HSZ China Fund

Figures as of	August 31, 2012
Net Asset Value	USD 100.76, CHF 75.42, EUR 103.33
Fund Size	USD 99.6 million
Inception Date*	May 27, 2003
Cumulative Return	186.5% in USD
Annualized Return	12.0% 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

	August	YTD	1 Year	Nov 17, 06
USD Class	(0.5%)	1.0%	(10.8%)	0.8%
CHF Class	(2.5%)	3.3%	2.9%	(24.6%)
EUR Class	(2.5%)	4.1%	2.6%	3.3%

Largest Holdings

AAC Technologies	7.9%
China Merchants Bank	5.9%
Ping An Insurance	5.5%
Belle International	5.4%
Mindray Medical	5.4%
Vinda International	5.3%

Exposure

Consumer Discretionary	27.5%
Financials	27.1%
Consumer Staples	17.1%
Industrials	15.6%
Energy	4.2%
Cash	6.0%

Newsletter August 2012

- China accelerates infrastructure approvals
- AAC achieves a strong quarter on quarter net profit growth
- Wharf strikes a balance between growth and stability
- Hengan expects sales to accelerate in second half

China's official PMI fell below the expansion threshold to 49.2 in August, indicating the continuous weakness in both external and domestic demand. Industrial production and retail sales growth stayed at low levels, coming in at 9.2 percent and 13.1 percent year on year in July, from 9.5 percent and 13.7 percent in June. CPI inflation continued to trend lower to 1.8 percent. Newly extended loan normalized to CNY 540 billion in July, but on track to meet the full year target of CNY 8 trillion. Fixed asset investment remained relatively resilient, growing at 20.4 percent for the first seven months, supported by the pickup in infrastructure spending. Though we do not expect a large scale fiscal stimulus, investment under the 12th five year plan would be more front loaded, as evidenced by the recent accelerated approvals of subway projects in 18 cities, the total investment of which amounted to more than CNY 800 billion.

AAC's turnover grew 17 percent quarter on quarter to CNY 1'397 million in the second quarter. The company successfully expanded its market shares at Samsung and other Chinese smartphone brands with revenue contributions increased to 8 percent and 16 percent respectively, from 5 percent and 10 percent in the first quarter. The company maintained a good control on costs with operating expenses decreased by 2 percent quarter on quarter to CNY 178 million. As a result, net profit jumped 29 percent to CNY 405 million. With the launch of new iPhone and increasing value content from Chinese brands, management guided for double digit quarter on quarter sales growth with small margin improvement in the coming quarter.

Wharf's revenue surged 87 percent year over year to HKD 18.3 billion in the first half of 2012. Despite the challenging PRC residential market, turnover from property development soared 416 percent to HKD 6'929 million and the company has successfully completed its full year sales target of CNY 10.0 billion. Rental income from Harbour City and Times Square increased by 14 percent to HKD 4'570 million. This shows the property dual cores in Hong Kong and China help the company strike a balance between growth and stability. Core net profit increased by 49 percent to HKD 5'425 million and dividend per share increased by 25 percent to HKD 25 cents.

Hengan reported turnover increased by 11 percent year over year to HKD 9'041 million in the first six months of 2012 driven by 13 percent, 23 percent and 8 percent sales growth for tissue papers, sanitary napkins and disposable diapers. Given the lower material prices and better product mixes, gross profit and net profit rose by 27 percent and 37 percent to HKD 3'998 million and HKD 1'626 million. Management expected sales growth of tissue papers would improve to 20 percent in the second half as the problem of capacity constraint would be resolved. Given the continuous weakness in pulp prices and chemical costs, management is confident to maintain the net margin at the current level.

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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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.