

Figures as of	October 31, 2013
Net Asset Value	USD 121.32, CHF 84.99, EUR 113.71
Fund Size	USD 135.3 million
Inception Date*	May 27, 2003
Cumulative Return	245.0% in USD
Annualized Return	12.6% 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

	October	YTD	1 Year	Nov 17, 06
USD Class	4.2%	2.7%	11.6%	21.3%
CHF Class	3.5%	1.1%	7.9%	(15.0%)
EUR Class	2.6%	(1.0%)	6.0%	13.7%

Largest Holdings

Sands China	8.3%
Ping An Insurance	7.1%
China Merchants Bank	6.8%
Wharf Holdings	6.3%
Baidu Inc.	5.6%
Mindray Medical	5.3%

Exposure

Consumer Discretionary	33.5%
Financials	33.1%
Industrials	12.4%
Consumer Staples	10.2%
Communications	5.6%
Cash	3.2%

Newsletter October 2013

- China vows to provide more social housing
- Baidu strengthens its market position in mobile
- Sands Cotai Central is on track to hit the USD 1 billion benchmark
- China Merchants Bank (CMB) reports another set of strong results

China's real GDP growth accelerated to 7.8 percent year on year in the third quarter this year, from 7.5 percent in the preceding period. Going into the fourth quarter, the momentum is expected to ease given the tighter credit condition and a tougher base, but the government's official target of 7.5 percent for the full year is likely to be met. Retail sales and industrial production retreated a tad, growing at 13.3 percent and 10.2 percent respectively. During a politburo meeting on October 29, President Xi vowed to spend more efforts on the supply of social housing and have 20 percent of households accommodated in such housing by 2015. This helps address the issue of the lower-income group being priced out and lead to a more market oriented environment for the private property market.

Baidu's sales increased by 42 percent year over year to CNY 9 billion with a robust sales guidance of 46-50 percent growth in the fourth quarter. Baidu is now the number one in mobile search, location based services and apps distribution. The installation base for its mobile search app surged 50 percent quarter on quarter to 330 million while its mobile revenue growth outpaced the mobile search traffic growth. Baidu Map attracted 140 million monthly active users, which grew 40 percent from 100 million in May. Baidu completed the acquisition of 91 Wireless App Store in early October and is distributing 80 million apps per day. With an improved market position in mobile, Baidu stands to benefit from the surging mobile advertising spending.

Sands China reported a record high EBITDA of USD 784 million for the third quarter, which grew 61 percent year over year on the back of 61 percent and 29 percent growth in mass gaming and VIP gaming respectively, outperforming the industry. Cotai Central ramped up faster than expected with EBITDA up 3-fold to USD 224 million and the property is on track to deliver an annualized EBITDA of over USD 1 billion next year. As a result of the improvement in infrastructure such as the expansion of Gongbei immigration facility, the growth of gaming revenue accelerated from the average of 15 percent to 32 percent in October. The opening of Chimelong Ocean World in late November will further attract more visitors to Macau in the future.

CMB's net profit grew 14 percent year over year to CNY 40 billion in the first nine months of 2013. The strong earnings growth was supported partly by the stringent cost control with cost-to-income ratio down by 1.7 percentage points to 38.3 percent. CMB recently launched its Wechat Mobile Bank which allows clients to check accounts, make payments and handle enquiries. We believe the continuous technology innovation will help improve the customer experience and achieve a better operating efficiency. Return on equity remained high at 23 percent.

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.