

Figures as of November 30, 2011  
 Net Asset Value USD 99.04, CHF 70.99, EUR 95.71  
 Fund Size USD 102.5 million  
 Inception Date\* May 27, 2003  
 Cumulative Return 181.6% in USD  
 Annualized Return 12.9% 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

	November	YTD	1 Year	Nov 17, 06
USD Class	(8.9%)	(26.5%)	(30.7%)	(1.0%)
CHF Class	(3.6%)	(29.3%)	(37.7%)	(29.0%)
EUR Class	(4.3%)	(26.0%)	(32.2%)	(4.3%)

## Largest Holdings

AAC Technologies	7.0%	
Belle International	6.3%	
Ports Design	5.4%	
Wharf (Holdings) Ltd	5.2%	
Ping An Insurance	5.1%	
China Shenhua Energy	4.8%	

## Exposure

Consumer Discretionary	32.5%	
Financials	21.9%	
Industrials	20.4%	
Consumer Staples	11.0%	
Energy	4.8%	
Cash	9.4%	

## Newsletter November 2011

- China cuts RRR amid slowdown
- Mindray's growth momentum accelerates in third quarter
- Wharf's retail portfolio maintains strong performance
- Intime is a leading department store in Zhejiang province

In November, Chinese equity traded lower, driven by spreading of debt crisis to the core Europe and the weaker than expected manufacturing activities in China. China's official PMI dipped to 49.0, below the expansion threshold of 50 in November, indicating a moderating growth momentum both externally and domestically. On the inflation front, CPI inflation eased to 5.5 percent year on year in October on stabilizing food prices and the favorable high base effect. In response to the growth slowdown and easing inflation, the People's Bank of China announced a 50 basis points cut in the required reserve ratio (RRR) from 21.5 percent to 21.0 percent for large banks, which was the first time in three years. The move demonstrates the policymakers' readiness to manage downside risks amid the uncertain global environment.

Mindray's revenue grew 30 percent year on year to USD 218 million in the third quarter in 2011 fueled by the accelerated government investment on county-level hospitals in China and robust sales in emerging markets. Sales growth in China and overseas accelerated to 36 percent and 26 percent year on year respectively, versus 25 percent and 19 percent in the second quarter. Gross profit grew 21 percent year on year to USD 119 million with a gross margin of 55 percent. Net profit came in at USD 37 million with a net cash of USD 532 million as of September 2011. On the back of robust sales growth and strong cash flow from operation, the company raised its full year sales growth target from 16 percent to 20 percent year over year and announced an USD 100 million share buyback program.

Wharf maintained strong performance in its Hong Kong retail portfolio. Retail sales in Harbour City and Times Square were up 35 percent and 25 percent year on year in the first ten months of 2011. Contracted sales in China increased CNY 800 million in October to CNY 11.4 billion, which accounted for 76 percent of the company's full year target. The success of Harbour City and Times Square also helped the development of investment properties in China, currently Louis Vuitton (LV) has 39 stores in China and 5 of them are located in Wharf's shopping malls and the company is one of the only four groups that have multi-store partnership with LV. The strategic co-operation with LV would further strengthen Wharf's franchise as a premium shopping mall operator in China.

We initiated a position in Intime, the leading department store in Zhejiang province. Intime dominates the sector in Zhejiang with more than 40 percent market share. Its regional dominance strategy and strong brand equity allow the company to expand store network at prime locations with a radiating effect and less execution risk. We also like its young average age of the store portfolio as the ramp up of young flagship stores would lead to higher operating leverage and stronger sales growth in the future. With its dominant market position, strong brand equity and young store profile, we are positive on the growth outlook of the company.

## General Information

Name	HSZ China Fund
Theme	Entrepreneurial China
Nature	Long-only equity fund, actively managed for absolute return
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	Swiss Investment Company SIC Ltd., Zurich
Custodian Bank	Clariden Leu Ltd., Zurich
Investment Manager	HSZ (Hong Kong) Limited, Hong Kong
Auditors	KPMG Ltd.
Management Fee	1.5% annually
Performance Fee	10% above hurdle rate of 5%, high water mark
Issuance Fee	Maximum 5%
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	Clariden Leu Ltd., Bahnhofstrasse 32 8001 Zurich, Switzerland Tel: +41 58 205 2121 Fax: +41 58 205 2191

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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 fuelling 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.