

Figures as of	December 31, 2015
Net Asset Value	USD 122.42, CHF 94.98, EUR 143.80
Fund Size	USD 97.6 million
Inception Date*	May 27, 2003
Cumulative Total Return	266.5% 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

	December	YTD	1 Year	Nov 17, 06
USD Class	0.4%	(1.0%)	(1.0%)	28.9%
CHF Class	(3.4%)	(0.4%)	(0.4%)	(0.3%)
EUR Class	(2.7%)	10.3%	10.3%	49.1%

Largest Holdings

Ping An (A Shares)	8.5%	
Qingdao Haier	7.2%	
Gree Electric Appliances	7.2%	
China Merchants Bank	6.1%	
Tencent Holdings	5.7%	
Yili Company	5.6%	

Exposure

Financials	28.7%	
Consumer Discretionary	23.9%	
TMT	20.7%	
Industrials	11.1%	
Consumer Staples	7.8%	
Cash	0.1%	

## Newsletter December 2015

- China's currency included in IMF's Special Drawing Rights basket
- Wasion maintains leading position in smart meters
- Moutai reported better than expected 3Q15 results
- Qingdao Haier to acquire assets from parent

China's currency, the renminbi, will be included in the International Monetary Fund's (IMF) Special Drawing Rights (SDR) basket. It is the first change in the SDR's currency composition since 1999, when the Euro replaced Deutsche Mark and French Franc. The addition of the renminbi will take effect on October 1, 2016 and it will have a 10.92 percent weight in the basket, topping the pound and the yen. This inclusion is a significant development for China as it attempts to open up its financial markets.

Wasion maintains its leading position in smart meters. The company ranked number one in total contract sum in the latest centralized tender by the State Grid, winning contracts of 974,000 units of smart meters and 433,000 units of data collection terminals and concentrators. The company was also awarded SA8000:2008 Social Accountability System Certification from TÜV SÜD, making it the first awardee of this international certification within the industry. SA8000 is one of the world's first auditable social certification standards for workplaces.

Moutai reached 2015 annual sales target, recording sales of at least CNY 31.9 billion for 2015. The company held its annual distributor meeting in Renhuai. Management identified certain industry trends, including mainstream consumer shifting to millennials who have lower loyalty to baijiu while consumption behavior is concentrating on top brands. The Chairman mentioned three key measures to face the challenge of market changes, including linking compensation of all sales persons to sales volume, deeper penetration into low tier markets such as counties and towns, and development of an O2O e-commerce platform. Moutai reiterated optimization of distribution channel is a top priority in 2016.

Qingdao Haier will acquire assets from its parent company. Qingdao Haier will buy 45 percent stake in Mitsubishi-Haier-Air-con Co and 49% stake in Haier-Carrier Refrigeration Co for CNY 841.5 million from its parent Haier Group. The company believes the deals could enhance its market position and R&D capabilities in the air-con and refrigerator segments. The company's shares will remain suspended from trading as the company is involved in a major acquisition of overseas home-appliance assets and the deal is expected to be completed by March 2016.

## 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.