

HSZ China Fund

Investment Fund under Swiss Law (type: "other funds for traditional investments")

Audited Annual Report as at December 31, 2014

HSZGroup

Management and Statutory Bodies

Management Company

Credit Suisse Funds AG, Zurich

Board of Directors

- Dr. Thomas Schmuckli, Chairman
- Luca Diener, Vice President, Managing Director, Credit Suisse AG, Zurich
- Markus Graf, Member, Chief Executive Officer, Swiss Prime Site AG, Olten
- Lars Kalbreier, Member, Managing Director, Credit Suisse AG, Zurich
- Maurizio Pedrini, Member, Managing Director, Credit Suisse AG, Zurich
- Jürg Roth, Member, Managing Director, Credit Suisse AG, Zurich
- Christian Schärer, Member, Managing Director, Credit Suisse AG, Zurich

Executive Board

- Thomas Schärer, Chief Executive Officer
- Patrick Tschumper, Deputy CEO (since December 1, 2014, previously Member, COO)
- Michael Bünzli, Member, Legal Counsel
- Thomas Federer, Member, Performance & Risk Management
- Tim Gutzmer (since December 1, 2014), Member, Fund Services
- Hans Christoph Nickl (since December 1, 2014), Member, COO
- Thomas Vonaesch, Member, Real Estate Fund Management
- Gabriele Wyss, Member, Compliance
- Petra Reinhard Keller (until November 30, 2014), Deputy CEO
- Dr. Daniel Siepmann (until November 30, 2014), Member, Fund Operations

Custodian Bank

Credit Suisse AG, Zurich

Audit Company

KPMG AG, Zurich

Information on third parties

Delegation of investment decisions

Investment decisions in respect of the investment fund have been delegated to HSZ (Hong Kong) Limited, Unit 605A, 6/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, Hong Kong SAR.

Delegation of other specific duties

The Fund Management Company has delegated the distribution and marketing duties of the investment fund to HSZ (Hong Kong) Limited as the main distributor. Precise details of how its remit is to be fulfilled are laid down in an agreement between the Fund Management Company and the main distributor.

The fund management company has delegated certain fund administration duties to the following group companies of Credit Suisse Group AG:

- Credit Suisse AG, Switzerland. Duties include providing legal and tax advice, managing the fund management company's finances, real estate portfolio management and administration, facility management, human resources, the Management Information System (MIS), project and user support for fund accounting, risk management, and monitoring of the investment guidelines.
- Credit Suisse Fund Services (Luxembourg) S.A., Luxembourg: Duties in relation to fund accounting.

- Credit Suisse (Poland) Sp.z.o.o., Poland: Duties in relation to product master data, price publications, factsheet production, KIID production, report preparation, and other support tasks in relation to risk management.

Precise details of how the remit is to be fulfilled are laid down in an agreement between the fund management company and the aforementioned group companies. Further specific tasks may be delegated to the aforementioned group companies.

Report on Activities from January 1, 2014 to December 31, 2014*

Review

2014 was a mixed year for China. On one hand, China continued its effort to promote reforms at the expense of a slower GDP growth rate. On the other hand, China started to loosen its monetary policy more aggressively in the second half of the year as economic data continued to weaken.

As reform measures encouraged better quality but slower growth, China's GDP growth for the year was the slowest in 24 years at 7.4 percent, below its official 7.5 percent target. The soft number was mainly due to the slowdown in fixed asset investment on the back of the weakening property sector as well as the lingering overcapacity problem in manufacturing. Property prices in China have declined for eight consecutive months since May 2014 and the total property sales in 2014 dropped 6.3 percent year over year; while the HSBC China Manufacturing PMI index stayed below 50 towards the end of 2014, implying a contraction in the country's manufacturing activities.

In view of the significant weaknesses on the macro front, China started to loosen its monetary policy in the second half of the year. In September, China reduced mortgage rates for borrowers and enabled second-home buyers to be considered first-home buyers if the first mortgage was fully repaid. In November, the Chinese central bank unexpectedly cut its benchmark rate the first time since 2012; and in December, it announced a new measure to expand the banking system's lending pool by widening the deposit calculation in the system's loan-to-deposit ratio.

The repeated easing policies have fueled optimism in the equity market in China. The Shanghai Composite Index jumped 53 percent in 2014, the steepest gain in five years. In particular, financials including banks, brokers, insurance companies and property developers were leading the charge. In addition, the long-awaited Shanghai-Hong Kong Stock Connect program was finally launched in mid-November such that more foreign institutional investors are currently participating in A-shares. Meanwhile, the Hang Seng Index and the MSCI China Index gained 1.3 percent and 4.7 percent respectively in 2014.

Stock Market and Investment Policy

HSZ China Fund posted a positive return of 3.2 percent in the reporting period. The best performers were the leading railway equipment manufacturer, Times Electric, the insurance giant, Ping An Insurance, and the Guangzhou based property developer, KWG Property.

Times Electric had a very strong year on the back of multiple positive catalysts. In the second half of 2014, the Chinese government announced the "One Belt, One Road" initiative to strengthen the infrastructure along the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The "belt" aims

to promote greater connectivity between China and the central and western parts of Eurasia; whereas the "road" seeks to establish closer linkage with the economies in South and Southeast Asia as well as Africa. The initiative will likely have a positive impact on infrastructure names like Times Electric in the coming years. In addition, the merger deal between the world's two largest train makers, CSR (Times Electric's parent company) and CNR, was finally closed in December 2014. Following the merger, Times Electric's addressable market will ultimately double, as the company is now able to supply electrical systems to rolling stocks factories owned by CNR as well.

Ping An Insurance continued to outgrow the insurance industry in China in 2014, with life new business premium growing by 20 percent year over year. Ping An is confident that its strong agency model and improving product mix will enable the company to achieve an annual new business value growth of 15 percent in the medium term. Ping An is usually a proxy for the Chinese A-share market because of its investment portfolio in A-share equities. As such, Ping An rallied in the second half of the year along with the A-share market as the Chinese central bank started to loosen its monetary policy.

KWG Property performed well in the year on the back of strong sales growth and sustained high margins. Its strong exposure to first tier cities, mainly Guangzhou, was the major reason for its resilience amid the overall industry weakness. In 2014, KWG posted contract sales growth of 26 percent, significantly above industry peers. Despite the sector's declining prices and worrying inventory problem, Chinese property developers generally performed well in 2014 as a result of the easing policies implemented by the central bank. 2015 will continue to be a challenging year for the Chinese property sector but we believe quality developers like KWG are set to gain market share as the industry consolidates.

The fund performance was mainly dragged by Macau gaming companies Sands China and Melco Crown. The anti-corruption campaign implemented by the new Chinese leaders has put enormous pressure on the sector. The VIP segment, which accounts for 70 percent of gaming operators, was hard hit in 2014. Tourist growth in Macau also slowed in the year, as a result of weak Chinese consumer sentiment and growing industry competition from other Asian countries such as Japan, Singapore and the Philippines. Going forward, the sector will remain under pressure in the near term but may recover in the second half of 2015 as new capacity kicks in.

Outlook

The macro picture in 2015 is likely to be more volatile. Investment and consumption in China will continue to grow but at a slower pace, while the property sector will continue to consolidate. As Western

demand is likely to remain weak, manufacturing activities and exports will also be negatively affected. If China desires to keep its GDP growth at about 7 percent, we believe infrastructure spending will continue to be the major contributor.

Chinese equities have been re-rated from a distressed valuation to a more reasonable one on the back of ongoing easing policies as discussed. However, we think the current valuation remains undemanding and we see further upside in 2015 as we expect more easing policies to come and reforms to continue in a more rapid pace. Despite the rally in the A-share market, which was mainly driven by large cap financials, many privately owned companies that we favour remain undervalued.

We favor consumer companies with capabilities to provide unique offerings in view of the rising middle class households who are becoming more sophisticated and looking for consumption upgrades. We believe internet will reshape some of the industries in China and we like companies well positioned for the internet era. The focus of people orientated urbanization by Chinese leaders will benefit quality healthcare companies, property developers catering for the first home buyers and upgraders and manufacturing companies providing components for the rising infrastructure spending in China.

* The information stated relates to the period under review and is not indicative of future returns.

Highlights

Key figures		31.12.2014	31.12.2013	31.12.2012
Consolidation				
Total net assets in millions	USD	112.8	131.6	114.4
Unit class USD				
Review period	from	01.01.2014	01.01.2013	01.01.2012
	to	31.12.2014	31.12.2013	31.12.2012
Total net assets in millions	USD	69.4	97.2	80.9
Units in circulation		556 371.644	793 375.051	684 875.345
Net asset value per unit	USD	124.76	122.55	118.15
Distribution per unit	USD	1.18	1.60	0.00
Unit class CHF				
Review period	from	01.01.2014	01.01.2013	01.01.2012
	to	31.12.2014	31.12.2013	31.12.2012
Total net assets in millions	USD	43.1	34.0	33.3
Units in circulation		443 060.872	356 199.577	362 011.677
Net asset value per unit	CHF	96.25	84.96	92.03
Distribution per unit	CHF	0.86	1.00	0.00
Unit class EUR				
Review period	from	01.01.2014	01.01.2013	01.01.2012
	to	31.12.2014	31.12.2013	31.12.2012
Total net assets in millions	USD	0.3	0.4	0.2
Units in circulation		1 638.225	2 488.225	1 638.225
Net asset value per unit	EUR	131.56	114.39	151.84
Distribution per unit	EUR	1.32	1.80	0.00

Annual distribution for 2014**1. For unitholders domiciled in Switzerland**

	Unit class USD	Unit class CHF	Unit class EUR
Gross	USD 1.180	CHF 0.860	EUR 1.320
Total from income	USD 1.180	CHF 0.860	EUR 1.320
Less 35% Swiss withholding tax	USD 0.413	CHF 0.301	EUR 0.462
Net distribution from capital gains	USD 0.767	CHF 0.559	EUR 0.858

2. For unitholders domiciled outside Switzerland (with affidavit)

Gross	USD 1.180	CHF 0.860	EUR 1.320
Net distribution from capital gains	USD 1.180	CHF 0.860	EUR 1.320
Coupon no.	4	4	4

Payable on or after February 17, 2015 at CREDIT SUISSE AG, Zurich, and at their branch offices in Switzerland

Depositaries

Brown Brothers Harriman, New York
Credit Suisse AG, Zurich
Euroclear
Hongkong Shanghai Bank, Hong Kong

**Breakdown
by sector and
exchange
rates**

% of total assets	31.12.2014
Banks and other financial institutions	20.78
Building materials and construction	3.98
Electronics and semiconductors	2.43
Energy and water supply	2.58
Hotel and catering industry, leisure facilities	6.18
Finance, holding and miscellaneous companies	10.75
Real estate	3.52
Internet, software and services	16.69
Mechanical engineering and industrial equipment	14.32
Pharmaceuticals, cosmetics and medical products	9.18
Textiles, apparel and leather goods	2.96
Circulation and transport	2.67
Insurance	2.83
Total % of total assets	98.86

Exchange rates as at	31.12.2014
Euro	1.215500
Hong Kong dollar	0.128946
Swiss franc	1.010891
US dollar	1.000000

**Assets as at
December 31,
2014**

	31.12.2014	Consolidation 31.12.2013
	USD	USD
Assets		
Bank deposits, including fiduciary investments with third-party banks, divided into:		
– Sight deposits	1 288 386.45	2 879 706.59
Securities, including securities loaned and pledged, divided into:		
– Shares and other equity instruments and rights	86 820 520.82	123 510 140.40
Other investments	13 208 679.07	0.00
Derivative financial instruments	12 200 708.01	5 431 166.90
Other assets	2 552.54	6 436.99
Total fund assets minus:	113 520 846.89	131 827 450.88
Other liabilities	166 747.47	205 038.06
Due to banks	568 770.24	0.00
Net assets	112 785 329.18	131 622 412.82
Number of units in circulation	1 001 070.741	1 152 062.853

	01.01.2014– 31.12.2014	Consolidation 01.01.2013– 31.12.2013
	USD	USD
Changes in net assets		
Net assets at beginning of review period	131 622 412.82	114 482 871.20
Ordinary annual distribution / Delivery withholding tax	–1 581 496.40	0.00
Issue of units	15 392 258.48	26 074 326.70
Redemption of units	–33 669 698.25	–13 305 183.81
Other items from unit transactions	–2 373 630.26	–458 957.66
Total income	3 395 482.79	4 829 356.39
Net assets at end of review period	112 785 329.18	131 622 412.82

Changes in units in circulation		
Number at beginning of the review period	1 152 062.853	1 048 525.247
Number of units issued	159 237.067	222 780.030
Number of units redeemed	–310 229.179	–119 242.424
Net assets at end of review period	1 001 070.741	1 152 062.853

Net asset value per unit
Off-balance-sheet business

	31.12.2014		31.12.2013	
	Equivalent underlying value in fund currency Gross	As % of net fund assets	Equivalent underlying value in fund currency Gross	As % of net fund assets
– Market risk (risk of change in share price)	12 200 708.01	10.82	5 431 166.90	4.13
Total	12 200 708.01	10.82	5 431 166.90	4.13
	Net		Net	
– Market risk (risk of change in share price)	12 200 708.01	10.82	5 431 166.90	4.13
Total	12 200 708.01	10.82	5 431 166.90	4.13

Unit class USD		Unit class CHF		Unit class EUR	
01.01.2014– 31.12.2014 USD	01.01.2013– 31.12.2013 USD	01.01.2014– 31.12.2014 USD	01.01.2013– 31.12.2013 USD	01.01.2014– 31.12.2014 USD	01.01.2013– 31.12.2013 USD
97 230 694.57	80 919 938.30	33 999 816.10	33 314 178.14	391 902.14	248 754.75
-1 200 883.28	0.00	-374 467.20	0.00	-6 145.92	0.00
2 323 181.24	23 563 936.38	13 069 077.24	1 911 701.26	0.00	598 689.06
-28 840 891.23	-10 563 739.07	-4 709 440.52	-2 317 615.95	-119 366.50	-423 828.79
-2 152 559.10	-285 855.66	-209 042.56	-125 291.90	-12 028.60	-47 810.10
2 052 035.07	3 596 414.62	1 335 845.56	1 216 844.55	7 602.16	16 097.22
69 411 577.27	97 230 694.57	43 111 788.62	33 999 816.10	261 963.28	391 902.14
793 375.051	684 875.345	356 199.577	362 011.677	2 488.225	1 638.225
19 322.300	198 774.269	139 914.767	20 233.903	0.000	3 771.858
-256 325.707	-90 274.563	-53 053.472	-26 046.003	-850.000	-2 921.858
556 371.644	793 375.051	443 060.872	356 199.577	1 638.225	2 488.225
(USD)	(USD)	(CHF)	(CHF)	(EUR)	(EUR)
124.76	122.55	96.25	84.96	131.56	114.39

Statement of income from January 1, 2014 to December 31, 2014	Consolidation	
	01.01.2014– 31.12.2014 USD	01.01.2013– 31.12.2013 USD
Income		
Income from bank balances	3 635.34	9 357.94
Securities income, divided into:		
– Shares and other equity instruments and rights, including bonus shares	2 450 981.08	2 813 747.89
Earnings from derivatives	111 140.40	89 311.53
Current net income paid in upon the issue of units	155 509.54	232 896.36
Total income minus	2 721 266.36	3 145 313.72
Interest due	9 455.02	4 138.60
Audit costs	21 380.36	24 060.23
Statutory remuneration to:		
– Management Company	1 617 582.20	1 890 066.88
– Custodian Bank	161 098.74	183 667.48
Partial transfer of expenditure on realized capital losses	–194 540.00	–220 600.00
Other expenses	12 025.27	13 433.85
Current net income paid out upon the redemption of units	156 577.93	176 443.56
Net income	937 686.84	1 074 103.12
Realized capital gains	14 307 895.82	7 758 444.86
Realized capital losses	–15 279 407.31	–6 310 199.84
Partial transfer of expenditure on realized capital losses	–194 540.00	–220 600.00
Realized income	–228 364.65	2 301 748.14
Unrealized capital gains/losses	3 623 847.44	2 527 608.25
Total income	3 395 482.79	4 829 356.39
Application of results		
Net income of financial year	937 686.84	1 074 103.12
Carried forward from preceding year	292 630.81	893 042.10
Net income available for distribution	1 230 317.65	1 967 145.22
Net income earmarked for distribution to investors	1 044 329.18	1 674 514.41
Carried forward to following year	185 988.47	292 630.81

Unit class USD		Unit class CHF		Unit class EUR	
01.01.2014– 31.12.2014 USD	01.01.2013– 31.12.2013 USD	01.01.2014– 31.12.2014 USD	01.01.2013– 31.12.2013 USD	01.01.2014– 31.12.2014 USD	01.01.2013– 31.12.2013 USD
2 565.40	6 909.01	1 059.74	2 404.02	10.20	44.91
1 703 386.15	2 079 052.24	740 879.57	720 116.17	6 715.36	14 579.48
76 415.68	66 079.14	34 464.19	22 837.80	260.53	394.59
23 053.52	215 835.08	132 456.02	13 070.49	0.00	3 990.79
1 805 420.75	2 367 875.47	908 859.52	758 428.48	6 986.09	19 009.77
6 864.81	3 054.92	2 559.86	1 064.87	30.35	18.81
14 803.04	17 698.07	6 517.73	6 242.68	59.59	119.48
1 111 442.31	1 390 022.42	501 728.64	490 934.35	4 411.25	9 110.11
110 635.16	135 099.37	50 024.48	47 681.15	439.10	886.96
-134 000.00	-162 000.00	-60 000.00	-57 500.00	-540.00	-1 100.00
8 259.77	9 874.85	3 732.08	3 494.49	33.42	64.51
132 388.65	152 691.42	23 627.66	19 201.58	561.62	4 550.56
555 027.01	821 434.42	380 669.07	247 309.36	1 990.76	5 359.34
9 936 597.14	5 755 681.20	4 330 713.41	1 966 359.66	40 585.27	36 404.00
-10 535 043.51	-4 685 858.70	-4 701 508.96	-1 592 248.87	-42 854.84	-32 092.27
-134 000.00	-162 000.00	-60 000.00	-57 500.00	-540.00	-1 100.00
-177 419.36	1 729 256.92	-50 126.48	563 920.15	-818.81	8 571.07
2 229 454.43	1 867 157.70	1 385 972.04	652 924.40	8 420.97	7 526.15
2 052 035.07	3 596 414.62	1 335 845.56	1 216 844.55	7 602.16	16 097.22
555 027.01	821 434.42	380 669.07	247 309.36	1 990.76	5 359.34
216 196.77	664 162.43	75 343.05	226 977.22	1 090.99	1 902.45
771 223.78	1 485 596.85	456 012.12	474 286.58	3 081.75	7 261.79
656 518.54	1 269 400.08	385 182.17	398 943.53	2 628.47	6 170.80
114 705.24	216 196.77	70 829.95	75 343.05	453.28	1 090.99

Composition of portfolio, and changes in holdings

Description	31.12.2013 number/ nominal value	Purchases ¹	Disposals ¹	31.12.2014 number/ nominal values	Market value USD	% of total assets
Securities traded on an exchange						
Rights						
Banks and other financial institutions						
CHINA MERCHANT BANK -H-	4 784 612	359 000	1 008 500	4 135 112	10 376 165.92	9.14
					10 376 165.92	9.14
Building materials and construction						
SHIMAO PROPERTY HOLDINGS 2049-10	2 372 500	1 054 500	1 408 000	2 019 000	4 514 318.61	3.98
					4 514 318.61	3.98
Mining, coal and steel						
CHINA SHENHUA ENERGY COMPANY -H-	694 000		694 000		0.00	0.00
Retail trade						
CHOW SANG SANG HOLDINGS	789 000		789 000			
GOLDEN EAGLE RETAIL	3 651 000		3 651 000			
SA SA INTL. HOLDINGS LTD	558 000		558 000			
					0.00	0.00
Consumer goods						
PORTS DESIGN	1 733 000		1 733 000		0.00	0.00
Electronics and semiconductors						
AAC TECHNOLOGIES HOLDINGS	975 500	515 000	975 500	515 000	2 759 211.89	2.43
					2 759 211.89	2.43
Energy and water supply						
CGN POWER		6 750 000		6 750 000	2 933 191.84	2.58
					2 933 191.84	2.58
Hotel and catering industry, leisure facilities						
CTRIP.COM ADR 2049-12		132 815	132 815			
MELCO PBL ENTERTAINMENT (MACAU) ADR 2049-12	149 900	47 300	88 600	108 600	2 772 558.00	2.44
POLY CULTURE -H-		23 500	23 500			
SANDS CHINA 2049-12	1 423 200	22 800	1 446 000			
YUM BRANDS 2049-12	50 600	38 400	31 100	57 900	4 242 912.00	3.74
					7 015 470.00	6.18
Finance, holding and miscellaneous companies						
THE WHARF HOLDINGS	843 014		843 014		0.00	0.00
Real estate						
KWG PROPERTY HOLDING	9 672 000	2 946 064	6 776 500	5 841 564	3 999 727.97	3.52
SHUI ON LAND	11 818 014		11 818 014			
					3 999 727.97	3.52
Internet, software and services						
BAIDU.COM ADR 2049-09	45 300	4 063	23 400	25 963	5 971 749.63	5.26
JD.COM ADR		66 401		66 401	1 543 823.25	1.36
QIHOO 360 TECHNOLOGY -A- ADR		42 500		42 500	2 450 125.00	2.16
TENCENT HOLDINGS (TRADE ON BOARD LOT 500)		569 000	569 000			
TENCENT HOLDINGS 2049-05		1 212 500	758 000	454 500	6 593 153.77	5.81
TENCENT HOLDINGS 2049-12	64 700	56 300	121 000			
YY -A- ADR 2049-10		37 900		37 900	2 391 111.00	2.11
					18 949 962.65	16.69
Mechanical engineering and industrial equipment						
DONGFENG MOTOR -H-	1 134 000		740 000	394 000	557 834.48	0.49
WEICHAI POWER -H-	1 192 880		277 000	915 880	3 861 829.74	3.40
ZHUZHOU CSR TIMES -H-	1 705 000	489 000	166 000	2 028 000	11 832 958.17	10.42
					16 252 622.39	14.32
Food and soft drinks						
SHENGUAN HOLDINGS (GROUP)	3 747 000		3 747 000			
TSUI WAH HOLDINGS		5 258 000	5 258 000			
					0.00	0.00
Pharmaceuticals, cosmetics and medical products						
HENGAN INTERNATIONAL GROUP	331 000	79 000	129 500	280 500	2 931 518.77	2.58
MINDRAY MEDICAL INTERNATIONAL ADR	173 894		173 894			
WUXI PHARMA TECH ADR	70 100	108 200	8 400	169 900	5 730 727.00	5.05
XINCHEN CHINA POWER		5 580 000		5 580 000	1 755 621.21	1.55
					10 417 866.98	9.18
Textiles, apparel and leather goods						
BELLE INTERNATIONAL HOLDINGS 2049-12	4 220 000		4 220 000			
GLOBAL BRANDS GROUP HOLDINGS		4 000 000		4 000 000	783 989.73	0.69
MAN WAH HOLDINGS		1 560 000		1 560 000	2 570 764.22	2.26
					3 354 753.95	2.96
Circulation and transport						
SHENZHEN EXPRESSWAY		4 602 000	58 000	4 544 000	3 029 253.80	2.67
					3 029 253.80	2.67
Insurance						
PING AN INSURANCE COMPANY OF CHINA -H-	1 171 000	315 500	1 171 000	315 500	3 217 974.82	2.83
					3 217 974.82	2.83
Forestry, paper and forest products						
INTEGRATED WASTE SOLUTIONS GROUP HDG LTD	10 464 000		10 464 000		0.00	0.00
Total shares						
					86 820 520.82	76.48
Total securities traded on an exchange						
					86 820 520.82	76.48
Securities without market						
Structured products						
Banks and other financial institutions						
CICC FINANCIAL 0%/14-24.11.2017		4 834 831	2 512 929	2 321 902	2 321 902.00	2.05
CICC FINANCIAL PNL ON INNER MONGOLIA YILI INDUSTRY 2014-20.10.2017		539 000		539 000	2 486 396.22	2.19
CICC FINANCIAL PNL ON JIANGSU EXPRESSWAY 2014-31.10.2017		2 046 000		2 046 000	2 406 525.66	2.12
CICC FINANCIAL PNL ON PING AN INSURANCE GROUP 2014-15.10.2017		997 929	500 000	497 929	5 993 855.19	5.28
					13 208 679.07	11.64
Total structured products						
					13 208 679.07	11.64
Total securities without market						
					13 208 679.07	11.64

Description	31.12.2013 number/ nominal value	Purchases ¹	Disposals ¹	31.12.2014 number/ nominal values	Market value USD	% of total assets
Other investments						
Call Warrants						
Finance, holding and miscellaneous companies						
JIANGSU EXP (wts) 27.11.2015		2 018 000		2 018 000	2 373 773.40	2.09
MERRILL LYNCH (QINGDAO HAIER) (wts) 10-25.11.2015	1 594 908			1 594 908	4 846 925.41	4.27
MERRILL LYNCH INTERNATIONAL (wts) 16.12.2014	49 000			49 000	589 822.31	0.52
MORGAN STANLEY (NORTHBOUND YILI (reg. -S-)) (wts)		951 000		951 000	4 390 186.89	3.87
					12 200 708.01	10.75
Total Call Warrants					12 200 708.01	10.75
Total other investments					12 200 708.01	10.75
Total investments					112 229 907.90	98.86
Cash at banks					1 288 386.45	1.13
Other assets					2 552.54	0.00
Total assets					113 520 846.89	100.00
Due to banks					568 770.24	0.50
Other liabilities					166 747.47	0.15
Net assets					112 785 329.18	99.35

¹ Inclusive of purchases/sales and corporate actions
See note 5: Migration administration platform, page 15.

List of sight and time deposits as at December 31, 2014

Account management	Account type	Currency	Interest rate	Maturity	31.12.2014	31.12.2013	Change
Credit Suisse AG, Zürich	Cash account	CHF		daily	0.00	185 967.91	-185 967.91
Credit Suisse AG, Zürich	Cash account	EUR	0.05	daily	2 128.67	71 173.24	-69 044.57
Credit Suisse AG, Zürich	Cash account	HKD	0.00	daily	-4 410 929.02	16 423 292.75	-20 834 221.77
Credit Suisse AG, Zürich	Cash account	USD	0.10	daily	1 285 799.05	454 727.34	831 071.71

Notes to the Annual Report as at December 31, 2014

Note 1: Sales restrictions USA

Units of this collective investment scheme may not be offered, sold or delivered within the United States or any of its territories. Units of this collective investment scheme may not be offered, sold or delivered to US citizens or persons resident or incorporated in the US and/or other natural or legal persons whose income and/or returns, regardless of origin, are subject to US income tax, as well as persons who are considered to be US persons pursuant to Regulation S of the U.S. Securities Act of 1933 and/or the U.S. Commodity Exchange Act, in each case as amended from time to time.

Note 2: Key figures and technical data

Fund	Unit class	Swiss securities number	Currency	Custodian bank fee	Management commission ¹	Total Expense Ratio (TER) ²	Portfolio Turnover Rate (PTR) ³
HSZ China Fund	USD	2 682 803	USD	0.15%	1.50%	1.68%	134.73%
HSZ China Fund	CHF	2 682 806	CHF	0.15%	1.50%	1.68%	134.73%
HSZ China Fund	EUR	2 682 809	EUR	0.15%	1.50%	1.68%	134.73%

¹ Information regarding the SFAMA guideline on transparent management fees: From the sales-related component of the management fee, the fund management is able to offer refunds to the following institutional investors which, in a business sense, hold fund units for third parties: Life insurance companies, Pension funds and other retirement benefits institutions, Investment foundations, Swiss fund management companies, Foreign fund management companies, Investment companies. The fund management may also draw on the sales-related component of the management fee to pay commission on fund unit holdings to the following fund distributors/distribution partners: authorized distributors, fund management companies, banks, brokers, Swiss Post, and insurance companies, distribution partners that place fund units exclusively with institutional investors that have a professional treasury, asset managers. The fund manager has not concluded any fee-sharing agreements or agreements with regard to retrocessions in the form of "soft commissions".

² TER (Total Expense Ratio) describes the sum of all periodic costs and commissions that are charged to the fund's assets. It is expressed retroactively as a percentage of average fund assets. Any reimbursements/commissions for client unit holdings from target funds have been credited to the fund and thus reduce the TER.

³ The PTR (Portfolio Turnover Rate) is an indicator of the relevance of ancillary costs incurred by the Fund in the purchase and sale of investments, and denotes the portfolio turnover rate of the fund portfolio. The PTR shows how many transactions have been carried out on the assets of an investment fund or a security portfolio – mostly on the basis of an annual calculation.

Note 3: Fund performance

Fund	Unit class	Inception date	Swiss securities number	Currency	01.01.2014–31.12.2014 ¹	2013 ¹	2012 ¹	2011 ¹
HSZ China Fund	USD	17.11.2006	2 682 803	USD	3.2%	3.7%	19.9%	-26.0%
HSZ China Fund	CHF	17.11.2006	2 682 806	CHF	14.7%	1.1%	16.3%	-27.6%
HSZ China Fund	EUR	17.11.2006	2 682 809	EUR	16.9%	-0.4%	17.0%	-23.7%

Source: Lipper, a Thomson Reuters company

¹ Fund performance is based on officially published net asset values which in turn are based on stock exchange closing prices at the end of the month in question.

Historical performance is no indicator of current or future performance. The performance data given does not take into account commissions and costs incurred in the purchase or redemption of fund units.

Note 4: Valuation of the Fund's Assets and the Units

- The net asset value of the investment fund and the share of assets attributable to the individual classes are calculated in US dollar at the market value as of the end of the financial year and for each day on which units are issued or redeemed. The value of the fund's assets will not be calculated on days when the stock exchanges / markets in the fund's main investment countries are closed (e.g. bank and stock exchange holidays).
- Securities traded on a stock exchange or another regulated market open to the public shall be valued at the current prices paid on the main market. Other investments or investments for which no current market value is available shall be valued at the price which would probably be obtained in a diligent sale at the time of the valuation. In such cases, the fund management company shall use appropriate and recognized valuation models and principles to determine the market value.
- The value of money market instruments that are not traded on a stock exchange or another regulated market open to the public is determined as follows: The valuation price of such investments is successively adjusted in line with the repayment price, taking the net purchase price as the basis and ensuring that the investment returns calculated in this manner are kept constant. If there are significant changes in market conditions, the valuation principles for the individual investments will be adjusted in line with the new market returns. If there is no current market price in such instances, the calculations are as a rule based on the valuation of money market instruments with the same characteristics (quality and domicile of the issuer, issuing currency, term to maturity).
- Bank deposits are valued on the basis of the amount due plus accrued interest. If there are significant changes in market conditions or creditworthiness, the valuation principles for time deposits at banks will be adjusted in line with the new market returns.

5. The net asset value of a unit of a given class is determined by the proportion of the fund's assets as valued at the market value attributable to the fund, minus any of the fund's liabilities that are attributed to the given unit class, divided by the number of units of the given class in circulation. In each case it is rounded to 1/100 of the accounting currency.
6. The share of the market value of the net assets (the fund's assets minus liabilities) attributable to the respective unit classes is determined for the first time at the initial issue of more than one class of units (if this occurs simultaneously) or the initial issue of a further unit class. The calculation is made on the basis of the assets accruing to the fund concerned for each unit class. The share is recalculated when one of the following events occurs:
 - a) when units are issued and redeemed;
 - b) on the pertinent date for distributions, provided that (i) such distributions are only made for individual unit classes (distribution classes) or provided that (ii) the distributions of the various unit classes differ when expressed as a percentage of the respective net asset values, or provided that (iii) different commission or costs are charged on the distributions of the various unit classes when expressed as a percentage of the distribution;
 - c) when the net asset value is calculated, as part of the allocation of liabilities (including due or accrued costs and commissions) to the various unit classes, provided that the liabilities of the various unit classes are different when expressed as a percentage of the respective net asset value, especially if (i) different commission rates are applied for the various unit classes or if (ii) class-specific costs are charged;
 - d) when the net asset value is calculated, as part of the allocation of income or capital gains to the various unit classes, provided the income or capital gains stem from transactions made solely in the interests of one unit class or in the interests of several unit classes but disproportionately to their share of the net assets.

Note 5: Migration Administration Platform

Due to the transfer to a new administration platform, the categorization of some securities has changed. The composition of the portfolio is thus not always comparable to the composition of the previous annual report.

Report of the audit company

As collective investment scheme regulatory auditors, we have audited the financial statements of the investment fund

■ HSZ China Fund

which comprise the statement of net assets and the income statement, the statement of the appropriation of available earnings and the disclosure of the total costs as well as the supplemental disclosures in accordance with article 89 paragraph 1 lit. b–h of the Swiss Collective Investment Schemes Act (CISA) for the year ended December 31, 2014.

Responsibility of the Fund Management Company's Board of Directors

The Board of Directors of the Fund Management Company is responsible for the preparation of the financial statements in accordance with the requirements of the Swiss Collective Investment Schemes Act, the related ordinances as well as the investment fund agreement and the prospectus with integrated fund contract. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors of the Fund Management Company is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibility of the audit company for collective investment schemes

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures

in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2014, comply with the Swiss Collective Investment Schemes Act, the related ordinances as well as the investment fund agreement and the prospectus with integrated fund contract, in consideration of note 5 of the annex.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and article 127 CISA as well as on independence (article 11 AOA) and that there are no circumstances incompatible with our independence.

KPMG AG

Markus Schunk
Licensed Audit Expert
Auditor in Charge

Adrian Walder
Licensed Audit Expert

Zurich, April 21, 2015

This report is an English translation of the original German version. In case of discrepancies the original version takes precedence.

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