

Figures as of	February 28, 2014
Net Asset Value	USD 117.89, CHF 81.57, EUR 110.18
Fund Size	USD 119.5 million
Inception Date*	May 27, 2003
Cumulative Total Return	249.6% in USD
Annualized Total Return	12.3% 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	3.6%	(2.5%)	2.1%	23.0%
CHF Class	2.4%	(2.8%)	(2.6%)	(15.2%)
EUR Class	3.0%	(2.1%)	(2.4%)	13.2%

Largest Holdings

Tencent Holdings	7.3%	
Sands China	7.3%	
Ping An Insurance	7.1%	
China Merchants Bank	7.0%	
Melco Crown	6.1%	
Baidu Inc.	5.3%	

Exposure

Consumer Discretionary	31.2%	
Financials	29.1%	
Communications	16.6%	
Consumer Staples	12.0%	
Industrials	9.3%	
Cash	1.7%	

Newsletter February 2014

- Macau sees record breaking revenue in February
- Baidu's mobile search accounts for 20 percent of revenue
- Ctrip leads online travel industry in China
- Tsui Wah accelerates expansion in China

In February, Macau saw a strong growth of gaming revenue and a jump in visitors. Gaming revenue climbed 40 percent year on year to a record of MOP 38 billion. Taking January and February as a whole, the revenue was still up 24 percent. During the 7-day Lunar New Year holidays, more than 770'000 mainland visitors traveled to the city, an increase of 23 percent. The mass gaming operators have benefited most from the strong visitation where Sands China gained market share by at least 3 percentage points month on month. With the phased opening of Chimelong Ocean World in Hengqin, more entertainment activities and a gradual resolution of the hotel supply bottleneck, mass gaming will continue to be an important driver for the Macau gaming for the years to come.

Baidu's sales grew 50 percent year on year to CNY 8'821 million on the back of 35 percent and 11 percent increases in the revenue per customer and the number of advertising customers. The revenue from mobile search advertisings accounted for 20 percent of sales now and the discount on costs per click for mobile is now less than 40 percent compared to 50 percent two quarters ago. Its mobile product portfolio has attracted over 400 million activated users, with over 14 apps recording over 100 million users by the end of 2013. Baidu also guided a better than expected sales growth of 55-59 percent year on year for the first quarter of 2014.

Ctrip is the market leader in the online travel industry in China. The domestic travel market has achieved a strong growth in the past few years while the penetration of online travel agencies remained low at 9 percent in 2013. With the boom of mobile internet, the online travel penetration rate will accelerate and Ctrip app is ranked the number 1 in China's leisure applications. Its investment in the social trip sharing platform Chanyouji, vacation home rental services provider Tujia and online auto rental platform Yongche.com will help Ctrip transform from an online agency to become an online travel platform which offers a full suite of services anytime, anywhere to its users.

Tsui Wah is a must-try "Cha Chaan Teng" (Fusion-Style Café) for Chinese tourists in Hong Kong. The special niche of Fusion Style Café, which stands between fast food and casual food, enables it to capture both lunch and dinner traffic. The combination of Asian and Western menus allows the café to offer simultaneously different types of dishes to meet the fast-changing tastes of customers. Though Tsui Wah's scale remains small with 11 restaurants in China, the company achieves a fast breakeven period of one month which is supported by the strong traffic of "white-collar" workers at most of the new stores. The opening of its flagship store in Causeway Bay in April and the ramp-up of its 4 new stores in China should lead to a superior earnings growth in the near future.

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.