

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 2014

SHENYIN WANGUO CHINA POLICY FOCUS FUND

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Management and Administration

Manager

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

Auditors

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal Advisers

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

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Manager's Report

Market Review

Hang Seng Index reached the record high level for over 3 years in 1H2014. The overwhelming positive investment sentiments also help US market touch record high points YTD for over 15 times in past months. Investors gained confidence from the better than expected economic data and continuously supportive monetary policies cross US, Europe, Japan and emerging markets. Hong Kong market see significant cash inflow in second quarter as mainland China may start to issue stimulus policy to boost economy again. The upcoming Shanghai-Hong Kong Connect trade program will also help investors from mainland to transfer assets to Hong Kong. Therefore, we expect Hong Kong market to gain positive return in 2H 2014 despite the uncertainty from real economy side.

Portfolio Review

China Policy Fund is proactively chasing alpha since inception. The fund managing team dedicated to find policy beneficiaries and under-valued companies with potential to generate decent return. In 2014, we are confident to invest into several valued companies in the fast-growing industries, such as environmental protection, upgraded consumption, and advanced technology implementation etc.

Market Outlook and Portfolio Strategy

The overall market sentiment is positive. We see better economic situation from overseas market, especially US market. In China domestic market, the newly implemented measures, such as Shanghai-Hong Kong Connect trade program will be a good reason to attract more investments from global market. The valuation of Hong Kong market is still attractive given the 12 times forward P/E level.

In second half, we will continuously insist our investment philosophy, investing into policy driven stocks and sectors. The selection of each portfolio stocks will be based on in-depth research on industry analysis and macro study. The investment horizon is flexible given the volatile investment environment in short term; we will also monitor and analysis macro economic data to adjust our investment strategy.

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Statement of Financial Position (Unaudited)

As at 30 June 2014

	30 Jun 2014 HKD	31 Dec 2013 HKD
Assets		
Cash and cash equivalents	935,076	1,444,044
Financial assets at fair value through profit or loss	24,452,900	27,373,100
Amounts due from broker	467,500	467,500
Prepayments	5,493	1,334
Dividends receivable	103,661	-
Total assets	<u>25,964,630</u>	<u>29,285,978</u>
Liabilities		
Amounts payable on redemption	-	500,000
Management fee payable	23,745	39,035
Trustee fee payable	63,597	65,648
Audit fee payable	63,473	63,999
Publishing fee payable	1,488	1,632
Total liabilities	<u>152,303</u>	<u>670,314</u>
Net assets attributable to unitholders	<u>25,812,327</u>	<u>28,615,664</u>
Represented by:		
Net assets attributable to unitholders (calculated in accordance with IFRSs)	25,812,327	28,615,664
Adjustment for preliminary expenses recognized	347,141	411,652
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's explanatory memorandum)	<u>26,159,468</u>	<u>29,027,316</u>
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	4,278,750	5,745,787
Class I	21,880,718	23,281,529
Number of units in issue		
Class A	376,815.138	474,388.253
Class I	1,905,426.440	1,905,426.440
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	11.355	12.111
Class I	11.483	12.218

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Investment Portfolio (Unaudited)

As at 30 June 2014

	Holding unit	Fair value HKD	% of NAV
<i>Listed Equity Securities</i>			
<i>Hong Kong</i>			
Anton Oilfield Services Group	150,000	792,000	3.03%
China Construction Bank Corp	100,000	586,000	2.24%
China Overseas Land & Investment Ltd	40,000	752,000	2.87%
China Pacific Insurance Group Co Ltd	50,000	1,367,500	5.23%
China Petroleum & Chemical Corp	120,000	886,800	3.39%
China State Construction International Holdings Ltd	60,000	816,000	3.12%
China WindPower Group Ltd	1,000,000	620,000	2.37%
CITIC Securities Co Ltd	60,000	1,026,000	3.92%
CSR Corp Ltd	100,000	583,000	2.23%
CT Environmental Group Ltd	150,000	846,000	3.23%
Forgame Holdings Ltd	10,000	266,500	1.02%
GCL-Poly Energy Holdings Ltd	400,000	1,036,000	3.96%
Goldpac Group Ltd	200,000	1,586,000	6.06%
Haier Electronics Group Co Ltd	80,000	1,620,000	6.19%
Haitong Securities Co Ltd	100,000	1,202,000	4.59%
Hisense Kelon Electrical Holdings Co Ltd	160,000	1,456,000	5.57%
Industrial & Commercial Bank of China Ltd	80,000	392,000	1.50%
Kingsoft Corp Ltd	30,000	700,500	2.68%
Lenovo Group Ltd	100,000	1,058,000	4.04%
Livzon Pharmaceutical Group Inc	14,400	619,200	2.37%
NVC Lighting Holding Ltd	300,000	522,000	2.00%
Phoenix Healthcare Group Co Ltd	100,000	1,168,000	4.46%
Sunny Optical Technology Group Co Ltd	50,000	548,000	2.09%
Tencent Holdings Ltd	20,000	2,364,000	9.05%
Tong Ren Tang Technologies Co Ltd	15,000	169,800	0.65%
Tong Ren Tang Technologies Co Ltd - Bonus shares	15,000	169,800	0.65%
Tongda Group Holdings Ltd	800,000	824,000	3.15%
TSC Group Holdings Ltd	130,000	475,800	1.82%
Total investment portfolio, at fair value		24,452,900	93.48%
Other net assets		1,706,568	6.52%
Net assets value as at 30 June 2014 (calculated in accordance with the Sub-Fund's explanatory memorandum)		<u>26,159,468</u>	<u>100.00%</u>
Total investments, at cost		<u>20,282,337</u>	

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Statement of Movement in Portfolio Holdings (Unaudited)

For the six months ended 30 June 2014

<u>Industry Sector</u>	Holdings as at 30.06.2014	Holdings as at 31.12.2013
Basic Materials	-	2.98%
Communications	10.06%	11.69%
Consumer, Cyclical	11.76%	15.70%
Consumer, Non-cyclical	14.19%	8.03%
Energy	12.20%	6.58%
Financial	20.36%	29.16%
Industrial	15.82%	10.75%
Technology	6.72%	9.41%
Utilities	2.37%	-
	<hr/>	<hr/>
Total investment portfolio	93.48%	94.30%
Other net assets	6.52%	5.70%
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Net assets	100.00%	100.00%
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