

Figures as of	May 31, 2016
Net Asset Value	USD 110.31, CHF 85.77, EUR 127.20
Fund Size	USD 84.5 million
Inception Date*	May 27, 2003
Cumulative Total Return	233.7% in USD
Annualized Total Return	9.7% 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

	May	YTD	1 Year	Nov 17, 06
USD Class	2.9%	(9.0%)	(28.6%)	17.4%
CHF Class	6.1%	(8.8%)	(24.9%)	(9.0%)
EUR Class	5.2%	(10.6%)	(29.6%)	33.3%

Largest Holdings

Tencent Holdings	7.4%	
Gree Electric Appliances	7.0%	
Yili Company	7.0%	
AAC Technologies	6.6%	
Times Electric	6.1%	
Kweichow Moutai	5.9%	

Exposure

TMT	32.7%	
Consumer Discretionary	26.1%	
Financials	13.8%	
Industrials	11.3%	
Consumer Staples	9.3%	
Cash	2.4%	

Newsletter May 2016

- China resumes NPL securitization since 2008
- Man Wah delivered strong FY16 results
- Tencent reported 28% net profit growth for 1Q16
- AAC Technologies reported positive growth

China resumes non-performing loan (NPL) securitization for the first time since 2008 as Bank of China and China Merchant Bank successfully sold CNY301 million and CNY233 million asset-backed securities respectively this month. The policy is targeted to alleviate Chinese banks' asset quality pressure amid economic downturn. However, it is believed that banks and national bad loan managers remained the major investors of the NPL securities. With limited information on historical defaults of loans, it may take time to attract other institutional investors such that the risks of NPL can be truly dispersed beyond the banking system.

Man Wah delivered strong FY16 results with net profit surging 23.4% to HKD1.33 billion. Revenue increased 11.8% with North America/China/ Europe up 12%/19%/-4% respectively. Gross profit margin improved significantly from 35.6% in FY15 to 39.5% in FY16 per end of March (2H16: 42.1%) thanks to lower raw material cost, better geographic mix, and RMB depreciation. Looking forward, with 12 new distributors in the US, strong Chinese property sales and a reversal of the declining trend in the European markets in recent months, we expect that a solid revenue growth with margin expansion will continue in the coming year.

Tencent reported 28% net profit growth for 1Q16. For the first quarter of 2016, revenue rose by 43% year over year to CNY 32.0 billion thanks to the launch of new smart phone games, its key PC titles and advertising revenues at Tencent's mobile social and media platform. The gross profit margin maintained at a high level of 58.1%. Profit attributable to equity holders of the company increased by 33% year over year to CNY 9.2 billion. The monthly active users of QQ continued to grow at 2.8% quarter over quarter to 877.1 million by the end of March 2016. The combined monthly active users of Weixin and Wechat increased by 9.4% quarter over quarter to CNY 762.4 million. In addition, Tencent recently launched Enterprise Weixin as a stand-alone application which is tailored to communication scenarios at work and incorporates mobile office solutions.

AAC Technologies reported positive growth reflecting the continuing upgrade cycle of smartphones. For the first quarter of 2016, revenues rose by 10% to CNY 2.5 billion mainly due to the upgrade of acoustic solutions and dynamic components. The gross profit margin staying at 40.5%, mirrors the impact of the traditionally slow Q1 and a shift in customers' product mix. The management raised its annual capex budget by 25% year over year to CNY 3 billion for the preparation of upcoming new projects, including the expansion of production capacity in the RF (Radio Frequency) mechanic business.

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 fueling 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.