



CEO Conversations XLIX: Unveiling the Impacts of Taiwan's ETF Surge: Insights from Chairmen of Taiwan's Leading Investment Trusts

What many may not realize is that the scale of ETFs in Taiwan is growing at an unimaginable pace. As of the end of February this year, the market value of Taiwan's stock market ETFs has officially surpassed NT\$1.5 trillion, growing fivefold over the past three years. The rapid ascent of ETFs is quietly reshaping the overall investment landscape, profoundly altering the underlying logic of price and liquidity performance for listed companies, and opening a new chapter in public equity investment. In this edition, we are privileged to present an exclusive interview with Jeff Chang and Vincent Lai, chairmen of two of Taiwan's largest Investment Trusts, Cathay and Capital, respectively. Through this interview, they will delve into the development trends of ETFs, sharing vital core insights encompassing economics, policies, fund flows, operational mechanisms, and more. Additionally, they will explore the primary drivers behind the ETF landscape, such as the emergence of younger demographics, evolving investment philosophies, and the prevalence of diverse themes. This discussion aims to provide investors with a fresh perspective on investment strategies. Read all about it here: (<https://reurl.cc/D4z0Ke>)

Top Performers of the Month

Here are the top 10 small-cap (US\$100mn-10bn) performers of the month.

Concraft (4943 TT) +91% **30D avg. volume increased by 118% vs 90D**

Concraft specializes in precision plastic molding and metal stamping and is recognized as one of the top connector manufacturers globally. Since 2023, Concraft has embarked on a transformation journey, refocusing its efforts on the development of automotive connectors. To optimize its assets and reduce idle capacity, the company has initiated the sale of equipment previously utilized to produce consumer electronics. In 2023, its subsidiaries disposed of equipment valued at NT\$318 million. This strategic move has notably narrowed Concraft's overall loss, with a loss per share improving from NT\$8.23 in 2022 to NT\$2.84 in 2023, consequently driving the share price to rebound.

X-Legend (4994 TT) +73% **30D avg. volume increased by 110% vs 90D**

X-Legend is a game developer and publisher specializing in the development and operation of online PC games across more than 15 countries. In January this year, X-Legend relaunched its legacy MMORPG "Astral Tale". Following its global launch, the game successfully enticed players to return, resulting in a revenue surge for February, reaching NT\$172 million, marking a 16% MoM growth. Additionally, the monthly EPS before tax reached NT\$1.06. Moreover, X-Legend has licensed out its MMORPG 'KARIZ'. The company's licensee has gradually launched the Chinese and Japanese versions since last year, with both versions currently operating steadily. The exceptional operating performance of X-Legend has led to a surge in its stock price in March.

GMM (6640 TT) +71% **30D avg. volume increased by 33% vs 90D**

GPM is a key component provider of semiconductor process equipment. The company has entered the supply chain of CoWoS and InFO with its Chip Sorter and Die Bonder. The market anticipates that as the capacity expansion of CoWoS

Coming Right Up:

Upcoming QIC Events

Selected Small-Cap News
& QIC Commentary

Team TSMC Takes Over
the World by Peter Kurz

Previous CEO Conversations Vol.



[CEO Conversations 48: Dr. Lih-Ling Lin, Chief Scientific Officer, PharmaEssentia \(6446 TT\)](#)



[QIC CEO Conversations 47: David Oh, Portfolio Manager, TimesSquare Capital Management](#)



[QIC CEO Conversations Vol. 46: Jeff Kuo, CEO of Gogolook\(6902 TT\)](#)

More can be found at

www.qtumic.com/insight/conversations

The No. 1 Taiwan Small-Cap Capital Market Advisory Firm

Upcoming Events

15th QIC Taiwan CEO Week

April 15-17, 2024

@ Singapore



Scan the QR Code for Registration!

QIC Healthcare Corporate Day

June 12-13, 2024

@ Virtual

2nd QIC Renewable Energy Corporate Day

August 27-28, 2024

@ Virtual

16th QIC Taiwan CEO Week

October 22-23, 2024

@ Hong Kong

Top 10 Stock Gainers				Top 10 Stock Losers			
Company	Ticker	Price	Change	Company	Ticker	Price	Change
Concraft	4943	28.6	91%	Alar	6785	303	-34%
X-Legend	4994	131	73%	Comtrend	8089	62.5	-25%
GMM	6640	400.5	71%	AlgoITek	6684	85.2	-24%
SEEC	1503	274	70%	iCatchtek	6695	64.5	-23%
IC+	8040	86.1	62%	ALI	3041	24.5	-22%
Myson	5314	300	60%	YNM	2227	134.5	-22%
Solomon	2359	59.6	60%	Parade	4966	980	-22%
AURAS	3324	702	58%	G-Tech	3149	24.1	-21%
Sanlien	5493	92.6	56%	Tanvex	6541	49.15	-21%
AMAX	6933	344	56%	Edimax	3047	15.35	-20%

Top 10 FINI Net Buyers				Top 10 FINI Net Sellers			
Company	Ticker	Holding(%)	Change	Company	Ticker	Holding(%)	Change
AverMedia	2417	14.0	9.8	Getac	3005	15.3	-10.3
UNEEC	3013	9.2	7.8	OSE	2329	11.6	-8.9
Fiti	3413	33.9	6.8	Team	4967	2.7	-6.0
VPEC	2455	43.1	6.2	FD	8085	2.2	-5.9
GSEO	3406	30.2	5.6	Soft-World	5478	22.5	-5.5
RichWave	4968	26.1	5.4	Singatron	6126	2.5	-5.5
TSI	2611	7.3	4.8	APAC	4908	3.8	-5.5
NEE	4909	7.5	4.5	UNIVERSAL	3218	13.8	-5.3
EVERTOP	1616	6.9	4.3	LD	3588	10.6	-5.2
GPTC	3131	14.3	4.2	SUNON	2421	20.7	-5.2

progresses, GMM will likely receive orders for approximately a hundred units of chip sorters. Simultaneously, shipments of high-precision die bonders have commenced. These advancements position GMM to achieve robust growth in 2024, surpassing previous expectations.

SEEC (1503 TT) +70%
30D avg. volume increased by 83% vs 90D

SEEC specializes in manufacturing and distributing heavy electrical equipment and associated components worldwide. Recently, the company has benefited from the early completion and full-scale production of its small transformer assembly line, resulting in a significant 25% increase in production capacity. This development has also propelled both revenue and pre-tax net profit to record highs.

IC+ (8040 TT) +62%
30D avg. volume increased by 93% vs 90D

IC+ offers comprehensive solutions for transceivers, Ethernet switches, media converters, and power over Ethernet products. The recent news of Airoha Tech (6526 TT) increasing its stake to become the largest shareholder is seen as positive, with the market optimistic about the potential for a turnaround in its operations. This move is expected to accelerate and expand the customer base, while also providing stable financial support for its operations.

Myson (5314 TT) +60%
30D avg. volume increased by 14% vs 90D

Myson is a global player engaged in the research, development, manufacturing, and sale of integrated circuit system products. Recently, the company has experienced a notable uptick in its stock prices, owing to the burgeoning wave of artificial intelligence (AI). This trend has led to a substantial increase in demand for Myson's application-specific integrated circuit (ASIC) products.

Solomon (2359 TT) +60%
30D avg. volume increased by 55% vs 90D

Solomon is dedicated to developing AI visual software, with a focus not only on industrial automation but also on expanding applications into areas such as logistics and retail. The company recently announced a deep collaboration with NVIDIA in AI development, sparking optimism in the market about future prospects. Management stated that the introduction of NVIDIA's Isaac Manipulator is expected to enable rapid deployment of generative AI in the industrial sector.

AURAS (3324 TT) +58%
30D avg. volume increased by 45% vs 90D

AURAS is a comprehensive professional thermal solution provider. The company announced its unaudited financial results for January, with a net profit of NT\$144 million, marking a staggering 9489% YoY increase. This remarkable growth was primarily driven by the demand for AI servers.

Sanlien (5493 TT) +56%
30D avg. volume increased by 115% vs 90D

Sanlien Technology provides environment monitoring and micro-vibration detection products, and system integration services. Benefiting from TSMC's CoWoS capacity expansion, equipment suppliers like Sanlien are expected to benefit from it.

AMAX (6933 TT) +56%
30D avg. volume increased by 69% vs 90D

AMAX provides artificial intelligence-based computing products, servers, storage products, etc. The rapid increase in global demand for high-end servers has benefited the company, particularly in its liquid-cooling cabinet total solutions product.

Jensen Huang's Nvidia GTC 2024 speech reveals the ambition of AI Universe

<https://reurl.cc/VNAzE6>

During Nvidia GTC 2024 event since March 18th, Jensen Huang, Nvidia Founder & CEO, elaborated Generative AI's applications across various industries and fields, enabling people to digitally simulate the real manufacturing processes before they actually begin, including weather forecasting, drug discovery, biotech testing, as well as smart vehicles, manufacturing and logistics. To realize these applications, Jensen also introduced the world's most powerful AI GPU chip GB200 and the new Blackwell architecture.

Blackwell is the engine driving the new industrial revolution, adopting TSMC's customized 4nm process with 208 billion transistors, including two Blackwell architecture GPUs, along with a "super AI chip GB200" composed of an Arm architecture Grace CPU. The AI training speed is four times faster and the inference capability is 30 times better than the previous generation H100, with costs and energy consumption reduced by 25 times. Nvidia aims to be the AI industry's TSMC (2330), facilitating companies in integrating AI into their operations, becoming platform providers, and aiding in AI app development.



QIC Comment: We believe leveraging its advanced technology, ensuring supply chain capacity, and customer trust are key factors in Nvidia's future development of AI ecosystem platform. Members of the TSMC

Grand Alliance, focusing on equipment, consumables and service providers of TSMC's semiconductor supply chain, will continue to benefit. We will assist small-mid-cap Taiwan supply chain companies in maintaining communication with global investors. For example, Mr. Frank Liang, Chairman of C Sun (2467), will attend The 15th QIC Taiwan CEO Week in Singapore from April 15th to April 17th. If you are interested in understanding C Sun's vision and execution strategy in semiconductor advanced packaging, please contact Yvonne Huang (yvonnehuang@qtumic.com; +886-2-2325-2330) or fill out the online registration form for the 15th QIC Taiwan CEO Week (<https://forms.gle/WfLhMnotfV037whKA>).

AI PC: Microsoft unveiled its AI PCs; Taiwan supply chain will benefit.

<https://reurl.cc/mr8r37>

Microsoft held a Surface launch event on March 21st (U.S. time), unveiling its first batch of AI PCs, including two commercial models of Surface Pro 10 and Surface Laptop 6. These new products are equipped with an exclusive Copilot key, emphasizing "one-click activation" of generative AI and targeting the demands of the commercial market. Analysts are optimistic that this may drive the shipment momentum for the AI PC supply chain.

QIC Comment: We believe Chicony will be a key beneficiary to the launch of these AI PCs. The company will see spec upgrades for all three key product lines under the AI PC trend: 1) Keyboards will add the Copilot key, with shipments starting from this April, 2) power supply will upgrade to higher wattage, and 3) camera module will upgrade to higher resolution. We expect the company to deliver double digits revenue growth in 2024, with the highest growth from its keyboard business, followed by power supply and image.

NanPao Resins Chemical (4766 TT) announced a cash dividend of NT\$15, expecting to resume revenue growth this year

<https://reurl.cc/N4vqv6>

Due to inventory adjustments by athleisure brand customers, and a high base in 2022, NanPao's revenue in 2023 came in at NT\$20.6 billion, down 6.5% YoY, the second-highest figure in its history. However, its strategy to focus on high margin product

lines worked nicely. Net income in 2023 was NT\$2.43 billion, with an EPS of NT\$20.14. NanPao's board of directors declared a cash dividend of NT\$15 per share for 2023. Both its profits and cash dividend marked another historical high. Due to a gradual recovery of customer demand, consistent investment in R&D, expanding its customer base, all three main product lines are expected to resume revenue growth this year.

QIC Comment: The recent news flows, earnings results and outlook of footwear brands and the supply chain were relatively negative. The performance of NanPao, the dominant Global No. 1 producer of athletic footwear adhesives, was one of a kind. NanPao has been expanding its margins for eight quarters in a row. As the company continues to optimize its product mix and strengthen its market position while resuming growth, NanPao is likely to have another good year this year.

The two giants of the fitness industry seize opportunities in the fitness peripherals market.

<https://reurl.cc/136IAD>

Leading fitness chain operators, World Gym (2762 TT) and Power Wind (8462 TT), have identified opportunities in the fitness peripherals market. In addition to providing gym facilities and personal training services, they have expanded into the fitness merchandise market, offering apparel, nutritional supplements, personal fitness equipment, and more. Through both online and offline sales models, they aim to not only enhance fitness services but also drive sales momentum in retail and other related businesses.

Post-pandemic, World Gym and Power Wind continue to actively expand into new locations. Considering an estimated paid fitness population of 1.2 to 1.5 million in Taiwan, the saturation point for large-scale fitness clubs in Taiwan is estimated to exceed 400 locations (based on a single gym accommodating 3,000 members). Currently, the total number of World Gym and Power Wind outlets is still less than 200. Other major players such as TrueYoga and BEING sport have less aggressive expansion plans, leaving ample room for doubling the number of new outlets.

In addition to expanding into new locations, the fitness giants are also targeting the retail market. For World Gym, the company has opened its first World Gym Shop at the high-traffic World Gym Taipei Tunlin Store on February 19th,

featuring a diverse selection of physical retail spaces and new brand apparel launches to stimulate retail sales. This year, they plan to replicate this business model across 20 outlets nationwide, selling energy drinks and branded apparel, with fixed costs and no additional staffing expenses.

QIC Comment: In addition to post-COVID workout recovery, World Gym's expansion into retail is expected to further accelerate its topline growth. Based on the case of World Gym Australia, its retail business could account for up to 20% of total revenue. We believe that the initial selling pressure from smaller existing shareholders has largely subsided at this level; hence, the share price should continue to perform well alongside earnings recovery

AP Biosciences' (6945 TT) licensee Innovent (1801 HK) announced primary endpoint met in the second Phase 2 study of IBI302 in nAMD

<https://reurl.cc/G48YXD>

Developed by AP Biosciences (6945 TT) and licensed to Innovent Biologics (1801 HK), the global first-in-class anti-VEGF and anti-complement recombinant protein IBI302 for the treatment of nAMD achieved primary endpoints in its second Phase 2 study conducted in China. The result showed that at week 40, the IBI302 6.4 mg and 8.0 mg groups showed non-inferior BCVA gains to the Aflibercept (Eylea) 2.0 mg group. The mean BCVA improvement from baseline was 10.5 ETDRS letters for the IBI302 6.4 mg group, 11.0 ETDRS letters for the IBI302 8.0 mg group, and 9.8 ETDRS letters for the Aflibercept (Eylea) 2.0 mg group at week 40. This outcome provides additional supportive evidence for the ongoing Phase 3 trial. If the Phase 3 trial is successful, Innovent may re-license the drug for markets outside China and AP Biosciences will have the potential to receive a double-digit profit sharing of all Innovent's re-licensing fees.

QIC Comment: IBI302's results comprehensively surpassed its control arm - Eylea, currently holding the top market share for macular degeneration (AMD) treatments, accounting for over 50% of revenue in the global AMD market. This achievement highlights the profound scientific expertise and excellent topic selection capabilities of AP Biosciences' Chairman, Dr. Jeng Her. In addition to two bi-specific antibodies licensed out to Innovent Biologics and Tasly (anti-PD-L1 & anti-VEGF, solid tumor), investors are particularly encouraged to monitor AP Biosciences' core T-cube bispecific antibodies, including AP203, AP402, and AP601. Combined with CD137 immune checkpoint inhibitors and other targets such as PD-1, HER2v, CD73, AP Biosciences is confident in enhancing current cancer treatment outcomes and improving patients' life quality.

Team TSMC Takes Over the World by Peter Kurz, CSO of QIC

“American manufacturing is back, folks” said US President Joe Biden at a ceremony commemorating the flagship project of his administration's Chips and Science Act, which makes a nearly \$53 billion investment in US semiconductor industry. In fact, he should have said, “Taiwan is here!” That flagship project is none other than TSMC's projected \$40bn investment in two US chip production plants in Arizona, one of the largest foreign investments in US history and one that dwarfs all other components of the CHIPS Act. Sadly, the project has been better known for its cost overruns, construction delays and other problems that can best be described as a clash of cultures between Taiwan's single-minded focus on meeting plan targets and Americans' priority on workers rights and construction codes and excessive regulations.

TSMC's global dominance in advanced node semiconductor technology is the pride of Taiwan, but the hard truth is, the best way to maintain and defend that leadership is for TSMC to build facilities around the world as it is now doing, in the US, in Japan, and in Germany. The reason

is that these major economies would never accept long-term dependence on one country for such a critical input to their industrial, IT and knowledge-based industries, particularly one situated on a tectonically active island and in a potential war zone.

But TSMC is only the most prominent manifestation of semiconductor leadership. There is an entire ecosystem of companies here in Taiwan that have supported its development. Apple's first iPhone was the amalgamation of several different technologies provided by several different companies. Capacitive multitouch screen from Fingerworks, 3G wireless communication technology from AT&T Cingular, app-based content providers such as Google Maps and, of course, a brand new manufacturing facility built by Foxconn in Shenzhen. The Korean model led by Samsung is to nurture all these ecosystem companies within the confines of its chaebol courtyard. But while this model may maximize profitability for the Samsung Group for every Galaxy phone model it sells, it doesn't maximize the competitiveness of its technology or product offering.

And so as TSMC expands its production capacity beyond the confines of its home base, it must rely on its Taiwan-based ecosystem to replicate its streamlined supplier-service synergy system in these new locations. QIC, a financial consultancy based in Taiwan, projects that the revenue of TSMC Taiwan supply chain is poised to experience a 16% CAGR from 2022 to 2033, leading to TSMC Taiwan supply chain's tenfold market-cap increase to US\$258bn by 2033. However, the current median foreign ownership percentage in the Taiwanese semiconductor supply chain companies is only 7%, which is less than a tenth of TSMC's 73%. Moreover, there is a complete absence of any foreign brokerage research covering companies with a market value of less than US\$1bn. This suggests an additional share price driver as FINIs begin to shift funds away from TSMC stock that has risen over 60% so far this year into the shares of some of its supply chain companies that have lagged TSMC's stock price in the past.

The Chinese version of this article was published in 'Business Today Taiwan.'

Disclaimer

The information contained in this Report was obtained from public sources. Any estimates and projections contained herein have been prepared by QIC International Corp. ("QIC") and involve significant elements of subjective judgment and analysis which may or may not be correct. Neither QIC nor any of its directors, officers, employees, advisers and representatives makes any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this Report. QIC has not independently verified any of such information and assumes no responsibility for its accuracy or completeness.

This Report shall remain the property of QIC. The recipient agrees to not to copy, extract or reproduce in whole or in part of this Report.