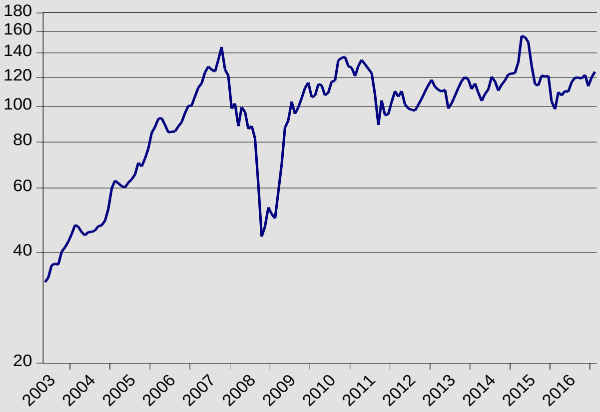
HSZ China Fund

Figures as of	February 28, 2017
Net Asset Value	USD 124.43, CHF 98.14, EUR 149.86
Fund Size	USD 88.3 million
Inception Date*	May 27, 2003
Cumulative Total Return	276.4% 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

	February	YTD	1 Year	Nov 17, 06
USD Class	3.5%	9.5%	26.5%	32.4%
CHF Class	4.6%	8.1%	27.6%	4.1%
EUR Class	4.6%	8.9%	30.5%	58.1%

Largest Holdings

Gree Electric Appliances	8.7%
Yili Company	8.5%
Alibaba	7.5%
Ping An	6.8%
China Resources Beer	6.5%
Tencent	6.0%

Exposure

TMT	34.2%
Consumer Discretionary	17.5%
Financials	17.4%
Consumer Staples	15.0%
Industrials	7.0%
Cash	7.8%

Newsletter February 2017

- GDP growth target for 2017 is around 6.5%
- Goertek's investment in virtual reality finally starts to pay off
- Anhui Conch will benefit from a potential price hike of cement
- Limited impact on CICC from tightening in equity refinancing

GDP growth target for 2017 is around 6.5%, compared with reported GDP growth of 6.7% in 2016. It was also announced in the 2017 Government Work Report that the money supply M2 and Total Social Financing for 2017 is targeted at 12%, 1 percentage point lower from last year's target levels. The 3% budget deficit target and the 3% CPI target are left unchanged. It is clear that the government is aiming at achieving a slightly lower growth rate than last year with a more neutral policy stance. The report also emphasized a continuous reduction of capacity in the coal and steel production, destocking of unsold homes in low tier cities, environmental protection, as well as SOE reforms, particularly in electricity and oil sectors.

Goertek's investment in virtual reality finally starts to pay off. The company reported its FY16 earnings pre-announcement with revenue up 42% year over year to CNY 19 billion and net profit up by 32% year over year to 1.7 billion in FY16. The growth was attributed to audio upgrade and increased sales from virtual reality products. Recently Sony revealed that it had already sold 915'000 units of PSVR in four months since its launch, beating their own sales forecast with PSVR under supply shortage. We expect that Goertek, as the leading supplier of virtual reality headset, will continue to benefit from the ongoing development in virtual reality.

Anhui Conch will benefit from a potential price hike of cement. While the cement price is still at the November 2016 level, the national average inventory level has dropped to a 4-year low of 62%, due to capacity reduction and better industry discipline. That inventory level compares to a historical range between 65% and 75%. After the spring festival, more new construction projects are starting, which will boost the seasonal cement demand. The current demand and supply dynamic is supportive for a further price hike of cement, which would lead to a further expansion on Anhui Conch's profit margin.

Limited impact on CICC from tightening in equity refinancing. Under the new policies, 1. listed companies' private placement must be less than 20% of total share capital; 2. new refinancing must in principle be 18 months after the previous refinancing; 3. pricing benchmark date of new placement must only be on issuance date; 4. companies with high-value financial investments are banned from fundraising. The new policies limit arbitrage opportunities from placement and promote rational use of refinancing capital. It also minimizes impact on secondary market and avoid misallocation of resources. While the new regulation will undoubtedly affect brokers' IBD business, we estimate the earnings impact on CICC would be less than 2%, which is lower than its peers due to its higher exposure on cross border 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 (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
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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.