

**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 2018

**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
Guo Chun
Qiu Yizhou
Xia Mingrui

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:

2018 1H was a volatile period for global equities markets, especially for China. H share and A share markets continued last year's rally in January but started to collapse since February, and A share market had reached new low in recent years. RMB reversed the appreciation trend in 2017 and started to depreciate again in late 2018 1H, and US dollar appreciated as US economy remained robust and Fed kept rates hike pace. Volatilities of global equities markets were significantly higher than last year, and US markets continued to be outperformed compared with other markets

Global economies recovery was still on track during the period, and central banks of major developed economies also continued to exit from monetary easing policies. Emerging markets currencies were under pressures due to US rates hikes, and RMB depreciated again during the period, with onshore RMB/USD increased from 6.50 to 6.62, and China 10 year treasury yield decreased from 3.94% to 3.54% as end of 2018 1H. China economy continued to expand, as PMI kept at expansion territory in 2018 1H, but momentum started to soften since 2Q18, as affected by domestic credit default issues and US-China trade war concern, and China monetary policies had adjusted to be more accommodating since late 2Q18 to ease pressure from an over tightening liquidity environment.

US economy was still on healthy improving track during the year, and Feb raised rates two times in 2018 1H. US tax reform also triggered higher growth and inflation expectations, which have lift market sentiment and faster Feb rates hike pace expectation, though worries about trade war had added to uncertainties for global economy.

Portfolio Review:

SYWG China Policy Fund (referred to as "CPF") was down 4.72% for A (Retail) class and down 4.48% for I (Institutional) class in 2018 1H. While the same time, HSCEI was down by 5.43%. We had lowered our equity position during market downturn, and we have leveraged our sector allocation and cherry picking skills, and over-weighted companies whose solid earning is deliverable, with multiple potentials and defensive complete advantages, to achieve better than market performance.

Market Outlook and Portfolio Strategy:

We believe market volatilities will persist in 2018 2H, and China markets should be still under pressure due to trade war impacts and domestic credit default concerns. We believe Hong Kong market will continue to consolidated in short term, and any signs of easing trade war tensions will be positive to the market. Domestically, we will continue to closely monitor the impact of market liquidity situation and domestic credit default issues. While we will also monitor external factors such as the development of US – China trade conflicts, US rate hike pace and their impacts on RMB currency.

We remained lower equity position in near term, and will closely monitor market volatilities and will do necessary hedging to protect our portfolio from market turbulence. For the stock position, we prefer quality value and growth stocks with reasonable valuations 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.

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**STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2018**

	30 Jun 2018 HK\$	31 Dec 2017 HK\$
Assets		
Cash and cash equivalent	652,491	1,041,687
Financial assets at fair value through profit or loss	16,954,645	22,329,748
Dividend receivable	165,385	7,104
Amounts due from brokers	1,516,669	-
Prepayments	4,558	8,030
	<hr/> 19,293,748	<hr/> 23,386,569
Total assets		
Liabilities		
Amounts due to brokers	348,722	305,056
Management fee payable	30,901	28,744
Trustee fee payable	30,773	31,799
Other payables and accruals	92,553	185,962
	<hr/> 502,949	<hr/> 551,561
Total liabilities		
	<hr/> 18,790,799	<hr/> 22,835,008
Net assets attributable to unitholders		
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	2,456,395	4,863,727
Class I	16,334,404	17,971,281
Number of units in issue		
Class A	226,194.037	426,749.10
Class I	1,457,867.162	1,532,114.259
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	10.859	11.397
Class I	11.204	11.729

**SHENYIN WANGUO CHINA POLICY FOCUS FUND
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**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2018**

Investments	Holdings	Fair value HK\$	% of net asset value
Equity securities			
Listed in Hong Kong			
AAC Technologies Holdings Inc	2,000	221,000	1.18
Agricultural Bank of China Limited	92,000	337,640	1.80
AIA Group Limited	5,800	397,880	2.12
Anhui Conch Cement Company Limited	5,000	225,000	1.20
ANTA Sports Products Limited	8,000	332,400	1.77
Bank of China Limited	112,000	435,680	2.32
China Construction Bank Corporation	80,000	580,000	3.09
China Grand Pharmaceutical and Healthcare Holdings Limited	44,000	242,880	1.29
China Maple Leaf Educational Systems Limited	20,000	282,800	1.50
China Mobile Limited	5,000	348,500	1.85
China Petroleum & Chemical Corporation	92,000	644,920	3.43
China Resources Land Limited	8,000	211,600	1.13
China Vanke Company Limited	8,700	238,815	1.27
China Yuhua Education Corporation Limited	38,000	212,040	1.13
Chinasoft International Limited	42,000	257,040	1.37
CNOOC Limited	46,000	622,840	3.31
Consun Pharmaceutical Group Limited	48,000	352,320	1.87
Country Garden Holdings Company Limited	21,000	289,800	1.54
CSPC Pharmaceutical Group Limited	10,000	237,000	1.26
Galaxy Entertainment Group Limited	4,000	243,000	1.29
Geely Automobile Holdings Limited	8,000	162,800	0.87
Industrial & Commercial Bank of China Limited	92,000	540,040	2.87
Livzon Pharmaceutical Group Inc-Bonus	2,820	106,032	0.56
Livzon Pharmaceutical Group Inc	4,700	176,720	0.94
PC Partner Group Limited	50,000	314,000	1.67
PetroChina Company Limited	78,000	465,660	2.48
Ping An Insurance Group Company of China Limited	10,500	758,100	4.03
Sands China Limited	6,800	285,260	1.52
Semiconductor Manufacturing International Corporation	23,500	239,700	1.28
Shanghai Haohai Biological Technology Company Limited	6,300	309,015	1.64
Shenzhou International Group Holdings Limited	6,000	581,100	3.09
Shimao Property Holdings Limited	12,500	257,500	1.37
SSY Group Limited	28,000	243,880	1.30
Sunny Optical Technology Group Company Limited	1,300	189,800	1.01
Tencent Holdings Limited	3,700	1,457,060	7.75
Wynn Macau Limited	9,600	242,400	1.29
YiChang HEC ChangJiang Pharmaceutical Company Limited	5,600	223,440	1.19
		13,265,662	70.58

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**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2018 (Continued)**

Investments (Continued)	Holdings	Fair value HK\$	% of net asset value
Equity securities (Continued)			
American Depositary Receipts			
United States			
Alibaba Group Holding Limited	966	1,406,462	7.48
Baidu Inc	229	436,695	2.32
Bilibili Inc	2,251	247,133	1.32
Bitauto Holdings Limited	1,465	273,392	1.45
iQIYI Inc	1,977	501,125	2.67
Momo Inc	1,295	442,075	2.35
YY Inc	580	457,300	2.43
		<u>3,764,182</u>	<u>20.02</u>
Total investment portfolio , at fair value		17,029,844	90.60
Other net assets		<u>1,760,955</u>	<u>9.40</u>
Net assets value as at 30 June 2018(calculated in accordance with the Sub-Fund's explanatory memorandum)		<u>18,790,799</u>	<u>100.00</u>
Total investments, at cost		<u>16,654,273</u>	

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**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	% holdings of net assets as at 30 June 2018	% holdings of net assets as at 31 December 2017
Basic Materials	-	5.35
Communications	25.95	18.32
Consumer, Cyclical	9.83	18.57
Consumer, Non - cyclical	12.68	19.44
Energy	9.22	6.24
Financial	21.54	21.70
Industrial	5.06	4.23
Technology	6.32	2.62
Utilities	-	1.32
	<hr/>	<hr/>
Total investment portfolio	90.60	97.79
Other net assets	9.40	2.21
	<hr/>	<hr/>
Net assets	<u>100.00</u>	<u>100.00</u>