

**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 2015

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
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Contents	Pages
Management and Administration	2
Report of the Manager	3
Statement of Financial Position (Unaudited)	4-5
Investment Portfolio (Unaudited)	6
Statement of Movement in Portfolio Holdings (Unaudited)	7

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MANAGEMENT AND ADMINISTRATION

Manager

Shenwan Hongyuan Asset Management (Asia) Limited
(Formerly known as 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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building
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

For the first half of the year, the China bond market rose after the correction which stemmed from decreased investor demand for bonds relative to the prosperous equity market. However, the bond market rebounded since the Central Bank has cut interest rates & RRR three times respectively and lowered six times in reverse repo rate with seven-day repo rate had reached as low as 2%. Under ample liquidity, the yield went all the way down forming a bull market for the first half of 2015.

In terms of yield curve movement, the 1, 3, 5, 7, 10 year tenor key rate treasury YTM's dropped by 152bps, 47bps, 30bps, 7bps and 2bps respectively, where there is a significant steepening of the curve given ample liquidity yet abundant supply in the long end of the curve causing pressure.

We also witnessed a general narrowing of the credit spread when investor chased yield. The spread between 5 year tenor AAA, AA+, AA, AA- corporate bonds and corresponding 5 year treasuries narrowed by 13bps, 14bps, 15bps and 24bps respectively.

Portfolio review

For the 6 months period, the Fund's NAV is up by 2.90% for Class A (Retail) and up by 3.11% for Class I (Institutional) assuming reinvestment of dividend. In comparison, the Chinabond Composite Full Price Index (CBCFPI) was up by 1.20%. Hence the A class recorded a 1.70% out-performance over the benchmark index whilst the I class saw a greater magnitude 1.91% out-performance.

Market Outlook

We remain relatively optimistic with the bond market for the second half of the year. With the crashing of the Chinese equity market, funds will seek safety in the fixed income market and put downward pressure on the yield curves. Inflation and economic growth will likely remain benign, demanding a relatively loose monetary policy, which in turn supporting the bond market as well.

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**STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2015**

	30 Jun 2015 RMB	31 Dec 2014 RMB
Assets		
Cash and cash equivalent	12,640,536	3,915,748
Investments	234,469,958	343,928,924
Interest receivable	5,363,059	10,645,310
Amounts receivable on subscription	-	10,483,800
Deposit reserve	63,735	93,637
Prepayments	4,407	863
Total assets	252,541,695	369,068,282
Liabilities		
Amounts payable on redemption	635,943	226,149
Management fee payable	178,501	263,623
Trustee fee payable	53,373	55,041
Sub-custodian fee payable	20,539	30,339
Tax payable	2,849,060	3,012,910
Other payables and accruals	244,499	220,431
Total liabilities	3,981,915	3,808,493
Net assets attributable to unitholders	248,559,780	365,259,789
Represented by:		
Net assets attributable to unitholders (calculated in accordance with IFRSs)	248,559,780	365,259,789
Adjustments for preliminary expenses recognised	222,102	288,113
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's Explanatory memorandum)	248,781,882	365,547,902
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	35,407,386	50,013,854
Class I	213,374,496	315,534,048
Number of units in issue		
Class A	336,108.683	482,763.890
Class I	1,996,097.094	3,008,244.851
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	105.345	103.598
Class I	106.895	104.889

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**STATEMENT OF FINANCIAL POSITION (UNAUDITED) – CONTINUED
AS AT 30 JUNE 2015**

Note – Dividend Paid

The interim dividend distribution for the calendar quarter ending 31 March 2015 was paid and the amount of dividend paid was RMB1,434,486.

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

Record date : 20 March 2015
Ex-dividend date : 23 March 2015
Payment date : 25 March 2015

The interim dividend distribution for the calendar quarter ending 30 June 2015 was paid and the amount of dividend paid was RMB1,518,281.

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

Record date : 19 June 2015
Ex-dividend date : 23 June 2015
Payment date : 25 June 2015

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
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**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2015**

Investments	Holdings	Fair value RMB	% of net asset value
Debt securities			
Listed interbank bonds			
China			
China Electronics Corporation 5.40% 06/13/2019	20,000,000	20,573,320	8.27
Heilongjiang Beidahuang Nongken Group 5.60% 06/30/2017	20,000,000	20,401,460	8.20
Jiangxi Provincial Water Conservancy Investment Group 5.40% 01/22/2018	20,000,000	20,141,720	8.10
Liaoning Yaodu Development 7.35% 12/12/2019	10,000,000	10,356,420	4.16
Nonggongshang Real Estate Group 6.29% 10/11/2017	20,000,000	20,369,360	8.19
Sanya Phoenix International Airport 6.06% 12/05/2017	20,000,000	19,878,640	8.00
Shandong Quanxing Mining Industry Group 6.70% 03/21/2019	10,000,000	10,396,210	4.18
Shanghai Zhangjiang High-Tech 5.00% 10/17/2017	20,000,000	20,104,100	8.08
Sinolight Corporation 5.17% 10/30/2019	20,000,000	20,187,000	8.11
State Grid Corporation of China 4.65% 03/21/2018	20,000,000	20,359,980	8.18
Wenzhou Public Utilities Investment 6.54% 10/14/2018	10,000,000	10,408,310	4.18
Wuhan Chedu Construction Investment 7.18% 02/27/2021	20,000,000	21,215,640	8.53
		<u>214,392,160</u>	<u>86.18</u>
Unlisted unit trust¹			
China			
202302 China Southern Cash Income Fund – B	20,077,797.93	20,077,798	8.07
		<u>20,077,798</u>	<u>8.07</u>
Total investment portfolio		234,469,958	94.25
Other net assets		<u>14,311,924</u>	<u>5.75</u>
Net asset value as at 30 June 2015 (calculated in accordance with the Sub-Fund's explanatory memorandum)		<u>248,781,882</u>	<u>100.00</u>
Total investments, at cost		<u>232,227,088</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 2015**

	Holdings as at 30.06.2015	Holdings as at 31.12.2014
People's Republic of China		
Listed interbank bonds	86.18	84.90
Unlisted unit trust ¹	8.07	9.18
	<hr/>	<hr/>
Total investment portfolio	94.25	94.08
Other net assets	5.75	5.92
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Net assets	100.00	100.00
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