

Figures as of	September 30, 2019
Net Asset Value	USD 169.58, CHF 131.25, EUR 198.69
Fund Size	USD 156.3 million
Inception Date*	May 27, 2003
Cumulative Total Return	415.6% in USD
Annualized Total Return	10.5% 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	May 2003
USD Class	(0.5%)	18.1%	2.3%	415.6%
CHF Class	(0.2%)	18.8%	4.0%	286.6%
EUR Class	0.4%	23.4%	8.8%	450.1%

Largest Holdings

Alibaba Group	6.7%	
China Education Group	6.4%	
Geely Automobile	6.3%	
Kweichow Moutai	6.2%	
Ping An Insurance	5.9%	
Inner Mongolia Yili	5.5%	

Exposure

Information Technology	25.3%	
Consumer Staples	18.1%	
Consumer Discretionary	17.8%	
Health Care	13.5%	
Industrials	9.9%	
Cash	1.7%	

Newsletter September 2019

- China's spending on R&D hit a record high of CNY1.97 trillion
- Alibaba Group aims to serve 1 billion consumers by 2024
- Ping An Good Doctor has amassed 300 million registered users
- China Education Group to acquire King's Own Institute

China's spending on R&D hit a record high of CNY1.97 trillion. The National Bureau of Statistics reported the country's total expenditure on R&D amounted to CNY1.97 trillion, increased to 2.18% of its GDP last year. China's expenditure on R&D has seen double-digit growth for three consecutive years, and since 2013, the country has remained in second place in terms of R&D spending worldwide. China has made significant progress in building an innovative country, for example breakthroughs have been achieved in basic research fields such as quantum science and iron-based superconductivity, as well as high-tech domains such as lunar exploration engineering and the BeiDou navigation satellite system.

Alibaba Group aims to serve 1 billion consumers by 2024. The Chinese e-commerce leader is well underway but still some way to go in order to achieve its recently proclaimed ambitious target of serving over one billion annual active consumers and achieving over CNY 10 trillion in annual gross merchandise volume through its China consumer business by the end of fiscal 2024. In addition, the company also puts great efforts into overseas expansion including the recent purchase of a minority stake in Lazada, which is the top e-commerce marketplace in most Southeast Asian markets with 50 million annual active users.

Ping An Good Doctor has amassed 300 million registered users. Leveraging on the high reliability and coverage of internet in China, the company has launched a variety of innovative medical services to enhance the medical experiences, including "Private doctor", "One-minute clinics", Internet hospitals and "Pharmacy Cloud". In September 2019, Ping An Good Doctor cooperates with Guangxi government to build an internet healthcare platform, for example the "One-minute clinics" will be installed at public areas across Guangxi and will work with local physical hospitals to establish internet hospitals. It is expected that the trail programme in Guangxi will become a model which could be transferred to other provinces in China as well as many other ASEAN countries.

China Education Group to acquire King's Own Institute. The Chinese leading vocational schools operator entered into agreement to acquire King's Own Institute in Australia at AUD128 million. The company is dedicated to help its students achieve their ambitions, and the transaction will provide access into quality programmes and to address the needs of enormous numbers of students for high value-added learning experiences with innovative educational capabilities. The King's Own Institute's international education offers programmes include accounting, business and IT. The company is prepared to lead the transformation of higher education for global relevance."

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

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
-------------------	--

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.

The information provided in this newsletter has been compiled with due care and attention by HSZ Group and its partners. However, HSZ Group offers no undertaking or guarantee as to accuracy, reliability or completeness of the information provided. Under no circumstances (including but not limited to negligence) shall HSZ Group be liable for any losses or consequential damage resulting from the use of this document.

The entire content of this newsletter is subject to copyright with all rights reserved. You may save or print out a hard copy of individual pages and/or sections of the presentation, provided that you do not remove any copyright or other proprietary notices.