

Figures as of	September 29, 2017
Net Asset Value	USD 172.16, CHF 130.87, EUR 186.02
Fund Size	USD 120.3 million
Inception Date*	May 27, 2003
Cumulative Total Return	420.8% in USD
Annualized Total Return	12.2% 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 2006
USD Class	0.7%	51.5%	43.6%	83.2%
CHF Class	1.4%	44.1%	44.0%	38.8%
EUR Class	1.5%	35.1%	36.1%	96.2%

Largest Holdings

Yili Company	9.8%	
Gree Electric Appliances	9.1%	
Alibaba	9.0%	
Ping An	7.8%	
Tencent	7.1%	
China Merchants Bank	6.1%	

Exposure

TMT	37.0%	
Financials	18.1%	
Consumer Discretionary	17.3%	
Consumer Staples	15.5%	
Industrials	5.9%	
Cash	1.7%	

Newsletter September 2017

- The PBoC announced targeted RRR cut
- CICC announced strategic cooperation with Tencent
- Alibaba will invest USD15 billion in global logistics
- Yangtze Power benefits from strong hydropower generation

The People's Bank of China (PBoC) announced targeted Reserve Requirement Ratio (RRR) cut, effective on January 2018. Banks with an inclusive financing exposure of higher than 1.5%/10% of loans would be eligible for a 50bps/150bps RRR cut from benchmark ratios. The definition of "inclusive financing" is expanded to include loans for poverty alleviation and innovation, in addition to the existing definition of SME loans and agricultural-related financing. It is estimated that the theoretical amount of interbank liquidity released from the cut would be about CNY 750 billion. The RRR cut probably signals the authorities' concern about the recent slowdown of August economic data and could be partly intended to support market sentiment in the run-up to the 19th Party Congress.

CICC announced strategic cooperation with Tencent. It is agreed that Tencent will acquire 4.95% stake of CICC and senior management from both sides will form a strategic committee to promote cooperation. The cooperation will allow CICC to tap into Tencent's vast client base and advanced technology. CICC stated that the primary goal is to scale up its high-net-worth client base, while cooperation in other areas such as mass-market client wealth management, investment banking and private equity fund is also possible.

Alibaba will invest USD15 billion in global logistics over the next 5 years. The company took controlling stake in logistics company Cainiao with the purpose of enhancing the logistics capabilities within the Alibaba ecosystem. This speeds up the implementation of their New Retail strategy which brings online and offline retail into one seamless experience for shoppers. Currently Cainiao handles 57 million deliveries a day and the ultimate goal of Alibaba Group is to create the capability to delivery anywhere in China within 24 hours and anywhere in the world within 72 hours.

Yangtze Power benefited from strong hydropower generation in September. According to NDRC's preliminary statistics, nationwide hydropower generation surged 23% YoY in September, much better than 16% YoY growth in August. The solid demand and the abundant incoming water both contribute to the accelerated generation. The satisfactory hydrology condition at the end of flood season also implies better performance during the dry season this year, as hydro-power plants are able to increase their water reserve to the desired level and therefore improve generation efficiency in the dry season. Yangtze Power, as the largest hydropower company in China, will be a major beneficiary of this situation.

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
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.