

Figures as of	August 29, 2014
Net Asset Value	USD 119.27, CHF 85.20, EUR 116.08
Fund Size	USD 107.2 million
Inception Date*	May 27, 2003
Cumulative Total Return	253.7% in USD
Annualized Total Return	11.9% 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	(3.0%)	(1.4%)	9.3%	24.4%
CHF Class	(2.1%)	1.5%	7.5%	(11.4%)
EUR Class	(1.3%)	3.1%	9.8%	19.3%

Largest Holdings

China Merchants Bank	7.4%
Ctrip.com International	7.2%
Baidu Inc.	7.1%
KWG Property	7.0%
Ping An International	6.9%
Shimao Property	6.1%

Exposure

Financials	27.7%
Communications	25.0%
Consumer Discretionary	20.2%
Consumer Staples	10.0%
Industrials	9.5%
Cash	7.7%

Newsletter August 2014

- China home prices fell for fourth straight month
- WuXi Pharmatech reported 15% YoY revenue growth in 2Q14
- JD.com reported GMV YoY growth of 107% in 2Q14
- Growth of smartphone games accelerated at Tencent in 2Q14

China's average home prices fell 0.6% in August, falling for the fourth straight month, according to China Real Estate Index System. The reading, however, moderated from the 0.8% decline in July. The property sector remains the biggest downside risk of the Chinese economy as the sector accounts for more than 15% of China's GDP. In order to protect the country's GDP growth, more cities in China have been easing or canceling home purchase restrictions, particularly in lower-tier cities.

WuXi Pharmatech reported revenues of USD 614MM in 2Q14, up 14.8% year-over-year from 2Q13. Revenues from biologics grew by 120% year-over-year, and management expected FY14 revenues from biologics to double year-over-year. Revenues from small-molecule-manufacturing (SMM) rose by 13.2% year-over-year during this quarter, while the management expected the revenues to grow by over 20% for FY14. As for laboratory testing services, genomics became one of the major growth drivers for this segment, which is expected to help the segment achieve a 15%-20% year-over-year growth for the full-year.

JD.com reported net revenues of CNY 28.6 billion in 2Q14, an increase of 64% from 2Q13. GMV for 2Q14 was RMB63.0 billion, an increase of 107% compared with 2Q13. Active customer accounts increased from 19.6 million in 2Q13 to 38.1 million in 2Q14, an increase of 94%. The company's self-owned delivery network now covers 1,780 districts and counties by end of 2Q14. Orders from the higher-margin non-electronics-and-home-appliances products accounted for over two-thirds of the total orders in 2Q14. Management emphasized that the company will continue focusing on diversifying its product mix with higher-margin offerings, promoting in the under penetrated low-tier markets, as well as ramping up its self-owned fulfillment infrastructure.

Tencent reported total revenue of CNY 19.7 billion in 2Q14, up 37% year-over-year. Smartphone games continued their strong revenue growth momentum. Smartphone games recorded RMB 3 billion revenues for the quarter, which was up 67% from RMB 1.8 billion in 1Q14. The company's smartphone games grabbed 7 of 10 places in the Top 10 rank of iOS App Store in June. By end of 2Q14, Tencent operated 21 smartphone games in Mobile QQ & Weixin. Advertising revenues rose by 39% year-on-year. With one-time gains/losses related to mergers and acquisitions excluded, non-GAAP operating profit was RMB 7.7 billion, up 53% year-on-year; non-GAAP net profit was RMB 5.9 billion, up 42% year-on-year.

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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General Information

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.