

**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 2017

**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

Zhu Minjie
Chen Xiaosheng
Lee Man Chun Tony
Guo Chun
Qiu Yizhou

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

Hong Kong stock market was one of the best performers among its global peers in the first half of 2017, thanks to better than expected corporate earnings and continue liquidity inflows from both oversea and sound bound fund flows. Despite Moody downgraded China in May, recent months economic data showed that China economy was still in good shape and corporate earnings also saw significant rebound during the period. Hong Kong market valuation was also attractive compared with both oversea and A share peers in 1H17. And RMB appreciation during first half of 2017 was also supportive for Hong Kong and China equity markets.

Central banks of major economies has gradually withhold from monetary loosening policies due to global economies recovery, and US Fed also raised rates twice during first half of 2017. However, due to political setbacks of Donald Trump in pushing his new policies, “Trump Trade” gradually receded and USD index dropped significantly to 95.6 as end of June 2017, while stronger than expect domestic economic data was also supportive for RMB. As a result, RMB appreciated during first half of the year, with onshore RMB/USD reached 6.78 as end of June 2017.

US economy remained on improving track during the year, though expectation for US Fed rate hikes pace softened after hike twice in the first half of 2017, as US inflation was still moderate and setbacks of Donald Trump also brought questions for higher growth and inflation in near term. Domestically, China PMI data picked up again in June, showing economy was more resilient than expected, despite Chinese government has started to impose cooling measures to prevent overheating on the property market since end of last year.

Portfolio Review

SYWG China Policy Focus Fund (referred to as “CPF”) was up by 16.3% for I (Institutional) class and up 16% for A (Retail) class in the first half of 2017, significantly outperformed HSCEI’s performance of up 10.3% during the period. The outperform mainly came from our high equity position during market rebound. And we have leveraged our sector allocation and cherry picking skills, and over-weighted companies whose solid earning is deliverable, with multiple re-rating potential, to catch up with the market rebound.

Market Outlook and Portfolio Strategy

We remain constructive on market performance in near term, though we think global markets volatility may increase in 2H17 after the significant rally since 4Q16. China economy is still on healthy recovery track, and RMB continues to appreciate, both supportive for the market in near term. And Hong Kong market valuation is still reasonable despite strong YTD rally, as corporate earnings also pick up significantly. Domestically, we will continue to closely monitor the sustainability of economy recovery, sound bound fund flows and financial regulation; while externally, we will follow factors such as the pace of US rate hike pace and balance sheet normalization, US new president’s protectionism policies, and other geopolitical events.

We remained high equity position in near term. For the stock position, we prefer quality equities and dividend growers in current market environment. We will focus more on in-depth research on stock picking, trying to find those investment opportunities with solid performance in medium to long term.

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

**STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2017**

	30 Jun 2017 HK\$	31 Dec 2016 HK\$
Assets		
Cash and cash equivalent	494,748	2,145,195
Investments	13,979,066	14,890,390
Dividend receivable	278,146	-
Amounts due from brokers	-	724,107
Prepayments	4,244	1,147
	<u>14,756,204</u>	<u>17,760,839</u>
Total assets		
Liabilities		
Amounts due to brokers	-	284,615
Amounts payable on redemption	95,310	-
Management fee payable	21,044	28,446
Trustee fee payable	30,772	31,712
Other payables and accruals	283,373	188,598
	<u>430,499</u>	<u>533,371</u>
Total liabilities		
	<u>14,325,705</u>	<u>17,227,468</u>
Net assets attributable to unitholders		
	<u>14,325,705</u>	<u>17,227,468</u>
Represented by:		
Net assets attributable to unitholders (calculated in accordance with IFRSs)	14,325,705	17,227,468
Adjustment for preliminary expenses recognized	-	21,026
	<u>14,325,705</u>	<u>17,248,494</u>
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's explanatory memorandum)		
	<u>14,325,705</u>	<u>17,248,494</u>
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	1,168,363	1,262,437
Class I	13,157,342	15,986,057
Number of units in issue		
Class A	122,240.724	153,240.724
Class I	1,340,941.389	1,894,900.186
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	9.557	8.238
Class I	9.812	8.436

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

**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2017**

Investments	Holdings	Fair value HK\$	% of net asset value
Equity securities			
Listed in Hong Kong			
3SBio Inc	20,500	212,380	1.48
AAC Technologies Holdings Inc	2,500	244,000	1.70
ASM Pacific Technology Limited	2,600	274,300	1.91
BAIC Motor Corporation Limited	40,000	302,800	2.11
Bank of China Limited	107,000	409,810	2.86
Cheung Kong Property Holdings Limited	3,000	183,450	1.28
China Cinda Asset Management Company Limited	138,000	401,580	2.80
China Construction Bank Corporation	84,000	508,200	3.55
China Merchants Port Holdings Company Limited	12,000	259,800	1.81
China Overseas Land & Investment Limited	12,000	274,200	1.91
China Overseas Property Holdings Limited	115,000	174,800	1.22
China Petroleum & Chemical Corporation	66,000	401,940	2.81
China Shenhua Energy Company Limited	15,500	269,390	1.88
China State Construction International Holdings Limited	20,000	267,200	1.87
China Telecom Corporation Limited	78,000	289,380	2.02
China Vanke Company Limited	12,700	280,670	1.96
Chinasoft International Limited	72,000	298,080	2.08
CIFI Holdings Group Company Limited	96,000	333,120	2.33
CK Hutchison Holdings Limited	2,000	196,000	1.37
CSPC Pharmaceutical Group Limited	32,000	364,800	2.55
Fosun International Limited	16,500	201,300	1.41
Fuyao Glass Industry Group Company Limited	11,200	334,880	2.34
Geely Automobile Holdings Limited	40,000	673,600	4.70
Guangdong Investment Limited	20,000	215,200	1.50
Guangzhou Automobile Group Company Limited	24,000	328,800	2.30
Industrial & Commercial Bank of China Limited	52,000	274,040	1.91
Kingboard Chemical Holdings Limited	16,000	497,600	3.47
Kingboard Laminates Holdings Limited	58,500	551,070	3.85
Kingsoft Corporation Limited	9,000	183,150	1.28
Nexteer Automotive Group Limited	24,000	293,760	2.05
Ping An Insurance Group Company of China Limited	13,000	668,850	4.67
Sands China Limited	11,600	414,700	2.89
Shenzhen International Holdings Limited	21,000	300,720	2.10
Shenzhen Investment Limited	76,000	262,200	1.83
Shenzhou International Group Holdings Limited	5,000	256,500	1.79
Tencent Holdings Limited	3,700	1,033,040	7.21

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**INVESTMENT PORTFOLIO(UNAUDITED)(CONTINUED)
AS AT 30 JUNE 2017**

Investments (Continued)	Holdings	Fair value HK\$	% of net asset value
Equity securities (Continued)			
Listed in Hong Kong (Continued)			
Times Property Holdings Limited	77,000	375,760	2.62
Tongda Group Holdings Limited	180,000	419,400	2.93
Zhou Hei Ya International Holdings Company Limited	68,000	533,800	3.73
Listed in United States			
Guggenheim China Technology ETF	588	<u>214,796</u>	<u>1.50</u>
Total investment portfolio , at fair value		13,979,066	97.58
Other net assets		<u>346,639</u>	<u>2.42</u>
Net assets value as at 30 June 2017 (calculated in accordance with the Sub-Fund's explanatory memorandum)		<u><u>14,325,705</u></u>	<u><u>100.00</u></u>
Total investments, at cost		<u><u>12,985,805</u></u>	

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**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	% holdings of net assets as at 30 June 2017	% holdings of net assets as at 31 December 2016
Basic Materials	7.32	4.49
Communications	9.23	16.85
Consumer, Cyclical	18.18	4.18
Consumer, Non - cyclical	9.86	3.65
Diversified	3.18	-
Energy	4.69	7.79
Financial	30.35	29.79
Funds	1.50	-
Industrial	6.50	9.77
Technology	5.27	8.59
Utilities	1.50	1.22
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Total investment portfolio	97.58	86.33
Other net assets	2.42	13.67
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Net assets	100.00	100.00
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