HSZ China Fund

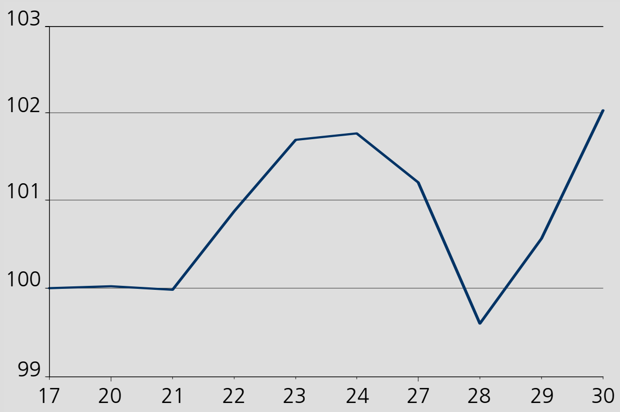
Figures as of November 30, 2006

Net Asset Value

Per Share: USD 102.03, CHF 98.76, EUR 99.07

Market Capitalization: USD 141.9 million

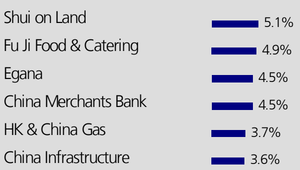
Share Price in USD since Nov 17, 2006



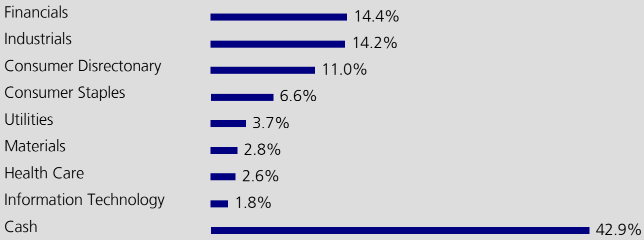
Performance

	Nov	YTD	1Y	Nov 17, 06
USD-Class	n.a.	n.a.	n.a.	2.0%
CHF-Class	n.a.	n.a.	n.a.	(1.2%)
EUR-Class	n.a.	n.a.	n.a.	(0.9%)

Largest Holdings



Exposure



Newsletter November 2006

- Successful new China listings (IPOs) lead to market rally
- Fu Ji Food and Catering's net profit increases 51 percent
- China Infrastructure benefits from government infrastructure spending
- Asset injection boosts CRL's landbank
- Beauty China's expansion continues in third quarter

Successful China IPOs led market rally in November. November saw a flurry of IPO activity, with ICBC, a major Chinese bank, being the largest IPO raising USD 22 billion. The buoyant demand for Chinese banking shares led to a rally in the overall sector benefiting the fund's holdings in one of the few non-government owned banks, China Merchants Bank. The proceeds received for the HSZ China Fund are being invested gradually, in view of the fact that the markets have performed strongly recently. We remain positive on the outlook of the Chinese economy and apart from consumer stocks, the fund is selectively building a position in the healthcare sector.

Fu Ji Food and Catering reported a strong set of results for the six months ended September 30, 2006. Turnover and net profit were up 65 and 51 percent to CNY 535 million and CNY 172 million respectively, generated by good performance of its catering and Chinese restaurant business. Operating margin continued its uptrend, increasing 1.4 percentage points (ppt) to 37.8 percent sequentially in the second quarter, 9.9 ppt above the level two quarters ago. Total output is now 462'500 meals per day, implying a utilization of 54 percent, up from 50 percent in March 2006 when the output was 350'000 meals. We are satisfied with the business development and remain optimistic on its progress into existing and new business segments, including the bidding for the Beijing Olympics catering supply.

During the month, the fund made an investment in China Infrastructure Machinery principally engaged in the design, production and sales of infrastructural machinery. The company will benefit from the continuous government budget spending on the infrastructure upgrade and its strong brand name in mainly wheel loaders and road rollers.

After a sharp correction in June/July led by the government's austerity measures against property speculation, property stocks have recovered from the lows. China Resources Land (CRL) acquired two property projects, a 49 percent stake in Beijing with an attributable gross floor area (GFA) of 370'000 square meters; and a Chengdu site, with GFA of 2'634'000 square meters, from its parent company for HKD 2'733 million. CRL will make the acquisition through a combination of cash and shares, which would see its parent's stake in CRL increase by 2 percent to 67 percent after the transaction. CRL also won the tender for a 144'247 square meter site in Shanghai at CNY 1.54 billion and submitted a CNY 3.05 billion bid for a site in Beijing's Chaoyang district.

Beauty China saw its turnover and net profit up 32 percent and 21 percent, year-on-year, respectively in the quarter ended September 30, 2006, in line with our expectations. The company now has 1'110 outlets nationwide, up from 1'040 last quarter.

General Information

Legal Nature	Swiss Investment Fund, “Kategorie: Übrige Fonds”
Approved	August 2006 by Federal Banking Commission
Launch	November 17, 2006
Currency Classes	USD, CHF, EUR
ISIN, Valor, WKN	USD-Class CH0026828035, 2682803, A0LC13
	CHF-Class CH0026828068, 2682806, A0LC14
	EUR-Class CH0026828092, 2682809, A0LC15
Bloomberg	HSZCHIFD, HSZCFCHF, HSZCHEUR

Trading	Daily, based on NAV after June 30, 2007
Settlement	Euroclear, SegaInterSettle, Clearstream
Management Fee	1.5%
Performance Fee	10% above 5% hurdle rate, high water mark
Issuance Fee	Maximum 5%

Investment Manager	HSZ Group
Fund Administrator	AIG Fund Management (Schweiz) AG
Custodian Bank	AIG Private Bank AG
Main Distributor	HSZ (Schweiz) AG
Auditors	PricewaterhouseCoopers AG
Subscription	All Banks, HSZ (Schweiz) AG

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Investment Rationale

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 centre 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 fuelling demand for consumer products. The growth momentum is set to continue as China strives to catch up with mature economies, producing attractive investment opportunities.

The Fund

HSZ China Fund is an actively managed long only equity fund investing in a selection of China rooted listed mid-cap companies. The investment focus is on entrepreneurial companies, which have a considerable long-term growth potential and whose products and services have an edge. The fund is suitable for investors with a long-term investment horizon seeking capital appreciation. Low correlation with mature equity markets is expected to deliver diversification benefits. The Fund consists of the three currency classes USD, CHF and EUR whereof USD is the fund’s reporting currency. HSZ China Fund is a Swiss Investment Fund which has been approved by Federal Banking Commission in August 2006. After June 30, 2007 the shares are tradable daily on the fund’s net asset value.

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.

The Manager

HSZ Group is an independent investment management company with offices in Hong Kong and Zurich. The company is majority owned by its three partners and employs a total staff of fifteen. The team has managed Asian equity portfolios since 1994. HSZ Group acts as a bridge for European capital invested in Asia and has a long-standing experience in serving institutional and private clients in Europe.