HSZ China Fund

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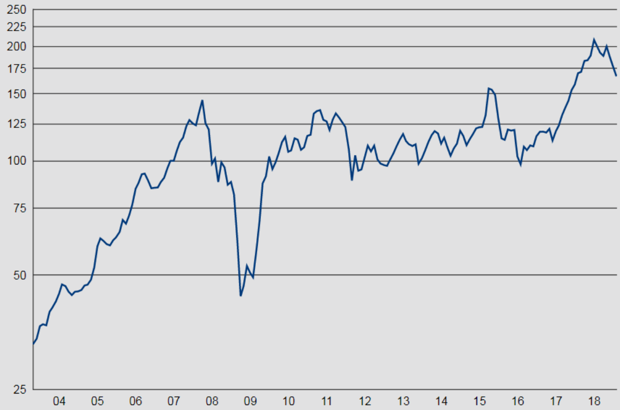
| Figures as of | August 31, 2018 |
| Net Asset Value | USD 167.36, CHF 127.28, EUR 183.56 |
| Fund Size | USD 123.9 million |
| Inception Date* | May 27, 2003 |
| Cumulative Total Return | 408.9% in USD |
| Annualized Total Return | 11.2% in USD |

* 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 | (5.5%) | (11.4%) | (1.6%) | 408.9% |
| CHF Class | (7.7%) | (12.3%) | (1.4%) | 271.8% |
| EUR Class | (5.3%) | (9.3%) | 0.1% | 408.3% |

Largest Holdings

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| Ping An | 9.6% |
| Alibaba | 6.8% |
| China Resources Beer | 6.7% |
| SSY Group | 6.5% |
| China Merchants Bank | 6.4% |
| Geely Automobile | 5.9% |

Exposure

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| TMT | 27.3% |
| Financials | 19.6% |
| Consumer Discretionary | 19.0% |
| Consumer Staples | 13.4% |
| Health Care | 7.8% |
| Cash | 0.7% |

# Newsletter August 2018

- China re-introduced countercyclical factor to stabilize CNY
- CRB reported 1H2018 results with net profit up 29%
- China Education Group made a net profit of CNY 373 million
- NetDragon recorded a six-fold increase in net profit in 1H2018

China re-introduced countercyclical factor to stabilize CNY. After 9% depreciation of CNY to USD since April 2018, China re-introduced the countercyclical factor into the yuan FX mechanism. The factor was first introduced in May 2017 when CNY was weak and suspended in January 2018 as CNY became strong. Earlier in August, 20% reserve requirement on onshore FX forward sales were also re-imposed. The PBOC said the policies "aimed to stem procyclicality and irrational expectations that lead to herding, a self-reinforcing one-sided market and overshooting." It is believed that the PBOC is likely seeking to stabilize rather than strengthen the currency.

China Resources Beer reported 1H2018 results with net profit up 29%. The company's turnover and profit amounted to CNY 17.6 billion and CNY 1.5 billion respectively, representing an increase of 11.4% and 28.9% YoY respectively. The overall average selling price of its beer products increased by 13% YoY, mainly due to moderate price increase and continuous growth in the proportion of mid- to high-end beer sales volume. China Resources Beer announced the formation of a long term strategic collaboration with the Heineken Group and is expected to strengthen its presence in the premium beer market in China.

China Education Group made a net profit of CNY 373 million in 1H2018, up 93% YoY. With the addition of 3 acquisitions of schools and colleges, China Education Group reported a revenue growth of 65.2% YoY to CNY 667 million and a net profit up 93% YoY to CNY 373 million. The group has 121'000 students in the 2017/2018 academic year. It has the ambition to continuously explore more M&A opportunities. The M&A team of China Education Group has reviewed over 110 potential M&A targets and is in the progress of setting up a China Education Fund with Value Partners.

NetDragon recorded a six-fold increase in net profit in 1H2018. For the first half of 2018, revenue of the company increased by 39.1% YoY to CNY 2.5 billion. The gaming business has achieved revenue of CNY 1.0 billion, representing a 30% increase YoY. Revenue of the education business surged 48.2% YoY to CNY 1.4 billion. The higher profitability of gaming business and the narrowing of the losses in the education business led NetDragon's net profit to go up 6 times YoY to CNY 200 million. The company has a good pipeline for the launch of multiple new games in the second half of 2018 and expects the education business to reach monetization stage within 2 years.

# General Information

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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 |

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| 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 |

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| Fund Manager | Credit Suisse Funds AG |
| Custodian Bank | UBS Switzerland 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 | None |
| Redemption Fee | None |

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| USD Class | ISIN CH0026828035, Valor 2682803<br>WKN A0LC13<br>Bloomberg HSZCHID SW Equity |
| CHF Class | ISIN CH0026828068, Valor 2682806<br>WKN A0LC15<br>Bloomberg HSZCFCH SW Equity |
| EUR Class | ISIN CH0026828092, Valor 2682809<br>WKN A0LC14<br>Bloomberg HSZCHEU SW Equity |
| Orders via Banks | UBS Switzerland AG<br>Fund Order Desk<br>Tel: +4144 239 1930<br>Fax: +4144 239 4804 |

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

### 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.