

Figures as of September 28, 2012  
 Net Asset Value USD 104.41, CHF 76.40, EUR 104.04  
 Fund Size USD 103.0 million  
 Inception Date\* May 27, 2003  
 Cumulative Return 196.6% in USD  
 Annualized 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

	September	YTD	1 Year	Nov 17, 06
USD Class	3.6%	4.6%	11.9%	4.4%
CHF Class	1.3%	4.6%	13.7%	(23.6%)
EUR Class	0.7%	4.8%	17.1%	4.0%

## Largest Holdings

AAC Technologies	7.0%	
China Merchants Bank	5.9%	
Ping An Insurance	5.9%	
Wharf Holdings	5.6%	
Belle International	5.2%	
Golden Eagle Retail	5.2%	

## Exposure

Financials	28.4%	
Consumer Discretionary	27.7%	
Consumer Staples	16.3%	
Industrials	15.4%	
Energy	3.3%	
Cash	6.2%	

## Newsletter September 2012

- Chinese economy remains subdued overall
- Weichai acquires leading forklift and hydraulics makers
- Sands China registers new visitation record
- Shimao's management guides margin rebound in 2013

China's official PMI remained sluggish at 49.8 in September, though the new orders improved slightly. Industrial production continued to be weak at 8.9 percent in August, from 9.2 percent in July while retail sales growth remained largely stable at 13.2 percent. Driven by higher food prices, CPI inflation edged up to 2.0 percent, after reaching a low of 1.8 percent in July. Newly extended loan was stronger than expected, coming in at CNY 704 billion, with higher contribution from medium to long term loans. Fixed asset investment remained relatively resilient, growing at 20.2 percent for the first eight months, with property investment and starts showing some initial improvement. Though we do not expect a large scale fiscal stimulus, we believe the Chinese government is committed to bringing the infrastructure projects under the 12th five year plan on track, which would lend solid support to the growth of the economy.

Weichai announced it is to acquire a 25 percent stake in KION, the number two forklift maker globally, and a 70 percent stake in Linde Hydraulics, a leading manufacturer in the high pressure hydraulic products. Post the acquisition, Weichai plans to supply small-sized forklift engines to replace the Deutz engines currently used by KION. The acquisition of Linde Hydraulics would help Weichai emerge as a key hydraulic component supplier for excavators, forklifts and agricultural equipment, which is currently dominated by foreign companies with a market size of CNY 30 billion per year. The transaction would significantly widen Weichai's product offerings and better diversify its sources of revenue in the long term.

Sands China's overall visitation number reached approximately 500'000 people for the first weekend after the grand opening of phase 2 of Cotai Central on September 21, which is a new visitation record for the company in 2012 and is greater than the record from the previous Chinese New Year. Given the strong demand for the mass market gaming, most mass tables at phase two of Cotai Central are 50 percent bigger than the normal tables with two dealers and more seats available, which is a creative way of improving the productivity under the current table cap rule.

Shimao reported turnover increased by 12 percent year over year to HKD 13'687 million in the first six months of 2012 while core net profit decreased by 16 percent to CNY 1'864 million. The decline in net profit was mainly due to the clearance of unsold inventories which were sold at discounts, contributing to a 22 percent decrease in the average selling price. However, as most of the discounted units have been booked in the first half of 2012, management is confident that gross and net margins will improve in the coming year. The company achieved contracted sales of CNY 30.5 billion in the first eight months of 2012, which increased by 46 percent year over year and accounted for 99 percent of its full year target. Net gearing also improved from 87 percent in 2011 to 67 percent in the first half 2012.

## 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	Credit Suisse AG
Investment Manager	HSZ (Hong Kong) Limited
Auditors	KPMG AG
Management Fee	1.5% annually
Performance Fee	10% above hurdle rate of 5%, high water mark
Issuance Fee	0.5%
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	Credit Suisse AG Mrs. Anita Wobmann Execution CS Fonds & 3rd Party SEBF 12, 8070 Zurich, Switzerland Tel: +4144 644 4254 Fax: +4158 205 7097
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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.