

**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 2017

**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
Lee Man Chun Tony
Guo Chun
Qiu Yizhou

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 2017 saw the bond market carried the weak tone from end of 2016. Main focus continued to be on the government's crackdown on leverage among financial institutions. Money market rates remained elevated and volatility comparing to 2014 and 2015 levels, encouraging investors to deleverage while the carry trade no longer worked. This is further fueled by better than expected economic data in the first 6 months. GDP figure in Q1 beat market expectation and read 6.9%, sustaining the recovery trend from end 2016. Other high frequency data, like Manufacturing PMI, also hovered above 50, benefitting from the surge in commodity prices.

In terms of yield curve movement, the 1, 3, 5, 7, 10 year tenor key rate treasury YTMs changed by +81bps, +71bps, +64bps, +62bps and +56bps respectively, where there is a bear flattening of the curve. Short end of the curve was most affected by the generally tight money market condition.

The spread between 5 year tenor AAA, AA+, AA, AA- corporate bonds and corresponding 5 year treasuries changed by -2.4bps, +6.6bps, +15.6bps and -18.4bps respectively. Spreads initially widened due to market sell off before recovered majority of the losses in June.

Portfolio review

For the 6 month period, the Fund's NAV is down 0.75% for A (Retail) class and down 0.55% for I (Institutional) class assuming reinvestment of dividend.

Market Outlook

Financial regulation and economic fundamentals will continue to be main two focuses for the second half of the year. Economy has performed better than expected in the first half and commodities have gone through the roof, which is unlikely to be sustainable in the long run. The stable economic backdrop has given more time and space for regulators to carry out the deleveraging process, which is likely to be more than midway through. External factors, including FED tapering and interest rate hike pace will also influence onshore market, but market expectation is leaning towards a very gradual increase in FED fund rate. Overall, we are cautiously optimistic about the bond market for the second half of the year.

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**STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2017**

	30 Jun 2017 RMB	31 Dec 2016 RMB
Assets		
Cash and cash equivalent	3,758,888	18,249,296
Investments	69,707,450	71,483,755
Trade receivable	5,000,000	-
Interest receivable	964,158	1,093,447
Deposit reserve	19,399	21,916
Prepayments	3,744	1,004
Total assets	<u>79,453,639</u>	<u>90,849,418</u>
Liabilities		
Amounts payable on redemption	50,938	-
Management fee payable	52,032	61,786
Trustee fee payable	50,037	51,564
Sub-custodian fee payable	6,274	7,462
Tax payable	2,453,963	2,438,201
Other payables and accruals	308,738	205,822
Total liabilities	<u>2,921,982</u>	<u>2,764,835</u>
Net assets attributable to unitholders	<u>76,531,657</u>	<u>88,084,583</u>
Represented by:		
Net assets attributable to unitholders (calculated in accordance with IFRSs)	76,531,657	88,084,583
Adjustments for tax payables / preliminary expenses recognised	<u>(378,886)</u>	<u>(357,368)</u>
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's explanatory memorandum)	<u>76,152,771</u>	<u>87,727,215</u>
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	13,350,060	15,086,385
Class I	62,802,711	72,640,830
Number of units in issue		
Class A	131,067.799	145,152.511
Class I	602,192.555	684,122.094
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	101.856	103.934
Class I	104.290	106.181

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**STATEMENT OF FINANCIAL POSITION (UNAUDITED) – CONTINUED
AS AT 30 JUNE 2017**

Note – Dividend Paid

The interim dividend distribution for the calendar quarter ending 31 March 2017 was paid and the amount of dividend paid was RMB482,598.94.

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

Record date : 21 March 2017
Ex-dividend date : 22 March 2017
Payment date : 24 March 2017

The interim dividend distribution for the calendar quarter ending 30 June 2017 was paid and the amount of dividend paid was RMB476,756.76.

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

Record date : 19 June 2017
Ex-dividend date : 20 June 2017
Payment date : 22 June 2017

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
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**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2017**

Investments	Holdings	Fair value RMB	% of net asset value
Debt securities			
Listed exchange traded bonds			
China			
Fantasia Group China Co Ltd VAR 12/30/2020	1,000,000	1,009,900	1.33
Shanghai Dazhong Public Utilities Group Co Ltd Float 1/6/2018	3,000,000	3,018,000	3.96
Shanghai Fosun High Technology Group Co Ltd VAR 12/24/2017	3,000,000	3,010,500	3.95
Suning Commerce Group Co Ltd 5.2% 12/14/2017	2,000,000	2,002,740	2.63
		<u>9,041,140</u>	<u>11.87</u>
Listed interbank bonds			
China			
China Development Bank Corp 3.88% 4/19/2020	10,000,000	9,954,020	13.07
China Development Bank Corp 2.96% 2/18/2021	10,000,000	9,604,020	12.61
China Government Bond 2.58% 4/14/2021	10,000,000	9,680,170	12.71
China Government Bond 2.65% 7/14/2021	10,000,000	9,673,120	12.70
China Government Bond 3.4% 2/9/2027	10,000,000	9,911,970	13.02
China Government Bond 3.13% 4/13/2022	10,000,000	9,843,010	12.93
		<u>58,666,310</u>	<u>77.04</u>
Unlisted unit trust¹			
China			
202301 China Southern Cash Income Fund – A	2,000,000	2,000,000	2.63
		<u>2,000,000</u>	<u>2.63</u>
Total investment portfolio, at fair value		69,707,450	91.54
Other net assets		6,445,321	8.46
		<u>76,152,771</u>	<u>100.00</u>
Net asset value as at 30 June 2017 (calculated in accordance with the Sub-Fund's explanatory memorandum)		<u>76,152,771</u>	<u>100.00</u>
Total investments, at cost		<u>70,840,034</u>	

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 2017**

	% holdings of net assets as at 30 June 2017	% holdings of net assets as at 31 December 2016
People's Republic of China		
Listed exchange traded bonds	11.87	-
Listed interbank bonds	77.04	71.71
Unlisted unit trust ¹	2.63	9.78
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Total investment portfolio	91.54	81.49
Other net assets	8.46	18.51
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Net assets	100.00	100.00
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