

FIXED INCOME

INVESTMENT OBJECTIVE

The investment objective of the Fund is to achieve a steady rate of return through investing principally in onshore fixed income securities available in the PRC by virtue of the Manager's quota and capacity under the RQFII framework.

FUND CHARACTERISTICS

NAV per Unit	Class A Units: RMB 106.06 / Class I Units: RMB 107.39	Fund manager	Xie Jun
Launch date	09/12/2013	Redemption/subscription cut-off	HK Time 4:00 p.m.
Legal form	Unit trust under the laws of Hong Kong	Valuation frequency	Daily
Bloomberg code	Class A Units: GFIRFIA HK / Class I Units: GFIRFII HK	Settlement period	Refer to Offering Document
ISIN	Class A Units: HK0000172228 / Class I Units: HK0000172236	Fixed management fees	Class A Units: 1.25% / Class I Units: 0.75%
Management company	GF International Investment Management Limited	Variable management fees	No
Custodian	Industrial and Commercial Bank of China (Asia) Limited	Redemption fee	Nil
PRC Custodian	Industrial and Commercial Bank of China Limited	Subscription fee	Up to 3%
Trustee	ICBC (Asia) Trustee Company Limited	Base currency	RMB

Please visit GF International website for dividend distribution history of the Fund. Please refer to the Fund's Explanatory Memorandum for further details (including fees).

IMPORTANT NOTE

- The investments of GFIIM China RQFII Bond Fund (the "Fund") are concentrated on securities issued in 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 Fund may be exposed to risks associated with changes in PRC tax laws which may have retrospective effect and adversely affect the Fund.
- Investment in the Fund is exposed to interest rate risk that applies to debt securities.
- The 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 Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.
- Investment grade securities invested by the Fund may be subject to the risk of being downgraded to below investment grade securities. If the Fund continues to hold such securities, it will be exposed to additional risk of loss.
- Some of the RMB denominated debt securities invested by the 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.
- The Fund invests in securities through a RQFII which is subject to applicable regulations imposed by the PRC authorities. Any changes to the relevant rules may have an adverse impact on the investment.
- 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 Fund may suffer losses due to insufficient liquidity.
- This Fund is denominated in RMB and all subscription moneys and redemption proceeds will be payable in RMB. There is no guarantee that RMB will not depreciate.
- Investment in the Fund is subject to normal market fluctuations and other risks inherent in the Fund's assets. The Fund's exposure to a single country (i.e. the PRC) subjects it to greater concentration risk. The Fund is likely to be more volatile than a broadly-based fund such as global or regional investment fund.
- The local PRC rating process may lack transparency and the rating standards may be significantly different from that adopted by internationally recognised credit rating agencies. There is little assurance that credit ratings are independent, objective and of adequate quality. Investors should also exercise caution before relying on any local credit ratings.
- The Manager may, at its discretion, pay dividend out of gross income while charging all or part of the Fund's fees and expenses to the capital of the Fund, such dividend may be treated as being effectively paid out of capital of the Fund. Payment of such dividends may result in an immediate decrease of the Net Asset Value per Unit.

MANAGER COMMENTARY

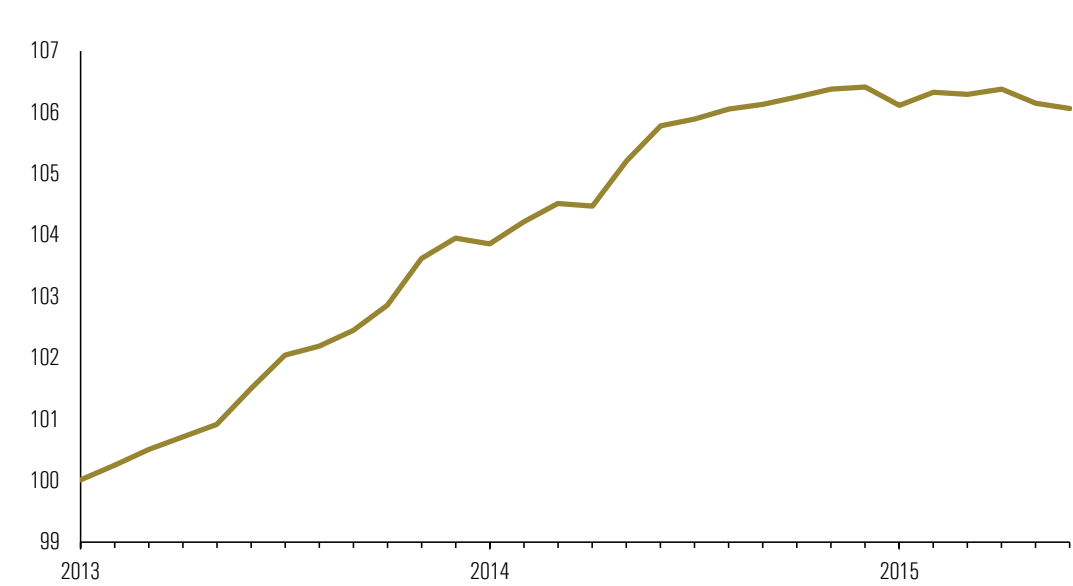
- **Market Review:** Market fell into small swings in May. The fluctuation intervals raised about 30bps to 50bps. Currently, the macroeconomic fundamentals is flat, with both long and short perspectives, which indicates continued fluctuations for a certain period in the future.
- **Fund Operation:** Average residual maturity of fund portfolio of this month was around 1.7 years, aiming to enhance fund portfolio yields based on lower duration risk.
- **Market Outlook:** The moderately bullish market is deemed to an end and is expected to remain oscillation in the future. The current price pivot has risen a bit compared with the slides in both price and overall demand at the end of last year, which means a recovery of demand in general economy. No obvious driver is expected for directional change of the market in at least 2 months.
- **Investment Strategy:** Recently, the portfolio focused on securities with low durations and high credit ratings. When the interest moves up, we raised our portfolio duration a bit and optimized the type of securities in holding.

PERFORMANCE (%) - CLASS A#

	Cumulative					3 years	5 years	Inception 09/12/13 31/05/16	Annualised *		
	Year-to-date 31/12/15 31/05/16	1 month 29/04/16 31/05/16	3 months 29/02/16 31/05/16	1 year 29/05/15 31/05/16					3 years	5 years	Inception 09/12/13 31/05/16
FUND	-0.05	-0.08	-0.22	0.26		-	-	6.06	-	-	2.41

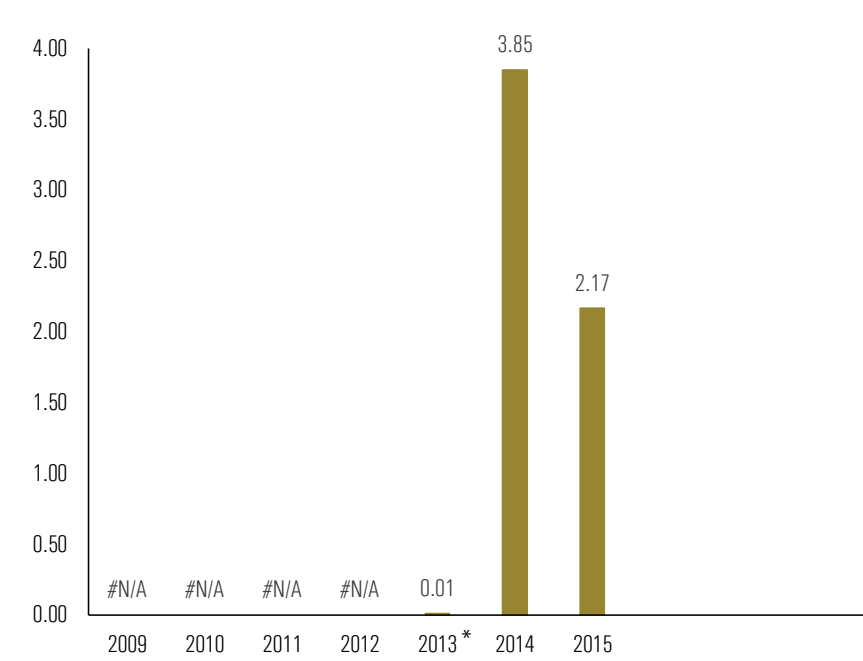
\* Annualised, since inception (cumulated if fund life < 1 year)

CUMULATIVE PERFORMANCE - CLASS A#



\* Since 09/12/2013

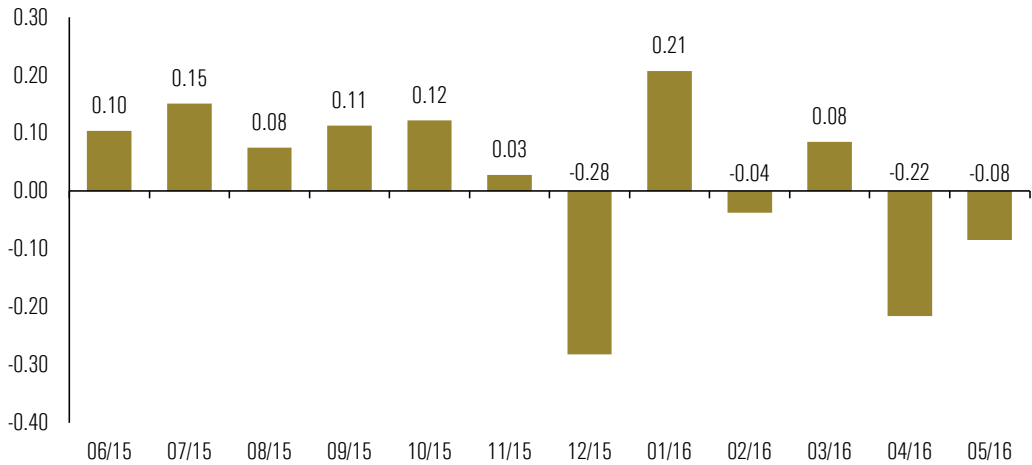
CALENDAR YEAR PERFORMANCE (%) - CLASS A#



\* Calculated since Fund inception on 09 Dec 2013.  
Please refer to 'Performance (%) - Class A #' for year-to-date performance.  
Past Performance is no guarantee of future performance.

FIXED INCOME

MONTHLY RETURNS (%) - CLASS A IN RMB #



\* Since Inception, 09/12/2013

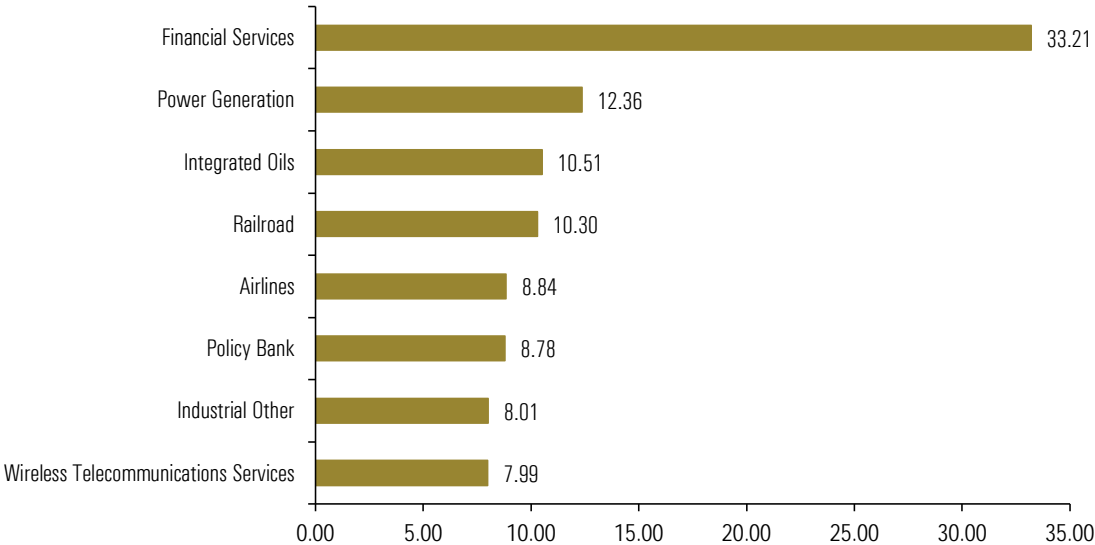
PERFORMANCE INDICATORS (%) - CLASS A #

	Year-to-date	3 years	5 years	Inception*
% positive months	40.00%	-	-	80.00%
% negative months	60.00%	-	-	20.00%
Lowest monthly return	-0.22%	-	-	-0.28%
Highest monthly return	0.21%	-	-	0.74%

\* Since Inception, 09/12/2013

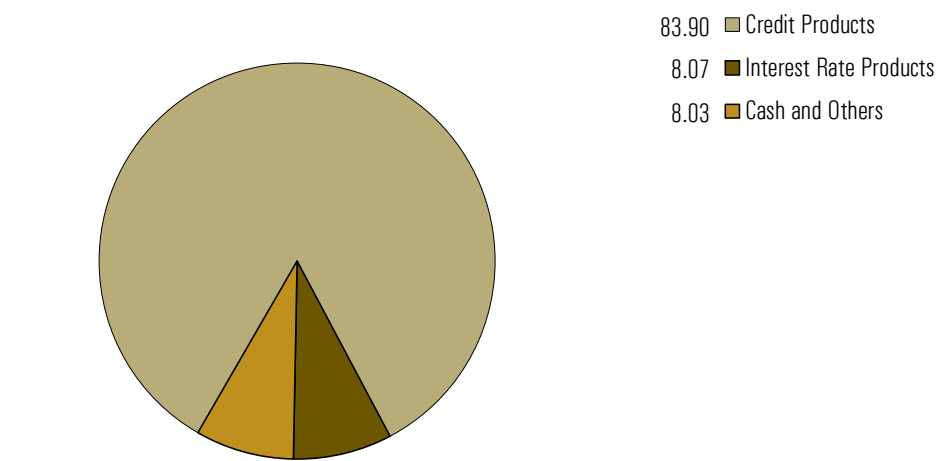
BREAKDOWN BY SECTOR (as % of bond portfolio)

Fixed Income component - Rebased weights



BREAKDOWN BY ASSET TYPE (as % of total net asset)

Portfolio - Non-rebased weights



RISK INDICATORS - CLASS A #

	1 year	3 years	5 years	Inception*
Fund volatility	0.52%	-	-	0.87%
Benchmark volatility				
Tracking Error				
Information Ratio				
Sharpe Ratio				
Alpha				
Beta				
R <sup>2</sup>				

Indicators on 31/05/2016 (weighted average based on bond portfolio)

Portfolio duration	1.74
Yield to maturity of the bond pocket	3.13

Calculated on a 12-month basis (or 3 months if the fund's life is less than one year)

\* Since Inception, 09/12/2013

# NAV-to-NAV return, total return with dividend (if any) reinvested. 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. Source: GF International Investment Management Limited, Bloomberg, and Wind Info. Unless stated otherwise, all information is updated as at the last valuation date of the previous month. Weightings may not add up to the total due to rounding.

PORTFOLIO BREAKDOWN (as % of total net asset)

Credit Products	83.90
Interest Rate Products	8.07
Cash and Others	8.03

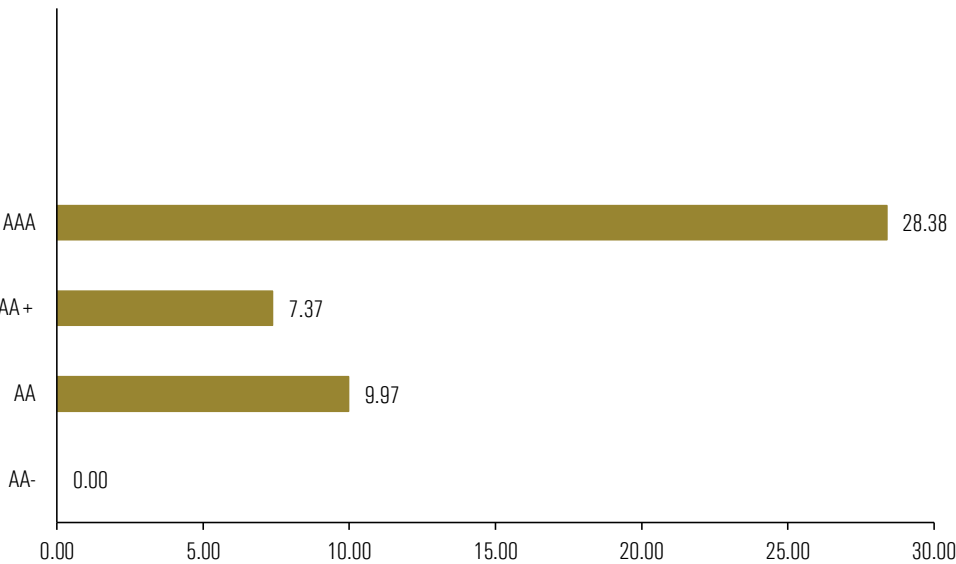
MAIN POSITIONS (as % of total net asset)

Portfolio - Non-rebased weights

URUMQI CITY CONSTRUCTION INVESTMENT CO LTD 6.35 09/07/19	Financial Services	9.97
INDUSTRIAL SECURITIES CO 5.5% 230617	Financial Services	9.86
CHINA NATIONAL PETROLEUM CO 4.54% 110119	Integrated Oils	9.67
GD POWER DEVELOPMENT 4.35% 150617	Power Generation	9.65
CRRC CORP LTD 4.7% 220418	Railroad	9.47

BREAKDOWN BY RATING (as % of total net asset)

Fixed Income component - Non-rebased weights



The other components are issued by China governments, quasi-government organisations or others which are not rated by local credit rating agency.

DISCLAIMER

Investment involves risks, even loss of capital. Past performance is not indicative of future returns. Investors should carefully read the explanatory memorandum and the product key facts statement for further details including the risk factors. Investors should not invest on the basis of this summarized information. This material has not been reviewed by the Securities and Futures Commission.

Issuer: GF International Investment Management Limited