

# **HSZ China Fund**

Mutual fund under Swiss Law (category „Other fund for traditional investments“)

## **Audited Annual Report as of 31. Dezember 2011**



HSZ China Fund was launched by Swiss Investment Company SIC Ltd, Zurich, as Fund manager and Clariden Leu AG, Zurich, as custodian for HSZ (Hong Kong) Limited, Hong Kong.

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## Management and executive bodies

### Fund management company

Swiss Investment Company SIC Ltd.  
Claridenstrasse 19  
8002 Zurich

### Board of Directors

Heinz Hofmann,  
Chairman

Max Cotting,  
Vice-Chairman  
Martin Klaus,  
Member

Emil Stark,  
Member

### Executive Board

Markus Hafner,  
CEO

Hansueli Halter,  
Deputy CEO

Dr. Jürg Leu,  
Member

Until 31 March 2011:

### Fund management company

Falcon Fund Management (Switzerland) Ltd.  
Hochbordstrasse 3  
8600 Dübendorf-Zurich

### Custodian bank

Clariden Leu AG  
Bahnhofstrasse 32  
8001 Zurich

### Auditors

KPMG AG  
Badenerstrasse 172  
8004 Zurich

### Information on third parties

#### Delegation of investment decisions

The investment decisions for the fund have been delegated to HSZ (Hong Kong) Limited, Hong Kong.

#### Delegation of other ancillary duties

The fund management company has delegated other ancillary duties such as the non-public placement of fund units and marketing to HSZ (Hong Kong) Limited, Hong Kong.

### Custodian bank

Falcon Private Bank Ltd.  
Pelikanstrasse 37  
8021 Zurich

### Auditors

PricewaterhouseCoopers AG  
Birchstrasse 160  
8050 Zurich

### Information on third parties

#### Delegation of investment decisions

The investment decisions for the fund have been delegated to HSZ (Hong Kong) Limited, Hong Kong.

## Brief overview

### Key data

#### HSZ China Fund CHF class

| Reporting period                | from | 01.01.2011  | 01.01.2010  | 01.01.2009  |
|---------------------------------|------|-------------|-------------|-------------|
|                                 | to   | 31.12.2011  | 31.12.2010  | 31.12.2009  |
| Net fund assets in USD m        |      | 27.57       | 33.98       | 10.99       |
| Units in circulation            |      | 355'496.189 | 315'699.326 | 109'104.561 |
| Net asset value per unit in CHF |      | 73.01       | 100.38      | 100.79      |
| Distribution per unit in CHF    |      | 0.80        | 0.00        | 0.00        |
| Total expense ratio (TER)       |      | 1.67%       | 1.73%       | 1.74%       |
| Portfolio turnover rate (PTR)   |      | 76.36%      | 34.01       | 104.75%     |

#### HSZ China Fund EUR class

| Reporting period                | from | 01.01.2011 | 01.01.2010 | 01.01.2009 |
|---------------------------------|------|------------|------------|------------|
|                                 | to   | 31.12.2011 | 31.12.2010 | 31.12.2009 |
| Net fund assets in USD m        |      | 0.22       | 0.34       | 0.24       |
| Units in circulation            |      | 1'708.225  | 1'986.000  | 2'235.000  |
| Net asset value per unit in EUR |      | 99.28      | 129.41     | 108.70     |
| Distribution per unit in EUR    |      | 1.20       | 0.00       | 0.00       |
| Total expense ratio (TER)       |      | 1.68%      | 1.71%      | 1.73%      |
| Portfolio turnover rate (PTR)   |      | 76.36%     | 34.01%     | 104.75%    |

#### HSZ China Fund USD class

| Reporting period                | from | 01.01.2011  | 01.01.2010  | 01.01.2009  |
|---------------------------------|------|-------------|-------------|-------------|
|                                 | to   | 31.12.2011  | 31.12.2010  | 31.12.2009  |
| Net fund assets in USD m        |      | 74.85       | 102.24      | 86.53       |
| Units in circulation            |      | 750'100.966 | 758'560.022 | 621'015.898 |
| Net asset value per unit in USD |      | 99.79       | 134.78      | 121.62      |
| Distribution per unit in USD    |      | 1.40        | 0.00        | 0.00        |
| Total expense ratio (TER)       |      | 1.68%       | 1.71%       | 1.74%       |
| Portfolio turnover rate (PTR)   |      | 76.36%      | 34.01%      | 104.75%     |

### Commission rates

| HSZ China Fund CHF class         | 31.12.2011 | 31.12.2010 |
|----------------------------------|------------|------------|
| Management fee p.a.              | 1.500%     | 1.500%     |
| Custodian bank remuneration p.a. | 0.120%     | 0.150%     |

| HSZ China Fund EUR class         | 31.12.2011 | 31.12.2010 |
|----------------------------------|------------|------------|
| Management fee p.a.              | 1.500%     | 1.500%     |
| Custodian bank remuneration p.a. | 0.120%     | 0.150%     |

| HSZ China Fund USD class         | 31.12.2011 | 31.12.2010 |
|----------------------------------|------------|------------|
| Management fee p.a.              | 1.500%     | 1.500%     |
| Custodian bank remuneration p.a. | 0.120%     | 0.150%     |

## Fund performance

| <b>Fund performance HSZ China Fund CHF class</b> | <b>Fund</b> | <b>Benchmark</b> |
|--|-------------|------------------|
| 2011   | -27.64%     | -21.24%          |
| 2010   | -0.41%      | -7.81%           |
| 2009   | 113.81%     | 54.33%           |
| 2008   | -58.95%     | -54.50%          |

| <b>Fund performance HSZ China Fund EUR class</b> | <b>Fund</b> | <b>Benchmark</b> |
|--|-------------|------------------|
| 2011   | -23.68%     | -19.20%          |
| 2010   | 19.05%      | 9.33%            |
| 2009   | 110.29%     | 54.85%           |
| 2008   | -54.06%     | -49.38%          |

| <b>Fund performance HSZ China Fund USD class</b> | <b>Fund</b> | <b>Benchmark</b> |
|--|-------------|------------------|
| 2011   | -25.96%     | -21.65%          |
| 2010   | 10.82%      | 2.32%            |
| 2009   | 118.67%     | 58.80%           |
| 2008   | -56.26%     | -51.94%          |

Benchmark:     until 2010: MSCI Emerging Markets China USD (PI)  
                   from 2011: Hang Seng China Ent Index

Disclaimer: Past performance is no guarantee of current or future performance. In addition, performance data do not take into account fees and commissions charged on the issue and redemption of units.

## Swiss security number / ISIN / Bloomberg ticker

|         |              |            |                          |
|---------|--------------|------------|--------------------------|
| 2682806 | CH0026828068 | HSZCFCH SW | HSZ China Fund CHF class |
| 2682809 | CH0026828092 | HSZCHEU SW | HSZ China Fund EUR class |
| 2682803 | CH0026828035 | HSZCHID SW | HSZ China Fund USD class |

## Activity report from 1 January to 31 December 2011

### Review

In 2011, Chinese equities were depressed by the unfolding sovereign debt crisis in Europe, the downgrade of the US credit rating and concern on the potential tightening-induced hard landing in China. Mounting inflation was the main concern for the Chinese economy in the first half. Policymakers were introducing aggressive tightening measures until inflation peaked in July. As a result, economic growth momentum has started to decelerate. Together with the intensified concerns on the European debt crisis and lack of visible policy responses from the Chinese officials, Chinese equity market witnessed a panic sell-off in the second half last year.

China's GDP growth has been on a gradual and stable downward trend throughout the year. It slowed from 9.7 percent year on year in the first quarter, through 9.5 percent in the second, to 8.9 percent in the fourth quarter. The growth rate was 9.2 percent for the whole year, lower than 10.4 percent in 2010. The deceleration was largely the result of the domestic tightening as the government tried to fight inflation and rein in property prices.

Given the continuous efforts by the government to rebalance its growth driver to consumption, retail sales demonstrated resilience, growing at 17.1 percent in nominal terms in 2011. On slower infrastructure and real estate investment growth, fixed asset investment moderated, with a full year growth rate of 23.8 percent year on year, compared to 25.6 percent for the first half. Exports growth decelerated to 20.3 percent, from 31.3 percent in 2010. CPI inflation peaked at 6.5 percent in July and has been trending down to 4.1 percent in December.

With a view of taming inflation, a relatively tight monetary condition was maintained with total new lending being CNY 7.5 trillion in 2011, lower than CNY 8.0 trillion in 2010. With receding price pressure into the second half and in the face of the uncertain development in the European countries, focus has been shifted from fighting inflation to maintaining stable economic growth. In November, the People's Bank of China announced a 50 basis points cut in the required reserve ratio from 21.5 percent to 21.0 percent for large banks. The move marked the beginning of the easing cycle and demonstrated the policymakers' readiness to manage downside risks amid the uncertain global environment.

### Stock Market and Investment Policy

Chinese equities market suffered a negative return and underperformed its developed market peers in 2011. The MSCI China index lost 20.3 percent in USD and Hang Seng China Enterprises Index declined by 21.7 percent in HKD. In terms of sector performance, energy and telecom outperformed while basic materials and industrials underperformed.

HSZ China Fund was down by 26.0 percent in USD in the reporting period. The best performers were the mass market ladies' footwear retailer, Daphne, the leading tissue paper manufacturer, Vinda, and the multi-brand footwear retailer, Belle International.

Daphne gained 19 percent mainly due to the better than expected same store sales growth and continuous improvement in its supply chain management. Daphne, which focuses on the mass market segment, has benefited from the increase in salary tax threshold and higher than average income growth of the low-to-middle income group. Its solid expansion plan, backed by higher internal production, continuous product mix enhancement and the unmatched position in the mass market, would lead to better store profitability and stable earnings growth in the future.

Vinda has been the beneficiary from the softening of wood pulp prices and accelerated sales growth upon addition of new capacity. The company achieved 33 percent sales growth in the first nine months of 2011 driven by strong demand for high quality household paper. Given the strong demand outlook and continuous living standard improvement, Vinda aims to increase its capacity by 100'000 tonnes to 570'000 tonnes in 2012, which represents a 20 percent growth year over year. The softening of pulp prices and the decreasing proportion of toilet rolls in the sales mix would further strengthen margins and the share gained 16 percent last year.

Belle International gained 4 percent mainly due to the better than expected same store sales growth in footwear segment and steady network expansion. The diversified footwear brand portfolio allowed Belle to penetrate into different groups of customers and well positioned the company for the strong growth in ladies footwear. The revived growth of the international sportswear brands after their resolving the inventory issues would also benefit Belle as a leading sportswear distributor of Nike and Adidas.

The fund performance was dragged by KWG Property, the high-end property developer, and Fook Woo, the recycled tissue paper producer. KWG was undermined by the home purchase restriction policy which weakened the upgrading demand for high-end residential flats while Fook Woo was impacted by the sell-off of the small-cap sector in the third quarter despite the resilient growth in its waste paper collection and tissue paper business. The continuous share buyback from the management in both companies indicated their confidence on the companies and would provide support to the share prices.

We continue to prefer financially sound companies with earnings visibility and look for companies with high franchise strength, good management and attractive valuations.

Specifically, we are positive on consumer companies on the secular consumption story in China, insurance companies on the still low penetration rate and the loosening environment, auto companies on the healthy industry inventory and better growth outlook and companies which stand to benefit from the spending on railway, infrastructure and healthcare and those exposed to the resilient global smartphone growth.

## Outlook

In 2012, Chinese equities would remain volatile especially in the first half, amid the rising funding pressure for sovereigns and banks in Europe and risk of further cyclical slowdown in China. However, we believe the risk of hard landing is low as a lower inflation environment and China's sound fiscal position should create sufficient room for policymakers to make adjustment to smooth cyclicity in response to any rapid deterioration in the situation in Europe and the stagnant growth in the developed countries.

The Chinese economy is expected to transit from a relatively high growth, high inflation period in 2011 to a moderate growth, low inflation year in 2012. Net exports and fixed asset investment will see some deceleration given the weakening growth in the advanced economies and lower spending on infrastructure and real estate investment. Domestic consumption continues to be the growth driver and will lend support to the economy. We expect inflation to trend lower given the favourable high base in 2011 and the previous tightening taking hold. Monetary condition would become less tight and policymakers are ready to react swiftly and forcefully to manage potential downside risks amid the uncertain global environment.

China is still a place with promising growth prospects. China would continue to transform itself from a cyclical, export-orientated economy to a more sustainable, domestic demand driven model. The expanding demand driven by the ongoing urbanization, increasingly prosperous middle class and the better socio-economic system are likely to be the key growth engines for China going forward.

Given the current attractive valuation, the continued economic growth in China, coupled with the gradual policy loosening, provides a benign environment for Chinese equities. We are optimistic on companies with strong franchise characters and attractive valuations, which in combination should deliver a favourable return for investors in China.



**Statement of assets as at 31 December 2011**

| <b>Statement of assets</b>                                       |             | <b>31.12.2011</b>     | <b>31.12.2010</b>     |
|--|-------------|-----------------------|-----------------------|
|  |             | <b>USD</b>            | <b>USD</b>            |
| Sight deposits   |             | 2'351'296.37          | 4'763'214.65          |
| Time deposits  |             | 0.00                  | 0.00                  |
| Securities   |             |                       |                       |
| Equities and other equity securities and rights                  |             | 91'137'758.25         | 127'297'593.26        |
| Money market instruments   |             | 7'081'250.00          | 0.00                  |
| Derivative financial instruments                                 |             | 2'532'799.36          | 4'511'896.73          |
| Other assets   |             | 98.35                 | 2'318.79              |
| <b>Total assets</b>  |             | <b>103'103'202.33</b> | <b>136'575'023.43</b> |
| Liabilities at bank  |             | -7'983.20             | 0.00                  |
| Other liabilities  |             | -458'519.52           | -4'707.45             |
| <b>Net assets at the end of the reporting period</b>             |             | <b>102'636'699.61</b> | <b>136'570'315.98</b> |
| <b>Change in net fund assets</b>                                 | <b>from</b> | <b>01.01.2011</b>     | <b>01.01.2010</b>     |
|  | <b>to</b>   | <b>31.12.2011</b>     | <b>31.12.2010</b>     |
|  |             | <b>USD</b>            | <b>USD</b>            |
| <b>Net assets at the beginning of the reporting period</b>       |             | <b>136'570'315.98</b> | <b>86'529'799.37</b>  |
| Distributions  |             | 0.00                  | 0.00                  |
| Net change in units  |             | 2'663'778.33          | 39'957'614.67         |
| Other changes in units   |             | -4'618.19             | 0.00                  |
| Total return   |             | -36'592'776.51        | 10'082'901.94         |
| <b>Net assets at the end of the reporting period</b>             |             | <b>102'636'699.61</b> | <b>136'570'315.98</b> |
| <b>Change in units in circulation – HSZ China Fund CHF class</b> |             | <b>Number</b>         | <b>Number</b>         |
| No. of units at the beginning of the reporting period            |             | 315'699.326           | 109'104.561           |
| Units issued   |             | 56'328.086            | 227'464.995           |
| Units redeemed   |             | -16'531.223           | -20'870.230           |
| <b>No. of units at the end of the reporting period</b>           |             | <b>355'496.189</b>    | <b>315'699.326</b>    |
| <b>Net asset value per unit in CHF</b>                           |             | <b>73.01</b>          | <b>100.38</b>         |
| <b>Change in units in circulation – HSZ China Fund EUR class</b> |             | <b>Number</b>         | <b>Number</b>         |
| No. of units at the beginning of the reporting period            |             | 1'986.000             | 2'235.000             |
| Units issued   |             | 1'072.225             | 1'640.000             |
| Units redeemed   |             | -1'350.000            | -1'889.000            |
| <b>No. of units at the end of the reporting period</b>           |             | <b>1'708.225</b>      | <b>1'986.000</b>      |
| <b>Net asset value per unit in EUR</b>                           |             | <b>99.28</b>          | <b>129.41</b>         |
| <b>Change in units in circulation – HSZ China Fund USD class</b> |             | <b>Number</b>         | <b>Number</b>         |
| No. of units at the beginning of the reporting period            |             | 758'560.022           | 621'015.898           |
| Units issued   |             | 49'098.785            | 163'221.103           |
| Units redeemed   |             | -57'557.841           | -25'676.979           |
| <b>No. of units at the end of the reporting period</b>           |             | <b>750'100.966</b>    | <b>758'560.022</b>    |
| <b>Net asset value per unit in USD</b>                           |             | <b>99.79</b>          | <b>134.78</b>         |

## Further information

| <b>Derivatives</b>                                       | <b>Underlying<br/>equivalent</b> | <b>% of net fund<br/>assets</b> | <b>Underlying<br/>equivalent</b> | <b>% of net fund<br/>assets</b> |
|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| <b>Commitment approach</b>                               | <b>current year</b>              | <b>current year</b>             | <b>previous year</b>             | <b>previous year</b>            |
| <b>Gross derivative positions (increasing exposure):</b> |                                  |                                 |                                  |                                 |
| - Market risk (risk of changes in share prices)          | 2'528'709.51                     | 2.46                            | 4'511'896.73                     | 3.30                            |
| - Market risk (risk of changes in interest rates)        | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| - Counterparty risk                                      | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| - Currency risk  | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| <b>Gross derivative positions (reducing exposure):</b>   |                                  |                                 |                                  |                                 |
| - Market risk (risk of changes in share prices)          | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| - Market risk (risk of changes in interest rates)        | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| - Counterparty risk                                      | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| - Currency risk  | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| <b>Net derivative positions (increasing exposure):</b>   |                                  |                                 |                                  |                                 |
| - Market risk (risk of changes in share prices)          | 2'528'709.51                     | 2.46                            | 4'511'896.73                     | 3.30                            |
| - Market risk (risk of changes in interest rates)        | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| - Counterparty risk                                      | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| - Currency risk  | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| <b>Net derivative positions (reducing exposure):</b>     |                                  |                                 |                                  |                                 |
| - Market risk (risk of changes in share prices)          | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| - Market risk (risk of changes in interest rates)        | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| - Counterparty risk                                      | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| - Currency risk  | 0.00                             | 0.00                            | 0.00                             | 0.00                            |
| <b>Securities lending and borrowing</b>                  |                                  |                                 |                                  |                                 |
| Volume of securities lent out (market value)             | 0.00                             |                                 | 0.00                             |                                 |
| Volume of securities borrowed (market value)             | 0.00                             |                                 | 0.00                             |                                 |

**Income statement for the period from 1 January to 31 December 2011**

| <b>Income statement</b>   | <b>from<br/>to</b> | <b>01.01.2011<br/>31.12.2011<br/>USD</b> | <b>01.01.2010<br/>31.12.2010<br/>USD</b> |
|---|--------------------|--|--|
| <b>Income</b>   |                    |  |  |
| Income from bank deposits   |                    | 1'792.51                                 | 9'975.13                                 |
| Income from securities  |                    |  |  |
| Equities and other equity securities and rights   |                    | 2'683'632.29                             | 1'713'899.51                             |
| Money market paper  |                    | 0.00                                     | 0.00                                     |
| Accrued income purchased on the issue of units  |                    | 51'614.87                                | 51'077.18                                |
| <b>Total income</b>   |                    | <b>2'737'039.67</b>                      | <b>1'774'951.82</b>                      |
| <b>Expenses</b>   |                    |  |  |
| Interest paid   |                    | -12'354.08                               | -339.05                                  |
| Auditing costs  |                    | -20'645.71                               | -13'770.21                               |
| Remuneration of the fund manager in accordance with the regulations   |                    | -1'878'902.62                            | -1'520'388.11                            |
| Remuneration of the custodian bank in accordance with the regulations   |                    | -173'482.78                              | -191'761.72                              |
| Partial transfer of remuneration paid to fund manager (in accordance with regulations) to realised capital gains and losses * |                    | 219'286.19                               | 216'757.18                               |
| Other expenses  |                    | -25'009.77                               | -19'089.27                               |
| Accrued income paid out on the redemption of units  |                    | -41'693.05                               | -3'018.23                                |
| <b>Total expenses</b>   |                    | <b>-1'932'801.82</b>                     | <b>-1'531'609.41</b>                     |
| <b>Net income</b>   |                    | <b>804'237.85</b>                        | <b>243'342.41</b>                        |
| Partial transfer of remuneration paid to fund manager (in accordance with regulations) to realised capital gains and losses * |                    | -219'286.19                              | -216'757.18                              |
| Realised capital gains/losses on investments  |                    | 1'189'683.12                             | 7'035'120.60                             |
| Realised capital gains/losses on foreign exchange   |                    | -3'372'332.27                            | -1'273'362.06                            |
| Accrued capital gain purchased on the issue of units  |                    | 0.00                                     | 0.00                                     |
| Accrued capital gain paid out on the redemption of units  |                    | 0.00                                     | 0.00                                     |
| <b>Realised return</b>  |                    | <b>-1'597'697.49</b>                     | <b>5'788'343.77</b>                      |
| Unrealised capital gains and losses   |                    | -34'995'079.02                           | 4'294'558.17                             |
| <b>Total return</b>   |                    | <b>-36'592'776.51</b>                    | <b>10'082'901.94</b>                     |

\*As per Circular No. 24 Art. 2.1.9.4.2 Deductible fees

| <b>Transfer of profits</b>   | <b>from</b> | <b>01.01.2011</b>   | <b>01.01.2010</b> |
|--|-------------|---------------------|-------------------|
|  | <b>to</b>   | <b>31.12.2011</b>   | <b>31.12.2010</b> |
|  |             | <b>USD</b>          | <b>USD</b>        |
| <b>Net income for the financial year</b>                               |             | <b>804'237.85</b>   | <b>243'342.41</b> |
| Amount netted against realised capital gains (Art. 29 VStV)            |             | 0.00                | 0.00              |
| Capital gains for the financial year designated for distribution       |             | 0.00                | 0.00              |
| Capital gains from earlier financial years designated for distribution |             | 0.00                | 0.00              |
| Brought forward  |             | 745'818.44          | 502'476.03        |
| <b>Income available for distribution</b>                               |             | <b>1'550'056.29</b> | <b>745'818.44</b> |
| <b>Distribution</b>  |             |                     |                   |
| Income designated for distribution to investors                        |             | -1'354'826.01       | 0.00              |
| Capital gain designated for distribution to investors                  |             | 0.00                | 0.00              |
| <b>Balance to be carried forward</b>                                   |             | <b>195'230.28</b>   | <b>745'818.44</b> |

## Portfolio composition and changes from 1 January 2011 to 31 December 2011

| Security  | Swiss<br>security no. | 31.12.10<br>number/<br>nominal | Purchases<br>1) | Sales 2)  | 31.12.11<br>number/<br>nominal | Curr. | Market value<br>USD | % of<br>net<br>fund<br>assets |
|---|-----------------------|--------------------------------|-----------------|-----------|--------------------------------|-------|---------------------|-------------------------------|
| <b>Securities</b>   |                       |                                |                 |           |                                |       |                     |                               |
| <b>Equities traded on a stock exchange or on another regulated market</b> |                       |                                |                 |           |                                |       |                     |                               |
| <b>Banks &amp; other credit institutions</b>                              |                       |                                |                 |           |                                |       |                     |                               |
| China Merchants Bank Co Ltd -H-   | 2'690'650             | 2'934'649                      | 438'500         | 568'500   | 2'804'649                      | HKD   | 5'669'247           | 5.50                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>5'669'247</b>    | <b>5.50</b>                   |
| <b>Construction &amp; building materials</b>                              |                       |                                |                 |           |                                |       |                     |                               |
| Shimao Property Holdings Limited  | 2'589'335             | 2'638'000                      | 0               | 249'000   | 2'389'000                      | HKD   | 2'039'280           | 1.98                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>2'039'280</b>    | <b>1.98</b>                   |
| <b>Mining, coal &amp; steel</b>   |                       |                                |                 |           |                                |       |                     |                               |
| China Shenhua Energy Company Ltd -H-                                      | 2'176'548             | 1'458'500                      | 299'500         | 579'000   | 1'179'000                      | HKD   | 5'115'534           | 4.96                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>5'115'534</b>    | <b>4.96</b>                   |
| <b>Retail, department stores</b>  |                       |                                |                 |           |                                |       |                     |                               |
| Chow Sang Sang Holdings International Ltd                                 | 11'956'169            | 0                              | 1'568'000       | 0         | 1'568'000                      | HKD   | 3'532'900           | 3.43                          |
| Golden Eagle Retail Group Ltd   | 2'467'743             | 1'823'000                      | 1'004'000       | 620'000   | 2'207'000                      | HKD   | 4'665'764           | 4.53                          |
| Intime Department Store (Group) Co Ltd                                    | 2'976'014             | 0                              | 1'109'500       | 0         | 1'109'500                      | HKD   | 1'135'643           | 1.10                          |
| Oriental Watch Holdings Ltd   | 120'600               | 0                              | 1'224'000       | 660'000   | 564'000                        | HKD   | 258'509             | 0.25                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>9'592'816</b>    | <b>9.30</b>                   |
| <b>Miscellaneous consumer goods</b>                                       |                       |                                |                 |           |                                |       |                     |                               |
| Ports Design Ltd  | 1'977'774             | 2'645'000                      | 563'000         | 106'500   | 3'101'500                      | HKD   | 4'687'995           | 4.55                          |
| Vinda International Holdings Ltd  | 3'227'461             | 3'079'000                      | 775'000         | 0         | 3'854'000                      | HKD   | 4'947'139           | 4.80                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>9'635'134</b>    | <b>9.35</b>                   |
| <b>Electronics &amp; semiconductors</b>                                   |                       |                                |                 |           |                                |       |                     |                               |
| AAC Technologies Holdings Inc   | 13'350'570            | 0                              | 3'378'000       | 260'000   | 3'118'000                      | HKD   | 7'001'157           | 6.79                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>7'001'157</b>    | <b>6.79</b>                   |
| <b>Financial, investment &amp; other diversified companies</b>            |                       |                                |                 |           |                                |       |                     |                               |
| Daphne International Holdings Ltd   | 4'512'420             | 2'362'000                      | 212'000         | 1'028'000 | 1'546'000                      | HKD   | 1'721'761           | 1.67                          |
| The Wharf Holdings Ltd  | 421'178               | 0                              | 1'178'800       | 42'786    | 1'136'014                      | HKD   | 5'133'789           | 4.98                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>6'855'550</b>    | <b>6.65</b>                   |
| <b>Forestry, wood &amp; paper</b>   |                       |                                |                 |           |                                |       |                     |                               |
| Fook Woo Group Holdings Ltd   | 11'152'511            | 5'464'000                      | 6'624'000       | 1'624'000 | 10'464'000                     | HKD   | 1'845'719           | 1.79                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>1'845'719</b>    | <b>1.79</b>                   |
| <b>Real estate</b>  |                       |                                |                 |           |                                |       |                     |                               |
| KWG Property Holding Ltd  | 3'208'121             | 4'447'000                      | 865'500         | 0         | 5'312'500                      | HKD   | 1'792'039           | 1.74                          |
| Shui On Land Ltd  | 2'401'222             | 10'054'136                     | 1'656'000       | 0         | 11'710'136                     | HKD   | 3'558'125           | 3.45                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>5'350'164</b>    | <b>5.19</b>                   |
| <b>Machinery &amp; equipment</b>  |                       |                                |                 |           |                                |       |                     |                               |
| Dongfeng Motor Group Company -H-  | 1'843'902             | 2'690'000                      | 916'000         | 784'000   | 2'822'000                      | HKD   | 4'839'589           | 4.69                          |
| Lonking Holdings Ltd  | 4'328'481             | 11'939'000                     | 1'600'000       | 624'000   | 12'915'000                     | HKD   | 4'356'552           | 4.23                          |
| Weichai Power Co Ltd -H-  | 1'802'855             | 1'091'400                      | 240'000         | 445'000   | 886'400                        | HKD   | 4'359'537           | 4.23                          |
| Zhuzhou CSR Times Electric Co Ltd -H-                                     | 2'830'140             | 1'750'000                      | 552'000         | 627'000   | 1'675'000                      | HKD   | 3'670'469           | 3.56                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>17'226'147</b>   | <b>16.71</b>                  |
| <b>Food &amp; soft drinks</b>   |                       |                                |                 |           |                                |       |                     |                               |
| Shenguan Holdings (Group) Ltd   | 10'627'381            | 0                              | 6'221'000       | 0         | 6'221'000                      | HKD   | 3'604'292           | 3.50                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>3'604'292</b>    | <b>3.50</b>                   |
| <b>Pharmaceuticals, cosmetics &amp; med. products</b>                     |                       |                                |                 |           |                                |       |                     |                               |
| Mindray Medical Intl Repr 1 -A-   | 2'705'768             | 142'500                        | 10'994          | 0         | 153'494                        | USD   | 3'990'844           | 3.87                          |
| <b>Total</b>  |                       |                                |                 |           |                                |       | <b>3'990'844</b>    | <b>3.87</b>                   |

|   |            |         |            |         |            |     |                    |               |  |
|---|------------|---------|------------|---------|------------|-----|--------------------|---------------|--|
| <b>Textiles, clothing &amp; leather goods</b>   |            |         |            |         |            |     |                    |               |  |
| Belle International Holdings Ltd  | 3'094'598  | 745'000 | 3'207'000  | 427'000 | 3'525'000  | HKD | 6'145'044          | 5.96          |  |
| Trinity Ltd   | 10'681'387 | 0       | 2'636'000  | 158'000 | 2'478'000  | HKD | 1'786'638          | 1.73          |  |
| <b>Total</b>  |            |         |            |         |            |     | <b>7'931'682</b>   | <b>7.69</b>   |  |
| <b>Insurers</b>   |            |         |            |         |            |     |                    |               |  |
| Ping An Insurance (Group) -H-   | 1'714'873  | 604'000 | 221'000    | 24'000  | 801'000    | HKD | 5'280'192          | 5.12          |  |
| <b>Total</b>  |            |         |            |         |            |     | <b>5'280'192</b>   | <b>5.12</b>   |  |
| <b>Total equities traded on a stock exchange or on another regulated market</b>                         |            |         |            |         |            |     | <b>91'137'758</b>  | <b>88.39</b>  |  |
| <b>Money market instruments traded on an exchange or on another regulated market</b>                    |            |         |            |         |            |     |                    |               |  |
| <b>Countries &amp; central governments</b>  |            |         |            |         |            |     |                    |               |  |
| 0.000% HKMA T-Bills 11.1.12   | 14'024'790 | 0       | 55'000'000 | 0       | 55'000'000 | HKD | 7'081'250          | 6.87          |  |
| <b>Total</b>  |            |         |            |         |            |     | <b>7'081'250</b>   | <b>6.87</b>   |  |
| <b>Total money market instruments traded on an exchange or on another regulated market</b>              |            |         |            |         |            |     | <b>7'081'250</b>   | <b>6.87</b>   |  |
| <b>Total securities</b>   |            |         |            |         |            |     | <b>98'219'008</b>  | <b>95.26</b>  |  |
| <b>Derivative financial instruments traded on a stock exchange or on another regulated market</b>       |            |         |            |         |            |     |                    |               |  |
| <b>Warrants</b>   |            |         |            |         |            |     |                    |               |  |
| Wts ML Intl on Ping An (LEPO) Dec14   | 10'836'492 | 0       | 49'000     | 0       | 49'000     | USD | 268'030            | 0.26          |  |
| Wts ML Intl on Qingdao (LEPO) Nov15   | 12'018'867 | 0       | 1'594'908  | 0       | 1'594'908  | USD | 2'264'769          | 2.20          |  |
| <b>Total</b>  |            |         |            |         |            |     | <b>2'532'799</b>   | <b>2.46</b>   |  |
| <b>Total derivative financial instruments traded on a stock exchange or on another regulated market</b> |            |         |            |         |            |     | <b>2'532'799</b>   | <b>2.46</b>   |  |
| <b>Bank deposits</b>  |            |         |            |         |            |     |                    |               |  |
| Sight deposits  |            |         |            |         |            |     | 2'351'296          | 2.28          |  |
| Time deposits   |            |         |            |         |            |     | 0                  | 0.00          |  |
| <b>Total bank deposits</b>  |            |         |            |         |            |     | <b>2'351'296</b>   | <b>2.27</b>   |  |
| <b>Other assets</b>   |            |         |            |         |            |     | <b>98</b>          | <b>0.00</b>   |  |
| <b>Total fund assets at the end of the period</b>   |            |         |            |         |            |     | <b>103'103'202</b> | <b>100.00</b> |  |
| Liabilities at bank   |            |         |            |         |            |     | -7'983             | -0.01         |  |
| Other liabilities   |            |         |            |         |            |     | -458'520           | -0.44         |  |
| <b>Net assets at the end of the reporting period</b>  |            |         |            |         |            |     | <b>102'636'700</b> | <b>99.55</b>  |  |
| <b>Securities lent out</b>  |            |         |            |         |            |     |                    |               |  |
| None  |            |         |            |         |            |     | 0                  | 0.00          |  |
| <b>Total securities lent out</b>  |            |         |            |         |            |     | <b>0</b>           | <b>0.00</b>   |  |
| <b>Exchange rates</b>   |            |         |            |         |            |     |                    |               |  |
| <b>Foreign currency/fund currency</b>   |            |         |            |         |            |     |                    |               |  |
| CHF / USD   |            |         |            |         |            |     |                    | 1.062022      |  |
| HKD / USD   |            |         |            |         |            |     |                    | 0.128750      |  |
| SGD / USD   |            |         |            |         |            |     |                    | 0.769329      |  |
| EUR / USD   |            |         |            |         |            |     |                    | 1.292184      |  |

1) incl. name changes, splits, mergers, swaps, bonus issues, stock dividends

2) incl. name changes, mergers, swaps, securities booked out at maturity

Note on the Annual Report: Any discrepancies in the totals are due to rounding differences.

## Transactions within the reporting period without an impact on the securities portfolio as at 31 December 2011

| Security  | Swiss<br>security no. | 31.12.10<br>number/<br>nominal | Purchases<br>1) | Sales 2)   | 31.12.11<br>number/<br>nominal | Curr. |
|---|-----------------------|--------------------------------|-----------------|------------|--------------------------------|-------|
| <b>Securities</b>   |                       |                                |                 |            |                                |       |
| <b>Equities traded on a stock exchange or on another regulated market</b>                         |                       |                                |                 |            |                                |       |
| <b>Retail, department stores</b>  |                       |                                |                 |            |                                |       |
| New World Department Store China Ltd  | 2'977'171             | 4'712'000                      | 0               | 4'712'000  | 0                              | HKD   |
| <b>Electronics &amp; semiconductors</b>   |                       |                                |                 |            |                                |       |
| AAC Technologies Holdings Inc   | 2'234'838             | 2'256'000                      | 922'000         | 3'178'000  | 0                              | HKD   |
| Xinyi Glass Holdings Ltd  | 2'053'281             | 0                              | 2'864'000       | 2'864'000  | 0                              | HKD   |
| <b>Energy &amp; water supply</b>  |                       |                                |                 |            |                                |       |
| GCL-Poly Energy Holdings Ltd  | 3'527'560             | 12'529'000                     | 1'648'000       | 14'177'000 | 0                              | HKD   |
| Sound Global Ltd  | 3'640'366             | 10'930'000                     | 0               | 10'930'000 | 0                              | SGD   |
| <b>Rubber &amp; tyres</b>   |                       |                                |                 |            |                                |       |
| Xingda Intl Holdgs Ltd  | 2'829'885             | 0                              | 246'000         | 246'000    | 0                              | HKD   |
| <b>Machinery &amp; equipment</b>  |                       |                                |                 |            |                                |       |
| China High Speed Trans Equipment Group  | 3'211'164             | 3'229'000                      | 201'000         | 3'430'000  | 0                              | HKD   |
| Haitian International Holdings Ltd  | 2'831'712             | 581'000                        | 0               | 581'000    | 0                              | HKD   |
| <b>Food &amp; soft drinks</b>   |                       |                                |                 |            |                                |       |
| Ajisen (China) Holdings Ltd   | 3'007'018             | 3'406'000                      | 75'000          | 3'481'000  | 0                              | HKD   |
| Uni-President China Hldgs Ltd   | 3'602'218             | 3'483'000                      | 0               | 3'483'000  | 0                              | HKD   |
| <b>Textiles, clothing &amp; leather goods</b>   |                       |                                |                 |            |                                |       |
| Anta Sports Products Ltd  | 3'227'484             | 4'031'000                      | 623'000         | 4'654'000  | 0                              | HKD   |
| China Dongxiang (Group) Co Ltd  | 3'433'909             | 9'826'000                      | 0               | 9'826'000  | 0                              | HKD   |
| <b>Derivative financial instruments traded on a stock exchange or on another regulated market</b> |                       |                                |                 |            |                                |       |
| <b>Warrants</b>   |                       |                                |                 |            |                                |       |
| Wts ML Intl & Co CV on SHS Ping An (LEPO) May11   | 4'211'689             | 49'000                         | 0               | 49'000     | 0                              | USD   |
| Wts ML Intl & Co CV on SHS Qingdao (LEPO) May11   | 4'234'823             | 797'454                        | 0               | 797'454    | 0                              | USD   |
| Wts ML Intl on Daqin Railway (LEPO) Aug14   | 2'666'659             | 821'800                        | 0               | 821'800    | 0                              | USD   |

1) incl. name changes, splits, mergers, swaps, bonus issues, stock dividends

2) incl. name changes, mergers, swaps, securities booked out at maturity

Note on the Annual Report: Any discrepancies in the totals are due to rounding differences.

## Information on matters of particular financial or legal significance

### Change of fund management company and custodian bank with effect from 1 April 2011

In its decision of 25 March 2011, the Swiss Federal Financial Market Supervisory Authority (FINMA) approved a change of fund management company pursuant to Art. 34 of the Swiss Federal Act on Collective Investment Schemes (CISA) and a change of custodian bank within the meaning of Art. 74 CISA for the HSZ China Fund, an investment fund under Swiss law of the type “other funds for traditional investments”, with effect from 1 April 2011:

The fund management company function was transferred from Falcon Fund Management (Switzerland) AG, Dübendorf, to Swiss Investment Company SIC Ltd, Zurich.

The custodian bank and paying agent function was transferred from Falcon Private Bank Ltd., Zurich, to Clariden Leu AG, Zurich.

### Assumption of custodian bank function by Credit Suisse AG

Credit Suisse AG intends to fully integrate Clariden Leu AG into its organisational structure. The merger between Clariden Leu AG and Credit Suisse AG is in the form of an “absorption merger” within the meaning of the Swiss Federal Merger Act. Subject to all necessary authorisations, including the approval of the Swiss Federal Financial Market Supervisory Authority (FINMA), the merger between Credit Suisse AG and Clariden Leu AG will take effect on 2 April 2012. Clariden Leu AG will then be dissolved and all rights and obligations of Clariden Leu AG will be transferred to Credit Suisse AG (by way of universal succession). From that date, Credit Suisse AG will assume all the functions performed by Clariden Leu AG.

Subject to the approval of the Swiss Federal Financial Market Supervisory Authority (FINMA), Credit Suisse AG will take over the function of custodian bank and paying agent from Clariden Leu AG, Zurich, for the following collective investment schemes:

- **Altinea Fund**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”) with the following sub-funds: Altinea Swiss Equity Fund, Altinea Global Equity Fund
- **Apenso**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”) with the following sub-funds: Apenso 25 (CHF), Apenso 40 (CHF)
- **Aramus (CH) Fund**, a contractual umbrella fund with specific risk features under Swiss law (type: “other funds for traditional investments”) with the following sub-fund: Aramus (CH) Japan Fund
- **Clariden Leu (CH)**, an other fund for alternative investments with specific risk features under Swiss law (type: “other funds for traditional investments”) with the following sub-fund: Clariden Leu (CH) Direct Access Fund
- **Clariden Leu (CH) I**, a contractual umbrella fund with specific risk features under Swiss law (type: “other funds for alternative investments”) with the following sub-funds: Clariden Leu (CH) I - Diversified Alpha Fund (USD), Clariden Leu (CH) I - Diversified Alpha Fund (EUR), Clariden Leu (CH) I - Latin America Fund (USD), Clariden Leu (CH) I - Latin America Fund (EUR)
- **Clariden Leu (CH) Bond Fund CHF**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **Clariden Leu (CH) Cat Bond Fund**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **Clariden Leu (CH) European Quant Equity Fund**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **Clariden Leu (CH) Strategy Fund – Balanced (CHF)**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **Clariden Leu (CH) Strategy Fund – Balanced (EUR)**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **Clariden Leu (CH) Strategy Fund – Conservative (CHF)**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **Clariden Leu (CH) Swiss Equity Fund**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **Clariden Leu (CH) Swiss Small Cap Equity Fund**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)



- **Clariden Leu (CH) Total Return Fund**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”) with the following sub-funds: Clariden Leu (CH) Total Return Fund (USD), Clariden Leu (CH) Total Return Fund (EUR), Clariden Leu (CH) Total Return Fund (CHF)
- **Clariden Leu (CH) US Quant Equity Fund**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **HSZ China Fund**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **Precious Capital Global Mining & Metals Fund**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **Quantex Nucleus Fonds**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **Quantex Strategic Precious Metal Fund**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”) with the following sub-funds: Quantex Strategic Precious Metal Fund (CHF), Quantex Strategic Precious Metal Fund (USD)
- **Quantex Environmental Fund**, a contractual umbrella fund under Swiss law (type: “other funds for traditional investments”)
- **SAAF II (CH)**, a contractual umbrella fund with specific risk features under Swiss law (type: “other funds for alternative investments”) with the following sub-funds: SAAF II (CH) Global Fund (in liquidation), SAAF II (CH) Long Short Equity Fund (in Liquidation)
- **SICH - Japan Core 100 Equity Fund**, a contractual fund under Swiss law (type: “securities funds”)
- **Ski Valais Charity Bond Fonds CHF**, a contractual fund under Swiss law (type: “securities funds”)

Investors may demand the repayment of their units in cash within 30 days of this second and final notification that Credit Suisse AG is to take over the custodian bank function, subject to the provisions of the Fund Regulations. The right to repayment of units in cash is based on the provisions on the redemption of units.

Credit Suisse AG’s assumption of the custodian bank and paying agent function shall not entail any costs for investors.

The amended wording and fund contracts (together with the prospectus and simplified prospectus where necessary) can be obtained free of charge from the fund management company.

The second and final notification was given on 1 February 2012.

Zurich, 31 January 2012

**The fund management company:**

**Swiss Investment Company SIC Ltd.**  
Claridenstrasse 19, 8002 Zurich

**The custodian banks:**

**Clariden Leu AG**  
Bahnhofstrasse 32, 8001 Zurich

**Credit Suisse AG**  
Paradeplatz 8, 8001 Zurich

**Valuation and net asset value calculation principles (extract from the Fund Contract)**

1. The net asset value of the investment fund and the share accounted for by the individual classes are calculated in USD at the market value as at the end of the financial year and for each day on which units are issued or redeemed. The fund's assets shall not be calculated on days when the stock exchanges/markets in the main investment countries of the investment fund are closed (e.g. bank and stock exchange holidays).
2. Securities traded on a stock exchange or other regulated market open to the public shall be valued at the current prices paid on the main market. Other investments or investments for which no current market value is available shall be valued at the price that would probably be obtained in a diligent sale at the time of the valuation. In this case, the fund management company shall use appropriate valuation models and principles that are recognised in practice.
3. The value of money market instruments that are not traded on a stock exchange or other regulated market open to the public is determined as follows: The valuation price of such investments, based on the net acquisition price, shall gradually near the redemption price where the investment return calculated from this is kept constant. In the event of any major changes to market conditions, the valuation basis of the individual investments shall be changed to reflect the new market return. Where there is no current market price, valuation shall generally be performed with reference to money market instruments with similar features (quality and domicile of issuer, currency of issue, term).
4. Bank deposits are valued on the basis of the amount due plus accrued interest. If there are significant changes in the market conditions or the credit rating, the valuation principles for time deposits will be adjusted in line with the new circumstances.
5. The net asset value of a unit of a class is determined by the share of the market value of the fund assets attributable to that unit class, less any of the investment fund's liabilities attributable to that unit class, divided by the number of units of that class in circulation. It will be rounded to the nearest 1/100 of the currency of account.
6. The shares of the market value of net fund assets (fund assets less liabilities) attributable to the respective unit classes are determined for the first time on the first occasion when several unit classes are issued (if this takes place simultaneously) or the first time an additional unit class is issued, on the basis of the assets accruing to the fund for each unit class. The share is recalculated when the following events occur:
  - a) upon the issue and redemption of units;
  - b) on the books closed date for distributions provided that (i) such distributions are only payable for individual unit classes (distribution classes) or that (ii) the distributions for the various unit classes vary as percentages of their respective net asset values or that (iii) varying commission or cost charges are incurred on the distributions for the various unit classes as percentages of the distribution;
  - c) when the net asset value is calculated, within the scope of assigning liabilities (including the costs and commissions payable or accrued) to the various unit classes provided that the liabilities of the various unit classes vary as percentages of their respective net asset values, i.e. if (i) different commission rates are applied for the various unit classes or if (ii) class-specific costs are charged;
  - d) when the net asset value is calculated, within the scope of assigning income or capital gains to the various unit classes provided that the income or capital gains arise from transactions which were conducted solely in the interest of a single unit class, or in the interest of several unit classes but not in proportion to their share of net fund assets.

## Notes on the Annual Report as at 31 December 2011

### Note 1: US sales restrictions

With respect to the issue and redemption of units of this investment fund outside Switzerland, the provisions valid in the country in question apply. In particular, the units of the HSZ China Fund have not been registered under the United States Securities Act of 1933 and, other than in connection with a transaction that does not infringe this Act, fund units may not – either directly or indirectly – be offered, sold, re-sold or delivered in the United States of America or to US citizens or persons resident in the United States, or to corporations or other legal entities established or administered under the laws of the United States. As defined in this document, the term “United States” covers the United States of America and all its member states, territories and possessions and all areas subject to its sovereign jurisdiction. Citizens of the United States who are resident outside the United States are entitled to become beneficial owners of the fund units pursuant to regulation S of the Securities Act Release No. 33-6863 (2 May 1990). Investors with US citizenship or investors subject to US income tax are therefore advised to consult a tax advisor before purchasing units in the fund. Such a purchase could have adverse consequences for investors under US tax law.

### Note 2: Data and figures

The data and figures contained in this report relate to the past. They may not be interpreted as a guarantee of future performance.

### Note 3: Use of derivative financial instruments

The transactions in derivative financial instruments carried out under the terms of the Fund Regulations comply with the guidelines of Swiss Investment Company (SIC) in relation to the use, valuation and reporting of derivatives, as well as with the applicable provisions of the Swiss Federal Act on Collective Investment Schemes (CISA) and Collective Investment Schemes Ordinance (CISO) and Articles 25 to 50 of the FINMA Ordinance on Collective Investment Schemes (CISO-FINMA).

### Note 4: Information on the Swiss Funds Association Guidelines on transparency with regard to management fees

The fund management company can pay retrocessions from the distribution share of management fees to the following institutional investors, who hold fund units on behalf of third parties as part of their normal business:

- Life insurance companies
- Pension funds and other retirement provision institutions
- Investment foundations
- Swiss fund management companies
- Foreign fund management companies
- Investment companies

In addition, the fund management company may pay trailer fees from the distribution share to the following distributors and distribution partners:

- Approved distributors
- Fund management companies, banks, securities dealers, Swiss Post and insurance companies
- Distributors who place fund units exclusively with institutional investors that have professional treasury facilities
- Asset managers

### Note 5: Indicators

#### Total expense ratio (TER)

The total expense ratio (TER) indicates the sum of all periodically levied costs and commissions which are charged to the net assets retrospectively as a percentage of the net assets.

#### Portfolio turnover rate (PTR)

The PTR is an indication of the fund's trading activities (excluding purchases and sales due to subscriptions and redemptions) and is expressed as a percentage of the average fund assets over the previous twelve months. The PTR is calculated in accordance with the SFA guidelines.