

Important

This document is important and requires your immediate attention. If you are in any doubt about the content of this document, you should seek independent professional advice.

12 September 2014

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

Dear Unitholders,

We are writing to notify you of the following changes to the Trust, which will take effect from 12 October 2014.

1. investment objective and policy – indirect exposure to China A Shares through CAAPs and enhancement of disclosures for investment in below investment grade debt securities and asset backed securities;
2. distribution policy;
3. risk factors;
4. PRC taxation; and
5. updates relating to FATCA.

The amendments will be reflected in an addendum, dated 12 October 2014 (the “**Addendum**”), to the Explanatory Memorandum of the Trust dated 25 June 2011, as amended by addenda dated 22 November 2011, 24 August 2012, 20 September 2012, 11 March 2013 and 23 August 2013 (“**Explanatory Memorandum**”).

Capitalized terms used herein but not otherwise defined will have the same meaning as defined in the Explanatory Memorandum.

1. Change of Investment Objective and Policy - Indirect Exposure to China A Shares through CAAPs and Enhancement of Disclosures for Investment in Below Investment Grade Debt Securities and Asset Backed Securities

The investment policy of the Trust will be revised to provide flexibility to invest indirectly in China A Shares through CAAPs. Such amendments are shown as bold and underlined:

Existing investment policy	Revised investment policy
The Trust does not currently have any direct or indirect exposure to China A Shares, being domestic shares in PRC incorporated companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, the prices of which are quoted in Renminbi and which are available to domestic investors, qualified foreign institutional investors and foreign strategic investors approved by the China Securities Regulatory Commission. Any direct or indirect investment in China A Shares will only be made	The Trust does not currently have any direct or indirect exposure to China A Shares, being domestic shares in the <u>People’s Republic of China (“PRC”)</u> incorporated companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, the prices of which are quoted in Renminbi and which are available to domestic investors, qualified foreign institutional investors and foreign strategic investors approved by the China Securities Regulatory Commission. <u>However, the Trust</u>

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upon prior authorisation by the SFC and by giving Unitholders one month's prior written notice (or such shorter notice period as approved by the SFC).

may seek indirect exposure to China A Shares in the PRC through China A Shares Access Products ("CAAPs"), such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("CAAP Issuer") which represents an obligation of the CAAP Issuer to pay to the Trust an economic return equivalent to holding the underlying China A Shares. The investment in CAAPs is subject to a maximum exposure of 10 per cent. of the Trust's latest available Net Asset Value and not more than 10 per cent. of the Trust's latest available Net Asset Value may be invested in CAAPs issued by any single CAAP Issuer. Any ~~direct or indirect~~ change in the Trust's policy on investment in China A Shares, **including but not limited to change in the maximum exposure in CAAPs,** will only be made upon prior authorisation by the SFC and by giving Unitholders one month's prior written notice (or such shorter notice period as approved by the SFC).

In addition to the above, to enhance transparency and align with the market practice, the disclosures in the Explanatory Memorandum will be enhanced to clarify that (a) not more than 30% of the latest Net Asset Value of the Trust will be invested in debt securities which are below investment grade; and (b) the Trust will not invest in asset backed securities (including asset backed commercial papers) for hedging or non-hedging purpose.

Unitholders who do not wish to remain in the Trust after the abovementioned change takes effect may redeem their Units or switch their Units into any other funds which are authorized by Securities and Futures Commission ("SFC") and managed by the Manager or any of the Manager's affiliates ("other available funds") during any Dealing Period in accordance with the procedures set out in the Explanatory Memorandum. No redemption charge shall be payable on the redemption of any Classes of Units. Switching of any Classes of Units of the Trust into any other available funds will be subject to prevailing load structure of such other available funds.

2. Change of Distribution Policy

In order to add flexibility to the Trust in distributing dividends, dividends may be paid from the capital (including unrealised capital gains or other unrealised profits during the relevant financial year and undistributed net income and undistributed net realised capital gains or profits brought forward from previous financial years) of the Trust if the net distributable income attributable to Class A1 Units, Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units and Class A2 MDis NZD Hedged Units during the relevant period is insufficient to pay dividends as declared. Unitholders should note that payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Trust's capital may result in an immediate reduction in the Net Asset Value per Unit and will reduce any capital appreciation for the Unitholders of the relevant classes.

The composition of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) (if any) for the past 12 months is available from the Manager on request and also on the Manager's website www.valuepartners.com.hk¹.

If there is any change to the distribution policy, prior approval will be sought from the SFC, and Unitholders will receive at least one month's prior written notification.

Please refer to the Explanatory Memorandum and the Addendum for further details regarding the change of distribution policy and the relevant risk factor.

3. Amendments to Risk Factors

The risk disclosures in the Explanatory Memorandum will be enhanced by inserting new risk factors on "Risks associated with CAAPs", "Liquidity Risk of Investing in China A Shares and China B Shares", "Credit Rating Downgrading Risk" and "Unrated or Below Investment Grade and High Yielding Debt Securities Risk" and enhancing disclosures under the risk factors "PRC Tax Risk", "Dividend Risk and Risk Relating to Dividends Paid Out of Capital", "Credit Risk" and "Foreign Account Tax Compliance Act".

4. Amendments to PRC Taxation

The disclosures in the Explanatory Memorandum on PRC taxation will also be enhanced.

5. Further Updates relating to Foreign Account Tax Compliance Act (FATCA)

The current disclosures in the Explanatory Memorandum relating to FATCA will be further enhanced.

In this connection, you should note that the Trustee or the Manager may (directly or via your distributor, as the case may be) contact and request you to provide information or other documentation in order to confirm your tax residence status under FATCA or any change in circumstances which may affect your tax residence status. Please consult your own tax advisor as to the potential impact of FATCA in respect of your own tax situation.

The latest Explanatory Memorandum and Addendum of the Trust will be available on our website (www.valuepartners.com.hk)¹ and for your inspection at the Manager's office during normal business hours (except on Saturdays, Sundays and public holidays).

The Manager 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 believe there are no other facts the omission of which would make any statement in this Notice misleading as at the date of issuance.

If you have any questions relating to the above, please contact our Fund Investor Services Team at (852) 2880-9263 or email us at ypl@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 Limited

¹ This website has not been reviewed or authorized by the SFC.