

Figures as of	August 31, 2021
Net Asset Value	USD 259.62, CHF 185.36, EUR 281.24
Fund Size	USD 323.8 million
Inception Date*	May 27, 2003
Cumulative Total Return	689.4% in USD
Annualized Total Return	12.0% 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)



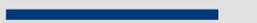
## Performance

	August	YTD	1 Year	May 2003
USD Class	(4.5%)	(16.3%)	(4.7%)	689.4%
CHF Class	(3.5%)	(13.0%)	(3.5%)	446.0%
EUR Class	(4.0%)	(12.9%)	(4.1%)	678.7%

## Largest Holdings

Longi Green Energy	6.5%	
Sunny Optical	6.0%	
SF Holding	5.6%	
China Southern Airlines	5.1%	
Haitian Flavouring & Food	4.9%	
China Education Group	4.9%	

## Exposure

Consumer Staples	19.2%	
Information Technology	17.2%	
Consumer Discretionary	15.9%	
Industrials	14.6%	
Financials	8.3%	
Cash	9.1%	

## Newsletter August 2021

- Common prosperity is aimed to narrow the income inequality
- HSZ China Fund down 4.5% in August
- Sunny Optical reported 54% YoY growth in net profit for 1H21
- SF Holding reported a net profit of CNY 760 million in 1H21
- Haitian reported slower-than-expected growth.

Common prosperity is aimed to narrow the income inequality. While China has become the second largest economy in the world, there are still 600 million people with an average monthly income of CNY 1'000. The richest 20% earn more than 10 times what the poorest 20% do. It is the ambition of the Chinese government to achieve the goal of "Common Prosperity", which appeared more than 65 times so far this year in official events and speeches. President Xi is refining the economic model with examples such as antitrust, after-school tutorial, cybersecurity and data security laws and the three-level income distribution.

HSZ China Fund down 4.5% in August. The uncertainty with regards to the latest regulatory tightening cycle and the publication of company results for the first half 2021, led to significant volatility during the month. Main negative contributors were consumer staples and health care sectors, as the interim results of Haitian (see below) and Jiangsu Hengrui Medicine disappointed the market. Only positive contributors for the month were utilities and financials.

Sunny Optical reported 54% YoY growth in net profit for 1H21. The Chinese leader in optical lens reported its interim result for 2021 with revenue up 5% year over year to CNY 20 billion and net profit increased by 54% year over year to CNY 2.7 billion. Thanks to its ongoing R&D in the smartphone and vehicle lens business, the company is expected to break into the U.S. based smartphone vendor as well as riding the trend of employing more lenses in electric vehicles.

SF Holding reported a net profit of CNY 760 million for 1H21. SF disclosed its semi-annual results. In 1H21, SF's revenue continued to grow from a high base. SF achieved total revenue of over CNY 88 billion, a YoY increase of over 24% and an average growth rate of over 32% for the past two years. Significantly higher than the industry average of 19%. Although the performance in 1H21 reflected a year-on-year decrease of 80%, mainly due to the fierce competition in the industry, SF's performance in Q2 2021 significantly improved quarter on quarter thanks SF's improved resource utilization rate and operating efficiency.

Haitian reported slower-than-expected growth. In the first six months of 2021, Haitian's revenue rose only 6% year-over-year to CNY 12.3 billion. Net income grew 3.1% year-over-year to CNY 3.4 billion, implying a 20% year-over-year drop in the second quarter. Both numbers are below expectation due to increasing rebates to distributors. The condiment industry overall is also facing a slowdown, considering last year's high base and weaker on-premises demand this 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	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

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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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