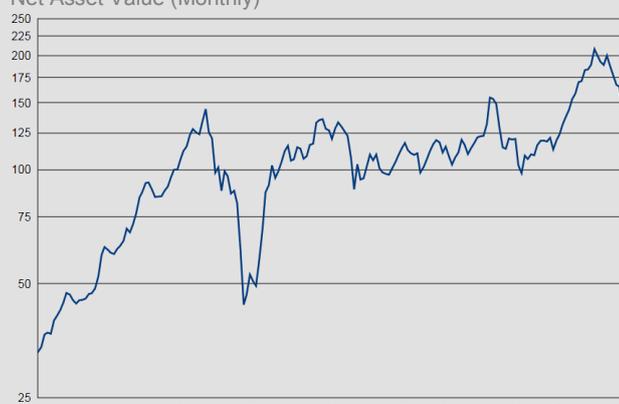


Figures as of	October 31, 2018
Net Asset Value	USD 145.71, CHF 115.31, EUR 164.48
Fund Size	USD 109.2 million
Inception Date*	May 27, 2003
Cumulative Total Return	343.0% in USD
Annualized Total Return	10.1% in USD

* 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	(12.1%)	(22.9%)	(20.4%)	343.0%
CHF Class	(9.4%)	(20.6%)	(19.6%)	236.8%
EUR Class	(10.0%)	(18.7%)	(18.4%)	355.4%

Largest Holdings

Ping An	10.6%	
China Merchants Bank	7.3%	
SSY Group	6.7%	
China Resources Beer	6.2%	
Geely Automobile	6.0%	
Alibaba	6.0%	

Exposure

Information Technology	24.5%	
Financials	21.6%	
Consumer Discretionary	16.3%	
Consumer Staples	12.9%	
Health Care	7.9%	
Cash	6.4%	

Newsletter October 2018

- China's quarterly Politburo meeting sent a stronger easing signal
- Ping An's operating profit increased 11.7% YoY in 3Q2018
- TAL Education reported 2Q19 result with net profit up 30% YoY
- Hikvision reported 3Q18 result with net profit up 14.6% YoY

China's quarterly Politburo meeting sent a stronger easing signal amid downward pressure of the economy. On October 31, the meeting vowed to "intensify reform and opening" and "effectively deal with changing external environment" and ensure smooth economic operation. Notably, the meeting did not pledge to "steadfastly reduce leverage", a term used in previous meeting, nor to strictly prevent property price increase, suggesting a softening of the policy tone. President Xi's speech pledged to improve key concerns among private businesses, including 1) lower taxes and fees further and cut red tape, 2) address financing difficulties of private businesses, 3) avoid discrimination against private companies and 4) protect the property rights and safety of private entrepreneurs.

Ping An's operating profit increased 11.7% YoY in 3Q2018, mainly driven by life insurance and fintech businesses. New business value of life business rose 10.9% YoY, accelerating from 9.9% in 2Q2018. We believe the industry is benefiting from benign external competition with WMPs or P2P products. Ping An announced a proposal for the share buyback of no more than 10% of the total shares, well supported by its excessive core solvency margin ratio of 221%. Besides, Ping An is planning an IPO of its healthcare technology unit to further realize its value.

TAL Education reported quarterly net income increase by 30% YoY to USD 77 million. For the second quarter of FY2019, net revenue of TAL increased by 54% YoY to USD 700 million. Net income attributable to TAL increased by 30% YoY to USD 77 million. The total number of student enrollments increased by 120% YoY to 4.9 million compared to the same period in the prior year. The deferred revenue under current liabilities increased by 20% YoY to USD 865 million. As of August 31, 2018, TAL has 648 learning centers in 43 cities across China. Looking forward, managements aimed to accelerate online investment to further expand its online tutoring business and data analytics.

Hikvision reported third quarter result with net profit up 14.6% YoY to CNY 12.9 billion. For the third quarter of 2018, the leading surveillance solution provider recorded an increase in revenue by 15% YoY to CNY 12.9 billion, where the revenue growth from corporate and small-mid enterprises were able to offset the slowdown of public security business. Net income also increased by 13.5% YoY to CNY 3.2 billion. Management believes that in the future orders from corporates are trending towards centralized procurement where the company is in a favorable position with relative competitive strength in scale and AI technology.

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	KPMG 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 Fund Order Desk Tel: +4144 239 1930 Fax: +4144 239 4804

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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

This newsletter is for information purposes only and is not to be regarded as an offer for the purchase or sale of the fund's units. The fund may not be marketed, either directly or indirectly, in the United States of America or sold to US persons. The value of units can fall as well as rise.

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