

Figures as of	May 31, 2013
Net Asset Value	USD 114.78, CHF 85.25, EUR 113.00
Fund Size	USD 127.4 million
Inception Date*	May 27, 2003
Cumulative Return	226.4% 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

	May	YTD	1 Year	Nov 17, 06
USD Class	1.0%	(2.9%)	9.6%	14.8%
CHF Class	2.8%	1.4%	7.9%	(14.8%)
EUR Class	1.4%	(1.6%)	4.4%	13.0%

Largest Holdings

AAC Technologies	7.5%	
Wharf Holdings	7.1%	
China Merchants Bank	6.5%	
Ping An Insurance	6.5%	
Sands China	6.5%	
Mindray Medical	5.7%	

Exposure

Financials	33.3%	
Consumer Discretionary	29.6%	
Industrials	15.4%	
Consumer Staples	14.6%	
Energy	2.3%	
Cash	3.3%	

## Newsletter May 2013

- China's activities saw modest improvement
- Baidu has over 100 million active users for its local based services
- Wharf achieves solid growth in HK rental and China property sales
- Hengan expects sales to accelerate in second half

The recent activity data showed only limited improvement. China's official PMI edged up by 0.2 percentage point to 50.8 in May, which gives hope for the end of destocking process among manufacturers. Both retail sales and industrial production came in a bit better in April, growing at 12.8 percent and 9.3 percent, compared to 12.6 percent and 8.9 percent respectively. CPI inflation remained benign, growing at 2.4 percent. Despite the still soft cyclical growth, we believe the government's increasingly firm resolution to reforms, as seen from their more open discussion on the topics, would help lift the quality of the economy and its growth potential and therefore trigger potential re-rating for Chinese equities on the back of the current depressed valuation.

Baidu has reported over 100 million daily active users for its location based services (LBS) and the company received more than 2 billion location search queries for its services per day. LBS is a key part of its mobile strategy and Baidu has partnered with app developers and enterprises to provide other useful information such as bus schedules and arrival times, corporate phone numbers and taxi booking. Baidu is also making solid progress for its mobile browser. Its proprietary T5 technology helps speed up web surfing by 30 percent and cut data usage by up to 90 percent. Given the improving user experience in both products, Baidu is now the largest map provider and the third largest mobile browser developer with market shares of 21 percent and 10 percent respectively.

Wharf's contracted sales came in at CNY 6.4 billion for the first four months of 2013, which was up 89 percent year over year and accounted for 32 percent of its full year target. With the enlarged landbank in Mainland China and improving execution ability, Wharf set its sales target of HKD 20 billion, an increase of 100 percent from last year. Its two flagship shopping malls in Hong Kong, Harbour City and Times Square, maintained a decent retail sales growth of 14 percent and 11 percent respectively. Together with its logistics and hotel businesses, Wharf generates a stream of high recurrent cash flow of HKD 10 billion, which allows the company to strike a balance between growth and stability.

Hengan's management observed an improving operating environment and added that sales growth in the first four months of 2013 was higher than last year. The company strengthened the marketing for its premium napkin products and continues to ramp up the new production capacity for tissue paper. For its diaper segment, the company also improved the product quality, launched new products and deepened penetration in the specialty store channel. Management expected that product upgrades in napkins and diapers would lead to higher sales growth in the second half and a decent expansion in the gross margin.

## 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.