HSZ China Fund

Signatory of: PRI Principles for Responsible Investment

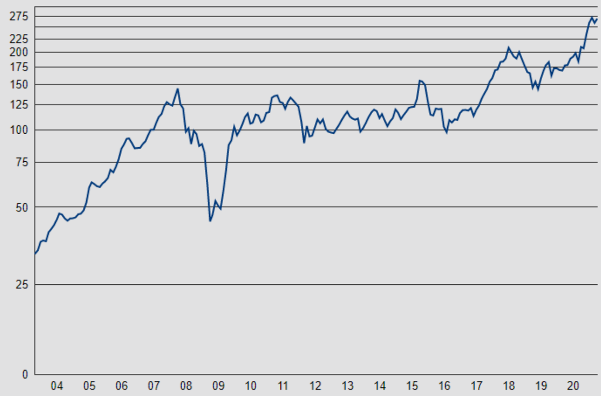
Newsletter October 2020

- Blueprint for the 14th Five-Year Plan
- The new SEA platform will bring Geely to a higher level
- National Day holiday helps Meituan to broaden its customer base
- Midea reported 32% year-over-year growth in net profit

Figures as of	October 30, 2020
Net Asset Value	USD 269.89, CHF 192.58, EUR 296.10
Fund Size	USD 248.6 million
Inception Date*	May 27, 2003
Cumulative Total Return	720.6% in USD
Annualized Total Return	12.8% 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	3.9%	43.1%	51.9%	720.6%
CHF Class	3.2%	35.2%	40.7%	467.3%
EUR Class	4.4%	37.3%	45.2%	719.9%

Largest Holdings

CATL	8.7%
Alibaba Group	7.7%
Meituan	6.1%
Tencent Holdings	5.6%
Haidilao International	5.2%
Ping An (A)	5.1%

Exposure

Information Technology	22.7%
Consumer Discretionary	18.2%
Consumer Staples	18.0%
Industrials	13.2%
Health Care	12.2%
Cash	4.5%

Blueprint for the 14th Five-Year Plan. The fifth plenum of the Chinese Communist Party (CCP)'s 19th Central Committee met for four days in Beijing in late October. The meeting was held to review and adjust the next five-year plan. The emphasis is in on quality rather than quantity. Remarkably, there is no specific target for GDP growth. The blueprint calls for "sustained and healthy" growth with "significantly improved quality and efficiency". The plan will include targets for environmental protection, innovation and self-reliance in critical industries such as food, energy and semi-conductor. The final version of the plan, which is not expected to differ in substance, will be passed in early 2021 when the National People's Congress meets. In addition, a long-term plan how to achieve basic modernization by 2035 was also discussed at same meeting.

The new SEA platform will bring Geely to a higher level. The automaker is aiming to transform itself into a tech-oriented company. Its new electric vehicles SEA platform is the core of its future models. With a 3-in-1 layered architecture that consists of the ecosystem, OS system and hardware that can accommodate different model sizes. This platform will first be used under the Lynk brand and is expected to launch Lynk Zero in 2021. Management's emphasis is on the importance of intelligent connectivity, including high-level autonomous driving technology that will put passenger vehicles on designated roads by 2021 and on open roads by 2023. From 2025, robot taxis will be able to go fully autonomous on open roads.

National Day holiday helps Meituan to broaden its customer base. While the strong consumption recovery continues, the Chinese leading local services app provider records a 78% growth during the National Day holiday in October versus the Labour Day in May this year, for the in-store dining orders on its super app, as well as robust improvement in movie ticketing, which was up 260 times. In addition, Meituan broadened its customer base post the pandemic including the increasing user mix shift of its app towards younger users who are below the age of 20 as well as users above 60, seeing the fastest growth during the National Day holiday at 65% and 80% year-over-year growth respectively.

Midea reported 32% year over year growth in net profit. The Chinese white goods appliance leader announced its third quarter 2020 result with revenue up 16% year over year to CNY 77.7 billion and net profit up 32% yoy to CNY 8.1 billion. Both the domestic and export businesses marked acceleration from the previous quarter and management continues to see better market penetration and the new energy efficiency standard as key drivers for future growth. In addition, Kuka has recorded a turnaround in profit in the third quarter 2020 and a 20.4% order growth.

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	PricewaterhouseCoopers 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

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

General Information

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.