

Figures as of	December 30, 2011
Net Asset Value	USD 99.79, CHF 73.02, EUR 99.29
Fund Size	USD 102.6 million
Inception Date*	May 27, 2003
Cumulative Return	183.7% in USD
Annualized Return	12.9% 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

	December	YTD	1 Year	Nov 17, 06
USD Class	0.8%	(26.0%)	(26.0%)	(0.2%)
CHF Class	2.9%	(27.3%)	(27.3%)	(27.0%)
EUR Class	3.7%	(23.3%)	(23.3%)	(0.7%)

Largest Holdings

AAC Technologies	6.8%	
Belle International	6.0%	
China Merchants Bank	5.5%	
Ping An Insurance	5.1%	
Wharf (Holdings) Ltd	5.0%	
China Shenhua Energy	5.0%	

Exposure

Consumer Discretionary	30.2%	
Financials	23.1%	
Industrials	20.7%	
Consumer Staples	12.2%	
Energy	5.0%	
Cash	8.7%	

Newsletter December 2011

- China shifts policy priority from inflation to growth
- Golden Eagle achieves 75 percent sales growth in Yancheng
- Dongfeng's sales growth outperforms the industry
- Chow Sang Sang selected as Gucci's strategic retail partner

China's official PMI recovered to 50.3, back above the expansion threshold of 50 in December, indicating a moderating but stabilizing growth momentum. CPI inflation eased further to 4.2 percent year on year in November on continued food price declines and weakened aggregate demand. China's annual Central Economic Work Conference, which set the policy direction for 2012, concluded on December 14. Policymakers reiterated their stance to maintain proactive fiscal and prudent monetary policies. With inflation receding and in face of the complicated global outlook, higher priority is given to maintaining stable and relatively fast economic growth than fighting inflation. The conference also confirmed that the government is ready for timely fine-tuning to steer the economy towards soft landing amid the uncertain global environment.

Golden Eagle achieved robust sales in its Yancheng store during the Christmas holiday. According to Sina Weibo, Golden Eagle's store in Yancheng generated more than CNY 100 million sales during the 4-day Christmas holiday, which grew 75 percent year on year. The company also reported 26 percent same store sales growth (SSSG) in the third quarter 2011. Management guided a mid-teen SSSG target in 2012 and the gross floor area will increase from 589'098 square meters (sqm) in 2010 to 1'271'430 sqm in 2012.

Dongfeng's sales volume grew 19.4 percent year over year to 158'181 units in October 2011 versus the industry's 5.7 percent growth on the back of strong performance of Dongfeng Nissan. The Nissan Joint Venture sold 657'917 units year-to-date, representing a 19.3 percent year on year growth. The company continues to make improvement on its product mix and the sales from the higher selling price and margin Honda CRV surged 45 percent year on year in October. Since showroom traffic and sales momentum continue to improve with low inventory, some models of Dongfeng Nissan such as Teana enjoy more than one month of waiting list.

Chow Sang Sang was selected as Gucci's strategic retail partner in Hong Kong and Macau, where Chow Sang Sang would be granted the right to sell Gucci Jewelry collection at ten selected Chow Sang Sang stores in Hong Kong and Macau. The collaboration would further strengthen the image of Chow Sang Sang as a high-end jewelry retailer in the Great China as Gucci Jewelry has been very selective of its retail partners. The company reported 20-30 percent sales growth during the Christmas holiday and management expected 20 percent SSSG in the coming Lunar New Year holiday. Ticket size in the Hong Kong stores is expected to increase more than 20 percent year over year to HKD 10'000 for Chinese tourists in 2011.

General Information

Name	HSZ China Fund
Theme	Entrepreneurial China
Nature	Long-only equity fund, actively managed for absolute return
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	Swiss Investment Company SIC Ltd., Zurich
Custodian Bank	Clariden Leu Ltd., Zurich
Investment Manager	HSZ (Hong Kong) Limited, Hong Kong
Auditors	KPMG Ltd.
Management Fee	1.5% annually
Performance Fee	10% above hurdle rate of 5%, high water mark
Issuance Fee	Maximum 5%
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	Clariden Leu Ltd., Bahnhofstrasse 32 8001 Zurich, Switzerland Tel: +41 58 205 2121 Fax: +41 58 205 2191

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 fuelling 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.