

Figures as of	September 30, 2015
Net Asset Value	USD 115.29, CHF 87.91, EUR 131.59
Fund Size	USD 93.1 million
Inception Date*	May 27, 2003
Cumulative Total Return	245.2% in USD
Annualized Total Return	10.5% 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

	August	YTD	1 Year	Nov 17, 06
USD Class	(0.8%)	(6.7%)	3.3%	21.4%
CHF Class	0.4%	(7.8%)	6.2%	(7.7%)
EUR Class	(0.9%)	1.0%	16.7%	36.5%

Largest Holdings

Times Electric	14.1%	<div style="width: 14.1%;"></div>
China Merchants Bank	10.6%	<div style="width: 10.6%;"></div>
Yili Company	7.7%	<div style="width: 7.7%;"></div>
Ping An (A Shares)	7.5%	<div style="width: 7.5%;"></div>
Qingdao Haier	7.0%	<div style="width: 7.0%;"></div>
Gree Electric Appliances	5.6%	<div style="width: 5.6%;"></div>

Exposure

Financials	29.3%	<div style="width: 29.3%;"></div>
Industrials	24.7%	<div style="width: 24.7%;"></div>
Consumer Discretionary	21.3%	<div style="width: 21.3%;"></div>
Communications	8.2%	<div style="width: 8.2%;"></div>
Consumer Staples	7.7%	<div style="width: 7.7%;"></div>
Cash	0.4%	<div style="width: 0.4%;"></div>

Newsletter September 2015

- China cut minimum downpayment for first-time home buyers
- Man Wah secured strong export orders
- Baidu held annual Baidu World Conference
- CGN Power targets to acquire entire nuclear assets from parent

China cut minimum downpayment for first-time home buyers, stepping up support for the property market and the stumbling economy. The Chinese central bank and the banking regulator said they would be lowering minimum downpayment for first-time home buyers to 25%, from the previous 30%, in cities that do not have restrictions on purchases. The measure aims at easing the inventory problem in the property market in non-first-tier cities, which have not shown meaningful improvement in their overall inventory level after multiple rounds of monetary easing since last year.

Man Wah secured strong export orders at the China International Furniture Fair in Shanghai. Man Wah has launched more than 160 brand new products including sofas with an innovative synthetic fabric "BANNER" at the 36th China International Furniture Fair (Shanghai) and the 21st China International Furniture Expo in September. At the two events, Man Wah engaged distributors who have expressed interests to open more than 100 retail stores in China. The company has also obtained more than 20 new overseas customers and secured export orders growth of more than 30%, compared with last year.

Baidu held its annual Baidu World Conference in early September. The highlight was Duer the robot. Duer is an artificial intelligence-based virtual secretary that assists users in providing information, services and transactions through voice interaction, with the help from the embedded latest version of Baidu search app. On the other hand, Baidu's O2O strategy seems to have made robust progress, connecting with over 760,000 merchants over the past year through Baidu Connect. The number of orders placed has increased over 260x year over year and the gross merchandize value (GMV) has grown over 90x year over year. For its traditional search engine business, in late September Microsoft has officially announced that Baidu will replace Bing as the default search engine for its Windows 10 Edge browser in China.

CGN Power targets to acquire entire nuclear power assets from its parent company, said the Board Secretary Mr. Fang Chunfa. While the details of the asset injection are yet to be decided, it is estimated that the total installed capacity of CGN Power would be doubled after all the parent assets are fully injected. In fact, the first round of asset injection happened in April 2015 when the Taishan nuclear power plant was acquired. The expected internal rate of return (IRR) was 9%, way above the cost of equity according to our estimates. In conjunction with Chinese policies to encourage electricity generation from nuclear power, the growth prospect of CGN Power is highly promising.

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.