

**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 2019

**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:

2019 1H is a volatile year for almost all global capital markets. Index of developed and emerging markets rebounded strongly in 1Q19 thanks to expectation of easing trade war and government stimulate policies, but collapsed again since late April as China-US trade war turned worse, though stabilized a bit in June due to Fed rate cut expectation and China-US trade talk continued. RMB fluctuated in 1H19 and closed at 6.87 as end of June, and US dollar index was mainly stable during the period. Volatilities of global capital markets remained high in near term.

Global economies showed signs of weakening in 1H19, and accelerated by US President Donald Trump's protectionism policies, and China was mostly impacted due to intensified US-China trade war. US economy still outperformed other part of the world, but also showed signs of slowing down, and US yield curves reversed during the period, which raised market concerns of US economy recessions. China economy momentum continued to slowdown in 1H19, as PMI dropped to below 50 territory in May & June 2019, and PPI index also dropped to 0% in June 2019. Half year GDP growth decelerated to 6.3% in 1H 2019 from 6.6% in 2018.

Although US economy was still stronger compared with other parts of the world, concerns of the sustainability of US economy performance had been increasing as US yield curves reversed, and expectation of US Fed rates cut had also increased for 2019, due to worries about global economy slowdown, and trade war also brought more uncertainties for global economy.

Portfolio Review:

SYWG China Policy Fund (referred to as "CPF") was up 0.33% for A (Retail) class and up 0.38% for I (Institutional) class in 1H19. As market was very volatile in 1H19, we had applied a conservative strategy and kept our net exposure low to avoid dramatic NAV fluctuation during the period.

Market Outlook and Portfolio Strategy:

We believe US-China trade war and global economy slowdown will continue to affect Hong Kong and China stock markets, but markets valuations have dropped to relatively low level, which already prices in bearish outlooks and provides room for rebounds if there are positive developments. We believe China economy will continue to slowdown in 2H19, and domestic monetary policies will play a more supportive role as economy data turn worse. We will closely monitor domestic & overseas governments' policies to determine markets bottoms, and will also closely monitor the development of US-China trade conflicts, and adjust our portfolios accordingly. We believed any signs of easing trade war tensions and more government stimulate policies will be positive for Hong Kong and China markets. While the pace of US Fed rates hike cut and slowdown of global economies and other geopolitical events may post uncertainties on market sentiment in 2H 2019.

We remained low equity position in near term to avoid market volatilities, but will keep an eye on domestic policies as well as external events, and will increased our net equity exposure once more positive factors have emerged and market bottom has been confirmed. For the stock position, we prefer quality value and growth stocks 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 2019**

	30 Jun 2019 HK\$	31 Dec 2018 HK\$
Assets		
Cash and cash equivalent	116,040	123,019
Financial assets at fair value through profit or loss	9,300,158	9,472,216
Dividend receivable	96,049	72
Amounts due from brokers	460,075	507,968
Prepayments	4,035	506
	9,976,357	10,103,781
Liabilities		
Financial liabilities at fair value through profit or loss	41,100	43,300
Management fee payable	-	8,948
Trustee fee payable	-	31,799
Other payables and accruals	62,766	184,826
	103,866	268,873
	9,872,491	9,834,908
Net assets attributable to unitholders		
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	955,440	952,345
Class I	8,917,051	8,882,563
Number of units in issue		
Class A	107,569.918	107,569.918
Class I	970,000.000	970,000.000
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A	8.882	8.853
Class I	9.192	9.157

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**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2019**

Investments	Holdings	Fair value HK\$	% of net asset value
Equity securities			
Listed in Hong Kong			
Agricultural Bank of China Ltd	138,000	451,260	4.57
AIA Group Ltd	4,200	353,850	3.58
Anhui Conch Cement Co Ltd	7,500	367,125	3.72
Bank of China Ltd	203,000	669,900	6.79
China CITIC Bank Corp Ltd	58,000	258,100	2.61
China Construction Bank Corp	106,000	713,380	7.23
China Gas Holdings Ltd	4,200	122,010	1.24
China International Capital Corp Ltd	10,000	157,600	1.60
China Mobile Ltd	6,000	426,900	4.32
China Petroleum & Chemical Corp	62,000	329,220	3.33
China Railway Construction Corp Ltd	25,000	239,500	2.43
China Railway Group Ltd	37,000	219,780	2.23
China Resources Pharmaceutical Group Ltd	19,000	167,390	1.70
CNOOC Ltd	32,000	427,520	4.33
CSPC Pharmaceutical Group Ltd	8,000	100,800	1.02
ENN Energy Holdings Ltd	900	68,400	0.69
Geely Automobile Holdings Ltd	5,000	66,800	0.68
Guangdong Investment Ltd	14,000	216,440	2.19
Hong Kong Exchanges & Clearing Ltd	800	220,640	2.23
Industrial & Commercial Bank of China Ltd	114,000	649,800	6.58
PetroChina Co Ltd	80,000	344,800	3.49
Ping An Insurance Group Co of China Ltd	9,500	891,100	9.03
Sands China Ltd	5,600	209,160	2.12
Scholar Education Group	17,000	61,710	0.63
Tencent Holdings Ltd	2,300	810,980	8.21
		<u>8,544,165</u>	<u>86.55</u>
American Depositary Receipts			
United States			
Alibaba Group Holding Limited	571	755,993	7.66
		<u>755,993</u>	<u>7.66</u>
Total investment portfolio , at fair value		9,300,158	94.21
Other net assets		<u>572,333</u>	<u>5.79</u>
Net assets value as at 30 June 2019(calculated in accordance with the Sub-Fund's explanatory memorandum)		<u>9,872,491</u>	<u>100.00</u>
Total investments, at cost		<u>9,417,482</u>	

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**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	% holdings of net assets as at 30 June 2019	% holdings of net assets as at 31 December 2018
Basic Materials	-	2.90
Communications	20.19	6.34
Consumer, Cyclical	2.80	10.16
Consumer, Non - cyclical	3.35	-
Energy	11.15	11.43
Financial	44.22	41.45
Health Care	-	1.97
Industrial	8.38	5.44
Technology	-	8.94
Utilities	4.12	7.24
	<hr/>	<hr/>
Total investment portfolio	94.21	95.87
Other net assets	5.79	4.13
	<hr/>	<hr/>
Net assets	<u>100.00</u>	<u>100.00</u>