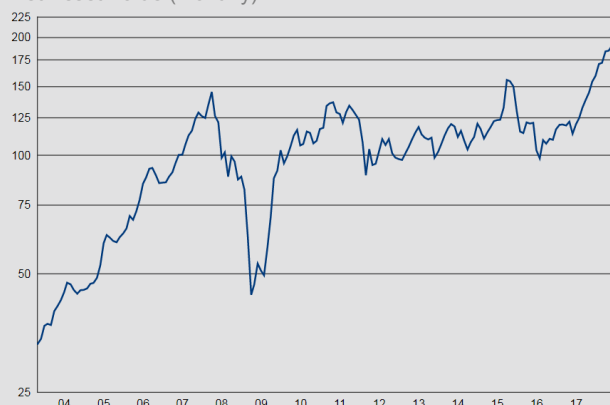


Figures as of	December 29, 2017
Net Asset Value	USD 189.94, CHF 145.21, EUR 202.33
Fund Size	USD 134.6 million
Inception Date*	May 27, 2003
Cumulative Total Return	474.6% in USD
Annualized Total Return	12.7% in USD

\* 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

	December	YTD	1 Year	May 2003
USD Class	2.8%	67.2%	67.2%	474.6%
CHF Class	1.8%	59.9%	59.9%	324.2%
EUR Class	1.7%	47.0%	47.0%	460.2%

## Largest Holdings

Gree Electric Appliances	9.6%	<div style="width: 9.6%;"></div>
Ping An	9.5%	<div style="width: 9.5%;"></div>
Yili Company	7.0%	<div style="width: 7.0%;"></div>
China Resources Beer	6.7%	<div style="width: 6.7%;"></div>
China Merchants Bank	6.1%	<div style="width: 6.1%;"></div>
Man Wah	5.6%	<div style="width: 5.6%;"></div>

## Exposure

TMT	29.5%	<div style="width: 29.5%;"></div>
Financials	19.5%	<div style="width: 19.5%;"></div>
Consumer Discretionary	18.4%	<div style="width: 18.4%;"></div>
Consumer Staples	13.7%	<div style="width: 13.7%;"></div>
Utilities	3.8%	<div style="width: 3.8%;"></div>
Cash	8.0%	<div style="width: 8.0%;"></div>

## Newsletter December 2017

- Pilot of full circulation of H shares was announced
- Alibaba Cloud extends coverage to enable Indian enterprises
- China beer giants hike price for the first time since 2011
- Man Wah enhanced its vertical integration by acquisition

Pilot of full circulation of H shares was announced. There are 252 H-share listed companies on the Hong Kong Stock Exchange, among which 154 were not yet fully liquidized. The equivalent market capitalization of the non-tradable H shares is about HKD 2.6 trillion, or 8% of the total market capitalization of the Hong Kong stock market. Under the pilot program, no more than three pilot enterprises will be allowed for full circulation of their shares in the early stage. The further capital market reform would not only improve the liquidity of relevant companies as well as their weights in indices, but also better align the interest of major shareholders with public investors.

Alibaba Cloud extends coverage to enable Indian enterprises. Alibaba Cloud, the cloud computing arm of Alibaba Group, announced that its first data center on Indian soil will come online in January and be based in Mumbai. The newly added data center will give the company 33 availability zones, with coverage spanning mainland China, Hong Kong, Singapore, Japan, Australia, the Middle East, Europe, India and the US. Looking forward, Alibaba Cloud will continue its globalization strategy and is expected to deliver more enterprise-grade platform-as-a-service and software-as-a-service offerings that enhance the strength of the company to compete with Amazon's AWS and Microsoft's Azure.

China beer giants hike ex-factory price for the first time since 2011. Both China Resources Beer and Tsingtao beer confirmed to have recently increased ex-factory prices for a number of products in certain areas against the backdrop of rising packaging costs. We believe it is the first like-for-like price hike since 2011. Although the price hike is triggered by raw material cost pressure, it is still encouraging to investors because it reflects that the big players are placing more importance on profitability now rather than price competition for higher market share.

Man Wah enhanced its vertical integration by acquiring a metal frame manufacturer Jiangsu Yulong at CNY 300 million. The valuation is considered attractive at FY2016 PE of 7.4x or P/S of 0.4x. With metal being its second largest raw material cost, the vertical integration is expected to ease its cost pressure especially after the rise of metal prices last year. Meanwhile, Man Wah also announced to acquire a small peer Jiangsu Delanshi at CNY 20 million. Much synergy may arise as they are both manufacturers of recliner sofas and exporters to overseas markets.

## 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	UBS Switzerland 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
	UBS Switzerland AG Fund Order Desk Tel: +4144 239 1930 Fax: +4144 239 4804

Contact & Website	HSZ (Hong Kong) Limited Unit 605A, 6/F, Tower 2 Lippo Centre, 89 Queensway Hong Kong Tel: +852 2287 2300 Fax: +852 2287 2380 www.hszgroup.com mail@hszgroup.com
-------------------	--

### 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.