

Figures as of	February 27, 2015
Net Asset Value	USD 124.65, CHF 92.31, EUR 142.34
Fund Size	USD 112.8 million
Inception Date*	May 27, 2003
Cumulative Total Return	273.2% in USD
Annualized Total Return	11.8% 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

	February	YTD	1 Year	Nov 17, 06
USD Class	0.2%	0.9%	6.7%	31.2%
CHF Class	3.0%	(3.2%)	14.2%	(3.1%)
EUR Class	1.3%	9.2%	30.4%	47.6%

Largest Holdings

Times Electric	10.1%	
China Merchants Bank	8.4%	
Qingdao Haier (A Shares)	6.6%	
Tencent Holdings	6.5%	
Yili Company (A Shares)	6.0%	
Ping An (A Shares)	4.9%	

Exposure

Financials	25.4%	
Industrials	23.8%	
Communications	14.7%	
Consumer Discretionary	14.1%	
Health Care	7.4%	
Cash	4.3%	

Newsletter February 2015

- China lowered benchmark rates for second time in three months
- Wasion won sizeable distribution contracts
- Tencent launched promotion campaigns for Weixin Payment
- Baidu reported 47.5% YoY revenue growth for 4Q14

China lowered benchmark rates for second time in three months. The People's Bank of China cut both the benchmark one-year loan rate and one-year deposit rate by 25 basis points in the last week of February. Deflationary risk and the property market slowdown are the two main reasons for the cut this time, according to a central bank official.

Wasion won sizeable distribution contracts of CNY 40.2 million. These include Smart Metering Tanks contract of approximately CNY 16.7 million and Distribution Transformer Comprehensive Distribution Tank Systems (JP Tank System) contract of approximately CNY 23.5 million, laying a solid foundation for the company's business in 2015. The contract value of the JP Tank System was the biggest since the company's expansion into Advanced Distribution Operations (ADO) business, which not only proves the company's ADO business is well recognized by the market, but also marks a good start for its rapid development.

Tencent launched promotion campaigns for Weixin Payment during Chinese New Year. Users of Tencent's WeChat mobile messenger sent 1 billion virtual "red envelopes" (online cash transfers) on lunar New Year Eve, February 18. The company's virtual envelopes are inspired by the Chinese holiday tradition of giving out cash-stuffed red envelopes to friends and family. It is expected that by promoting the virtual "red envelopes" and hence attracting Weixin users to register their bank account details with Weixin Payment, Tencent could add another 100-200 million new users for its Weixin Payment services, a PayPal-like online payment service which is available in Tencent's Weixin.

Baidu reported 47.5% year-over-year revenue growth for 4Q14. Mobile revenues reached 42% of total revenue for the quarter, up from 20% of total revenue in 4Q13. Number of active marketing customers reach 523'000 in 4Q14, up 16% from 4Q13. Average revenues per marketing customer reached CNY 26'400 in 4Q14, up 26% from 4Q13. Operating profit margin for the quarter was 21.0%, down from 28.8% in 3Q14 due to higher spending in selling, general and marketing expenses (from 20.0% of total revenue in 3Q14 to 25.1% of total revenue in 4Q14). Management said mobile revenue will dominate Baidu's revenue mix starting from 1Q15, implying strong growth momentum of mobile traffic & revenue. Management sees the year of 2015 as another year of investments, with focus on promoting local services (including map, groupbuy and payment).

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.