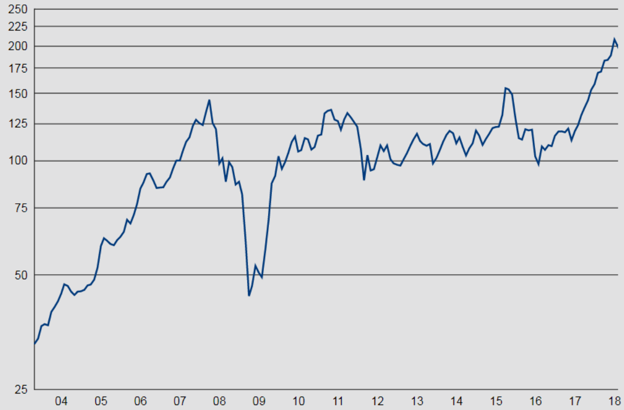
HSZ China Fund

Figures as of	February 28, 2018
Net Asset Value	USD 200.33, CHF 148.48, EUR 210.21
Fund Size	USD 144.0 million
Inception Date*	May 27, 2003
Cumulative Total Return	506.0% in USD
Annualized Total Return	13.0% 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	May 2003
USD Class	(3.7%)	6.0%	61.8%	509.1%
CHF Class	(2.7%)	2.3%	51.3%	333.7%
EUR Class	(1.9%)	3.9%	40.3%	482.0%

Largest Holdings

Ping An	9.1%
Alibaba	8.2%
Gree Electric	8.1%
Tencent	7.2%
Yili	6.8%
China Resources Beer	6.7%

Exposure

TMT	35.7%
Financials	18.5%
Consumer Discretionary	14.7%
Consumer Staples	13.5%
Health Care	4.6%
Cash	3.3%

Newsletter February 2018

- Chinese 2018 GDP target has been set at “around 6.5%”
- Sunny Optical issued positive profit alert
- SSY expected 30-40% increase in net profit for 2017
- Hikvision’s net profit increased 26.6% YoY in 2017

Chinese 2018 GDP target has been set at “around 6.5%”, the same as last year but the “higher if possible in practice” reference has been removed. In the government’s work report, Premier Li also announced that the fiscal deficit target had been lowered to 2.6% of GDP from 3.0% in the previous two years. Targets for M2, aggregate social financing and FAI were no longer specifically stated. These changes suggest that after a broad-based recovery last year, China is likely to be less focused on chasing higher growth and more focused on fiscal discipline and financial deleveraging to defuse potential risks.

Sunny Optical issued positive profit alert. The smartphone lens manufacturing company said it expects net profit for 2017 to jump more than 120% YoY as shipments of lens sets and handset camera modules improved alongside with margins. Furthermore, the company has announced a strategic partnership with Corephotonics, a pioneer and market leader of dual camera technologies, in order to bring new offerings such as dual camera modules, image processing algorithms and computer vision software for superior image quality and user experience. We believe Sunny Optical can continue to add value to its Chinese customers and enhance return on equity in the coming years.

SSY expected 30-40% increase in net profit for 2017, according to its positive profit alert. The increase is attributable to both the rise of sales volume and average selling price of intravenous infusion solutions, as well as a higher gross profit margin thanks to a better product mix. The alert confirmed our view that SSY is benefiting from the trend of demand upgrade and is capable to gain market share. Besides, SSY has recently obtained the approval for drug production and registration for Hemofiltration Basic Solution (4000ml) from the China Food and Drug Administration.

Hikvision’s net profit increased 26.6% YoY in 2017, according to its financial preview. Based on its preliminary accounting data, the revenue increased by 31.2% YoY to CNY 41.8 billion and net profit increased by 26.6% YoY to CNY 9.4 billion. The return on equity remained flat YoY at 35.0%. Hikvision has continued to keep a high level of R&D and accelerated the commercialization of technologies in the surveillance and video analytics application. Looking forward, edge computing and artificial intelligence could become the next wave of upgrade cycles which create excellent opportunities for the Chinese leading surveillance solution provider.

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 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
Orders via Banks	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.