Figures as of	October 31, 2011
Net Asset Value	USD 108.72, CHF 73.61, EUR 100.05
Fund Size	USD 112.6 million
Inception Date*	May 27, 2003
Cumulative Return	209.1% in USD
Annualized Return	14.3% 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

	October	YTD	1 Year	Nov 17, 06
USD Class	16.5%	(19.3%)	(23.5%)	8.7%
CHF Class	9.6%	(26.7%)	(34.5%)	(26.4%)
EUR Class	12.7%	(22.7%)	(24.1%)	0.0%

Largest Holdings

Belle International	6.5%
AAC Technologies	6.3%
Ping An Insurance Group	5.5%
Wharf (Holdings) Ltd	5.5%
Ports Design	5.0%
China Shenhua Energy	4.9%

Exposure

Consumer Discretionary	31.4%
Financials	23.5%
Industrials	19.7%
Consumer Staples	8.9%
Energy	7.2%
Cash	9.2%

Newsletter October 2011

- China continues policy induced slowdown
- AAC benefits from the launch of iPhone 4S and Kindle
- Shui On Land announces asset disposal at an attractive price
- Shenguan is the dominant player in edible collagen casings

For the third quarter this year, China's GDP growth edged down to 9.1 percent from 9.5 percent in the preceding period. On a seasonally adjusted quarter on quarter basis, GDP grew 2.3 percent, a marginal decline from 2.4 percent in the second quarter, indicating a moderating but resilient momentum. On the inflation front, CPI eased further to 5.5 percent year on year in October, compared to 6.1 percent in September, and is expected to trend lower towards the end of the year. This leads to a higher flexibility in terms of fiscal and monetary policies in reaction to the possible rapid deterioration in the situation in Europe and the stagnant growth in the developed countries.

AAC's revenue grew 25 percent year on year to CNY 2'927 million for the first nine months of 2011 on the back of new products from major clients such as iPhone 4S and Amazon's Kindle Fire 2. Gross profit increased by 25 percent year on year to CNY 1'281 million with gross margin expanded 20 basis points to 44.0 percent driven by continuous production automation and a better product mix. Net profit came in at CNY 771 million, which grew 16 percent year on year. The strong R&D capability allows AAC to gain market share in Samsung and Chinese handset makers and benefit from increasing dollar content in tablets and smartphones. The company is also making meaningful progress in the non-acoustic segment and expects sales from antenna, optics and battery to reach USD 30 million in 2012.

Shui On Land (SOL) announced the disposal of its Shanghai Knowledge and Innovation Community office to ICBC for CNY 600 million with a total gross floor area of 14'350 square meters with an estimated net gain of CNY 131 million. The price per square meter for the office block is CNY 37'750, which is attractive as the implied cap rate is less than 4 percent versus the prevalent market rate of 7 percent. Despite lending remained tight for developers, SOL has recently secured a 5 year consortium loan of CNY 3.6 billion. The asset disposal and refinancing would further strengthen the financial position of SOL.

We initiated a position in Shenguan holdings, the largest edible collagen sausage casings producer in China. The company would benefit from the increasing demand on low temperature meat product and increasing penetration of collagen casings in sausage. The long track record, stringent control on quality and food safety as well as unique texture of its casings have resulted in high switching cost to its clients. Its low cost structure and continuous efforts on cost reduction formed a high entry barrier to other large players in the overseas market. With its dominant position in collagen casings, long track record and a highly competitive cost structure over foreign players, we are optimistic on the company's performance in future.

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.