HSZ China Fund

Figures as of	April 29, 2011
Net Asset Value	USD 140.19, CHF 97.80, EUR 121.72
Fund Size	USD 145.1 million
Inception Date*	May 27, 2003
Cumulative Return	298.6% in USD
Annualized Return	19.1% in USD

* The track record is the combination of two consecutive track records of China Investment Corporation (CIC) and HSZ China Fund (HCF). From May 27, 2003 to November 17, 2006 it is the performance of CIC, a trust account managed by HSZ (Hong Kong) Limited for listed Chinese equities. Since the launch of HCF on November 17, 2006 it is the performance of HCF.

Net Asset Value (Monthly)

Performance

	April	YTD	1 Year	Nov 17, 06
USD Class	+3.8%	+4.0%	+17.3%	+40.2%
CHF Class	(1.2%)	(2.6%)	(6.1%)	(2.2%)
EUR Class	(1.0%)	(5.9%)	+4.6%	+21.7%

Largest Holdings

Lonking Holdings Ltd	5.7%
China Merchants Bank	5.3%
GCL Poly Energy Holdings	5.2%
Anta Sports Products Ltd	5.1%
Ports Design	5.0%
Zhuzhou CSR	4.8%

Exposure

Consumer Discretionary	33.7%
Industrials	28.0%
Financials	22.0%
Energy	8.2%
Consumer Staples	4.9%
Cash	3.1%

Newsletter April 2011

- China shows moderating but robust growth
- Merchants Bank sees better margin and asset quality
- Ping An records solid first quarter results
- Shenhua achieves stable growth in the first quarter

China's real GDP expanded 9.7 percent in the first quarter this year from a year earlier, lower from the 9.8 percent growth in the preceding period. On a seasonally adjusted basis, the sequential growth was approximately 2.1 percent quarter on quarter, moderating from the 2.4 percent in the fourth quarter last year. Both fixed asset investment and retail sales continued its momentum, growing at 25 percent and 16.3 percent year on year respectively in the first quarter while CPI inflation intensified to 5.4 percent in March. On April 27, the People's Bank of China announced a 50 basis points hike on the required reserve ratio to control the liquidity conditions. With the resilience in the economic growth, tightening would still be ongoing until the inflation pressure sees signs of easing.

China Merchants Bank announced that its net profit for the first quarter this year rose 49 percent year on year to CNY 8.8 billion. Net interest margin continued to expand by 12 basis points quarter on quarter to 2.98 percent, the best among peers. Net interest income and fee income were up by 39 percent and 62 percent respectively. Asset quality saw further improvement with both the balance and ratio of non-performing loan down by 4.4 percent and 6 basis points quarter on quarter to CNY 9.3 billion and 0.61 percent respectively. Due to the risk weighting adjustment for credit card commitments required by the regulator, its tier-1 ratio declined by 38 basis points to 7.7 percent, leading to a need for capital raising in the near term.

Ping An achieved CNY 5'814 million in net profit for the first quarter of 2011, an increase of 28 percent year on year, on the strong growth from the property & casualty (P&C) and banking segments. The P&C segment increased by 34 percent year on year and the profits of the banking business increased to CNY 1'071 million, contributed by a 66 percent growth year on year from Ping An Bank, while the profits from insurance and other business increased by about 15 percent year on year. Gross written premium was CNY 70 billion, up by 45 percent year on year. Due to the exceptional high base in the same period last year, new business value growth was largely flat. The equity book value increased by 6 percent quarter on quarter, indicating modest unrealized gains on available-for-sale assets.

Shenhua's revenue increased by 41 percent year on year to CNY 47.4 billion for the first quarter of 2011. Coal sales volume rose 36 percent year on year to 93.4 million tons and the average selling price was CNY 417 per ton, up by 4.8 percent. The spot sales volume accounted for 48.5 percent of total domestic sales, compared to 37.2 percent for the same period last year. Coal production volume reached 70.4 million tons, a rise of 15 percent year on year. Unit production cost was CNY 110.9 per ton, up by 5 percent year on year, mainly due to the labor cost increase, which was largely offset by the increase in the average selling price. Gross margin was 41.3 percent, compared to 42.9 percent in 2010. Net income came in at CNY 12.8 billion, increased by 17 percent year on year.

General Information

Name	HSZ China Fund
Theme	Entrepreneurial China
Nature	Long-only equity fund, actively managed for absolute return
Focus	Listed Chinese equities focusing on privately controlled companies

Structure	Swiss investment fund, regulated by FINMA, open-ended
Distributions	Income annually
Fiscal Year End	December 31
Reporting	Semi-annually in USD
Currency Classes	USD, CHF, EUR (all unhedged)
Trading	Daily issuance and redemption, based on net asset value

Fund Manager	Swiss Investment Company SIC Ltd., Zurich
Custodian Bank	Clariden Leu Ltd., Zurich
Investment Manager	HSZ (Hong Kong) Limited, Hong Kong
Auditors	KPMG Ltd.
Management Fee	1.5% annually
Performance Fee	10% above hurdle rate of 5%, high water mark
Issuance Fee	Maximum 5%
Redemption Fee	None

USD Class	ISIN CH0026828035, Valor 2682803 WKN A0LC13 Bloomberg HSZCHID SW Equity
CHF Class	ISIN CH0026828068, Valor 2682806 WKN A0LC15 Bloomberg HSZCFCH SW Equity
EUR Class	ISIN CH0026828092, Valor 2682809 WKN A0LC14 Bloomberg HSZCHEU SW Equity
Orders via Banks	Clariden Leu Ltd., Bahnhofstrasse 32 8001 Zurich, Switzerland Tel: +4158 205 2121 Fax: +4158 205 2191

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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 (Hong Kong) Limited 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 to avoid concentration risk. The weight of each position in the portfolio is subject to 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 (Hong Kong) Limited is a Hong Kong based independent investment management company. Its investment team has been managing Asian equity portfolios since 1994.