

Figures as of	October 31, 2014
Net Asset Value	USD 116.86, CHF 87.44, EUR 119.14
Fund Size	USD 101.7 million
Inception Date*	May 27, 2003
Cumulative Total Return	246.6% in USD
Annualized Total Return	11.5% 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

	October	YTD	1 Year	Nov 17, 06
USD Class	3.7%	(3.4%)	(2.4%)	21.9%
CHF Class	4.6%	4.2%	4.1%	(9.1%)
EUR Class	4.7%	5.8%	6.5%	22.4%

Largest Holdings

Times Electric	7.9%	
China Merchants Bank	7.5%	
Ping An Insurance (A)	6.9%	
WuXi Pharmatech	6.3%	
Baidu Inc.	6.1%	
Tencent Holdings	6.0%	

Exposure

Financials	24.2%	
Communications	23.5%	
Industrials	17.7%	
Consumer Discretionary	16.3%	
Consumer Staples	10.2%	
Cash	8.2%	

Newsletter October 2014

- Shanghai-Hong Kong Stock Connect program delayed
- Yum! Brands' result in-line with expectation
- Times Electric recorded a substantial increase in profit for 3Q14
- Baidu reported 52% YoY revenue growth for 3Q14

Shanghai-Hong Kong Stock Connect program was delayed in October, without having a specific timetable. However, regulators in Hong Kong recently confirmed that all preparatory work was done and the program is ready to go. The program is the most significant development in China's domestic markets for many years as the country opens up its capital account.

Yum! Brands reported its third quarter result in October, which was in-line with expectation. Turnover decreased by 3% year over year to USD 3,354 million while earnings per share (excluding special items) was USD 0.87, representing an increase of 3% year over year. The major reason for the slowdown was China, in which same-store-sales growth declined by 14% year over year due to the food safety scandal in July. However, the company noted that sales in China are recovering and expected the recovery to continue in 2015.

Times Electric reported its third quarter result in October. Revenues for the first 9 months of 2014 reached CNY 8.8 billion, representing a growth of 82.5% year-over-year; revenues for the third quarter were CNY 3.6 billion, up 64.8% year-over-year. The strong growth mainly came from the fast delivery of locomotive and MUs products, which is in line with the market trend. Net profit was up 105.7% and 98.0% year-over-year for the first 9 months and the third quarter of 2014 respectively. Net margins for the first 9 months and the third quarter of 2014 were 19.8% and 24.5% respectively, up by 2.4% and 4.2% respectively from the same period of 2013.

Baidu reported its third quarter result in October. Total revenues were CNY 13.5 billion for the quarter, representing an increase of 52% year-over-year. Number of marketing customers rose by 11% year-over-year to 516,000. Revenue per marketing customer reached CNY 25,900 for the quarter, representing a year-over-year growth of 36%. Non-GAAP net income (excluding share-based compensation expenses) for the third quarter was CNY 4.1 billion, representing an increase of 29% year-over-year. Management remained optimistic about the new online marketing tool 'Baidu Connect' launched in September, and reiterated that the tool would help the company effectively target tens of millions of local services merchants who could utilize this tool to effectively promote their services among local customers.

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
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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.