

Figures as of	August 31, 2015
Net Asset Value	USD 116.26, CHF 87.58, EUR 132.85
Fund Size	USD 93.8 million
Inception Date*	May 27, 2003
Cumulative Total Return	248.1% in USD
Annualized Total Return	10.7% 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

	August	YTD	1 Year	Nov 17, 06
USD Class	(11.2%)	(5.9%)	(1.6%)	22.4%
CHF Class	(11.5%)	(8.2%)	3.8%	(8.1%)
EUR Class	(13.4%)	1.9%	15.5%	37.8%

Largest Holdings

Times Electric	12.6%	
China Merchants Bank	10.4%	
Yili Company	8.0%	
Qingdao Haier	7.6%	
Ping An (A Shares)	7.6%	
Gree Electric Appliances	6.3%	

Exposure

Financials	28.6%	
Consumer Discretionary	22.9%	
Industrials	21.2%	
Communications	11.0%	
Consumer Staples	8.0%	
Cash	0.2%	

Newsletter August 2015

- China new home prices rose for three consecutive months
- Ping An reported solid results for 1H15
- Times Electric recorded good results and provided positive outlook
- Tencent delivered outstanding results in 2Q15

China new home prices rose for three consecutive months, suggesting that the property market in China may have bottomed out. Tier-1 cities including Beijing, Shanghai, Shenzhen and Guangzhou are leading the gain. The loosening of monetary policies since the second half of last year has been the major driver for the sector and that is widely expected to continue as the overall economy remains sluggish and borrowing costs remain relatively high.

Ping An reported a strong set of 1H15 results with profit up 62% year over year. New business value for life insurance surged 44% year over year to CNY 17.0 billion as the number of agents and their productivity increased 26% and 23.6% year over year respectively. Internet finance business continued to grow rapidly with its total number of users and active users reaching 167 million and 57 million respectively. Transaction volume on Lufax, the largest online peer-to-peer lending and largest online securitization platform in China, increased 11 times year over year to CNY 512 billion. It is expected that the strong momentum of business growth will continue in the second half of the year while its "internet + integrated finance" model should enable Ping An's sustainable growth in the long run.

Times Electric reported good 1H15 results with revenue up 10.5% year over year to CNY 5.7 billion. Sales from locomotive products increased by 17.6 percent year over year to CNY 841 million, electric multiple units (EMU) products decreased by 14.6 percent year over year to CNY 2,418 million, and urban rail products sales increased year over year by 66.1 percent to CNY 837 million. Gross margin was at 39.1 percent, 360 basis points higher year on year. Net profit came in at CNY 1.22 billion, representing a 42.3% increase year on year. The company expects EMU delivery to speed up in the second half given sufficient order backlog. Due to CRRC's post-merger work is making good progress, Times Electric's management expects to get additional CNR orders starting from 2016.

Tencent delivered outstanding results for 2Q15 with total revenue of CNY 23.4 billion in 2Q14, up 19% year-on-year. The combined monthly active users (MAU) of Weixin and WeChat increased by 37% year over year to 600 million. MAU of QQ increased 2% year over year to 843 million. Total game revenue grew 17% year over year to CNY 13 billion, mainly driven by higher monetization of core PC gamers and the contribution from new smartphone games. Online advertising business revenue surprisingly jumped by 97% year over year, driven by revenue growth in video advertising. On the other hand, high profile new games such as Monster Hunter Online and Moonlight Blade are expected to be released in the coming quarters.

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

Contact & Website	HSZ (Hong Kong) Limited Unit 605A, 6/F, Tower 2 Lippo Centre, 89 Queensway Hong Kong Tel: +852 2287 2300 Fax: +852 2287 2380 www.hszgroup.com mail@hszgroup.com
-------------------	--

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.