

Figures as of	December 31, 2021
Net Asset Value	USD 296.08, CHF 210.97, EUR 335.26
Fund Size	USD 349.9 million
Inception Date*	May 27, 2003
Cumulative Total Return	800.2% in USD
Annualized Total Return	12.5% 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.

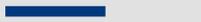
Net Asset Value (Monthly)



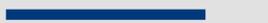
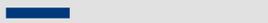
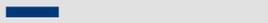
Performance

	December	YTD	1 Year	May 2003
USD Class	3.5%	(4.5%)	(4.5%)	800.2%
CHF Class	2.8%	(0.9%)	(0.9%)	521.4%
EUR Class	3.8%	3.8%	3.8%	828.3%

Largest Holdings

Luxshare Precision	6.4%	
SF Holding	6.3%	
Ningbo Orient Wires	6.2%	
Longi Green Energy	5.9%	
Sunny Optical	5.8%	
China Southern Airlines	5.7%	

Exposure

Industrials	24.7%	
Information Technology	22.3%	
Consumer Staples	18.5%	
Consumer Discretionary	11.8%	
Health Care	5.9%	
Cash	4.9%	

Newsletter December 2021

- The unwinding of cross-shareholdings has started
- HSZ China Fund was up 3.5% in December
- Dian Diagnostics' rapid test kit expands to overseas market
- OWC helps to complete GW-level offshore wind power project
- Yangtze Power to keep its moat with new power stations

The unwinding of cross-shareholdings has started. Tencent (not in our portfolio), announced to pay a HKD127 billion dividend in the form of JD.com shares, reducing Tencent's stake in JD from 17% to 2%. Further unwinding could be on the cards as Tencent has over CNY600 billion in stakes in a wide range of companies, including a 16% stake in Pinduoduo, 17% stake in Meituan and 22% stake in Kuaishou. The Chinese government is on a mission to enforce the antitrust law and push for neutral infrastructure. Other big tech companies such as Alibaba and Baidu might follow.

HSZ China Fund was up 3.5% in December. Main positive contributors were our holdings in Information Technology, Consumer Staples and Utilities. The biggest contributor was Luxshare Precision, as it benefits from the start of a new upgrade cycle in consumer electronics and from new products. Followed by Nongfu Spring and Yangtze Power (separate paragraph below).

Dian Diagnostics' rapid test kit expand to overseas market. Dian Diagnostics' COVID-19 rapid test kit has been included in the common list of the EU Health Security Committee, proving its effectiveness against mutant strains including Delta and Omicron. The company's antigen-based COVID-19 test kit can provide results within 15 minutes, without the need of specialist equipment or machinery. The product is easy to use and store and can be used for home testing. Dian plans to promote the product to the Southeast Asian market. The company is going to expand its production capacity to one million kits per day.

OWC helps to complete GW-level offshore wind power project. Orient Wires and Cables (OWC) has completed the installation of a submarine cable for the first gigawatt-level offshore wind power project in China. The Three Gorges Yangjiang Shaba Offshore Wind Project provides 4.7 billion kWh of renewable electricity for Guangdong-Hong Kong-Macao Greater Bay Area each year, which can meet the annual power consumption of about two million households. As the EPC contractor of the submarine cable, OWC manufactured and installed 220 kV and 35 kV submarine cables to a offshore wind power station 750 km off the coast.

Yangtze Power to keep its moat with new power stations. In December, Yangtze Power released the asset injection proposal of Wudongde and Baihetan hydropower stations. Already being the largest hydropower company in China, this asset injection will boost its installed capacity by 57%. Both units will be operational by July 2022. Following the deal, Yangtze Power is expected to benefit from unified dispatch and integrated resources among the existing and new power stations.

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	FundPartner Solutions (Suisse) S.A.
Custodian Bank	Banque Pictet & Cie SA
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	Banque Pictet & Cie SA Client Services Tel: +352 46 71 71 7666 Email: pfc.lux@pictet.com
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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 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.

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