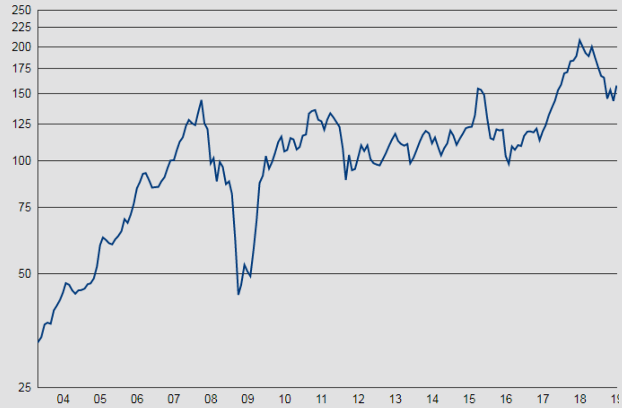
HSZ China Fund

Figures as of	January 31, 2019
Net Asset Value	USD 157.88, CHF 123.41, EUR 176.04
Fund Size	USD 126.3 million
Inception Date*	May 27, 2003
Cumulative Total Return	380.0% in USD
Annualized Total Return	10.5% 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

	January	YTD	1 Year	May 2003
USD Class	9.9%	9.9%	(24.1%)	380.0%
CHF Class	10.8%	10.8%	(19.2%)	260.5%
EUR Class	9.4%	9.4%	(17.9%)	387.4%

Largest Holdings

Ping An	9.4%
China Merchants Banks	7.2%
Alibaba Group	6.4%
SSY Group	5.6%
Tencent Holdings	5.4%
Cash	8.9%

Exposure

Information Technology	23.7%
Financials	20.5%
Consumer Staples	15.1%
Consumer Discretionary	14.6%
Health Care	7.3%
Cash	8.1%

Newsletter January 2019

- Negotiations between US and China continue
- Yangtze Power beat full year guidance
- Alibaba Health is staring the online prescription drug market
- TAL Education reported 3Q18 results with net profit up 205% yoy

Negotiations between US and China continue. Officials from the US and China held their first face-to-face negotiations since a 90-day truce was declared in a trade war between Washington and Beijing. The two largest economies claimed progress in tackling some of the thorniest issues in their trade war, including technology transfer, intellectual property right protection and enforcement, and cyber security. Donald Trump suggested that a new presidential summit might be necessary to settle the economic conflict within the next month.

Yangtze Power beat full year guidance. The hydropower operator announced electricity power generation of 215.5bn kWh for the full year 2018, an increase of 2.18% year over year, beating the guidance of 201.3bn kWh. This was mainly due to greater-than-expected water inflow in the Yangtze River basin where the water inflow at the Xiluodu and Three Gorges areas increased by 13.2% and 8.4% year over year, respectively. Looking forward, Yangtze Power will be actively looking for opportunities to increase return on its investment through acquiring equity stakes of downstream electricity distributors.

Alibaba Health is eyeing the online prescription drug market. In January 2019, Alibaba Health, the healthcare arm of Alibaba Group, has started a pilot program of “prescription drug + home delivery” cooperating together with Kunming local government. It is noteworthy that currently around 75% of the drugs in China are prescription drugs which are mainly distributed through the offline channel. The company is now awaiting the government to also approve of online prescription drugs. Once being approved, Alibaba Health could utilize the online customer base of its parent company and offer solutions through the online channel with better quality control and more convenience for end users. Note that various global well-known pharmaceutical companies like Pfizer, Merck, Sanofi have entered cooperation with Alibaba Health, hoping to be the pioneers to share this potential market.

TAL Education reported 3Q18 results with net profit up 205% yoy. For 3Q18, the company’s net revenue and profit amounted to USD 586 million and USD 124 million respectively, representing an increase of 35.3% and 204.5% year over year respectively. The total student enrollments increased by 68.4% year over year to 2.6 million students. Noticeably, the online business Xueersi.com delivered 157% yoy revenue growth and 220% yoy growth in enrollments, with the increasing willingness to adopt online education, Managements plan to continue its online investments in the form of marketing and R&D focusing on online content development and course innovation.

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
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General Information

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.