

VALUE PARTNERS TAIWAN FUND

2021 SEMI-ANNUAL REPORT

For the six months ended 31 December 2021

Value Partners Hong Kong Limited

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VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

GENERAL INFORMATION

Manager

Value Partners Hong Kong Limited
43rd Floor, The Center
99 Queen's Road Central
Hong Kong

Directors of the Manager

Dato' Seri Cheah Cheng Hye
Mr. So Chun Ki Louis
Mr. Ho Man Kei, Norman

Trustee, Registrar, Administrator and Principal Office

HSBC Trustee (Cayman) Limited

Principal address:

Strathvale House
90 North Church Street
George Town
Grand Cayman
Cayman Islands

Registered address:

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Ugland House
George Town
KY1-1104
Cayman Islands

Custodian, Registrar's Agent and Administrator's Agent

HSBC Institutional Trust Services (Asia)
Limited
1 Queen's Road Central
Hong Kong

Legal Advisors

With respect to Cayman Islands law
Maples and Calder
P.O. Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

With respect to Taiwan law
Rusin & Vecchi
Bank Tower, 9th Floor
205 Tun Hwa North Road
Taipei, Taiwan, R.O.C.

With respect to Hong Kong law
Deacons
5th Floor, Alexandra House
18 Chater Road Central
Hong Kong

Auditor

PricewaterhouseCoopers
P.O. Box 258
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Website : www.valuepartners-group.com

GENERAL INFORMATION (Continued)

Recent awards and achievements

Corporate awards	
2021	<ul style="list-style-type: none"> • Asia Asset Management's Best of the Best Awards 2019 & 2021 China: Best WFOE House – <i>Asia Asset Management</i>
2018	<ul style="list-style-type: none"> • I&M Professional Investment Awards 2018 House Performance Awards: Offshore China Equity (10-Year) – <i>Insights and Mandate</i> • Benchmark Fund of the Year Awards 2018, Hong Kong Greater China Equity House: Outstanding Achiever – <i>Benchmark</i> • Benchmark Fund of the Year Awards 2018, Hong Kong Asia ex-Japan Equity House: Best-In-Class – <i>Benchmark</i>
2017	<ul style="list-style-type: none"> • Benchmark Fund of the Year Awards 2017, Hong Kong Manager of the Year - Greater China Equity (Outstanding Award) Dato' Seri Cheah Cheng Hye and Mr. Louis So (Value Partners' Co-CIOs) – <i>Benchmark</i> • AsiaHedge Awards 2017 Management Firm of the Year: Value Partners – <i>AsiaHedge</i>

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MANAGER'S REPORT

Performance review

In the fourth quarter, Taiwan's equity market rebounded from the previous quarter despite macro concerns globally, especially the spread of the new Omicron variant. For the six months ended 31 December 2021, the MSCI Taiwan Index and the Taiwan Stock Exchange ("TWSE") were up 6.2% and 5.7%, respectively, while the Value Partners Taiwan Fund (the "Fund") was up 3.1%. Since its inception in March 2008, the Fund gained 263.3% on a net return basis, while the MSCI Taiwan Index and TWSE were up 279.4% and 305.8%, respectively.

Fundamentals remain solid despite macro headwinds

Taiwan's economy delivered robust results against an uncertain environment amid the emergence of new COVID variants. Since the pandemic situation locally stabilized in the second quarter, consumption in Taiwan has recovered, with retail consumption continuing to be in positive territory for three consecutive months since September¹. Externally, 4Q21 exports recorded another stellar quarter, up 26% YoY². Technology-related exports continued to be robust, with electronic components and information technology products recording YoY growth of 22.1% and 22.9%, respectively. Non-technology products also showed strong YoY growth during the quarter, led by mineral products, which surged 141.3%, and metals, which was up 53%. For the full-year 2021, total exports expanded 29.4% compared with 2020.

During the quarter, Taiwan's administration also upgraded its full-year GDP growth estimate to 6.3% from August's projection of 5.9%, mostly driven by exports and private investments in the semiconductor industry³. For 2022, the administration expects the economy to grow by 4.2%, driven by exports, recovery of private consumption, and strong fixed investments.

Policies continue to be accommodative

Monetary policy remains accommodative to support economic growth. For the seventh consecutive quarter, the central bank announced that the interest rate will remain unchanged at a historical low of 1.125%⁴, although it has signaled for a potential rate hike in 2022, following the US Fed's hawkish stance. For the whole year 2021, the bank projects that CPI and core CPI growth rates to be 2.0% and 1.3%, respectively. For 2022, it expects the CPI annual growth rate to drop to 1.6% and core CPI to maintain mild growth at a pace of 1.4%. It added that although the hikes in minimum wages may push prices upwards, they should have a positive impact in driving domestic consumption recovery.

Fund review

2021 was a record year for the Taiwan market. The Fund gained 22.0% during the period, while MSCI Taiwan and TWSE Index climbed 26.1% and 29.0%, respectively. The TWSE index closed at 18,218 points, just slightly lower than the historic high of 18,291 points.

In 2021, our portfolio remained technology-heavy, with technology accounting for 80% of the portfolio's assets towards the year-end, as we maintained an optimistic view of Taiwan's technology supply chain. The sector continues to benefit from multiple structural drivers, including high-performance computing (HPC), 5G transition, and major server platform upgrades. We also increased some positions in the consumer sector. We like companies that benefit from the pent-up consumption demand as production and logistics bottlenecks gradually alleviated.

MANAGER'S REPORT (Continued)

In 2021, the accelerated digital transformation and the supply constraints of key components in the technology sector have benefited the portfolio. MediaTek has been in our top five holdings throughout 2021. The stock had a stellar run this year, gaining 65.7%, benefiting from the soaring demand for 5G smartphone upgrades, and its profit margin continued to improve along with favorable product mix changes. We expect further upside to be seen heading into 2022, as the company continues to grab market share in the handsets market and expand its total addressable market with strategic investments in the internet-of-things, smart edge computing, and power management IC. Our display driver IC stock pick, which is the leader for IOT (internet of things) driver IC solution, also significantly outperformed the broader market, thanks to the strong pricing trend as supply was unable to fulfill booming demand. Our holdings in foundry players also have seen strong share price performance amid industry-wide foundry capacity shortage and strong pricing, driven by solid demand across advanced and matured node technology. Our top holding company, TSMC, at its recent investor conference, guided strong 2022 growth and revised up its long-term sales CAGR target to 15-20% from 10-15%, on the back of the management team's confidence about the company's leadership in the growing semiconductor industry.

Heading into 2022, we expect Taiwan's technology supply chain companies to continue to benefit from the ongoing global digitalization trend. We see investment opportunities in the server supply chain, IC design houses with new product portfolios, and design service providers benefiting from high-performance computing solutions. We are also adding positions in companies that benefit from strong consumption. We continue to explore undervalued opportunities with valuation discipline. Three of our top five largest holdings are trading at about 15x 2021 PER or less with 5% or above dividend yields.

Value Partners Hong Kong Limited

21 February 2022

Sources:

1. *Ministry of Economic Affairs, 23 December 2021*
2. *Ministry of Finance, Taiwan, 7 January 2022*
3. *Directorate-General of Budget, Accounting and Statistics, Taiwan, 26 November 2021*
4. *Central Bank of the Republic of China (Taiwan), 16 December 2021*

All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg (Data computed in USD terms on NAV-to-NAV basis with dividends reinvested) as at 31 December 2021. Performance data is net of all fees. All indices are for reference only.

Individual stock performance is not indicative of fund performance. The views expressed are the views of Value Partners Hong Kong Limited only and are subject to change based on market and other conditions. The information provided does not constitute investment advice and it should not be relied on as such. All materials have been obtained from sources believed to be reliable, but their accuracy is not guaranteed. This material contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

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MANAGER'S REPORT (Continued)

5 biggest holdings of securities as at 31 December 2021

Stock	Industry	Valuation (2022 Estimates)	Remarks
Taiwan Semiconductor Manufacturing (Code: 2330 TT) Market cap: US\$576.6 billion	Semiconductors and semiconductor equipment	Price: TWD615.0 P/E: 23.4x P/B: 6.6x Yield: 1.9%	Taiwan Semiconductor Manufacturing ("TSMC") is a world-class independent semiconductor foundry. It provides integrated circuit ("IC") design houses with integrated services for process design, wafer manufacturing and testing. As a global leader with more than 50% share of the outsourcing market, the Company has consistently outperformed competitors in terms of technology and profitability. We think the Company is well-positioned to continue to benefit from the growing IC manufacturing outsourcing market and the rising demand for the Internet of things trend, AI chips and new application areas.
United Microelectronics Corp (Code: 2303 TT) Market cap: US\$29.3 billion	Semiconductors and semiconductor equipment	Price: TWD65.0 P/E: 11.8x P/B: 2.6x Yield: 5.3%	United Microelectronics Corp (UMC) is the second-largest foundry house in Taiwan, primarily focusing on mature technology nodes. In the past few years, the Company has undergone some business transitions, such as resource re-allocation, more efficient capital spending, etc. We expect UMC to deliver structural profitability improvements going forward. Meanwhile, our channel checks suggested a strong order outlook in the first half of 2022 with ASP upside from capacity tightness.
MediaTek Inc (Code: 2454 TT) Market cap: US\$68.8 billion	Semiconductors and semiconductor equipment	Price: TWD1,190.0 P/E: 15.0x P/B: 3.8x Yield: 6.4%	MediaTek is a Taiwanese integrated circuit design company with broad product offerings. The Company is a market leader in developing tightly-integrated, power efficient systems-on-chip for mobile devices, home entertainment products, networking equipment and other Internet of Things (IoT)-related applications. We expect the Company to deliver strong earnings growth in the coming years, driven by 5G product launches and enhanced mobile margin profile. We also think the Company is well positioned to offer total solution chips to address the increasing IoT applications in the 5G era.

MANAGER'S REPORT (Continued)

5 biggest holdings of securities as at 31 December 2021 (Continued)

Stock	Industry	Valuation (2022 Estimates)	Remarks
Alchip Technologies (Code: 3661 TT) Market cap: US\$2.6 billion	Semiconductors and semiconductor equipment	Price: TWD1,020.0 P/E: 29.2x P/B: 5.9x Yield: 2.2%	Alchip Technologies is a global provider of silicon design for system companies developing complex integrated chips. It provides the fastest time-to-market system on chip (SoC) design and manufacturing solutions. Its customers include global AI, supercomputer, mobile phones, entertainment devices, networking equipment and other electronic products. We expect that the company's new project gains in 2022 should be a growth driver for its future earnings.
Micro-Star International (Code: 2377 TT) Market cap: US\$4.9 billion	Technology hardware and equipment	Price: TWD160.5 P/E: 8.5x P/B: 2.6x Yield: 7.3%	Micro-Star International manufactures and distributes PCs, motherboards and graphic cards. They include products for Intel and AMD platforms, as well as LCDs, industrial computers and computer systems, automobile electronic products and communication products. The company distributes its products globally, including Taiwan, Europe, Asia and the Americas.

Note: The above investments made up 32.0% of Value Partners Taiwan Fund as at 31 December 2021. The stock prices are based on the closing of 31 December 2021.

Individual stock performance/yield is not necessarily indicative of overall fund performance.

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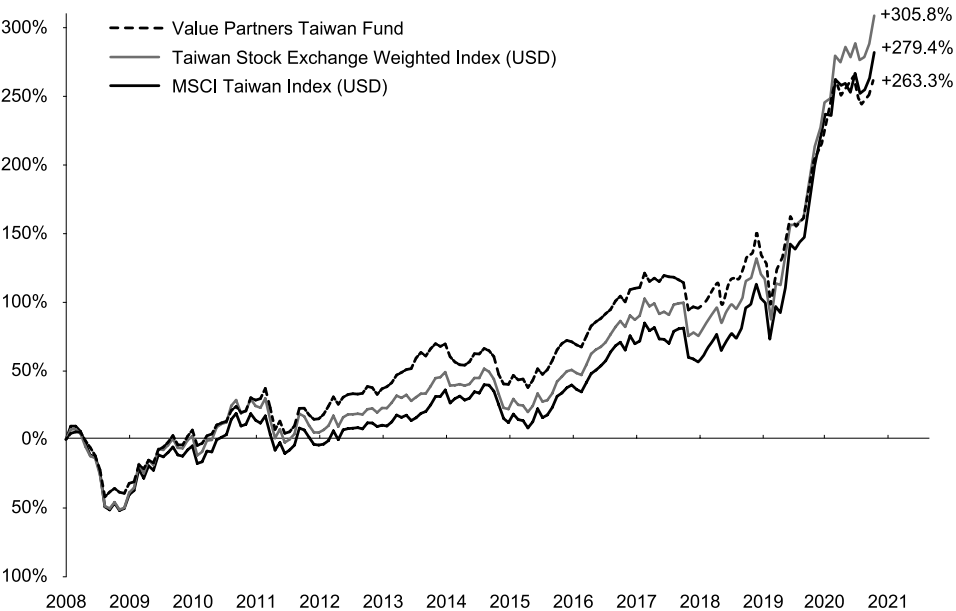
MANAGER’S REPORT (Continued)

Value Partners Taiwan Fund

NAV per unit = US\$36.33 (as at 31 December 2021)

Performance since launch

From 3 March 2008 to 31 December 2021



VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 31 DECEMBER 2021

	31.12.2021 US\$	30.06.2021 US\$
Assets		
Financial assets at fair value through profit or loss	107,611,035	108,944,408
Amounts receivable on sales of investments	2,247,884	241,071
Amounts receivable on issue of units	28,303	7,661
Dividends and interest receivables	37,262	95,882
Margin deposit	3,200	3,199
Bank balances	<u>991,444</u>	<u>6,376,548</u>
Total assets	<u>110,919,128</u>	<u>115,668,769</u>
Liabilities		
Amounts payable on purchases of investments	2,465,320	2,203,133
Amounts payable on redemption of units	3,494	114,674
Management fees payable	108,202	114,822
Performance fees payable	579,446	5,838,643
Accruals and other payables	<u>44,524</u>	<u>58,522</u>
Total liabilities	<u>3,200,986</u>	<u>8,329,794</u>
Net assets attributable to unitholders	<u>107,718,142</u>	<u>107,338,975</u>
Net asset value per unit with 2,964,852		
(30.06.2021: 3,044,679) units outstanding	<u>36.33</u>	<u>35.25</u>

Note: Semi-annual reports have applied the same accounting policies and methods of computation as are applied in the annual reports of the Fund.

VALUE PARTNERS TAIWAN FUND

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STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	31.12.2021 US\$	31.12.2020 US\$
Income		
Dividends	2,752,802	2,021,962
Interest on bank deposits	24	192
Net realised gains on investments	6,779,239	11,097,337
Change in unrealised gains/losses on investments	(3,934,696)	7,545,370
Other income	3	30,046
Net foreign exchange (losses)/gains	(8,389)	72,383
Total net income	<u>5,588,983</u>	<u>20,767,290</u>
Expenses		
Management fees ^{Note 2}	662,900	557,605
Performance fees ^{Note 2}	579,446	2,955,974
Trustee and fund administration fees ^{Note 1}	71,593	75,834
Transaction costs ^{Note 1}	443,381	413,018
Safe custody and bank charges ^{Note 1}	37,084	30,348
Legal and professional fees	20,102	3,007
Auditor's remuneration	21,152	20,511
Other operating expenses ^{Note 1}	32,235	16,967
Total operating expenses	<u>1,867,893</u>	<u>4,073,264</u>
Profit before tax	3,721,090	16,694,026
Withholding tax on dividend income	<u>(563,661)</u>	<u>(410,917)</u>
Profit for the period	<u>3,157,429</u>	<u>16,283,109</u>

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) (Continued)*FOR THE SIX MONTHS ENDED 31 DECEMBER 2021*

Note 1 During the periods ended 31 December 2021 and 2020, other than trustee and fund administration fees that paid to Trustee or its connected persons, other respective amounts paid to the Trustee or its connected persons were as follows:

	31.12.2021	31.12.2020
	<i>US\$</i>	<i>US\$</i>
Transaction costs	(18,660)	(25,217)
Safe custody and bank charges	(36,865)	(29,994)
Other operating expenses	(1,504)	-

Note 2 During the periods ended 31 December 2021 and 2020, other than management fees and performance fees paid to Manager, no other amounts were paid to the Manager or its connected persons.

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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	31.12.2021 US\$	31.12.2020 US\$
Net assets attributable to unitholders as at 1 July	107,338,975	81,555,920
Issue of units	1,675,567	2,785,280
Redemption of units	(4,453,829)	(13,656,226)
Net decrease from capital transactions	(2,778,262)	(10,870,946)
Profit for the period	3,157,429	16,283,109
Net assets attributable to unitholders as at 31 December	107,718,142	86,968,083

The movement of number of units in issue during the period was as follows:

	As at 1 July 2021	Issue of units	Redemption of units	As at 31 December 2021
Number of units				
- Class A	3,044,679	47,661	(127,488)	2,964,852

	As at 1 July 2020	Issue of units	Redemption of units	As at 31 December 2020
Number of units				
- Class A	3,294,919	106,707	(482,637)	2,918,989

STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	31.12.2021 US\$	31.12.2020 US\$
Cash flows from operating activities		
Profit for the period	3,157,429	16,283,109
Adjustments for:		
Dividends	(2,752,802)	(2,021,962)
Interest on bank deposits	(24)	(192)
Withholding tax on dividend income	563,661	410,917
	968,264	14,671,872
Decrease/(increase) in financial assets at fair value through profit or loss	1,333,373	(11,815,405)
Increase in margin deposit	(1)	(1)
(Increase)/decrease in amounts receivable on sales of investments	(2,006,813)	859,169
Increase/(decrease) in amounts payable on purchases of investments	262,187	(745,266)
(Decrease)/increase in management fees payable, performance fees payable, accruals and other payables	(5,279,815)	1,410,472
Cash (used in)/generated from operations	(4,722,805)	4,380,841
Dividends received	2,247,760	1,650,747
Interest on bank deposits received	25	209
Net cash (outflow)/inflow from operating activities	(2,475,020)	6,031,797
Cash flows from financing activities		
Proceeds from issue of units	1,654,925	2,834,233
Payments on redemption of units	(4,565,009)	(16,655,835)
Net cash outflow from financing activities	(2,910,084)	(13,821,602)
Net decrease in cash and cash equivalents	(5,385,104)	(7,789,805)
Cash and cash equivalents as at 1 July	6,376,548	10,709,729
Cash and cash equivalents as at 31 December, representing bank balances	991,444	2,919,924

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INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 31 DECEMBER 2021

	Holdings	Fair value US\$	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Listed equity securities			
<i>Taiwan</i>			
Advanced International Multitech Co Ltd	389,000	1,053,477	0.98
Advanced Wireless Semiconductor Co	447,000	2,291,977	2.13
Alchip Technologies Ltd	137,000	5,045,858	4.68
Anpec Electronics Corp	195,000	1,960,984	1.82
Arcadyan Technology Corp	398,000	1,832,346	1.70
Argosy Research Inc	470,000	2,291,110	2.13
ASE Technology Holding Co Ltd	269,000	1,034,466	0.96
Cathay Financial Holding Co Ltd	705,000	1,591,049	1.48
CTBC Financial Holding Co Ltd	4,577,880	4,289,593	3.98
Elan Microelectronics Corp	181,000	1,111,071	1.03
Flexium Interconnect Inc	430,000	1,622,554	1.51
Global PMX Co Ltd	231,000	1,509,749	1.40
Gold Circuit Electronics Ltd	1,550,000	4,253,629	3.95
Jentech Precision Industrial Co Ltd	190,000	2,799,162	2.60
Keystone Microtech Corp	205,000	2,368,744	2.20
King Yuan Electronics Co Ltd	1,267,000	2,049,599	1.90
LandMark Optoelectronics Corp	604,000	4,285,621	3.98
Makalot Industrial Co Ltd	502,000	4,477,288	4.16
Marketch International Corp	224,000	1,472,088	1.37
MediaTek Inc	166,000	7,132,953	6.62
Merida Industry Co Ltd	214,000	2,530,693	2.35
Micro-Star International Co Ltd	793,000	4,595,815	4.27
Radiant Opto-Electronics Corp	241,000	878,927	0.81
Shane Global Holding Inc	201,000	534,907	0.50
Sigurd Microelectronics Corp	873,000	1,853,557	1.72
Sporton International Inc	446,250	3,496,651	3.25
Taiwan Semiconductor Manufacturing Co Ltd	475,000	10,548,314	9.79
Taiwan Union Technology Corp	544,000	2,003,611	1.86
Test Research Inc	519,000	1,096,321	1.02
Topco Scientific Co Ltd	441,000	2,515,996	2.33
Unimicron Technology Corp	385,000	3,211,345	2.98
United Microelectronics Corp	3,049,000	7,156,243	6.64
Universal Vision Biotechnology Co Ltd	148,000	1,512,385	1.40
Vanguard International Semiconductor Corp	705,000	4,022,171	3.73

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2021

	Holdings	Fair value US\$	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)			
Listed equity securities (Continued)			
<i>Taiwan (Continued)</i>			
Win Semiconductors Corp	120,000	1,622,734	1.51
Wistron Information Technology & Services Corp	667,000	2,121,857	1.97
		<u>104,174,845</u>	<u>96.71</u>
<i>United States of America</i>			
Himax Technologies Inc ADR	226,363	3,436,190	3.19
Total investments, net		<u><u>107,611,035</u></u>	<u><u>99.90</u></u>
Total investments, at cost (inclusive of transaction cost)		<u><u>90,086,452</u></u>	

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INVESTMENT PORTFOLIO MOVEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	% of net assets	
	31.12.2021	30.06.2021
Listed equity securities		
Taiwan	96.71	101.30
United States of America	3.19	0.20
	<hr/>	<hr/>
Total investments	<u>99.90</u>	<u>101.50</u>