

**IMPORTANT:** This notice (the “**Notice**”) is sent to you as a shareholder of Barings Investment Funds plc. It is important and requires your immediate attention. If you have any questions about the content of this Notice or are in any doubt as to the action to be taken, you should seek independent professional advice and immediately consult your stockbroker, bank manager, solicitor or attorney or other professional advisor. If you sold or otherwise transferred your holding in Barings Investment Funds plc, please send this Notice to the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

**This Notice has not been reviewed by the Central Bank of Ireland (the “Central Bank”) and the Securities and Futures Commission (“SFC”) and it is possible that changes thereto may be necessary to meet the requirements of the Central Bank and the SFC. The directors of Barings Investment Funds plc (the “Directors”) are of the opinion that there is nothing contained in this Notice nor in the proposals detailed herein that conflicts with the guidance issued by and regulations of the Central Bank and the SFC.**

The Directors have taken all reasonable care to ensure that, as at the date of this Notice, the information contained in this Notice is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept full responsibility for the accuracy of the information contained in this Notice.

Unless otherwise indicated, all capitalised terms in this Notice shall have the same meaning as described in the Prospectus for Barings Investment Funds plc dated 28 December 2018, the Hong Kong Covering Document dated December 2018 and the Product Key Facts Statements of the relevant funds of Barings Investment Funds plc dated April 2019 (collectively the “**Hong Kong Offering Documents**”).

## **BARINGS INVESTMENT FUNDS PLC**

*Registered Office*  
70 Sir John Rogerson’s Quay  
Dublin 2  
Ireland

*An umbrella fund with segregated liability between sub-funds*

31 May 2019

Dear Shareholder

### **Barings Investment Funds plc (the “Company”)**

- Barings Investment Funds plc - Barings China Select Fund
- Barings Investment Funds plc - Barings European Opportunities Fund

(each a “**Sub-Fund**”, collectively the “**Sub-Funds**”)

We are writing to you as a Shareholder to notify you of certain changes being made to the Company.

#### **1. Increase flexibility to Invest in China A Shares and China B Shares**

Owing to the increased importance of China A shares and China B shares in the global market, with effect from 1 July 2019 (the “**Effective Date**”), the investment policies of Barings Investment Funds plc – Barings China Select Fund (the “**Relevant Sub-Fund**”) will be changed to increase the Relevant Sub-Fund’s flexibility to invest in China A shares and China B shares from “no more than 10%” to “no more than 20%” of the Relevant Sub-Fund’s Net Asset Value.

Currently, the Relevant Sub-Fund may invest in China A shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange via the Connect Schemes or indirectly through investment in other eligible collective investment schemes or participation notes. Starting from the Effective Date, the Relevant Sub-Fund may also invest in China A shares through the Investment Manager’s quotas approved under the QFII Regulations and/or RQFII Regulations.

## **2. Updates to exposure to domestic Chinese bonds**

For greater investment flexibility, the Hong Kong Offering Documents will be updated to provide that a Fund of the Company may invest in domestic Chinese bonds (including urban investment bonds) via the CIBM initiative (the regime launched in February 2016 for foreign institutional investors to invest in the Mainland China interbank bond markets) and/or Bond Connect (an initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China) provided that such investment is in accordance with the requirements of the Central Bank and the relevant authorities in the People's Republic of China. It is further provided that unless otherwise specified in the relevant Supplement for a Fund, a Fund does not intend to invest more than 10% of its Net Asset Value in domestic Chinese bonds (including urban investment bonds). Investments in domestic Chinese bonds (including urban investment bonds), if considered appropriate by the Investment Manager, will only be made after the Effective Date. Investment in domestic Chinese bonds (including urban investment bonds) will only be made insofar as such investment is consistent with and within the investment policy of the relevant Fund. Investing in the Chinese securities market means that the Funds are subject to emerging market risks and also country specific risks. Please refer to the revised Hong Kong Offering Documents once available to review these risks.

## **3. Updates to the German Investment Tax Act**

With effect from 1 January 2018, a version of the Investmentsteuergesetz (InvStG) was implemented which affects Fund level and investor level taxation. Where a Fund is compliant with the said legislation, the benefit that it will provide German investors is dependent upon the categorisation of the Fund (equity or mixed) and the investor (private or corporate).

The categorisation of a Fund as an "equity fund" or a "mixed fund" pursuant to the InvStG will depend on whether the Fund meets applicable equity investment thresholds. The Hong Kong Offering Documents will be updated to provide clarification on the methodology in calculating the equity investment thresholds:

"The Fund's equity asset ratio will be calculated as a proportion of the Fund's "total assets" (Aktivvermögen), as defined in Section 2 Paragraph 9a of the InvStG. This will be the Fund's equity value as a proportion of the total value of the assets of the Fund, excluding all liabilities.

Under certain conditions, the Investment Manager may measure the equity asset ratio using the Fund's Net Asset Value as the basis. In this case, when determining the value of the equity assets any borrowings will be deducted on a pro rata basis, where borrowings are defined in Section 26 Paragraph 7 of the InvStG."

Together with the clarification above, the investment policies of the Sub-Funds will be clarified that the Sub-Funds intend to meet the requirements to be classified as being an "equity fund" and will invest at least 50% of its assets in direct equities.

There is no change to the way in which the Sub-Funds are currently managed and there is no change to the investment strategies of the Sub-Funds. The Hong Kong Offering Documents will be updated to reflect the current interpretation of the requirements under InvStG.

## **4. Updates to the Hong Kong Offering Documents**

The Hong Kong Offering Documents will also be updated to reflect other updates such as:

- the appointment of Alan Behen and Paul Smyth as new directors of the Manager (these appointments were effective on 4 February 2019 and 19 March 2019 respectively);
- enhancement of risk disclosures (including enhancement to the risks relating to investments in China and investments in urban investment bonds);
- updates of disclosure to remove EMX as one of the channels where investors may subscribe/redeem/convert the Shares via electronic messaging services. It is also clarified that investors wishing to utilise electronic messaging services for subscription, redemption or conversion of Shares will need to obtain agreement from the Administrator. For the avoidance of doubt, there will be no impact to the existing Shareholders of the Sub-Funds;
- enhancement of disclosure to reflect that the Articles permit the Directors to issue Shares at the Net Asset Value per Share in consideration of in specie securities or other assets as approved by the Company which could be acquired by the relevant Fund pursuant to its investment policy and restrictions. The costs

associated with such in specie subscriptions shall be borne by the investor. The Directors may decline any request for in specie subscriptions at their discretion;

- update to the remuneration policy;
- update to the description of the Depositary;
- enhancement to the summary of liquidity risk management policies;
- update to the list of eligible securities and derivatives markets to include China Interbank Bond Market; and
- other miscellaneous, administrative and editorial updates and enhancements of disclosure.

The changes set out in this Notice do not amount to a material change to the Company and the Sub-Funds and are not expected to lead to material change or increase in the overall risk profile of the Company and the Sub-Funds. The changes are not expected to have any material adverse impact on Shareholders' rights or interests (including changes that may limit Shareholders' ability in exercising their rights). In addition, the changes set out above will not result in any change in the current level of fees and charges payable by the Sub-Funds or the Shareholders, do not impact the way in which the Sub-Funds are operated and do not impact the way in which the Sub-Funds are being managed (except for the changes under Parts 1 to 2 above).

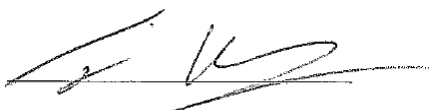
The fees and expenses incurred in connection with the proposed changes will be borne by the Sub-Funds. The Manager considers that such fees and expenses are not significant in terms of the current net asset value of the Sub-Funds.

#### **Action to be taken**

Please note that no Shareholder meeting or vote is necessary in connection with the above proposed updates and therefore no action is required by you. Copies of the Company's revised prospectus will be available at the registered office of the Manager after the Effective Date. It is anticipated that the effective date for these changes will occur on the Effective Date unless otherwise indicated. If you do not agree with the proposed changes, you may redeem your Shares or switch to any other SFC-authorized<sup>1</sup> Barings fund(s) which are made available to you free of charge until the Dealing Day before the Effective Date (as defined below) in accordance with the provisions of the Hong Kong Offering Documents. Please note that we will not impose any charges in respect of your redemption and/or switching instructions. However, your bank or financial adviser may charge you additional fees (such as redemption fees, switching fees or transaction fees) or expenses at their own discretion in respect of such instructions and they may apply different procedures from what is stated in the Hong Kong Offering Documents. You are advised to contact your bank, distributor or financial adviser should you have any questions.

The revised Hong Kong Offering Documents will be updated to reflect the above changes where appropriate after the Effective Date. A copy of the revised Hong Kong Offering Documents will be available free of charge at the office of the Hong Kong Representative at the address listed below and on [www.baring.com](http://www.baring.com)<sup>2</sup> after the Effective Date.

Should you have any questions relating to the matters dealt with in this Notice, please contact Baring Asset Management (Asia) Limited, the Hong Kong Representative, by telephone on (852) 2841 1411, by e-mail at [BDG.HK.Wealth.Retail@barings.com](mailto:BDG.HK.Wealth.Retail@barings.com), or by letter at the following address: 35th Floor, Gloucester Tower, 15 Queen's Road Central, Hong Kong. Alternatively you may wish to speak to your financial adviser.



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**Director**  
**For and on behalf of**  
**BARINGS INVESTMENT FUNDS PLC**

<sup>1</sup> SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

<sup>2</sup> Please note that the website has not been authorised by the SFC and may contain information relating to funds which are not authorised in Hong Kong and information which is not targeted to Hong Kong investors.