

**SHENYIN WANGUO CHINA POLICY FOCUS FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

SEMI-ANNUAL REPORT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2015

**SHENYIN WANGUO CHINA POLICY FOCUS FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

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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
22/F Prince's Building
Central
Hong Kong

Legal Adviser

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

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REPORT OF THE MANAGER

Market Review

Global markets have been quite volatile in the first half of 2015. Investors remained positive on improving economic data, continuously supporting monetary policies all over the world and structural reform in the emerging markets, especially China and India. Hang Sang Index also reached five year's highest level in April. However, overwhelming positive sentiment turned around as Greek debt issue and Chinese capital market correction. In addition, China, which being the world's second largest economy, seemed to continually slowing down, even with accelerating monetary and physical policies. As the Fed interest rate lifting getting close, global investors turned to focus more on risks. The capital outflow in emerging markets have accelerated in June, resulting in capital market correction. Weak commodity price, continuous loosening liquidity cross the all economies leads to more concern on global deflation and uncertainty in economic recovery.

Portfolio Review

SYWG China Policy Focus Fund's NAV is up by 12.08% for Class A (Retail) and up by 12.36% for Class I (Institutional). While the same time, HSCEI Index is up by 8.32%. The outperformance mainly comes from sector allocation and cherry picking skills. We have over-weighted companies whose solid earning is deliverable, with multiple re-rating potential. And we start to lock profit gradually since May, avoiding further suffering.

Market outlook and portfolio strategy

We are cautious on market performance in the second half. All economies, except US, are struggling to fight against deflation. We observe currency depreciation, liquidity loosening across the world, either developed or emerging economies. However, the above factors result in minor impact in real economy recovery. In the second half, we prefer to increase cash position in order to avoid systematic risk. For the stock position, we partially replicate benchmark index. Further, we focus more on in-depth research on stock picking, trying to find those investment opportunities in medium to long term.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND
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**STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2015**

	30 Jun 2015 HK\$	31 Dec 2014 HK\$
Assets		
Cash and cash equivalent	1,131,394	1,467,161
Investments	31,086,100	53,273,800
Dividend receivable	207,167	9,406
Amounts due from brokers	540,691	897,955
Prepayments	5,493	1,334
	<u>32,970,845</u>	<u>55,649,656</u>
Total assets		
Liabilities		
Amounts due to brokers	-	365,383
Amounts payable on redemption of units	1,420,186	-
Management fee payable	51,701	49,852
Trustee fee payable	65,648	67,700
Other payables and accruals	212,446	129,752
	<u>1,749,981</u>	<u>612,687</u>
Total liabilities		
	<u>31,220,864</u>	<u>55,036,969</u>
Net assets attributable to unitholders		
Represented by:		
Net assets attributable to unitholders (calculated in accordance with IFRSs)	31,220,864	55,036,969
Adjustment for preliminary expenses recognized	217,052	281,562
	<u>31,437,916</u>	<u>55,318,531</u>
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	2,145,007	2,747,321
Class I	29,292,909	52,571,210
Number of units in issue		
Class A	163,240.724	234,326.945
Class I	2,193,357.229	4,422,676.399
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	13.140	11.724
Class I	13.355	11.886

**SHENYIN WANGUO CHINA POLICY FOCUS FUND
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**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2015**

Investments	Holdings	Fair value HK\$	% of net asset value
Listed Equity securities			
Hong Kong			
Aluminum Corporation of China Limited	80,000	312,800	0.99%
CAR Incorporation	80,000	1,320,000	4.20%
China Construction Bank Corporation	100,000	708,000	2.25%
China Life Insurance Company Limited	40,000	1,350,000	4.29%
China Merchants Bank Company Limited	50,000	1,130,000	3.59%
China Overseas Land & Investment Limited	40,000	1,094,000	3.48%
China Petroleum & Chemical Corporation	160,000	1,070,400	3.40%
China Railway Group Limited	120,000	1,004,400	3.19%
Chinasoft International Limited	380,000	1,607,400	5.11%
CITIC Securities Company Limited	30,000	838,500	2.67%
CRRC Corporation Limited	100,000	1,190,000	3.79%
GCL-Poly Energy Holdings Limited	600,000	1,074,000	3.42%
Haier Electronics Group Company Limited	50,000	1,045,000	3.32%
Haitong Securities Company Limited	40,000	820,000	2.61%
Kangda International Environmental Company Limited	280,000	988,400	3.14%
Kingdee International Software Group Company Limited	340,000	1,570,800	5.00%
Kingsoft Corporation Limited	50,000	1,307,500	4.16%
NetDragon Websoft Incorporation	40,000	1,186,000	3.78%
NVC Lighting Holding Limited	300,000	528,000	1.68%
Ping An Insurance Group Company of China Limited	15,000	1,570,500	5.01%
Sany Heavy Equipment International Holdings Company Limited	600,000	1,290,000	4.10%
Sino-Ocean Land Holdings Limited	200,000	1,172,000	3.73%
Sinosoft Technology Group Limited	290,000	1,647,200	5.24%
Sound Global Limited	150,000	1,050,000	3.34%
Tencent Holdings Limited	16,000	2,475,200	7.87%
Tongda Group Holdings Limited	500,000	750,000	2.39%
ZTE Corporation	30,000	591,600	1.88%
ZTE Corporation – Bonus shares	20,000	394,400	1.25%
Total investment portfolio		31,086,100	98.88%
Other net assets		351,816	1.12%
Net assets value as at 30 June 2015 (calculated in accordance with the Sub-Fund's explanatory memorandum)		<u>31,437,916</u>	<u>100.00%</u>
Total investments, at cost		<u>24,945,850</u>	

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**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

<u>Industry Sector</u>	Holdings as at 30.06.2015	Holdings as at 31.12.2014
Basic Materials	0.99	2.60
Communications	11.00	9.05
Consumer, Cyclical	3.32	4.28
Consumer, Non - cyclical	4.20	5.08
Energy	6.82	7.46
Financial	27.63	35.30
Industrial	21.63	27.95
Technology	23.29	4.58
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Total investment portfolio	98.88	96.30
Other net assets	1.12	3.70
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Net assets	100.00	100.00
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