DCI Investment Trust (the "Trust")

Da Cheng China RMB Fixed Income Fund (the "Sub-Fund")

Notice to Unitholders

IMPORTANT NOTE:
If you are in any doubt about the contents of this Notice, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Da Cheng International Asset Management Company Limited accepts responsibility for the information contained in this Notice as being accurate at the date hereof.

Dear Unitholders,

Reversal of Provisions in respect of Corporate Income Tax and Value-Added Tax, Change to tax provisioning policy and Adjustment to Net Asset Value

Unless otherwise defined in this Notice, capitalised terms used in this Notice shall have the same meaning as defined in the Explanatory Memorandum of the Sub-Fund dated December 2018, as amended from time to time.

We, the Manager of the Trust and the Sub-Fund, are writing to inform you about:

(i) reversal of provisions in respect of PRC corporate income tax ("**CIT**") and value-added tax ("**VAT**"): The Manager has reversed the provisions in respect of CIT and VAT and local surtaxes on VAT made on the bond interest income received by the Sub-Fund from its investments in the China bond markets from 7 November 2018 to 27 December 2018 (the "**Effective Date**") (both days inclusive) (the "**Reversal**"). This has the effect of increasing the Net Asset Value of the Sub-Fund as at the Effective Date. Persons who have already transferred or redeemed their Units in the Sub-Fund before the Effective Date will not be entitled or have any right to claim any part of the amount representing the reversal of provision; and

(ii) change to tax provisioning policy: With effect from the Effective Date, the Manager will temporarily cease to make any provision in respect of CIT and VAT and local surtaxes on VAT on the bond interest income received by the Sub-Fund from its investments in the China bond markets up to and including 6 November 2021.

Background

Corporate Income Tax

As previously disclosed in the Explanatory Memorandum of the Sub-Fund, unless a specific exemption or reduction is available under PRC tax laws and regulations or relevant tax treaties, non-PRC tax resident enterprises without an establishment or place of business in the PRC are subject to CIT on a withholding basis, generally at a rate of 10%, to the extent it directly derives PRC-sourced passive income. In that respect, the Sub-Fund's income from interests of companies from PRC tax enterprise, received by the Sub-Fund via RQFII or Stock Connect, is generally subject to PRC CIT at a rate of 10%, unless reduced or exempt in accordance with an applicable tax treaty signed with the PRC.

The Manager has therefore been making a provision of 10% for the account of the Sub-Fund in respect of any potential CIT on interest from PRC securities if such tax is not withheld at source at the time when such income is received.

Under the prevailing PRC tax regulations, interest income derived from bonds issued by the State Council's Finance Bureau and/or local government bonds approved by the State Council is specifically exempt from CIT.

Value-Added Tax and other local surtaxes

As previously disclosed in the Explanatory Memorandum of the Sub-Fund, interest income is subject to PRC VAT at the rate of 6% unless there is a specific VAT exemption under the tax regulations. Pursuant to Caishui [2016] No.36, coupon interest income received from PRC government bonds or local government bonds and deposit interest income are exempt from PRC VAT. In the absence of any specific VAT exemption on coupon interest income granted to overseas investors under the prevailing tax regulations, non-government bond coupon interest income (e.g. financial bonds, policy bank bonds, corporate bonds) received by overseas investors from the PRC is technically subject to 6% VAT. If VAT is applicable, there are also other local surtaxes (including Urban Maintenance and Construction Tax, Education Surcharge and Local Education Surcharge, etc) that could amount to as high as 12% of the VAT payable.

The Manager has therefore been making a provision in an amount equal to the total of (i) for VAT, 6% of the bond coupon interest (except PRC government bonds or local government bonds) received by the Sub-Fund; plus (ii) for the potential local surtaxes on VAT, 12% of the VAT amount stated in (i). In other words, the provision is equal to 6.72% of the bond coupon interest (except PRC government bonds or local government bonds) received by the Sub-Fund.

Change in PRC tax policies

On 7 November 2018, the Ministry of Finance (the "**MOF**") and the State Administration of Taxation (the "**SAT**") jointly issued circular Caishui [2018] No.108, which stipulates that foreign institutional investors (such as the Sub-Fund) are exempt from CIT and VAT and surtaxes on VAT in respect of bond interest income received from 7 November 2018 up to and including 6 November 2021 from investments in the China bond markets.

General

As stated in the Explanatory Memorandum, there are uncertainties in the Manager's determination of tax provision, and there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively, and that such changes may result in higher taxation on PRC investments than originally contemplated. Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

The Explanatory Memorandum also provided that, if the actual applicable tax rate levied by SAT is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. On the other hand, if the actual applicable tax levied by SAT is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before SAT's ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision.

Change to the Sub-Fund's tax provisioning approach in respect of CIT and VAT on the bond interest income derived from investments in the China bond markets

The Manager, acting in the best interests of Unitholders, assesses the provisioning approach in respect of CIT and VAT on an on-going basis. Given the Manager's accumulated knowledge about CIT and VAT, the Manager has reassessed the provisioning approach of CIT and VAT. After careful consideration of the reassessment and having taken and considered independent professional tax advice, the Manager has determined that, from the Effective Date, no provisions will be made for CIT and VAT and local surtaxes on VAT on the bond interest income received by the Sub-Fund up to and including 6 November 2021 from its investments in the China bond markets.

After careful consideration of the reassessment of the Manager and having taken and considered the independent professional tax advice, the Sub-Fund will reverse the provisions in respect of CIT and VAT and local surtaxes on VAT made on the bond interest income received by the Sub-Fund from 7 November 2018 up to and including the Effective Date from its investments in the China bond markets, i.e. pay back to the Sub-Fund such provisions of CIT and VAT. The Reversal will be effected on the Effective Date. For the avoidance of doubt, any provision made in respect of CIT and VAT and local surtaxes on VAT on bond interest income received by the Sub-Fund markets prior to 7 November 2018 from its investments in the China bond will be retained.

The Manager believes that the change in the Sub-Fund's tax provisioning approach as described above is in the best interests of the Unitholders of the Sub-Fund.

Impact of change to the provisioning approach to investors

Net Asset Value upon the Reversal

The Reversal had a positive impact on the Net Asset Value of the Sub-Fund as at the Effective Date and each subsequent Dealing Day. The amount of the Reversal and the positive impact on the Net Asset Value of the Sub-Fund as a result of such Reversal is set out below:

Total amount of reversal of provision (RMB):	128,724.98
Increase in Net Asset Value per Unit (RMB):	0.06

Previous Unitholders

As disclosed in the Explanatory Memorandum, Unitholders who have already redeemed their Units in the Sub-Fund before the Effective Date will not be entitled to or have any right to claim any part of the amount representing the reversed CIT and VAT provisions of the Sub-Fund.

Trustee

In reliance of the relevant information provided by the Manager and its representations made to the Trustee, the Trustee has no objection to the arrangements as set out above.

Risk Factors

It should be noted that there is a possibility of the PRC tax rules, regulations and practice being changed and taxes being applied retrospectively. The Net Asset Value of the Sub-Fund may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by the PRC tax authorities.

The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the provisioning policy of the Sub-Fund accordingly, after consulting with independent professional tax advisor. The Manager will act in the best interest of the Sub-Fund at all times.

Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If no provision is made by the Manager in relation to all or part of the actual tax levied by the SAT in future, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. On the other hand, if the actual applicable tax levied by SAT is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before SAT's ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax amount can be returned to the account of the Sub-Fund as assets thereof.

Unitholders may be disadvantaged depending upon the final tax liabilities and when they subscribed and/or redeemed their Units in the Sub-Fund. Unitholders should seek their own tax advice on their tax position with regard to their investments in the Sub-Fund.

If you have any queries, please direct these to your financial adviser or alternatively to us at (852) 3765 6788.

Da Cheng International Asset Management Company Limited

28 December 2018