

Figures as of	June 30, 2023
Net Asset Value	USD 186.95, CHF 131.43, EUR 220.84
Fund Size	USD 168.5 million
Inception Date*	May 27, 2003
Cumulative Total Return	468.4% in USD
Annualized Total Return	9.0% 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

	June	YTD	1 Year	May 2003
USD Class	1.7%	(13.3%)	(24.6%)	468.4%
CHF Class	0.6%	(15.2%)	(29.1%)	287.1%
EUR Class	0.1%	(14.7%)	(27.5%)	511.5%

Largest Holdings

Alibaba Group	6.1%	<div style="width: 6.1%;"></div>
Yum China	6.1%	<div style="width: 6.1%;"></div>
Ping An	6.1%	<div style="width: 6.1%;"></div>
TSMC	5.7%	<div style="width: 5.7%;"></div>
Centre Testing	5.6%	<div style="width: 5.6%;"></div>
Sungrow Power	5.4%	<div style="width: 5.4%;"></div>

Exposure

Consumer Discretionary	24.8%	<div style="width: 24.8%;"></div>
Industrials	21.7%	<div style="width: 21.7%;"></div>
Information Technology	20.4%	<div style="width: 20.4%;"></div>
Consumer Staples	11.5%	<div style="width: 11.5%;"></div>
Communication Services	6.2%	<div style="width: 6.2%;"></div>
Cash	1.0%	<div style="width: 1.0%;"></div>

Newsletter June 2023

- China-U.S. economic talks resume
- HSZ China Fund was up 1.7% in June
- Alibaba's logistics arm unveiled a new express delivery service
- Midea recorded high growth in the 618-shopping festival
- Yangtze Power is embarking on an energy storage system

China-U.S. economic talks resume. China and the United States have reached an agreement to increase both official and unofficial dialogues after Antony Blinken, the U.S. Secretary of State, ended a two-day visit to China in late June. In addition, the two nations agreed to consider expanding commercial flights between the two countries to improve people-to-people contact. Nevertheless, Janet Yellen will visit China for four days in early July, becoming the second Biden cabinet official to travel to Beijing.

HSZ China Fund was up 1.7% in June. The biggest positive contribution came from the consumer discretionary and information technology sectors, where Midea and Luxshare contributed the most. The biggest negative contribution came from our positions in SF Holding, in the industrials sector and Haitian Flavouring in the consumer staples sector.

Alibaba's logistics arm unveiled a new express delivery service. This puts Cainiao, the logistics division of Alibaba, in direct competition with companies like JD Logistics and SF Express. The announcement comes just a week after Joe Tsai was appointed as the group's chairman. During Cainiao's annual Global Smart Logistics Summit, CEO Wan Lin promised that the new service will provide top-notch half-day, same-day, and next-day doorstep delivery. Note that the new service will be based on the original courier operation of Tmall Supermarket plus the collaboration with Alcohol giant Tsingtao Brewery, retailers Hema and Intime Department store.

Midea recorded high growth in the 618-shopping festival. On June 18, the 618 Shopping Festival – the second largest shopping day in the country was held. White goods, particularly air conditioners, continued to outperform this year and ranked on top by sales among other categories, benefiting from the persistent hot weather. As the market leader of air conditioners in China, Midea, reported a 40% year-over-year growth, with the growth on Douyin outpacing the traditional e-commerce channels.

Yangtze Power is embarking on an energy storage system. The Chinese leading hydro-power operator is planning to construct a pump storage power station in Zhangye, Gansu province, with an installed capacity of 1,400MW and a planned annual power generation of 1.637 billion kWh. It plans to invest CNY 9.57 billion, with the project expected to generate revenue of CNY 500 million per year after it starts operating in 2028. The Company views this high-quality project as an opportunity to expand its energy sector business and contribution to China's energy security goals.

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
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
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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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