

Figures as of	March 30, 2012
Net Asset Value	USD 109.97, CHF 77.34, EUR 106.12
Fund Size	USD 112.3 million
Inception Date*	May 27, 2003
Cumulative Return	212.7% in USD
Annualized Return	13.7% 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

	March	YTD	1 Year	Nov 17, 06
USD Class	(4.6%)	10.2%	(18.6%)	10.0%
CHF Class	(3.6%)	5.9%	(21.8%)	(22.7%)
EUR Class	(3.6%)	6.9%	(13.7%)	6.1%

Largest Holdings

AAC Technologies	6.8%	
China Merchants Bank	6.2%	
Ping An Insurance	5.6%	
Vinda International Holding	5.3%	
Wharf (Holdings) Ltd	5.3%	
Golden Eagle	5.0%	

Exposure

Consumer Discretionary	28.7%	
Financials	25.6%	
Industrials	18.3%	
Consumer Staples	14.4%	
Energy	4.7%	
Cash	4.9%	

Newsletter March 2012

- Premier Wen signals no property easing
- Ports Design suspends trade
- Golden Eagle delivers strong results in 2011
- Trinity profit surges with significant margin expansion

Chinese equities pulled back in March after the strong rally in the first two months this year, on concerns about the slowing economy and Premier's hawkish stance on the property sector. Exports increased 8.9 percent year on year in March, compared to 6.9 percent registered in the first two months. China's official PMI climbed to 53.1 in March, the fourth consecutive monthly rise from November last year. CPI inflation came in at 3.6 percent year on year, which is higher than 3.2 percent in February. At a press conference after China's annual National People's Congress, Premier Wen signaled no easing on the property tightening. However, in view of stabilization of property prices and the importance of property investment to the economy, we believe property tightening policies will be relaxed in a low profile fashion, especially on the support to the first home buyers.

We have been holding Ports Design for many years. As of March 30, 2012, it represented 3.6 percent of the portfolio. On March 28, the company suspended trading of its shares pending completion of its annual audit. No further information was provided. We know the company well and give them the benefit of the doubt. Taking into account the potential market reaction to increased uncertainty, the fund's NAV currently reflects a 30 percent discount to the last trading price on our Ports Design holding.

Golden Eagle's turnover for the full year of 2011 increased by 31 percent year on year to CNY 14'340 million on the back of a robust same store sales growth (SSSG) of 25 percent. Net profit grew 26 percent year on year to CNY 1'212 million with a strong net cash position of CNY 2'314 million. The three flagship stores in Xinjiekou, Yangzhou and Xuzhou achieved a decent sales growth of 12 percent, 21 percent and 28 percent while the new stores in Xianlin and Yancheng delivered a robust SSSG of 154 percent and 62 percent. For the outlook in 2012, the company planned to open 8 new stores and guided its turnover and net profit would increase by 25 percent and 15 percent respectively.

Trinity's revenue grew 30 percent year on year to HKD 2'607 million in 2011 on the back of 21 percent, 19 percent and 16 percent same store sales growth (SSSG) in China, Hong Kong and Taiwan respectively. Gross profit increased by 36 percent to HKD 2'104 million with gross margin expanded by 3.5 percentage points to 80.7 percent. Net profit surged 51 percent to HKD 513 million and dividend per share increased by 54 percent year on year to HKD 23 cents per share. Management targeted to achieve a low teens SSSG and planned to add 40 new stores in China in 2012.

General Information

Name	HSZ China Fund
Theme	Entrepreneurial China
Nature	Long-only equity fund, actively managed
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	Credit Suisse AG
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	Credit Suisse AG Mrs. Anita Wobmann Execution CS Fonds & 3rd Party SEBF 12, 8070 Zurich, Switzerland Tel: +4144 644 4254 Fax: +4158 205 7097

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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.