

Figures as of	November 30, 2015
Net Asset Value	USD 121.90, CHF 98.37, EUR 147.74
Fund Size	USD 99.7 million
Inception Date*	May 27, 2003
Cumulative Total Return	264.9% in USD
Annualized Total Return	10.9% 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

	November	YTD	1 Year	Nov 17, 06
USD Class	(0.7%)	(1.4%)	2.3%	28.4%
CHF Class	3.6%	3.2%	9.6%	3.3%
EUR Class	3.2%	13.3%	20.4%	53.2%

Largest Holdings

Ping An (A Shares)	7.9%	
China Merchants	7.0%	
Yili Company	6.9%	
Gree Electric Appliances	5.8%	
Times Electric	5.2%	
Tencent Holdings	5.1%	

Exposure

Financials	24.3%	
TMT	20.7%	
Consumer Discretionary	19.7%	
Industrials	11.8%	
Consumer Staples	9.1%	
Cash	6.8%	

## Newsletter November 2015

- China approved guidelines for 13<sup>th</sup> 5-year plan draft
- Tencent reported in-line 3Q15 results
- Baidu reported better than expected 3Q15 results
- Man Wah reported in-line 1HFY16 results

China approved guidelines for 13<sup>th</sup> 5-year plan draft. President Xi said China's annual GDP growth rate should be no less than 6.5% in the next five years to realize the goal to double 2010 GDP and per capita income by 2020. The key driver of economic growth is likely to shift from investment to consumption. For consumption, the document highlighted the need to "expand" consumer expenditure. For investment, it mentioned the need to "optimize" investment structure and increase "effective" investment. It suggested the focus of the authorities is shifting from boosting overall investment to improving the efficiency of investment. Also, innovation, green development and opening up are other key areas to fulfill the country's goals.

Tencent reported in-line 3Q15 results. Revenue in 3Q15 increased by 34% year over year to CNY 26,594 million on the back of 28% and 102% increase in sales of internet value added services (VAS) and online advertising respectively. Non-GAAP profit rose by 32% year over year to CNY 7,445 million. The combined monthly active users (MAUs) of Weixin and WeChat increased by 39% year over year to 650 million. Online advertising business revenue surprisingly jumped by 102% year over year to CNY 4.9 billion, driven by revenue growth in advertisement income from the WeChat platform and the news platform on mobile, from which most customers are large enterprises in the automobile, consumer, luxury goods industries.

Baidu reported better than expected 3Q15 results. Revenue in 3Q15 increased by 36 percent year over year to RMB18.4 billion. Mobile revenue represented 54% of total revenues for the third quarter of 2015, compared to 37% for the corresponding period in 2014. Net income for 3Q15 fell 27% year over year to RMB2.8 billion due to drags from Transaction Services and iQiyi. Mobile search MAUs and mobile maps MAUs were 643 million and 326 million respectively as at the end of September 2015, up 26% and 34% respectively year over year. Gross merchandise value (GMV) for Transaction Services totaled CNY 60.2 billion for 3Q15, up 119% year over year. Baidu Wallet activated accounts reached 45 million as at the end of September 2015, up 520% year over year. Revenue per online marketing customer for 3Q15 was approximately CNY 28,300, up 9.3% year over year.

Man Wah reported in-line 1HFY16 results. Revenue in 1HFY16 came in at HKD 3,684 million, up 15% year over year. Core profit grew 21% year over year to HKD 614 million. Gross profit margin was up by 1.1 percentage points year over year to 37.0% due to higher contribution from non-leather products and raw material cost decline. Management maintained an upbeat business outlook as new products have been well received worldwide. The new production plant in Huizhou will commence operation in early 2016, adding about 10% to the existing production capacity.

## 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.