HSZ China Fund

Figures as of	May 31, 2011
Net Asset Value	USD 136.58, CHF 93.06, EUR 122.39
Fund Size	USD 141.7 million
Inception Date*	May 27, 2003
Cumulative Return	288.3% in USD
Annualized Return	18.4% 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

	May	YTD	1 Year	Nov 17, 06
USD Class	(2.6%)	+1.3%	+21.5%	+36.6%
CHF Class	(4.8%)	(7.3%)	(10.7%)	(6.9%)
EUR Class	+0.6%	(5.4%)	+4.2%	+22.4%

Largest Holdings

Anta Sports Products Ltd	6.1%
China Merchants Bank	5.7%
Ajisen China Holdings Ltd	5.1%
AAC Acoustic Tech	4.8%
Ports Design	4.8%
Ping An Insurance Group	4.8%

Exposure

Consumer Discretionary	36.4%
Financials	22.9%
Industrials	22.8%
Energy	7.3%
Consumer Staples	5.6%
Cash	4.9%

Newsletter May 2011

- China tightening sees no relaxation soon
- Shui On Land posts strong contracted sales
- AAC delivers strong growth momentum
- Ports comes a new generation

In May, CPI inflation remained elevated at 5.3 percent year on year, compared to 5.4 percent in the previous month. On May 12, the People's Bank of China announced a 50 basis points hike on the required reserve ratio, the eighth hike since November 2010, in an effort to tame the mounting inflation in China. China's official PMI softened 0.9 percentage points month on month to 52.0 in May. On the back of the aggressive rollout of social housing program, fixed asset investment maintained its momentum, growing at 25.4 percent year on year for the first four months this year. We do not expect any relaxation on the monetary tightening front in the near term against the backdrop of the stubbornly elevated inflation but still resilient underlying growth momentum.

Shui On Land (SOL) reported the contracted sales for the first four months of 2011 being CNY 4.1 billion, 41 percent of the full year sales target of CNY 10 billion in 2011. Of the CNY 4.1 billion contracted sales, CNY 3.2 billion was from residential sales with a total gross floor area of 120'000 square meters (sqm), up 175 percent in value. Despite the home purchase restriction measure, 200 units were sold at Rui Hong Xin Cheng in Shanghai on the first day of launch at an average selling price of CNY 40'700 per sqm. In April, SOL entered into a pre-sale agreement with Ping An Insurance for en-bloc sales of a commercial building at Wuhan Tiandi for a consideration of CNY 963 million, which is in line with the company's three-year plan to accelerate delivery to 1 million sqm in 2012.

AAC's turnover for the first quarter 2011 was CNY 970 million, up 62 percent year on year due to the increasing customer penetration, but down 8 percent quarter on quarter due to lower shipment volume on seasonality. Net profit came in at CNY 272 million, increased by 60 percent year on year but fell 16 percent quarter on quarter. Dynamic components, namely speakers and receivers, contributed 78 percent of the total revenue, followed by microphones and headsets, accounting for 11 percent and 5 percent respectively. Sales contribution from non-handset applications such as tablets and e-books increased substantially quarter on quarter from less than 5 percent to 10 percent, corresponding to the company's strategy to extend businesses into areas beyond handset acoustics.

Ports Design's turnover grew 20 percent year on year for the first quarter of 2011, with same store sales growth of 17.5 percent and average selling price increase of 8 percent. As the company's store rationalization program has concluded in 2010, the company targets a net increase of 40 stores by the end of 2011, of which one third targeted to be opened in the first half of the year. The youth line, P61, under the Ports brand, will be launched in the fourth quarter of 2011, rather than standalone stores, the line will be incorporated into the existing stores of Ports.

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: +41 58 205 2121 Fax: +41 58 205 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.