

**CMS Funds  
(the “Fund”)**

**CMS China Opportunities Flexifund  
(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 July 2012 in respect of the Sub-Fund (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. CMS Asset Management (HK) Co., 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<sup>th</sup> March 2014

**Changes in investment policy and strategy**

We are writing to inform you of a number of clarifications to the investment objective and policy of the Sub-Fund:

(i) Urban investment bonds

The Sub-Fund currently does not invest in securities known as “urban investment bonds”.

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 clarify that the Sub-Fund does not invest in urban investment bonds.

(ii) 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 Explanatory Memorandum will be revised to clarify that the Sub-Fund will not invest in debt instruments which are rated BB+ or below by any major local credit rating agency in the PRC or unrated debt instruments. When investing in debt instruments, the Manager will first consider the credit rating of the debt instrument itself and only if such credit rating is unavailable, the Manager will then consider the credit rating of the issuer of the relevant debt instrument, which will become the implied rating of the debt instrument. In the event that debt instruments held by the Sub-Fund are downgraded, the Sub-Fund’s aggregate holding of debt instruments rated BB+ or below by any major local credit rating agency in the PRC or unrated debt instruments under such circumstances shall not exceed 10% of the Sub-Fund’s Net Asset Value.

(iii) Asset backed securities

Pursuant to the current investment policy, the Sub-Fund will 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 above changes to the Explanatory Memorandum will be effective from 14<sup>th</sup> March 2014.

The Explanatory Memorandum will be amended to reflect the foregoing change by way of an addendum which will be available in due course. Should you wish to obtain a copy of the latest Explanatory Memorandum, please visit [http://www.cmsamhk.com/en/products\\_funds](http://www.cmsamhk.com/en/products_funds).

Should you have any questions about the change described above, please contact us at 852 2530 0698.

**CMS Asset Management (HK) Co., Limited**