

**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 2016

**SHENYIN WANGUO CHINA POLICY FOCUS FUND
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**SHENYIN WANGUO CHINA POLICY FOCUS FUND
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MANAGEMENT AND ADMINISTRATION

Manager

Shenwan Hongyuan 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
21/F, Edinburgh Tower
15 Queen's Road 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 market remained tough in the first half of 2016, especially for China and other emerging markets. In first quarter, sluggish commodity price and uncertainty in global economics caused panic selling off. The crude oil price even declined to lower than 30 USD/barrel. All economies struggled to fight against deflation, either through currency rate or interest rate. Emerging countries, whose economies relied more on resource, like Venezuela, Kazakhstan, preferred to significantly depreciate their currency, in order to maintain competitiveness. Developed economies, relied more on monetary policies, resulting in more and more countries adopting negative interest rate. However, there are limited impact for economies and inflation recovery. The “Brexit” made VIX index achieve historical high in Jun, though declining significantly in the following week.

Fed interest rate decision is another factor causing volatilities. Fed committee remained more cautious after the first interest rate hike in Dec 2015. Volatile global markets and sluggish other economies also made Fed hesitated on interest rate decision. It initially guided 3-4 times interest rate lift in 2016, however, reducing to 1-2 times by the end of Jun.

Portfolio Review

SYWG China Policy Focus Fund(referred to as “CPF”) was down by 13.7% in 2016H1. While the same time, HSI and HSCEI declined by 5.11% & 9.81%.

The underperformance mainly comes from sluggish macro economies and earning slowing down of listed companies, While CPF investment focused more on mainland China related companies, also suffering from market correction. In addition, our equity position was relative high in the beginning of 2016, gradually reducing the position till the mid May. In the end of June, we started to raise our equity position, expecting market to recover.

Market outlook and portfolio strategy

We are relative positive on market performance in second half, especially for Hong Kong stock indexes. All economies, except US, continue to enhance monetary loosening after “Brexit”, resulting in huge amount of additional liquidity. Yield of fixed income assets in developed economies declined to historical low. Additional fund flow started to risk on gradually, in order to achieve good return. Hong Kong stock market may benefit from increasing global fund flow.

In the second half, we prefer to increase equity position, in order to benefit from capital inflow. For the stock position, we partially replicate benchmark index. Beside, 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 2016**

	30 Jun 2016 HK\$	31 Dec 2015 HK\$
Assets		
Cash and cash equivalent	2,810,714	337,928
Investments	23,303,830	14,892,290
Dividend receivable	139,509	-
Amounts due from brokers	300,000	-
Prepayments	4,667	1,334
	<u>26,558,720</u>	<u>15,231,552</u>
Total assets		
Liabilities		
Amounts due to brokers	254,086	-
Management fee payable	17,912	13,742
Trustee fee payable	30,688	63,597
Other payables and accruals	264,501	168,254
	<u>567,187</u>	<u>245,593</u>
Total liabilities		
	<u>25,991,533</u>	<u>14,985,959</u>
Net assets attributable to unitholders		
	<u>25,991,533</u>	<u>14,985,959</u>
Represented by:		
Net assets attributable to unitholders (calculated in accordance with IFRSs)	25,991,533	14,985,959
Adjustment for preliminary expenses recognized	86,605	151,472
	<u>26,078,138</u>	<u>15,137,431</u>
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's explanatory memorandum)		
	<u>26,078,138</u>	<u>15,137,431</u>
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	1,236,350	1,436,032
Class I	24,841,788	13,701,399
Number of units in issue		
Class A	153,240.724	153,240.724
Class I	3,014,308.146	1,434,919.266
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	8.068	9.371
Class I	8.241	9.548

**SHENYIN WANGUO CHINA POLICY FOCUS FUND
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**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2016**

Investments	Holdings	Fair value HK\$	% of net asset value
Listed Equity securities			
Hong Kong			
3SBio Inc	15,000	119,250	0.46%
Angang Steel Company Limited	240,000	828,000	3.18%
BYD Electronic International Company Limited	150,000	654,000	2.51%
China Construction Bank Corporation	170,000	870,400	3.34%
China Life Insurance Company Limited	20,000	332,400	1.27%
China Merchants Bank Company Limited	50,000	867,000	3.32%
China Minsheng Banking Corporation Limited	120,000	897,600	3.44%
China Mobile Limited	20,000	1,773,000	6.80%
China Molybdenum Company Limited	450,000	778,500	2.99%
China National Building Material Company Limited	40,000	135,200	0.52%
China Overseas Land & Investment Limited	40,000	980,000	3.76%
China Pacific Insurance Group Company Limited	44,000	1,148,400	4.40%
China Petroleum & Chemical Corporation	150,000	840,000	3.22%
China Railway Group Limited	120,000	691,200	2.65%
Chinasoft International Limited	340,000	1,026,800	3.94%
CITIC Securities Company Limited	53,000	901,000	3.46%
CNOOC Limited	100,000	962,000	3.69%
CRRC Corporation Limited	70,000	483,700	1.85%
Dynagreen Environmental Protection Group Company Limited	60,000	203,400	0.78%
Haitong Securities Company Limited	72,000	938,880	3.60%
NetDragon Websoft Holdings Limited	47,000	1,132,700	4.34%
Ping An Insurance Group Company of China Limited	35,000	1,195,250	4.58%
Sinopharm Group Company Limited	20,000	739,000	2.83%
Sinosoft Technology Group Limited	200,000	874,000	3.35%
SITC International Holdings Company Limited	100,000	406,000	1.56%
Sunny Optical Technology Group Company Limited	15,000	407,250	1.56%
Tencent Holdings Limited	11,000	1,937,100	7.43%
TK Group Holdings Limited	140,000	275,800	1.06%
Tongda Group Holdings Limited	600,000	906,000	3.47%
Total investment portfolio		23,303,830	89.36%
Other net assets		2,774,308	10.64%
Net assets value as at 30 June 2016 (calculated in accordance with the Sub-Fund's explanatory memorandum)		<u>26,078,138</u>	<u>100.00%</u>
Total investments, at cost		<u>23,468,664</u>	

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**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

<u>Industry Sector</u>	Holdings as at 30.06.2016	Holdings as at 31.12.2015
Basic Materials	6.17%	-
Communications	16.74%	15.32%
Consumer, Cyclical	-	2.73%
Consumer, Non - cyclical	3.29%	2.97%
Energy	6.91%	5.22%
Financial	31.17%	34.18%
Industrial	13.45%	23.54%
Technology	11.63%	14.42%
	<hr/>	<hr/>
Total investment portfolio	89.36%	98.38%
Other net assets	10.64%	1.62%
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Net assets	100.00%	100.00%
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