HSZ China Fund

Figures as of	September 30, 2011
Net Asset Value	USD 93.31, CHF 67.19, EUR 88.81
Fund Size	USD 95.8 million
Inception Date*	May 27, 2003
Cumulative Return	165.3% in USD
Annualized Return	12.4% 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

	September	YTD	1 Year	Nov 17, 06
USD Class	(17.4%)	(30.8%)	(33.3%)	(6.7%)
CHF Class	(8.4%)	(33.1%)	(38.8%)	(32.8%)
EUR Class	(11.8%)	(31.4%)	(33.0%)	(11.2%)

Largest Holdings

AAC Technologies	7.3%
Belle International	6.4%
Anta Sports Products Ltd	5.4%
Ports Design	5.2%
Wharf (Holdings) Ltd	5.2%
China Shenhua Energy	4.7%

Exposure

Consumer Discretionary	33.6%
Financials	20.7%
Industrials	18.1%
Consumer Staples	7.7%
Energy	6.9%
Cash	13.0%

Newsletter September 2011

- China ready to respond to external challenges
- Chow Sang Sang registers strong sales during Golden Week
- Golden Eagle maintains solid growth
- Ports Design's new youth line appeals to customers

Chinese equity market witnessed a panic sell-off in September amid the intensified concerns on the European debt crisis, the potential spill-over effect on the banking system and lack of visible responses from the Chinese policy makers to the external environment deterioration. Although China is not immuned to the slowdown in the developed markets, we believe the impact of a potential global recession on the Chinese economy is smaller this time given its lessening reliance on net exports. The Chinese government is able to respond to avoid a deep slowdown through fiscal expansion like supports to social housing, SMEs and domestic consumption. On the monetary front, we believe there would be no further policy tightening in the remainder of the year. However we neither expect significant monetary easing any time soon until there is a strong sign of inflation deceleration.

Chow Sang Sang's revenue grew 58 percent year on year to HKD 8'280 million for the first six months of 2011, fuelled by 48 percent and 68 percent retail sales growth in Hong Kong and China respectively. Gross profit increased by 40 percent year on year to HKD 1'525 million. Net margin expanded 30 basis points to 6 percent and net income came in at HKD 496 million. The company added 2 and 12 outlets in Hong Kong and China in the first half and aims to increase its stores in China by 50 to 231 by the end of 2011. For the first 5 days of the National Day holiday in October, the company registered a robust same store sales growth of 50 percent year on year in Hong Kong and China, which outperformed the overall retail sales growth of 18 percent in China.

Golden Eagle's gross sales proceeds (GSP) increased by 35 percent year on year to CNY 10'039 million for the nine months ended September 30, 2011. The top five contributors were Nanjing Xinjiekou Store, Yuzhou Store, Yangzhou Store, Xi'an Gaoxin Store and Yancheng Store, representing a total of CNY 6'496 million of GSP. Overall same store sales growth (SSSG) was 28 percent. During the Golden Week national holiday, GSP grew 34 percent and SSSG was 29 percent. The company is on track to meet its full year SSSG target of 25 percent in 2011.

Ports Design's retail sales grew 36 percent year on year to CNY 449 million with same store sales growth (SSSG) of over 30 percent for the third quarter of 2011. SSSG is strong particularly in September with over 40 percent of growth, attributable to the results of its store repositioning program and a change in the product mix and marketing program that attracted a wider customer base, notably the launch of P61, a young and trendy line, where 70 to 75 percent of its existing 363 stores carries. Ports is on track to maintain its full year expansion target of 10 percent and open 30 stores in the fourth quarter of 2011.

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.