

---

**Important**

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

Unless otherwise stated in this notice, capitalized terms used herein shall have the same meaning as defined in the Explanatory Memorandum of Value Partners High-Dividend Stocks Fund (the “**Trust**”) dated 22 April 2016, as amended by the Addendum dated 15 July 2016, the Second Addendum dated 5 December 2016, the Third Addendum dated 28 March 2018, the Fourth Addendum dated 5 October 2018, the Fifth Addendum dated 16 November 2018 and the Sixth Addendum dated 10 June 2019 (together, the “**Explanatory Memorandum**”).

Value Partners Hong Kong Limited, the Manager of the Trust, accepts full responsibility for the accuracy of the information contained in this notice and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this notice misleading as at the date of issuance.

20 June 2019

**NOTICE TO UNITHOLDERS –  
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND (the “Trust”)**

Dear Unitholders,

We are writing to inform you that the Explanatory Memorandum will be amended by way of the Seventh Addendum to reflect additional disclosures on performance fee calculation. The relevant change will take effect one month from the date of this notice, i.e. 20 July 2019 (the “**Effective Date**”). Such change will not affect the Classes of Units which do not make distributions.

It is currently disclosed in the Explanatory Memorandum (as amended by the Third Addendum dated 28 March 2018) that performance fee is payable annually on a high-on-high basis in accordance with the following formula:

$$(A-B) \times C \times D$$

where:

“A” is the Net Asset Value per Unit of a particular Class as at the Performance Fee Valuation Day which is the last Valuation Day of each calendar year (prior to the deduction of any provision for any performance fee and any distribution declared or paid in respect of that performance period).

In order to avoid ambiguity, we wish to clarify that “that performance period” in the definition of “A” refers to the “relevant performance period(s) since the last performance fee is crystallised and paid”. Accordingly, the following amendments in bold and underlined will be made to the definition of “A”:-

*““A” is the Net Asset Value per Unit of a particular Class as at the Performance Fee Valuation Day which is the last Valuation Day of each calendar year (prior to the deduction of any provision for any performance fee and any distribution declared or paid in respect of ~~that~~ **the relevant** performance period**(s) since the last performance fee is crystallised and paid**).”*

### Illustrative Example

Assumptions:

Class	HWM as at 31 Dec 2017	Distribution Paid in 2018	NAV as at 31 Dec 2018	Distribution Paid in 2019	NAV as at 31 Dec 2019
Accumulation Class	\$120	-	\$108	-	\$129.6
Distribution Class	\$105	\$5	\$89.5	\$5	\$102.4

- a) A performance fee is charged at the end of 2017, giving a High Water Mark (“**HWM**”) of \$120 for the Accumulation Class and \$105 for the Distribution Class.
- b) In 2018, the Trust loses 10%, thus:
- The NAV of the Class which does not make distributions (“**Accumulation Class**”) drops from \$120 to \$108
  - The Class which makes distributions (“**Distribution Class**”) pays a distribution of \$5
  - The NAV of the Distribution Class falls from \$105 to \$89.5 after payment of the distribution, i.e. a loss of 10% from \$105 to \$94.5 (being \$89.5 plus \$5 distribution)
  - No Performance Fee is charged. The HWM remains unchanged
- c) In 2019, the Trust gains 20%, thus:
- The NAV of the Accumulation Class increases from \$108 to \$129.6
  - The Distribution Class pays another distribution of \$5
  - The NAV of the Distribution Class increases from \$89.5 to \$102.4, i.e. a gain of 20% from \$89.5 to \$107.4 (being \$102.4 plus \$5 distribution)
  - A performance fee becomes payable for 2019

The gain on which it was intended that a performance fee should be payable in 2019 is:-

Accumulation Class:	NAV as at 31 Dec 2019	- HWM	= Gain
	\$129.6	- \$120	= \$9.6
Distribution Class:	[NAV as at 31 Dec 2019 + Distribution paid <i>since performance fee last paid</i> ]	- HWM	= Gain
	[\$102.4 + (\$5 + \$5)]	- \$105	= \$7.4

Assuming the distribution paid in 2018 was reinvested in the Trust and also experienced a 20% gain in 2019, both the Accumulation Class (\$9.6/\$120) and Distribution Class ( [\$7.4+(\$5x20%)]/\$105 ) experience an identical gain of 8% for calculation of performance fee.

However, if the definition of “A” is interpreted to be based on the current year only rather than the periods since the last performance fee is crystallised and paid, then the performance fee charged on the Distribution Class would change as set out below:-

Distribution Class:	[NAV as at 31 Dec 2019 + Distribution paid <i>in 2019</i> ]	- HWM	= Gain
	[\$102.4 + \$5]	- \$105	= \$2.4

The gain of the Distribution Class subject to a performance fee drops from \$7.4 to \$2.4 (i.e. 2%), creating a difference in the performance fee to be paid compared to the Accumulation Class.

In addition to ensuring the performance fee is applied equally to all Classes of Units with similar fee structure, this methodology ensures that a performance fee is only charged on the actual gain made by each Class of Units.

The Explanatory Memorandum of the Trust will be amended and available on our website ([www.valuepartners-group.com](http://www.valuepartners-group.com))<sup>1</sup> and for your inspection free of charge at the Manager's office during normal business hours (except on Saturdays, Sundays and public holidays) from the Effective Date.

If you have any questions relating to the above, please contact our Fund Investor Services Team at (852) 2143 0688 or email us at [FIS@vp.com.hk](mailto:FIS@vp.com.hk). We would like to take this opportunity to thank you for your valuable support and we look forward to be of continued service to you.

**Value Partners Hong Kong Limited**

---

<sup>1</sup> This website has not been reviewed or authorized by the SFC.

This page is intentional left blank