



VALUE KOREA ETF (Stock code: 3041)

A Sub-Fund of Value ETFs Trust

2018 SEMI-ANNUAL REPORT

For the six months ended 30 September 2018

Sensible Asset Management Hong Kong Limited

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In the event of inconsistency, the English text of this Semi-Annual Report shall prevail over the Chinese text. This report shall not constitute an offer to sell or a solicitation of an offer to buy shares in any of the funds. Subscriptions are to be made only on the basis of the information contained in the prospectus, as supplemented by the latest semi-annual and annual reports.

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VALUE KOREA ETF

A Sub-Fund of Value ETFs Trust
(A Hong Kong Umbrella Unit Trust)

GENERAL INFORMATION

Investment Manager

Sensible Asset Management Hong Kong Limited
43rd Floor, The Center
99 Queen's Road Central
Hong Kong

Sub-investment Manager

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

Directors of the Investment Manager

Mr. So Chun Ki Louis
Dr. Au King Lun
Mr. Roger Anthony Hepper
Mr. Mak Ling Kai
Mr. Quah Kung Beng David (appointed on 2
May 2018)

Trustee and Registrar

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

Legal Advisor

Simmons & Simmons
13th Floor, One Pacific Place
88 Queensway
Hong Kong

Auditor

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

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Hong Kong

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Website : www.valueETF.com.hk

GENERAL INFORMATION (Continued)

Recent awards and achievements

| Corporate awards (ETF) | |
|------------------------|--|
| 2017 | <ul style="list-style-type: none">• Benchmark Fund of the Year Awards 2017, Hong Kong House Award (ETF) – Commodity ETF (Outstanding Achiever) for Sensible Asset Management – <i>Benchmark</i> |
| 2016 | <ul style="list-style-type: none">• Value Partners ETF and Indexing Awards 2016 – Best ETF Launch – <i>Asia Asset Management & ETFI Asia</i>• Value Partners ETF and Indexing Awards 2016 – Best Commodity ETF – <i>Asia Asset Management & ETFI Asia</i>• Value Partners ETF and Indexing Awards 2016 – Best Smart Beta ETF – <i>Asia Asset Management & ETFI Asia</i> |

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MANAGER'S REPORT

Value Korea ETF ("the Sub-Fund") is an index-tracking exchange traded fund whose units are listed and traded on the Stock Exchange of Hong Kong Limited ("SEHK"). The Sub-Fund aims to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Value-Stocks Korea Index ("the Index") by holding a portfolio of the constituent stocks of the Index. The Index comprises 35 value stocks amongst Korean companies' shares listed on The Korea Exchange.

As at 28 September 2018, the Net Asset Value ("NAV") per unit of the Sub-Fund was KRW4,323.50, and 900,000 units were outstanding. The total size of the Sub-Fund was approximately KRW 3,891.15 million.

A summary of the performance of the Index and the Sub-Fund is given below.

| | From 1 April 2018 to 28 September 2018 | 2018 YTD (as at 28 September) | Since inception |
|-------------------------------|---|--|------------------------|
| FTSE Value-Stocks Korea Index | -5.5% | -10.3% | +47.0% |
| Value Korea ETF | -7.3% | -12.5% | +18.0% |

The difference in performance between the FTSE Value-Stocks Korea Index and the Value Korea ETF is mainly attributed to fees and expenses, and security misweightings. The historical tracking error for the NAV of the Sub-Fund against the FTSE Value-Stocks Korea Index was at 99 basis points on an annualized basis since its inception on 23 May 2012.

Sensible Asset Management Hong Kong Limited

27 November 2018

All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg, in KRW, NAV to NAV with dividends reinvested, as at 28 September 2018. Performance data is net of all fees.

Investors should note that investment involve risk. The price of units may go down as well as up and past performance is not indicative of future results.

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 SEPTEMBER 2018

| | 30.9.2018 | 31.3.2018 |
|---|----------------------|----------------------|
| | <i>KRW</i> | <i>KRW</i> |
| ASSETS | | |
| Financial assets at fair value through profit or loss | 3,917,018,040 | 4,855,606,280 |
| Dividends receivable | 1,154,462 | 90,838,870 |
| Due from Manager | – | 529,406 |
| Prepayments | 1,493,184 | 1,545,596 |
| Cash and cash equivalents | <u>4,287,402</u> | <u>6,866,701</u> |
| TOTAL ASSETS | <u>3,923,953,088</u> | <u>4,955,386,853</u> |
| LIABILITIES | | |
| Audit fees payable | 6,108,422 | 11,745,107 |
| Management fees payable | 11,529,155 | 14,253,959 |
| Trustee and registrar fees payable | 618,742 | 409,110 |
| Other payables | <u>14,551,001</u> | <u>29,227,023</u> |
| TOTAL LIABILITIES | <u>32,807,320</u> | <u>55,635,199</u> |
| TOTAL EQUITY | <u>3,891,145,768</u> | <u>4,899,751,654</u> |
| Represented by: | | |
| Net assets attributable to unitholders | <u>3,891,145,768</u> | <u>4,899,751,654</u> |
| Net asset value per unit based on 900,000 (31.3.2018: 1,050,000) units outstanding | <u>4,323.4953</u> | <u>4,666.4301</u> |

VALUE KOREA ETF

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INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 30 SEPTEMBER 2018

| | Holdings | Fair value KRW | % of net assets |
|--|----------|-------------------|--------------------|
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | | |
| Listed equity securities | | | |
| South Korea | | | |
| CJ Corp | 516 | 69,660,000 | 1.79 |
| Daelim Industrial Co Ltd | 1,140 | 94,164,000 | 2.42 |
| Daesang Corp | 816 | 21,420,000 | 0.55 |
| DB HiTek Co Ltd | 1,470 | 23,226,000 | 0.60 |
| Handsome Co Ltd | 564 | 21,121,800 | 0.54 |
| Hankook Tire Co Ltd | 3,126 | 156,612,600 | 4.02 |
| Hanwha General Insurance Co Ltd | 3,228 | 22,660,560 | 0.58 |
| Hanwha Life Insurance Co Ltd | 11,526 | 60,972,540 | 1.57 |
| HDC Holdings Co Ltd | 978 | 22,396,200 | 0.58 |
| Huchems Fine Chemical Corp | 888 | 22,155,600 | 0.57 |
| Hyundai Engineering & Construction Co Ltd | 3,048 | 205,740,000 | 5.29 |
| Hyundai Greenfood Co Ltd | 2,136 | 30,010,800 | 0.77 |
| Hyundai Marine & Fire Insurance Co Ltd | 2,532 | 106,217,400 | 2.73 |
| Hyundai Mobis Co Ltd | 1,710 | 389,880,000 | 10.02 |
| Hyundai Motor Co | 2,988 | 386,946,000 | 9.94 |
| Hyundai Steel Co | 3,138 | 177,297,000 | 4.56 |
| IS Dongseo Co Ltd | 564 | 21,742,200 | 0.56 |
| KCC Corp | 228 | 77,292,000 | 1.99 |
| KEPCO Plant Service & Engineering Co Ltd | 888 | 30,192,000 | 0.78 |
| KIWOOM Securities Co Ltd | 480 | 46,800,000 | 1.20 |
| Korean Reinsurance Co | 3,804 | 39,751,800 | 1.02 |
| Kumho Petrochemical Co Ltd | 732 | 72,102,000 | 1.85 |
| LF Corp | 762 | 19,850,100 | 0.51 |
| LG Corp | 3,774 | 273,992,400 | 7.04 |
| LG Electronics Inc | 4,518 | 320,778,000 | 8.24 |

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 30 SEPTEMBER 2018

| | Holdings | Fair value KRW | % of net assets |
|--|----------|-------------------|--------------------|
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued) | | | |
| Listed equity securities (Continued) | | | |
| South Korea (Continued) | | | |
| LOTTE Fine Chemical Co Ltd | 732 | 37,990,800 | 0.98 |
| Meritz Fire & Marine Insurance Co Ltd | 2,352 | 45,511,200 | 1.17 |
| Meritz Securities Co Ltd | 12,036 | 50,009,580 | 1.28 |
| Mirae Asset Daewoo Co Ltd | 15,918 | 134,825,460 | 3.46 |
| NH Investment & Securities Co Ltd | 5,364 | 76,705,200 | 1.97 |
| Samsung Electronics Co Ltd | 10,572 | 400,150,200 | 10.28 |
| SFA Engineering Corp | 798 | 29,206,800 | 0.75 |
| Taeyoung Engineering & Construction Co Ltd | 1,644 | 20,878,800 | 0.54 |
| Woori Bank | 21,270 | 359,463,000 | 9.24 |
| Youngone Corp | 1,248 | 49,296,000 | 1.27 |
| Total financial assets at fair value through profit or loss | | 3,917,018,040 | 100.66 |
| Cash and cash equivalents | | 4,287,402 | 0.11 |
| Other net liabilities | | (30,159,674) | (0.77) |
| Total net assets | | 3,891,145,768 | 100.00 |
| Total investments, at cost (inclusive of transaction cost) | | 3,783,694,755 | |

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STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

| | % of net assets | |
|--|-----------------|---------------|
| | 30.9.2018 | 31.3.2018 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | |
| Listed equity securities | | |
| South Korea | 100.66 | 99.10 |
| Total financial assets at fair value through profit or loss | 100.66 | 99.10 |
| Cash and cash equivalents | 0.11 | 0.14 |
| Other net (liabilities)/assets | (0.77) | 0.76 |
| Total net assets | <u>100.00</u> | <u>100.00</u> |

PERFORMANCE RECORD (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

Comparison of the scheme performance and the actual index performance

The table below illustrates the comparison between the performance of the Index and the Sub-Fund during the following period:

| | From 1 April 2018 to 30 September 2018 | From 1 April 2017 to 30 September 2017 |
|-------------------------------|---|---|
| FTSE Value-Stocks Korea Index | -5.5% | +6.3% |
| Value Korea ETF | -7.3% | +4.6% |

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INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE (UNAUDITED)

AS AT 30 SEPTEMBER 2018

The Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong (the "SFC Code") allows the Sub-Fund to invest in constituent securities issued by a single issuer for more than 10% of the Sub-Fund's net asset value provided that:

- a) the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the index; and
- b) the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the index, except where weightings are exceeded as a result of changes in the composition of the indices and the excess is only transitional and temporary in nature.

Constituent securities that accounted for more than 10% of the net asset value of the Sub-Fund as at 30 September 2018 and 31 March 2018 are as follows:

| | Respective weighting in the tracked index | Respective weighting in the Sub-Fund's net asset value |
|--------------------------------|--|---|
| As at 30 September 2018 | | |
| Hyundai Mobis Co Ltd | 9.95% | 10.02% |
| Samsung Electronics Co Ltd | 10.20% | 10.28% |
| As at 31 March 2018 | | |
| Hyundai Mobis Co Ltd | 11.15% | 11.10% |
| Hyundai Motor Co Pref | 10.46% | 10.41% |