

Figures as of October 31, 2012  
 Net Asset Value USD 108.68, CHF 78.79, EUR 107.32  
 Fund Size USD 109.5 million  
 Inception Date\* May 27, 2003  
 Cumulative Return 209.0% in USD  
 Annualized Return 12.7% 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

	September	YTD	1 Year	Nov 17, 06
USD Class	4.1%	8.9%	0.0%	8.7%
CHF Class	3.1%	7.9%	7.0%	(21.2%)
EUR Class	3.2%	8.1%	7.3%	7.3%

## Largest Holdings

AAC Technologies	6.7%	
China Merchants Bank	6.3%	
Ping An Insurance	6.0%	
Wharf Holdings	5.5%	
Golden Eagle Retail	5.4%	
Belle International	5.3%	

## Exposure

Financials	28.9%	
Consumer Discretionary	27.3%	
Industrials	15.8%	
Consumer Staples	15.7%	
Energy	3.4%	
Cash	5.9%	

## Newsletter October 2012

- Chinese economy shows broad based improvement
- KWG delivers robust sales in October
- Times Electric expects a surge in multiple unit orders next year
- Mindray's gross margin continues to improve

China's real GDP growth registered a slight deceleration to 7.4 percent year on year in the third quarter, from 7.6 percent in the second. China's official PMI rose above the expansion threshold to 50.2 in October, indicating manufacturing growth has picked up. Industrial production and retail sales growth also saw improvements, coming in at 9.2 percent and 14.2 percent in September, from 8.9 percent and 13.2 percent in the previous month. CPI inflation edged down to 1.9 percent. Newly extended loan retreated to CNY 623 billion in September, with medium to long term loan accounting for a higher proportion. Fixed asset investment remained resilient, growing at 20.5 percent for the first nine months, on the back of the government's support on infrastructure spending. We believe growth have troughed in the summer despite the pace of recovery likely being gradual. There would not be dramatic changes in policies in the near term after the party congress in early November.

KWG recorded pre-sales of CNY 1'259 million in October 2012, which increased by 52 percent year over year. Gross floor area (GFA) pre-sold was approximately 101'000 square meters (sqm). Given the improving operating cashflow, the company concluded three land purchases which added 640'000 sqm to its current land bank with a total cost of CNY 1'674 million. Regarding the outlook in 2013, management believed that there would be no further tightening policies and the strong demand from first home buyers would provide support for the housing prices.

Times Electric's management believed that the new multiple unit (MU) order will come with an estimated size of 300 sets or above in the next two months, which increased by 30 percent from approximately 230 sets in 2012. Moreover, the company recently announced the share appreciation right scheme for its senior staff, which allowed them to receive three batches of share options in the next few years if the company would deliver 25 percent growth in revenue with the average return on net assets at 15 percent or above in 2014-2016. The scheme indicated that management remained highly optimistic on the long term outlook of the company.

Mindray reported turnover increased by 17 percent year over year to USD 257 million in the third quarter of 2012 driven by 26 percent and 21 percent sales growth in China and emerging markets. However, sales in developed markets declined 1.4 percent year over year owing to the delayed hospital ordering amid the election uncertainties. Gross profit increased by 20 percent year over year to USD 144 million while gross margin improved by 1.1 percentage points to 56 percent. Due to the dispute with a component supplier, the company made a one-off provision and net profit decreased by 4 percent year over year to USD 36 million. Excluding the provision, earnings per share would increase by 18 percent year over year to USD 0.42 per share.

## 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

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.