

Figures as of	October 31, 2022
Net Asset Value	USD 173.23, CHF 135.15, EUR 223.43
Fund Size	USD 168.9 million
Inception Date*	May 27, 2003
Cumulative Total Return	426.7% in USD
Annualized Total Return	8.9% 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	(12.0%)	(41.5%)	(39.7%)	426.7%
CHF Class	(9.9%)	(35.9%)	(33.7%)	298.1%
EUR Class	(13.2%)	(33.4%)	(29.1%)	518.6%

Largest Holdings

Sungrow Power	8.3%	
Luxshare Precision	6.7%	
Ping An	6.3%	
TSMC	6.0%	
SF Holding	5.7%	
Centre Testing	5.2%	

Exposure

Industrials	29.1%	
Information Technology	23.2%	
Consumer Discretionary	16.6%	
Consumer Staples	9.3%	
Real Estate	6.7%	
Cash	3.8%	

Newsletter October 2022

- 20th National Party Congress held in October
- HSZ China Fund's performance was down 12.0% in October
- Centre Testing maintains strong growth in the 3Q22
- Luxshare delivered solid profit with 64% YoY growth in 3Q22
- OWC benefits from higher offshore wind power investment

20th National Party Congress held in October. The once every five-year event brought little surprise. President Xi was reelected for an unprecedented third term as the general secretary. Four members of the Politburo Standing Committee of seven, China's de facto government, were replaced due to age limits. The new government is composed of technocrats with strong backgrounds in engineering and economics. The focus going forward will be on "security" in many aspects from semi-conductors to food and balanced growth.

HSZ China Fund's performance was down 12.0% in October. The biggest positive contribution came from the industrials sector, whereby Sungrow, the world leading supplier of photovoltaic inverters and energy storage systems continues to outperform. The biggest negative contribution came from the real estate and consumer discretionary sector, whereby ESR and Midea faced the biggest hit.

Centre Testing maintains strong growth in the 3Q22. For the first three quarters of 2022, revenues increased by 20% year over year (yoy) to CNY 3.6billion and net profit increased by 20% yoy to CNY 663 million. After the pandemic in the first half of 2022, the company's gross profit margin in the third quarter improved to 50.9% and is expected to recover sequentially in fourth quarter. Management is optimistic for next year guidance of 20% growth rate of revenue with 20% net profit margin.

Luxshare delivered solid profit with 64% YoY growth in 3Q22. The Chinese leading consumer electronics components maker reported its third quarter result with revenue up 93% yoy to CNY 63 billion and net income increased by 64% yoy to CNY 2.6 billion. The strong sales growth was contributed by strong sales in iPhone 14 series, Apple Watch and AirPods. We maintain a positive view on Luxshare's value creation for clients' localization strategy.

OWC benefits from higher offshore wind power investment. Chaozhou City, Guangdong Province, released its energy development plan in October. According to the plan, China's offshore wind power investment during the "14th Five-Year Plan" period is expected to double on the current basis. In addition, the demand of Europe for the installation of offshore wind power driven by the energy crisis and carbon neutrality is expected to remain strong in the coming years. Moreover, the United States has also begun to plan its offshore wind power investments. These will provide a significant growth opportunity for the major suppliers of offshore wind power-related components, whereby Orient Wires and Cables (OWC) will be one of the beneficiaries.

General Information

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 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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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	FundPartner Solutions (Suisse) S.A.
Custodian Bank	Banque Pictet & Cie SA
Investment Manager	HSZ (Hong Kong) Limited
Auditors	PricewaterhouseCoopers AG

Management Fee	1.35% 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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