

January 22, 2008

A Set of Changes To Tighten our Grip

Dear Sir/Madam

In these turbulent times I would like to pause for a while in order to reflect on the past year and announce several changes.

We review 2007 with mixed feelings. Our funds and managed portfolios delivered positive absolute returns. However, they lagged their respective reference indices considerably. While the specific strategies of our products explain part of the divergence, a string of stock picks have been hapless.

Last year's strong performance of Asian stock markets was fuelled markedly by the rise of the large government-controlled Chinese companies. A combination of listing activities, asset injections and improved accessibility was met with strong international and local demand. We did not participate in this surge as we favor companies run and controlled by capitalists. These companies still fall mostly into the small and mid-cap category which lagged particularly during the second half of 2007, as investors re-priced risks globally. Such impediments should be overcome by successful stock picking.

Effective January 1 we have implemented a string of changes designed to tighten our grip on performance and strengthen the organization in general.

Last fall, Christoph Himmelstein shared with us his wish to take an unlimited break from portfolio management and to relocate with his family to Canada. As of the beginning of this year he has handed over his responsibilities to Elizabeth Soon (Partner) and Arnab Sen. Christoph will leave our partnership at the end of March. We thank him for his contribution to our group over many years and wish him well.

With great pleasure I announce that Thomas Russenberger after joining us last summer as Head of Zurich has become a partner of HSZ Group. Thomas has fast become an important member of our management team.

In addition to his current functions Thomas has assumed from me responsibility for our group's Operations. I have taken over as Head of Investment Management personally overseeing Portfolio Management and Research. Responsibility for the performance of our products lies with our portfolio managers Elizabeth Soon and Arnab Sen. Starting this year, portfolio managers will participate directly in any performance fee generated on the products managed by them.

We expect the current year to remain a challenging one in particular for financial markets world wide. Excesses, no matter in what form they may have built-up, will be identified and addressed with an increasing likelihood. While the shift in economic power to Asia is expected to continue, we anticipate highly volatile conditions to prevail also in the Asian stock markets.

Kind regards

A handwritten signature in black ink, appearing to read 'L. Schmid', written in a cursive style.

Dr. Hans-Rudolf Schmid

HSZ Group is an independent investment management company specializing in listed Asian equities with offices in Hong Kong and Zurich. HSZ Group is the manager of Asia Investment Corporation (AIC), HSZ China Fund (HCF) and Asia Opportunity Fund (AOF).