

HSZ China Fund

Mutual fund under Swiss Law (category „Other fund for traditional investments“)

Unaudited Semi-Annual Report 2011



HSZ China Fund was launched by Swiss Investment Company SIC Ltd, Zurich, as Fund manager and Clariden Leu AG, Zurich, as custodian for HSZ (Hong Kong) Limited, Hong Kong.

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Management and executive bodies

Fund management company

Swiss Investment Company SIC Ltd.
Claridenstrasse 19
8002 Zurich

Board of Directors

Heinz Hofmann,
Chairman

Max Cotting,
Vice-Chairman

Martin Klaus,
Member

Emil Stark,
Member

Executive Board

Markus Hafner,
CEO

Hansueli Halter,
Deputy CEO

Dr. Jürg Leu,
Member of the Executive Board

Until 31 March 2011:

Fund management company

Falcon Fund Management (Switzerland) Ltd.
Hochbordstrasse 3
8600 Dübendorf-Zurich

Custodian bank

Clariden Leu AG
Bahnhofstrasse 32
8001 Zurich

Auditors

KPMG AG
Badenerstrasse 172
8004 Zurich

Information on third parties

Delegation of investment decisions

The investment decisions for the fund have been delegated to HSZ (Hong Kong) Limited, Hong Kong.

Delegation of other specific tasks

The fund management company has delegated other specific tasks such as the non-public placement of fund units and marketing to HSZ (Hong Kong) Limited, Hong Kong.

Custodian bank

Falcon Private Bank Ltd.
Pelikanstrasse 37
8021 Zurich

Auditors

PricewaterhouseCoopers AG
Birchstrasse 160
8050 Zurich

Information on third parties

Delegation of investment decisions

The investment decisions for the fund have been delegated to HSZ (Hong Kong) Limited, Hong Kong.

Financial Highlights

Key figures

HSZ China Fund CHF class

Reporting period	from	01.01.2011	01.01.2010	01.01.2009
	to	30.06.2011	31.12.2010	31.12.2009
Net fund assets in USD m		37.17	33.98	10.99
Units issued		350,309.008	315,699.326	109,104.561
Net asset value per unit in CHF		88.49	100.38	100.79
Distribution per unit in CHF		0.00	0.00	0.00
Total expense ratio (TER)		1.69%	1.73%	1.74%
Portfolio turnover rate (PTR)		44.87%	34.01%	104.75%

HSZ China Fund EUR class

Reporting period	from	01.01.2011	01.01.2010	01.01.2009
	to	30.06.2011	31.12.2010	31.12.2009
Net fund assets in USD m		0.13	0.34	0.24
Units issued		786,000	1,986,000	2,235,000
Net asset value per unit in EUR		118.09	129.41	108.70
Distribution per unit in EUR		0.00	0.00	0.00
Total expense ratio (TER)		1.69%	1.71%	1.73%
Portfolio turnover rate (PTR)		44.87%	34.01%	104.75%

HSZ China Fund USD class

Reporting period	from	01.01.2011	01.01.2010	01.01.2009
	to	30.06.2011	31.12.2010	31.12.2009
Net fund assets in USD m		99.06	102.24	86.53
Units issued		746,299.181	758,560.022	621,015.898
Net asset value per unit in USD		132.74	134.78	121.62
Distribution per unit in USD		0.00	0.00	0.00
Total expense ratio (TER)		1.69%	1.71%	1.74%
Portfolio turnover rate (PTR)		44.87%	34.01%	104.75%

Fee rates

HSZ China Fund CHF class	30.06.2011	30.06.2011
Management fee p.a.	1.500%	1.500%
Custodian bank remuneration	0.120%	0.150%
HSZ China Fund EUR class	30.06.2011	30.06.2011
Management fee p.a.	1.500%	1.500%
Custodian bank remuneration	0.120%	0.150%
HSZ China Fund USD class	30.06.2011	30.06.2011
Management fee p.a.	1.500%	1.500%
Custodian bank remuneration	0.120%	0.150%

Fund performance

Fund performance HSZ China Fund CHF class	Fund	Benchmark
2011 (YTD, until 30.06.2011)	-12.31%	-10.56%
2010	-0.41%	-7.81%
2009	113.81%	54.33%
2008	-58.95%	-54.50%

Fund performance HSZ China Fund EUR class	Fund	Benchmark
2011 (YTD, until 30.06.2011)	-9.23%	-8.62%
2010	19.05%	9.33%
2009	110.29%	54.85%
2008	-54.06%	-49.38%

Fund performance HSZ China Fund USD class	Fund	Benchmark
2011 (YTD, until 30.06.2011)	-1.51%	-0.80%
2010	10.82%	2.32%
2009	118.67%	58.80%
2008	-56.26%	-51.94%

Benchmark: MSCI Emerging Markets China USD (PI)

Disclaimer: Past performance is no guarantee of current or future performance. In addition, performance data do not take into account fees and commissions charged on the issue and redemption of units.

Swiss security number / ISIN / Bloomberg ticker

2682806	CH0026828068	HSZCFCH SW	HSZ China Fund CHF class
2682809	CH0026828092	HSZCHEU SW	HSZ China Fund EUR class
2682803	CH0026828035	HSZCHID SW	HSZ China Fund USD class

Activity report from 1 January to 30 June 2011

Review

In the first half of 2011, Chinese equities were depressed by the continued concerns on the Greek debt woes coupled with the end of the second round of quantitative easing and most importantly the growth and inflation worries in China. CPI inflation was running high on the back of mounting food inflation. With a view to taming inflation and preventing property overheating, the Chinese officials have kept a prudent fiscal and monetary stance since late last year and introduced measures to rein in property prices. As a result, money supply growth normalized to the trend level. Economic growth has lost some momentum but is still fairly strong with the resilience of retail sales and fixed asset investment.

Due to the phase out of the policy stimulus and the domestic tightening in China, its headline year on year GDP growth edged down to 9.7 percent in the first quarter and 9.5 percent in the second, from 9.8 percent in the last quarter 2010. On a seasonally adjusted annualized basis, GDP grew 8.7 percent quarter on quarter in the first quarter and 9.1 percent in the second, a slowing but still robust momentum.

Thanks to the high consumer confidence accompanied by robust income growth, retail sales demonstrated resilience, growing at 16.8 percent in nominal terms for the first six months. Given the aggressive rollout of social housing program, fixed asset investment maintained its momentum, growing at 25.6 percent for the first half and is on track to achieve another year of 25 percent growth as it did in the past years. Exports and imports grew 24 percent and 27.6 percent indicating the solid recovery of the external demand and robust growth in the domestic economy. CPI inflation accelerated to 6.4 percent in June, a new high in this policy cycle, compared to 3.3 percent in 2010.

New lending in June was CNY 634 billion. The total loan creation for the first half was CNY 4.2 trillion, on track to achieve the market estimate of CNY 7 trillion, less than CNY 7.9 trillion in 2010 but still growth supportive. Loan growth slowed to 16.9 percent in June, compared to 19.9 percent last year. To tackle the stubbornly high inflation, the People's Bank of China has raised the required reserve ratio nine times to 21.5 percent for large banks and the benchmark one-year lending rate five times to 6.56 percent since October 2010. The monetary condition is tight but remains benign for the steady growth of domestic demand in China.

Stock Market and Investment Policy

Chinese equities were negatively impacted by the concern on the inflation-driven tightening leading to significant economic slowdown. The MSCI China index lost 0.8 percent in USD and Hang Seng China Enterprises Index declined by 0.9 percent in HKD in the first six months of 2011. In terms of sector performance, energy and telecom outperformed while basic materials and industrials underperformed.

HSZ China Fund was down by 1.5 percent in USD in the reporting period. The best performers were the luxury watch retailer, Oriental Watch, the polysilicon and wafer manufacturer, GCL-Poly, and the multi-brand footwear retailer, Belle International.

Oriental Watch has been a beneficiary from the increasing personal wealth in China and the surge in Chinese tourists to Hong Kong and consumer spending skewed towards high-end luxury items rather than holding on to cash due to the inflationary environment. In particular, Oriental Watch's aggressive expansion plan, backed by its established brand equity and network, after a prolonged period of conservative management has drawn investors' attention and the share gained 44 percent.

GCL gained 41 percent and has benefited from the industry recovery and strong demand in Europe. The company achieved strong revenue growth and gross margin expansion on the back of capacity ramp up and production cost reduction. GCL's aggressive capacity expansion plan is well supported by policy tailwinds in China and the re-consideration on nuclear energy after the Fukushima's earthquake in February 2011. Its in-house procurement and continuous improvement on recycling ability and energy efficiency allow GCL to expand its market share further with a low cost strategy.

Belle International gained 26 percent mainly due to the better-than-expected same store sales growth in footwear segment for the first two quarters and strong network growth momentum despite weakness in sportswear distribution during the period. Further economies of scale with faster-than-expected points of sale network expansion provide upside catalysts for the full year performance.

The fund performance was dragged by Dongxiang, a sportswear company carrying the Italian brand, Kappa. The fund decided to sell the company because it takes much longer than expected for Dongxiang to implement its restructuring plan on resolving high channel inventories, brand repositioning and store rationalization.

We continue to prefer financially sound companies with earnings visibility and look for companies with high franchise strength, good management and attractive valuations.

Specifically, we remain positive on consumer companies with exposure to rising purchasing power of the Chinese consumers and with strong pricing power amid the inflationary environment; companies which stand to benefit from the rapid railway and infrastructure development, energy savings and medical reform on the growing spending in these areas and property companies with reasonable valuations and sound balance sheets on the long term positive outlook of the strong housing demand.

Outlook

In the remainder of 2011, high inflation and policy tightening remain to be the challenges in China. We expect China would embrace the challenges and continue the transition of rebalancing the economy from being export led towards consumption driven, powered by the rising household income and the growing confidence on the socio-economic system, which would mean a better quality growth.

We expect inflation to come under control on the back of a higher base into the second half and the previously domestic tightening taking hold. The Chinese economy would achieve a slower but better quality growth in 2011 together with a higher inflation. There would not be an imminent significant policy relaxation and policy stance would be kept being prudent, which is needed for the long term sustainable development. The policymakers would continue to increase the required reserve ratio as part of the liquidity control and to manage inflation expectation. Loan growth would continue to be normalized but the liquidity environment would still be benign to the economy.

With the ongoing urbanization, rising household income and the deep domestic market on the huge population of 1.3 billion with healthy balance sheets, consumption will continue to be the key growth driver for the economy going forward. Fixed asset investment would maintain its momentum given the ongoing rapid infrastructure development and the aggressive rollout of social housing program. Exports are expected to see moderation, subject to the uncertain recovery in the advanced economies. The overall environment is supportive to corporate earnings for the years to come.

Given the strong growth prospects of China and the attractive valuations, we believe Chinese equities represent an attractive investment opportunity. Careful selection of quality companies with strong franchise characters and attractive valuations remains the key to achieving a rewarding return for investors in China.

Disclaimer: Past performance is no guarantee of current or future performance. In addition, performance data do not take into account fees and commissions charged on the issue and redemption of units.

Statement of net assets as at 30 June 2011

Statement of assets	30.06.2011	31.12.2010	
	USD	USD	
Call deposits	6,797,034.16	4,763,214.65	
Time deposits	0.00	0.00	
Securities			
Equities and other equity securities and rights	126,356,561.69	127,297,593.26	
Derivative financial instruments	3,811,031.28	4,511,896.73	
Other assets		2,318.79	
Total assets	136,964,627.13	136,575,023.43	
Due to banks	-2,364.84	0.00	
Other liabilities	-594,824.88	-4,707.45	
Net assets at the end of the reporting period	136,367,437.41	136,570,315.98	
Change in net assets	from	01.01.2011	01.01.2010
	to	30.06.2011	30.06.2011
		USD	USD
Net assets at the beginning of the reporting period		136,570,315.98	86,529,799.37
Distributions		0.00	0.00
Net change in units		1,812,640.61	39,957,614.67
Other changes in units		0.00	0.00
Total return		-2,015,519.19	10,082,901.94
Net assets at the end of the reporting period		136,367,437.41	136,570,315.98
Changes in number of units issued – HSZ China Fund CHF class	Number	Number	
No. of units at the beginning of the reporting period	315,699.326	109,104.561	
Units issued	40,361.716	227,464.995	
Units redeemed	-5,752.034	-20,870.230	
No. of units at the end of the reporting period	350,309.008	315,699.326	
Net asset value per unit in CHF	88.49	100.38	
Changes in number of units issued – HSZ China Fund EUR class	Number	Number	
No. of units at the beginning of the reporting period	1,986.000	2,235.000	
Units issued	0.000	1,640.000	
Units redeemed	-1,200.000	-1,889.000	
No. of units at the end of the reporting period	786.000	1,986.000	
Net asset value per unit in EUR	118.09	129.41	
Changes in number of units issued – HSZ China Fund USD class	Number	Number	
No. of units at the beginning of the reporting period	758,560.022	621,015.898	
Units issued	35,071.000	163,221.103	
Units redeemed	-47,331.841	-25,676.979	
No. of units at the end of the reporting period	746,299.181	758,560.022	
Net asset value per unit in USD	132.74	134.78	

Further information

Derivatives	Underlying equivalent current year	% of net fund assets current year	Underlying equivalent previous year	% of net fund assets previous year
Gross derivative positions (increasing exposure):				
- Market risk (share price risk)	3,799,861.74	2.79	4,511,896.73	3.30
- Market risk (interest rate risk)	0.00	0.00	0.00	0.00
- Counterparty risk	0.00	0.00	0.00	0.00
- Currency risk	0.00	0.00	0.00	0.00
Gross derivative positions (reducing exposure):				
- Market risk (share price risk)	0.00	0.00	0.00	0.00
- Market risk (interest rate risk)	0.00	0.00	0.00	0.00
- Counterparty risk	0.00	0.00	0.00	0.00
- Currency risk	0.00	0.00	0.00	0.00
Net derivative positions (increasing exposure):				
- Market risk (share price risk)	3,799,861.74	2.79	4,511,896.73	3.30
- Market risk (interest rate risk)	0.00	0.00	0.00	0.00
- Counterparty risk	0.00	0.00	0.00	0.00
- Currency risk	0.00	0.00	0.00	0.00
Net derivative positions (reducing exposure):				
- Market risk (share price risk)	0.00	0.00	0.00	0.00
- Market risk (interest rate risk)	0.00	0.00	0.00	0.00
- Counterparty risk	0.00	0.00	0.00	0.00
- Currency risk	0.00	0.00	0.00	0.00
Securities lending and borrowing				
Volume of securities lent out (market value)	0.00		0.00	
Volume of securities borrowed (market value)	0.00		0.00	

Income statement for the period from 1 January 2011 to 30 June 2011

Income statement	from to	01.01.2011 30.06.2011 USD	01.01.2010 31.12.2010 USD
Income			
Income from bank deposits		1,511.51	9,975.13
Income from securities			
Structured products		0.00	0.00
Equities and other equity securities and rights		1,190,394.84	1,713,899.51
Current net Income crystallised on issued units		-24,394.29	51,077.18
Total income		1,167,512.06	1,774,951.82
Expenses			
Interest paid		-12,006.65	-339.05
Aud costs		-9,632.39	-13,770.21
Remuneration of the fund management company in accordance with the fund regulations		-1,033,918.48	-1,520,388.11
Remuneration of the custodian bank in accordance with the fund regulations		-106,137.49	-191,761.72
Partial carry-forward of remunerations to the fund management company in accordance with fund regulations to realised capital gains and losses *		133,414.18	216,757.18
Other expenses		-17,496.43	-19,089.27
Current net income crystallised on redeemed units		23,793.74	-3,018.23
Total expenses		-1,021,983.52	-1,531,609.41
Net income		145,528.54	243,342.41
Partial carry-forward of remunerations to the fund management company in accordance with regulations to realised capital gains and losses *		-133,414.18	-216,757.18
Realised capital gains/losses on investments		3,948,147.77	7,035,120.60
Realised capital gains/losses on forex		-2,169,185.71	-1,273,362.06
Buying in to accumulated capital gains on issuance of units		0.00	0.00
Disbursement of accumulated capital gain disbursed on redemption of units		0.00	0.00
Realised net income		1,791,076.42	5,788,343.77
Unrealised capital gains and losses		-3,806,595.61	4,294,558.17
Total net income		-2,015,519.19	10,082,901.94

*As per Circular No. 24 Art. 2.1.9.4.2 Deductible fees

Appropriation of net income	from	01.01.2010
	to	31.12.2010
		USD
Net income for the accounting year		243,342.41
Amount netted against realised capital gains (Art. 29 VStV)		0.00
Capital gains generated during the accounting year earmarked for distribution		0.00
Capital gains from earlier financial years earmarked for distribution		0.00
Balance brought forward to new account		501,137.06
Net income available for distribution		744,479.47
Distribution		
Net Income earmarked for distribution to investors		0.00
Capital gains earmarked for distribution to investors		0.00
Balance brought forward to new account		744,479.47

Portfolio composition and changes from 1 January 2011 to 30 June 2011

Security	Swiss security no.	01.01.2011 number/ nominal	Purchases 1)	Sales 2)	30.06.2011 number/ nomina	Curr.	Market value USD	as % of total assets.
Securities								
Equities traded on a stock exchange or on another regulated market								
Banks & other credit institutions								
China Merchants Bank Co Ltd -H-	2,690,650	2,934,649	222,500	0	3,157,149	HKD	7,624,692	5.57
Total							7,624,692	5.57
Construction & building materials								
Shimao Property Holdings Limited	2,589,335	2,638,000	0	0	2,638,000	HKD	3,253,235	2.38
Total							3,253,235	2.38
Mining, coal & steel								
China Shenhua Energy Company Ltd -H-	2,176,548	1,458,500	31,500	547,000	943,000	HKD	4,494,227	3.28
Total							4,494,227	3.28
Retail, department stores								
Golden Eagle Retail Group Ltd	2,467,743	1,823,000	206,000	0	2,029,000	HKD	5,282,090	3.86
New World Department Store China Ltd	2,977,171	4,712,000	0	0	4,712,000	HKD	3,704,470	2.70
Oriental Watch Holdings Ltd	120,600	0	1,020,000	0	1,020,000	HKD	825,487	0.60
Total							9,812,047	7.16
Miscellaneous consumer goods								
Ports Design Ltd	1,977,774	2,645,000	130,000	0	2,775,000	HKD	6,692,737	4.89
Vinda International Holdings Ltd	3,227,461	3,079,000	500,000	0	3,579,000	HKD	4,018,301	2.93
Total							10,711,038	7.82
Electronics & semiconductors								
AAC Acoustic Technologies Holdings Inc	2,234,838	2,256,000	922,000	52,000	3,126,000	HKD	7,276,400	5.31
Xinyi Glass Holdings Ltd	2,053,281	0	274,000	0	274,000	HKD	932,985	0.68
Total							8,209,385	5.99
Energy & water supply								
GCL-Poly Energy Holdings Ltd	3,527,560	12,529,000	908,000	2,837,000	10,600,000	HKD	5,487,573	4.01
Sound Global Ltd	3,640,366	10,930,000	0	9,961,000	969,000	SGD	243,235	0.18
Total							5,730,808	4.18
Financial, investment & other diversif. companies								
Daphne International Holdings Ltd	4,512,420	2,362,000	0	908,000	1,454,000	HKD	1,296,263	0.95
The Wharf (Holdings) Ltd	421,178	0	905,800	42,786	863,014	HKD	5,992,153	4.37
Total							7,288,417	5.32
Forestry, wood & paper								
Fook Woo Group Holdings Ltd	11,152,511	5,464,000	244,000	0	5,708,000	HKD	1,796,468	1.31
Total							1,796,468	1.31
Rubber & tyres								
Xingda Intl Holdgs Ltd	2,829,885	0	246,000	0	246,000	HKD	239,854	0.18
Total							239,854	0.18
Real estate								
KWG Property Holding Ltd	3,208,121	4,447,000	276,000	0	4,723,000	HKD	3,142,802	2.29
Shui On Land Ltd	2,401,222	10,054,136	393,500	0	10,447,636	HKD	4,576,588	3.34
Total							7,719,390	5.64
Machinery & equipment								
Dongfeng Motor Group Company -H-	1,843,902	2,690,000	274,000	0	2,964,000	HKD	5,597,124	4.09
Lonking Holdings Ltd	4,328,481	11,939,000	269,000	624,000	11,584,000	HKD	6,324,364	4.62
Weichai Power Co Ltd -H-	1,802,855	1,091,400	43,000	124,000	1,010,400	HKD	5,892,757	4.30
Zhuzhou CSR Times Electric Co Ltd -H-	2,830,140	1,750,000	76,000	72,000	1,754,000	HKD	5,914,639	4.32
Total							23,728,885	17.32

Security	Swiss security no.	01.01.2011 number/nominal	Purchases 1)	Sales 2)	30.06.2011 number/nomina	Curr.	Market value USD	as % of total assets.
Food & soft drinks								
Ajisen (China) Holdings Ltd	3,007,018	3,406,000	0	8,000	3,398,000	HKD	7,036,518	5.14
Mindray Medical Intl Repr 1 -A-	2,705,768	142,500	0	0	142,500	USD	3,883,125	2.84
Total							3,883,125	2.84
Textiles, clothing & leather goods								
Anta Sports Products Ltd	3,227,484	4,031,000	538,000	0	4,569,000	HKD	8,158,406	5.96
Belle International Holdings Ltd	3,094,598	745,000	2,528,000	64,000	3,209,000	HKD	6,760,564	4.94
China Dongxiang (Group) Co Ltd	3,433,909	9,826,000	0	0	9,826,000	HKD	3,117,763	2.28
Total							18,036,734	13.17
Insurers								
Ping An Insurance (Group) -H-	1,714,873	604,000	40,500	0	644,500	HKD	6,791,742	4.96
Total							6,791,742	4.96
Total equities traded on a stock exchange or on another regulated market							126,356,562	92.25
Total securities							126,356,562	92.25
Derivative financial instruments traded on a stock exchange or on another regulated market								
Warrants								
Wts ML Intl on Ping An (LEPO) Dec14	10,836,492				49,000	USD	366,030	0.27
Wts ML Intl on Qingdao (LEPO) Nov15	12,018,867				797,454	USD	3,445,001	2.52
Total							3,811,031	2.78
Total derivative financial instruments traded on a stock exchange or on another regulated market							3,811,031	2.78
Bank assets								
Call deposits							6,797,034	4.96
Time deposits							0	0.00
Total bank deposits							6,797,034	4.96
Other assets							0.00	0.00
Total fund assets at the end of the period							136,964,627	100.00
Liabilities at bank							-2,365	0.00
Other liabilities							-594,825	-0.43
Net assets at the end of the reporting period							136,367,437	99.56
Securities lent out								
None								0.00
Total securities lent out								0.00
Exchange rates								
Foreign currency/fund currency								
CHF/USD								0.834000
HKD/USD								0.128460
SGD/USD								0.813549

1) incl. name changes, splits, mergers, swaps, bonus issues, stock dividends

2) incl. name changes, mergers, swaps, securities booked out at maturity

Note on the Semi-Annual Report: Any discrepancies in the totals are due to rounding differences.

Transactions within the reporting period without an impact on the securities portfolio as at 30 June 2011

Security	Swiss security no.	01.01.11 number/ nominal	Purchases 1)	Sales 2)	30.06.2011 number/ nominal	Curr.
Securities						
Equities traded on a stock exchange or on another regulated market						
Machinery & equipment						
China High Speed Trans Equipment Group	3,211,164	3,229,000	201,000	3,430,000	0	HKD
Haitian International Holdings Ltd	2,831,712	581,000	0	581,000	0	HKD
Uni-President China Hldgs Ltd	3,602,218	3,483,000	0	3,483,000	0	HKD
Derivative financial instruments traded on a stock exchange or on another regulated market						
Warrants						
Wts ML Intl & Co CV on SHS Ping An (LEPO) May11	4,211,689	49,000	0	49,000	0	USD
Wts ML Intl & Co CV on SHS Qingdao (LEPO) May11	4,234,823	797,454	0	797,454	0	USD
Wts ML Intl on Daqin Railway (LEPO) Aug14	2,666,659	821,800	0	821,800	0	USD

Information on matters of particular financial or legal significance**Change of fund management company and custodian bank**

With effect from 1 April 2011, the Swiss Financial Market Supervisory Authority (FINMA) approved a change of fund management company pursuant to Art. 34 of the Swiss Federal Act on Collective Investment Schemes (CISA) and a change of custodian bank within the meaning of Art. 74 CISA for the HSZ China Fund, investment fund under Swiss law of the "other funds for traditional investments" type:

The fund management company function was transferred from Falcon Fund Management (Switzerland) AG, Dübendorf, to Swiss Investment Company SIC Ltd., Zurich.

The custodian bank and paying agent function was transferred from Falcon Private Bank Ltd., Zurich, to Clariden Leu AG, Zurich.

Valuation and net asset value calculation principles (extract from the Fund Contract)

1. The net asset value of the investment fund and the share of assets attributable to the individual classes are calculated in USD at the market value as at the end of the financial year and for each day on which units are issued or redeemed. The fund's assets will not be calculated on days when the stock exchanges/markets in the main investment countries of the investment fund are closed (e.g. bank and stock exchange holidays).
2. Securities traded on a stock exchange or other 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 that would probably be obtained in a diligent sale at the time of the valuation. In this case, the fund management company shall use appropriate valuation models and principles that are recognised as standard.
3. The value of money market instruments that are not traded on a stock exchange or other regulated market open to the public is determined as follows: The valuation price of such investments, based on the net acquisition price, will gradually near the redemption price where the investment return calculated from this is kept constant. In the event of any major changes to market conditions, the valuation basis of the individual investments shall be changed to reflect the new market returns. Where there is no current market price, the calculations are based as a rule on the valuation of money market instruments with similar features (quality and domicile of issuer, currency of issue, term).
4. Bank deposits are valued on the basis of the amount due plus accrued interest. If there are significant changes in the market conditions or the credit rating, the valuation principles for time deposits will be adjusted in line with the new circumstances.
5. The net asset value of a unit of a class is determined by the share of the market value of the fund assets attributable to that unit class, less any of the investment fund's liabilities attributable to that unit class, divided by the number of units of that class in circulation. It will be rounded to the nearest 1/100 of the currency of account.
6. The proportion of the market value of the Fund's net assets (the Fund's assets minus its liabilities) attributable to the individual 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 for each unit class. The proportion is recalculated when one of the following events occurs
 - a) upon the issue and redemption of units;
 - b) on the pertinent date for distributions, provided that (i) such distributions are only payable for individual unit classes (distribution classes) or that (ii) the distributions for the various unit classes vary when expressed as a percentage of their respective net asset values or that (iii) varying commission or cost charges are charged on the distributions for 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 the costs and commissions payable or accrued) to the various unit classes, provided that the liabilities of the various unit classes vary when expressed as a percentage of their respective net asset values, i.e. 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 that the income or capital gains stem from transactions which were conducted solely in the interest of a single unit class, or in the interest of several unit classes but not in proportion to their share of net fund assets.

Notes on the Semi-Annual Report as at 30 June 2011

Note 1: US sales restrictions

With respect to the issue and redemption of units of this investment fund outside Switzerland, the provisions valid in the country in question apply. In particular, the units of the HSZ China Fund have not been registered under the United States Securities Act of 1933 and, other than in connection with a transaction that does not infringe this Act, fund units may not – either directly or indirectly – be offered, sold, re-sold or delivered in the United States of America or to US citizens or persons resident in the United States, or to corporations or other legal entities established or administered under the laws of the United States. As defined in this document, the term "United States" covers the United States of America and all its member states, territories and possessions and all areas subject to its sovereign jurisdiction. Citizens of the United States who are resident outside the United States are entitled to become beneficial owners of the fund units pursuant to regulation S of the Securities Act Release No. 33-6863 (May 2, 1990). Investors with US citizenship or investors subject to US income tax are therefore advised to consult a tax advisor before purchasing units in the fund. Such a purchase could have adverse consequences for investors under US tax law.

Note 2: Data and figures

The data and figures contained in this report relate to the past. They may not be interpreted as a guarantee of future performance.

Note 3: Use of derivative financial instruments

The transactions in derivative financial instruments carried out under the terms of the Fund Regulations comply with the guidelines of Swiss Investment Company SIC Ltd. in relation to the use, valuation and reporting of derivatives, as well as with the applicable provisions of the Swiss Federal Act on Collective Investment Schemes (CISA) and Collective Investment Schemes Ordinance (CISO) and Articles 25 to 50 of the FINMA Ordinance on Collective Investment Schemes (CISO-FINMA).

Note 4: Information on the Swiss Funds Association Guidelines on transparency with regard to management fees

The fund management company can pay retrocessions from the distribution share of management fees to the following institutional investors that hold fund units on behalf of third parties as part of their normal business:

- Life insurance companies
- Pension funds and other retirement provision institutions
- Investment foundations
- Swiss fund management companies
- Foreign fund management companies
- Investment companies

In addition, the fund management company may pay trailer fees from the distribution share to the following distributors and distribution partners:

- Approved distributors
- Fund management companies, banks, securities dealers, Swiss Post and insurance companies
- Distributors who place fund units exclusively with institutional investors that have professional treasury facilities
- Asset managers

Note 5: Key figures

Total expense ratio (TER)

The total expense ratio (TER) indicates the sum of all periodically levied costs and commissions which are charged to the net assets retrospectively as a percentage of the net assets.

Portfolio turnover rate (PTR)

PTR is an indication of the fund's trading activities (excluding purchases and sales due to subscriptions and redemptions) and is expressed as a percentage of the average of the fund's assets over the previous twelve months. PTR is calculated in accordance with the SFA guidelines.