

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 2014

SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

(A sub-fund of SWS Strategic Investment Funds)

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SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

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Management and Administration

Manager

Shenyin Wanguo Asset Management (Asia) Limited
Level 19,
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

RQFII Custodian

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

Auditors

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal Advisers

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

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Manager's Report

Market review

China bond market recovered significantly from the loss in 2013 to end positively for the first half of 2014. Ample liquidity and record yield levels prompted the market to restore confidence in the market. Rally started in the short end of the curve and promoted towards longer end towards the half year mark. Market was also supported by soft economic data.

In terms of yield curve movement, the 1, 3, 5, 7, 10 year tenor key rate treasury YTM's dropped by 84bps, 63bps, 61bps, 60bps and 49bps respectively, which the whole curve moved significantly downwards.

We also witnessed a general narrowing of the credit spread, especially around the high investment grade bond, when investor chased yield yet worried about the credit quality down the credit curves. The spread between 5 year tenor AAA, AA+, AA, AA- corporate bonds and corresponding 5 year treasuries expanded by -44bps, -46bps, -37bps and 34bps respectively.

Portfolio review

For the 6 month period, the Fund's NAV is up by 5.09% for A (Retail) class and up by 5.31% for I (Institutional) class assuming reinvestment of dividend. In comparison, the Chinabond Composite Full Price Index (CBCFPI) was up by 4.07%. Hence the A class recorded a 1.02% out-performance over the benchmark index whilst the I class saw a greater magnitude 1.24% out-performance.

Our out-performance was mainly due to our decision to increase our position with respect to duration.

Market Outlook and Portfolio Strategy

With China gradually registering better economic data, economy seemed to be stabilizing, putting pressure on the bond market. However, with economic recovery remains weak. PBoC will likely maintain a stable and relatively loose money market, thus bringing support to the market. In short, we are cautiously optimistic on the bond market for the second half of the year, especially on the short end of the curve.

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Statement of Financial Position (Unaudited)

As at 30 June 2014

	30 Jun 2014 RMB	31 Dec 2013 RMB
Assets		
Cash and cash equivalents	1,594,667	6,062,229
Financial assets at fair value through profit or loss	404,915,590	677,972,084
Interest receivable	12,112,548	13,878,873
Deposits	392,000	252,000
Prepayments	4,207	1,067
Total assets	<u>419,019,012</u>	<u>698,166,253</u>
Liabilities		
Accounts payable on redemptions	6,513,277	48,450,587
Management fee payable	305,010	552,880
Trustee fee payable	51,705	66,856
Sub-custodian fee payable	34,462	58,922
Commission expenses payable	34,000	64,000
Audit fee payable	92,700	122,558
Withholding tax payable	2,631,333	1,935,530
Other payables	5,325	8,162
Total liabilities	<u>9,667,812</u>	<u>51,259,495</u>
Net assets attributable to unitholders	<u>409,351,200</u>	<u>646,906,758</u>
Represented by:		
Net assets attributable to unitholders (calculated in accordance with IFRSs)	409,351,200	646,906,758
Adjustment for preliminary expenses recognized	355,218	421,229
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's explanatory memorandum)	<u>409,706,418</u>	<u>647,327,987</u>
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	93,201,690	209,444,502
Class I	316,504,728	437,883,485
Number of units in issue		
Class A	908,433.486	2,120,208.621
Class I	3,053,917.714	4,397,903.522
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	102.596	98.784
Class I	103.638	99.566

SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

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Statement of Financial Position (Unaudited) – Continued

As at 30 June 2014

Note – Dividend Paid

The interim dividend distribution for the calendar quarter ending 31 March 2014 was paid and the amount of dividend paid was RMB3,992,839.

Share Class	Currency	Dividend per Unit
Class A	RMB	RMB0.60
Class I	RMB	RMB0.60

Record date : 20 March 2014

Ex-dividend date : 21 March 2014

Payment date : 25 March 2014

The interim dividend distribution for the calendar quarter ending 30 June 2014 was paid and the amount of dividend paid was RMB2,412,903.

Share Class	Currency	Dividend per Unit
Class A	RMB	RMB0.60
Class I	RMB	RMB0.60

Record date : 20 June 2014

Ex-dividend date : 23 June 2014

Payment date : 25 June 2014

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Investment Portfolio (Unaudited)

As at 30 June 2014

	Holding unit	Fair Value RMB	% of NAV
Listed interbank bonds			
People's Republic of China			
AVIC Aero-Engine Holding Co Ltd 4.95% 3/4/2015	20,000,000	20,010,860	4.88%
Beijing Automotive Group Co Ltd 5.16% 11/16/2019	20,000,000	19,769,380	4.83%
China Development Bank Corp 5.6957% 1/14/2017	40,000,000	41,049,520	10.02%
China Hi-Tech Group Corp 5.78% 10/31/2019	20,000,000	19,794,400	4.83%
China Nonferrous Metal Mining Group Co Ltd 5.42% 9/25/2018	30,000,000	29,809,470	7.28%
Chinacoal Group Shanxi Huayu Energy Co Ltd 5.53% 12/26/2017	30,000,000	29,830,980	7.28%
Chinatex Corp 4.39% 7/12/2015	10,000,000	9,935,310	2.42%
Guangdong Nanhai Holding Investment Co Ltd 5.4% 1/17/2018	30,000,000	29,793,690	7.27%
Huadian Fuxin Energy Corp Ltd 5.2% 5/8/2015	10,000,000	10,024,440	2.45%
Huarun Dadong Dockyard Co Ltd 7.65% 3/19/2015	10,000,000	10,058,310	2.46%
Huludao Investment Group Co Ltd 7.05% 10/18/2020	20,000,000	20,196,740	4.93%
Inner Mongolia Yitai Coal Co Ltd 5.53% 12/25/2017	20,000,000	19,949,340	4.87%
Jiangxi Provincial Water Conservancy Investment Group Corp 5.4% 1/22/2018	20,000,000	19,735,800	4.82%
Liaoning Yaodu Development Co Ltd 7.35% 12/12/2019	10,000,000	10,042,490	2.45%
Nanjing Yurun Foods Co Ltd 5.49% 10/18/2015	10,000,000	9,981,680	2.44%
Sanya Phoenix International Airport Co Ltd 6.06% 12/5/2017	20,000,000	19,163,020	4.68%
Shandong Quanxing Mining Industry Group Co Ltd 6.7% 3/21/2019	10,000,000	10,100,940	2.47%
Wenzhou Public Utilities Investment Group Co Ltd 6.54% 10/14/2018	10,000,000	10,072,550	2.46%
Xiangtan Jiuhua Economic Construction Investment Co Ltd 7.15% 10/15/2020	20,000,000	20,197,640	4.93%
Xiwang Group Co Ltd 6.6% 1/10/2018	10,000,000	9,721,910	2.37%
Zhejiang Hengyi Group Co Ltd 6.01% 1/25/2018	20,000,000	19,590,340	4.78%
		<u>388,828,810</u>	<u>94.92%</u>
Unlisted unit trust¹			
People's Republic of China			
202302 China Southern Cash Income Fund – B	16,086,779.74	16,086,780	3.93%
		<u>16,086,780</u>	<u>3.93%</u>
Total investment portfolio		404,915,590	98.85%
Other net assets		<u>4,790,828</u>	<u>1.15%</u>
Net asset value as at 30 June 2014 (calculated in accordance with the Sub-Fund's explanatory memorandum)		<u>409,706,418</u>	<u>100.00%</u>
Total investments, at cost		<u>397,467,200</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 2014

	Holdings as at 30.06.2014	Holdings as at 31.12.2013
<u>People's Republic of China</u>		
Listed interbank bonds	94.92%	95.36%
Unlisted unit trust ¹	3.93%	9.37%
	<hr/>	<hr/>
Total investment portfolio	98.85%	104.73%
Other net assets	1.15%	(4.73)%
	<hr/>	<hr/>
Net assets	100.00%	100.00%
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