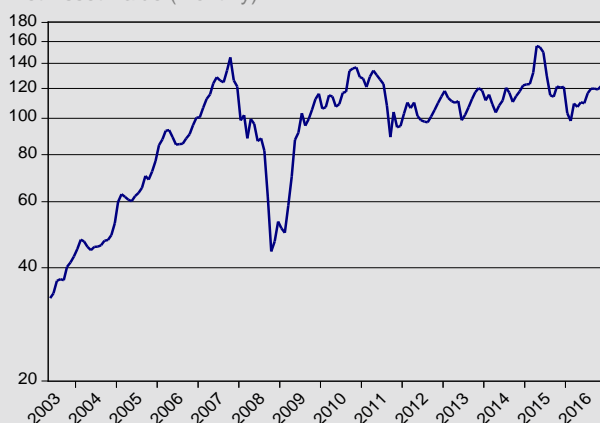


Newsletter November 2016

Figures as of	November 30, 2016
Net Asset Value	USD 121.98, CHF 96.83, EUR 146.88
Fund Size	USD 89.0 million
Inception Date*	May 27, 2003
Cumulative Total Return	269.0% 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

	November	YTD	1 Year	Nov 17, 06
USD Class	2.3%	0.7%	1.1%	29.8%
CHF Class	4.9%	3.0%	(0.5%)	2.7%
EUR Class	5.2%	3.2%	0.5%	53.9%

Largest Holdings

Gree Electric Appliances	14.1%	<div style="width: 14.1%;"></div>
Yili Company	9.2%	<div style="width: 9.2%;"></div>
Alibaba	7.9%	<div style="width: 7.9%;"></div>
Ping An	7.0%	<div style="width: 7.0%;"></div>
Kweichow Moutai	6.2%	<div style="width: 6.2%;"></div>
Tencent Holdings	6.1%	<div style="width: 6.1%;"></div>

Exposure

TMT	35.5%	<div style="width: 35.5%;"></div>
Consumer Discretionary	24.3%	<div style="width: 24.3%;"></div>
Consumer Staples	16.8%	<div style="width: 16.8%;"></div>
Financials	14.8%	<div style="width: 14.8%;"></div>
Industrials	7.3%	<div style="width: 7.3%;"></div>
Cash	0.3%	<div style="width: 0.3%;"></div>

- Chinese coal price has risen 148% year-to-date
- AliCloud has been growing at triple digits for six quarters
- AAC Technologies recorded historical highs for 3Q2016 results
- Gree's domestic sales volume reported to grow 65% in October

Chinese coal price has risen 148% year-to-date, signaling the success of Chinese supply side reform which includes stop granting new license for coal mining, encouraging closing down of capacity, as well as limiting operation of coal mines to 276 days per year. Similarly, together with the help of the expectation of Trump's expansionary fiscal policy, prices of other commodities also have rebounded sharply. The higher commodity price will ease the financial conditions of severe loss making miners. It is worth noting that the non-performing loan formation ratio of Chinese commercial banks has moderated to 1.08% in 3Q2016 from 1.40% in 3Q2015.

AliCloud has been growing at triple digits for six quarters. Alibaba announced the 4 new internet data centers (IDCs) in Australia, Europe, Japan and Dubai which all started operating in November, adding to its existing 6 domestic and 4 global IDCs. AliCloud continues to enrich product offerings to its 2.3 million corporate clients and now provides solutions that include web application, gaming, e-commerce, Internet of Things (IoT), multi-media, big data analytics, disaster recovery and hybrid cloud. It is expected that big data will be a valuable tool to innovate new products and services in many old economies for example Fintech in the banking industry and supply-chain managements.

AAC Technologies recorded historical highs for 3Q2016 results in both quarterly sales and earnings. Revenue rose 32.1% to CNY 4.2 billion and net profit increased by 29.4% to CNY 1.1 billion. The strong results were mainly contributed by new quest for upgrading audio quality of smart devices from both international and Chinese customers. Management believes that the "Andriod-camp" is beginning to adopt the higher-end acoustics solutions and dual stereo speaker will become a popular specification for the coming years, especially for Chinese customers. AAC will continue to be a standard-setter for the smartphone speaker industry.

Gree's domestic sales volume reported to grow 65% in October. According to China Industry Online, a 3rd party statistical agency, domestic air conditioner shipment grew 59% YoY to 5.1 million units. The big rebound in October shipment further confirmed the end of channel de-stocking after successful summer sales. Gree's domestic shipment grew 65% YoY to 2.8 million units in October, which outperformed the market as well as its major competitor Midea. Gree's export shipment was also reported to grow 29% YoY in October.

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 (Schweiz) 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 Funds & 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.