

|                         |                                    |
|-------------------------|------------------------------------|
| Figures as of           | May 31, 2017                       |
| Net Asset Value         | USD 144.60, CHF 110.43, EUR 164.81 |
| Fund Size               | USD 101.1 million                  |
| Inception Date*         | May 27, 2003                       |
| Cumulative Total Return | 337.4% in USD                      |
| Annualized Total Return | 11.1% 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

|           | May  | YTD   | 1 Year | Nov 17, 06 |
|-----------|------|-------|--------|------------|
| USD Class | 4.7% | 27.3% | 31.1%  | 53.8%      |
| CHF Class | 2.8% | 21.6% | 28.8%  | 17.1%      |
| EUR Class | 1.9% | 19.7% | 30.4%  | 73.9%      |

Largest Holdings

|                          |      |                                  |
|--------------------------|------|----------------------------------|
| Gree Electric Appliances | 9.5% | <div style="width: 9.5%;"></div> |
| Ping An                  | 9.2% | <div style="width: 9.2%;"></div> |
| Yili Company             | 8.0% | <div style="width: 8.0%;"></div> |
| Alibaba                  | 7.8% | <div style="width: 7.8%;"></div> |
| Tencent                  | 6.7% | <div style="width: 6.7%;"></div> |
| China Resources Beer     | 6.3% | <div style="width: 6.3%;"></div> |

Exposure

|                        |       |                                   |
|------------------------|-------|-----------------------------------|
| TMT                    | 29.2% | <div style="width: 29.2%;"></div> |
| Consumer Discretionary | 20.7% | <div style="width: 20.7%;"></div> |
| Financials             | 16.5% | <div style="width: 16.5%;"></div> |
| Consumer Staples       | 14.3% | <div style="width: 14.3%;"></div> |
| Industrials            | 8.2%  | <div style="width: 8.2%;"></div>  |
| Cash                   | 8.8%  | <div style="width: 8.8%;"></div>  |

## Newsletter May 2017

- Bond Connect Program via Hong Kong is approved
- Alibaba continues offline push
- Wuliangye's new management team set targets for FY2020
- Yili planned to bid for US organic yogurt company Stonyfield

Bond Connect Program via Hong Kong is approved on 16 May 2017. Unlike the Stock Connect Program, only Northbound is allowed in the initial phase with no quota limit. While the actual launch date of the program is yet to be determined, market expectation is that this could be as early as July this year. Foreign investors will be able to invest in China's domestic bond market in a significantly streamlined process. The Bond Connect will facilitate RMB internationalization and accelerate the process of the inclusion of China's bond market in main global bond indices.

Alibaba continues offline push. After the purchase of Intime Retail in 2014, Alibaba has recently initiated an acquisition of 18% stake in Lianhua, a Chinese supermarket chain with over 3,000 stores across China. Alibaba aims to reshape consumer spending ecosystem by integrating offline and online stores, logistics, membership programs and payment systems. The collected data can better identify and analyse consumer behavior and help to improve business efficiency.

Wuliangye's new management team set targets for FY2020. The company aims to leverage its strong brand equity in Baijiu to gradually catch up with Moutai in terms of brand pricing power, market share and market capitalization before FY2020. In order to achieve these goals, the company planned to re-focus on the high end products and to eliminate unnecessary low end product lines. It is also planned that the company will reduce its dependence on big distributors in order to penetrate into more markets with better channel management.

Yili planned to bid for US organic yogurt company Stonyfield at USD850 million, which implies price-to-sales ratio of 2.3x or price-to-EBIDA of 17x. According to Euromonitor data, Stonyfield had a 3.7% market share in 2016, making it the top yogurt brand in the US. If the Stonyfield deal were to be successful, there could also be opportunities to introduce the Stonyfield products in China as a premium organic brand. With CNY13.8 billion on hand, M&A will continue to be one the growth drivers for Yili.

## 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       | None   |
| Redemption Fee     | None   |

|                  |   |
|------------------|---|
| USD Class        | ISIN CH0026828035, Valor 2682803 WKN A0LC13<br>Bloomberg HSZCHID SW Equity  |
| CHF Class        | ISIN CH0026828068, Valor 2682806 WKN A0LC15<br>Bloomberg HSZCFCH SW Equity  |
| EUR Class        | ISIN CH0026828092, Valor 2682809 WKN A0LC14<br>Bloomberg HSZCHEU SW Equity  |
| Orders via Banks | Credit Suisse AG<br>Mrs. Anita Wobmann<br>Execution CS Funds & 3rd Party<br>SEBF 12, 8070 Zurich, Switzerland<br>Tel: +4144 644 4254<br>Fax: +4158 205 7097 |

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|-------------------|--|
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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.