

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

SEMI-ANNUAL REPORT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
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MANAGEMENT AND ADMINISTRATION

Manager

Shenwan Hongyuan Asset Management (Asia) Limited
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28 Hennessy Road
Hong Kong

Directors of the Manager

Zhu Minjie
Chen Xiaosheng
Guo Chun
Qiu Yizhou
Xia Mingrui

Trustee and Registrar

Bank of Communications Trustee Limited
1/F, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Auditor

PricewaterhouseCoopers
21/F Edinburgh Tower
15 Queen's Road Central
Hong Kong

Legal Adviser

Deacons
5/F, Alexandra House
18 Chater Road, Central
Hong Kong

RQFII Custodian

Bank of Communications Co., Ltd.
188 Yin Cheng Zhong Road
Shanghai 200120
The People's Republic of China

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REPORT OF THE MANAGER

Market review

First half of 2018 we saw a stronger-than-expected bond market. The liquidity in money market was loosening thanks to PBoC's various measures conducted in 1H2018. RRR cut, contingent reserve arrangement, excessive MLF operation and "window guidance" to support low-rated credit bonds kept liquidity stable. For the second half of this year, the market sentiment is further fueled by the economic uncertainty, the China-US trade friction intensified and the China central government might continue to deleverage among financial institutions.

In terms of government bond yield curve, the 1, 3, 5, 7, 10 year key rate changed by **-63bps**, **-47bps**, **-49bps**, **-42bps** and **-41bps** respectively and bull-steepened. The short-end of the curve was most driven down by the generally stable money market condition.

The spread between 5 year AAA, AA+, AA, AA- corporate bonds and corresponding benchmark changed by **-27.2bps**, **-10.2bps**, **+25.8bps** and **+75.8bps** respectively. Spreads of the high-rated bond tightened but on the side of low-rated bond widened because the keep-emerging credit events in 1H2018 and investors' risk appetite was quite dampened.

Portfolio review

For the 6 month period, the Fund's NAV is up 1.59% for A (Retail) class and up 1.78% for I (Institutional) class assuming reinvestment of dividend.

Market Outlook

The supply and economic fundamental will be the main two themes for the second half of the year. Supply pressure of sovereign bonds and local government bonds will increase in 2H2018. The market will keep an eye on what China authorities will do to maintain the economic growth: infrastructure construction and individual tax cut may be the catalyst. We see there is little room for yield curve to continue to shift down.

On the external factors, FED signals that two rate hikes will come in 2H2018, and it will also constrain the China bonds' yield curve from shifting down. Overall, it is likely that the yield will keep fluctuating and hovering around current level, and we will be cautious about the bond market, especially the credit events in the second half of the year.

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**STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2018**

	30 Jun 2018 RMB	31 Dec 2017 RMB
Assets		
Cash and cash equivalent	3,210,430	1,932,946
Financial asset at fair value through profit or loss	47,981,511	51,760,107
Amount due from brokers	1,073,575	-
Interest receivable	691,847	919,275
Deposit	12,334	13,216
Prepayments	3,974	6,792
Total assets	<u>52,973,671</u>	<u>54,632,336</u>
Liabilities		
Amounts due to brokers	-	7,832
Management fee payable	39,110	42,003
Trustee fee payable	50,037	51,705
Sub-custodian fee payable	4,325	4,593
Tax payable	333,358	386,471
Other payables and accruals	157,187	205,834
Total liabilities	<u>584,017</u>	<u>698,438</u>
Net assets attributable to unitholders	<u>52,389,654</u>	<u>53,933,898</u>
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	18,007,303	19,725,855
Class I	34,382,351	34,208,043
Number of units in issue		
Class A	172,478.399	189,478.501
Class I	320,192.555	320,192.555
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	104.403	104.106
Class I	107.380	106.835

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**STATEMENT OF FINANCIAL POSITION (UNAUDITED) – CONTINUED
AS AT 30 JUNE 2018**

Note – Dividend Paid

The interim dividend distribution for the calendar quarter ending 31 March 2018 was paid and the amount of dividend paid was RMB324,414.12.

Share Class	Currency	Dividend per Unit
Class A	RMB	RMB0.65
Class I	RMB	RMB0.65

Record date : 20 March 2018

Ex-dividend date : 21 March 2018

Payment date : 23 March 2018

The interim dividend distribution for the calendar quarter ending 30 June 2018 was paid and the amount of dividend paid was RMB344,330.56.

Share Class	Currency	Dividend per Unit
Class A	RMB	RMB0.70
Class I	RMB	RMB0.70

Record date : 20 June 2018

Ex-dividend date : 21 June 2018

Payment date : 25 June 2018

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**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2018**

Investments	Holdings	Fair value RMB	% of net asset value
Listed Equity securities			
China			
Luzhou Laojiao Co Ltd-A	9,000	547,740	1.05
Ping An Insurance Group Co-A	10,000	585,800	1.12
		1,133,540	2.17
Debt securities			
China			
Air China Ltd 5.15% 8/16/2018	1,520,000	1,520,000	2.90
China Government Bond 3.27% 8/22/2046	1,527,000	1,350,326	2.58
China Government Bond 3.4% 4/17/2023	13,000,000	12,890,800	24.61
China Government Bond 4.26% 7/31/2021	9,000,000	9,198,000	17.56
China Guodian Corp 2.98% 1/5/2019	2,000,000	1,981,000	3.78
China National Aviation Holding Co Ltd 2.87% 10/25/2019	2,000,000	1,954,800	3.73
China National Petroleum Corp 4.5% 2/22/2019	2,500,000	2,500,000	4.77
China Petroleum & Chemical Corp 3.3% 11/19/2018	2,000,000	1,989,400	3.80
Fantasia Group China Co Ltd 7.29% 12/30/2020	999,000	975,923	1.86
Financial Street Holdings Co Ltd 3.84% 8/20/2021	2,000,000	1,994,600	3.81
Shanghai Electric Group Corp 3% 1/21/2019	2,000,000	1,979,000	3.78
Shanghai Pharmaceuticals Holding Co Ltd 2.98% 1/26/2019	2,000,000	1,980,000	3.78
State Grid Corp of China 2.99% 11/14/2019	2,000,000	1,958,800	3.74
		42,272,649	80.70
Unlisted unit trust¹			
China			
003474 China Southern Tian Tian Li CCY B	4,575,322	4,575,322	8.73
		4,575,322	8.73
Total investment portfolio, at fair value		47,981,511	91.60
Other net assets		4,408,143	8.40
Net asset value as at 30 June 2018 (calculated in accordance with the Sub-Fund's explanatory memorandum)		52,389,654	100
Total investments, at cost		47,723,601	

¹ Not authorized in Hong Kong and not available to Hong Kong Residents.

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**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	% holdings of net assets as at 30 June 2018	% holdings of net assets as at 31 December 2017
People's Republic of China		
Listed Equity securities	2.17	9.39
Listed interbank bonds	80.70	77.17
Unlisted unit trust ¹	8.73	9.41
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Total investment portfolio	91.60	95.97
Other net assets	8.40	4.03
	<hr/>	<hr/>
Net assets	100	100
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