HSZ China Fund

Figures as of	January 29, 2016
Net Asset Value	USD 104.25, CHF 83.25, EUR 122.77
Fund Size	USD 82.3 million
Inception Date*	May 27, 2003
Cumulative Total Return	212.1% in USD
Annualized Total Return	9.4% 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	(14.8%)	(14.8%)	(16.2%)	9.8%
CHF Class	(12.3%)	(12.3%)	(7.1%)	(12.6%)
EUR Class	(14.6%)	(14.6%)	(12.7%)	27.3%

Largest Holdings

Qingdao Haier	8.4%
Gree Electric Appliances	7.0%
Tencent Holdings	6.4%
China Merchants Bank	5.9%
Yili Company	5.4%
AAC Technologies	5.3%

Exposure

Consumer Discretionary	26.6%
TMT	26.2%
Financials	19.5%
Industrials	10.2%
Consumer Staples	7.5%
Cash	2.0%

Newsletter January 2016

- China's GDP grew 6.9% in 2015
- Ping An set to benefit from China Risk Oriented Solvency System
- Alibaba reported 108% net profit growth for 3Q16
- Vinda reported in-line FY15 results

China's GDP grew 6.9% in 2015, the slowest in 25 years. In particular, secondary industry, or manufacturing, growth slowed to 6.0% in 2015 from 2014's 7.3%, while tertiary industry, or the services sector, expanded by 8.3% last year, up from 2014's 7.8%. However, China is not expected to introduce any significant stimulus package like it did in 2009, because of its latest priority to tackle overcapacity issues.

Ping An is set to benefit from the China Risk Oriented Solvency System (C-ROSS), a new regulatory system on the insurance industry, implemented on 1 January 2016. Under C-ROSS, companies including Ping An, which underwrite higher-quality businesses would be better protected, while aggressive and poorly managed insurers would be punished with higher capital charges for selling high guaranteed rate and higher surrender risk products and for their poorer property & casualty combined ratios. As a result, large insurers like Ping An should be better off as industry competition will become more rational on the back of this policy. Ping An is also expected to see improvement in its solvency margin and capital position.

Alibaba reported 108% net profit growth for 3Q16. Revenue rose by 32% year over year to CNY 34.5 billion, mainly driven by the continued rapid growth of China ecommerce retail business. Blended monetization rate expanded 28 basis points year over year to 2.98%, driven by 91 basis points increased mobile take rate at 2.88%. Net profit rose by 111% year over year to CNY 12.5 billion. Cloud remains the fastest growing segment with 126% year over year growth, and it now accounts for 2% of revenue. Koubei, the JV with Ant Financial, announced for the first time a Gross Merchandise Value (GMV). Out of the GMV of CNY15.8 billion, a major portion was offline payment transactions via AliPay.

Vinda reported in-line FY15 results. Sales increased by 21% year over year to HKD 9.7 billion, while its core operating profit increased by 9% year over year to HKD 892 million. Gross margin increased by 0.3 percentage point year over year to 30.5%, while the underlying operating margin was down 1.1 percentage point year over year to 9.2% due to higher advertising and promotion expenses amid intensive competition. The company continued to expand market share and its volume growth was the highest among peers. Outlook remains positive as management targets double digit sales growth in 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
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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.