

**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 2019

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
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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
Shanghai 200120
The People's Republic of China

Investment Adviser

Noble Apex Advisors Limited
Suite 1901, 19/F Sino Plaza
255 Gloucester Road
Causeway Bay
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 stock markets, especially A share rebounded strongly in 1Q19 thanks to expectation of easing trade war and government stimulate policies, but corrected 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, and A share in general outperformed peers in 1H19, thanks to its attractive valuation after last year's significant correction, and CSI 300 index was up 27.07% during the period.

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 and global 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. US Fed turning to cutting rates also opened room for China PBoC momentary policy easing, and China also released more expanding fiscal policies to prevent economy from hard landing.

Portfolio Review:

The fund was up 24.79% in 1H19. As market was very volatile in 1H19, our fund positions were mainly focus on large blue chip names with leading market position in their sectors, which were more defensive under macro uncertainties.

Market Outlook and Portfolio Strategy:

We believe US-China trade war and China economy slowdown will continue to affect A share 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 A share markets. While the pace of US Fed rates cut and slowdown of global economies and other geopolitical events may post uncertainties on market sentiment in 2H 2019.

We remained prudent strategy and will keep an eye on domestic policies as well as external events to determine market bottom. 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 RMB	31 Dec 2018 RMB
Assets		
Cash and cash equivalent	772,645	1,226,811
Financial assets at fair value through profit or loss	43,215,184	31,772,466
Interest receivable	29	61
Deposits	11,279	10,740
Prepayments	3,112	-
Total assets	<u>44,002,249</u>	<u>33,010,078</u>
Liabilities		
Management fee payable	51,739	43,773
Performance fee payable	-	9,314
Trustee fee payable	13,808	28,112
Sub-custodian fee payable	3,104	2,626
Other payables and accruals	251,901	251,131
Total liabilities	<u>320,552</u>	<u>334,956</u>
Net assets attributable to unitholders	<u>43,681,697</u>	<u>32,675,122</u>
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A HKD Units	43,681,697	32,675,122
Adjustments for preliminary expenses recognised	196,549	246,794
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's explanatory memorandum)	<u>43,878,246</u>	<u>32,921,916</u>
Number of units in issue		
Class A HKD Units	578,112.054	541,847.476
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A HKD Units	HKD86.239	HKD69.122

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

Investments	Holdings	Fair value RMB	% of net asset value
Listed Equity securities			
China			
Anhui Conch Cement Company Limited	28,100	1,166,150	2.66
Baoshan Iron & Steel Company Limited	129,900	844,350	1.92
China Communications Construction Company Limited	84,200	953,144	2.17
China Construction Bank Corporation	318,700	2,371,128	5.40
China Life Insurance Company Limited	65,500	1,854,960	4.23
China Merchants Bank Company Limited	74,900	2,694,902	6.14
China Petroleum & Chemical Corporation	129,900	710,553	1.62
China Shenhua Energy Company Limited	40,000	815,200	1.86
China United Network Communications Limited	190,300	1,172,248	2.67
China Vanke Company Limited	41,200	1,145,772	2.61
China Yangtze Power Company Limited	55,900	1,000,610	2.28
CITIC Securities Company Limited	119,700	2,850,057	6.50
COSCO Shipping Holdings Company Limited	300,000	1,506,000	3.43
Gree Electric Appliances Inc of Zhuhai	35,000	1,925,000	4.39
Haitong Securities Company Limited	73,000	1,035,870	2.36
Hangzhou Hikvision Digital Technology Company Limited	36,900	1,017,702	2.32
Henan Shuanghui Investment & Development Company Limited	44,800	1,115,072	2.54
Huatai Securities Company Limited	79,500	1,774,440	4.04
Jiangsu Hengrui Medicine Company Limited	46,800	3,088,800	7.04
Kweichow Moutai Company Limited	1,600	1,574,400	3.59
Midea Group Company Limited	22,000	1,140,920	2.60
Ping An Insurance Group Company of China Limited	45,000	3,987,450	9.09
Poly Developments and Holdings Group Company Limited	76,000	969,760	2.21
Qingdao Haier Company Limited	50,000	864,500	1.97
SAIC Motor Corporation Limited	35,300	900,150	2.05
Sany Heavy Industry Company Limited	97,000	1,268,760	2.89
Wanhua Chemical Group Company Limited	17,000	727,430	1.66
Weichai Power Company Limited	103,800	1,275,702	2.91
Yonyou Network Technology Company Limited	54,470	1,464,154	3.34
Total investment portfolio, at fair value		43,215,184	98.49
Other net assets		663,062	1.51
Net assets value as at 30 June 2019 (calculated in accordance with the Sub-Fund's explanatory memorandum)		43,878,246	100.00
Total investment at cost		37,211,675	

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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
Industry sector		
Basic Materials	3.58	11.62
Communications	2.67	-
Consumer, Cyclical	13.92	29.42
Consumer, Non - cyclical	13.17	19.41
Energy	3.48	11.48
Financial	42.58	7.68
Industrial	13.47	16.90
Technology	3.34	-
Utilities	2.28	-
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Total investment portfolio	98.49	96.51
Other net assets	1.51	3.49
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Net assets	<u>100.00</u>	<u>100.00</u>