Issuer: Shenwan Hongyuan Asset Management (Asia) Limited

PRODUCT KEY FACTS
SWS STRATEGIC INVESTMENT FUNDS
Shenyin Wanguo RQFII A Share Strategy Fund
April 2017

- ***This statement provides you with key information about Shenyin Wanguo RQFII A Share Strategy Fund (the "Sub-Fund").***
- ***This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum of SWS Strategic Investment Funds.***
- ***You should not invest in this Sub-Fund based on this statement alone.***

Quick facts

Manager:	Shenwan Hongyuan Asset Management (Asia) Limited
RQFII Holder:	Shenwan Hongyuan (International) Holdings Limited
Trustee:	Bank of Communications Trustee Limited
RQFII Custodian:	Bank of Communications Co., Ltd.
Dealing frequency:	Daily
Base currency:	RMB
Dividend policy:	No distribution will be made and any income or gain earned will be reinvested
Ongoing charges over a year#:	Class A RMB Units: 6.14% Class A HKD Units: 6.14% # The ongoing charges figures are calculated based on the ongoing expenses chargeable to the relevant class of the Sub-Fund for the12-month period ended 31 December 2016 expressed as a percentage of the average net asset value of the relevant class of the Sub-Fund for the same period based on the information in the latest annual report for the period ended 31 December 2016. This figure may vary from year to year.
Financial year end of this Sub-Fund:	31 December
Min. investment:	Class A RMB Units: RMB10,000 initial, RMB5,000 additional Class A HKD Units: HKD10,000 initial, HKD5,000 additional
Min. holding:	Class A RMB Units: Units with aggregate minimum value of RMB10,000 Class A HKD Units: Units with aggregate minimum value of HKD10,000
Min. redemption:	Class A RMB Units: RMB10,000 Class A HKD Units: HKD10,000

What is this product?

Shenyin Wanguo RQFII A Share Strategy Fund (the "Sub-Fund") is a sub-fund of SWS Strategic Investment Funds which is a Hong Kong domiciled umbrella structure unit trust governed by the laws of Hong Kong. The Sub-Fund primarily invests in China A-Shares through a Renminbi Qualified Foreign Institutional Investors ("RQFII") quota of the RQFII Holder.

The Sub-Fund is denominated in RMB.

Objective and Investment Strategy

Investment Objective

The Sub-Fund seeks to achieve long-term capital appreciation by investing in stocks issued by companies established and operating in the PRC and listed on stock exchanges in Shanghai and Shenzhen through the RQFII quota of the RQFII Holder which is the holding company of the Manager.

Investment Strategy

The Sub-Fund is a China equity fund investing at least 80% of its net asset value in stocks listed on exchanges in Shanghai and Shenzhen. The Sub-Fund aims to exploit the absolute return potential offered by listed mainland companies and industry sectors by actively adopting a proper mix of stock selection, sector tilting, and asset allocation strategies appropriate for the expected market condition and trend. As such the Sub-Fund does not intend to follow any particular benchmark index in terms of its stock and sector allocations. Further, the Manager does not intend the Sub-Fund to focus on any particular industry sector(s) or companies of a particular size. Where appropriate, the Sub-Fund may invest up to 100% of its net asset value in the securities of small- and mid-capped companies.

The Sub-Fund will not invest in (1) any securities investment funds in the PRC, (2) debt securities, (3) equity securities or any other assets issued outside the PRC or (4) financial derivatives.

The Sub-Fund will not invest in structured products, structured deposits or asset backed securities (including asset backed commercial papers) for hedging or non-hedging purposes.

The Manager shall not enter into any securities lending or repurchase/ reverse repurchase transactions in respect of the Sub-Fund.

The Sub-Fund may hold up to 20% of its net asset value in RMB denominated cash and/or cash equivalent in the PRC on temporary basis in the following circumstances:

(a) meeting redemption requests or paying expenses;
(b) when the market is in a highly uncertain, volatile and unstable state; and/or
(c) when the Manager holds a bearish view on the stock market and determines to lower the Sub-Fund’s exposure to the stock market in the short term.

Notwithstanding the foregoing, the Sub-Fund shall not hold deposits for investment purposes in the PRC.

The Sub-Fund adopts a combination of top-down and bottom-up investment approach, conducting research and analysis on macro-economy, industry sector, and company-specific level to come up with the best investment ideas. By emphasizing fundamental-driven investment strategy, the Sub-Fund seeks value from companies' long-term growth rather than near-term share price momentum. To maximize the value of such investment strategy, the Manager will position the portfolio from a long term perspective with good level of diversification to minimize the need for short term sector rotation. Moreover, the careful selection of industry sectors and individual stocks with a long term perspective may result in a relatively longer average holding period for each selected stock in the portfolio as well as a generally lower portfolio turnover.

What are the key risks?

Investment involves risks. Please refer to the Explanatory Memorandum for details including the risk factors.

1. Equity investment risks

- Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the volatility of equity prices can be high and the investment performance of equity securities depends upon factors (including changes in investment sentiment, political environment and economic environment) which are difficult to predict. As a result, the market value of the equity securities that the Sub-Fund invests in may go down as well as up which in turn may have an adverse impact on the net asset value of the Sub-Fund.

2. China market / Single country investment

- The investments of the Sub-Fund are concentrated on securities related to the PRC market. Investment in the PRC market is subject to various emerging market risks including political, economic, regulatory, legal, foreign exchange and liquidity risks.
- The China equity securities market may be subject to higher market volatility compared to more developed markets. The prices of securities traded in such market may be subject to more fluctuations.
- The Sub-Fund focuses on the China equity securities market; hence the Sub-Fund is likely to be more volatile than a broad-based fund, such as a global or regional fund.
- Securities exchanges in the PRC typically have the right to suspend or limit trading in any security traded on the relevant exchange. The suspension may affect the dealings in the Sub-Fund and cause delay in payment of redemption proceeds to investors.
- The Sub-Fund's investments in the PRC market are subject to the provisions for PRC taxes. Investors should refer to the risk factor headed "Risks relating to PRC taxation" below.
- Settlement procedures in the PRC are less developed and less reliable and may involve the Sub-Fund's delivery of securities before the receipt of payment for their sale. Significant delays in settlement may occur, which could result in substantial losses for the Sub-Fund if investment opportunities are missed or if the Sub-Fund is unable to acquire or dispose of a security as a result.
- The risks associated with China market / single country investment to which the Sub-Fund is subject may adversely affect the net asset value of the Sub-Fund, thereby resulting in an unfavourable impact on investors' investment in the Sub-Fund.

3. Risks relating to RQFII

- The Sub-Fund invests in securities through a RQFII which is subject to applicable regulations imposed by the PRC authorities. Although repatriation by RQFIIs are currently not subject to repatriation restrictions or prior approval, there is no assurance that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from the unitholders.
- Investment in securities through a RQFII will be subject to custodial risk of the RQFII Custodian appointed for purpose of safekeeping assets in the PRC. In addition, the execution and settlement of transactions or the transfer of any funds or securities may be conducted by brokers in the PRC. If the RQFII Custodian or the PRC brokers default, the Sub-Fund may face difficulty and/or encounter delays in recovering its assets and may not be able to recover all of its assets and may incur a substantial or even a total loss.
- The Sub-Fund may not have exclusive use of the entire RQFII quota granted by the State Administration of Foreign Exchange to the RQFII (i.e. the RQFII Holder), as the RQFII may in its discretion allocate RQFII quota, which may otherwise be available to the Sub-Fund, to other products and/or accounts. There can be no assurance that the RQFII can allocate sufficient RQFII quota to the Sub-Fund to meet all applications for subscription of Units in the Sub-Fund.
- The application of the rules relevant to RQFII may depend on the interpretation of the Chinese authorities. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund.

4. RMB currency / conversion risk

- RMB is currently not freely convertible and is subject to exchange controls by the Chinese government.
- There is no guarantee that RMB will not depreciate. Investors may be adversely affected by movements of the exchange rates between RMB and other currencies. If investors convert Hong Kong Dollar or any other currency into RMB so as to invest in the Sub-Fund and subsequently convert the RMB redemption proceeds back into Hong Kong Dollar or any other currency, they may suffer a loss if RMB depreciates against Hong Kong Dollar or such other currency.
- Since the base currency of the Sub-Fund is RMB and its investments are denominated in RMB, investors who invest in the Sub-Fund via a class of Units that is not denominated in RMB (e.g. HKD) should note that they may still suffer losses as a result of the depreciation of the RMB even if there are gains or no losses in the value of the RMB-denominated investments of the Sub-Fund.
- For Units denominated in a non-RMB currency, the Manager will convert subscriptions into RMB prior to investment; and sell the Sub-Fund's investments denominated in RMB and convert such proceeds into

non-RMB currency for payment of redemption proceeds. Consequently, there may be significant trading costs incurred and investors investing in classes of Units denominated in a non-RMB currency may therefore suffer losses.

- In calculating the net asset value of units of non-RMB class, the Manager will apply the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong). The CNH rate may be at a premium or discount to the exchange rate for the onshore RMB market in the PRC (i.e. the CNY exchange rate); there may be significant bid and offer spreads and the value of the Sub-Fund thus calculated may be subject to fluctuation.
- As RMB is not freely convertible, currency conversion is also subject to availability of RMB at the relevant time (i.e. it is possible there is not sufficient RMB for currency conversion in case of sizeable subscriptions in non-RMB classes). The Manager has the absolute discretion to reject any application made in non-RMB currency funds for non-RMB classes where it determines that there is not sufficient RMB for currency conversion.

5. Risk relating to small- and mid-capped companies

- The Sub-Fund may invest in the securities of small- and/or mid-capped companies. Investing in these securities may expose the Sub-Fund to risks such as greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle, which in turn, may result in an unfavourable impact on the net asset value of the Sub-Fund.
- There may be limited opportunities to find alternative ways of managing cash flows because of the relatively illiquid nature of markets in small and mid-capped companies' securities. The securities of small- and mid-capped companies are often less liquid than securities of larger, more established companies. This may result in an unfavourable impact on the net asset value of the Sub-Fund.

6. Risks relating to PRC taxation

- The PRC tax rules and practices in relation to RQFIIs are new and their implementation is not tested and is uncertain. The Sub-Fund may be subject to the risks associated with changes in the PRC laws and regulations, including PRC tax laws, and such changes may have retrospective effect and may adversely affect the Sub-Fund. Having taken and considered independent professional tax advice and acting in accordance with such advice, the Manager currently intends to make provisions for PRC withholding income tax ("WIT") payable by the Sub-Fund, at a rate of 10%, on dividend from investment in China A-Shares if the WIT is not withheld at source and in the absence of approval for tax exemption and reduction under double tax treaties or relevant PRC tax laws and regulations. Such provisions may be excessive or inadequate to meet the actual tax liabilities. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Sub-Fund's assets, the asset value of the Sub-Fund will be adversely affected.
- Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the actual tax levied by the State Administration of Taxation is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the net asset value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case only the then existing Unitholders will benefit from a return of the extra tax provision. Those persons who have already sold/redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision.

7. Investment risks

- The Sub-Fund is an investment fund. The Sub-Fund mainly invests in China A-Shares and these instruments may fall in value. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its units is not the same as investing directly in the relevant securities.

8. Performance Fee Risk

- Units will be subscribed or redeemed during a performance period based on the net asset value per unit of the relevant class. There is no equalisation payment or series units for the purposes of determining the performance fee payable and as such, there is no adjustment of gains or losses in respect of each unit for each investor individually based on the timing of his subscription or redemption during the performance period. Such method of calculating performance fee gives rise to the risk that a redeeming unitholder may be subject to performance fee, even there is a loss in investment capital of the unitholder.
- A performance fee may be paid on unrealised gains which may never be realised. In addition, the payment of performance fee may create an incentive for the Manager to make investments for the Sub-Fund which are riskier or more speculative than would be the case in the absence of a fee based on the performance of the Sub-Fund. These factors may result in an unfavourable impact on investors' investment in the Sub-Fund.

How has the Sub-Fund performed?

There is insufficient data to provide a useful indication of past performance to investors as the Sub-Fund is newly launched for less than a full calendar year.

Is there any guarantee?

This Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.

What are the fees and charges?

Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the Sub-Fund.

Fee	What you pay
Subscription Fee (Initial Charge)	Class A RMB Units and Class A HKD Units: Up to 5% of the subscription amount
Redemption Fee (Redemption Charge)	Class A RMB Units and Class A HKD Units: Nil
Switching Charge	Class A RMB Units and Class A HKD Units: Up to 1% of the amount being switched out of the existing class

Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

Fee	Annual rate (as a % of the Sub-Fund's net asset value)
Management Fee	Class A RMB Units and Class A HKD Units: 1.50% p.a.
Performance Fee	Class A RMB Units and Class A HKD Units: • The Manager is entitled to receive a performance fee (at the rate of 20% of the difference between the net asset value per unit of the class on a valuation day (net of all other fees and expenses, including the management fee and trustee fee, but prior to the deduction of any performance fee accrual for that valuation day) and the high water mark multiplied by the average number of units for Class A RMB Units or Class A HKD Units over the period from the start of the performance period to the relevant valuation day (excluding units created or redeemed on that relevant day), provided that the net asset value per unit is above the high water mark) annually in arrears

	after the end of a performance period. • High water mark for each performance period means the higher of (i) the initial offer price and (ii) the net asset value per unit as at the end of the performance period in which a performance fee was last payable. The initial high water mark is RMB100 for Class A RMB Units and HKD100 for Class A HKD Units. • The first performance period is from the first valuation day of the class following the close of the relevant initial offer period to the last valuation day of 2016 of the Sub-Fund. Thereafter each performance period will correspond to the accounting period of the Sub-Fund. • Performance fee is accrued on a daily basis when the net asset value per unit of the class on the relevant valuation day is above the high water mark. An adjustment in accrual balance of performance fee will be made on each valuation day. If the net asset value per unit on a day is lower than or equal to the high water mark, all provision previously accrued will be reversed for the benefit of the Sub-Fund. • At the end of a performance period, the positive balance (if any) of the performance fee accrual will become payable to the Manager and the performance fee accrual in the net asset value per unit will be reset to zero. Any performance fee accrued for that performance period will be set aside and paid to the Manager at the end of the relevant performance period. • For details please refer to the “Fees – Performance Fee” section of Appendix I of the Explanatory Memorandum
Trustee Fee	Class A RMB Units and Class A HKD Units: Up to 1% p.a., subject to a minimum monthly fee of USD4,000 for each class of units (temporarily reduced to USD2,000 for each class of units from 1 December 2016 to 31 May 2017)
RQFII Custodian Fee	Class A RMB Units and Class A HKD Units: Up to 0.5% p.a.
Administration Fee	Class A RMB Units and Class A HKD Units: Not applicable

Other fees

You may have to pay other fees and charges when dealing in the units of the Sub-Fund. The Sub-Fund will also bear the costs which are directly attributable to it, as set out in the Explanatory Memorandum.

Additional Information

- The RQFII Holder, Shenwan Hongyuan (International) Holdings Limited, may from time to time make available RQFII quota for the purpose of the Sub-Fund’s direct investment into the PRC.
- The Manager may close the Sub-Fund to further subscriptions without any prior or further notice if the total subscription amount reaches the RQFII quota allocated by the RQFII Holder to the Sub-Fund.
- You generally buy and redeem units at the Sub-Fund’s next-determined net asset value after the Manager or the authorised distributors receives your request in good order on or before 4:00 p.m. (Hong Kong time) on the relevant dealing day, which is each HK & PRC Business Day as defined in the Explanatory Memorandum. Switching from a non-RMB-denominated sub-fund to the Shenyin Wanguo RQFII A Share Strategy Fund is not allowed.
- The Sub-Fund provides for daily dealing and a dealing day is each HK & PRC Business Day as defined in the Explanatory Memorandum.
- The net asset value per unit of the Sub-Fund is calculated on each dealing day and will be published on every dealing day in Hong Kong in the Hong Kong Economic Times and in The Standard.

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.