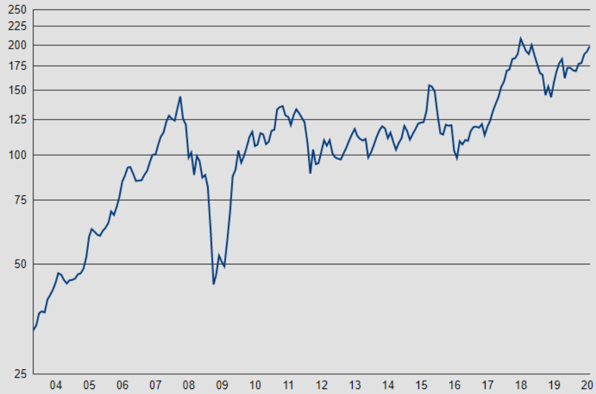
HSZ China Fund

Newsletter February 2020

Figures as of	February 28, 2020
Net Asset Value	USD 198.28, CHF 149.06, EUR 230.30
Fund Size	USD 181.9 million
Inception Date*	May 27, 2003
Cumulative Total Return	502.9% in USD
Annualized Total Return	11.3% 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

	February	YTD	1 Year	May 2003
USD Class	3.3%	5.1%	17.4%	502.9%
CHF Class	2.6%	4.6%	13.4%	339.1%
EUR Class	3.2%	6.8%	21.2%	537.7%

Largest Holdings

CATL	7.6%
AliHealth	7.6%
Alibaba Group	7.1%
TAL Education	6.3%
Ping An Healthcare	6.2%
Geely Automobile	5.7%

Exposure

Information Technology	24.3%
Health Care	19.4%
Consumer Discretionary	18.1%
Consumer Staples	14.3%
Industrials	10.8%
Cash	2.9%

- Main manufacturing hubs in China resume operations
- Alibaba's cloud computing revenue exceeded CNY 10 billion
- Geely Automobile is planning to merge with Volvo Cars
- Ping An Insurance grew profits by 36% year over year

Main manufacturing hubs in China resume operations. Under China's aggressive and strict measures, new cases of coronavirus in China appear to be slowing. Many parts of China started to ease travel curbs and the main manufacturing hubs in the east and south are seeing hundreds of thousands of migrant workers returning to work. A jointed effort, which includes chartered trains and flights as well as cash bonuses for workers, for factories in China to resume normal operations.

Alibaba's cloud computing revenue exceeded CNY 10 billion. The Chinese e-commerce leader reported its December quarter result with revenue up 38% year over year to CNY 161 billion and net profit increased by 58% year over year to CNY 52 billion. The Chinese digital economy reached new heights with another record high at the 11.11 Global Shopping Festival. Recently Alibaba Cloud enabled the migration of the core systems of e-commerce businesses onto public cloud, which allows to process over 544,000 orders per second at peak and 970 petabytes of data without disruption for the full 24 hour. Alibaba Cloud further widened its leading position in the domestic market and has a good chance to start making profit in the near future.

Geely Automobile is planning to merge with Volvo Cars. The Swedish auto brand Volvo Cars was acquired by Geely Holding in 2010, after the acquisition Volvo Cars was managed and operated independently while the Chinese market gradually has become Volvo's largest revenue contributor. The merger of the two companies could produce synergies, including cost saving in manufacturing and distribution channels, technology exchange as well as marketing positioning for the company as a whole. E.g. Volvo can access Geely's China distribution channels and its factories to reduce production cost while Geely will benefit from Volvo's foreign distribution channels to increase exports. With common interests aligned, Volvo will be more eager to share its advanced platform with Geely and help the co-brand Lynk & Co to sell worldwide.

Ping An Insurance grew profits by 36% year over year. The insurance group reported FY19 result with total revenue rising by 18% year over year to CNY 1.3 trillion and net profit up 39% year over year to CNY 149 billion. The focus on technology applications has brought 16% increase in internet users 516 million on its platforms, allowing the company to cross sell its products. Looking forward, the company is targeting to achieve stronger NBV growth in subsequent years, as well as to consistently increase agent income and productivity. The company will carry out reforms in individual, online as well as bancassurance channels.

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
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

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.