Notwithstanding the foregoing, the Investment Manager will seek to obtain the best net results for the RQFII sub-funds, taking into account such factors as prevailing market conditions, price (including the applicable brokerage commission or dealer spread), size of order, difficulties of execution and operational facilities of the PRC Broker involved and the PRC Broker’s ability to position efficiently the relevant block of securities.

Specific risks related to investments in Mainland China equity securities

In common with other emerging markets, the Chinese market may be faced with relatively low transaction volumes, and endure periods of lack of liquidity or considerable price volatility. The existence of a liquid trading market for Chinese A-Shares may depend on whether there is supply of, and demand for, such Chinese A-Shares. The price at which securities may be purchased or sold by the RQFII sub-funds and the net asset value of the RQFII sub-funds may be adversely affected if trading volumes on markets for Chinese A-Shares (Shanghai Stock Exchange and Shenzhen Stock Exchange) are limited or absent. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention). Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the RQFII sub-funds. Subscriptions and redemptions of Shares in the RQFII sub-funds may also be disrupted accordingly.

Trading limitations Risk:

Securities exchanges in the PRC typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges in the PRC on Chinese A-Shares, where trading in any Chinese A-Share on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Investment Manager to liquidate positions and can thereby expose the RQFII sub-funds to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the Investment Manager to liquidate positions at a favourable price. Fall in value: Chinese A-Shares may fall in value. Investors may suffer losses as a result. The RQFII sub-funds are not principal guaranteed and the purchase of its Shares is not the same as investing directly in Chinese A-Shares.

Specific risk related to investments in Mainland China debt securities

Investors should note that the securities markets in the PRC generally and the PRC bond markets in particular are both at a developing stage and the market capitalisation and trading volume may be lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volumes in the PRC’s debt markets may result in prices of securities traded on such markets fluctuating significantly, and may result in substantial volatility in the net asset value of the RQFII sub-funds. The national regulatory and legal framework for capital markets and debt instruments in the PRC are still developing when compared with those of developed countries. Currently, PRC entities are undergoing reform with the intention of increasing liquidity of debt instruments. However, the effects of any development or reform on the PRC’s debt markets remain to be seen.

Risks related to Shanghai – Hong Kong Stock Connect

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Eligible securities:

Stock Connect comprises a Northbound trading link and a Southbound trading link. Under the Northbound trading link, Hong Kong and overseas investors will be able to trade certain stocks listed on the Shanghai Stock Exchange (“SSE”) market (i.e. “SSE Securities”). These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on Hong Kong Exchanges and Clearing Limited (“HKEx”), except the following:

- (a) SSE-listed shares which are not traded in RMB; and
- (b) SSE-listed shares which are included in the “risk alert board”.

It is expected that the list of eligible securities will be subject to review. This may affect the investment portfolio or strategies of investors. Investors should therefore pay close attention to the list of eligible securities as provided and renewed from time to time by SSE and HKEx.

Differences in trading day:

Stock Connect will only operate on days when both the Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but the sub-funds cannot carry out any China A-Shares trading. The sub-funds may be subject to a risk of price fluctuations in China A-Shares during the time when Stock Connect is not trading as a result. This may adversely affect the sub-funds’ ability to access mainland China and effectively pursue their investment strategies. This may also adversely affect the sub-funds’ liquidity.

Settlement and Custody:

The Hong Kong Securities Clearing Company Limited (“HKSCC”) will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

The China A-Shares traded through Stock Connect are issued in scriptless form, so sub-funds will not hold any physical China A-Shares. Sub-funds should maintain the SSE Securities with their brokers’ or custodians’ stock accounts with CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on HKEx).

Trading fees:

In addition to paying trading fees in connection with China A-Shares trading, the sub-funds may be subject to new fees which are yet to be determined by the relevant authorities.

Quota limitations:

Stock Connect is subject to quota limitations. In particular, once the remaining balance drops to zero or the daily quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the sub-fund’s ability to invest in China A-Shares through Stock Connect on a timely basis, and the sub-funds may not be able to effectively pursue its investment strategies.

Operational risk:

Stock Connect provides a new channel for investors from Hong Kong and overseas to access the China stock market directly. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. There is no assurance that the systems of the HKEx and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the program could be disrupted. The sub-fund’s ability to access the China A-Share market (and hence to pursue its investment strategy) will be adversely affected.

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Clearing and settlement risk:

The HKSCC and ChinaClear will establish the clearing links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. Should ChinaClear be declared as a defaulter, HKSCC's liabilities in trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. In that event, the sub-funds may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

Regulatory risk:

Stock Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong from time to time. The regulations are untested and there is no certainty as to how they will be applied.

Ownership of China A-Shares:

China A-Shares acquired by the sub-funds through the Stock Connect are recorded in the name of HKSCC in its omnibus account held with ChinaClear. The China A-Shares are held in custody under the depository of ChinaClear and registered in the shareholders' register of the relevant listed Companies. HKSCC will record such China A-Shares in the CCASS stock account of the clearing participant.

Under Hong Kong law, HKSCC will be regarded as the legal owner of the China A-Shares and will be regarded as holding the beneficial entitlement to the China A-Shares on behalf of the relevant clearing participant. Depending on the custody arrangements between a clearing participant and a sub-fund, such clearing participant will in turn generally be regarded as holding the beneficial entitlement for such sub-fund.

Under PRC law there is a lack of a clear definition of, and distinction between, "legal ownership" and "beneficial ownership". It is generally understood that the overseas investors (such as the sub-funds) will generally be recognised as the "ultimate owners" of the China A-Shares and the regulatory intention appears to be that the overseas investors should have proprietary rights over the China A-Shares under PRC laws. However the exact nature and methods of enforcement of the rights and interests of the overseas investors in the China A-Shares under PRC laws is not free from doubt. As the Stock Connect is a recent initiative there may be some uncertainty surrounding such arrangements. In addition, while overseas investors may have proprietary rights over the China A-Shares, HKSCC as nominee is not obliged to enforce such rights in Mainland China on behalf of such investors. Accordingly, the sub-fund's ability to enforce its rights and interests in the China A-Shares may be adversely affected or suffer delay.

Currency:

SSE Securities will be traded and settled in RMB only. Hence, sub-funds which are denominated in currencies other than RMB will be subject to currency conversion risk.

Investor compensation:

Since the sub-funds will carry out Northbound trading through securities brokers in Hong Kong but not PRC brokers, they are not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in the PRC.

Further information about Stock Connect is available online at the website:

http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm