

Figures as of	July 29, 2016
Net Asset Value	USD 116.61, CHF 89.36, EUR 134.93
Fund Size	USD 87.8 million
Inception Date*	May 27, 2003
Cumulative Total Return	252.8% in USD
Annualized Total Return	10.0% 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

	July	YTD	1 Year	Nov 17, 06
USD Class	6.3%	(3.8%)	(10.0%)	24.1%
CHF Class	6.2%	(4.9%)	(8.8%)	(5.2%)
EUR Class	6.6%	(5.2%)	(11.2%)	41.4%

Largest Holdings

Yili Company	9.0%	
Tencent Holdings	7.7%	
Alibaba	7.0%	
Times Electric	6.8%	
Gree Electric Appliances	6.7%	
Qingdao Haier	5.4%	

Exposure

TMT	34.3%	
Consumer Discretionary	23.2%	
Financials	13.4%	
Consumer Staples	12.2%	
Industrials	11.2%	
Cash	3.0%	

Newsletter July 2016

- Pension funds ready to invest up to CNY 600 billion in equities
- Vinda reported strong organic revenue growth of 14.5%
- Hikvision reported 26% net profit growth for 2Q2016
- IMAX China's record-breaking signings boost confidence in growth

Pension funds ready to invest up to CNY 600 billion in equities. As suggested by the policy change announced last year, local pension funds' investment strategies with assets of about CNY2 trillion will be overseen by National Council for Social Securities Fund (NCSSF) going forward and up to 30% of the fund assets can be invested in equities. Market expects the fund will start to be gradually deployed starting this month, as the related recruitment had ended in June. The NCSSF has a good reputation in being a value investor and has achieved an average returns of about 8.8 percent per annum since 2000.

Vinda reported strong organic revenue growth of 14.5% for 1H2016. With the inclusion of acquired SCA Asia business since April, the revenue and EBITDA increased 19.5% and 18.3% year-on-year respectively. Vinda has demonstrated strong execution abilities and it is worth noting that the e-commerce channel now accounts for 17% of its revenue. However, due to higher amortisation and interest expense, net profit for 1H2016 declined 2.9% year-on-year. We believe that the expenses relating to its transformation has peaked and Vinda is now ready for future double digit earnings growth driven by Chinese and Asian demand for premium personal hygiene products.

Hikvision reported 26% net profit growth for 2Q2016. Revenue increased by 33% year over year to CNY 7.3 billion. Gross profit margin maintained at a high level of 38.9%. Net profit to shareholders increased by 26% year over year to CNY 1.5 billion. The company is now exploring opportunities on advanced driving assistance systems (ADAS) and robotic areas such as industrial drone, smart warehouse and machine vision. Management expects that the revolution of logistics and passengers' transportation in China will soon arrive.

IMAX China's record-breaking signings boost confidence in growth. For 1H2016, the revenue increased 25% to USD 55.1 million, mainly as a result of strong theatre system installation in the period. Revenue from sharing arrangements and film business only recorded single digit growth, mainly due to high base in 1H2015 when blockbusters like Fast and Furious 7 and Avengers 2 hit the market. The company signed 79 new theater contracts with Guangzhou Jinyi and Sichuan Lumiere in 1H2016, and another record-breaking 150 new theater contracts with its biggest client Wanda Group in early August. We like IMAX's premium brand image and existing tight bonds with theatres. We believe that IMAX China continues to be an excellent choice for gaining exposure to China's booming movie market.

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
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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.