HSZ China Fund

Newsletter April 2008

- Chinese Government cuts tax on share transactions
- Ecogreen surprises on upside
- Shui On Land results in line with expectations
- China Communications Construction with strong results in 2007

Figures as of April 30, 2008

Net Asset Value

Per Share: USD 105.90, CHF 87.86, EUR 86.91
Market Capitalization: USD 94.9 million

Share Price in USD since Nov 17, 2006

Performance

	Apr	YTD	1Y	Nov 17, 06
USD-Class	12.6%	(18.1%)	(13.9%)	5.9%
CHF-Class	16.8%	(24.6%)	(26.1%)	(12.1%)
EUR-Class	13.7%	(22.8%)	(24.8%)	(13.1%)

Largest Holdings

Epure International	9.9%
China Merchants Bank	8.4%
Fu Ji Food & Catering	7.2%
China Infrastructure	6.5%
Shui On Land	5.3%
Esprit	4.1%

Exposure

Industrials	34.5%
Financials	22.2%
Consumer Discretionary	19.6%
Consumer Staples	5.5%
Telecom Services	3.1%
Energy	3.0%
Materials	1.7%
Cash	10.4%

In a move designed to reduce the spiral downturn in the Shanghai A-share stockmarket, the Chinese Government announced it would cut the tax on stock trades to 0.1% of value of transaction from 0.3%. This measure essentially reverses the tax increase on stock trades implemented a year ago. The market-support measures appear to have gained traction, with the Shanghai stockmarket gaining over 9% on the day of the move. Nevertheless, the Government is wary of rising inflationary pressures as the first quarter GDP numbers were fairly strong. First quarter 2008 GDP grew 10.6% down from 11.6% last year, whilst March CPI remained stubbornly strong at 8.3%. To put it in prospective, despite the subprime issues surrounding global banks eminating from the United States, the Dow Jones is flat year-to-date against MSCI-China down more than 10% and down 24% in the first quarter of the year. The fund has sold down all its A-share positions in the middle of last year and is monitoring the valuations of A-share stocks for the right opportunity to start reinvesting.

Ecogreen reported strong results for the full year ended December 31, 2007, with net profit up by 37% year-on-year to CNY 130 million and revenue up by 15% to CNY 612 million. Gross profit margin improved from 31.9% in 2006 to 34.2% in 2007, alleviating market's concerns over Ecogreen's ability to pass on rising raw material costs and effects of the renminbi appreciation. With the completion of its phase III multi-purpose plant commencing operation in the second quarter of 2008 and continuing efforts for the high value-added product development, the company should deliver strong earnings growth in the next few years.

Shui On Land reported net profit of CNY 2.06 billion, excluding fair value adjustment for investment properties and derivative financial instruments, for the year ended December 31, 2007, up 34% year-on-year. Gross profit margin decreased from 66% to 59% due to the lower margin from the sales of residential units from Wuhan Tiandi and Knowledge and Innovation Community project in Shanghai, which is however still above the industry-average margin. The company decided to defer the launch of the third phase of Lakeville project in Shanghai in phases over 2008 and 2009, as they believe in maintaining profit margin at the expense of volume growth.

China Communications Construction Company reported a 31% growth in revenue to CNY 150.6 billion, in line with expectations, driven by a strong 33% growth in infrastructure construction and 39% growth in dredging business. Net profit was up by 89% year-on-year to CNY 6.0 billion driven by better business mix and margin improvement. Gross margin remained stable helped by effective cost and expense control. Management guided that as of December 31, 2007, the company had a backlog of CNY 234.6 billion, representing an increase of 51% as compared to that of 2006.

General Information

Characteristics

Fund Name	HSZ China Fund
Structure	Open-end Swiss investment fund, "Kategorie: Übrige Fonds"
Approved	August 2006 by Federal Banking Commission (EBK)
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%

Information

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

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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.