HSZ China Fund

Newsletter April 2009

- China's economy sees signs of recovery
- Golden Eagle delivers solid full year results
- Zhuzhou CSR sees strong order in 2009
- Shimao posts strong home sales this year

Figures as of April 30, 2009

Net Asset Value

Per Share: USD 74.29, CHF 67.45, EUR 72.80
Market Capitalization: USD 52.6 million

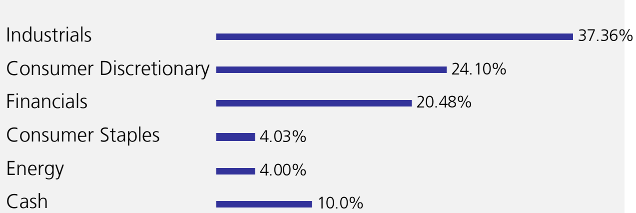
Share Price in USD since Nov 17, 2006

Performance

	April	YTD	1Y	Nov 17, 06
USD-Class	19.36%	31.42%	(29.85%)	(25.71%)
CHF-Class	17.71%	40.96%	(23.23%)	(32.55%)
EUR-Class	20.79%	40.84%	(16.24%)	(27.20%)

Largest Holdings

Exposure



China's real GDP growth decelerated to 6.1 percent year on year in the first quarter of 2009. While it was down from the 6.8 percent gain in the previous period, the estimated quarter on quarter growth reflected a decent sequential recovery in economic activities, helped by the massive government-led investment and the supportive credit expansion. Exports continued to fall in March, but the pace of decline has been decelerating. Some other statistics also pointed to a recovery, with industrial production and property sales being improved and fixed asset investment and consumer spending being resilient.

Golden Eagle's 42 percent recurring net profit growth in 2008 was driven by 22 percent of same store sales growth and 38 percent increase in total gross floor area. Recurring net margin expanded 3 percentage points on lower effective tax rate. Concessionaire rate stayed largely the same as 20.7 percent despite economic slowdown in the second-half of 2008 given its VIP-focused promotion. VIP consumption accounted for 65 percent of total gross sales proceeds in 2008 and the VIP customer base grew 30 percent to 600,000 members. Three new stores (1 managed and 2 leased) are scheduled to be opened in 2009.

Zhuzhou CSR 2008 net profit rose 22 percent to CNY 422 million. Gross margin eroded 7 percentage points to 37 percent due to changes in product mix. Return on assets saw improvement from 8 percent in 2006 to 12 percent in 2008 on effective cost control measures, strong order flow and improved operation efficiency. In 2009, high growth products are systems for metro railways and high margin power semiconductors. The company has already signed contracts to deliver products for Beijing, Tianjin, Wuhan and Shanghai Metro lines. Based on current order on hand, management believed 2009 could see a minimum of 30 percent growth in turnover.

Shimao reported the 2008 results, with revenue amounting to CNY 7.2 billion, down 22 percent from a year earlier. The core net profit declined by 39 percent to CNY 1.1 billion. The declines in both numbers were due to the delay in recognition of certain projects. However, gross margin was improved from 43 percent in 2007 to 45 percent in 2008. As of April 27, 2009, contracted sales have reached 6.6 billion, representing 44 percent of its CNY 15 billion sales target for 2009. With cash on hand of CNY 6.85 billion and target sales of CNY 15 billion, the liquidity situation remains healthy and would support further project development and land acquisition.

General Information

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 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.

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 Group 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 by investing in at least 15 companies. Each position represents a weight of between 5 to 10% of total assets with 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 Group is an independent investment management company with offices in Hong Kong and Zurich. The company is majority owned by its partners and employs a total staff of thirteen. 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.

Characteristics

Fund Name	HSZ China Fund
Structure	Open-end Swiss investment fund, "Kategorie: Übrige Fonds"
Approved	August 2006 by Swiss Financial Market Supervisory Authority
Launch	November 2006
Fund Volume	Launched at USD 130 million
Fiscal Year End	December 31
Reporting	Semi-annually in USD
Currency Classes	USD, CHF, EUR (all unhedged)
ISIN, Valor USD-Class, WKN	CH0026828035, 2682803, A0LC13
ISIN, Valor EUR-Class, WKN	CH0026828092, 2682809, A0LC14
ISIN, Valor CHF-Class, WKN	CH0026828068, 2682806, A0LC15
Issue price (all classes)	100
Distributions	Income annually
Issuance/Redemption	Daily
Management Fee	1.5% annually
Performance Fee	10% above hurdle rate of 5%, high water mark
Issuance Fee	Maximum 5%
Redemption Fee	None

Information

Prospectus/By-Laws	Available upon request
Publication of NAV (daily)	www.hszgroup.com www.falconpb.com Neue Zürcher Zeitung (NZZ)
Bloomberg	HSZCHIFD, HSZCHEUR, HSZCFCHF
Monthly Reports	Subscription
Fund Administrator	AIG Fund Management (Switzerland) Ltd.
Custodian Bank	Falcon Private Bank Ltd.
Investment Manager	HSZ Group
Main Distributor	AIG Fund Management (Switzerland) Ltd.
Auditors	PricewaterhouseCoopers Ltd.
Subscriptions	All Banks

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