

Figures as of	January 31, 2017
Net Asset Value	USD 120.24, CHF 93.78, EUR 144.16
Fund Size	USD 87.8 million
Inception Date*	May 27, 2003
Cumulative Total Return	263.7% in USD
Annualized Total Return	9.9% 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

	January	YTD	1 Year	Nov 17, 06
USD Class	5.8%	5.8%	16.5%	27.9%
CHF Class	3.3%	3.3%	13.8%	(0.5%)
EUR Class	4.0%	4.0%	18.7%	51.1%

Largest Holdings

Gree Electric Appliances	13.0%	<div style="width: 13.0%;"></div>
Yili Company	8.7%	<div style="width: 8.7%;"></div>
Alibaba	7.3%	<div style="width: 7.3%;"></div>
Ping An	6.6%	<div style="width: 6.6%;"></div>
Tencent	5.9%	<div style="width: 5.9%;"></div>
China Resources Beer	5.8%	<div style="width: 5.8%;"></div>

Exposure

TMT	33.6%	<div style="width: 33.6%;"></div>
Consumer Discretionary	21.6%	<div style="width: 21.6%;"></div>
Financials	18.4%	<div style="width: 18.4%;"></div>
Consumer Staples	14.5%	<div style="width: 14.5%;"></div>
Industrials	7.2%	<div style="width: 7.2%;"></div>
Cash	3.6%	<div style="width: 3.6%;"></div>

Newsletter January 2017

- China's GDP grew by 6.7% in 2016
- Alibaba 3Q results beat for both top and bottom lines
- China Merchant Bank's NPL ratio stabilized
- China beer production output increased 15.2% in December 2016

China's GDP grew 6.7% in 2016. There was some recovery on secondary industry as manufacturing and construction grew by 6.1%, compared to a 6% a year earlier. State owned enterprises (SOE) helped to stabilize the economy as their fixed asset investments increased by 18.7% while investments from the private sector went up by 3.2%. Fourth quarter GDP expanded 6.8% YoY compared to 6.7% growth in the previous three quarters, on QoQ annualized basis, the growth fell to 7% from 7.4% in the third quarter. Monthly data showed a slight slowdown of industrial output and fixed asset investments while retail sales improved. Overall, the data seems to indicate a moderation in growth momentum going into 2017.

Alibaba 3Q17 results beat for both top and bottom lines. In 3Q17, Alibaba delivered 54% YoY revenue growth and 36% YoY non-GAAP earnings growth. China commerce saw 42% YoY revenue growth, as compared to sub-40% growth expected by the market. The strong performance was mainly driven by online marketing revenue, helped by increasing volume of clicks and better click-through rate. Cloud computing segment continued to achieve a high growth rate of 115% YoY in 3Q17. Alibaba also raised FY17 revenue guidance to 53% YoY from its previous guidance of 48% growth.

China Merchant Bank's non-performing loan (NPL) ratio stabilized QoQ for the first time after its increasing trend since 2Q2012, signaling an easing pressure from asset quality deterioration. The preliminary 2016 annual results reported a 7.6% YoY increase in net profit, accelerated from 3.2% YoY increase in 2015. Net interest income rose 2% QoQ thanks to faster asset expansion in 4Q2016 offset by declining net interest margin. Non-interest income dropped 2.3% QoQ due to seasonality. Deposit and loan growth increased by 5.1% and 2.8% respectively QoQ.

China beer production output increased 15.2% in December 2016. According to the National Bureau of Statistics, China's beer production increased 15.2% YoY to 27.4 million hectoliter in December 2016. The sharp growth was helped by both, the stabilized demand and re-stocking demand before the Spring Festival in January. Cumulatively, China's beer production decreased 1.1% to 424.5 million hectoliter in 2016. We believe the impact of anti-corruption on the industry has mostly been reflected and recent rumor of Asahi selling its 19.9% stake in Tsingtao Brewery may suggest further industry consolidation.

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
CHF Class	Bloomberg HSZCHID SW Equity ISIN CH0026828068, Valor 2682806 WKN A0LC15
EUR Class	Bloomberg HSZCFCH SW Equity ISIN CH0026828092, Valor 2682809 WKN A0LC14
Orders via Banks	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.