

**This notice contains important information that requires your immediate attention. Should you have any queries, you are recommended to seek independent professional advice. YF Life Insurance International Ltd. (the “Company”) accepts responsibility for the accuracy of the contents of this notice.**

The following change(s) in investment choice(s) relate(s) to the “Global Series” and “Premier-Choice Series” plans. The “Global Series” includes Global InvestPlan and Global InvestPlus. The “Premier-Choice Series” includes Premier-Choice ULife InvestPlan, Premier-Choice Flexi, Premier-Choice Flexi Plus, Premier-Choice InvestPlan and Premier-Choice PLUS InvestPlan. (Collectively, the “Schemes”)

### **Creation of Restricted Share Class and Reopening of the Underlying Fund of the Existing Investment Choice**

- YF Life Franklin Templeton Eastern Europe Fund "A(acc)" Shares (FTEEU)(the “Existing Investment Choice”)

#### **Background**

As previously mentioned by the “Notification for Change of Investment Choice” dated 10 March 2022, 25 May 2022 and 1 September 2022 respectively, the Existing Investment Choice is suspended for dealing with effect from 28 February 2022 due to the suspension of the dealing and calculation of net asset value of its underlying fund, Franklin Templeton Investment Funds - Templeton Eastern Europe Fund (the “Underlying Fund”). Currently, the Existing Investment Choice is linked to A(acc) EUR share class of the Underlying Fund.

As advised by Franklin Templeton Investments (Asia) Limited, the board of directors of Franklin Templeton Investment Funds (the “Board”) suspended the calculation of the net asset value of the Underlying Fund on 28 February 2022 as the Russian assets of the Underlying Fund have become illiquid due to the crisis and restricted measures undertaken in the context of the invasion of Ukraine. After careful analysis of the available liquidity management tools, and in order to avoid keeping the investors in the suspended Underlying Fund for a longer period, the (“Board has decided to implement, with effect as of 11 November 2022 (the “Effective Date”), a segregation of the illiquid Russian assets (including Russian local shares and Russian assets listed ex-Russia)(the “Restricted Assets”) of the Underlying Fund from the liquid assets of the Underlying Fund. Accordingly, on the Effective Date:

- (1) the Underlying Fund will be reopened for dealing with only the liquid assets;
- (2) the Restricted Assets will be allocated to the newly created share classes (the “Restricted Share Classes”); and
- (3) shares in the Restricted Share Classes (“RC Shares”) will be allocated to existing investors in the Underlying Fund.

The Board considers the measures set out herein to be in the best interest of investors while maintaining fair treatment for all investors of the Underlying Fund.

For A(acc) EUR share class of the Underlying Fund, the corresponding Restricted Share Class A(acc) EUR RC will be created. Accordingly, a new investment choice, namely “YF Life Franklin Templeton Eastern Europe Fund "A(acc) RC" Shares” (the “New Investment Choice”)(which will be linked to the new Restricted Share Class A(acc) EUR RC of the Underlying Fund will be made available to the Scheme with effect from the Effective Date. Notional units of the New Investment Choice will be allocated to the policies with existing notional units in the Existing Investment Choice on the Effective Date.

#### **Allocation and valuation of RC Shares**

On the Effective Date, the Restricted Assets will be transferred from the existing share classes of the Underlying Fund to the Restricted Share Classes, along with €100,000.00 in cash<sup>1</sup> to cover operating expenses of the Restricted Share Classes. Should the Restricted Assets remain valued at zero as at the Effective Date, the Restricted Share Class Level AUM (as defined in the formula in the Appendix) will be solely based on such cash minus any expenses and ongoing costs<sup>2</sup>. RC Shares will be allocated on a 1:1 basis based on the number of corresponding shares in the Existing Share Classes.

#### **Reopening of dealing in the Underlying Fund**

Upon creation of the Restricted Share Classes on the Effective Date, the NAV suspension applied on the Underlying Fund will be lifted on the same date with respect to the non-restricted part of the Underlying Fund’s portfolio.

After the issue of the RC Shares to all investors in the Underlying Fund as described above, the Restricted Share Classes will be closed to subscriptions, redemptions and switches.

<sup>1</sup> The €100,000.00 in cash is considered a reasonable estimate of the operating expenses for the Restricted Share Classes under the assumption that these classes may remain in operation for a significant period of time. Should the operating expenses exceed the aggregate of €100,000.00 and the realisation proceeds and income of all the Restricted Assets, the management company will cover the shortfall.

<sup>2</sup> Such expenses and ongoing costs include audit, regulatory, legal or tax related fees, as well as any AUM-based fees such as depositary fees, custody fees and tax d’abonnement fees if there is an increase in value on the Restricted Assets, but exclude any fees payable to the management company of the Underlying Fund and its affiliates.

#### Ongoing valuation of the Underlying Fund

The NAV per share of each class of the Underlying Fund will continue to be determined in accordance with the procedures set forth in the explanatory memorandum. A separate NAV per RC Share shall be calculated daily but no dealing in the RC Shares will be permitted. No additional fees apply to the Restricted Share Classes. Fees will be reduced to the minimum operating expenses, such as audit, regulatory, legal or tax related fees, as well as any AUM-based fees such as depositary fees, custody fees and tax d'abonnement fees if there is an increase in value on the Restricted Assets<sup>3</sup>. Should such fees and expenses exceed the aggregate of the amount of cash that has been allocated to the Restricted Share Classes and the realisation proceeds and income of all the Restricted Assets, the management company of the Underlying Fund will cover the shortfall. For the sake of clarity, no investment management fees, administration nor maintenance charge would apply.

#### What are the next steps of the Underlying Fund

The Board will regularly re-evaluate the situation of the Restricted Assets and carefully analyse measures to take once certain of the Restricted Assets become liquid. Once the Restricted Assets become liquid and tradable, positions will be redeemed, realised or liquidated in the best interest of the investors. If there is any realization of the Restricted Assets in the future, we will notify you on the arrangement of the Existing Investment Choice in due course.

There will be no material change in the investment objective, policies and restrictions of the Underlying Fund following the implementation of the measures described herein, and save as set out above, no material change in dealing and pricing arrangements will result. The expenses incurred in the creation of the Restricted Share Classes, including legal, accounting, custody and other administration costs will be borne by the management company of the Underlying Fund.

#### What does this mean to the Schemes and to you

Consequential to the reopening of the Underlying Fund, the following arrangement will apply to the Schemes.

##### **a) Reopening of the Existing Investment Choice**

With effect from the Effective Date, the Existing Investment Choice will be reopened for any new subscription, new instruction for regular premium allocation, redemption and switching.

If you have any instruction of subscription, redemption or switching of the Existing Investment Choice submitted for valuation date on or after 28 February 2022 which has not been withdrawn by 4 November 2022, your request will be processed on the Effective Date.

##### **b) Launch of the New Investment Choice**

With effect from the Effective Date, the New Investment Choice, which is linked to a Restricted Share Class of the Underlying Fund, will be made available to the Schemes with details as follows:

<b>Name of Investment Choice</b>	YF Life Franklin Templeton Eastern Europe Fund "A(acc) RC" Shares
<b>Code</b>	FTERU
<b>Risk Level</b>	4
<b>Name of Corresponding Underlying Fund</b>	Franklin Templeton Investment Funds - Templeton Eastern Europe Fund
<b>Name of Management Company/ Fund Manager of Underlying Fund</b>	Franklin Templeton International Services S.à r.l.
<b>Share Class of Underlying Fund</b>	A(acc) RC
<b>Currency of Investment Choice</b>	USD
<b>Currency of Underlying Fund</b>	EUR

However, **to align with the treatment of the Underlying Fund, the New Investment Choice will be closed for any subscription, redemption, regular premium allocation and switching upon launch.** All the relevant costs for the launch of the New Investment Choice will be borne by the Company.

<sup>3</sup> Please note that fixed fees applicable to the Underlying Fund that are not AUM-based (e.g. audit fees) will be equally allocated to all Restricted and non-Restricted Share Classes.

#### Summary of the changes

	Before the Effective Date	From the Effective Date onwards	
	Existing Investment Choice	Existing Investment Choice	New Investment Choice
<b>Investment choice/ Code</b>	YF Life Franklin Templeton Eastern Europe Fund "A(acc)" Shares / FTEEU	YF Life Franklin Templeton Eastern Europe Fund "A(acc)" Shares / FTEEU	YF Life Franklin Templeton Eastern Europe Fund "A(acc) RC" Shares / FTERU
<b>Underlying fund / share class</b>	Franklin Templeton Investment Funds - Templeton Eastern Europe Fund / A(acc)	Franklin Templeton Investment Funds - Templeton Eastern Europe Fund / A(acc)	Franklin Templeton Investment Funds - Templeton Eastern Europe Fund / A(acc) RC
<b>Asset type</b>	Restricted Assets & non-Restricted Assets	Non-Restricted Assets	Restricted Assets
<b>Status</b>	Closed for dealing	To be reopened for dealing	To be closed for dealing

#### Impact to the affected policyholders

**a) Policies with existing notional units of the Existing Investment Choice**

Notional units in the New Investment Choice will be allocated to the policies with existing notional units of the Existing Investment Choice on a 1:1 basis based on the number of notional units in the Existing Investment Choice on the Effective Date. However, the New Investment Choice will be closed for any subscription, redemption, regular premium allocation and switching upon launch.

For example, if you have 100 notional units of the Existing Investment Choice, 100 notional units of the New Investment Choice will be allocated to your policy on the Effective Date. The notional units of the Existing Investment Choice will be reopened for dealing on the Effective Date but the notional units of New Investment Choice will be closed for any subscription, redemption, regular premium allocation and switching upon launch.

**b) Policies with instruction on the Existing Investment Choice submitted for valuation date on or after 28 February 2022**

Your instruction of subscription, redemption or switching of notional units of the Existing Investment Choices will be processed on the Effective Date unless you have withdrawn by 4 November 2022.

**c) Policies with existing regular premium allocation to the Existing Investment Choice**

Your regular premium for the Existing Investment Choice received/to be received by the Company since 25 February 2022 but before the Effective date will be processed on the Effective Date unless you have withdrawn by 4 November 2022.

Any regular premium to be received by the Company on or after the Effective Date will also be invested in the Existing Investment Choice according to your existing regular premium allocation instruction.

#### Actions to be taken

No action is required if you still wish to invest in the Existing Investment Choice.

If you no longer wish to invest in the Existing Investment Choice, you may:

- submit a request to us to change (1) the previous instruction for the Existing Investment Choice submitted to us and/or (2) regular premium allocation to the Existing Investment Choice, that has/have not yet been processed due to dealing suspension of the Existing Underlying Fund, by 4 November 2022 by using the "Request for Change of Policy Value/Account Value Arrangement Form (A15)" which can be obtained from your Consultant or our Customer Service Hotline;
- switch your existing notional units in the Existing Investment Choice to other investment choice(s) available under the Schemes free of switching charge on or after the Effective Date (Note: such switching request will not affect the number of notional units in the New Investment Choice to be allocated to your policy on the Effective Date); and/or
- redirect the existing regular premium allocation to Existing Investment Choice to other investment choice(s) available under the Schemes free of charge by submission of reallocation instruction at any time.

You can make the request for ((ii) and (iii) by using the "Request for Change of Policy Value/Account Value Arrangement Form (A15)". If you have registered for the e-Policy Service account, you can also submit such request through the online system ([www.yflife.com](http://www.yflife.com)).

**Investment involves risk. For details of the Schemes and the investment choices available under the Schemes (including risk factors and charges), please refer to the offering documents of the Schemes and the offering documents of the underlying funds. For any enquiries, please contact YF Life Insurance International Ltd. - Customer Service Hotline at (852) 2533 5555 (Hong Kong)/(853) 2832 2622 (Macau).**

**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 YF Life Insurance International Ltd. upon request, or visit our website ([www.yflife.com](http://www.yflife.com)) to carefully read the details of the relevant documents in relation to the above change(s).**

## Appendix - Allocation model of Existing Share Class and Restricted Share Class of the Underlying Fund

Restricted AUM (Restricted Assets + cash<sup>1</sup> – expenses<sup>2</sup>) x (multiplied by) Share Class Allocation Ratio  
= Restricted Share Class Level AUM

Restricted Share Class NAV per share = Restricted Share Class Level AUM / RC Shares

Restricted Assets	Assume 0 value as at Effective Date
Cash (transferred from Existing Share Classes)	€100,000.00 <sup>1</sup>
Expenses <sup>2</sup>	-€10,000.00
= Restricted AUM	<b>€90,000.00</b>

### Information on Existing Share Classes as at 25 February 2022

Existing Share Class	Number of Shares of Existing Share Class	Existing Share Class Level AUM (in class currency)
A(acc) EUR	4,946,465.817	€102,956,207.41
Other existing share classes (EUR)	1,510,548.29	€22,255,955.56
Other existing share class (USD)	1,238,702.076	\$29,033,677.62

### Information on Restricted Share Classes for illustration

Restricted Share Class	Share Class Allocation Ratio	Number of RC Shares	Restricted Share Class Level AUM (in class currency)	NAV per RC Share
A(acc) EUR RC	68.1914	4,946,465.817	€61,372.26	€0.01
Other Restricted Share Classes (EUR)	14.7402	1,510,548.294	€13,266.18	€0.01
Other Restricted share class (USD)	17.0684	1,238,702.08	\$16,145.00	\$0.01

<sup>1</sup> The €100,000.00 in cash is considered a reasonable estimate of the operating expenses for the Restricted Share Classes under the assumption that these classes may remain in operation for a significant period of time. Should the operating expenses exceed the aggregate of €100,000.00 and the realisation proceeds and income of all the Restricted Assets, the management company of the Underlying Fund will cover the shortfall.

<sup>2</sup> Such expenses and ongoing costs include audit, regulatory, legal or tax related fees, as well as any AUM-based fees such as depositary fees, custody fees and tax d'abonnement fees if there is an increase in value on the Restricted Assets, but exclude any fees payable to the management company of the Underlying Fund and its affiliates.



**FRANKLIN  
TEMPLETON**

Franklin Templeton Investments  
(Asia) Limited  
富蘭克林鄧普頓投資(亞洲)有限公司  
17/F, Chater House  
8 Connaught Road Central  
Hong Kong  
t +852 2877-7733  
f +852 2877-5401  
www.franklintempleton.com.hk

**This letter is important and requires your immediate attention.**

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

Hong Kong, 10 October 2022

Dear Investors,

- Franklin Templeton Investment Funds (the “Company”)**
- **Creation of the Restricted Share Classes in Templeton Eastern Europe Fund (the “Fund”) and reopening for dealing of the non-restricted part of the Fund’s portfolio**

This letter is intended for investors who hold shares of the Fund via an account with (i) Franklin Templeton Investments (Asia) Limited (the “**Hong Kong Representative**”) or (ii) a duly authorized intermediary for the Hong Kong market (collectively, “**Investors**”).

The purpose of this letter is to inform Investors of the creation of the Restricted Share Classes (as defined below) in the Fund and reopening for dealing of the non-restricted part of the Fund’s portfolio with effect from 11 November 2022 (the “**Effective Date**”).

Unless otherwise specified herein, capitalized terms used in this letter shall have the meanings assigned to such terms in the Explanatory Memorandum of the Company dated July 2022, as amended from time to time (the “**Explanatory Memorandum**”).

As stated in our previous communication to you, on 28 February 2022, the Board of Directors took the decision, in accordance with the Explanatory Memorandum, to temporarily suspend the calculation of the Net Asset Value (“NAV”) of the Fund, due to its high exposure in assets that have become illiquid. That decision was a result of the crisis and restrictive measures undertaken in the context of the invasion of Ukraine as notified to the Commission de Surveillance du Secteur Financier (“CSSF”) and the Securities and Futures Commission of Hong Kong, which resulted in the Fund’s Russian assets (including Russian local shares and Russian assets listed ex-Russia) (the “**Restricted Assets**”) becoming illiquid. Facing this situation, the Board of Directors has subsequently decided on the way forward regarding the Fund and the mechanisms ensuring the equal treatment of all shareholders regarding the Restricted Assets. At the time of the decision to suspend the daily NAV calculation, the asset under management (“AUM”) of the Fund was €150,983,225.00.

When addressing the issue of illiquid assets in the Fund, the Board of Directors has considered the exceptional situation and restrictive measures in the context of the invasion of Ukraine, the Fund’s high exposure to illiquid and non-tradable assets in the portfolio as well as the Fund’s documentation and investment policy and the CSSF FAQ of 31 March 2022 on Application of Liquidity Management Tools by Investment Funds (the “**CSSF FAQ**”).

After careful analysis of the available liquidity management tools and in order to avoid keeping the shareholders in the suspended Fund for a longer period, the Board of Directors has resolved to implement, with effect as of the Effective Date, a segregation of the Restricted Assets from the liquid assets of the Fund. Accordingly, on the Effective Date:

- (1) the Fund will be reopened for dealing with only the liquid assets;
- (2) the Restricted Assets will be allocated to the newly created share classes (the “**Restricted Share Classes**”); and
- (3) Shares in the Restricted Share Classes (“**RC Shares**”) will be allocated to existing shareholders in the Fund.

Detailed procedures for implementing the above measures are further described below. The Board of Directors considers the measures set out herein to be in the best interest of shareholders while maintaining fair treatment for all shareholders of the Fund.

All shareholders in the Fund shall be allocated their pro-rata portion of the Restricted Assets, evidenced by the issue of equivalent number of RC Shares. This operation will be realised by the creation of seven new Restricted Share Classes with new ISIN codes and with the same class currency and distribution type as the corresponding share class held in the Fund.

The 7 new Restricted Share Classes will be named as follows:

Existing Share Class	New Restricted Share Class
Templeton Eastern Europe Fund - A (acc) EUR	<b>A (acc) EUR RC</b>
Templeton Eastern Europe Fund - A (Ydis) EUR <sup>1</sup>	<b>A (Ydis) EUR RC</b>
Templeton Eastern Europe Fund - I (acc) EUR <sup>1</sup>	<b>I (acc) EUR RC</b>
Templeton Eastern Europe Fund - N (acc) EUR	<b>N (acc) EUR RC</b>
Templeton Eastern Europe Fund - W (acc) EUR <sup>1</sup>	<b>W (acc) EUR RC</b>
Templeton Eastern Europe Fund - X (acc) EUR <sup>1</sup>	<b>X (acc) EUR RC</b>
Templeton Eastern Europe Fund - A (acc) USD	<b>A (acc) USD RC</b>

#### Allocation and valuation of RC Shares

On the Effective Date, the Restricted Assets will be transferred from the Existing Share Classes to the Restricted Share Classes, along with €100,000.00 in cash<sup>2</sup> to cover operating expenses of the Restricted Share Classes. Should the Restricted Assets remain valued at zero as at the Effective Date, the Restricted Share Class Level AUM (as defined in the formula below) will be solely based on such cash minus any expenses and ongoing costs<sup>3</sup>.

The share class allocation ratio as of the last valuation point, 25 February 2022 (the “**Share Class Allocation Ratio**”), will be used to determine the number of units apportioned to the Restricted Share Classes. The Share Class Allocation Ratio is the portion of each Existing Share Class AUM divided by the total AUM of the Fund. RC Shares will be allocated on a 1:1 basis based on the number of corresponding shares in the Existing Share Classes

<sup>1</sup> This share class is not available to the public in Hong Kong.

<sup>2</sup> The €100,000.00 in cash is considered a reasonable estimate of the operating expenses for the Restricted Share Classes under the assumption that these classes may remain in operation for a significant period of time. Should the operating expenses exceed the aggregate of €100,000.00 and the realisation proceeds and income of all the Restricted Assets, the Management Company will cover the shortfall.

Restricted AUM (Restricted Assets + cash<sup>4</sup> – expenses<sup>3</sup>) x (multiplied by) Share Class Allocation  
Ratio = Restricted Share Class Level AUM

Restricted Share Class NAV per share = Restricted Share Class Level AUM / RC Shares

The table below is an allocation model provided for illustration:

Restricted Assets	Assume 0 value as at Effective Date
Cash (transferred from Existing Share Classes)	€100,000.00 <sup>4</sup>
Expenses <sup>3</sup>	-€10,000.00
= Restricted AUM	<b>€90,000.00</b>

Information on Existing Share Classes as at 25 February 2022

Existing Share Class	Number of Shares of Existing Share Class	Existing Share Class Level AUM (in class currency)
A (acc) EUR	4,946,465.817	€102,956,207.41
A (Ydis) EUR <sup>1</sup>	44,283.366	€911,397.58
I (acc) EUR <sup>1</sup>	648,101.690	€10,584,872.02
N (acc) EUR	308,255.663	€5,721,773.56
W (acc) EUR <sup>1</sup>	363,551.529	€3,694,330.47
X (acc) EUR <sup>1</sup>	146,356.046	€1,343,581.93
A (acc) USD	1,238,702.076	\$29,033,677.62

Information on Restricted Share Classes for illustration

Restricted Share Class	Share Class Allocation Ratio	Number of RC Shares	Restricted Share Class Level AUM (in class currency)	NAV per RC Share
A (acc) EUR RC	68.1914	4,946,465.817	€61,372.26	€0.01
A (Ydis) EUR RC <sup>1</sup>	0.6036	44,283.366	€543.24	€0.01
I (acc) EUR RC <sup>1</sup>	7.0102	648,101.690	€6,309.18	€0.01
N (acc) EUR RC	3.7899	308,255.663	€3,410.91	€0.01
W (acc) EUR RC <sup>1</sup>	2.4467	363,551.529	€2,202.03	€0.01
X (acc) EUR RC <sup>1</sup>	0.8898	146,356.046	€800.82	€0.01
A (acc) USD RC	17.0684	1,238,702.076	\$16,145.00	\$0.01

<sup>3</sup> Such expenses and ongoing costs include audit, regulatory, legal or tax related fees, as well as any AUM-based fees such as depositary fees, custody fees and tax d'abonnement fees should we see an increase in value on the Restricted Assets, but exclude any fees payable to the Management Company of the Fund and its affiliates.

<sup>4</sup> The €100,000.00 in cash is considered a reasonable estimate of the operating expenses for the Restricted Share Classes under the assumption that these classes may remain in operation for a significant period of time. Should the operating expenses exceed the aggregate of €100,000.00 and the realisation proceeds and income of all the Restricted Assets, the Management Company will cover the shortfall.

### **Reopening of dealing in the Fund**

Upon creation of the Restricted Share Classes on the Effective Date, the NAV suspension applied on the Fund will be lifted on the same date with respect to the non-restricted part of the Fund's portfolio. Any trade instruction received during the suspension period will be executed in full on the Effective Date, unless cancelled before the cut off time of 4:00 p.m. Hong Kong time on the Effective Date. In particular, investors should note that all subscriptions and redemptions submitted during the suspension will be executed on the non-restricted share classes of the Fund on the Effective Date (unless they are cancelled by the relevant investor prior to the lifting of suspension). Such subscriptions and redemptions will be processed using the current NAV prices published for the non-restricted share classes of the Fund on the Effective Date. For clarity's sake, a redemption from the Fund would not affect the shareholder's status with respect to its holding in the relevant Restricted Share Class. Subscriptions after the re-opening for dealing, whether from existing investors or new investors, will not be entitled to any RC Shares or its NAV.

After the issue of the RC Shares to all shareholders in the Fund as described above, the Restricted Share Classes will be closed to subscriptions, redemptions and switches.

### **Ongoing valuation of the Fund**

The NAV per share of each class of the Fund will continue to be determined in accordance with the procedures set forth in the Explanatory Memorandum. A separate NAV per RC Share shall be calculated daily but no dealing in the RC Shares will be permitted. No additional fees apply to the Restricted Share Classes. Fees will be reduced to the minimum operating expenses, such as audit, regulatory, legal or tax related fees, as well as any AUM-based fees such as depositary fees, custody fees and tax d'abonnement fees should we see an increase in value on the Restricted Assets<sup>5</sup>. Should such fees and expenses exceed the aggregate of the amount of cash that has been allocated to the Restricted Share Classes and the realisation proceeds and income of all the Restricted Assets, the Management Company will cover the shortfall. For the sake of clarity, no Investment Management Fees, Administration nor Maintenance Charge would apply. Such a separate asset value of RC Shares will be communicated to Shareholders on the website of the Hong Kong Representative at <https://www.franklintempleton.com.hk/en-hk><sup>6</sup>.

The Restricted Share Classes shall contain the Restricted Assets and cash (transferred from Existing Share Classes to cover operating expenses of the Restricted Share Classes) until such time as those positions have been redeemed, realised or liquidated in the best interest of the shareholders. Required expenses incurred in relation to the Restricted Share Classes will be allocated to and borne by the Restricted Share Classes in accordance with the rules laid down in the Articles and will be paid upon any interim payment made to shareholders or upon redemption, realisation or liquidation of the positions attributable to the Restricted Share Classes. Any interim payment made to shareholder is net of the required expenses incurred in relation to the Restricted Share Classes.

### **Explanatory Memorandum and financial report disclosure**

The Explanatory Memorandum will be updated, to reflect (i) the existence of the new Restricted Share Classes, (ii) the fact that they are suspended and that no subscriptions, redemptions or switches are possible and (iii) the prohibition for the Fund to invest, until further notice, in Russian or Belarussian assets.

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<sup>5</sup> Please note that fixed fees applicable to the Fund that are not AUM-based (e.g. audit fees) will be equally allocated to all Restricted and non-Restricted Share Classes.

<sup>6</sup> The website has not been reviewed by the Securities and Futures Commission of Hong Kong.



In addition, information on the Restricted Assets will be regularly disclosed in the annual and semi-annual reports of the Company.

### **What are the next steps**

The Board of Directors will regularly re-evaluate the situation of the Restricted Assets and carefully analyse measures to take once certain of the Restricted Assets become liquid. Once the Restricted Assets become liquid and tradable, positions will be redeemed, realised or liquidated in the best interest of the shareholders.

All holders of the RC Shares will receive cash liquidation proceeds from the realisation of all or part of the Restricted Assets<sup>7</sup> at the same time, based on the number of RC Shares held by each of them. A transaction confirmation will be sent to your attention accordingly, including the details of such operation. Once all Restricted Assets corresponding to the RC Shares have been realised, all RC shares will be cancelled and payments will be made to shareholders holding RC Shares. The Restricted Share Classes will then cease to exist.

### **What does this mean for you**

Upon creation of the Restricted Share Classes, the NAV suspension applied on the Fund will be lifted with respect to the non-restricted part of the Fund's portfolio with effect on the Effective Date.

This means that:

- deals in the unrestricted share classes will be allowed and processed as per the terms and conditions of the Explanatory Memorandum,
- any trade instruction received during the suspension period will be executed on the first Valuation Day following the end of the suspension i.e.: the Effective Date, unless you decide to cancel it before 4:00pm Hong Kong time on the Effective Date.

There will be no material change in the investment objective, policies and restrictions of the Fund following the implementation of the measures described herein, and save as set out above, no material change in dealing and pricing arrangements will result.

### **Costs of the creation of the Restricted Share Classes**

The expenses incurred in the creation of the Restricted Share Classes, including legal, accounting, custody and other administration costs will be borne by the Management Company.

There are no outstanding unamortized preliminary expenses in relation to the Fund.

### **Tax implications to Hong Kong investors**

The creation of the Restricted Share Classes will not be a subject to taxation of the Fund in Luxembourg but may however have an impact on individual tax situation of shareholders depending on their tax domiciles or other jurisdictions where they pay taxes. As tax laws differ widely from country to country, shareholders are advised to consult their tax advisers.

Under the existing Hong Kong law and practice, for so long as the Company and the Fund are authorised by the Securities and Futures Commission of Hong Kong pursuant to Section 104 of the Securities and Futures Ordinance (Cap. 571), the Fund is exempt from Hong Kong profits tax or other withholding taxes on dividends received, on interest from any source and on profits realised on the sale of securities.

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<sup>7</sup> We do not expect circumstances where the realized proceeds in the Restricted Assets would be held back. We would look to distribute them to the shareholders as soon as practically workable following the realization.

Shareholders resident in Hong Kong generally will not be subject to tax in Hong Kong in respect of their acquisition, holding, redemption or disposal of shares or on the income from such shares. Where transactions in the shares form part of a trade, profession or business carried on in Hong Kong, Hong Kong profits tax may be payable on the gains received. No Hong Kong stamp duty or estate duty will be payable by shareholders in respect of their shares.

The above statements regarding taxation must not be construed as tax advice and are based on advice received by the Management Company regarding the law and practice in force in Hong Kong at the date of the notice. Investors should be aware that levels and bases of taxation are subject to change and that the value of any relief from taxation depends upon the individual circumstances of the taxpayer. Investors should consult their independent tax advisors regarding the possible tax implications.

**What you need to do**

You do not need to do anything. Please note that you are entitled to withdraw any pending buy, switch or redemption instructions you have submitted by sending notice in writing at the latest by 4:00 p.m. Hong Kong time on the Effective Date. Written notice should be sent to the Hong Kong Representative.

**Availability of Documents**

The Explanatory Memorandum, the KFS of the Fund, the Articles and the financial reports of the Company are available from the Hong Kong Representative, upon request, free of charge.

**Need more information?**

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

If you require any further information, please do not hesitate to contact your investment consultant, call our Investor Hotline at +852 2805 0111 or contact the Hong Kong Representative at 17/F, Chater House, 8 Connaught Road Central, Hong Kong. If you are not a duly authorized intermediary for the Hong Kong market, please be advised that you are not required to forward this letter to your end clients.

Yours faithfully,

Franklin Templeton Investments (Asia) Limited  
富蘭克林鄧普頓投資(亞洲)有限公司  
As Hong Kong Representative of the Company