HSZ China Fund

Newsletter November 2009

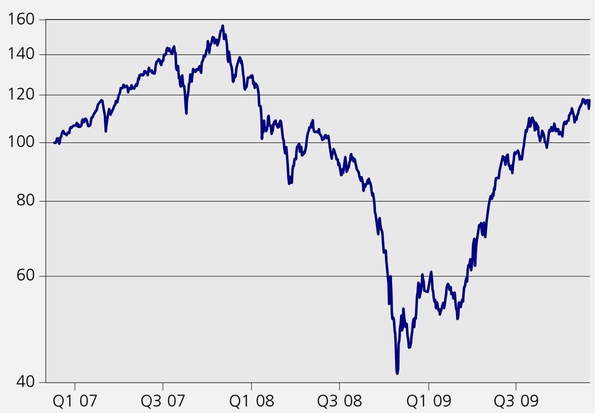
- China's Renminbi sees no near term appreciation
- Mindray Medical releases third quarter results
- VisionChina Media leads the China's mobile TV advertising market
- Golden Eagle announces two new stores opening

Figures as of November 30, 2009

Net Asset Value

Per Share: USD 117.70, CHF 94.47, EUR 100.54
Market Capitalization: USD 81.9 million

Share Price in USD since Nov 17, 2006



Performance

	November	YTD	1Y	Nov 17, 06
USD-Class	6.80%	108.21%	135.40%	17.70%
CHF-Class	4.97%	97.43%	96.24%	(5.53%)
EUR-Class	5.15%	94.51%	102.82%	0.54%

Largest Holdings

China Merchants Bank	6.4%
Zhuzhou CSR	5.2%
Ports Design	5.2%
Epure International Ltd	5.1%
Anta Sports Products Ltd	4.8%
Weichai Power	4.8%

Exposure

Consumer Discretionary	29.4%
Industrials	27.2%
Financials	22.9%
Consumer Staples	7.0%
Energy	4.3%
Information Technology	1.5%
Cash	7.6%

In October, economic data pointed to growth recovery in China being on track. Nominal retail sales further accelerated to 16.2 percent year on year from 15.5 percent in September. Autos, furniture and household appliances were growing strongly even amid the mildly deflationary environment. However, external demand remained relatively weak although the exports decline improved to 13.8 percent year on year from 15.2 percent in September. Given the still weak external environment, from the policymakers' perspective, near term Renminbi appreciation is unlikely, which would otherwise serve to exacerbate the headwinds facing the exporters.

Mindray's revenue for the first three quarters this year increased by 17 percent to USD 445 million compared to the same period last year. Net profit jumped 32 percent to 102 million. Gross margin improved from 54 percent to 57 percent. Domestic sales were slower than expected due to the lighter than expected government tenders in the third quarter. They are expected to come back in the fourth quarter. Overseas sales recovered faster than expected due to new product launches and strong growth in the emerging markets. Management is confident that the company is on track to deliver full year growth of revenue and net profit of at least 10 percent.

The fund initiated a position in VisionChina Media (VISN), an advertising leader in China's mass transportation market. For the first half of 2009, VISN has about 50 percent market share in China's mobile TV advertising. Acquisition of DMG, a leading subway mobile TV advertising player in China, for a consideration of USD 160million, is expected to close in the first quarter of 2010. After the acquisition, VISN should enjoy over 90 percent share of China's subway mobile TV market. For the third quarter of 2009, VISN's net profit was USD 9.1 million with a net margin of 29 percent excluding share-based compensation. With its extensive advertising network and capacity, post acquisition operating synergies and demand recovery, we believe VISN is an attractive investment.

Golden Eagle (GE) announced the leasing of Xianlin Store and the development of Nanjing Xinjiekou Phase 3 Project on November 9, 2009. The Xianlin Store is a property from its parent GEICO with gross floor area of 22'500 square metres, located at the heart of Nanjing's college town. The store is opening in December 2009 and annual rental caps based on 5 percent of the store's gross sales is proposed. GE acquired the first 6 floors of a 41-storey building owned by GEICO which is adjacent to GE's flagship store. The store is acquired at CNY 875million, 56 percent of the current appraised value. GE expects gross sales proceeds of CNY 1billion within the first year of operation in 2013.

General Information

Characteristics

Fund Name	HSZ China Fund
Structure	Open-end Swiss investment fund, "Kategorie: Übrige Fonds"
Approved	August 2006 by Swiss Financial Market Supervisory Authority
Launch	November 2006
Fund Volume	Launched at USD 130 million
Fiscal Year End	December 31
Reporting	Semi-annually in USD
Currency Classes	USD, CHF, EUR (all unhedged)
ISIN, Valor USD-Class, WKN	CH0026828035, 2682803, A0LC13
ISIN, Valor EUR-Class, WKN	CH0026828092, 2682809, A0LC14
ISIN, Valor CHF-Class, WKN	CH0026828068, 2682806, A0LC15
Issue price (all classes)	100
Distributions	Income annually
Issuance/Redemption	Daily
Management Fee	1.5% annually
Performance Fee	10% above hurdle rate of 5%, high water mark
Issuance Fee	Maximum 5%
Redemption Fee	None

Information

Prospectus/By-Laws	Available upon request
Publication of NAV (daily)	www.hszgroup.com www.falconpb.com Neue Zürcher Zeitung (NZZ)
Bloomberg	HSZCHIFD, HSZCHEUR, HSZCFCHF
Monthly Reports	Subscription
Fund Administrator	Falcon Fund Management (Switzerland) Ltd.
Custodian Bank	Falcon Private Bank Ltd.
Investment Manager	HSZ Group
Main Distributor	Falcon Fund Management (Switzerland) Ltd.
Auditors	PricewaterhouseCoopers Ltd.
Subscriptions	All Banks

Contact

HSZ Group

Rm. 605A, Tower 2
Lippo Centre
Admiralty
Hong Kong
Tel: +852 2287 2300
Fax: +852 2287 2380
E-mail: mail@hszgroup.com

Investment Opportunity

Once the world's largest trading power, China's gradual decline during the second millennium culminated in the Maoist purgatory. However, since the 1980s economic development has taken center stage. China has become the engine of the fastest growing region in the world attracting substantial foreign investments and developing into the world's manufacturing hub. Furthermore, an increasing middle class is fuelling demand for consumer products. The growth momentum is set to continue as China strives to catch up with mature economies, producing attractive investment opportunities.

Investment Strategy

The objective of HSZ China Fund is to create sustained shareholder value by acquiring and managing equity and equity-linked investments in a select number of high-quality companies that are rooted in China. At least two-thirds of the total assets are to be invested in companies which are domiciled in China or participate as holding companies in enterprises domiciled there. At most one-third of the total fund volume can be invested in equity oriented stocks and money market instruments of issuers worldwide. Based on fundamental analysis and a bottom up approach, investment opportunities are identified that are assessed to provide above-average return on invested capital, have strong earnings per share growth and are priced attractively.

Risk Management

The Chinese stock market has many of the particular risks and characteristics of emerging markets. HSZ Group exerts itself for reducing specific risks by accurately screening and monitoring high quality assets. That is why the long-lived experience of its specialists based locally is invaluable for investors. The fund is well diversified by investing in at least 15 companies. Each position represents a weight of between 5 to 10% of total assets with a maximum limit of 15%. No portfolio leverage is employed. The fact that HSZ China Fund invests in listed equity provides the investor with a reasonable degree of liquidity.

Investment Manager

HSZ Group is a Hong Kong based independent investment management company. His investment team has been managing Asian equity portfolios since 1994.