

SWS STRATEGIC INVESTMENT FUNDS

Shenyin Wanguo RMB Mainland Investment Fund



申萬宏源投資管理（亞洲）有限公司
Shenwan Hongyuan Asset Management (Asia) Limited

The Product

The Shenyin Wanguo RMB Mainland Investment Fund (the "Sub-Fund") invests primarily in RMB-denominated and settled debt securities issued in the PRC through a RQFII quota of the RQFII Holder which is a holding company of the Fund Manager.

Risk Disclosure

- The investments of the Sub-Fund are concentrated on securities related to the PRC market. Investment in the PRC market is exposed to various emerging market risks including political, economic, regulatory, legal, foreign exchange, settlement and liquidity risks.
- The Sub-Fund invests in securities through a RQFII which is subject to applicable rules and regulations imposed by the PRC authorities. The RQFII rules are novel in nature, and their application may depend on the interpretation of the Chinese authorities. Any changes to the relevant rules may have an adverse impact on the investment of investors in the Sub-Fund.
- Renminbi is currently not freely convertible and is subject to exchange controls by the Chinese government. Investors may be adversely affected by the movement of the exchange rates between Renminbi and other currencies.
- The Sub-Fund may be exposed to risks associated with changes in PRC tax laws. Such changes may have retrospective effect and may adversely affect the Sub-Fund.
- Investment in the Sub-Fund is exposed to interest rate risk that applies to debt securities. The macro-economic policies and controls of the Chinese government will have significant influence over the capital markets in the Mainland China.
- The Sub-Fund is exposed to credit risk arising from issuers of the RMB denominated debt securities in which it invests. Such securities are typically unsecured debt obligations and are not supported by collateral. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.
- Investment grade securities invested by the Sub-Fund may be subject to the risk of being downgraded to below investment grade securities. The Manager may or may not dispose of the securities being downgraded. If the Sub-Fund continues to hold such securities, it will be exposed to additional risk of loss.
- The RMB denominated debt securities market is at a developing stage and the trading volume may be lower than those of more developed markets. The Sub-Fund may invest in debt securities which are not listed. Even if the debt securities are listed, the market for such securities may be inactive. The Sub-Fund may suffer losses in trading such instruments.
- Some of the RMB denominated debt securities invested by the Sub-Fund may be unrated or below investment grade. Such debt securities are exposed to greater risk because of generally lower credit worthiness and liquidity, greater fluctuation in value and higher chance of default than investment grade bonds.
- Valuation of the investments of the Sub-Fund may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations are proved to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected.
- Distributions of the Sub-Fund may be paid from income and/or capital of the Sub-Fund. The Sub-Fund or the Fund Manager may at its discretion pay dividend out of capital of the Sub-Fund. The payment of dividends out of capital represents and amounts to a return or withdrawal of part of original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit. The Sub-Fund or the Fund Manager may amend the Sub-Fund's distribution policy with respect to payment of dividend out of the capital of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to investors. The compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available from the Fund Manager upon request and on the website of the Fund Manager at <http://www.swhyhk.com>. Please note that the aforesaid website has not been reviewed by the Securities and Futures Commission of Hong Kong.

Fund Objective: The Sub-Fund aims at providing medium to long-term capital appreciation by investing primarily in RMB-denominated and settled debt securities issued in the PRC through a RQFII quota of the RQFII Holder which is a holding company of the Manager.

Fund Manager

Shenwan Hongyuan Asset Management (Asia) Limited

Base Currency RMB

Launch Date 5 March 2012

Unit NAV
A類: RMB 85.336
I類: RMB 90.941

Dividend Policy
Quarterly (Dividend policy is subject to the Manager's discretion. Periodic distribution of dividend is not guaranteed. If distributed, dividend amount is not guaranteed. Please also see footnote 1)

Minimum Subscription Amount
Class A: RMB 10,000 (Initial)
RMB 5,000 (Subsequent)
Class I: RMB 10,000,000 (Initial)
RMB 100,000 (Subsequent)

Bloomberg
Class A: SHWRMBA HK
Class I: SHWRMBI HK

ISIN
Class A: HK0000098407
Class I: HK0000098415

Reuters
Class A: 68125485
Class I: 68125486

Fees and Charges

Subscription Fee Class A & Class I: Up to 5%

Management Fee
Class A: 1.2% p.a.
Class I: 0.5% p.a.

Trustee Fee
Class A & Class I: Up to 1% p.a. (subject to a minimum monthly fee of USD4,000 for each class of units)

RQFII Custodian Fee Class A & Class I: Up to 0.5% p.a. (excluding transaction charges)

Performance Fee N/A

Redemption Fee N/A

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Market Review

During the current period, the valuation yield of government bonds remained volatile, with a decrease of 5bps/5bps/6bps/3bps/1bps throughout the month. The yield curve further steepened, and bond prices remained at high levels. On the macroeconomic front, there was a divergence between the April PMI data and high-frequency data, with all three major indices indicating expansion. CPI also showed a mild rebound, with a year-on-year increase of 0.3%, while PPI decreased by 2.5% year-on-year. The released social financing data at the end of the period fell well below market expectations, with negative year-on-year growth in social financing in April and a 1.4% decrease in M1. Despite the impact of non-economic factors such as measures to curb financial speculation and the discontinuation of manual interest rate adjustments, leading to deposit relocation, the insufficient domestic demand remains the primary reason. In April, the national industrial value-added increased by 6.7% year-on-year, accelerating by 2.2 percentage points compared to the previous month, with a month-on-month growth of 0.97%, indicating increased industrial production activities. The total retail sales of consumer goods in April grew by 2.3% year-on-year, a decrease of 0.8 percentage points compared to March, showing a downward trend for the fourth consecutive month.

Market Outlook and Strategy

The economic data in April showed mixed results, indicating that the signs of a stable economy are still uncertain. Despite the central bank's repeated statements about the low bond yields deviating from the actual economic conditions, bond yields have remained at low levels, with the 10-year government bond yield staying below 2.30%. In the near future, it is expected that with the influence of policies on both the supply and demand sides, the growth rate of real estate development investment is expected to gradually stabilize. This will be supported by the accelerated issuance of ultra-long-term special government bonds and specific bonds, as well as policy measures promoting "old-for-new" replacements in real estate and consumer goods, and equipment upgrading and renovation. Consumption is expected to gradually recover.

Comments on portfolio

In May, our RQFII Fund's NAV (I Class) changed by 0.14%, while China bond Composite Full Price Index (CBCFPI) changed by 0.23%, fund outperforming the benchmark. In terms of Fund's asset allocation, our portfolio has 91.15% in bond, 2.39% in public funds/equities, slightly increased allocation to convertible bond, and 6.46% in cash/MMF. Most corporate/enterprise bonds are investment grade. By the end of May, the Fund has an average duration of 1.32 years and average yield-to-maturity of 1.71%. The Fund is adequately diversified in 27 names.

| Cumulative Return (Footnote 1 & Footnote 2) | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years | YTD | Since Launch |
|---|---------|----------|----------|--------|---------|---------|-------|--------------|
| Class A | 0.09% | 0.12% | 0.71% | -2.49% | -3.76% | -3.24% | 0.44% | 17.02% |
| Class I | 0.14% | -0.75% | -3.56% | -2.96% | -2.55% | -1.32% | 0.67% | 22.69% |

Source: Shenwan Hongyuan Asset Management (Asia) Limited

Last update: 31 May 2024

Top 5 Holdings (% of Assets)

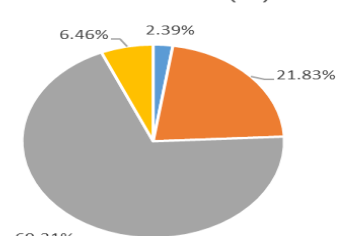
| | |
|------------------------|--------|
| CGB 2.3 10/25/24 SH | 12.49% |
| SHANPU VAR 10/28/25CGB | 9.64% |
| BOSHAI VAR 01/25/27 | 9.63% |
| HTSC 4.5 01/29/26 | 9.34% |
| HTSC 4.5 01/29/26 | 6.44% |

Duration and YTM*

| | |
|-------------------------------|------|
| Average Duration (Year) | 1.32 |
| Average Yield to Maturity (%) | 1.71 |

*Average Duration and Average YTM do not include the data of Money Market Fund and Cash.

Asset Allocation (%)



■ Public Fund/Equity ■ Sovereign/Rate Securities
■ Corporate Bond ■ Money Market Fund/Cash

Footnote 1: The investment returns are denominated in RMB. US/HK dollar-based investors are therefore exposed to fluctuations in the US/HK dollar/RMB exchange rate.

Footnote 2: Performance is calculated on NAV to NAV (RMB), with dividends reinvested, net of fees. The performance data are compared to include all dividends that have been distributed.

Warning Statement

This Document is for information purpose only and does not constitute a prospectus, an offer or an invitation to subscribe any securities, or a recommendation in relation to any securities. Investment involves risks. Investors should not make investment decisions based on this material alone; before making any investment decision, investors should carefully read the explanatory memorandum and the product key facts statement of the Sub-Fund for further details including the risk factors. Past performance information presented are not indicative of future performance. Though the Sub-Fund has been authorized by the Securities and Futures Commission of Hong Kong, such authorization does not imply any official recommendation. The Sub-Fund may not be suitable for individual investor and may not be suitable for everyone. Information contained in this report has been obtained from sources believed to be reliable but Shenwan Hongyuan Asset Management (Asia) Limited does not guarantee the accuracy and completeness of the information provided by third party. This material has not been reviewed by the Securities and Futures Commission of Hong Kong.