HSZ China Fund

Figures as of	April 30, 2014
Net Asset Value	USD 105.70, CHF 72.85, EUR 98.12
Fund Size	USD 103.7 million
Inception Date*	May 27, 2003
Cumulative Total Return	213.5% in USD
Annualized Total Return	11.0% 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	(5.0%)	(12.6%)	(5.7%)	10.3%
CHF Class	(5.2%)	(13.2%)	(11.1%)	(24.2%)
EUR Class	(5.3%)	(12.8%)	(10.5%)	0.8%

Largest Holdings

China Merchants Bank	8.2%
Ping An Insurance	7.5%
Tencent Holdings	7.3%
Sands China	7.2%
Melco Crown	6.6%
Shimao Property	6.3%

Exposure

Financials	31.2%
Consumer Discretionary	28.1%
Communications	21.3%
Industrials	9.4%
Consumer Staples	8.8%
Cash	1.2%

Newsletter April 2014

- China raises rail investment budget
- Yum! Brands reports a good set of results
- Baidu solidifies its leading position in mobile search and map
- Ctrip makes strategic investments in TongCheng and Tuniu

China's real GDP growth decelerated to 7.4 percent year on year in the first quarter, from 7.7 percent for the full year of 2013. According to a local media, China Railway Corporation (CRC), the railway investment arm of the government, is planning to raise the railway investment budget for 2014 from CNY 720 billion to CNY 800 billion, representing a 21 percent increase over 2013. Spending on equipment will increase from CNY 124 billion to CNY 143 billion. While the newly commissioned operating length will remain unchanged at 7'000 km, CRC targets to increase the number of project starts from 48 to 64. The revision is in line with the state council's previous announcement to speed up planned projects to support the economy and strategically help to improve China's long term development, people's livelihood and clean energy.

Yum! Brands reported a good set of results with recurring earnings increased by 24 percent year over year to USD 87 cents per share for the first quarter this year. China division system sales increased by 17 percent, driven by 7 percent units growth and 9 percent same store sales growth. Restaurant margin increased by 6.8 percentage points to 23.4 percent and operating profit grew 80 percent to USD 285 million. Management is encouraged by the recent menu revamp, which features the simultaneous launch of 15 exciting products. Given the strength at both KFC and Pizza Hut, the company aims to open at least 70 new restaurants in China.

Baidu's sales and earnings increased by 59 percent and 24 percent year over year to CNY 8'797 million and CNY 2'535 million for the first quarter of 2014. Mobile search monetization has gained strong momentum and all the search advertising metrics, including CPC, CTR and conversion rate, are improving and closing the gap with PC. Baidu is widening its lead in mobile search with daily active users reaching 160 million versus 130 million 2 quarters ago. iQiyi has become China's largest mobile video app in terms of user time spent. Baidu Map has attracted 190 monthly active users and transactions on Baidu's platform were up 80 percent quarter over quarter in the first quarter of 2014. Management guided sales growth of at least 56-60 percent in the second quarter, which is also above the street's expectation.

Ctrip has agreed to invest USD 200 million for a 30 percent stake in TongCheng, a leading local attraction ticket service provider. Separately, Ctrip will invest USD 15 million in Tuniu, an online packaged tour provider, upon its upcoming IPO. Tongcheng is an early mover in the local tour market with a 23 percent market share, followed by Ctrip's 7.5 percent. The investment in TongCheng will yield near-term synergies in terms of reducing irrational price wars in the attraction market segment and drive the formation of an ecosystem in China's online travel market that is centered around Ctrip.

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.