

Figures as of	October 31, 2019
Net Asset Value	USD 177.68, CHF 136.87, EUR 203.97
Fund Size	USD 159.0 million
Inception Date*	May 27, 2003
Cumulative Total Return	440.2% 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

	October	YTD	1 Year	May 2003
USD Class	4.8%	23.7%	21.9%	440.2%
CHF Class	4.3%	23.9%	19.7%	303.2%
EUR Class	2.7%	26.7%	24.0%	464.8%

Largest Holdings

Alibaba Group	7.1%	<div style="width: 7.1%;"></div>
Geely Automobile	6.9%	<div style="width: 6.9%;"></div>
China Education Group	6.4%	<div style="width: 6.4%;"></div>
Ping An Insurance	6.0%	<div style="width: 6.0%;"></div>
Inner Mongolia Yili	5.5%	<div style="width: 5.5%;"></div>
Kweichow Moutai	5.1%	<div style="width: 5.1%;"></div>

Exposure

Information Technology	26.2%	<div style="width: 26.2%;"></div>
Consumer Discretionary	19.1%	<div style="width: 19.1%;"></div>
Consumer Staples	16.4%	<div style="width: 16.4%;"></div>
Health Care	14.3%	<div style="width: 14.3%;"></div>
Financials	9.5%	<div style="width: 9.5%;"></div>
Cash	3.4%	<div style="width: 3.4%;"></div>

Newsletter October 2019

- China aims to establish the best modern governance practices
- Dian Diagnosis is making progress in the integration new labs
- TAL Education will accelerate capacity growth
- Fuling Zhacai delivered better result in 3Q19

China aims to establish the best modern governance practices. The Fourth Plenary Session of the 19th Central Committee of the Communist Party of China ended their four-day meeting in Beijing and revealed new directives to uphold and improve the system of socialism with Chinese characteristics and advance the modernization of China's system and capacity for governance. To safeguard the long-term prosperity and stability of China, the party will establish a sound legal system and enforcement mechanism together with the "one country, two systems" for its special administrative region including Hong Kong and Macau.

Dian Diagnosis is making progress on the integration of labs. The medical diagnosis outsourcing service provider reported revenue growth of 14.8% year over year to CNY 2.2 billion in 3Q19. Net profit increased by 19% year over year to CNY 104 million. The company continues to make progress in integrating its newly acquired laboratories, including five more laboratories that are starting to make profits compared to the same period last year and one more laboratory is expected to become profitable in the fourth quarter this year. Currently 23 of the 38 laboratories are profit making. We expect the trend for medical diagnosis outsourcing to continue in China which is important for the company as economies of scale are a crucial factor for its success.

TAL Education will accelerate capacity growth. The leading K-12 after-school tutorial provider is highly confident to achieve a full year revenue growth of 30% to 40% with improving margin profile of their offline and online classes. Management will accelerate classroom capacity growth for its Peiyou offline business as well as Peiyou online, as it is also a complementary service to the offline businesses. The ramp up in the utilization in the learning centers and the emerging operating efficiency in online business should drive margin expansion in the coming years.

Fuling Zhacai delivered better results in 3Q19. The leader in pickled mustard products reported 3Q19 results with revenue up 7.6% year over year to CNY 518 million and operating profit up 2% year over year to CNY 217 million. The better-than-expected result was driven by the rollout of a new distribution channel in low tier cities and expansion of credit days toward distributors. Channel inventory kept at healthy level of one month while gross profit margin continued to improve by 2.7 percentage points year over year to 60%. The company is going to further expand its production capacity with an addition of 16k tons of crispy pickles and 53k tons of Sichuan style kimchi for the next year.

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
CHF Class	Bloomberg HSZCHID SW Equity ISIN CH0026828068, Valor 2682806 WKN A0LC15
EUR Class	Bloomberg HSZCFCH SW Equity ISIN CH0026828092, Valor 2682809 WKN A0LC14
Orders via Banks	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.

Disclaimer

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