

Figures as of	March 31, 2016
Net Asset Value	USD 109.47, CHF 82.72, EUR 123.87
Fund Size	USD 84.0 million
Inception Date*	May 27, 2003
Cumulative Total Return	231.2% in USD
Annualized Total Return	9.8% in USD

\* The track record is the combination of two consecutive track records of China Investment Corporation (CIC) and HSZ China Fund (HCF). From May 27, 2003 to November 17, 2006 it is the performance of CIC, a trust account managed by HSZ (Hong Kong) Limited for listed Chinese equities. Since the launch of HCF on November 17, 2006 it is the performance of HCF.

Net Asset Value (Monthly)



## Performance

	March	YTD	1 Year	Nov 17, 06
USD Class	11.3%	(9.6%)	(17.3%)	16.5%
CHF Class	7.5%	(12.0%)	(17.0%)	(12.3%)
EUR Class	7.2%	(12.9%)	(20.8%)	29.8%

## Largest Holdings

Qingdao Haier	7.6%	
Gree Electric Appliances	7.2%	
Tencent Holdings	6.9%	
AAC Technologies	6.3%	
Yili Company	5.9%	
Baidu Inc.	5.8%	

## Exposure

TMT	29.9%	
Consumer Discretionary	28.2%	
Financials	14.3%	
Industrials	11.8%	
Consumer Staples	8.1%	
Cash	3.5%	

## Newsletter March 2016

- New housing starts rebounded by 14%
- Kweichow Moutai's FY2015 sales hit record high
- AAC delivered strong FY15 results with good opportunities ahead
- CICC reported better than expected FY15 results

New housing starts rebounded by 14% year over year for the first two months of 2016, along with a 30% jump in national residential property sales in terms of floor space. Besides, manufacturing PMI rose to 50.2 in March, exceeding the boom-bust line of 50 for the first time in eight months. There were signs of broad-based recovery of the Chinese economy, thanks to a series of monetary easing and government's supportive policies especially in housing.

Kweichow Moutai's FY2015 sales hit a record high, with a 3.4% increase year over year to CNY 32.7 billion. The company maintained its number one brand in the Chinese liquor market with gross profit margin at 92.2%. Average selling price of the company's products has stabilized at CNY 850 per bottle. Looking forward, the home-grown brand stands to benefit from increasing spending by Chinese citizens backed by its very high brand recognition and quality standard.

AAC delivered strong FY15 results with good opportunities ahead. Revenue of the company increased by 32% year over year to CNY 11.7 billion, mainly driven by strong demand from the Chinese smartphone vendors as well as the adoption of haptics technology from the latest version of the iPhone. Net profit hit a record high with an increase of 34% year over year to CNY 3.1 billion. Management is confident for the FY2016 outlook due to the upgrade cycle from Chinese smartphone players changing from conventional speaker to speaker box. In addition, the next generation of iPhone that is expected to be launched in late October this year is also expected to be an opportunity for AAC.

CICC reported better than expected FY15 results, with net profit up 75% year over year to CNY 1.95 billion and weighted average ROE reaching 20.4%. Given the market turbulence in the second half of 2015, CICC's net revenue/profit declined by 10%/28% HoH, but both were still better than the sector (-26%/-40%). The revenue from investment banking remained strong and increased 34% HoH and high-net-worth client number/account balance increased 10%/11% HoH. The results confirmed that CICC's quality revenue mix is less subject to Chinese stock market risk compared to other brokers while it is better positioned to seize the industry opportunities of capital market reform and emerging wealth management needs of the middle and upper class.

## General Information

Name	HSZ China Fund
Theme	Entrepreneurial China
Nature	Long-only equity fund, actively managed
Focus	Listed Chinese equities focusing on privately controlled companies

Structure	Swiss investment fund, regulated by FINMA, open-ended
Distributions	Income annually
Fiscal Year End	December 31
Reporting	Semi-annually in USD
Currency Classes	USD, CHF, EUR (all unhedged)
Trading	Daily issuance and redemption, based on net asset value

Fund Manager	Credit Suisse Funds AG
Custodian Bank	Credit Suisse AG
Investment Manager	HSZ (Hong Kong) Limited
Auditors	KPMG AG
Management Fee	1.5% annually
Performance Fee	10% above hurdle rate of 5%, high water mark
Issuance Fee	0.5%
Redemption Fee	None

USD Class	ISIN CH0026828035, Valor 2682803 WKN A0LC13 Bloomberg HSZCHID SW Equity
CHF Class	ISIN CH0026828068, Valor 2682806 WKN A0LC15 Bloomberg HSZCFCH SW Equity
EUR Class	ISIN CH0026828092, Valor 2682809 WKN A0LC14 Bloomberg HSZCHEU SW Equity
Orders via Banks	Credit Suisse AG Mrs. Anita Wobmann Execution CS Fonds & 3rd Party SEBF 12, 8070 Zurich, Switzerland Tel: +4144 644 4254 Fax: +4158 205 7097

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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 (Hong Kong) Limited 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 to avoid concentration risk. The weight of each position in the portfolio is subject to 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 (Hong Kong) Limited is a Hong Kong based independent investment management company. Its investment team has been managing Asian equity portfolios since 1994.