HSZ China Fund

Figures as of	August 30, 2013
Net Asset Value	USD 110.59, CHF 80.24, EUR 107.47
Fund Size	USD 123.3 million
Inception Date*	May 27, 2003
Cumulative Return	214.4% in USD
Annualized Return	11.8% 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	4.7%	(6.4%)	9.8%	10.6%
CHF Class	4.8%	(4.5%)	6.4%	(19.8%)
EUR Class	4.9%	(6.4%)	4.0%	7.5%

Largest Holdings

Sands China	8.1%
Wharf Holdings	6.8%
Ping An Insurance	6.7%
China Merchants Bank	6.4%
Mindray Medical	5.7%
Shimao Property	5.1%

Exposure

Financials	33.6%
Consumer Discretionary	31.3%
Consumer Staples	13.4%
Industrials	13.0%
Communications	3.8%
Cash	2.5%

Newsletter August 2013

- Real activities pick up amid slower credit
- Ping An reports industry-leading results
- Shimao targets multi-year quality growth in earnings
- Hengan expects earnings to accelerate in second half

Thanks to the recent growth stabilizing measures, China's official PMI rose to 51.0 in August from 50.3 in July. Almost all the sub-components saw improvement, notably raw material inventory and input prices, indicating restocking underway. Driven by the better demand, industrial production growth picked up by 0.9 percent point to 9.7 percent in July while retail sales and fixed asset investment held steady. Meanwhile, new total social financing moderated to CNY 809 billion, lower than CNY 1.04 trillion in June, in line with the government's plan to moderate the fast credit growth earlier in the year. The pick-up in real activities amid the slower credit growth is a positive development. The third plenary session of the party congress is confirmed to be held in November. It is expected to announce a major package of reform initiatives, which should bode well for the economic sustainability and help boost business confidence.

Ping An reported a strong set of results with interim profit and dividend up 28 percent and 33 percent year over year. New business value (NBV) for life insurance increased by 14 percent to CNY 10 billion, which is the highest growth among peers, with NBV margin expanded by 2.9 percentage points to 28.9 percent. Its persistency ratio improved to 92.8 percent, higher than the industry's average. Its integrated business model of insurance, banking and asset management continued to create cross-selling opportunities, improve agent productivity and most importantly increase user stickiness. As a result, this strengthens the franchise moat of the company.

Shimao delivered sales growth of 22 percent and earnings growth of 61 percent for the first six months of 2013. With the implementation of SAP system, standardized procurement and innovative home concepts, the much strengthened internal operation system helps support the company to enter a period of at least 20-30 percent contracted sales growth in the next 3-4 years. Management believed that the lack of growth sustainability was the main reason for the low valuation multiples for Chinese developers. Moreover, management is committed no equity financing in the near future and they hoped the measures would improve the visibility and credibility and lead to a multiple expansion as a way to better reward the shareholders.

Hengan achieved a decent sales growth of 15 percent in the first half of 2013 on the back of 15 percent, 26 percent and 8 percent growth in tissue paper, sanitary napkin and disposable diaper segments and net profit also grew 15 percent to HKD 1'858 million. For the second half, management will focus on product innovation and upgrading the product mixes for napkins and diapers. With the launch of new products like "pull-up pants" and a wider distribution channel, they expected sales of diapers will accelerate with improving margins. With a high possibility of China retiring its one-child policy, Hengan stands to benefit from it and the strong ramp-up of its diaper sales would deserve a re-rating opportunity for the company.

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.