

Figures as of	April 30, 2015
Net Asset Value	USD 157.37, CHF 115.07, EUR 179.76
Fund Size	USD 129.7 million
Inception Date*	May 27, 2003
Cumulative Total Return	371.1% in USD
Annualized Total Return	13.9% 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

	April	YTD	1 Year	Nov 17, 06
USD Class	17.7%	27.3%	50.3%	65.7%
CHF Class	14.2%	20.7%	59.4%	20.8%
EUR Class	13.7%	37.9%	84.9%	86.4%

Largest Holdings

Times Electric	11.7%	
China Merchants Bank	9.7%	
Ping An (A-Shares)	8.2%	
Qingdao Haier	7.7%	
Gree Electric	7.2%	
Yili Company	6.8%	

Exposure

Financials	29.4%	
Industrials	27.6%	
Consumer Discretionary	18.5%	
Communications	10.5%	
Consumer Staples	6.8%	
Cash	0.0%	

Newsletter April 2015

- China cut bank reserve requirement ratio aggressively
- Tencent launched its own operating system
- Gree Electric reported 30% net profit growth for FY14
- Yili reported 30% net profit growth for FY14

China cut bank reserve requirement ratio aggressively by 100 basis points to 18.5%. The People's Bank of China cited in its official statement that the slowdown in several areas, including industrial output and retail sales, has caused concern in achieving the country's GDP growth target of around 7% for 2015. This 100 basis points cut is the deepest single reduction since 2008, showing that the central bank is stepping up its effort to ward off a sharp slowdown in the economy.

Tencent launched its own operating system, namely Tencent Operating System, or TOS+ for short. TOS+ will run on a number of smart devices including TVs and smartwatches and will come with a mobile payment system. This new Android-based operating system will be free to use for manufacturers and developers provided that they agree to share revenue with Tencent. Zhong Xiangping, head of TOS+, said in the Global Mobile Internet Conference in Beijing that the company wants to inject more content into smart hardware systems and have connectivity across different terminals.

Gree Electric reported 30% net profit growth for FY14. The company's reported revenue and net profit of CNY 138 billion and CNY 14 billion for FY14, up 16% and 30% year over year respectively. The strong earnings growth was on the back of product mix improvement driven by central air conditioner sales and raw material price decline, resulting in higher gross profit margin. Dividend payout was lifted from 41% to 63% year over year as the company is committed to reward shareholders amid its high level of cash on hand and limited capex requirement in the near term. Going forward in 2015, Gree Electric will continue to focus on market share gain and R&D of smart home appliances.

Yili reported 30% net profit growth for FY14. The company's reported revenue and net profit of CNY 54 billion and CNY 4 billion for FY14, up 13% and 30% year over year respectively. The improvement was mainly due to decline in raw milk prices and also better product mix. Gross profit margin expanded 3.8 percentage points year over year to 32.1%. In FY14, the company has made tremendous progress in expanding in production capacity and securing raw milk supply globally. For FY15, the company targets double-digit sales growth and 15% earnings growth. The dairy giant has a long term target of reaching CNY 100 billion sales and to be a top 5 dairy company globally by 2020, after becoming a top 10 dairy company globally in 2014.

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.