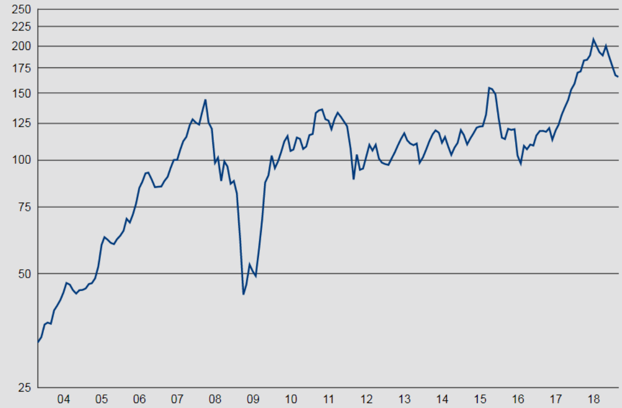
HSZ China Fund

Figures as of	September 28, 2018
Net Asset Value	USD 165.71, CHF 127.29, EUR 182.69
Fund Size	USD 124.0 million
Inception Date*	May 27, 2003
Cumulative Total Return	403.8% in USD
Annualized Total Return	11.1% 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

	September	YTD	1 Year	May 2003
USD Class	(1.0%)	(12.3%)	(3.3%)	403.8%
CHF Class	0.0%	(12.3%)	(2.7%)	271.8%
EUR Class	(0.5%)	(9.7%)	(1.8%)	405.8%

Largest Holdings

Ping An	10.1%
China Merchants Bank	6.8%
SSY Group	6.8%
Alibaba	6.5%
China Resources Beer	6.3%
Yili Company	5.7%

Exposure

TMT	25.1%
Financials	20.6%
Consumer Discretionary	15.0%
Consumer Staples	13.5%
Health Care	8.0%
Cash	5.7%

Newsletter September 2018

- MSCI proposes to quadruple China's index weighting
- Alibaba's new retail initiatives have shown early sign of success
- Ctrip.com reported net income increased by 564% YoY
- Geely was in talks for Toyota's hybrid engine technology

MSCI proposes to quadruple China's index weighting, soon after the A-shares' historic entry into MSCI indexes in June. According to MSCI's consultation, it is considering to increase the inclusion factor of Chinese large-caps from 5% to 20% in two phases in May 2019 and August 2019. In addition, Chinese mid-caps listed on Shenzhen's start-up board ChiNext may also be included, which would nearly double the number of mainland stocks in its indexes to roughly 430. It is estimated that the move could bring in USD 66 billion in new foreign investment. MSCI will announce its decision by February 2019.

Alibaba's new retail initiatives have shown early sign of success. Hema supermarket store, Lingshoutong the mom-and-pop store and Ele.me the takeout delivery, are the three important business units of Alibaba's new retail initiatives that brings customers from offline to online. After 1.5 years of trial period, the mature stores of Hema supermarket reached an average annualized sales per square meter of CNY50'000, with online sales accounting for 60%, much greater than conventional bricks-and-mortar stores. In addition, for mature stores, average number of monthly orders per store via Hema app were 300+ and the basket size per store for online was CNY113 versus CNY 75 for offline channels.

Ctrip.com reported net income increased by 564% YoY to CNY 2.4billion in 2Q2018. Net revenue of Ctrip increased by 13% YoY to CNY 7.3 billion. Operating margin stood at 10% versus same period last year. Net income increased by 564% YoY to CNY 2.4 billion. The company continues to make good progress in the international business with Skyscanner's revenues up 600% YoY in 2Q2018. Moreover, by leveraging the 50 trillion bytes of data that Ctrip generates every day, the company will strive to offer more products that help the suppliers identify growth opportunities and improve their efficiency.

Geely in talks for Toyota's hybrid engine technology. Hybrids have been a success for Toyota in Europe and Japan for years. Through a cooperation with Geely, China's largest domestic OEM and the country's third best-selling brand, Toyota should be able to enhance a wider adoption of hybrids in which Toyota already has the leading technology. For Geely, if the deal materializes, it will further strengthen its technological advantage against its local competitors and better position it in meeting the government's tougher environmental standards. Meanwhile, Geely is also in talks with Daimler, of which Geely's chairman became the largest shareholder last year, for a long-term cooperation.

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	UBS Switzerland 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	None
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.