

Figures as of	June 30, 2016
Net Asset Value	USD 109.69, CHF 84.16, EUR 126.63
Fund Size	USD 83.9 million
Inception Date*	May 27, 2003
Cumulative Total Return	231.8% in USD
Annualized Total Return	9.6% 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

	June	YTD	1 Year	Nov 17, 06
USD Class	(0.6%)	(9.5%)	(26.8%)	16.7%
CHF Class	(1.9%)	(10.5%)	(22.9%)	(10.7%)
EUR Class	(0.4%)	(11.0%)	(26.3%)	32.7%

Largest Holdings

Tencent Holdings	7.6%	
Yili Company	7.5%	
Gree Electric Appliances	7.0%	
Kweichow Moutai	6.5%	
Times Electric	6.0%	
Man Wah Holdings	5.9%	

Exposure

TMT	32.2%	
Consumer Discretionary	26.5%	
Financials	13.3%	
Industrials	11.4%	
Consumer Staples	9.8%	
Cash	2.7%	

## Newsletter June 2016

- China will give 230 billion yuan RQFII quota to the US
- KWG Property benefits from strong property market
- Tencent will acquire Finland mobile games developer Supercell
- Yili benefits from the new infant milk formula regulation

China will give 230 billion yuan RQFII quota to the US, the largest amount given to a single jurisdiction after Hong Kong. The announcement follows the new rules on trading halts announced last month, which capped halts at three months for major asset restructuring and one month during private placements. Both were announced ahead of MSCI decision on inclusion of Chinese equities. Despite MSCI final decision not to add Chinese stocks to its global indexes, China has shown its commitment to continue its RMB internationalization and capital market liberalization.

KWG Property benefits from strong property market in Guangzhou, where the property price for new residential property increased 2.7% month-on-month in May, a positive growth for the 14th consecutive month. With half of its land bank in Guangzhou, KWG Property has achieved RMB9.5 billion of attributable pre-sales value in the first five months of 2016, an increase of 28% year-on-year. It represented 43% of the Group's full year pre-sales target, indicating the selling progress is well on track. The higher selling price is also positive to its margin expansion.

Tencent will acquire Finland mobile games developer Supercell. The company will form a consortium with potential co-investors to jointly acquire up to 84.3% stake of Supercell for a consideration of US\$8.6 billion. Tencent expects to maintain a 50% voting interest in the consortium. Supercell is a developer of mobile games for both tablets and smartphones on Apple's iOS and Google's Android operating systems. Since its founding in 2010, Supercell has brought four major games to market - Clash of Clans, Clash Royale, Boom Beach and Hay Day, where the games are at the top ranking globally with high profitability.

Yili benefits from the new infant milk formula regulation which allows registration of only three different formulas for each production plant. Registration deadline will be October 1 this year. With three plants in mainland China, Yili's current product portfolio complies with the new regulation while the products on shelves in China will have to decrease from 2000+ Stock Keeping Units (SKUs) to less than 550 SKUs. Despite the negative impact from dumping unqualified products in the short term, Yili will benefit from quicker market consolidation in the longer term.

## 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 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.