HSZ China Fund

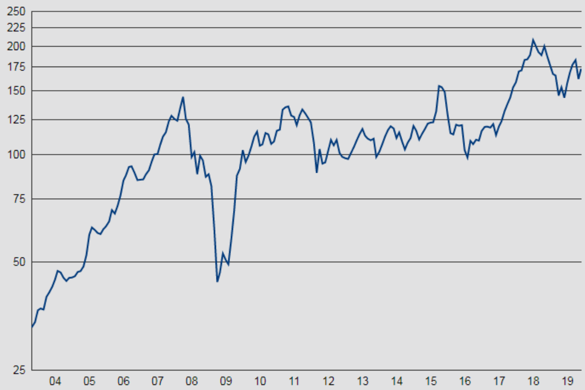
Newsletter June 2019

- China and US to resume trade talks after G20 summit
- China Education Group acquire Nanfang Translators College
- By-Health announced 1H19 preliminary result
- CATL ramps up investment in German battery factory

Figures as of	June 28, 2019
Net Asset Value	USD 173.12, CHF 131.62, EUR 194.80
Fund Size	USD 159.6 million
Inception Date*	May 27, 2003
Cumulative Total Return	426.37% in USD
Annualized Total Return	10.9% 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

	June	YTD	1 Year	May 2003
USD Class	6.9%	20.5%	(8.0%)	426.4%
CHF Class	3.7%	19.1%	(10.0%)	287.7%
EUR Class	4.6%	21.0%	(6.1%)	439.4%

Largest Holdings

China Resources Beer	8.0%
China Education Group	6.2%
Inner Mongolia Yili	6.1%
Ping An Insurance	5.7%
Alibaba Group	5.4%
Cash	3.7%

Exposure

Consumer Staples	25.0%
Information Technology	22.0%
Consumer Discretionary	16.3%
Health Care	11.5%
Financials	9.1%
Cash	3.7%

China and US to resume trade talks after G20 summit. The Chinese president Xi Jinping and Donald Trump agreed to resume trade talks after the US president pledged not to put more tariffs on Chinese goods while negotiations continued. In the meantime US firms are allowed to resume sales to Huawei, and in return, China agreed to buy an unspecified amount of US goods. Notably President Xi recounted the era of "ping-pong diplomacy" that helped jump-start US-China relations two generations ago. Moreover, he used the phrase "Cooperation and dialogue are better than friction and confrontation" as a prescription for the resolution of the tensions between China and the US. After the G20 meeting in Osaka at the end of June, there is renewed hope that the two nations are heading for a constructive solution of the trade conflict. There is no easy solution in sight and it is very likely that the long and tough negotiations ahead will lead to increased volatility in the capital markets.

China Education Group acquired Nanfang Translators College. The Chinese leading higher and vocational education provider announced the acquisition of Chongqing Nanfang Translators College of Sichuan International Studies University with a consideration of CNY 1.01 billion. The college has 13,000 undergraduate students taking full-time programs including foreign languages, hotel management, Chinese international education, fine art and music performance. China Education Group is on track to carry out its M&A strategy and to deliver long term profitability by improving operational efficiency.

By-Health announced 1H19 preliminary result. The company's preliminary result for 1H19 shows net profit attributable to shareholders is expected to be between CNY 775 - 916 million, representing an increase of 10% - 30% over the same period of the previous year. By-Health is successfully executing its marketing strategy, including using protein powder as a major brand image for marketing promotion. Going forward, the company will speed up the establishment of distribution channels, especially for maternal and child stores.

CATL ramps up investment in German battery factory. The Chinese leading vehicle battery maker will invest up to EUR 1.8 billion over the next five years for an expansion of its production line in Germany. The company foresees a strong demand in the overseas market of electric vehicles. It is noteworthy that BMW recently announced that it will move forward by two years the design and production of pure electric vehicles compared to its initial plan. BMW has already agreed on a long-term cooperation with CATL to the tune of EUR 4 billion.

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

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.