

GF INVESTMENT FUNDS
(the “Fund”)

GF China RMB Fixed Income Fund
(the “Sub-Fund”)

NOTICE TO UNITHOLDERS

This notice is important and requires your immediate attention. It contains information regarding changes to the Explanatory Memorandum of the Fund dated February 2012 in respect of the Sub-Fund, as amended by the First Addendum dated June 2012, the Second Addendum dated January 2013 and the Third Addendum dated March 2013 (the “Explanatory Memorandum”). If you are in any doubt about the content of this notice, you should seek independent professional financial advice.

All capitalized terms herein contained shall have the same meaning in this notice as in the Explanatory Memorandum. GF Asset Management (Hong Kong) Limited, the manager of the Fund (the “Manager”), accepts full responsibility for the accuracy of the information contained in this notice at the date of publication 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 misleading.

14 March 2014

Clarification on investment policy and strategy

We are writing to inform you of a number of clarifications on the investment policies and strategy of the Sub-Fund:

(i) Clarification of scope of investment

The Explanatory Memorandum will be revised to clarify that the scope of Mainland China fixed income securities that the Sub-Fund may invest in include “(a) bonds issued or distributed within Mainland China by government, local governments, quasi-government organizations, local government financing vehicles, financial institutions and other corporations, for example, government bonds and notes, municipal bonds, corporate bonds, financial bonds, commercial papers and convertible bonds and (b) fixed income funds approved by the CSRC and offered to the public in Mainland China”.

(ii) Urban investment bonds

Within the scope of the Sub-Fund’s investment policy, the Sub-Fund currently invests in securities known as “urban investment bonds” (城投債).

Urban investment bonds are debt instruments issued by local government financing vehicles (“LGFVs”) in mainland China and traded on the exchange bond market and interbank bond market. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects.

The Explanatory Memorandum will be revised to set out in the investment policies that (i) the Sub-Fund may invest in urban investment bonds; and (ii) the Sub-Fund’s exposure to urban investment bonds will be up to 50% of its Net Asset Value.

Risk associated with urban investment bonds

Although local governments may be seen to be closely connected to urban investment bonds, such bonds are typically not guaranteed by local governments or the central government of the PRC. As such, local governments or the central government of the PRC are not obligated to support any LGFVs in default. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the net asset value of the Sub-Fund could be adversely affected.

Please refer to the risk factor “Risk associated with urban investment bonds” in the revised Explanatory Memorandum for details.

(iii) Credit rating requirements / unrated securities

Currently, the Sub-Fund does not have explicit restrictions on the minimum credit ratings of securities it may hold. The above credit rating criteria will change such that the Sub-Fund will not invest more than 10% of the Sub-Fund’s Net Asset Value in fixed income securities with a credit rating of BB+ or below (assigned by any PRC domestic credit rating agency) or unrated securities. For this purpose, if the relevant fixed income security does not itself have a credit rating, the credit rating of the issuer of the security could be used as the implied credit rating of the fixed income securities issued by that issuer. If both the security itself and the relevant issuer are not rated, then the security will be classified as unrated.

The Explanatory Memorandum will be revised accordingly.

(iv) Asset backed securities

Pursuant to the current investment policy, the Sub-Fund may not invest asset backed securities. The Explanatory Memorandum will be revised to clarify that asset backed securities include “asset backed commercial papers”, and the Sub-Fund does not invest in such instruments.

The Explanatory Memorandum has been amended to reflect the foregoing clarifications by way of an addendum. Should you wish to obtain a copy of the latest Explanatory Memorandum, please visit <http://www.gfgroup.com.hk/>.

Should you have any questions about the change described above, please contact us at 852 3719 1100.

GF Asset Management (Hong Kong) Limited