

Newsletter February 2009

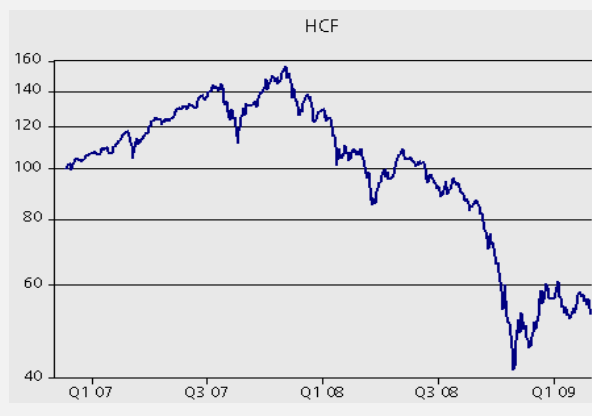
- China pledges massive spending to revive growth
- Zhuzhou wins new AC locomotive orders
- China Overseas Land's sales growth remains intact
- Ping An achieves solid premium growth

Figures as of February 28, 2009

Net Asset Value

Per Share: USD 52.76, CHF 49.32, EUR 53.00
Market Capitalization: USD 37.9 million

Share Price in USD since Nov 17, 2006



Performance

| | February | YTD | 1Y | Nov 17, 06 |
|-----------|----------|---------|----------|------------|
| USD-Class | (2.69%) | (6.67%) | (51.32%) | (47.24%) |
| CHF-Class | (1.64%) | 3.07% | (45.94%) | (50.68%) |
| EUR-Class | (1.49%) | 2.53% | (41.99%) | (47.00%) |

Largest Holdings

| | |
|--------------------------|------|
| Zhuzhou CSR | 7.2% |
| Lonking Holdings Ltd | 7.0% |
| Epure International Ltd | 6.5% |
| China Merchants Bank | 6.2% |
| Anta Sports Products Ltd | 5.1% |
| Ports Design | 4.6% |

Exposure

| | |
|------------------------|-------|
| Industrials | 38.1% |
| Consumer Discretionary | 21.0% |
| Financials | 17.7% |
| Consumer Staples | 7.2% |
| Energy | 3.8% |
| Cash | 12.2% |

Premier Wen reiterated the determination to revive growth in his annual works report at the National People's Congress. The total budget deficit this year was set at a record CNY 950 billion, within 3 percent of the yearly GDP, compared to CNY 111 billion last year. Fiscal spending will increase by 22 percent to 7.62 trillion spanning across such areas as economic housing, infrastructure, rural reform and environmental, safety net and health care system. In January, CNY loan grew at 21 percent year-on-year from 19 percent in December 2008. Newly extended loan came in at CNY 1.62 trillion, compared to CNY 803 billion recorded in the same month last year. China is one of the very few places with abundant liquidity, which helps supporting growth in domestic demand.

Zhuzhou CSR has won 200 new AC locomotive orders from the Ministry of Railway. These orders are potentially worth CNY 600 million, amounting to 30 percent of the 2008 total revenue, and are expected to be delivered in 2009. This is an order for a new, higher technology product given directly to the company, rather than its joint-venture with Siemens who won orders last year. We also take this as a sign the stimulus package is taking effect to benefit rolling stock equipment suppliers.

In January, China Overseas Land's sales volume increased by 150 percent year-on-year to 160'000 square metres (sqm). Average selling price (ASP) for the period was CNY 7'500 per sqm compared to CNY 8'900 for the same period in 2008. Lower ASP for the period is mainly due to higher contribution from second-tier cities. The current policy regime should benefit established leading players with strong balance sheets and we see the company as one of the main beneficiaries of market recovery this year. Its improved balance sheet should facilitate completion and land bank growth in 2009.

Despite having one working week less in January due to the Chinese New Year compared to 2008, Ping An achieved 23 percent life premium growth and 13 percent property and casualty premium growth year-on-year. Ping An targets about 40 percent of its total premium in 2009 to be from universal life products. There is no need for Ping An to raise capital to run its operation in the near term, but business expansion that requires significant capital may need to be scaled back.

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% |
| Redemption Fee | None |

Information

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| Prospectus/By-Laws | Available upon request |
| Publication of NAV (daily) | www.hszgroup.com www.aigprivatebank.com Neue Zürcher Zeitung (NZZ) |
| Bloomberg | HSZCHFID, 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 |

Contact

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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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