HSZ China Fund

Figures as of	February 29, 2012
Net Asset Value	USD 115.30, CHF 80.24, EUR 110.14
Fund Size	USD 117.3 million
Inception Date*	May 27, 2003
Cumulative Return	227.8% in USD
Annualized Return	14.5% 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

	February	YTD	1 Year	Nov 17, 06
USD Class	7.2%	15.5%	(9.1%)	15.3%
CHF Class	5.0%	9.9%	(14.6%)	(19.8%)
EUR Class	5.0%	10.9%	(7.2%)	10.1%

Largest Holdings

China Merchants Bank	6.4%
AAC Technologies	6.3%
Ping An Insurance	6.2%
Wharf (Holdings) Ltd	5.7%
China Shenhua Energy	5.0%
Golden Eagle	4.6%

Exposure

Consumer Discretionary	27.4%
Financials	26.7%
Industrials	19.2%
Consumer Staples	12.2%
Energy	5.0%
Cash	5.9%

Newsletter February 2012

- China's NPC calls for a slower but better growth
- KWG delivers strong results with a generous dividend
- Mindray achieves robust sales growth in 2011
- Baidu is a monopoly in the fast-growing search advertising industry

At the opening ceremony of China's annual National People's Congress (NPC), Premier Wen set a lower GDP growth target of 7.5 percent for 2012. Emphasis would be placed on transforming the country towards domestic consumption rather than speed of growth. In January, CPI inflation rebounded to 4.5 percent mainly due to the lunar new year distortions. China's official PMI rose to 51.0 in February, the third consecutive monthly rise from November last year. On February 18, the People's Bank of China announced a 50 basis points cut in the required reserve ratio to 20.5 percent for large banks, which was the second time since December 2011. With manufacturing activities holding up and in view of the proactive policy adjustment, Chinese economy is expected to achieve a slower but better quality growth, with diminishing risk of hard landing.

KWG's turnover for the full year of 2011 increased by 36 percent year on year to CNY 10'123 million driven by 17 percent and 16 percent increase in gross floor area sold and average selling price. Gross profit jumped 44 percent to CNY 4'472 million with gross margin expanded from 41.5 percent to 44.2 percent. Net profit surged 64 percent to CNY 2'104 million and the dividend grew 100 percent to CNY 22 cents per share. As of December 2011, KWG has CNY 5'373 million cash on hand and net gearing increased slightly from 60.7 percent in 2010 to 61.8 percent in 2011.

Mindray's revenue for the full year of 2011 increased by 25.0 percent year on year to USD 880 million driven by the robust sales growth of 27.6 percent and 23.3 percent in China and Overseas. Revenue from patient monitoring & life support product, in-vitro diagnostic product and medical imaging system segments increased by 22.3 percent, 22.9 percent and 26.8 percent respectively, contributing 43.9 percent, 25.1 percent and 25.2 percent to the total revenue. Net income grew 7.1 percent year on year to USD 167 million with a net margin of 19 percent. Management expected that revenue and net income in 2012 to grow at 18 percent and 13 percent respectively on the back of solid demand growth from China and emerging markets.

We initiated a position in Baidu, the dominant search operator in China, because it would benefit from the fast-growing search advertising industry and the improving monetization on internet traffic. Search advertising is expected to achieve faster growth than the advertising industry as its performance-based fee structure is more affordable and offers better return on spending for SME clients, an under-penetrated segment with less than 1 percent of SME using the paid-search service. Its dominant position and abundant keyword database enable Baidu to enjoy a superior pricing power and an industry-leading earnings growth. Baidu achieved 82 percent growth in revenue and 88 percent growth in net profit in 2011 and management expected that revenue will increase by 72-78 percent year on year to CNY 4.2-4.3 billion in the first quarter of 2012.

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

Contact & Website	HSZ (Hong Kong) Limited Unit 605A, 6/F, Tower 2 Lippo Centre, 89 Queensway Hong Kong Tel: +852 2287 2300 Fax: +852 2287 2380 www.hszgroup.com mail@hszgroup.com

General Information

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.