

Figures as of	July 30, 2021
Net Asset Value	USD 271.99, CHF 192.16, EUR 292.98
Fund Size	USD 338.6 million
Inception Date*	May 27, 2003
Cumulative Total Return	727.0% in USD
Annualized Total Return	12.3% 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)



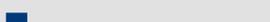
Performance

	July	YTD	1 Year	May 2003
USD Class	(10.4%)	(12.3%)	4.8%	727.0%
CHF Class	(12.0%)	(9.8%)	4.5%	466.0%
EUR Class	(10.4%)	(9.3%)	4.6%	711.2%

Largest Holdings

China Education Group	6.1%	
Longi Green Energy	6.0%	
Sunny Optical	5.8%	
Haitian Flavouring & Food	5.7%	
SF Holding	5.5%	
Luxshare Precision	4.9%	

Exposure

Consumer Staples	20.0%	
Consumer Discretionary	18.6%	
Information Technology	16.6%	
Industrials	14.1%	
Health Care	9.3%	
Cash	1.6%	

Newsletter July 2021

- China's carbon emission trading market officially launched
- HSZ China Fund down 10.4% in July
- China Education Group acquires 51% stake in Jincheng College
- ESR doubled the size of its Japanese development JV fund
- Hengrui maintains its massive R&D under new policy guidance

China's carbon emission trading market officially launched in July. Over 2,000 key emission facilities from the thermal power industry in China participate, with a total greenhouse gas (GHG) emissions of over 4 billion tCO₂eq. Currently, China's carbon emission trading market is the largest in the world. China is planning to further expand the industry coverage to achieve its goals of carbon emission peak in 2030 and carbon neutrality in 2060.

HSZ China Fund down 10.4% in July. On July 24, the Chinese government introduced new rules banning after-school tutoring for profit. As a result, companies involved in K-12 education and the whole market sold off sharply, with MSCI China down by over 14% for the month. Key negative contributors for the HSZ China Fund were Haidilao due to preannounced results for 1H21 and fear of new covid cases due to the Delta variant and Alibaba Health Information on e-commerce platform regulation concerns.

China Education Group acquires 51% stake in Jincheng College. The leading Chinese private higher education and vocational education operator (not involved in K-12) will acquire a 51% stake in Sichuan University Jincheng College, at a consideration of CNY 2.5 billion. Jincheng College has an excellent reputation and it made the top spot among private independent colleges in China.

ESR doubled its the size of its Japanese development JV fund. In July, the largest APAC focused logistics real estate platform ESR has announced a JPY75 billion (USD 675 million) expansion of ESR Japan Logistics Fund III. The joint venture was set up with Dutch pension fund APG and an unnamed Asia-based sovereign wealth fund in 2019 with a focus on developing large-scale logistics facilities in Japan's key metro areas. By doubling the capacity in Japan, ESR could enjoy the rising demand for well-located, large-scale modern logistics properties resulting from e-commerce acceleration and structural shifts in supply chain management.

Hengrui maintains its massive R&D under new policy guidance. The Center for Drug Evaluation (CDE) recently issued additional guidance, requiring new drug clinical trials to perform better, rather than following market trends. The company's management stated that the new policy favors strong R&D companies like Hengrui, which is dedicated to the discovery and development of innovative drugs and belongs to the first-tier R&D capability companies. Based on its proprietary platform, it has launched 6 new drugs in China and additional 10 have been approved for clinical trials in both China and the U.S. We expect innovative drugs to account for more than half of the company's revenue in 2021 and the company to gradually enter a new stage of innovation-driven performance growth.

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 IB Execution Hub Tel: +4144 239 1977

Contact & Website	HSZ (Hong Kong) Limited Unit 605A, 6/F, Tower 2 Lippo Centre, 89 Queensway Hong Kong Tel: +852 2287 2300 Fax: +852 2287 2380 www.hszgroup.com mail@hszgroup.com
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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.

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