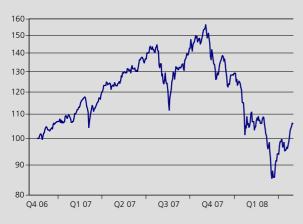
# HSZ China Fund

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 China Merchants Bank Fu Ji Food & Catering China Infrastructure Shui On Land Esprit

9.9%			
8.4%			
7.2%			
6.5%			
5.3%			
4.1%			



## 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

In a move designed to reduce the spiral downturn in the Shanghai Ashare 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 multipurpose 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 Structure

#### Approved

Launch Fund Volume Fiscal Year End Reporting Currency Classes ISIN, Valor USD-Class, WKN ISIN, Valor EUR-Class, WKN ISIN, Valor CHF-Class, WKN Issue price (all classes) Distributions Issuance/Redemption Management Fee Performance Fee

### Issuance Fee

Information Prospectus/By-Laws Publication of NAV (daily)

Bloomberg Monthly Reports Fund Administrator Custodian Bank Investment Manager Main Distributor Auditors Subscriptions

Open-end Swiss investment fund, "Kategorie: Übrige Fonds" August 2006 by Federal Banking Commission (EBK) November 2006 Launched at USD 130 million December 31 Semi-annually in USD USD, CHF, EUR (all unhedged) CH0026828035, 2682803, A0LC13 CH0026828092, 2682809, A0LC14 CH0026828068, 2682806, A0LC15 100 Income annually Daily 1.5% annually 10% above hurdle rate of 5%, high water mark

HSZ China Fund

## Available upon request www.hszgroup.com www.aigprivatebank.com Neue Zürcher Zeitung (NZZ) HSZCHIFD, HSZCHEUR, HSZCFCHF Subscription AIG Fondsleitung (Schweiz) AG AIG Private Bank AG HSZ Group HSZ (Schweiz) AG PricewaterhouseCoopers AG All Banks HSZ (Schweiz) AG

Maximum 5%

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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.

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