

**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 2016

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

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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

Chu Xiaoming
Lu Wenqing
Lee Man Chun Tony
Guo Chun
Bai Youge
Fu Xingyi

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

The first six months of 2016 see China bond market yields hovered around near-record-low levels. Yields initially corrected from January lows when optimism of further monetary loosening was broken when central bank maintained the interbank 7 day reverse repo rate at 2.25%, defying expectation of further rate cuts. The unexpected bull run of commodity market, after many years of bear market, also added to the woe where risk appetite picked up and bond market deleveraged. Bond market only resumed the upward trend when weaker than expected economic data continued to come in. Fixed Asset Investment was hit especially hard, year-on-year growth dropped below 10% for the first time in many years. Rally further picked up when Brexit vote result came in unexpected and China followed the global bond market in search for yield, expecting further loosening from global central banks.

In terms of yield curve movement, the 1, 3, 5, 7, 10 year tenor key rate treasury YTM's changed by **+9.2bps, +0.2bps, -1.5bps, +1.4bps and +2.0bps** respectively, where there is a mild flattening of the curve.

The spread between 5 year tenor AAA, AA+, AA, AA- corporate bonds and corresponding 5 year treasuries changed by **+10.0bps, -3.0bps, -4.0bps and +13.0bps** respectively.

Portfolio review

For the 6 month period, the Fund's NAV is **down 0.93% for A (Retail) class and down 0.73% for I (Institutional) class** assuming reinvestment of dividend.

Market Outlook

With Brexit result came in unexpected, the global search-for-yield will likely continue in the near future which China bond market will follow. However, both yield levels and credit spreads are near record low, and the term premium between 7 day repo and 10 year treasury yield is also at a low level, further rally will depend on further monetary loosening from PBOC. We see more volatility comes in the second half of the year, with better opportunities in the sovereign space than credit space given the deteriorating conditions of most companies.

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**STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2016**

	30 Jun 2016 RMB	31 Dec 2015 RMB
Assets		
Cash and cash equivalent	2,634,700	7,394,682
Investments	89,290,395	146,063,795
Interest receivable	1,683,700	3,117,108
Deposit reserve	23,603	53,013
Prepayments	3,985	1,082
Total assets	93,636,383	156,629,680
Liabilities		
Amounts payable on redemption	-	41,585
Management fee payable	62,560	116,493
Trustee fee payable	49,901	51,705
Sub-custodian fee payable	7,501	14,430
Tax payable	2,888,304	3,095,829
Other payables and accruals	278,011	197,821
Total liabilities	3,286,277	3,517,863
Net assets attributable to unitholders	90,350,106	153,111,817
Represented by:		
Net assets attributable to unitholders (calculated in accordance with IFRSs)	90,350,106	153,111,817
Adjustments for preliminary expenses recognised	88,623	154,998
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's explanatory memorandum)	90,438,729	153,266,815
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	16,684,562	21,747,452
Class I	73,754,167	131,519,363
Number of units in issue		
Class A	157,748.701	201,219.115
Class I	684,122.094	1,196,516.140
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	105.766	108.078
Class I	107.808	109.918

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**STATEMENT OF FINANCIAL POSITION (UNAUDITED) – CONTINUED
AS AT 30 JUNE 2016**

Note – Dividend Paid

The interim dividend distribution for the calendar quarter ending 31 March 2016 was paid and the amount of dividend paid was RMB572,246.38.

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

Record date : 18 March 2016

Ex-dividend date : 21 March 2016

Payment date : 23 March 2016

The interim dividend distribution for the calendar quarter ending 30 June 2016 was paid and the amount of dividend paid was RMB547,015.81.

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

Record date : 20 June 2016

Ex-dividend date : 21 June 2016

Payment date : 23 June 2016

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
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**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2016**

Investments	Holdings	Fair value RMB	% of net asset value
Debt securities			
Listed exchange traded bonds			
China			
China Datang Corp Renewable Power Co Ltd 5.4% 11/8/2016	3,000,000	3,030,000	3.35%
China Petroleum & Chemical Corp 3.3% 11/19/2018	2,000,000	2,030,000	2.24%
Dafeng Dafeng Port Construction Development Co Ltd VAR 11/15/2017	3,000,000	3,107,700	3.44%
Fantasia Group China Co Ltd VAR 12/30/2020	2,000,000	2,040,000	2.26%
Guangxi Financial Investment Group Co Ltd VAR 8/21/2023	2,000,000	2,088,000	2.31%
Jiangyin City Construction & Investment Co Ltd 6.9% 9/15/2016	4,000,000	4,047,600	4.48%
Shanghai Dazhong Public Utilities Group Co Ltd Float 1/6/2018	3,000,000	3,105,000	3.43%
Shanghai Fosun High Technology Group Co Ltd VAR 12/24/2017	3,000,000	3,126,000	3.46%
Suning Commerce Group Co Ltd 5.2% 12/14/2017	2,000,000	2,060,580	2.28%
		24,634,880	27.25%
Listed interbank bonds			
China			
China Development Bank Corp 3.46% 9/24/2020	10,000,000	10,147,640	11.22%
China Development Bank Corp 2.98% 11/4/2018	10,000,000	10,016,790	11.08%
China Development Bank Corp 2.96% 2/18/2021	10,000,000	9,988,340	11.04%
China Development Bank Corp 2.72% 3/3/2019	10,000,000	9,968,070	11.02%
China Development Bank Corp 3.18% 4/5/2026	10,000,000	9,994,960	11.05%
China Government Bond 2.9% 5/5/2026	10,000,000	10,051,000	11.11%
		60,166,800	66.52%
Unlisted unit trust¹			
China			
202302 China Southern Cash Income Fund – B	4,488,715	4,488,715	4.96%
		4,488,715	4.96%

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**INVESTMENT PORTFOLIO (UNAUDITED) - CONTINUED
AS AT 30 JUNE 2016**

Investments - Continued	Holdings	Fair value RMB	% of net asset value
Total investment portfolio		89,290,395	98.73%
Other net assets		1,148,334	1.27%
		<hr/>	<hr/>
Net asset value as at 30 June 2016 (calculated in accordance with the Sub-Fund's explanatory memorandum)		90,438,729	100.00%
		<hr/>	<hr/>
Total investments, at cost		89,266,321	
		<hr/>	

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 2016**

	Holdings as at 30.06.2016	Holdings as at 31.12.2015
People's Republic of China		
Listed exchange traded bonds	27.25%	-
Listed interbank bonds	66.52%	88.53%
Unlisted unit trust ¹	4.96%	6.76%
	<hr/>	<hr/>
Total investment portfolio	98.73%	95.29%
Other net assets	1.27%	4.71%
	<hr/>	<hr/>
Net assets	100.00%	100.00%
	<hr/>	<hr/>

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