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BLACKROCK GLOBAL FUNDS

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25 October 2017

Dear Shareholder,

We, BlackRock Asset Management North Asia Limited, as Hong Kong Representative of BlackRock Global Funds (the "**Company**") is writing to you to advise you of the following changes proposed to be made to the Company and its sub-funds (the "**Funds**").

Unless otherwise indicated, the changes set out in this letter will take effect from 8 December 2017 (the "**Effective Date**") and this letter forms notice to shareholders of the facts set out below.

Terms not defined herein shall have the same meaning as set out in the Company's prospectus (the "**Prospectus**").

1. **Global Inflation Linked Bond Fund ("GILBF")**

(a) Investment in non-investment grade fixed income securities

Currently, the investment policy of GILBF provides that it invests only in fixed income securities which are investment grade at the time of purchase. In order to increase the flexibility in achieving its investment objective, GILBF will be permitted to invest to a limited extent (10 per cent) in non-investment grade fixed income securities. "**Non-investment grade fixed income securities**" are defined as fixed income securities which are unrated or rated, at the time of purchase, BB+ (Standard and Poor's or equivalent rating) or lower by at least one recognised rating agency or, in the opinion of the Management Company, are of comparable quality.

Risks associated with non-investment grade fixed income securities include credit/counterparty risk, interest rate risk, valuation risk and credit rating risk, etc. Non-investment grade fixed income securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than higher rated fixed income securities. Please refer to "**Fixed Income Transferable Securities**" in the "**Risk Considerations**" section of the Prospectus for further information regarding the risks associated with investment in non-investment grade fixed income securities.

The investment objective and policy of GILBF will be revised as set out in Appendix I.

(b) Benchmark

GILBF currently invests in a range of inflation linked government bonds and to a lesser extent corporate bonds. In order to take advantage of the prevailing inflation rate environment and for better flexibility in achieving its investment objective, the board of directors (the "**Directors**") have decided that it would be in the best interests of shareholders to change the benchmark used as the risk management benchmark for the calculation of the relative value at risk from the "Barclays World Government Inflation-Linked Bond Index" to the "Bloomberg Barclays World Government Inflation-Linked 1-20yr Index USD Hedged". This reference benchmark is also used as the performance benchmark of GILBF, and thus the change of benchmark will result in a change of its investment policy, as detailed below.

Currently, GILBF's reference benchmark (i.e. "Barclays World Government Inflation-Linked Bond Index") is a full maturity benchmark. Where GILBF invests with reference to the current benchmark, there is no particular limit on the maturity of its portfolio.

The new reference benchmark (i.e. "Bloomberg Barclays World Government Inflation-Linked 1-20yr Index USD Hedged") has a maturity of 1 to 20 years. Therefore, this change of reference benchmark will result in a change in the investment policy of GILBF in respect of its duration profile. In particular, there will be an immediate reduction to the duration profile of GILBF with the intention that the maturity of the majority of the fixed income securities held will be less than 20 years. However, since GILBF is actively managed, it still has the flexibility to invest in fixed income securities which have a maturity profile outside of the 1 to 20 years range.

Duration is an approximate measure of a bond's price sensitivity to changes in interest rates. It is intended that the change will make it easier for investors to take an investment view on inflation prospects within their fixed income asset allocation without causing a mismatch of duration positions as a consequence.

Please refer to Appendix I for the revised investment objective and policy of GILBF. The change described above is not expected to materially affect the overall risk profile of GILBF or change its expected level of leverage.

2. **New Energy Fund ("NEF")**

NEF invests in new energy companies on a global basis and more specifically those companies that seek to contribute to and benefit from the transition to a renewable, lower carbon economy. In addition, the portfolio management team refrains from investing in companies that could exacerbate the global carbon emissions problem. There is currently no specific restriction for NEF in terms of investment in companies with significant exposure to coal and consumables, oil and gas exploration and production, and integrated oil and gas (collectively, the "**Relevant Sectors**").

Since there is increasing investor demand on imposing a restriction on exposure to the Relevant Sectors, the Directors have decided to expand the investment policy of NEF to formalise a restriction on investment in companies with significant exposure to the Relevant Sectors. After the change, NEF will no longer be allowed to invest in companies that are classified in the Relevant Sectors.

As NEF has never invested in companies in the Relevant Sectors, the underlying portfolio will not change and is expected to have the same risk profile, i.e. the risks associated with new energy companies generally, after the change. There is also no change to the expected leverage level of NEF.

The investment objective and policy of NEF will be revised as set out in the Appendix II.

3. **Change of name of the US Dollar Core Bond Fund ("USDCBF")**

The name of USDCBF will change from "US Dollar Core Bond Fund" to "US Dollar Bond Fund". This is only a change of name and will not result in any change to the investment objective and policy of USDCBF. The risk profile of USDCBF will remain unchanged.

4. **Dealing in Fund Shares**

From the Effective Date, where shareholders subscribe for or redeem Shares having a specific value, the number of Shares dealt in as a result of dividing the specific value by the applicable Net Asset Value ("**NAV**") per Share will be rounded to up to four decimal places (rather than two decimal places which is currently the case). Such rounding may result in a benefit to the Fund or the shareholder. Confirmation of the Net Asset Value per Share for any transaction will be shown on your contract note.

5. **Costs associated with the Company entering into a credit line**

As currently disclosed in the Prospectus, if a Fund has made borrowings, any repayment of monies borrowed, together with accrued interest, shall be paid out of the assets of the respective Fund. To date, as per the terms of the Prospectus, the Administration Fee is used by the Management Company to meet all fixed and variable operating and administrative costs and expenses incurred by the Company. As such, any commitment fee associated with entering into a credit line is currently payable out of the Administration Fee received by the Management Company.

As part of its liquidity management process, the Prospectus is being updated to provide that, if the Company enters into a credit line with a third party bank for the benefit of all Funds, any costs associated with entering into such a credit line (including repayment of any monies borrowed, together with accrued interest, and, from the Effective Date, any commitment fee that may be due to the lender), is payable out of the assets of the relevant Funds. This change may result in an immaterial increase in the fees applied to the relevant Funds, as further illustrated below.

In other words, from the Effective Date, any commitment fee which arises from borrowings will be paid out of the assets of the relevant Funds. Such fee will be allocated between the relevant Funds on a fair and equitable basis.

A credit line would be entered into for the benefit of a Fund in order to provide liquidity in extreme market conditions. Since the provisions of this credit facility is in the best interests of the shareholders of the relevant Funds, it is believed to be reasonable for the relevant Funds to absorb the associated costs.

This change will apply to all Funds. However, any new Funds will not automatically be allowed access to a credit line and will therefore be required to be added by way of a joinder process. This process includes, inter alia, any necessary due diligence being carried out by the lenders in order to approve the addition of the new Funds. During this period, such Funds will not be subject to, or able to draw down on, any credit line. Furthermore, there is no guarantee that the addition of any new Funds will be approved by the lenders, or that credit will be available to a Fund since the credit line is subject to availability (on an equitable allocation basis) between the Funds and other BlackRock funds participating in the credit agreement. As such, certain Funds may not be subject to the credit line and will not incur any fees with respect to same.

As an illustrative example, the commitment fees paid in the last quarter of 2016 were approximately USD200,000 and the total NAV of the Funds included in the credit facility totals USD 122 billion. If such amount of commitment fees were to be allocated to and paid by the relevant Funds, each Fund would have been subject to an increase in fees of approximately 0.00066% of the total NAV of the Funds per annum.

6. **Cost associated with tax reclaims**

As mentioned above, it is currently disclosed in the Prospectus that the Administration Fee is used by the Management Company to meet all fixed and variable operating and administrative costs and expenses incurred by the Company. As such, any costs relating to withholding tax reclaims outside of the EU (plus any taxes or interest thereon) are currently payable out of the Administration Fee received by the Management Company.

From the Effective Date, any costs relating to withholding tax reclaims outside of the EU (plus any taxes or interest thereon) will be paid by the Company and will be allocated between the relevant Funds on a fair and equitable basis (in the same way as such costs are accounted for in relation to EU withholding tax reclaims).

The Company has had a good degree of success with its withholding tax reclaims to date. Also, before a withholding tax reclaim outside of the EU is made, a cost-benefit analysis will be performed to ensure that the value of tax being reclaimed would far outweigh the costs for doing so. Therefore, it would be reasonable for any costs associated with non-EU withholding tax reclaims to be paid by the Company and allocated between the relevant Funds on a fair and equitable basis, instead of being paid out of the Administration Fee.

Nevertheless, to the extent that a non-EU withholding tax reclaim is not successful, it may result in an immaterial increase in the fees applied to the relevant Funds due to the costs allocated to the Funds.

7. **Investment in derivatives**

Following a strategic investment review of the Company, the Directors have decided to expand or clarify the use of derivatives as part of the investment policy of the following Funds:

(a) Euro Bond Fund, Euro Corporate Bond Fund, Euro Short Duration Bond Fund, Flexible Multi-Asset Fund, Global Inflation Linked Bond Fund, US Dollar Core Bond Fund (to be renamed as US Dollar Bond Fund), US Dollar Short Duration Bond Fund and US Government Mortgage Fund (each a "**Relevant Fund**", and collectively, the "**Relevant Funds**")

It is currently disclosed in the Hong Kong offering documents that the Relevant Funds do not use derivatives extensively or primarily for investment purposes. From the Effective Date, the investment policies of the Relevant Funds will be revised such that the Relevant Funds will have the flexibility to use derivatives *extensively* for investment purposes.

The Board believes the additional flexibility will be in the best interests of shareholders as it will help create a wider investible universe in order to better manage risk and maximise the performance of the Relevant Funds. The introduction of this flexibility will ensure that the investment characteristics and positioning of the Relevant Funds remain both relevant to and consistent with the current investment environment and expectations of shareholders.

As a result, the following enhanced derivatives disclosures will be included in the Hong Kong offering documents for the purpose of complying with Hong Kong specific disclosure requirements:

- Addition of details on the derivatives strategies used by the Relevant Funds, including that certain derivatives used by the Relevant Funds may be in respect of asset classes not correlated with the underlying securities positions held by the Relevant Funds;

- Addition of the expected maximum levels of leverage of the Relevant Funds using the commitment approach;

- Enhancement of risk disclosures relating to the Relevant Funds' derivatives usage;
- Enhancements to details on the risk management policy and methods employed by the Relevant Funds to effectively measure and manage the risks associated with investments in derivatives.

The below tables summarise the maximum levels of leverage under commitment approach of the Relevant Funds for your reference:

	Historical (as of April 2016)	Historical (as of June 2017)	Expected level after the change
Euro Bond Fund	15%	31%	**75%**
Euro Corporate Bond Fund	27%	35%	**75%**
Euro Short Duration Bond Fund	55%	75%	**125%**
Flexible Multi-Asset Fund	65%	64%	**120%**
Global Inflation Linked Bond Fund	18%	12%	**99%**
US Dollar Core Bond Fund (to be renamed as US Dollar Bond Fund)	35%	53%	**180%**
US Dollar Short Duration Bond Fund	23%	56%	**80%**
US Government Mortgage Fund	82%	78%	**160%**

The change may also result in an increase in the overall risk profiles of the Relevant Funds through extensive use of derivatives for investment purposes. Please also refer to paragraph (c) below for the risks associated with investment in derivatives generally.

(b) Funds other than the Relevant Funds (i.e. the "**Other Funds**")

For the Other Funds, it will be clarified that use of derivatives will be allowed as part of their investment policies.

However, notwithstanding this clarification, for the purpose of the current Hong Kong-specific disclosure requirements the Other Funds (except for the Fixed Income Global Opportunities Fund) will not use derivatives extensively or primarily for investment purposes, as currently disclosed in the Hong Kong offering documents. Since the Other Funds (except for the Fixed Income Global Opportunities Fund) do not use derivatives extensively or primarily for investment purposes and Fixed Income Global Opportunities Fund will continue to be able to use derivatives extensively for investment purposes after the change, the change is not expected to materially affect the overall risk profile of the Other Funds. This does not imply any change in the expected maximum level of leverage for any of the Other Funds.

For the avoidance of doubt, the Euro Reserve Fund and US Dollar Reserve Fund will continue to be able to use derivatives for hedging purposes only.

Please refer to paragraph (c) below for the risks associated with investment in derivatives generally.

(c) Risks associated with investment in derivatives

Risks associated with investment in derivatives include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a derivative can result in a loss significantly greater than the amount invested in the derivative. Exposure to derivatives may lead to a high risk of significant loss by the Funds. Certain derivatives such as derivatives on currencies, inflation and indices may be uncorrelated with the underlying securities held by the Funds. In this regard the Funds may suffer significant losses notwithstanding that there may be no loss in respect of the underlying securities positions held by the Funds. Please refer to "**Derivatives - General**" in the "**Risk Considerations**" section of the Prospectus for further information regarding the risks associated with investment in derivatives.

8. **Investment in asset backed securities ("ABS") and mortgage backed securities ("MBS")**

In simple terms, ABS and MBS are debt securities backed or collateralised by the income stream from an underlying pool of assets or mortgage loans respectively.

The obligations associated with these securities may be subject to greater credit, liquidity and interest rate risk compared to other fixed income securities such as government issued bonds. For this reason, in order to provide Shareholders with higher transparency regarding their use, the investment policies of each relevant Fund will be expanded or clarified as follows:

(a) Fixed Income Global Opportunities Fund, Global Multi-Asset Income Fund, US Dollar Core Bond Fund (to be renamed as US Dollar Bond Fund), US Dollar Short Duration Bond Fund and World Bond Fund (each a "**Relevant Fund**", and collectively, the "**Relevant Funds**")

The investment policies of the Relevant Funds (except for Fixed Income Global Opportunities Fund) are currently silent as to the extent of their use of ABS and MBS. For Fixed Income Global Opportunities Fund, its current investment policy suggests that it may invest in ABS and MBS without limit. For higher transparency to Shareholders, it is proposed that from the Effective Date onwards, it will be disclosed that the Relevant Funds will be able to gain *significant* exposures to ABS and MBS by disclosing a specific threshold of the Relevant Funds' investments in ABS and MBS. In particular, each of the Fixed Income Global Opportunities Fund, Global Multi-Asset Income Fund, US Dollar Core Bond Fund (to be renamed as US Dollar Bond Fund) and World Bond Fund may invest up to **50%** of its total assets in ABS and MBS and the US Dollar Short Duration Bond Fund may invest up to **100%** of its total assets in ABS and MBS.

The change may result in an increase in the overall risk profiles of the Relevant Funds through *significant* exposures to ABS and MBS. Please refer to paragraph (c) below for the risks associated with investment in ABS and MBS.

(b) Emerging Markets Bond Fund, Emerging Markets Corporate Bond Fund, Euro Bond Fund, Euro Corporate Bond Fund, Euro Short Duration Bond Fund, Flexible Multi-Asset Fund, Global Allocation Fund, Global Corporate Bond Fund, Global Government Bond Fund, Global High Yield Bond Fund, Global Inflation Linked Bond Fund and US Dollar High Yield Bond Fund (the "**Other Funds**")

For the Other Funds, disclosures will also be added to their investment policies to reflect their maximum exposures to ABS and MBS. However, each of the Other Funds may only invest up to **20%** of its total assets in ABS and MBS. Therefore, the introduction of this disclosure will not result in a material change to the investment strategy of the Other Funds. This will not result in any change to the overall risk profiles of the Other Funds. Please refer to paragraph (c) below for the risks associated with investment in ABS and MBS.

(c) Risks associated with investment in ABS and MBS

Please refer to Appendix III for the Funds to which this update applies and their maximum exposures to ABS and MBS.

ABS and MBS may be subject to greater credit, liquidity and interest rate risk compared to other fixed income securities. ABS and MBS are often exposed to extension risk (where obligations on the underlying assets are not paid on time) and prepayment risks (where obligations on the underlying assets are paid earlier than expected). Please refer to "**Asset-backed Securities ("ABS") and Mortgage-backed Securities ("MBS")**" in the "**Risk Considerations**" section of the Prospectus for further information regarding the risks associated with investment in ABS and MBS.

9. **Investment in contingent convertible bonds**

Contingent convertible bonds are fixed income securities that are convertible into equities if a pre-specified trigger event occurs.

The obligations associated with these securities may be subject to greater credit, liquidity and interest rate risk compared to other fixed income securities such as government issued bonds. For this reason, in order to provide Shareholders with higher transparency regarding their use, the investment policies of the following Funds will be clarified to provide that each of these Funds may invest up to **20%** of its total assets in contingent convertible bonds: Asian Tiger Bond Fund, Euro Bond Fund, Euro Corporate Bond Fund, Euro Short Duration Bond Fund, Fixed Income Global Opportunities Fund, Flexible Multi-Asset Fund, Global Allocation Fund, Global Corporate Bond Fund, Global Dynamic Equity Fund, Global Government Bond Fund, Global High Yield Bond Fund, Global Multi-Asset Income Fund, US Dollar High Yield Bond Fund and World Bond Fund.

Contingent convertible bonds' investors may suffer a loss of capital when equity holders do not. Trigger levels differ and determine exposure to conversion risk depending on the distance of the capital ratio to the trigger level. It might be difficult for the relevant Fund to anticipate the trigger events that would require the debt to convert into equity. Furthermore, it might be difficult for the relevant Fund to assess how the securities will behave upon conversion.

In case of conversion into equity, the relevant Fund might be forced to sell these new equity shares because the investment policy of the relevant Fund may not allow equity in its portfolio. Such a forced sale, and the increased availability of these shares might have an effect on market liquidity in so far as there may not be sufficient demand for these shares. Investment in contingent convertible bonds may also lead to an increased industry concentration risk and thus counterparty risk as such securities are issued by a limited number of banks. Contingent convertible bonds are usually subordinated to comparable non-convertible securities, and thus are subject to higher risks than other debt securities.

Please refer to "**Contingent Convertible Bonds**" in the "**Risk Considerations**" section of the Prospectus for further information regarding the risks associated with investment in contingent convertible bonds.

10. **Securities financing transactions ("SFTs")**

To reflect the recent regulatory changes following the entry into force of the Securities Financing Transaction Regulation 2015 (2015/2365), the investment policies of the Funds will be/have been expanded to provide for the maximum and expected proportion of the NAV of a Fund that can be subject to securities financing transactions, e.g. (i) securities lending and repo transactions and (ii) total return swaps and contracts for differences. This update applies to all Funds.

Please refer to Appendix IV for the maximum and expected proportion of the NAV of a Fund that can be subject to SFTs for the purposes of the Securities Financing Transaction Regulation 2015 (2015/2365).

(a) With respect to Euro Reserve Fund and US Dollar Reserve Fund ("**Reserve Funds**")

In particular, while the Reserve Funds currently do not engage in securities lending transactions, from the Effective Date onwards, the maximum and expected proportion of the NAV of each of the Reserve Funds that can be subject to securities lending transactions will be set at 100% and 0-40% respectively. Therefore, this may result in an increase in the overall risk profile of the Reserve Funds through exposure in securities lending transactions.

(b) With respect to Flexible Multi-Asset Fund ("**FMAF**")

From the Effective Date onwards, the maximum and expected proportion of the NAV of FMAF that can be subject to total return swaps and contracts for differences will be set at 140% and 100% respectively. Therefore, this may result in an increase in the overall risk profile of FMAF through *significant* exposure in total return swaps and contracts for differences.

(c) With respect to the Funds other than the Reserve Funds and FMAF ("**Other Funds**")

For the Other Funds, with effect from 13 July 2017, disclosures have been added to reflect their maximum and expected exposures to SFTs. However, the expected proportion of the Other Funds' NAV that may be subject to SFTs are not considered to be significant. Therefore, the introduction of this disclosure does not result in a material change to the investment strategy of the Other Funds. This does not result in any change to the overall risk profiles of the Other Funds.

The expected proportion is not a limit and the actual percentage may vary over time depending on factors including, but not limited to, market conditions. The maximum figure is a limit.

The Funds engaging in securities lending will have a credit risk exposure to the counterparties to any securities lending contract. Fund investments can be lent to counterparties over a period of time. A default by the counterparty combined with a fall in the value of the collateral below that of the value of the securities lent may result in a reduction in the value of the Fund. The Company intends to ensure that all securities lending is fully collateralised but, to the extent that any securities lending is not fully collateralised (for example due to timing issues arising from payment lags), the Funds will have a credit risk exposure to the counterparties to the securities lending contracts.

Total return swaps involve the exchange of the right to receive the total return, coupons plus capital gains or losses, of a specified reference asset, index or basket of assets against the right to make fixed or floating payments. A contract for difference is an agreement between a buyer and a seller stipulating that the seller will pay the buyer the difference between the current value of a security and its value when the contract is made. If the difference turns out to be negative, the buyer pays the seller. The *significant* use of total return swaps and contracts for differences by FMAF may lead to higher risks than those associated with ordinary portfolio securities. If the fund manager is incorrect in its forecasts of market values, interest rates and currency exchange rates, the investment performance of FMAF would be less favourable than it would have been if these investment techniques were not used.

Please refer to "**Derivatives - Specific**" in the "**Risk Considerations**" section of the Prospectus for further information regarding the risks associated with securities lending transactions and investment in total return swaps and contracts for differences.

11. **Investments in the PRC via the Shenzhen-Hong Kong Stock Connect**

Certain Funds are currently permitted to invest up to 10% of their total assets (and in the case of the Asian Growth Leaders Fund, less than 30% of its total assets) directly in the People's Republic of China ("**PRC**") via the Shanghai-Hong Kong Stock Connect (the "**Stock Connect Funds**").

In addition to the above, with effect from the Effective Date, the Stock Connect Funds may also invest and have direct access to eligible China A Shares via the Shenzhen-Hong Kong Stock Connect. For the avoidance of doubt, each Stock Connect Fund's maximum exposure to the PRC will remain unchanged, i.e. the Funds that have flexibility to use both RQFII and Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (collectively, the "**Stock Connects**") may invest no more than

10% of the relevant Fund's total assets in the PRC via RQFII Quota and Stock Connects in aggregate (except for Asian Growth Leaders Fund which may invest less than 30% of its total assets in the PRC).

The Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links program developed by Hong Kong Exchanges and Clearing Limited, Shenzhen Stock Exchange ("**SZSE**") and ChinaClear with an aim to achieve mutual stock market access between the PRC and Hong Kong.

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Stock Connect Funds) will be able to trade certain eligible shares stocks listed on the SZSE. These include any constituent stock of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which have a market capitalisation of RMB 6 billion or above and all SZSE-listed shares of companies which have issued both China A Shares and H Shares listed on SEHK.

Please refer to Appendix V for the list of Stock Connect Funds. Investment via the Stock Connects involves regulatory risks as the relevant rules and regulations on the Stock Connects are subject to change which may have potential retrospective effect. The Stock Connects are subject to quota limitations. When a suspension in the trading through the Stock Connects is effected, a Stock Connect Fund's ability to invest in China A Shares through the Stock Connects will be adversely affected. Please refer to the Prospectus for the specific risks and other details associated with investment via the Stock Connects.

12. **Investments in the PRC via RQFII**

It is currently disclosed in the Prospectus that the RQFII Access Funds may invest directly in the PRC by investing in China A Shares and/or China onshore bonds (as relevant) via RQFII Quota, which may be allocated to BAMNA as RQFII or an affiliate in the BlackRock Group. However, it is clarified in the Information for Residents of Hong Kong (the "**IRHK**") that the RQFII Quota is not available for use by the RQFII Access Funds.

With effect from the Effective Date, the RQFII Access Fund will be able to invest directly in the PRC via RQFII Quota allocated to an affiliate in the BlackRock Group which is an RQFII Licence Holder, regardless of whether such RQFII Licence Holder is appointed as an Investment Adviser or investment sub-adviser to the relevant RQFII Access Fund.

The disclosures in the Prospectus and the IRHK will be updated accordingly to reflect this. For the avoidance of doubt, each RQFII Access Fund's maximum exposure to the PRC will remain unchanged, i.e. the Funds that have flexibility to use both RQFII and Stock Connects may invest no more than 10% of the relevant Fund's total assets in the PRC via RQFII Quota and Stock Connects in aggregate (except for Asian Growth Leaders Fund which may invest less than 30% of its total assets in the PRC).

Please refer to Appendix VI for the list of RQFII Access Funds. An RQFII Access Fund's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in the PRC, which are subject to change and such change may have potential retrospective effect. An RQFII Access Fund may suffer substantial losses if there is insufficient RQFII Quota allocated for the RQFII Access Fund to make investments, the approval of the RQFII Licence Holder is being revoked/terminated or otherwise invalidated as the RQFII Access Fund may be prohibited from trading of relevant securities and repatriation of the RQFII Access Fund's monies, or if any of the key operators or parties (including RQFII Custodian) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities). Please refer to the Prospectus for the specific risks and other details associated with investment via RQFII.

13. **Investments in the PRC via China Interbank Bond Market ("CIBM")**

With effect from the Effective Date, the following Funds may gain direct exposure to China onshore bonds in the CIBM via the foreign access regime and/or Bond Connect: Asian Tiger Bond Fund, Emerging Markets Local Currency Bond Fund, Fixed Income Global Opportunities Fund, Flexible Multi-Asset Fund, Emerging Markets Bond Fund, Emerging Markets Corporate Bond Fund, Global Multi-Asset Income Fund, US Dollar Core Bond Fund (to be renamed as US Dollar Bond Fund), US Dollar Short Duration Bond Fund Global Corporate Bond Fund, Global Government Bond Fund and World Bond Fund (the "**CIBM Funds**").

The CIBM Funds may gain direct exposure to onshore bonds issued or distributed in mainland China in the CIBM via the foreign access regime and/or Bond Connect for no more than 10% of the relevant Fund's total assets, except for the Emerging Markets Local Currency Bond Fund which may invest up to 20% of its total assets in the CIBM.

Risks associated with investment via the CIBM include liquidity and volatility risks, counterparty and settlement risks and regulatory risks, etc. For the specific risks and other details associated with investment via the CIBM, please refer to the Prospectus.

14. **India Fund**

The India Fund uses BlackRock India Equities (Mauritius) Limited (the "**Subsidiary**"), a wholly-owned subsidiary of the Company, to efficiently invest into Indian securities. The operating costs of the Subsidiary, including the fees for the Mauritian Administrator, are estimated to increase from approximately USD50,000 to USD60,000 per year to USD50,000 to USD100,000 per year excluding disbursements and the fees of unaffiliated directors. These costs are borne by the Subsidiary. There is no change to the fee structure of the India Fund.

15. **Emerging Markets Bond Fund and Emerging Markets Local Currency Bond Fund**

It is disclosed in the Prospectus that the Emerging Markets Bond Fund and the Emerging Markets Local Currency Bond Fund are expected to invest more than 10% (but no more than 20%) of their respective NAV in debt securities issued by and/or guaranteed by governments in each of the relevant countries listed in the Prospectus, which are, as at June 2016, rated non-investment grade.

It is also disclosed in the Prospectus that in the event that the debt securities issued and/or guaranteed by governments of a country which the Funds invest in are downgraded to non-investment grade following the date of the Prospectus, the relevant Fund may, subject to its investment objective and policy, invest more than 10% of its NAV in those securities and the list of countries will be updated accordingly in the next update to the Prospectus.

Argentina, Indonesia, Mexico, the Philippines, Russia and Republic of South Africa have been downgraded to non-investment grade. Accordingly, Argentina, Indonesia, Mexico, the Philippines and Russia will be included in the relevant list of countries in respect of the Emerging Markets Bond Fund and Indonesia, Russia and Republic of South Africa will be included in the relevant list of countries in respect of the Emerging Markets Local Currency Bond Fund respectively, since the date of the downgrade.

In other words, the Emerging Markets Bond Fund is expected to invest more than 10% (but no more than 20%) of its NAV in debt securities issued by and/or guaranteed by governments in each of Argentina, Brazil, Indonesia, Mexico, the Philippines, Russia, Turkey, Ukraine and Venezuela, which are rated non-investment grade. The Emerging Markets Local Currency Bond Fund is expected to invest more than 10% (but no more than 20%) of its NAV in debt securities issued by and/or guaranteed by governments in each of Brazil, Hungary, Indonesia, Russia, Republic of South Africa and Turkey, which are rated non-investment grade. Such investments are based on (i) reference to the weighting that the relevant country's bond market represents of the emerging market bond universe within the respective Fund's benchmark, i.e. the JP Morgan Emerging Markets Bond Index Global Diversified Index for the Emerging Markets Bond Fund and the JP Morgan GBI-EM Global Diversified Index for the Emerging Markets Local Currency Bond Fund (although these Funds are not an index-tracking fund, the relevant Investment Adviser(s) will take into account the constituent weighting of the benchmark when making investment decisions); and/or (ii) the professional judgment of the relevant Investment Adviser(s), whose reasons for investment may include a favourable/positive outlook on the relevant sovereign issuer, potential for ratings upgrade and the expected changes in the value of such investments due to ratings changes.

Due to market movements, as well as credit/investment rating changes, the exposure may change over time. The above countries are for reference only and may change without prior notice to the investors.

The above amendments are not expected to materially affect the overall risk profile of the Emerging Markets Bond Fund and the Emerging Markets Local Currency Bond Fund or change their expected levels of leverage. This will not affect the way the Funds are currently managed.

16. **Change of name of benchmark indices**

The name of the benchmark indices will change for the following Funds as shown below. These name changes are being made following Bloomberg's acquisition of Barclay's index business. Please note, the relevant benchmark index for each of the following Funds has not changed. There will be no change to the overall risk profile of the Funds or how the relevant Fund is currently managed as a result of the change in name of the relevant benchmark index.

Euro Bond Fund
From the "Barclays Euro-Aggregate 500mm+ Bond Index" to the "**Bloomberg** Barclays Euro-Aggregate 500mm+ Bond Index"

Global Corporate Bond Fund
From the "Barclays Global Aggregate Corporate Bond USD Hedged Index" to the "**Bloomberg** Barclays Global Aggregate Corporate Bond USD Hedged Index"

Global Multi-Asset Income Fund
From the "50% MSCI World Index / 50% Barclays Global Aggregate Bond Index USD Hedged" to the "50% MSCI World Index / 50% **Bloomberg** Barclays Global Aggregate Bond Index USD Hedged"

US Dollar Core Bond Fund (to be renamed as US Dollar Bond Fund)
From the "Barclays US Aggregate Index" to the "**Bloomberg** Barclays US Aggregate Index"

US Dollar High Yield Bond Fund
From the "Barclays US High Yield 2% Constrained Index" to the "**Bloomberg** Barclays US High Yield 2% Constrained Index"

World Bond Fund
From the "Barclays Global Aggregate USD Hedged Index" to the "**Bloomberg** Barclays Global Aggregate USD Hedged Index"

17. **German Tax Reform**

In order to maintain tax efficiency for certain German domiciled investors, the Management Company aims to manage the Funds listed below in accordance with the so-called partial exemption regime for equity funds under Sec. 20 para. 1 of the German Investment Tax Act (as coming into effect on 1 January 2018). Accordingly, as of the Effective Date, each of the relevant Funds will commit to an investment of at least 51 % of its NAV on a continuous basis directly into equities of corporations which are admitted for trading at a recognised stock exchange or are listed on an organised market. This commitment will not result in any change to the way the relevant Funds are managed.

The relevant Funds are: ASEAN Leaders Fund, Asia Pacific Equity Income Fund, Asian Dragon Fund, Asian Growth Leaders Fund, China Fund, Continental European Flexible Fund, Emerging Europe Fund, Emerging Markets Equity Income Fund, Emerging Markets Fund, Euro-Markets Fund, European Equity Income Fund, European Fund, European Special Situations Fund, European Value Fund, Global Dynamic Equity Fund, Global Enhanced Equity Yield Fund, Global Equity Income Fund, Global Opportunities Fund, Global SmallCap Fund, Japan Small & MidCap Opportunities Fund, Japan Flexible Equity Fund, Latin American Fund, Natural Resources Growth & Income Fund, New Energy Fund, Pacific Equity Fund, Swiss Small & MidCap Opportunities Fund, United Kingdom Fund, US Basic Value Fund, US Flexible Equity Fund, US Growth Fund, US Small & MidCap Opportunities Fund, World Agriculture Fund, World Energy Fund, World Financials Fund, World Gold Fund, World Healthscience Fund, World Mining Fund and World Technology Fund.

18. **Change of the means of publication of prices and notice of suspension**

Currently, prices of Class A and Class C Shares for all Funds are published monthly in The Standard and daily in The Hong Kong Economic Times.

With effect from the Effective Date, the prices of Class A and Class C Shares for all Funds will no longer be published in the above newspapers. However, the prices will continue to be available on the website www.blackrock.com/hk.

Also, from the Effective Date onwards, if there is any suspension of valuations of any Shares Class of a Fund, such suspension will be published on the website www.blackrock.com/hk.

Please note that the website www.blackrock.com/hk has not been reviewed by the Securities and Futures Commission.

Impact on Shareholders
Shareholders who do not agree with these changes may redeem their Shares free of any redemption charges at any time prior to the Effective Date, in accordance with the provisions of the Prospectus. If you have any questions regarding the redemption process please contact your local representative or the Hong Kong Representative (see detailed below).

Redemption proceeds will be paid to Shareholders on the third Business Day after the relevant Dealing Day, provided that the relevant documents (as described in the Prospectus) have been received.

General Information
The fees and expenses associated with these changes will be paid by the Management Company out of the Administration Fee charged to the Funds.

Updated versions of the Prospectus, IRHK and Product Key Facts Statements of the relevant Funds will be available in due course upon request from your local representative or for Hong Kong shareholders on +852 3903-2688 or at the office of the Hong Kong Representative at the address stated below.

The Directors accept responsibility for the contents of this letter. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that this is the case) the information contained in this letter is in accordance with the facts and does not omit anything likely to affect the impact of such information.

If you would like any further information or have any questions regarding this letter, please contact the Company's Hong Kong Representative, BlackRock Asset Management North Asia Limited, at 16/F Champion Tower, 3 Garden Road, Central, Hong Kong or by telephone on +852 3903-2688.

Yours faithfully,

BlackRock Asset Management North Asia Limited
Hong Kong Representative

Appendix I – Global Inflation Linked Bond Fund

The investment objective and policy of the Global Inflation Linked Bond Fund will be revised as follows:

Current investment objective and policy and benchmark	Investment objective and policy and benchmark from the Effective Date
The Global Inflation Linked Bond Fund seeks to maximise real return. The Fund invests at least 70% of its total assets in inflation-linked fixed income transferable securities that are issued globally. The Fund may **only** invest in fixed income transferable securities **which are investment grade at the time of purchase**. Currency exposure is flexibly managed. Risk management measure used: Relative VaR using Barclays World Government Inflation-Linked **Bond** Index.	The Global Inflation Linked Bond Fund seeks to maximise real return. The Fund invests at least 70% of its total assets in inflation-linked fixed income transferable securities that are issued globally. The Fund may invest in fixed income transferable securities **which are investment grade or non-investment grade (up to a limit of 10% of total assets)**. Currency exposure is flexibly managed. **It is intended that the maturity of the majority of the fixed income securities held by the Fund will be less than 20 years. However, since the Fund is actively managed, it still has the flexibility to invest in fixed income securities which have a maturity profile outside of the 1 to 20 years range.** **As part of its investment objective the Fund may invest up to 20% in ABS and MBS whether investment grade or not. These may include asset-backed commercial paper, collateralised debt obligations, collateralised mortgage obligations, commercial mortgage-backed securities, credit-linked notes, real estate mortgage investment conduits, residential mortgage-backed securities and synthetic collateralised debt obligations. The underlying assets of the ABS and MBS may include loans, leases or receivables (such as credit card debt, automobile loans and student loans in the case of ABS and commercial and residential mortgages originating from a regulated and authorised financial institution in the case of MBS). The ABS and MBS in which the Fund invests may use leverage to increase return to investors. Certain ABS may be structured by using a derivative such as a credit default swap or a basket of such derivatives to gain exposure to the performance of securities of various issuers without having to invest in the securities directly.** **The Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management.*** **This Fund may have a material exposure to ABS, MBS and non-investment grade debt, and investors are encouraged to read the relevant risk disclosures contained in the section "Specific Risk Considerations".** Risk management measure used: Relative VaR using **Bloomberg** Barclays World Government Inflation-Linked **1-20yr** Index **USD Hedged**.

* For the purpose of Hong Kong-specific disclosure requirements, investors should note that the Global Inflation Linked Bond Fund may use derivatives *extensively* for investment purposes from the Effective Date.

Appendix II – New Energy Fund

The investment objective and policy of the New Energy Fund will be revised as follows:

Current investment objective and policy	Investment objective and policy from the Effective Date
The New Energy Fund seeks to maximise total return. The Fund invests globally at least 70% of its total assets in the equity securities of new energy companies. New energy companies are those which are engaged in alternative energy and energy technologies including: renewable energy technology; renewable energy developers; alternative fuels; energy efficiency; enabling energy and infrastructure.	The New Energy Fund seeks to maximise total return. The Fund invests globally at least 70% of its total assets in the equity securities of new energy companies. New energy companies are those which are engaged in alternative energy and energy technologies including: renewable energy technology; renewable energy developers; alternative fuels; energy efficiency; enabling energy and infrastructure. **The Fund will not invest in companies that are engaged in the following activities (sectors as defined by Global Industry Classification Standard): coal and consumables; oil and gas exploration and production; and integrated oil and gas.** **The Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management.**

Appendix III – Investment in ABS and MBS

The investment policies of the following Funds will be expanded/enhanced to reflect that these Funds may invest in ABS and MBS and the maximum exposures (% of total assets of the relevant Fund) are set out below:

Applicable Funds	ABS/MBS – Maximum exposures (% of total assets)
Emerging Markets Bond Fund	20%
Emerging Markets Corporate Bond Fund	20%
Euro Bond Fund	20%
Euro Corporate Bond Fund	20%
Euro Short Duration Bond Fund	20%
Fixed Income Global Opportunities Fund	**50%**
Flexible Multi-Asset Fund	20%
Global Allocation Fund	20%
Global Corporate Bond Fund	20%
Global Government Bond Fund	20%
Global High Yield Bond Fund	20%
Global Inflation Linked Bond Fund	20%
Global Multi-Asset Income Fund	**50%**
US Dollar Core Bond Fund (to be renamed as US Dollar Bond Fund)	**50%**
US Dollar High Yield Bond Fund	20%
US Dollar Short Duration Bond Fund	**100%**
World Bond Fund	**50%**

Appendix IV – Proportions of Fund property subject to SFTs

Fund	Total Return Swaps ("TRS") and Contracts for Differences ("CFDs") (in aggregate*) Maximum/Expected proportion of the NAV (%)	Securities Lending** Maximum/Expected proportion of the NAV (%)	Repo Transactions Maximum/Expected proportion of the NAV (%)
ASEAN Leaders Fund	40/0	100/0-40	40/0
Asia Pacific Equity Income Fund	40/0	100/0-40	40/0
Asian Dragon Fund	40/0	100/0-40	40/0
Asian Growth Leaders Fund	40/0	100/0-40	40/0
Asian Tiger Bond Fund	10/2	100/0-40	40/0
China Fund	40/0	100/0-40	40/0
Continental European Flexible Fund	40/0	100/0-40	40/0
Emerging Europe Fund	40/0	100/0-40	40/0
Emerging Markets Bond Fund	10/2	100/0-40	40/0
Emerging Markets Corporate Bond Fund	10/2	100/0-40	60/20
Emerging Markets Equity Income Fund	40/0	100/0-40	40/0
Emerging Markets Fund	40/0	100/0-40	40/0
Emerging Markets Local Currency Bond Fund	10/2	100/0-40	60/20
Euro Bond Fund	10/2	100/0-40	40/0
Euro Corporate Bond Fund	10/2	100/0-40	40/0
Euro Reserve Fund	0/0	**100/0-40**	40/0
Euro Short Duration Bond Fund	10/2	100/0-40	40/0
Euro-Markets Fund	40/0	100/0-40	40/0
European Equity Income Fund	40/0	100/0-40	40/0
European Fund	40/0	100/0-40	40/0
European Special Situations Fund	40/0	100/0-40	40/0
European Value Fund	40/0	100/0-40	40/0
Fixed Income Global Opportunities Fund	25/0-10	100/0-40	40/0
Flexible Multi-Asset Fund	**140/100**	100/0-40	40/0
Global Allocation Fund	25/15	100/0-40	50/0
Global Corporate Bond Fund	40/0	100/0-40	40/0
Global Dynamic Equity Fund	25/15	100/0-40	45/5
Global Enhanced Equity Yield Fund	40/0	100/0-40	40/0
Global Equity Income Fund	40/0	100/0-40	40/0
Global Government Bond Fund	10/0-2	100/0-40	40/0
Global High Yield Bond Fund	10/3	100/0-40	40/0
Global Inflation Linked Bond Fund	10/2	100/0-40	40/0
Global Multi-Asset Income Fund	10/0	100/0-40	40/0
Global Opportunities Fund	40/0	100/0-40	40/0

* Within the total ranges noted above, the Funds' exposure to CFDs and TRS will vary. Further details of exposures to CFD or TRS can be obtained from the Company's registered office.

** The maximum proportion of the NAV of the Funds that can be subject to securities lending is 100%. The demand to borrow securities is a significant driver for the amount that is actually lent from a Fund at a given time. Borrowing demand fluctuates over time and depends to a large extent on market factors that cannot be forecasted precisely. Due to fluctuations in borrowing demand in the market, future lending volumes could fall outside of this range.

Fund	Total Return Swaps ("TRS") and Contracts for Differences ("CFDs") (in aggregate*) Maximum/Expected proportion of the NAV (%)	Securities Lending** Maximum/Expected proportion of the NAV (%)	Repo Transactions Maximum/Expected proportion of the NAV (%)
Global SmallCap Fund	40/0	100/0-40	40/0
India Fund	40/0	100/0-40	40/0
Japan Small & MidCap Opportunities Fund	40/0	100/0-40	40/0
Japan Flexible Equity Fund	40/0	100/0-40	40/0
Latin American Fund	40/0	100/0-40	40/0
Natural Resources Growth & Income Fund	40/0	100/0-40	40/0
New Energy Fund	40/0	100/0-40	40/0
Pacific Equity Fund	40/0	100/0-40	40/0
Swiss Small & MidCap Opportunities Fund	40/0	100/0-40	40/0
United Kingdom Fund	40/0	100/0-40	40/0
US Basic Value Fund	40/0	100/0-40	40/0
US Dollar Core Bond Fund (to be renamed as US Dollar Bond Fund)	10/2	100/0-40	40/0
US Dollar High Yield Bond Fund	10/3	100/0-40	40/0
US Dollar Reserve Fund	0/0	**100/0-40**	40/0
US Dollar Short Duration Bond Fund	10/2	100/0-40	42/2
US Flexible Equity Fund	40/0	100/0-40	40/0
US Government Mortgage Fund	10/3-5	100/0-40	40/0
US Growth Fund	40/0	100/0-40	40/0
US Small & MidCap Opportunities Fund	40/0	100/0-40	40/0
World Agriculture Fund	40/0	100/0-40	40/0
World Bond Fund	10/0-2	100/0-40	40/0
World Energy Fund	40/0	100/0-40	40/0
World Financials Fund	40/0	100/0-40	40/0
World Gold Fund	40/0	100/0-40	40/0
World Healthscience Fund	40/0	100/0-40	40/0
World Mining Fund	40/0	100/0-40	40/0
World Technology Fund	40/0	100/0-40	40/0

* Within the total ranges noted above, the Funds' exposure to CFDs and TRS will vary. Further details of exposures to CFD or TRS can be obtained from the Company's registered office.

** The maximum proportion of the NAV of the Funds that can be subject to securities lending is 100%. The demand to borrow securities is a significant driver for the amount that is actually lent from a Fund at a given time. Borrowing demand fluctuates over time and depends to a large extent on market factors that cannot be forecasted precisely. Due to fluctuations in borrowing demand in the market, future lending volumes could fall outside of this range.

Appendix V – Stock Connect Funds
The following Funds may invest in China A Shares via the Stock Connects, i.e. Stock Connect Funds:

- ASEAN Leaders Fund
- Asia Pacific Equity Income Fund
- Asian Dragon Fund
- Asian Growth Leaders Fund
- China Fund
- Emerging Markets Fund
- Emerging Markets Equity Income Fund
- Flexible Multi-Asset Fund
- Global Allocation Fund
- Global Dynamic Equity Fund
- Global Enhanced Equity Yield Fund
- Global Equity Income Fund
- Global Multi-Asset Income Fund
- Global Opportunities Fund
- Global SmallCap Fund
- Natural Resources Growth & Income Fund
- New Energy Fund
- Pacific Equity Fund
- World Agriculture Fund
- World Energy Fund
- World Financials Fund
- World Gold Fund
- World Healthscience Fund
- World Mining Fund
- World Technology Fund

Appendix VI – RQFII Access Funds

The following Funds may invest directly in the PRC by investing in China A Shares and/or China onshore bonds (as relevant) via RQFII Quota:

- Asian Dragon Fund
- Asian Growth Leaders Fund
- ASEAN Leaders Fund
- Asia Pacific Equity Income Fund
- Asian Tiger Bond Fund
- China Fund
- Emerging Markets Local Currency Bond Fund
- Pacific Equity Fund