HSZ China Fund

Newsletter April 2013

Figures as of	April 30, 2013
Net Asset Value	USD 113.61, CHF 82.90, EUR 111.46
Fund Size	USD 126.0 million
Inception Date*	May 27, 2003
Cumulative Return	223.0% in USD
Annualized Return	12.5% 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

	April	YTD	1 Year	Nov 17, 06
USD Class	(1.1%)	(3.8%)	(0.2%)	13.6%
CHF Class	(2.8%)	(1.4%)	3.1%	(17.1%)
EUR Class	(3.5%)	(3.0%)	0.7%	11.5%

Largest Holdings

AAC Technologies	7.4%
Ping An	7.0%
China Merchants Bank	7.0%
Wharf Holdings	6.9%
Sands China	6.2%
Mindray Medical – ADR	5.6%

Exposure

Financials	33.1%
Consumer Discretionary	29.8%
Industrials	14.6%
Consumer Staples	14.3%
Energy	2.5%
Cash	4.3%

- China's recovery not on firm footing
- KWG targets to deliver strong contracted sales growth
- CMB reports strong quarterly results from better costs control
- Weichai's gear box segment shows early signs of recovery

China's real GDP growth decelerated to 7.7 percent year on year in the first quarter this year, from 7.9 percent in the preceding period. The recent monthly data also indicated that the growth recovery is still in a fragile state. Both retail sales and industrial production came in weak in March, growing at 12.6 percent and 8.9 percent respectively. CPI inflation eased to 2.1 percent. Newly extended lending was strong at CNY 1.06 trillion in March with loan growth of 14.9 percent. With the current accommodative monetary and fiscal policy and more politically stable conditions, Chinese economy will likely return to a firmer recovery track into the later part of the year.

KWG announced a presales target of CNY 16 billion for 2013, which represents an increase of 31 percent year over year. Following the successful establishment of its presence outside Guangdong, the company is now in the stage of reaping the harvest from fine tuning its land banking strategy and the product offerings. It began to diversify from high-end luxury and mega-sized projects into smaller sized projects focusing more on the first home buyers, which would enhance its assets turnover and return on equity. KWG has achieved CNY 4 billion contracted sales in the first quarter of 2013, representing 25 percent of the full-year target. The company also planned to achieve a net operating cashflow of CNY 4.3 billion to reduce its gearing ratio further.

CMB's net profit increased by 12 percent to CNY 13 billion in the first quarter of 2013, which accounted for 28 percent of the full year market estimate. Net interest income grew 7 percent year over year though net interest margin declined by 9 basis points quarter on quarter. Non-interest income surged 34 percent driven by higher than expected increases in agency, custodian and card fees. Operating costs grew only 6 percent year over year to CNY 11.5 billion. Non-performing loan ratio increased by 4 basis points quarter on quarter to 0.66 percent, which is much lower than the industry's average of 0.96 percent.

Weichai announced its operating data for the first quarter of 2013. Though the industry sales volume of heavy duty trucks (HDT) decreased by 17 percent during this quarter, the sales volume of the company's diesel engines performed better and declined 7 percent to 102'000 units. The company continued to make solid progress to enhance its product mix and the average selling price of its engines increased by 18 percent year over year, which management attributed to more sales of high-power, high-end products. Moreover, we are encouraged to see that the sales volume of gear boxes, the leading indicator for HDT demand, increased by 4 percent year over year to 144'600 units. The gradual pick up in the HDT demand and the improvement in product mixes would allow Weichai to deliver an industry-leading growth in revenue and earnings.

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

Contact & Website	HSZ (Hong Kong) Limited Unit 605A, 6/F, Tower 2 Lippo Centre, 89 Queensway Hong Kong Tel: +852 2287 2300 Fax: +852 2287 2380 www.hszgroup.com mail@hszgroup.com

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.