

Figures as of	September 30, 2016
Net Asset Value	USD 119.92, CHF 90.91, EUR 137.59
Fund Size	USD 87.8 million
Inception Date*	May 27, 2003
Cumulative Total Return	262.8% in USD
Annualized Total Return	10.1% 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

	September	YTD	1 Year	Nov 17, 06
USD Class	0.1%	(1.0%)	5.1%	27.6%
CHF Class	(1.6%)	(3.3%)	4.5%	(3.6%)
EUR Class	(0.4%)	(3.3%)	5.7%	44.2%

## Largest Holdings

Gree Electric Appliances	9.6%
Alibaba	8.9%
Yili Company	7.8%
Tencent Holdings	6.7%
Ping An	6.6%
China Resources Beer	6.1%

## Exposure

TMT	38.8%
Consumer Discretionary	20.5%
Consumer Staples	17.1%
Financials	14.9%
Industrials	5.2%
Cash	2.5%

## Newsletter September 2016

- Eleven cities announced tightening measures in property market
- CR Beer to take back full control of world's top beer brand
- Baidu hosted its annual conference Baidu World 2016
- Jiangsu Expressway to invest in new CNY 15bn expressways

Eleven cities announced tightening measures in property market during the week of National Day after accelerated price growth in September. Under the latest policies, non-local families are limited to buy maximum one home in major cities including Beijing, Shanghai, Guangzhou, Shenzhen, Hefei, Xiamen, Nanjing, Zhengzhou and Jinan, while local families generally can buy maximum 2 properties. In most of these cities, the minimum down payment for the first purchase is set to be 30% while that of the second purchase is 40%-50%. It is believed that the home purchase restriction and credit tightening from various cities are directed by Central Government to restrain speculative demand and reduce systematic risks.

CR Beer to take back full control of world's top beer brand. China Resources Beer moved a step closer to taking back 49% stake in China Resource Snow, the brewer of the world's top-selling beer by volume, after both AB InBev and SABMiller shareholders have approved their GBP 15bn merger. CR Beer will be able to buy back a 49% stake of CR snow at a bargain price of HKD 12 billion, equivalent to only a 25% premium over book value. China is the biggest beer market in the world. As market consolidation is under way, leading breweries have a lot of potential by lifting profitability as well as average selling price to the level of global giants.

Baidu hosted its annual conference Baidu World 2016 on early September to showcase its latest technology and future strategy. The Baidu Brain is the artificial intelligence (AI) developed by the company featuring advanced technologies for recognizing and processing word, images, voice and building user's profiles. Moreover, Baidu may leverage its AI technology onto the operating system of autonomous car for high-precision electronic mapping, positioning, decision-making, control service and command system. The company has completed a fully autonomous test around a 30km route and plans to deploy the business by the end of 2018 on public shuttles and taxi services in China.

Jiangsu Expressway to invest in new CNY15bn expressways namely Wufengshan Expressways and Jiangsu section of Liguang Expressway. Upon completion, Wufengshan Expressways will be the most convenient means of north-south river crossing transportation between the Beijing-Tianjian region and the Yangtze River Delta region. Both projects are expected to start construction in 2017 and complete in 2020. While the management did not provide exact return numbers from the two new toll road investments, it does expect the returns to be among the highest of any new greenfield projects and value adding for investors.

## 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.