HSZ China Fund

Newsletter April 2007

- China's real economy remains strong
- China Mengniu's results ahead of expectations
- Increase in capex spending by China Mobile drives Comba's growth
- China Merchants Bank's earnings led by strong loan growth
- Strong property sales boost Shui On Land's earnings

Figures as of April 30, 2007

Net Asset Value

Per Share: USD 123.06, CHF 118.87, EUR 115.61

Market Capitalization: USD 173.6 million

Share Price in USD since Nov 17, 2006

Performance

	April	YTD	1Y	Nov 17, 06
USD-Class	2.8%	15.2%	n.a.	23.1%
CHF-Class	2.0%	13.8%	n.a.	18.9%
EUR-Class	0.7%	11.3%	n.a.	15.6%

Largest Holdings

Fu Ji Food	9.3%
China Infrastructure	7.5%
Egana	6.1%
Epure International	5.7%
China Merchants Bank	5.2%
Shui On Land	4.5%

Exposure

Consumer Discretionary	33.3%
Industrials	23.3%
Financials	17.1%
Transportation	4.3%
Telecom Services	2.8%
Consumer Staples	2.0%
Energy	1.8%
Materials	1.6%
Health Care	1.0%
Information Technology	0.4%
Cash	12.5%

China's real economy is picking up steam. In the first quarter exports rose 28 percent year-on-year from 27 percent last year and GDP expanded 11.1 percent. Strong earnings results announcements and the successful listing of Country Garden, the largest China property developer listed by market capitalization, led to a resilient stock market in April.

China Mengniu Dairy reported 59 percent growth in net profit to CNY 727 million for the year ended December 31, 2006, ahead of market expectations. Revenue grew 50 percent year-on-year and gross profit margin rose from 22.3 percent to 22.9 percent on the back of the launch of more high-end products. The company's market share in the China liquid milk market further increased from 28.6 percent at the end of 2005 to 33.3 percent at the end of 2006, a testament to the increasing brand awareness for its milk products in China.

Comba Telecom saw a 33 percent growth in revenue for the year ended December 2006, driven by the increase in capital expenditure by China Mobile. Apart from this, its new businesses such as base transceiver station antennas and subsystems and digital microwave systems also showed good contribution. Net profit for the company was up 60 percent to HKD 131 million, ahead of market expectations with EBITDA margin improving from 11.4 percent to 12.7 percent. The company is set to benefit from the expansion of telephone coverage in rural areas.

China Merchants Bank reported a higher than expected pre-tax profit increase of 56 percent for 2006. Ex-card retail banking was stronger than expected whilst credit card profit contribution was minimal (only 1 percent of total or RMB 100 million). Despite being boosted by a RMB 905 million tax break on deductible staff costs, pre-tax profit growth was still robust at 57 percent and was above expectations. Growth in loans (+20 percent year-on-year), interbank placement (+56 percent), deposits (+22 percent) and fee income (+60 percent) all beat expectations. Retail loan growth of 38 percent exceeded 20 percent corporate loan growth. Fee growth was mainly driven by bank card, insurance, fund sales and remittance & settlement. Net interest margin widened 3 basis points in 2006. Asset quality continued to improve with non performing loan and special mention loan reducing in both absolute terms and percentage of loan.

Shui On Land reported net profit of CNY 1.1 billion for the year ended December 31, 2006, 17 percent ahead of its profit forecast announced upon listing in October 2006. Turnover increased significantly to CNY 4.7 billion, backed by property sales of 123'000 square meters. In the long term, the group sees solid demand for its property projects.

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	HSZCHID, HSZCFCH, HSZCHEU

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 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 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 objective is to create sustained shareholder value by acquiring and managing equity and equity-linked investments in a select number of high-quality companies that have a significant exposure to China, regardless of the listing location. Companies with significant China exposure generate at least 50 percent of their revenues and/or have at least 50 percent of their manufacturing capacity in China. 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 investment management company with offices in Hong Kong and Zurich. The company is majority owned by its four partners and employs a total staff of thirteen. The team has managed Asian equity portfolios since 1994.