

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

SEMI-ANNUAL REPORT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
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Contents	Pages
Management and Administration	1
Report of the Manager	2
Statement of Financial Position (Unaudited)	3
Investment Portfolio (Unaudited)	4
Statement of Movement in Portfolio Holdings (Unaudited)	5

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MANAGEMENT AND ADMINISTRATION

Manager

Shenwan Hongyuan Asset Management (Asia) Limited
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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

RQFII Custodian

Bank of Communications Co., Ltd.
188 Yin Cheng Zhong Road
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The People's Republic of China

Investment Adviser

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255 Gloucester Road
Causeway Bay
Hong Kong

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REPORT OF THE MANAGER

Market review

The investment in the first half of 2018 evolved around volatility caused by several external factors. The market welcomed the year with positive sentiment because of optimism over global growth. As the year progressed, the rising trade tension between the US and China, intensified by Trump's recent decision of placing tariffs on USD 50 Billion of Chinese imports, has aggregated the uncertainties. Under the rate rising environment, FED hiked benchmark short-term interest rate by 25bps to 1.75%-2% in June, pushing the RMB on a downward ride. And the weakness in RMB had also been reflected in the stock markets' negative reactions. On the other hand, liquidity in the A-share market was tight in the first half due to the ongoing deleveraging efforts by the Chinese government by tightening financial regulations and credit. Overall in the first two quarters, we have observed weaker than expected performance in the A -share and H-share markets due to tight liquidity and trade war concerns.

Portfolio review

Shenyin Wanguo RQFII A-Share Strategy Fund was down by 10.14%, outperformed CSI300's performance of down 12.90% during the reporting period.

Market outlook

In the short term, fiscal, monetary and financial regulatory policies will be adjusted to an easing direction; we believe that economic fundamentals remain resilient and that the probability of systemic financial risk is relatively low. However, the marginal adjustment of policy does not imply an overall easing, the outcome of stabilized leverage should be strengthened. In view of external risks, the transformation of China-US trade relationship has indicated a rather significant change in the global business landscape, which is hard to be solved by short-term negotiations, and will add market fluctuations periodically. As for the liquidity level, on one hand, monetary policy will be tweaked, and the easing of new regulations on asset management will be favorable for maintaining the expectation of market liquidity. Reserve requirement ratios (RRR) cut is also expected in the third quarter. Looking ahead, volatility may persist in the market for an extended period of time as the US-China trade war drags on, we maintain a cautious outlook in short term. In the medium-to-long term, we believe the overall valuations of these markets are still lower than other major markets. After the market corrections, some stocks have shown higher attractiveness in the long run and can provide more reasonable returns. We maintain an optimistic view in the medium- to- long term, and will conduct a bottom-up approach in stock picking in order to achieve structural opportunities.

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

	30 Jun 2018 RMB	31 Dec 2017 RMB
Assets		
Cash and cash equivalent	2,221,466	3,955,221
Financial assets at fair value through profit or loss	46,801,624	47,935,290
Interest receivable	130	269
Deposits	12,094	11,632
Prepayments	3,033	1,812
Total assets	<u>49,038,347</u>	<u>51,904,224</u>
Liabilities		
Management fee payable	62,468	65,884
Performance fee payable	9,314	868,020
Trustee fee payable	27,205	14,056
Sub-custodian fee payable	3,748	3,953
Other payables and accruals	160,994	165,380
Total liabilities	<u>263,729</u>	<u>1,117,293</u>
Net assets attributable to unitholders	<u>48,774,618</u>	<u>50,786,931</u>
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A HKD Units	48,774,618	50,786,931
Adjustments for preliminary expenses recognised	297,873	348,118
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's explanatory memorandum)	<u>49,072,491</u>	<u>51,135,049</u>
Number of units in issue		
Class A HKD Units	601,437.462	571,601.035
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A HKD Units	HKD96.319	HKD107.188

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

Investments	Holdings	Fair value RMB	% of net asset value
Listed Equity securities			
China			
Anhui Conch Cement Company Limited	50,000	1,674,000	3.41
China Merchants Energy Shipping Company Limited	300,000	1,083,000	2.21
China Molybdenum Company Limited	350,000	2,201,500	4.49
China Shenhua Energy Company Limited	80,000	1,595,200	3.25
COSCO Shipping Energy Transportation Company Limited	200,000	848,000	1.73
COSCO Shipping Holdings Company Limited	300,000	1,476,000	3.01
COSCO Shipping Specialized Carriers Company Limited	240,000	852,000	1.74
Great Wall Motor Company Limited	110,000	1,080,200	2.20
Gree Electric Appliances Inc of Zhuhai	35,000	1,650,250	3.36
Henan Shuanghui Investment & Development Company Limited	60,000	1,584,600	3.23
Inner Mongolia Yili Industrial Group Company Limited	50,000	1,395,000	2.84
Jiangsu Hengrui Medicine Company Limited	39,000	2,954,640	6.01
Midea Group Company Limited	33,000	1,723,260	3.51
Ningbo Marine Company Limited	185,000	673,400	1.37
Ping An Insurance Group Company of China Limited	45,000	2,636,100	5.37
Qingdao Haier Company Limited	75,600	1,456,056	2.97
SAIC Motor Corporation Limited	75,300	2,634,747	5.37
Shandong Hualu Hengsheng Chemical Company Limited	80,000	1,407,200	2.87
Shanghai Pharmaceuticals Holding Company Limited	100,000	2,390,000	4.87
Shanxi Lu'an Environmental Energy Development Company Limited	220,000	2,037,200	4.15
Tongkun Group Company Limited	84,000	1,446,480	2.95
Wanhua Chemical Group Company Limited	100,000	4,542,000	9.26
Wuxi Little Swan Company Limited	23,783	1,649,351	3.36
Yanzhou Coal Mining Company Limited	100,000	1,304,000	2.66
Yunnan Baiyao Group Company Limited	24,000	2,567,040	5.23
Zhejiang Xinan Chemical Industrial Group Company Limited	120,000	1,940,400	3.95
Total investment portfolio, at fair value		46,801,624	95.37
Other net assets		2,270,867	4.63
Net assets value as at 30 June 2018 (calculated in accordance with the Sub-Fund's explanatory memorandum)		49,072,491	100.00
Total investment at cost		46,013,466	

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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
Industry sector		
Basic Materials	20.56	15.06
Communications	-	5.69
Consumer, Cyclical	28.60	13.80
Consumer, Non - cyclical	17.32	11.24
Energy	10.06	13.17
Financial	5.37	6.54
Industrial	13.46	18.04
Technology	-	10.20
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Total investment portfolio	95.37	93.74
Other net assets	4.63	6.26
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Net assets	<u>100.00</u>	<u>100.00</u>