

Figures as of	April 28, 2017
Net Asset Value	USD 138.07, CHF 107.45, EUR 161.67
Fund Size	USD 96.7 million
Inception Date*	May 27, 2003
Cumulative Total Return	317.7% in USD
Annualized Total Return	10.8% 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

	April	YTD	1 Year	Nov 17, 06
USD Class	4.3%	21.5%	28.8%	46.9%
CHF Class	3.6%	18.3%	32.9%	14.0%
EUR Class	2.4%	17.5%	34.6%	70.6%

Largest Holdings

Gree Electric Appliances	9.5%	<div style="width: 9.5%;"></div>
Ping An	8.4%	<div style="width: 8.4%;"></div>
Yili Company	7.8%	<div style="width: 7.8%;"></div>
Alibaba	7.6%	<div style="width: 7.6%;"></div>
AAC Technologies	7.3%	<div style="width: 7.3%;"></div>
Tencent	6.4%	<div style="width: 6.4%;"></div>

Exposure

TMT	36.9%	<div style="width: 36.9%;"></div>
Consumer Discretionary	19.2%	<div style="width: 19.2%;"></div>
Financials	15.9%	<div style="width: 15.9%;"></div>
Consumer Staples	14.1%	<div style="width: 14.1%;"></div>
Industrials	8.6%	<div style="width: 8.6%;"></div>
Cash	3.0%	<div style="width: 3.0%;"></div>

## Newsletter April 2017

- China continues to deleverage amid strong economy
- China Merchant Bank's asset quality greatly improved
- Hikvision reported 1Q17 results with net profit up 29% YoY
- Moutai reported solid revenue and profit growth in 1Q17

China continues to deleverage amid strong economy. Chinese first quarter GDP grew 6.9%, well above its 2017 full year target of "around 6.5%". The economic outlook became more stable as US president Trump seemed to be less hostile to China and declined to label China as a currency manipulator. China took the opportunity of the strong economy to deleverage and announced to enhance risk control of banks on credit, liquidity, wealth management products business, interbank business and other aspects. Overnight SHIBOR continued its uptrend since August 2016 and surged 0.28 percentage points to 2.82% in April, as a result of tightened monetary policy.

China Merchant Bank's asset quality greatly improved in 1Q2017 as its non-performing loan ratio declined 0.11 percentage point QoQ to 1.76%. Despite the lower net interest margin and lower commission income due to tighter regulation on wealth management products, net profit increased 9% YoY thanks to less provision for impairment loss. China Merchant Bank remained prudent and its non-performing loan allowance coverage ratio increased 28.3 percentage point QoQ to 207.35%. We believe there is still a lot of room for China Merchant Bank to boost earnings by further reducing its provision for impairment losses as asset quality improves.

Hikvision reported 1Q17 results with net profit up 29% YoY. For 1Q17, revenue of the company grew 35% YoY to CNY 7.0 billion and net profit grew 29% YoY to CNY 1.5 billion. Looking forward, the leading surveillance solutions provider in China, by leveraging its self-developed technology including artificial intelligence and deep learning on computer vision as well as encoding technology, is going to expand its business scope further into industrial robotics and Advanced Driver Assistance Systems (ADAS). We expect the robotics technology will play an important role for the next technology wave of the manufacturing sector in China that could help Hikvision to achieve long-term healthy growth.

Moutai reported solid revenue and profit growth in 1Q17. Moutai reported 1Q17 revenue and net profit of CNY 13.3bn and CNY 6.1bn respectively, up 33.2% and 25.2% YoY. The revenue continued its accelerated growth trajectory in 1Q17 and advancement from distributors increased 122% YoY or 8% QoQ to CNY 18.9bn, indicating strong demand driven by both increased consumption and investment demand in anticipation of rising Moutai price. Moutai's net profit margin contracted slightly in 1Q17, due to strong sales expansion of lower-margin non-Moutai brands and the increase of the effective consumption tax.

## 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 (Schweiz) 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
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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 fueling 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.