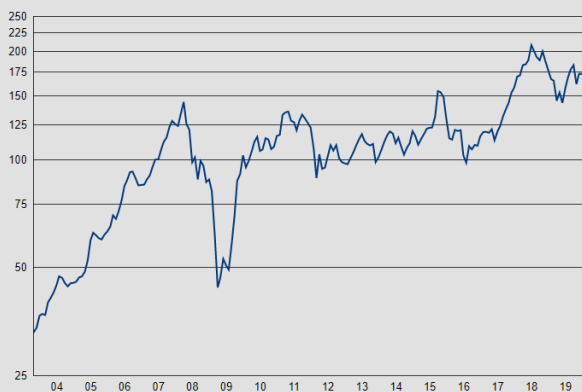


Figures as of	August 30, 2019
Net Asset Value	USD 170.44, CHF 131.50, EUR 197.85
Fund Size	USD 157.4 million
Inception Date*	May 27, 2003
Cumulative Total Return	418.2% in USD
Annualized Total Return	10.6% in USD

* 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

	August	YTD	1 Year	May 2003
USD Class	(1.5%)	18.7%	1.8%	418.2%
CHF Class	(1.6%)	19.0%	4.2%	287.3%
EUR Class	(0.4%)	22.9%	7.8%	447.8%

Largest Holdings

Alibaba Group	7.0%	
China Education Group	6.4%	
Kweichow Moutai	6.1%	
Ping An Insurance	5.9%	
Geely Automobile	5.7%	
Inner Mongolia Yili	5.4%	

Exposure

Information Technology	25.6%	
Consumer Staples	18.2%	
Consumer Discretionary	17.5%	
Health Care	13.4%	
Industrials	9.7%	
Cash	1.8%	

Newsletter August 2019

- China economy shows signs of stabilization despite trade war
- Yili reported 1H19 net profit of CNY 3.8 billion, up by 10% YoY
- Dian Diagnostics' revenue up 35% YoY in 1H19 to CNY 4 billion
- Sunny Optical achieved net profit growth of 20% YoY in 1H19

China's economy shows signs of stabilization despite trade war. The latest Caixin China General Manufacturing PMI rebounded to 50.4 in August, compared with 49.9 in July. It was the first time in three months that it has risen above the 50 mark. On the other hand, activity in China's services sector also expanded at the fastest pace in three months where the Caixin services PMI surged to 52.1 in August, compared with 51.6 in July. At the same time the progress on opening up the Chinese market are continuing. Most recently the Chinese government eased rules on cheap drug imports, expanded free trade zones in several regions and introduced market-driven lending rates.

Yili reported 1H19 net profit of CNY 3.8 billion, up by 10% YoY. The company reported another set of positive interim results, with revenue up by 13% year over year to CNY 45.1 billion and net profit up 10% year over year to CNY 3.8 billion. While the penetration rate of Yili's products further enhanced in all tiers cities, in particular, sales from the e-commerce channel sharply increased by 32% year over year. Management is convinced that their core brands, namely the liquid milk brand "Satine" and the yogurt brand "Ambrosial", can benefit from consumer upgrades and has therefore ample room to grow.

Dian Diagnostics' revenue up 35% YoY in 1H19 to CNY 4 billion. Revenue from In Vitro Diagnostic Devices (IVD) segment increased by 44% year over year to CNY 2.6 billion while revenue from diagnosis service increased by 21% year over year to CNY 1.4 billion. Net operating profit increased by 21.5% year over year to CNY 247 million. Management is pleased that the expansion phase has been completed successfully with full coverage of China. The focus is now on the integration and on improvement of its internal operating efficiency. We expect the profitability from diagnostic services to increase rapidly in the coming years once the utilization of newly established laboratories reaches its optimal level.

Sunny Optical achieved net profit growth of 20% YoY in 1H19. The Chinese leading optical lens expert delivered another solid performance with revenue up 30% year over year to CNY 15.6 billion and net profit increased by 20% year over year to CNY 1.4 billion. The company has made good progress in the research and development of the next generation handset lens set and camera module. Management is confident in bringing these latest technologies and functional upgrade features into commercialization. We expect the competitive advantage of Sunny Optical against its competitors is going to get bigger in the coming years.

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

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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.

Disclaimer

This newsletter is for information purposes only and is not to be regarded as an offer for the purchase or sale of the fund's units. The fund may not be marketed, either directly or indirectly, in the United States of America or sold to US persons. The value of units can fall as well as rise.

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