

Figures as of	October 31, 2017
Net Asset Value	USD 184.05, CHF 143.45, EUR 201.54
Fund Size	USD 129.8 million
Inception Date*	May 27, 2003
Cumulative Total Return	456.8% in USD
Annualized Total Return	12.6% 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

	October	YTD	1 Year	Nov 2006
USD Class	6.9%	62.0%	54.4%	95.8%
CHF Class	9.6%	58.0%	55.4%	52.2%
EUR Class	8.3%	46.4%	45.4%	112.6%

#### Largest Holdings

Gree Electric Appliances	9.6%	<div style="width: 9.6%;"></div>
Alibaba	8.9%	<div style="width: 8.9%;"></div>
Ping An	8.3%	<div style="width: 8.3%;"></div>
Tencent	6.8%	<div style="width: 6.8%;"></div>
Yili Company	6.5%	<div style="width: 6.5%;"></div>
China Merchants Bank	6.1%	<div style="width: 6.1%;"></div>

#### Exposure

TMT	36.8%	<div style="width: 36.8%;"></div>
Financials	18.3%	<div style="width: 18.3%;"></div>
Consumer Discretionary	17.8%	<div style="width: 17.8%;"></div>
Consumer Staples	12.1%	<div style="width: 12.1%;"></div>
Industrials	5.3%	<div style="width: 5.3%;"></div>
Cash	3.2%	<div style="width: 3.2%;"></div>

## Newsletter October 2017

- President Xi has considerably strengthened his position
- Yili continued its strong sales momentum
- Hikvision reported 3Q17 results with net profit up 28% YoY
- Gree reported strong prepayments from distributors in 3Q17

President Xi has considerably strengthened his position at the 19th Party Congress. Not only was "Xi Jinping Thought" written into the Party Charter but he now also has clear control of the Politburo. Moreover, no successor was appointed to the Standing Committee. The execution of his initiatives on One Belt One Road, anti-corruption campaign, SOE reform and environmental regulation will likely continue or accelerate. It is also noted that the GDP target was not mentioned in the congress, signaling that President Xi may prefer a relatively slower but higher quality economic growth.

Yili continued its strong sales momentum with 18% sales growth YoY in 3Q17, much faster than the industry average of 6%-7%. While gross profit margin declined due to rising raw milk and packaging cost, operating margin improved 150 basis points thanks to lower selling and administrative expense. As a result, Yili reported 3Q17 net profit of CNY1,573 million, up 33% YoY. The results confirmed that industry recovery continues and Yili has continued to gain market share from all segments, ranging from key premium products, basic milk products to infant formula.

Hikvision reported 3Q17 results with net profit up 28% YoY. In 3Q17, revenue of the company grew 31% YoY to CNY 8.6 billion and net profit grew 28% YoY to CNY 2.2 billion. Gross profit margin continued to improve from 43.7% in 3Q16 to 46.3% in 3Q17. Hikvision's artificial intelligence combined with edge computing solution enables fast and easy applications, while releasing computing power at the cloud end and reducing the usage of bandwidth, which ultimately improves efficiency for the entire system. We expect the acceleration of AI-related product development to continue. We are confident that Hikvision can maintain its global leadership in the surveillance market.

Gree reported strong prepayments from distributors in 3Q17. In 3Q17, revenues grew 25% YoY to CNY 41.7 billion. Unearned revenue accumulated to a historically high level of CNY 28.2 billion at the end of 3Q17, compared to CNY 6.2 billion at the end of 2Q17, which suggests strong demand from distributors to re-stock inventories after a satisfactory summer season. Despite rising raw material cost, unfavorable forex movement and increased installation fee paid to distributors, Gree still delivered stable net profit margin of 14.3% in 3Q17, mainly thanks to positive operating leverage and effective expense control.

## 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.