

Figures as of	November 29, 2019
Net Asset Value	USD 178.23, CHF 138.86, EUR 207.49
Fund Size	USD 163.3 million
Inception Date*	May 27, 2003
Cumulative Total Return	441.9% in USD
Annualized Total Return	10.8% 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

	November	YTD	1 Year	May 2003
USD Class	0.3%	24.1%	16.0%	441.9%
CHF Class	1.5%	25.7%	16.2%	309.0%
EUR Class	1.7%	28.9%	20.0%	474.5%

## Largest Holdings

Alibaba Group	7.8%	
Geely Automobile	6.7%	
China Education Group	5.7%	
Ping An Insurance	5.5%	
CATL	5.4%	
Inner Mongolia Yili	5.4%	

## Exposure

Information Technology	26.4%	
Consumer Discretionary	20.1%	
Consumer Staples	15.6%	
Health Care	13.6%	
Industrials	9.0%	
Cash	3.3%	

## Newsletter November 2019

- China's manufacturing is back in expansion
- Alibaba Group secondary listing in Hong Kong
- AliHealth's interim result of 2020 beat expectations
- Midea reported CNY 7.4 billion sales in double eleven festival

China's manufacturing is back in expansion. China's economy showed signs of improvement in November, with the latest figures of manufacturing purchasing index (PMI) rose to 50.2 in November from 49.3 in October. The corresponding measure for the construction and service sector, also known as the non-manufacturing PMI, increased to 54.4 in the month.

Alibaba Group secondary listing in Hong Kong. After the USD 25 billion New York IPO in 2014, the Chinese e-commerce leader returned to Hong Kong's stock market through a secondary in November. The stock is fully fungible whereby shareholders can convert one to another with one ADS equal to eight Alibaba shares on the Hong Kong exchange. Alibaba's Hong Kong shares have the potential to be eligible to join the stock-connect program in the near future, meaning it will be open directly for investors from the mainland China. In addition, a Hong Kong listing gives Alibaba some protection against the risk of being delisted in New York, given some officials in the Trump administration and members of Congress have been discussing proposals that could directly or indirectly force out Chinese companies listed in the US.

AliHealth's interim result of 2020 beat expectations. The company reported 1H20 revenue and gross profit of CNY 4.1 billion and CNY 1 billion, representing a significant growth rate of 119% and 95%, respectively. The self-operated online stores accumulated more than 37 million annual active consumers in the past 12 months. The company narrowed its loss to CNY 8 million in 1H20 due to operating leverage. Looking forward, the company's profitability will continue to improve by strengthening pharmaceutical retail models and upcoming policy deregulation of online prescription drug sales. Furthermore, the extensive utilization of the "Ma Shang Fang Xin" platform helps to bring online, digitize and improve the transparency of, the pharmaceutical supply chain, and to provide basic tools and value-added services to pharmaceutical industry participants could become an important competitive advantage against peers.

Midea recorded CNY 7.4 billion sales in double eleven festival. The company became the top seller in the home appliance categories during the double eleven festival (taking place on November 11<sup>th</sup>) for seven consecutive years. In particular, the younger generation accounted for 38.4% of orders volume with robotic floor cleaner and automatic dish washers ranked as the top selling products. Moreover, Midea also participated in online promotion through live streaming to enhance eye ball and conversion rate. Currently Midea sold 2 million items every month through the "Taobao live streaming", an increase of 10 times within eight months since it started.

## 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
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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

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