

Figures as of	September 30, 2014
Net Asset Value	USD 112.67, CHF 83.59, EUR 113.84
Fund Size	USD 99.3 million
Inception Date*	May 27, 2003
Cumulative Total Return	234.2% in USD
Annualized Total Return	11.2% 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

	September	YTD	1 Year	Nov 17, 06
USD Class	(5.5%)	(6.8%)	(1.9%)	17.5%
CHF Class	(1.9%)	(0.4%)	3.0%	(13.1%)
EUR Class	(1.9%)	1.1%	4.4%	17.0%

Largest Holdings

Baidu Inc.	7.9%
KWG Property	7.3%
Times Electric	7.2%
China Merchants Bank	7.1%
Yum! Brands Inc.	6.2%
Shimao Property	6.1%

Exposure

Financials	25.7%
Communications	25.4%
Consumer Discretionary	17.8%
Industrials	13.0%
Consumer Staples	9.7%
Cash	8.5%

Newsletter September 2014

- China loosened mortgage restrictions
- Xincheng China Power started to supply to BMW Brilliance
- Shenzhen Expressway acquired land at a discount
- Baidu announced a new offline-to-online advertising toolkit

China loosened mortgage restrictions in September, after housing prices in the country fell for five consecutive months. The policy is more powerful than expected, as it reduces mortgage rates for borrowers and enables second-home buyers to be considered first-home buyers if the first mortgage is fully repaid.

Xincheng China Power started to supply to BMW Brilliance in 3Q14. The company confirmed that it started to supply N20 engines to BMW Brilliance's 5 series. Xincheng expects to supply no less than 8,000 units of N20 engines in 2H14 and will supply no less than 40,000 units in FY15. The company also expects more business cooperation with BMW going forward, possibly supplying some other automobile parts to BMW in the near future.

Shenzhen Expressway acquired land at a discount in Meilinguan area of Shenzhen from the government. The entire piece of land was priced at HK\$4.52 billion of which Shenzhen Expressway purchased 49%, or HK\$2.25 billion of the land, while one of the company's controlling shareholders purchased the remaining 51%. The payments will be settled in installments over the next three years. Previously, as part of an expressway development contract, the government had already agreed to sell the land to Shenzhen Expressway and its controlling shareholder at a considerable discount to the market price. It is estimated that the land was acquired at about 50% discount to the market price. Management said in a meeting that they planned to re-sell the land at market price to real estate developers as soon as possible, so as to avoid its exposure to the weakening real estate business.

Baidu announced a new offline-to-online advertising tool kit during Baidu World Conference held on Sep 3rd in Beijing. The new advertising tool, called 'Baidu Connect', provides users with an ultra-convenient access to a variety of merchants on the internet. Users can access the 'Baidu Connect' page of merchants by either simply typing the merchant name in the search field, or by typing a general need then choosing Baidu's suggestion for merchants. Through Baidu Connect, merchants can offer a wide range of services through Baidu Connect, including promotions updates, online ordering, personalized suggestions, after-sale services, etc. Mr. Robin Li, the CEO of Baidu, was confident that 'Baidu Connect' could help the company tap a much broader marketing customer base of over 10 million, compared to its existing marketing customer base of only 447 thousands as at the end of 2Q14.

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.