

Interim reports and financial statements

FOUNDATION GLOBAL INCOME AND GROWTH FUND
(A sub-fund of Foundation Fund series, an open-ended
unit trust established as an umbrella fund under the laws
of Hong Kong)

For the period ended 30 June 2021

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(A sub-fund of Foundation Fund Series)

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ADMINISTRATION AND MANAGEMENT

MANAGER

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AUDITOR

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REPORT OF THE MANAGER

Global Market Review

Despite a broadening rollout of vaccines, global coronavirus trends remained volatile with increased spreading of different variants. Inflation expectation received a lot of attention in the first half of 2021. Record high inflation was in part reflective of low base comparisons from last year, but still raised concerns that central banks may have to tighten monetary policy to an extent that could impair equity markets. The 10 year US Treasury yield rose sharply from 0.9% to 1.7% by the end of March amid continued rollout of covid-19 vaccinations, particularly in the US and UK, and expectations of a large US economic stimulus. Corporate earnings remained a bright spot in the US economy, with companies providing upward revisions to their forward earnings estimates along with optimistic commentaries. The combination of economic recovery, rising inflation, increased fiscal government spending and monetary policy that suppressing interest rates has driven price gains in risky assets. Broadly speaking global equities advanced during first half of 2021, led by information technology, energy and health care. Utilities, industrials and consumer staples lagged benchmarks.

Portfolio Strategy Review

Foundation Global Income and Growth Fund achieved 4.09% positive return in the first half of 2021, which outperformed the 3.91% return of the benchmark (50% MSCI ACWI Index + 50% Bloomberg Barclays Global Aggregate Total Return Index Value Unhedged USD). The Fund achieved 37.83% return since its inception in March 2020, and outperformed the benchmark by 2.49 percentage points. For investors opted for share classes with distribution, monthly 0.55% distribution has been consistently delivered every month since inception. The Fund showed strong downside protection with low annualized volatility of 13.8% since inception. In terms of sectors, we see long-term value in software, semiconductor and healthcare with innovative products and services and multi-year secular growth momentum. In terms of stock selection, we remain greatly focused on pursuit of our value investing philosophy by focusing on company fundamentals, quality of management, business model, free cash flow and valuations. In terms of fixed income, inflation protected treasuries delivered strong returns amid firming inflation expectations.

Market Outlook

Last several months have witnessed a partial and whining of the rotation between growth and value stocks that began last autumn. Investors have shown a strong appetite for taking risk in both new growth companies and many beaten down casualties of the pandemic. With some countries still imposing lockdown measures to fight the pandemic, we believe the global recovery and expansion will be uneven and have a long way to go. Corporate earnings facing headwinds, earlier than expected policy tightening and new vaccine-resistant strains of covid-19 all present downside risks. Investors should take into account that some economies appear to have reached peak growth and consider the merits of diversifying with international assets. With our strong stock picking capability and robust risk control measures, our team is well poised to manage such dynamic market environment and deliver return to unitholders.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2021

	For the period ended 30 June 2021 USD	Period from 18 March 2020 (date of commencement of operations) to 31 December 2020 USD
INCOME		
Dividend income	116,802	78,735
Interest income on bank deposits	199	5,965
Other income	-	92,236
	<u>117,001</u>	<u>176,936</u>
EXPENSES		
Management fees	(379,070)	(175,302)
Trustee fees	(28,371)	(15,424)
Custodian fees	(25,379)	(26,813)
Professional fees	(9,910)	(22,000)
Commission and transaction fee	(129,080)	(114,030)
Establishment costs	-	(44,814)
Withholding tax expense	(32,390)	(22,178)
Other operating expenses	(6,819)	(2,120)
	<u>(611,019)</u>	<u>(422,681)</u>
NET LOSS BEFORE INVESTMENT AND EXCHANGE DIFFERENCES	(494,018)	(245,745)
INVESTMENT AND EXCHANGE DIFFERENCES		
Net realised gains on financial assets at fair value through profit or loss	516,311	3,065,677
Net change in unrealised gains on financial assets at fair value through profit or loss	1,390,559	1,340,555
Distribution to unitholders	(133,444)	(234,033)
Net foreign exchange differences	(419)	(10)
	<u>1,773,007</u>	<u>4,172,189</u>
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE PERIOD	<u>1,278,989</u>	<u>3,926,444</u>

STATEMENT OF NET ASSETS (UNAUDITED)

As at 30 June 2021

	30 June 2021 USD	31 December 2020 USD
ASSETS		
Financial assets at fair value through profit or loss	58,915,675	31,533,930
Due from broker	-	751,850
Dividend receivable	10,286	2,717
Subscription Receivables	2,500,000	96,794
Prepayments and other receivables	809	2,048
Cash and bank balances	4,580,329	2,175,681
TOTAL ASSETS	<u>66,007,099</u>	<u>34,563,020</u>
LIABILITIES		
Due to brokers	607,369	- 1,273,345
Management fees payable	72,488	40,919
Trustee fee payable	10,439	4,877
Redemption payable	2,500,000	-
Withholding tax payable	2,494	571
Accrued expense and other payables	32,225	81,070
TOTAL LIABILITIES	<u>3,225,015</u>	<u>1,400,782</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>62,782,084</u>	<u>33,162,238</u>
NUMBER OF UNITS IN ISSUE		
Class A HKD	1,549,801	1,229,157
Class A HKD (Dist)	3,524,457	1,137,571
Class A USD	41,645,771	21,256,195
Class A USD (Dist)	<u>3,525,849</u>	<u>3,664,127</u>
NET ASSET VALUE PER UNIT		
Class A HKD	HKD 1.3779	HKD 1.3226
Class A HKD (Dist)	HKD 1.3117	HKD 1.2901
Class A USD	USD 1.3783	USD 1.3242
Class A USD (Dist)	<u>USD 1.2877</u>	<u>USD 1.2696</u>

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

For the period ended 30 June 2021

	Note	Class A HKD (Dist) USD	Class A HKD USD	Class A USD (Dist) USD	Class A USD USD	Total USD
At 1 January 2021		189,102	209,474	4,647,680	28,115,982	33,162,238
Subscription of units		487,055	276,084	62,252	34,701,378	35,526,769
Redemption of units		(79,349)	(214,429)	(241,044)	(6,651,090)	(7,185,912)
		<u>596,808</u>	<u>271,129</u>	<u>4,468,888</u>	<u>56,166,270</u>	<u>61,503,095</u>
Increase in net assets attributable to unitholders during the period		<u>(1,772)</u>	<u>3,727</u>	<u>69,279</u>	<u>1,207,755</u>	<u>1,278,989</u>
At 30 June 2021		<u><u>595,036</u></u>	<u><u>274,856</u></u>	<u><u>4,538,167</u></u>	<u><u>57,374,025</u></u>	<u><u>62,782,084</u></u>

	Note	Class A HKD (Dist) USD	Class A HKD USD	Class A USD (Dist) USD	Class A USD USD	Total USD
At 31 December 2019		-	-	-	-	--
Subscription of units		1,067,152	167,118	8,929,965	26,280,724	36,444,959
Redemption of units		(905,639)		(5,560,651)	(742,875)	(7,209,165)
		<u>161,513</u>	<u>167,118</u>	<u>3,369,314</u>	<u>25,537,849</u>	<u>29,235,794</u>
Increase in net assets attributable to unitholders during the period		<u>27,589</u>	<u>42,356</u>	<u>1,278,366</u>	<u>2,578,133</u>	<u>3,926,444</u>
At 31 December 2020		<u><u>189,102</u></u>	<u><u>209,474</u></u>	<u><u>4,647,680</u></u>	<u><u>28,115,982</u></u>	<u><u>33,162,238</u></u>

STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2021

	For the period ended 30 June 2021 USD	Period from 18 March 2020 (date of commencement of operations) to 31 December 2020 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets attributable to unitholders for the period	1,278,989	3,926,444
Adjustments to Reconcile Profit Before Tax to Net Cash Flow:		
Interest income	(6,164)	(5,965)
Dividend income, net of withholding tax	(84,412)	(56,557)
Distribution to unitholders	133,444	234,033
	<u>1,321,857</u>	<u>4,097,955</u>
Working capital adjustments:		
Increase/(decrease) in financial assets at fair value through profit or loss	(27,381,745)	(31,533,930)
Increase in due from brokers	751,850	(751,850)
Decrease in other receivables	1,239	(2,048)
Increase in management fees payable	31,569	40,919
Increase in trustee fee payable	5,562	4,877
(Decrease)/increase in accrued expenses and other payables	(48,845)	81,070
Increase in due to brokers	(665,976)	1,273,345
Cash flows generated from/(used) in operations	<u>(25,984,489)</u>	<u>(26,789,662)</u>
Interest received	6,164	5,965
Dividend received, net of withholding tax	109,233	54,411
Net cash flows generated from/(used in) operations	<u>(25,869,092)</u>	<u>(26,729,286)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	33,093,095	36,348,165
Payments from redemption of units	(4,685,911)	(7,209,165)
Distribution paid to unitholders	(133,444)	(234,033)
Net cash flows generated from financing activities	<u>28,273,740</u>	<u>28,904,967</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,404,648	2,175,681
Cash and cash equivalents at beginning of the period	2,175,681	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>4,580,329</u>	<u>2,175,681</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS	4,580,329	2,175,681
Cash at bank	<u>4,580,329</u>	<u>2,175,681</u>

NOTES TO THE FINANCIAL STATEMENTS

1. THE FUND AND THE SUB-FUND

Foundation Fund Series (the "Trust") was constituted as an open-ended unit trust established as an umbrella fund under the laws of Hong Kong pursuant to a trust deed dated 20 September 2018, as amended and restated on 31 December 2019. Foundation Global Income and Growth Fund (the "Sub-Fund") is a sub-fund under the Fund.

The manager of the Fund is Foundation Asset Management (HK) Limited (the "Manager") and the trustee is ICBC (Asia) Trustee Company Limited (the "Trustee"). The custodian is Industrial and Commercial Bank of China (Asia) Limited (the "Custodian").

The Trust and the Sub-Funds have been authorised by the Securities and Futures Commission of Hong Kong (the "SFC") under section 104(1) of the Hong Kong Securities and Futures Ordinance and are required to comply with the Code on Unit Trusts and Mutual Funds (the "SFC Code") established by the SFC. Authorisation by the SFC does not imply official approval or recommendation. As at 31 December 2020, the Trust has three sub-funds namely Foundation China Equity Fund, Foundation Global Income and Growth Fund and Foundation China High Yield Income Fund, in respect of which separate class of unit was issued. Foundation Global Income and Growth Fund was launched on 18 March 2020 (date of commencement of operations).

The investment objective of Foundation Global Income and Growth Fund is to provide income distribution and long-term capital growth by investing in global equities and debt securities.

2. BASIS OF PREPARATION

The financial statements of the Sub-Fund have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Accounting Standards Committee of the IASB, and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E to the SFC Code.

The financial statements have been prepared on a historical basis, except for financial assets and liabilities (including derivatives financial instruments) at fair value through profit or loss ("FVPL") that have been measured at fair value. The financial statements are presented in United States dollars ("USD ") and all values are rounded to the nearest USD except where otherwise indicated.

The Sub-Fund has adopted for the first time all the applicable and effective IFRSs.

The accounting policies and methods applied in preparation of these interim financial statements are consistent with those applied in annual financial statements of the year ended 31 Dec 2020.

The interim financial statements are not audited.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The consideration received or paid for units issued or re-purchased respectively is based on the value of the Sub-Fund's net asset value per unit at the date of the transaction. In accordance with the provisions of the Trust Deed, Sub-Fund investment positions are valued based on the last traded market price or closing price for the purpose of determining the trading net asset value per unit for subscriptions and redemptions. The Sub-Fund's net asset value per unit is calculated by dividing the Sub-Fund's net assets with the total number of outstanding units.

Redeemable units can be issued and redeemed on each valuation day, i.e. every business day of the calendar year. The holders of redeemable units may subscribe or redeem the redeemable units on any business day by no later than 4:00p.m. (Hong Kong time) on the relevant business day. Both subscription and redemption prices are calculated by reference to the net asset value per unit of the relevant class as at the valuation day.

With a view to protecting the interests of all unitholders, the Manager may limit the number of units of any sub-fund redeemed on any redemption day to 10% of the total number of units of the relevant sub-fund in issue. In this event, the limitation will apply pro rata so that all unitholders of the relevant sub-fund who have validly requested to redeem units of the Sub-Fund on that redemption day will redeem the same proportion of such units of the Sub-Fund.

The following tables summarises the numbers of units in issue and net assets attributable to unitholders per unit of the relevant classes in the respective sub-funds.

	Class A HKD	Class A HKD (Dist)	Class A USD	Class A USD (Dist)
	Units	Units	Units	Units
30 June 2020				
Net asset attributable to unitholders	274,856	595,036	57,374,025	4,538,167
Net asset value per unit	<u>1.3772</u>	<u>1.3111</u>	<u>1.3776</u>	<u>1.2871</u>

	Class A HKD	Class A HKD (Dist)	Class A USD	Class A USD (Dist)
	Units	Units	Units	Units
31 December 2020				
Net asset attributable to unitholders	209,474	189,102	28,115,982	4,647,680
Net asset value per unit	<u>1.3214</u>	<u>1.2889</u>	<u>1.3227</u>	<u>1.2684</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

A reconciliation of the net assets attributable to unitholders as reported in the statement of assets to the net assets attributable to unitholders determined for the purposes of processing unit subscriptions and redemptions is provided below:

	30 June 2021 USD	31 December 2020 USD
Published net assets attributable to unitholders (calculated in accordance with Sub-Fund's Trust Deed)	62,814,865	33,199,654
Adjustment for establishment costs	<u>(32,781)</u>	<u>(37,416)</u>
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>62,782,084</u>	<u>33,162,238</u>

The published net asset value per unit issued is calculated in accordance with the explanatory memorandum of the Sub-Fund while the net asset value per unit as reported in the statement of net assets included audit adjustment for recognition of all establishment costs incurred in profit or loss for the period ended 30 June 2021 and 31 December 2020.

	30 June 2021	
	Unit price (per financial statements)	Published unit price:
Class A HKD units		
Net assets attributable to unitholders per unit	<u>HKD 1.3772</u>	<u>HKD 1.3779</u>
Class A HKD (Dist) units		
Net assets attributable to unitholders per unit	<u>HKD 1.3111</u>	<u>HKD 1.3117</u>
Class A USD units		
Net assets attributable to unitholders per unit	<u>USD 1.3776</u>	<u>USD 1.3783</u>
Class A USD (Dist) units		
Net assets attributable to unitholders per unit	<u>USD 1.2871</u>	<u>USD 1.2877</u>
	31 December 2020	
	Unit price (per financial statements)	Published unit price:
Class A HKD units		
Net assets attributable to unitholders per unit	<u>HKD 1.3214</u>	<u>HKD 1.3226</u>
Class A HKD (Dist) units		
Net assets attributable to unitholders per unit	<u>HKD 1.2889</u>	<u>HKD 1.2901</u>
Class A USD units		
Net assets attributable to unitholders per unit	<u>USD 1.3227</u>	<u>USD 1.3242</u>
Class A USD (Dist) units		
Net assets attributable to unitholders per unit	<u>USD 1.2684</u>	<u>USD 1.2696</u>

FOUNDATION GLOBAL INCOME AND GROWTH FUND
(A sub-fund of Foundation Fund Series)

INVESTMENT PORTFOLIO (UNAUDITED)

As at 30 June 2021

<u>EQUITY SECURITIES</u>	Holding/ Nominal value	Fair value USD	% of net assets on fair value
Adobe Inc	2,061	1,207,004	1.92%
Advanced Micro Devices Inc	21,034	1,975,724	3.15%
Alphabet Inc-CL A	507	1,237,988	1.97%
Amazon.com Inc	334	1,149,013	1.83%
Apple Inc	4,705	644,397	1.03%
ASML Holding NV	2,550	1,761,642	2.81%
Berkshire Hathaway Inc	4,326	1,202,282	1.92%
Deere & Co	1,719	606,308	0.97%
Foundation China Equity Fund - Class A USD	12,719,391	17,424,293	27.75%
Freeport-McMoRan Inc	15,458	573,646	0.91%
Illumina Inc	2,825	1,336,818	2.13%
iShares 20+ Year Treasury Bond ETF	21,470	3,099,195	4.94%
iShares TIPS Bond ETF	18,540	2,373,305	3.78%
LVMH Moet Hennessy Louis Vuitton SE	7,212	1,138,054	1.81%
Microsoft Corp	4,708	1,275,397	2.03%
Moderna Inc	5,582	1,311,658	2.09%
MP Materials Corp	34,875	1,285,493	2.05%
Nutrien Ltd	9,205	557,915	0.89%
NVIDIA Corp	1,708	1,366,571	2.18%
PayPal Holdings Inc	4,417	1,287,467	2.05%
PIMCO 0-5 Year High Yield Corporate Bond Index	55,356	5,532,279	8.81%
S&P Global Inc	3,070	1,260,082	2.01%
ServiceNow Inc	2,316	1,272,758	2.03%
Taiwan Semiconductor Manufacturing Co Ltd	10,376	1,246,780	1.98%
Vanguard Short-Term Inflation-Protected	105,751	5,542,410	8.82%
Visa Inc	5,334	1,247,196	1.98%
		<u>58,915,675</u>	<u>93.84%</u>
Other net assets		3,866,409	6.16%
Net assets attributable to unitholders as at 30 June 2021		<u>62,782,084</u>	<u>100%</u>
Total investment, at cost		<u>56,184,560</u>	

FOUNDATION GLOBAL INCOME AND GROWTH FUND
(A sub-fund of Foundation Fund Series)

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

For the period ended 30 June 2021

<u>EQUITY SECURITIES</u>	At 1 Jan	<u>Movement in holdings</u>		At 30 June
	2021	Additions	Disposals	2021
Adobe Inc	1,298	2,061	(1,298)	2,061
Advanced Micro Devices Inc	6,762	26,758	(12,486)	21,034
Alphabet Inc-CL A	-	729	(222)	507
Amazon.com Inc	202	468	(336)	334
Apple Inc	5,112	3,875	(4,282)	4,705
ASML Holding NV	-	7,371	(4,821)	2,550
Autodesk Inc	2,169	-	(2,169)	-
Berkshire Hathaway Inc	-	10,578	(6,252)	4,326
BHP Group Ltd	-	14,561	(14,561)	-
Boeing Co/The	2,649	-	(2,649)	-
Cboe Global Markets Inc	-	9,943	(9,943)	-
Citigroup Inc	-	20,894	(20,894)	-
Coinbase Global Inc - Class A	-	2,896	(2,896)	-
Corteva Inc	-	24,000	(24,000)	-
Costco Wholesale Corp	-	3,213	(3,213)	-
Crowdstrike	2,956	-	(2,956)	-
Deere & Co	-	15,789	(14,070)	1,719
Facebook Inc - Class A	2,215	-	(2,215)	-
Foundation China Equity Fund - Class A USD	7,406,544	6,129,678	(816,831)	12,719,391
Foundation CHina High Yield Income Fund - Class A USD	6,399,015	-	(6,399,015)	-
Freeport-McMoRan Inc	26,324	141,373	(152,239)	15,458
Illumina Inc	1,768	9,552	(8,495)	2,825
iShares 1-3 Year Treasury Bond ETF	-	90,149	(90,149)	-
iShares 20+ Year Treasury Bond ETF	-	44,199	(22,729)	21,470
iShares TIPS Bond ETF	-	18,540	-	18,540
Luminar Technologies	18,088	-	(18,088)	-
LVMH Moet Hennessy Louis Vuitton SE	-	9,974	(2,762)	7,212
Microsoft Corp	2,933	13,721	(11,946)	4,708
Moderna Inc	3,996	23,424	(21,838)	5,582
MP Materials Corp	22,853	77,641	(65,619)	34,875
Nutrien Ltd	13,805	55,031	(59,631)	9,205
NVIDIA Corp	1,169	2,411	(1,872)	1,708
PayPal Holdings Inc	2,739	12,404	(10,726)	4,417
PIMCO 0-5 Year High Yield Corporate Bond Index Exchange-Traded Fund	-	55,356	-	55,356
Plug Power Inc	-	10,487	(10,487)	-
Raytheon Technologies Corp	8,575	-	(8,575)	-
S&P Global Inc	-	3,070	-	3,070
SPDR Bloomberg Barclays Convertible Securities ETF	15,732	-	(15,732)	-
ServiceNow Inc	1,188	5,066	(3,938)	2,316

Taiwan Semiconductor Manufacturing Co Ltd	6,086	19,626	(15,336)	10,376
Texas Instruments Inc	-	5,915	(5,915)	-
Vanguard Short-Term Inflation-Protected Securities ETF	24,730	81,021	-	105,751
Visa Inc	-	12,317	(6,983)	5,334
Volkswagen AG	-	41,886	(41,886)	-
Walt Disney Co	-	10,668	(10,668)	-