

Figures as of	June 30, 2014
Net Asset Value	USD 113.72, CHF 78.95, EUR 106.77
Fund Size	USD 100.3 million
Inception Date*	May 27, 2003
Cumulative Total Return	237.3% in USD
Annualized Total Return	11.6% 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

	June	YTD	1 Year	Nov 17, 06
USD Class	3.1%	(6.0%)	12.9%	18.6%
CHF Class	2.3%	(5.9%)	6.0%	(17.9%)
EUR Class	2.8%	(5.2%)	7.5%	9.7%

Largest Holdings

Tencent Holdings	8.7%
China Merchants Bank	8.1%
Ctrip.com International	7.3%
Sands China	7.0%
Ping An International	7.0%
Baidu Inc.	6.5%

Exposure

Financials	28.8%
Communications	27.1%
Consumer Discretionary	26.9%
Industrials	8.2%
Consumer Staples	8.1%
Cash	0.8%

Newsletter June 2014

- China economy shows signs of stabilizing
- Shimao Property recorded CNY 6.04 billion sales in May
- JD.com recorded over 3 million orders during promotion campaign
- Tsui Wah reported HKD 1,474 million revenue

Due to recent rounds of selective easing in monetary policy, China economy shows signs of stabilizing. The HSBC manufacturing PMI, which focuses on business activities of small-size and mid-size companies, recorded 50.7 in June. This is the highest reading since November 2013. The official NBS manufacturing PMI, which mainly reflects business activities of big-size companies, also improved 0.2 to 51.0 in June. Because of the improving economy, 2014 GDP growth should align with government's target of around 7.5% annual growth. The weakening property investment remains a major downside risk to 2014 China economy growth.

Shimao Property recorded CNY 6.04 billion contract sales in May, down 14% year over year. The company recorded CNY 24.04 billion contract sales as of the end of May 2014, down 5% year over year; and the company has achieved 30% of its 2014 CNY 80 billion annual sales target. In May, the company's average sales price was CNY 11,705 per square meter, which was 5.38% lower than the average sales price in April. And the company's year to date average sales price is CNY 12,136 per square meter (dropped 6% year over year).

JD.com recorded over 3 million orders during its annual June 18th promotion campaign. The largest online B2C platform recorded over 350 million page views on the promotion campaign day. Users spent over CNY 750 million buying home electric appliances and mobile phones, of which over 50,000 pieces of notebooks & monitors and about 200,000 mobile phones were sold. As for the 3rd party sellers, total sales recorded a year over year growth of over 200%. Among the 3rd party sellers, orders placed with Belle grew by 1,500% year over year. Orders placed on mobile devices (including those placed at JD.com's mobile App and its level 1 access point in WeChat) accounted for 25% of all the orders.

Tsui Wah reported HKD1,474 million revenue in FY 2014, increased 35.9% year over year. The revenue generated from mainland China recorded 74.3% growth; Hong Kong and Macau recorded 27.0% and 29.7% revenue growth respectively. The company's FY 2014 net profit grew 18.8% to HKD156 million. The company's gross profit margin was 69.3%, similar with FY 2013's 69.4%. Other expenses increasing by 48.4% was the main reason of Tsui Wah's lower net profit margin last financial year. The management explained the surge in other expenses was due to more depreciation and set-up cost for new stores, as well as more logistic cost for central kitchens. The management is confident in maintaining the cost of sales, staff cost, and rental cost at stable percentage of the total revenue. The management maintains the target of increasing the number of restaurants to more than 80 by 2017.

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.