

Figures as of	July 31, 2012
Net Asset Value	USD 101.26, CHF 77.38, EUR 106.00
Fund Size	USD 100.1 million
Inception Date*	May 27, 2003
Cumulative Return	187.9% in USD
Annualized Return	12.2% 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

	July	YTD	1 Year	Nov 17, 06
USD Class	(0.9%)	1.5%	(21.6%)	1.3%
CHF Class	1.7%	6.0%	(6.5%)	(22.6%)
EUR Class	1.8%	6.8%	(9.0%)	6.0%

Largest Holdings

AAC Technologies	6.5%	
China Merchants Bank	6.3%	
Vinda International	6.1%	
Ping An Insurance	6.0%	
Belle International	5.2%	
Shui On Land	5.1%	

Exposure

Consumer Discretionary	28.7%	
Financials	28.1%	
Consumer Staples	17.1%	
Industrials	14.0%	
Energy	4.4%	
Cash	6.2%	

Newsletter July 2012

- China cuts rates twice within a month
- Sands achieves 34 percent sales growth in second quarter
- Baidu reports better than expected results
- Mindray revises up its full year net profit forecast

Chinese equities remained volatile in July as macro data were still lackluster despite more policy loosening. China's real GDP growth decelerated to 7.6 percent year on year in the second quarter this year, from 8.1 percent in the preceding period. China's official PMI stabilized at 50.1 in July from 50.2 in June. Industrial production and retail sales growth came in at 9.5 percent and 13.7 percent in June, a tad lower than 9.6 percent and 13.8 percent in May. CPI inflation continued to trend lower, reaching 2.2 percent. Newly extended lending came in at CNY 920 billion, better than CNY 793 billion in May. On July 5, the People's Bank of China decided to cut both the benchmark one-year lending and deposit rates to 6.0 percent and 3.0 percent respectively, which was the second time within a month. With the effect of policy loosening kicking in, the economy is expected to regain momentum into the second half of the year.

Sands's turnover grew 34 percent year over year to USD 1'452 million in the second quarter of 2012 on the back of 37 percent, 30 percent and 28 percent growth in VIP table win, mass win and slot win. Cotai Central, the new property opened in April, achieved win per table per day of USD 18'546 and USD 5'086 for VIP and mass market, which is 70 percent and 52 percent of the existing Venetian property respectively. Property EBITDA increased by 19 percent to USD 428 million. The company will open the phase 2 of Cotai Central in September 2012, including 200 mass gaming tables and 2'000 hotel rooms managed by Sheraton.

Baidu's revenue surged 60 percent year over year to CNY 5'456 million in the second quarter driven by 18 percent growth in the number of marketing clients and 35 percent growth in spending per user. Despite the macro downturn and soft spending from large customers, Baidu allocated more resources to the small and medium enterprises (SME) which helped the company gain a broader range of SME customers and supported its strong growth. Regarding the development of mobile internet, Baidu rolled out a new voice search technology allowing users to search apps as well as to get local information through voices. Net profit jumped 69 percent year over year to CNY 2'770 million and the company guided 50 - 54 percent growth in revenue in the coming quarter.

Mindray reported turnover in the second quarter rose 23 percent year over year to USD 268 million driven by robust sales growth of 27 percent and 21 percent from China and Overseas. Gross profit increased by 24 percent to USD 154 million with gross margin improved to 57 percent from 55 percent in the first quarter. Net income grew 16 percent to USD 52 million. Given the strong demand from the domestic county-level hospitals and increasing penetration in the overseas markets, the company revised up its full-year net profit growth guidance from 13 percent to 15 percent.

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	Credit Suisse Funds AG
Custodian Bank	Credit Suisse AG
Investment Manager	HSZ (Hong Kong) Limited
Auditors	KPMG AG
Management Fee	1.5% annually
Performance Fee	10% above hurdle rate of 5%, high water mark
Issuance Fee	0.5%
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
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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.