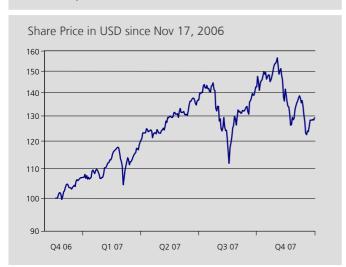
HSZ China Fund

Figures as of December 31, 2007

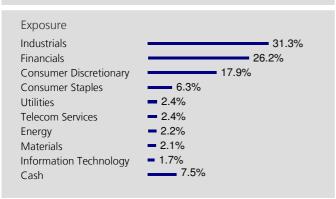
Net Asset Value

Per Share: USD 129.25, CHF 116.56, EUR 112.51 Market Capitalization: USD 166.6 million



Performance						
	Dec	YTD	1Y	Nov 17, 06		
USD-Class	(3.7%)	21.0%	21.0%	29.3%		
CHF-Class	(3.2%)	11.5%	11.5%	16.6%		
EUR-Class	(3.4%)	8.3%	8.3%	12.5%		

Largest Holdings	
China Merchants Bank	8.3%
Epure International	6.5%
Fu Ji Food & Catering	5.8%
China Infrastructure	5.7%
Shui On Land	4.1%
Bank of East Asia	4.1%
China Infrastructure Shui On Land	5.7% 4.1%



Newsletter December 2007

- Reserve requirement ratio raised
- Fu Ji Food & Catering's turnover increases 46%
- Ping An becomes Fortis biggest investor
- China Everbright Bank plans to go public in mid 2008
- China Resources Land buy land from parent

The People's Bank of China raised reserve requirement ratio by 100 basis points to 14.5% as inflationary pressure accelerates. November CPI rose to a high of 6.9% led mainly by food price inflation. This interest rate move will reduce the banks' ability to aggressively engage in lending activities. Banking and property stocks bore the brunt of the selling in December. Due to the recent tightening measure, property prices started to soften, and some developers postponed their projects for sale. HSZ China Fund is invested in property developers whose gearing levels are low and whose landbank is nationwide. The fund sold its holdings in retailer Li Ning in early December as it had traded to high valuations. We remain positive on the property sector in the long term given the demographic dynamics and the strong wage growth.

During the 6 months ended September 30, 2007, Fu Ji Food & Catering's turnover was up 46% year-on-year to CNY 780 million and net profit was up 14% to CNY 197 million. The operating margin was down 5 percentage points year-on-year to 32% on higher rental, depreciation and staff expenses. As of September 30, 2007, Fu Ji produced a total of 657'000 sets of meals daily, representing 42.1% growth compared to the same period last year. Although results were at the low end of expectations, we remain positive on the long-term growth potential of the company.

Ping An announced that it acquired 95.01 million shares of Fortis for CNY 20 billion, valueing Fortis at 1.1x 2008E P/B, 7.9x PE and 4.6% yield. The transaction gives Fortis the possibility of strategic partnership in China focusing on asset management or on private banking services. It leverages on Ping An's distribution network and Fortis insurer expertise. Ping An is expected to benefit from the investment as the demand for fund products increase arising from the growing wealth of the middle class in China.

China Everbright Limited announced plans to list its associate holding, China Everbright Bank, after receiving CNY 20 billion capital injection from Huijin, the investment arm of the Central Government of China. China Everbright Bank is currently undertaking restructuring, seeking strategic investors and dealing with non-performing loans to pave the way for its listing in mid-2008. This will be positive for China Everbright Limited as value is realized on the bank's listing.

China Resources Land announced the acquisition of three projects in Dalian, Hangzhou and Wuxi with total Gross Floor Area (GFA) of 2.89 million square meters from its parent. The acquisition will be entirely funded through the issuance of shares amounting to HKD 4.53 billion. This is the third asset injection to China Resources Land since 2005. The stock is trading at an attractive 30% discount to NAV.

General Information

Characteristics

Launch

Fund Name HSZ China Fund Structure Open-end

Swiss investment fund,
"Kategorie: Übrige Fonds"

Approved August 2006 by Federal Banking

Commission (EBK) 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 Maximum 5%

Information

Issuance Fee

Bloomberg

Prospectus/By-Laws Available upon request
Publication of NAV (daily) www.hszgroup.com
www.aigprivatebank.com

Neue Zürcher Zeitung (NZZ) 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

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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 fourteen. 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.

This publication is for information purposes only and is not to be regarded as an offer for the purchase or sale of the fund's units. The fund may not be marketed, either directly or indirectly, in the United States of America or sold to US persons. The value of units can fall as well as rise. The information provided in this document has been compiled with due care and attention by HSZ Group and its partners. However, HSZ Group offers no undertaking or guarantee as to accuracy, reliability or completeness of the information provided. Under no circumstances (including but not limited to negligence) shall HSZ Group be liable for any losses or consequential damage resulting from the use of this document.