United Global Healthcare Fund

The United Global Healthcare Fund ("Fund") gained 4.61%* (on NAV basis) against its benchmark MSCI ACWI Health Care Index which gained 3.87*% in the month of August 2008. However, the MSCI ACWI Healthcare Index outperformed the broader market MSCI All Country World Index ("MSCI AC World") for the month of August, 3.87% versus 1.13% respectively.

The MSCI ACWI Healthcare Index has decreased 6.03%, outperforming the Standard & Poor ("S&P") 500 Index which decreased 11.93% for the year-to-date as at 29 Aug 2008**.** The out performance has been due to the defensive nature of the Healthcare sector relative to other sectors.

Index	One month	Year-To-Date
MSCI ACWI Healthcare	3.87%	-6.03
MSCI AC World	1.13%	-16.40
S&P 500	4.78%	-11.93

Table 1 (Source: Lipper, as at 29 Aug 2008, Total Return in SGD terms)

All Healthcare sub sectors registered positive gains in August. The best performers in the month of August were the Healthcare Equipment and Health Care Providers sub sectors. The Biotechnology sector has been the best performing sector with a 22.2% gain year to date (as shown in Table 2).

With reference to the table below, the MSCI Pharmaceutical Index gained 3.5% in August, underperforming the S&P 500 Index which gained 4.78%. Year to date, the MSCI Pharmaceutical Index has outperformed the S&P 500 Index, -9.3% versus -11.93% respectively. Price to earnings (P/E) ratios for the large capitalization pharmaceutical group averaged 12-13 times[+] based on estimated 2008 operating Earnings per share (EPS).

Index	**Year-To-Date (%)**	**Aug (%)**	**July (%)**
MSCI Health Care	-7.4	4.0	4.7
MSCI Pharmaceutical	-9.3	3.5	3.3
MSCI Biotechnology	22.2	1.0	16.2
MSCI HC Equipment	-0.3	6.9	2.4
MSCI HC Provider	-25.6	6.9	5.2

Table 2 (Source: Bloomberg, as at 29 Aug 2008, Total Return in SGD terms**)**

Historically, investors seeking safe haven during economic downturns at pharmaceutical stocks for investments because of their recession-resistant characteristics. The pharmaceutical sector, however, faces certain challenges such as patent issues and research & development (R&D) productivity issues. The sector is also operating under much tougher scrutiny from the US Food and Drug Administration (FDA), both in terms of approving new medicines as well as monitoring pharmaceutical advertising than it has been in past years. Sales and EPS growth in 2008 are expected to average in the mid-single and high single digits respectively, due to cost restructurings and common share buybacks.

United Global Healthcare Fund

Pharmaceutical companies with well-defined growth prospects as evidenced by a good drug pipeline and/or generous dividend yields should hold up relatively well over the coming quarters. Despite near-term uncertainties, pharmaceuticals boast average margins well exceeding most industries. Larger Pharmaceutical companies are also acquiring smaller companies and/or drug partnership as a strategic long term strategy to ensure that they have commercially viable pipeline drugs. The MSCI Biotechnology Index gained 1.0% in August. The overall Merger and Acquisition (M&A) trend remains positive over the longer term, particularly in drug partnering. Small and mid-sized Biotech companies continue to remain attractive to large cap. Pharmaceutical companies and biotech firms are seeking products and technologies to bolster slowing pipelines. M&A activity has generated interest in the sector which has evidenced by the proposed acquisitions by Roche on Genentech and Bristol Myers Squibb on ImClone Systems at a premium. Cancer therapeutics remains the primary growth impetus for many biotech companies. The prospects for HIV, autoimmune and inflammatory treatments remain positive as well. Biotech companies that are established and profitable with solid growth prospects on an absolute and relative basis will likely to continue to perform well. These companies have resources to pursue new indications and have a broader labeling for their marketed products. Smaller biotech companies with diversified, late-stage pipelines or with at least one major near-term catalyst such as a recently approved drug or positive late-stage clinical trial candidate will also likely to perform well in 2008.

The MSCI HealthCare Equipment Index gained 6.9% in August. The majority of medical technology stocks offer high, visible earnings growth, strong balance sheet and little exposure to economic pressure. Heathcare Equipment stocks that are sensitive to consumer discretionary expenditure, given fears of a US recession, are likely to under perform. The most resilient healthcare equipment companies are those which offer devices for non-elective, fully reimbursed procedures such as orthopedics and dialysis. The longer-term industry fundamentals remain strong. These include increasing global demand for quality care and an aging population. This has lead to a steady flow of new diagnostic and therapeutic products in the areas such as cardiology, oncology and minimally invasive surgery.

Within the Healthcare Providers and Services sub-sector; home healthcare, rehabilitation services, clinical laboratory services and dialysis will likely to continue to benefit from favorable demographic trends. Suppliers of equipment to hospitals and other healthcare facilities may also be affected as funding to hospitals might flatten due to restricted capital spending by hospitals. Amid slowing U.S. economic growth this year, there may be significant budgetary pressures on both government (Medicare and Medicaid) and private customers. The situation is exacerbated by accelerating healthcare cost. Pharmacy Benefit Managers (PBMs) which help Managed Care Organizations, governments and employers control drug spending look attractive because of increasing generic drugs utilisation. Going forward, the approval for biosimilars legislation in the US will be beneficial for PBMs and this would present an opportunity for PBMs to reduce costs and initiate brand-to-generic switch programs for its members. In contrast, Managed Care Organizations have faced a five year trend of slowing premium growth rates. The downside risks for the industry this year are premium pricing pressures, slowing enrolments due to intensifying competition. This is combined with upward pressure on underlying medical cost trends. The earnings downward revisions for the major Managed Care Organizations in the US mainly accounted for the decline of 25.6%^ for the Healthcare Providers and Services sub-sector year to date.

*Source: Lipper, performance as at 29 Aug 2008 in SGD terms, with dividends and distributions reinvested (if any).

^ Source: Bloomberg, as at 29 Aug 2008, in SGD terms.

[+]Source: S&P

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