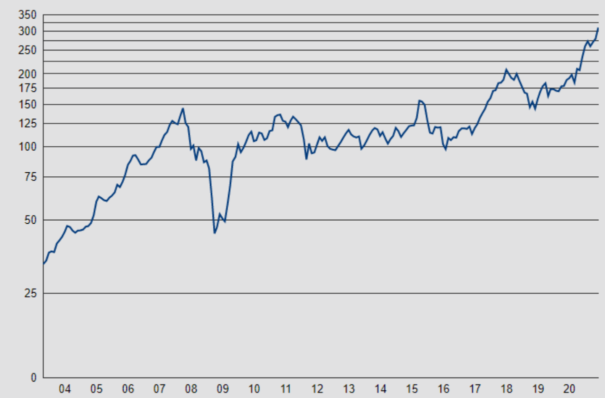
Newsletter December 2020

Figures as of	December 31, 2020
Net Asset Value	USD 310.06, CHF 212.95, EUR 322.99
Fund Size	USD 350.2 million
Inception Date*	May 27, 2003
Cumulative Total Return	842.7% in USD
Annualized Total Return	13.6% 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

	December	YTD	1 Year	May 2003
USD Class	11.2%	64.3%	64.3%	842.7%
CHF Class	8.5%	49.5%	49.5%	527.3%
EUR Class	8.3%	49.8%	49.8%	794.3%

Largest Holdings

CATL	11.0%
Geely Automobile	6.5%
China Merchants Bank	6.1%
Haitian Flavouring (A)	5.6%
Haidilao International	5.2%
Kweichow Moutai (A)	5.1%

Exposure

Industrials	24.0%
Consumer Staples	22.0%
Consumer Discretionary	20.4%
Health Care	14.1%
Financials	11.2%
Cash	1.3%

- Beijing sent out antitrust warnings to the tech giants
- CATL plans to build a USD 5 billion battery factory in Indonesia
- Haidilao to unlock its potential in the Chinese food industry
- Hengrui Medicine's PD-1 drug was included in the NRDL

Beijing sent out antitrust warnings to tech giants. The Chinese market regulator has summoned six of the country's largest internet platforms, including Alibaba Group, JD.com, Tencent, Meituan, Pinduoduo and Didi Chuxing. The regulator has conducted an administrative guidance meeting with the six tech companies and has imposed nine "must not do" rules on their community group buying businesses. Going forward they will not be allowed to sell products below cost and collect and use consumer data. Moreover, the regulator has communicated its expectations that going forward the internet platforms will assume greater social responsibility and create new momentum for economic development and technological innovation.

CATL plans to build a USD 5 billion battery factory in Indonesia. China's largest producer of electric vehicle battery packs, plans to build the second offshore production line in Indonesia, following its plant in Germany, which will supply BMW starting in 2021. The Indonesia plant will start production in 2024, aiming to take advantage of the country's large supply of nickel. It is noteworthy that CATL and Indonesia's state mining company PT Aneka Tambang have been inked to ensure that 60% of the locally mined nickel will go into batteries produced in Indonesia. As the full supply-chain integrator, CATL remains the pioneer who moves the battery technologies forward.

Haidilao to unlock its potential in the Chinese food industry. In 2020, Haidilao opened nine Chinese food sub-brands, ranging from dumplings and noodles to vermicelli. With an average price per meal of CNY 10, the company plans to enter into the Chinese fast-food market by targeting the rising middle class in China with local foods from different regions in China. Leveraging its strong supply chain support, Haidilao aims to diversify its revenues from its hotpot origins and develop into a multi-brand food group.

Hengrui Medicine's PD-1 drug was included in the NRDL. The Chinese leading pharmaceutical company Hengrui Medicine's key product PD-1 was included in the 2020 National Reimbursement Drug List (NRDL). The long anticipated national drug price negotiation of PD-1, which are used to treat different type of cancers, finally reached a conclusion. Hengrui is one of seven companies that participated in the PD-1 price negotiations and one of the three companies out of the seven, whose product was included. Its medication covers the most indications compared with the competition, including Hodgkin lymphoma, non-small cell lung cancer, esophageal cancer and hepatocellular carcinoma. Considering its PD-1 sold over CNY 2 billion in the first half of 2020, product sales will increase rapidly after inclusion in the drug list.

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	PricewaterhouseCoopers 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
Orders via Banks	UBS Switzerland AG Fund Order Desk Tel: +4144 239 1930 Fax: +4144 239 4804

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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.