HSZ China Fund

Figures as of	February 28, 2013
Net Asset Value	USD 117.03, CHF 84.77, EUR 114.74
Fund Size	USD 128.2 million
Inception Date*	May 27, 2003
Cumulative Return	232.8% in USD
Annualized Return	13.1% 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	(4.2%)	(0.9%)	1.5%	17.0%
CHF Class	(2.3%)	0.9%	5.6%	(15.2%)
EUR Class	(0.8%)	(0.1%)	4.2%	14.7%

Largest Holdings

Wharf Holdings	7.0%
AAC Technologies	6.9%
China Merchants Bank	6.5%
Ping An Insurance	6.4%
Sands China	5.7%
Mindray Medical – ADR	5.2%

Exposure

Consumer Discretionary	31.6%
Financials	31.4%
Consumer Staples	14.2%
Industrials	14.1%
Energy	3.0%
Cash	3.7%

Newsletter February 2013

- China keeps growth target at 7.5 percent
- China Merchants Bank reports better than expected results
- Sands China reports strong results with generous dividend
- Sa Sa benefits from the shift in PRC tourists' spending

On March 5, Premier Wen delivered his last annual works report at the opening of China's annual National People's Congress. GDP growth and CPI inflation targets for 2013 were set at 7.5 percent and 3.5 percent respectively, compared to last year's goals of 7.5 percent and 4.0 percent. Fiscal budget deficit was set at 2.0 percent of the yearly GDP or CNY 1.2 trillion, which is 50 percent wider than last year's figure. Healthcare, energy conservation and environmental protection will receive strong support from the increased budget. Wen also set M2 money supply growth target of 13 percent, following that of 14 percent in 2012. The combination of the higher budget deficit and lower money supply target indicates an expansionary fiscal but more prudent monetary stance, which is consistent with the government's objective of balancing growth and price pressure.

China Merchants Bank announced its preliminary financial data for 2012. Its operating revenue increased by 18 percent year over year to CNY113 billion. Loan and deposit grew 16 percent and 14 percent respectively to CNY 1'900 billion and CNY 2'532 billion, which were better than the industry averages of 15 percent and 13 percent. Total operating costs increased by 8 percent to CNY 54 billion driven by lower than expected credit costs. The non-performing loan (NPL) balance was up by 6 percent quarter on quarter to CNY12 billion with NPL ratio maintained at a healthy level of 0.61 percent. Return on equity remained strong at above 24 percent in 2012.

Sands China's revenue increased by 33 percent year over year to USD 6'511 million in 2012 on the back of 44 percent and 33 percent increases in VIP and mass gaming revenue. The market share of the company also expanded from 15 percent in 2011 to 19 percent in 2012. The EBITDA margin of Cotai Central came in at 20 percent and was lower than the average 30 percent of its existing properties. The ramp-up of Cotai Central would further improve its EBITDA margin and allow the company to deliver above-peer earnings growth this year. The company also announced an interim dividend per share of HKD 0.67, which increased by 15 percent year over year and accounted for 78 percent of its interim EBITDA.

Sa Sa announced a strong retail sales growth and same store sales growth of 30 percent and 20 percent in Hong Kong during the Chinese New Year Holiday. The better than expected sales growth was mainly attributed to the strong mainland visitor arrival growth of 33 percent and the recovery in local consumers' sentiment. Since the composition of PRC tourists is changing with more tourists coming from the less affluent provinces, they tend to purchase more mass market products with smaller ticket sizes. The shift in consumption pattern would benefit Sa Sa given its dominant position in the low-to-mid end cosmetics market.

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.