

DCI Investment Trust (the “Trust”)

Da Cheng China Balanced 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,

Change to PRC tax provisioning approach 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 February 2014.

We, the Manager of the Trust and the Sub-Fund, are writing to inform you that there have been some changes to the tax provisioning policy in respect of PRC Corporate Income Tax which may be applicable to the Sub-Fund on a withholding basis (i.e. withholding income tax (“WHT”)).

Background

The Ministry of Finance of the PRC, the State Administration of Taxation of the PRC and the China Securities Regulatory Commission issued the “Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of PRC equity investment assets such as PRC domestic stocks by QFII and RQFII” (“關於QFII和RQFII取得中國境內的股票等權益性投資資產轉讓所得暫免徵收企業所得稅問題的通知”) Caishui [2014] No.79 on 14 November 2014 (the “**PRC Tax Notice**”). The PRC Tax Notice states PRC corporate income tax will be imposed on gains obtained by QFII and RQFII from PRC equity investment assets (including PRC domestic stocks) realised prior to 17 November 2014 (the “**Effective Date**”) in accordance with laws. The PRC Tax Notice also states that RQFIIs without an establishment or place in the PRC will also be temporarily exempt from PRC corporate income tax on gains derived from the trading of A-Shares effective from the Effective Date onwards.

Prior to the Effective Date, as disclosed in the Explanatory Memorandum, a provision of 10% is being made on the potential WHT liability for capital gains (whether realised or unrealised) derived from the Sub-Fund’s trading of A-Shares and debt securities issued by PRC tax resident enterprises.

Change to PRC WHT provisioning approach and impact to Unitholders

In light of the PRC Tax Notice, the Manager has, after taking and considering independent professional tax advice, determined to change the PRC WHT provisioning approach of the Sub-Fund as follows:

- From the Effective Date onwards, the Sub-Fund will no longer make any WHT provision for gross realised and unrealised capital gains derived from trading of A-Shares issued by PRC tax resident enterprises.
- The Sub-Fund will reverse any WHT provision which was set aside prior to the Effective Date in respect of the gross unrealised capital gains derived from trading of A-Shares issued PRC tax resident enterprises (the “**Reversal**”).

Other aspects of the Sub-Fund’s tax provisioning policy will remain unchanged.

As a result of the Reversal, the Net Asset Value of the Sub-Fund as at the Effective Date will be affected, as follows:

Increase in Net Asset Value	Percentage increase in Net Asset Value
RMB 448,767.51	0.58%

The impact of the Reversal on the Net Asset Value of the Sub-Fund is reflected in the Net Asset Value of the Sub-Fund as at the Effective Date, i.e. 17 November 2014, which is published on 18 November 2014. 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.

The Trustee has no objection to the changes to the PRC tax provisioning policy of the Sub-Fund set out above.

The PRC tax rules and practices in relation to RQFII, including the PRC Tax Notice, are new and their implementation is not tested and is uncertain. It should also be noted that the PRC Tax Notice specified that the exemption on WHT on gains derived from the trading of A-Shares is temporary. There is a possibility of the PRC tax rules, regulations and practice being changed and taxes being applied retrospectively. In view of such uncertainties, investors should note that any level of provision (or no provision) may be inadequate to meet the actual PRC tax liabilities on the investments made by the Sub-Fund. Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the withholding income tax approach of the Sub-Funds accordingly.

In the event that actual tax is collected by the State Administration of Taxation (“SAT”) to make payments reflecting tax liabilities for which no provisions has been made, investors should note that the Net Asset Value of the Sub-Fund may be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities of the Sub-Fund will only impact Units in issue of the Sub-Fund at the relevant time, and the then existing Unitholders and subsequent Unitholders of such Sub-Fund 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 rate 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 rate can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above change in tax provisioning approach, persons who have already redeemed their Units in the Sub-Fund before the return of any overprovision to the account of the Sub-Fund will not be entitled to or have any right to claim any part of such overprovision.

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 in the Sub-Fund. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Update to Explanatory Memorandum

The Explanatory Memorandum will be updated to reflect the changes described above and any associated risks. The revised Explanatory Memorandum will be published on the Manager’s website at www.dcfund.com.hk (this website has not been reviewed by the SFC) as soon as reasonably practicable after the Effective Date.

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

Date: 18 November 2014