

Figures as of	August 31, 2016
Net Asset Value	USD 119.80, CHF 92.39, EUR 138.08
Fund Size	USD 87.8 million
Inception Date*	May 27, 2003
Cumulative Total Return	262.4% in USD
Annualized Total Return	10.2% 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

	August	YTD	1 Year	Nov 17, 06
USD Class	2.7%	(1.1%)	4.1%	27.5%
CHF Class	3.4%	(1.7%)	6.6%	(2.0%)
EUR Class	2.3%	(3.0%)	5.0%	44.7%

Largest Holdings

Yili Company	8.2%	<div style="width: 8.2%;"></div>
Alibaba	8.1%	<div style="width: 8.1%;"></div>
Gree Electric Appliances	6.7%	<div style="width: 6.7%;"></div>
Tencent Holdings	6.4%	<div style="width: 6.4%;"></div>
Qingdao Haier	5.1%	<div style="width: 5.1%;"></div>
Baidu Inc.	5.1%	<div style="width: 5.1%;"></div>

Exposure

TMT	35.8%	<div style="width: 35.8%;"></div>
Consumer Discretionary	22.8%	<div style="width: 22.8%;"></div>
Consumer Staples	13.6%	<div style="width: 13.6%;"></div>
Financials	13.4%	<div style="width: 13.4%;"></div>
Industrials	5.3%	<div style="width: 5.3%;"></div>
Cash	8.1%	<div style="width: 8.1%;"></div>

Newsletter August 2016

- Shenzhen-Hong Kong Connect to launch in late November
- Gree diversifies into fast-growing electric vehicle market
- Kweichow Moutai's prepayment from distributors rose 34.4%
- AAC Technologies added as a constituent stock in the HSI

Shenzhen-Hong Kong Connect to launch in late November. China approved the launch of the long-awaited Shenzhen-Hong Kong connect on August 16. The daily quota limits will be the same as Shanghai-Hong Kong connect, i.e. CNY 13 billion for northbound and CNY 10.5 billion for southbound. However, there will be no overall quota limits anymore. The Shenzhen-Hong Kong Connect marked a further opening of China's capital markets. Fund flows after August 16 showed more interest in Hong Kong market, as southbound route of Shanghai-Hong Kong Connect witnessed up to 45% usage of the daily quota, compared to minimal usage previously.

Gree diversifies into fast-growing electric vehicle market. Gree announced the acquisition of electric automobile company Yinlong. Yinlong mainly supplies batteries and electric buses to municipal governments and has a large amount of revenue and order backlog since 2014. Gree's management team and employees got the opportunity to subscribe up to CNY 2.4 billion in the additional equity offering, which was the first time the Zhuhai-based enterprise carried out a large scale share incentive plan. Gree reported better-than-expected interim numbers with a revenue decline of -2% and a net profit growth of 12%. The company believes that their inventory in the sales channels has largely been cleared after a hot summer.

Kweichow Moutai's prepayment from distributors rose 34.4% to CNY11.5 billion, compared with CNY18.7 billion revenues in 1H2016. The significant increase of distributors' ordering is driven by strong end demand for consumption and investment in anticipation of rising price of Moutai. Kweichow Moutai's SG&A to sales ratio declined from 16.2% in 2015 to 12.3% in 1H2016 as its sales increased 15.8% year over year. Although its net profit margin in 1H2016 did not expand due to a hike in business tax, we believe the operating leverage will serve Kweichow Moutai well given its strong distributors' orders. It is also worth noting that the company has achieved initial success in the Series Brand and its revenue increased 55.8% to CNY 691 million in 1H2016.

AAC Technologies reported positive results for 2Q16 and has been added as a constituent stock in the Hang Seng Index (HSI). For the second quarter of 2016, revenue rose 25.7% to CNY 3.0 billion and net profit increased by 15.4% to CNY 736 million. The strong results were mainly contributed by strong RF mechanical sales to Chinese customers. The company further raised its 2016 full year capex to CNY 3.9 billion with an aggressive plan on expanding its production capacity in optical lens and 3D glass business segment. AAC has been added as a constituent stock in the HSI, effective on 5 Sept 2016. The HSI weighting of the stock will be 0.76 percent.

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.