

## United SGD Fund

---

### Fund Overview

The investment focus of the United SGD Fund is to invest substantially all its assets in money market and short-term interest bearing debt instruments and bank deposits with the objective of achieving a yield enhancement over Singapore dollar deposits. Our investment philosophy is to achieve consistent performance through rigorous and independent fundamental research to uncover relative value opportunities and adopt diversified strategies combined with active risk management to generate sustainable total return for fixed income portfolios. The investment approach encompasses an emphasis placed on adding value through credit selection backed by our strong fundamental bottom-up research that analyses credit quality, security structure and relative valuation. This is supplemented by a disciplined top-down strategy encompassing macro-economic and market analysis that includes duration, currencies and country/sector allocation.

The United SGD Fund itself invests largely in USD-denominated Asian bonds, hedging back the foreign currency exposure into the Singapore dollar. This hedging against the volatility of foreign exchange movements helps provide investors with stable return over cash alternatives such as deposits via careful selection of credits. At the moment, the target sector breakdown of portfolio is 30-40% in banks and 30-40% in real estate.

We are using 6mth SIBID as the benchmark for the United SGD Fund. Outperformance is achieved by actively investing in corporate and sovereign bonds. We try and achieve outperformance by buying bonds that are under-valued versus similar issues; bonds that give an attractive yield pickup over SGD deposit rate after considering the risks and bonds whose fundamentals can potentially improve so as to enable its spread to tighten so that we can capitalize on the potential capital gain. An expanded universe provides opportunity for yield enhancement in sovereign and corporate bonds. The current investible universe consists of interest bearing debt instruments of up to 3 years maturity - debts maturing/puttable/callable up to 2014.

There are three key investment risks involved for the United SGD fund. The first is interest rate risk, in the event of aggressive increase in interest rates (e.g. when US hiked Fed rate aggressively in 2004); the valuation of bonds may be depressed. This is quite controlled at this point as Fed has pledged to keep interest rates low for at least the next two years. The second risk is credit risk: in the unlikely event of credit default, the recovery amount may be significantly less than principal amount invested. We control this risk by investing in bonds of investment grade. There has been no credit default in the portfolio till date. The third risk is market risk. The portfolio is consisted of credit investments. In the event of poor market sentiment (e.g. Asia Financial Crisis in late 1997, SARS in March 2003, Lehman bankruptcy in Sept 2008, Greece Crisis in May 2010 & recent renewed concern of Greece contagion since April 2011), the portfolio may underperform benchmark. It is important to highlight on these key risks because, unlike placing cash in deposits, some level of fluctuation in NAV (including negative performance) is expected as investments are mark-to-market on daily basis.

## United SGD Fund

---

### Fund Review

NAV of United SGD Fund (the “Fund”) was up 1.5% YTD, almost recovering the lost ground since the sharp market correction in from Aug 2011 – Oct 2011.

Market sentiment in 2H2011 was weighed down by lackluster economic data in the US, sovereign debt crisis in Europe as well as concerns of hard landing in China. As an interim measure, the Fund took on a capital preservation mode by not increasing investments in hard-currency bonds (specifically USD), redeployed matured principals into more stable SGD bonds while allowing portfolio cash to rise to as much as 10% from new subscriptions. While the valuation of existing hard-currency bonds was depressed along with the battered sentiment, the bond compositions of the Fund remained largely intact as we were confident of the invested credits after laborious credit analysis. The Fund stayed true to our presentation to investors of a strategy that has been consistent since 2009.

The start of 2012 witnessed a global risk appetite turnaround on accommodative Fed, fading tail risks from Europe and China. Fund inflows into risk assets, including EM bonds and equity have improved year-to-date, with US\$19b withdrawn from global money market funds between 12-25 Jan, on further policy accommodation. The FOMC committed to a low interest rate policy from mid-2013 previously to at least through late 2014, with Fed chairman Bernanke indicating that the option of QE3 is still “on the table”. The FOMC also downgraded its 2012 growth forecast from 2.5-2.9% previously in Nov to 2.2-2.7%, and 2013 growth to 2.8-3.2% (previously 3.0-3.5%), albeit the 2012 unemployment forecasts were lowered from 8.5-8.7% to 8.2-8.5%. The Fed outlook remains cautious despite recent improvement in economic data, with Q4 2011 GDP growth coming in at 2.8% annualized. In addition, the Fed committed to a longer-run PCE inflation target of 2%.

Meanwhile, the ECB’s 3-year LTRO facility has eased the USD liquidity tightness for the banking system, while agreement on Greek PSI and austerity measures are tracking in the right direction. During ECB meeting on 9 February, President Mario Draghi said it would lower the collateral requirements to access the next three-year loan auction on 28 February. This will further boost risk appetite and inject further liquidity into market on top of the €498b issued in December 2011. The Chinese economy also appears to be headed for a soft rather than hard landing. China’s factory sector expanded slightly in January, confounding expectations for a contraction and supporting hopes the world’s second-biggest economy will avoid a hard landing. China’s PMI rose to 50.5 in January 2012 from 50.3 in December 2011, beating market expectations of 49.5 as new orders rose to a three-month high.

## United SGD Fund

---

### Fund Strategy Update

The excess liquidity accumulated in December 2011, the Fund started to nibble back into market to capitalize on dislocated bond prices amidst low market liquidity in December 2011. As at end of December 2011, portfolio cash was about 2% (down from peak of 10%). The almost fully invested position of the Fund benefited from the turnaround sentiment in the new 2012.

While market sentiment has turned for the better, we remained vigilant. Although Greece may be reaching for a short-term resolution, we are still cautious of the Eurozone as Portugal is hinted may be next. US Fed is less than satisfied with the current economic trajectory and global economic growth is will be slow. Also, China's structural imbalances concerns still lurk in the horizon.

The Fund looks to:

1. Invest in bonds maturing in 2015 to enhance overall return as interest rates are expected to hover at low level till 2014;
2. Continue to favour the large corporates with good liquidity, low leverage and which have good performance track record.
3. Maintain 2-3% cash for liquidity
4. Non-SGD investments are fully hedged back to SGD.
5. The Fund is comfortable returning above benchmark return on investments.

## United SGD Fund

### REGULATORY DISCLOSURE TO ACCREDITED, EXPERT AND OVERSEAS INVESTORS - EXEMPTION FROM CERTAIN BUSINESS CONDUCT RULES IN THE FINANCIAL ADVISERS ACT

Pursuant to the Financial Advisers Regulations (“FAR”), please be informed that UOB Asset Management Ltd (“UOBAM”) is exempted from complying with certain business conduct rules in the Financial Advisers Act (“FAA”) when providing financial advisory services to Accredited Investors, Expert Investors and/or Overseas Investors, each as defined under the FAR.

A summary of the applicable exemptions to UOBAM under the FAA pursuant to the FAR, for the respective class of investors is set out in the table below:

Sections in the Financial Advisers Act	Dealing with Accredited Investor	Dealing with Expert Investor	Dealing with Overseas Investor
<b>Section 25</b> Obligation to disclose product information to clients	Exempted	Exempted	Exempted
<b>Section 26</b> Statements made by financial advisers (“FA”)	-	-	Exempted
<b>Section 27</b> Recommendations by FA	Exempted	Exempted	Exempted
<b>Section 28</b> Receipt of client's money or property	-	-	Exempted
<b>Section 29</b> Obligation to furnish information to Authority	-	-	Exempted
<b>Section 32 1</b> Insurance broking premium accounts	-	-	Exempted
<b>Section 34</b> Representations by FA in relation to proposed contract of insurance	-	-	Exempted
<b>Section 36</b> FA to disclose certain interests in securities	Exempted	Exempted	Exempted

The exemptions will not undermine the management of your account, and we will continue to strive to provide you with quality financial services.

This notification is provided for your information only. You will continue to be an Accredited Investor, Expert Investor or Overseas Investor, as the case may be, until otherwise informed by you or when revisions in the FAA and/or FAR result in your status change.

Please contact your UOBAM Account Manager if you have any questions

### Important Notice & Disclaimers

All information in this publication is based upon certain assumptions and analysis of information available as at the date of the publication and reflects prevailing conditions and UOB Asset Management Ltd (“UOBAM”)’s views as of such date, all of which are subject to change at any time without notice. Although care has been taken to ensure the accuracy of information contained in this publication, UOBAM makes no representation or warranty of any kind, express, implied or statutory, and shall not be responsible or liable for the accuracy or completeness of the information.

Potential investors should read the prospectus of the fund which is available and may be obtained from UOBAM or any of its appointed distributors, before deciding whether to subscribe for or purchase units in the funds. Returns on the units are not guaranteed. The value of the units and the income from them, if any, may fall as well as rise. An investment in funds is subject to investment risks and foreign exchange risks, including the possible loss of the principal amount invested. Investors should consider carefully the risks of investing in funds and may wish to seek advice from a financial adviser before making a commitment to invest in any fund. Should you choose not to seek advice from a financial adviser, you should consider carefully whether the fund is suitable for you. Investors should note that the past performance of any investment product, manager, company, entity or UOBAM mentioned in this publication, and any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance of any investment product, manager, company, entity or UOBAM or the economy, stock market, bond market or economic trends of the markets. Nothing in this publication shall constitute a continuing representation or give rise to any implication that

## United SGD Fund

---

there has not been or that there will not be any change affecting the funds. All subscription for the units in the funds must be made on the application forms accompanying the prospectus of that fund.

The above information is strictly for general information only and is not an offer, solicitation advice or recommendation to buy or sell any investment product or invest in any company. This publication should not be construed as accounting, legal, regulatory, tax, financial or other advice. Investments in unit trusts are not obligations of, deposits in, or guaranteed or insured by United Overseas Bank Limited, UOBAM, or any of their subsidiary, associate or affiliate or their distributors. The Funds may use or invest in financial derivative instruments and you should be aware of the risks associated with investments in financial derivative instruments which are described in the Funds' prospectus.

UOB Asset Management Ltd Co. Reg. No. 198600120Z