

Figures as of	June 30, 2015
Net Asset Value	USD 151.39, CHF 110.35, EUR 173.74
Fund Size	USD 123.4 million
Inception Date*	May 27, 2003
Cumulative Total Return	353.3% in USD
Annualized Total Return	13.3% 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

	June	YTD	1 Year	Nov 17, 06
USD Class	(3.1%)	22.5%	34.4%	59.4%
CHF Class	(4.4%)	15.7%	41.1%	15.8%
EUR Class	(4.8%)	33.3%	64.2%	80.2%

Largest Holdings

Times Electric	10.8%	
China Merchants Bank	9.8%	
Qingdao Haier	9.0%	
Gree Electric	8.5%	
Ping An (A Shares)	8.0%	
Yili Company	7.4%	

Exposure

Financials	28.1%	
Consumer Discretionary	25.7%	
Industrials	20.4%	
Communications	10.4%	
Consumer Staples	7.4%	
Cash	0.6%	

Newsletter June 2015

- China eased policy aggressively after stocks plummeted
- Ping An will focus on “integrated financial services” and “internet”
- Qihoo 360 received privatization offer
- Xincheng Power entered into Prince Engine agreement with BMW

China eased policy aggressively after stocks plummeted, cutting both benchmark rate and reserve requirement ratio at the same time. One-year benchmark lending rate was cut by 25 basis points to 4.85 percent, representing a new record low. The People's Bank of China announced its easing policy following a recent sharp pull-back in the Chinese stock market. The Chinese government seems to be determined about having a rising stock market, which will be vital to many highly leveraged corporates to lower their gearing levels by raising capital from the equity market.

Ping An will focus on “integrated financial services” and “internet” for the next 5 years, explained by management in its strategy day. Lufax (owned by Ping An), targeted to be a leading online peer-to-peer (P2P) platform, will see substantial growth in coming years as China's reliance on traditional banking declines. This internet business will be complementing traditional insurance, banking and securities businesses. Management believes such a direction will enable Ping An to continue its outperformance over its peers.

Qihoo 360 received a privatization offer from a consortium led by Zhou Hongyi, chairman of the company. The offer was a preliminary non-binding offer. Zhou said that the company has been able to maintain a rapid growth since its listing in 2011 but the company's current market capitalization of USD 8 billion does not adequately reflect the value of the company. Qihoo 360 may be joining other Chinese companies in delisting from the US and looking for a listing back in China, where companies are likely to receive a higher valuation.

Xincheng Power entered into Prince Engine agreement with BMW. The Prince Engine is a technologically advanced engine developed by BMW and is one of the most competitive engines globally. The Prince Engines will be sold under Xincheng Power's own brand, and the company shall pay a fee to BMW for each engine manufactured. As a result, the company's product quality will be enhanced further, thus enabling the company to be a leading engine supplier globally in future.

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
Orders via Banks	Credit Suisse AG Mrs. Anita Wobmann Execution CS Fonds & 3rd Party SEBF 12, 8070 Zurich, Switzerland Tel: +4144 644 4254 Fax: +4158 205 7097

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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.