

Figures as of	October 30, 2015
Net Asset Value	USD 122.72, CHF 94.95, EUR 143.16
Fund Size	USD 98.9 million
Inception Date*	May 27, 2003
Cumulative Total Return	267.4% in USD
Annualized Total Return	11.0% 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

	October	YTD	1 Year	Nov 17, 06
USD Class	6.4%	(0.7%)	7.8%	29.2%
CHF Class	8.0%	(0.4%)	11.5%	(0.3%)
EUR Class	8.8%	9.8%	23.4%	48.5%

Largest Holdings

Times Electric	11.7%	
Ping An (A Shares)	8.0%	
China Merchants	7.9%	
Yili Company	7.6%	
Qingdao Haier	7.2%	
Gree Electric Appliances	5.6%	

Exposure

Financials	25.7%	
Industrials	25.0%	
Consumer Discretionary	22.2%	
Consumer Staples	9.8%	
Communications	9.0%	
Cash	0.4%	

## Newsletter October 2015

- China cut interest rates and reserve requirement ratio
- Ping An reported 3Q15 results
- Moutai reported 3Q15 results
- Times Electric reported 3Q15 results

China cut interest rates and reserve requirement ratio, following a GDP growth of less than 7% in 3Q15. The 1-year lending rate was cut to 4.35% from 4.6%, while the 1-year deposit rate was cut to 1.5% from 1.75%. The GDP growth of 6.9% in 3Q15 was the weakest in 6 years. As inflation continues to weaken in China, the real interest rate has been rising. The move to cut interest rates and reserve requirement ratio is important to lower cost of financing for companies in China. China has cut interest rates for 6 times since November 2014. As a result, China's 10-year sovereign bond yield has plunged to a 5-year low at below 3%.

Ping An reported 3Q15 results. For the nine months ended September 30, 2015, both the first-year premium of life insurance and earnings maintained its strong momentum by increasing by 52% year over year. The major surprise was that the net annualized investment yield rose to 5.6%, compared to 5.1% in 1H15, despite falling interest rates in China. The combined ratio maintained healthy at 94.4% amid the concern of Tianjin explosion incident. Due to the volatility in Chinese stock market during 3Q15, Ping An's net assets only grew by 0.1% quarter over quarter in 3Q15. Nevertheless, the effect should be temporary as the Chinese stock market has recovered. Ping An's results have proven that the major concerns about the industry is manageable while Ping An's competitiveness and the growing demand for insurance products in China remain intact.

Moutai reported 3Q15 results. For the nine months ended September 30, 2015, both revenue and net profit were up 7% year over year. Gross margin and net margin were largely stable compared to last year at 92.1% and 51.0% respectively. Moutai's receipts in advance rose from CNY 3.3 billion to CNY 5.6 billion quarter on quarter, suggesting strong delivery in the coming months. Chinese spirit industry continues to recover from the anti-graft campaign introduced by the new leader Xi Jinping since 2012, as reflected in the healthy channel inventory level at around 1 month currently.

Times Electric reported 3Q15 results. For the nine months ended September 30, 2015, revenue came in at CNY 8.8 billion, flat year over year, while net profit was up 11 percent year over year to CNY 1.9 billion. During the period, gross profit margin maintained at a high level of 41%. Management confirmed that multiple units (MU) orders this year are on track to see positive growth and some deliveries were delayed to next quarter. The new business, insulated-gate bipolar transistor (IGBT), continues to make progress with the testing of various core products remains on track.

## 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.