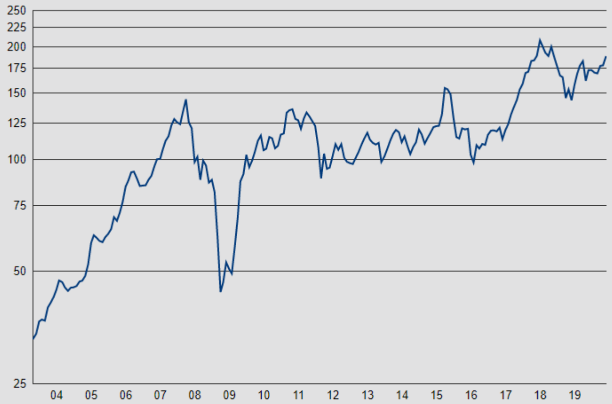
HSZ China Fund

Figures as of	December 31, 2019
Net Asset Value	USD 188.66, CHF 142.48, EUR 215.59
Fund Size	USD 172.8 million
Inception Date*	May 27, 2003
Cumulative Total Return	473.6% in USD
Annualized Total Return	11.1% 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

	December	YTD	1 Year	May 2003
USD Class	5.9%	31.4%	31.4%	473.6%
CHF Class	2.6%	29.0%	29.0%	319.7%
EUR Class	3.9%	33.9%	33.9%	496.9%

Largest Holdings

Alibaba Group	7.8%
Geely Automobile	6.6%
CATL	6.3%
Inner Mongolia Yili	5.5%
Ping An Insurance	5.4%
China Education Group	5.2%

Exposure

Information Technology	26.6%
Consumer Discretionary	19.7%
Consumer Staples	15.9%
Health Care	14.8%
Industrials	9.9%
Cash	1.3%

Newsletter December 2019

- The China-US phase one deal suggests a temporary cease-fire
- Geely's sales are recovering
- Ample room for Tencent to monetize its WeChat Pay and traffic
- Moutai sets new targets for 2020

The China-U.S. phase one deal suggests a temporary cease-fire. Speculation suggests China and the U.S. are close to signing a phase-one trade deal in early January 2020, which temporarily calmed fears of an escalating trade war between the world's two largest economies. However, the deal will not mean an end to the broader competition between the two super powers. The fact that the two leaders of different economic models are willing to address the disputes and to avoid falling into the Thucydides's Trap is a positive.

Geely's sales are recovering. November sales of Geely Auto rose 1% year over year to 143'234 vehicles. This is the second month with positive growth after six months with downward trend. The recovery was mainly driven by the new car launch of Lynk 03 and resilient sales of Lynk 01 and 02. Lynk & Co, the latest auto brand co-developed between Geely Auto and Volvo Cars, achieved the highest sales volume in China this month. Moreover Geely's new energy vehicles strategy is on the track. During the period from January to November 2019, Geely's new energy vehicles sales had increased by 67% year over year, while the company has already achieved 91% of its annual sales target in the first 11 months of 2019. Management is positive for the upcoming December sales and expects to be able to reach the full year sales target. On the back of the industry recovery plus strong product pipeline next year, including launching Lynk & Co 05 & 06, it is expected that Geely's sales and profit will further improve in 2020.

Ample room for Tencent to monetize its WeChat Pay and traffic. With over 1.1 billion Wechat users account as well as 300 million daily active users under its newly launched Mini Programs, the Chinese internet social platform recently launched its embedded Wechat search service for brand owners and merchants. While Tencent has yet to monetize its search traffic, it is only a step away from monetization after cultivating the "in-app" search among its users. In addition, the company is keen to explore revenue opportunities from its Wechat Pay business, including online wealth management Licaitong and insurance service WeSure, where these segment could narrow the loss of the overall payment business unit.

Moutai sets for new targets in year 2020. The Top Chinese liquor brand announced its target sales volume of 34.5k tones for 2020, an increase of 11.3% year over year. The company hosted a national distributor meeting and indicated that the contribution from direct sales channel will be up from 5% in 2019 to 15% in 2020. Furthermore, the blended average selling price will be significantly boosted given that the ex-factory price through direct sales channel (CNY 1499 per bottle) is much higher than the distributor channel (CNY 969 per bottle).

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
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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.