

Figures as of	December 30, 2022
Net Asset Value	USD 215.57, CHF 154.97, EUR 258.80
Fund Size	USD 209.30 million
Inception Date*	May 27, 2003
Cumulative Total Return	555.4% 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)



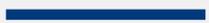
Performance

	December	YTD	1 Year	May 2003
USD Class	4.0%	(27.2%)	(27.2%)	555.4%
CHF Class	0.9%	(26.5%)	(26.5%)	356.5%
EUR Class	0.9%	(22.8%)	(22.8%)	616.6%

Largest Holdings

Ping An	7.0%	
Luxshare Precision	6.3%	
Alibaba Group	6.2%	
Midea Group	6.1%	
TSMC	5.9%	
Haitian Flavouring	5.7%	

Exposure

Consumer Discretionary	24.6%	
Industrials	20.7%	
Information Technology	18.5%	
Consumer Staples	12.5%	
Real Estate	8.4%	
Cash	0.9%	

Newsletter December 2022

- China pivoted away from Covid-Zero
- HSZ China Fund's performance was up 4.0% in December
- CATL's German plant kicks off battery production
- Sungrow signed a 600MWh BESS contract with Saudi Arabia
- BHS of Yangtze Power went fully operational

China pivoted away from Covid-Zero. In December, China lifted most Covid restrictions and mass testing, and started to allow infected persons to recover at home. While pushing up the vaccination rate for high-risk and elderly people, the Central Government has shown its commitment to refocus on growing the economy and expanding domestic consumption. We expect China to go through several Covid waves in the coming months and will eventually reach herd immunity. All these big shifts in policies taken by the Chinese leadership are a crucial turning point in China's medium- to long-term economic development.

HSZ China Fund's performance was up 4.0% in December. The biggest positive contribution came from our holdings in the consumer discretionary, namely China Education Group and Midea Group. The biggest negative contribution came from our holdings in TSMC and ESR Group.

CATL's German plant kicks off battery production. The new German plant of CATL whose construction in Thuringia began in 2019, has started its production of lithium-ion battery cells in December 2022. CATL has invested about EUR 1.8 billion in the plant, with a planned annual capacity of 14 GWh. The company's next destination in Europe will be Hungary, where construction has been kicked off to build a factory with annual capacity of 100 GWh.

Sungrow signed a 600MWh BESS contract with Saudi Arabia. The global leading solar inverter and battery storage system manufacturer and integrator has signed a memorandum of understanding with Saudi Arabia-headquartered developer ACWA Power for the supply of a 536MW/600MWh battery energy storage system (BESS). The project is in Neom smart city in northwestern Saudi Arabia and is a part of the country's Saudi Vision 2030, which is reported to cost more than USD 500 billion.

BHS of Yangtze Power went fully operational. Baihetan Hydropower Station (BHS), the largest hydropower project, went into full operation in December. It is in the upper reaches of the Yangtze River with a total installed capacity of 16 gigawatts. BHS is ranked the second largest hydropower station of the Three Gorges Hydropower Station. After completion, the installed capacity of Yangtze Power has increased to over 71 gigawatts, which can provide more than 300 TWh of renewable power per annum. This is equivalent to the reduction of emissions of 250 million tons of carbon dioxide per year.

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 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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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	1.35% 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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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
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