# United Enhanced Income Fund

## Semi Annual Report

for the period 1st July to 31st December 2010

UOB Asset Management
大華資産管理

# United Enhanced Income Fund

(Constituted under a Trust Deed in the Republic of Singapore)

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## A) Fund Performance

| Fund Performance | 3 mth % Growth | 6 mth % Growth | 1 yr % Growth | 3 yr Ann Comp Ret | 5 yr Ann Comp Ret | 10 yr Ann Comp Ret | Since Inception 02 July 2007 Ann Comp Ret |
|---|---|---|---|---|---|---|---|
| United Enhanced Income Fund | -1.72 | -1.72 | -7.35 | -8.55 | NA | NA | -8.24 |

*Source: Lipper, a Thomson Reuters Company*

*Note: The performance returns of the Fund are in Singapore dollars based on a NAV-to-NAV basis with net dividends reinvested.*

The goal of this Fund is to provide stable income from a combination of bonds and derivatives, focusing on carry trades and other risk premium strategies.

**Performance Attribution**

The second half of 2010 was a difficult time for systematic strategies. Both strategies were unable to obtain clear investment signals, and overall, the Enhanced Income Fund returned a net loss of -1.72%. The Interest Rates strategy lost 1.37% between July and September, while the FX strategy posted a gain of 0.84%. As volatility increased towards the end of the year, both strategies were terminated as a risk reduction measure, due to the fact that risk premium strategies generally only perform well in a low volatility environment. The rising long term interest rate environment negatively impacted bond prices, but with the majority of bonds in the portfolio having short dated maturities, the overall effect was minor.

**Manager’s Outlook**

With inflation accelerating in several Asian countries, we believe that many Asian central banks will begin to hike interest rates to combat higher inflationary pressures in the first quarter of 2011. Furthermore, Asia’s stronger economic fundamentals should ensure that the region continues to attract large capital inflows. Consequently, we expect most Asian FX to resume appreciating against the USD in the first quarter of 2011. Nevertheless, with Asian FX appreciating at an average of 7.5% against the USD in 2010, we do not see a repeat of such stellar performance in 2011.We like Asian currencies that are under-valued, have good carry and a nice structural story behind them.

The fourth quarter of 2010 saw government bond yields rise, especially in the Euro area as the Peripherals debt crisis worsened. Spain and Italy were the hardest hit in the G7 as Spain was one of the countries, together with Portugal, that were expected to ask for a bail out, prompting yields and credit default swaps spreads to rise to new heights. ECB then came to the rescue with open market purchase of bonds and extension of the liquidity facilities and warning the market not to underestimate the Euro area’s resolve in defending the system. These actions eased market fears, and consequently, yields of Spain, Portugal and Ireland dropped.

In our opinion, European sovereign debt issues will remain as one of the key risks, because the reactions so far from the ECB and the Euro area governments have not addressed the fundamental issue of debt overhang; hence, continued pressures on the Peripherals and European banks' credits look set to continue. The shift towards debt sustainability requires a multi-year adjustment in primary fiscal balances. In addition, some of the Peripherals might have to go through debt restructuring as growth will likely to slow down substantially given the austerity programs and financing costs remain high.

As for the US, yields have increased across the curve with 10-year rising the most to 3.5% as recent economic data pointed to a stronger recovery and the surprise agreement between President Obama and the Republican Party provided the extra boost to the recovery outlook. The agreement contains broad-ranging economic stimulus in the form of a two-year extension of the Bush tax cuts for all taxpayers, including high earners, full expensing of investments, an extension of unemployment insurance, and a reduction in payroll taxes. In addition, higher inflation risk premium also contributed to the yield curve steepening given the on going QE2. We expect The Fed and ECB to keep policy rates on hold next year, given the high unemployment and low core inflation.

Under QE2 the Fed will be purchasing about US$75 billion per month of notes, TIPS, and bonds along with an additional US$35 billion in reinvestment purchases – in total US$110 billion. Given the Fed's buying intentions, there will be much less new issues for the public to purchase. The Fed has also given indications that it is ready to buy more of these on-the-run issues by relaxing its 35% limit on ownership of Treasury securities. In the second quarter alone, Fed purchasing targets would be enough to soak up all the issues in the treasury auctions.

We expect the US treasuries to trade in a wider range, with 10-year trading in the range of 2.75% to 3.5% and 2-year/5-year and 2-year/10-year curves flattening from the current levels given the QE2 in the first half of next year and the current yields likely to have factored in the stronger economic recovery expectation. As for the second half of the year, we expect yields to go up further as the US economy recovers and QEII expires.

For this quarter, given the continued uncertain outlook, the Fund will be transitioning into a conservatively risk managed multi-style Currency strategy, as well as a multi-asset class income strategy. Our intention is to diversify and manage the fund defensively until volatility decreases to a point where carry strategies offer attractive risk-reward propositions.

**B) Investments at fair value and as a percentage of NAV as at 31 December 2010 under review classified by**

**i) Country**

| | Fair Value (S$) | % of NAV |
|---|---|---|
| **Quoted Bonds** | | |
| Australia | 2,114,712 | 8.29 |
| Hongkong | 357,393 | 1.40 |
| Japan | 1,033,245 | 4.05 |
| Malaysia | 1,916,492 | 7.51 |
| New Zealand | 361,205 | 1.42 |
| Singapore | 7,766,110 | 30.43 |
| South Korea | 419,699 | 1.64 |
| Supra National | 2,085,215 | 8.17 |
| United Arab Emirates | 350,205 | 1.37 |
| United Kingdom | 2,617,469 | 10.25 |
| United States | 4,401,624 | 17.24 |
| Portfolio of investments | 23,423,369 | 91.77 |
| Other net assets | 2,100,029 | 8.23 |
| **Total** | **25,523,398** | **100.00** |

**ii) Industry**

| | Fair Value (S$) | % of NAV |
|---|---|---|
| Alternative Investment | 1,343,725 | 5.26 |
| Consumer Staples | 499,908 | 1.96 |
| Energy | 2,181,890 | 8.55 |
| Financials | 6,693,819 | 26.23 |
| Government | 3,916,819 | 15.34 |
| Government Agency | 350,205 | 1.37 |
| Industrials | 2,258,238 | 8.85 |
| Property Trust | 2,035,579 | 7.98 |
| Sovereign Guaranteed | 274,110 | 1.07 |
| Supra National | 2,085,215 | 8.17 |
| Telecommunication Services | 335,008 | 1.31 |
| Utilities | 1,448,853 | 5.68 |
| Portfolio of investments | 23,423,369 | 91.77 |
| Other net assets | 2,100,029 | 8.23 |
| **Total** | **25,523,398** | **100.00** |

**B) Investments at fair value and as a percentage of NAV as at 31 December 2009 under review classified by** (continued)

**iii) Asset Class**

| | Fair Value (S$) | % of NAV |
|---|---|---|
| Fixed Income | 23,423,369 | 91.77 |
| Other net assets | 2,100,029 | 8.23 |
| **Total** | **25,523,398** | **100.00** |

**iv) Credit rating of debt securities of S&P**

| | Fair Value (S$) | % of NAV |
|---|---|---|
| AAA | 6,381,845 | 25.00 |
| AA | 3,597,025 | 14.10 |
| A | 7,486,469 | 29.32 |
| BBB | 2,578,726 | 10.11 |
| NR | 3,379,304 | 13.24 |
| **Total** | **23,423,369** | **91.77** |

**iv) Credit rating of debt securities of Moody's**

| | Fair Value (S$) | % of NAV |
|---|---|---|
| Aaa | 6,381,845 | 25.00 |
| Aa | 2,402,647 | 9.42 |
| A | 8,680,847 | 34.00 |
| Baa | 4,614,305 | 18.09 |
| NR | 1,343,725 | 5.26 |
| **Total** | **23,423,369** | **91.77** |

## C) Top Ten Holdings

**The top 10 holdings as at 31 December 2010 and 31 December 2009**

| **10 largest holdings at 31 December 2010** | **Fair Value (S$)** | **Percentage of total net assets attributable to unitholders %** |
|---|---|---|
| **ASIAN DEVELOPMENT BANK 3.27% DUE 08/02/2012** | **2,085,215** | **8.17** |
| **ASCENDAS REAL ESTATE INV 4.75% DUE 29/04/2011** | **2,035,579** | **7.98** |
| **STANDARD CHARTERED PLC 5.75% DUE 30/04/2014** | **1,942,995** | **7.61** |
| **JOHN HANCOCK GF II 4.28% DUE 22/02/2011** | **1,529,386** | **5.99** |
| **WOODSIDE FINANCE LTD 8.125% DUE 01/03/2014** | **1,507,416** | **5.91** |
| **FREDDIE MAC DUE 15/01/2039** | **1,343,725** | **5.26** |
| **ST ENGINEERING FIN LTD 4.8% DUE 16/07/2019** | **1,224,993** | **4.80** |
| **SINGAPORE GOVERNMENT BOND 3.625% DUE 01/07/2014** | **1,105,446** | **4.33** |
| **SP POWERASSETS LTD EMTN 4.19% DUE 18/08/2015** | **1,098,893** | **4.31** |
| **MALAYAN BANKING BERHAD VAR PERP** | **1,071,310** | **4.20** |

| 10 largest holdings at 31 December 2009 | Fair Value (S$) | Percentage of total net assets attributable to unitholders % |
|---|---|---|
| GENERAL ELEC CAP CORP 3.03% DUE 11/02/2013 | 4,942,855 | 11.07 |
| CAPITALCOMMERCIAL TRUST 3.05% DUE 17/03/2010 | 4,045,098 | 9.06 |
| JOHN HANCOCK GF II 4.28% DUE 22/02/2011 | 3,664,478 | 8.21 |
| STANDARD CHARTERED PLC 5.75% DUE 30/04/2014 | 2,259,466 | 5.06 |
| SINGAPORE GOVERNMENT BOND 3.625% DUE 01/07/2014 | 2,248,434 | 5.04 |
| ASIAN DEVELOPMENT BANK 3.27% DUE 08/02/2012 | 2,105,227 | 4.72 |
| SINGAPORE GOVERNMENT BOND 3.50% DUE 01/03/2027 | 2,068,744 | 4.63 |
| ASCENDAS REAL ESTATE INV 4.75% DUE 29/4/2011 | 2,057,451 | 4.61 |
| CMT MTN PTE LTD 3.25% DUE 01/04/2010 | 2,022,356 | 4.53 |
| WOODSIDE FINANCE LTD 8.125% DUE 01/03/2014 | 1,642,837 | 3.68 |

**D) Exposure to derivatives**

i) fair value of derivative contracts and as a percentage of NAV as at 31 December 2010

N/A

ii) There was a net loss of SGD 259,632 on derivative contracts realised for the period 01 July 2010 to 31 December 2010.

iii) net gains/(losses) on outstanding derivative contracts marked to market as at 31 December 2010.

N/A

**E) Amount and percentage of net asset value (NAV) invested in other schemes as at 31 December 2010**

| | Fair Value (S$) | % of NAV |
|---|---|---|
| ASCENDAS REAL ESTATE INV 4.75% DUE 29/4/2011 | 2,035,579 | 7.98 |

**F) Amount and percentage of borrowings to net asset value (NAV) as at 31 December 2010**

N/A

**G) Amount of redemptions and subscriptions for the period 01 July 2010 to 31 December 2010**

| | | |
|---|---|---|
| Total amount of redemptions | SGD | 8,590,116 |
| Total amount of subscriptions | SGD | 52,221 |

**H) The amount and terms of related-party transactions for the period 01 July 2010 to 31 December 2010**

i) As at 31 December 2010 the Fund maintained current accounts with the United Overseas Bank Limited as follows :

| | | |
|---|---|---|
| Bank balances | SGD | 45,769 |

ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 31 December 2010

N/A

iii) Investment in Initial Public Offerings managed by UOB Group.

N/A

iv) As at 31 December 2010 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

**I) Expense ratios**

| | |
|---|---|
| 31 December 2010 | 2.11% |
| 31 December 2009 | 1.96% |

*Note : The expense ratio is computed in accordance with the IMAS guidelines on disclosure of expense ratios dated 25th May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio.The Fund does not pay any performance fees.*

**J) Turnover ratios**

| | |
|---|---|
| 31 December 2010 | 8.04% |
| 31 December 2009 | 2.96% |

*Note : The turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes".*

**K) Any material information that will adversely impact the valuation of the scheme such as contingent liabilities of open contracts**

N/A

**L) For schemes which invest more than 30% of their deposited property in another scheme, the following key information on the second-mentioned scheme ("the underlying scheme")[1] should be disclosed as well**

i) top 10 holdings at fair value and as percentage of NAV as at 31 December 2010 and 31 December 2009

N/A

ii) expense ratios for the period ended 31 December 2010 and 31 December 2009. A footnote should state (where applicable) that the expense ratio does not include brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from or arising out of income received.

N/A

iii) turnover ratios for the period ended 31 December 2010 and 31 December 2009

N/A

**M) Soft dollar commissions/arrangements**

There were no soft dollar arrangements, rebates, commissions or other money incentives received by UOB Asset Management Ltd.

[1] *where the underlying scheme is managed by a foreign manager which belongs to the same group of companies as, or has a formal arrangement or investment agreement with, the Singapore manager, the above information should be disclosed on the underlying scheme. In other cases, such information on the underlying scheme should be disclosed only if it is readily available to the Singapore Manager.*

**STATEMENT OF TOTAL RETURN**
For the half year ended 31 December 2010 (Un-audited)

| | Note | **31 December 2010 $** | 31 December 2009 $ |
|---|---|---|---|
| **Income** | | | |
| Interest | | **604** | 2,002 |
| Other Income | | **10,188** | - |
| | | **10,792** | 2,002 |
| **Less: Expenses** | | | |
| Management fee | 13 | **228,085** | 371,306 |
| Trustee fee | 13 | **6,082** | 10,641 |
| Audit fee | | **6,050** | 6,758 |
| Registrar fee | 13 | **12,551** | 13,443 |
| Custody fee | | **7,482** | 60,056 |
| Valuation fee | 13 | **19,007** | 30,942 |
| Interest expenses | | **-** | 10 |
| Other expenses | | **31,416** | 30,604 |
| | | **310,673** | 523,760 |
| **Net loss** | | **(299,881)** | (521,758) |
| **Net gains or losses on value of investments** | | | |
| Net realised gain on investments | | **511,257** | 979,593 |
| Net change in fair value on investments | | **(534,621)** | 1,052,567 |
| Net realised (loss)/gain on financial derivatives | | **(259,632)** | 326,431 |
| Net change in fair value on financial derivatives | | **-** | (849,993) |
| Net foreign exchange (loss)/gain | | **(144,336)** | 125,575 |
| **Net (loss)/gain on value of investments** | | **(427,332)** | 1,634,173 |
| **Total (deficit)/return for the period** | | **(727,213)** | 1,112,415 |

*The accompanying notes form an integral part of these financial statements.*

**BALANCE SHEET**
As at 31 December 2010 (Un-audited)

| | Note | 31 December 2010 $ | 30 June 2010 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Portfolio of investments | | **23,423,369** | 31,467,221 |
| Receivables | 4 | **186** | 850 |
| Cash and bank balances | 5 | **3,594,141** | 3,444,397 |
| Margin account | 6 | **-** | 558,440 |
| Financial derivatives at fair value | 8 | **-** | 78,430 |
| **Total Assets** | | **27,017,696** | 35,549,338 |
| **LIABILITIES** | | | |
| Payables | 7 | **150,573** | 554,384 |
| Purchases awaiting settlement | | **1,343,725** | - |
| Financial derivatives at fair value | 8 | **-** | 206,448 |
| Net assets attributable to unitholders | 9 | **25,523,398** | 34,788,506 |
| **Total Liabilities** | | **27,017,696** | 35,549,338 |

*The accompanying notes form an integral part of these financial statements.*

**PORTFOLIO STATEMENT**
As at 31 December 2010 (Un-audited)

| | Nominal holdings at 31 December 2010 | Fair value at 31 December 2010 $ | Percentage of total net assets attributable to unitholders at 31 December 2010 % |
|---|---|---|---|
| **By Geography - Primary** | | | |
| **Quoted Bonds** | | | |
| **AUSTRALIA** | | | |
| GE CAP AUSTRALIA FUNDING 4.515% DUE 12/06/2012 | 250,000 | 257,336 | 1.01 |
| SPI ELECTRICITY & GAS AUTHORITY 6.15% DUE 15/11/2013 | 250,000 | 349,960 | 1.37 |
| WOODSIDE FINANCE LTD 8.125% DUE 01/03/2014 | 1,000,000 | 1,507,416 | 5.91 |
| **TOTAL AUSTRALIA** | | **2,114,712** | **8.29** |
| **HONGKONG** | | | |
| HUTCHISON WHAMPOA INTL 6.5% DUE 13/02/2013 | 250,000 | **357,393** | **1.40** |
| **JAPAN** | | | |
| MITSUBISHI CORP 2.75% DUE 16/09/2015 | 800,000 | **1,033,245** | **4.05** |
| **MALAYSIA** | | | |
| MALAYAN BANKING BERHAD VAR PERP | 1,000,000 | 1,071,310 | 4.20 |
| MALAYSIAN GOVT BOND 3.833% DUE 28/09/2011 | 2,000,000 | 845,182 | 3.31 |
| **TOTAL MALAYSIA** | | **1,916,492** | **7.51** |
| **NEW ZEALAND** | | | |
| ANZ NATIONAL INTL NZ 6.2% DUE 19/07/2013 | 250,000 | **361,205** | **1.42** |

*The accompanying notes form an integral part of these financial statements.*

**PORTFOLIO STATEMENT**
As at 31 December 2010 (Un-audited)

| | Nominal holdings at 31 December 2010 | Fair value at 31 December 2010 $ | Percentage of total net assets attributable to unitholders at 31 December 2010 % |
|---|---|---|---|
| **By Geography - Primary** (continued) | | | |
| **Quoted Bonds** | | | |
| **SINGAPORE** | | | |
| ASCENDAS REAL ESTATE INV 4.75% DUE 29/04/2011 | 2,000,000 | 2,035,579 | 7.98 |
| SING TELECOMMUNICATION 6.375% DUE 01/12/2011 | 250,000 | 335,008 | 1.31 |
| SINGAPORE GOVERNMENT BOND 2.50% DUE 01/10/2012 | 864,000 | 899,449 | 3.52 |
| SINGAPORE GOVERNMENT BOND 3.50% DUE 01/03/2027 | 1,000,000 | 1,066,742 | 4.18 |
| SINGAPORE GOVERNMENT BOND 3.625% DUE 01/07/2014 | 1,000,000 | 1,105,446 | 4.33 |
| SP POWERASSETS LTD EMTN 4.19% DUE 18/08/2015 | 1,000,000 | 1,098,893 | 4.31 |
| ST ENGINEERING FIN LTD 4.8% DUE 16/07/2019 | 900,000 | 1,224,993 | 4.80 |
| **TOTAL SINGAPORE** | | **7,766,110** | **30.43** |
| **SOUTH KOREA** | | | |
| HANA BANK 6.50% DUE 09/04/2012 (GOVT GT) | 200,000 | 274,110 | 1.07 |
| WOORI BANK 7% DUE 02/02/2015 | 100,000 | 145,589 | 0.57 |
| **TOTAL SOUTH KOREA** | | **419,699** | **1.64** |
| **SUPRA NATIONAL** | | | |
| ASIAN DEVELOPMENT BANK 3.27% DUE 08/02/2012 | 2,000,000 | **2,085,215** | **8.17** |
| **UNITED ARAB EMIRATES** | | | |
| MUBADALA DEVELOPMENT CO 5.75% DUE 06/05/2014 | 250,000 | **350,205** | **1.37** |

*The accompanying notes form an integral part of these financial statements.*

**PORTFOLIO STATEMENT**
As at 31 December 2010 (Un-audited)

| | Nominal holdings at 31 December 2010 | Fair value at 31 December 2010 $ | Percentage of total net assets attributable to unitholders at 31 December 2010 % |
|---|---|---|---|
| **By Geography - Primary** (continued) | | | |
| **Quoted Bonds** | | | |
| **UNITED KINGDOM** | | | |
| BP CAPITAL MARKETS PLC 3.75% DUE 17/06/2013 | 500,000 | 674,474 | 2.64 |
| STANDARD CHARTERED PLC 5.75% DUE 30/04/2014 | 1,000,000 | 1,942,995 | 7.61 |
| **TOTAL UNITED KINGDOM** | | **2,617,469** | **10.25** |
| **UNITED STATES** | | | |
| CARGILL INC 6.25% DUE 24/07/2015 | 250,000 | 499,908 | 1.96 |
| FREDDIE MAC DUE 15/01/2039 | 1,037,856 | 1,343,725 | 5.26 |
| JOHN HANCOCK GF II 4.28% DUE 22/02/2011 | 1,500,000 | 1,529,386 | 5.99 |
| MORGAN STANLEY 3.585% DUE 23/10/2012 | 1,000,000 | 1,028,605 | 4.03 |
| **TOTAL UNITED STATES** | | **4,401,624** | **17.24** |
| **Portfolio of investments** | | **23,423,369** | **91.77** |
| **Other net assets** | | **2,100,029** | **8.23** |
| **Net assets attributable to unitholders** | | **25,523,398** | **100.00** |

*The accompanying notes form an integral part of these financial statements.*

**PORTFOLIO STATEMENT**
As at 31 December 2010 (Un-audited)

| | **Percentage of total net assets attributable to unitholders at 31 December 2010 %** | Percentage of total net assets attributable to unitholders at 30 June 2010 % |
|---|---|---|
| **By Geography - Primary (Summary)** | | |
| **Quoted Bonds** | | |
| Australia | **8.29** | 6.59 |
| Hongkong | **1.40** | 1.12 |
| Japan | **4.05** | - |
| Malaysia | **7.51** | 5.60 |
| New Zealand | **1.42** | 1.13 |
| Singapore | **30.43** | 26.15 |
| South Korea | **1.64** | 5.22 |
| Supra National | **8.17** | 6.05 |
| United Arab Emirates | **1.37** | 1.07 |
| United Kingdom | **10.25** | 7.22 |
| United States | **17.24** | 30.30 |
| **Portfolio of investments** | **91.77** | 90.45 |
| **Other net assets** | **8.23** | 9.55 |
| **Net assets attributable to unitholders** | **100.00** | 100.00 |

*The accompanying notes form an integral part of these financial statements.*

**PORTFOLIO STATEMENT**
As at 31 December 2010 (Un-audited)

| | **Fair value at 31 December 2010 $** | **Percentage of total net assets attributable to unitholders at 31 December 2010 %** | Percentage of total net assets attributable to unitholders at 30 June 2010 % |
|---|---|---|---|
| **By Industry - Secondary** | | | |
| **Quoted Bonds** | | | |
| Alternative Investment | **1,343,725** | **5.26** | - |
| Consumer Discretionary | **-** | **-** | 2.96 |
| Consumer Staples | **499,908** | **1.96** | 1.48 |
| Energy | **2,181,890** | **8.55** | 4.72 |
| Financials | **6,693,819** | **26.23** | 39.63 |
| Government | **3,916,819** | **15.34** | 14.57 |
| Government Agency | **350,205** | **1.37** | 1.07 |
| Industrials | **2,258,238** | **8.85** | 3.94 |
| Property Trust | **2,035,579** | **7.98** | 5.92 |
| Sovereign Guaranteed | **274,110** | **1.07** | 0.87 |
| Supra National | **2,085,215** | **8.17** | 6.05 |
| Telecommunication Services | **335,008** | **1.31** | 1.07 |
| Utilities | **1,448,853** | **5.68** | 8.17 |
| **Portfolio of investments** | **23,423,369** | **91.77** | 90.45 |
| **Other net assets** | **2,100,029** | **8.23** | 9.55 |
| **Net assets attributable to unitholders** | **25,523,398** | **100.00** | 100.00 |

*The accompanying notes form an integral part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2010 (Un-audited)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. General

United Enhanced Income Fund ("the Fund") is a Singapore registered trust fund constituted by a Trust Deed dated 9 May 2007 between UOB Asset Management Ltd (the "Manager") and RBC Dexia Trust Services Singapore Limited (the "Trustee"). The Deed is governed by the laws of the Republic of Singapore.

The Fund had commenced operation on 02 July 2007.

The primary activity is that of investment trading. The Fund's investment objective is to achieve to provide investors with:

(a) regular payouts;
(b) capital growth; and
(c) optimum risk adjusted total return,

by investing, globally, in cash, cash-equivalents, high quality bonds and other fixed income securities rated BBB- (BBB Minus) and above, and by enhancing the yield and capital growth of the Fund with derivative transactions while taking steps to reduce the downside risks. The Manager may also invest in other Authorised Investments to achieve its investment objectives.

### 2. Significant accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss, and in accordance with the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Certified Public Accountants of Singapore.

The financial statements are expressed in Singapore dollars.

(b) Recognition of income

Interest income is recognised on a time proportion basis using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

**2. Significant accounting policies** (continued)

(c) Investments

Investments are classified as financial assets at fair value through profit or loss.

(i) *Initial recognition*

Purchase of investments are recognized on trade date. Investments are recorded at fair value on initial recognition.

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments are included in the Statement of Total Return in the period in which they arise.

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sale of investments are computed on the basis of the difference between the weighted average cost and selling price net of transaction costs, and are taken up in the Statement of Total Return.

(d) Basis of valuation of investments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for these investments held by the Fund is the current market quoted bid price. Accrued interest is incorporated in the fair value of fixed income instruments.

(e) Foreign currency translation

(i) *Functional and presentation currency*

The Fund's investors are mainly from Singapore with the subscriptions and redemptions of the units denominated in Singapore dollars and United States dollars.

The performance of the Fund is measured and reported to the investors in Singapore dollars. The Manager considers the Singapore dollars to be the currency of the primary economic environment in which the Fund operates. The financial statements are presented in Singapore dollars, which is the Fund's functional and presentation currency.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

2. **Significant accounting policies** (continued)

(e) Foreign currency translation (continued)

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities are also recognised in the Statement of Total Return within the fair value net gain or loss.

(f) Financial derivatives

Financial derivatives including forwards and swaps are entered into for the purpose of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Trust Deed.

Financial derivatives outstanding at the balance sheet date are valued at forward rates or at current market prices using the "mark-to-market" method, as applicable, and the resultant gains and losses are taken up in the Statement of Total Return.

(g) Expenses charged to the Fund

All direct expenses relating to the Fund are charged directly to the Statement of Total Return. In addition, certain expenses shared by all unit trusts managed by the Manager are allocated to each fund based on the respective Fund's net asset value.

(h) Distribution policy

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid out on the distribution date. This amount shall not be treated as part of the property of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

### 3. Income tax

The Fund was granted the status of a Designated Unit Trust and, therefore, the following income is exempt from tax in accordance with Section 35(12) of the Income Tax Act (Cap 134):

(i) gains or profits derived from Singapore or elsewhere from the disposal of securities;

(ii) interest (other than interest for which tax has been deducted under Section 45 of the Singapore Income Tax Act); and

(iii) dividends derived from outside Singapore and received in Singapore.

### 4. Receivables

| | **31 December 2010 $** | 30 June 2010 $ |
|---|---|---|
| Amount due from unitholders | **97** | 850 |
| Other receivable | **89** | - |
| | **186** | 850 |

### 5. Cash and bank balances

| | **31 December 2010 $** | 30 June 2010 $ |
|---|---|---|
| Cash at bank | **3,594,141** | 3,444,397 |

### 6. Margin account

Margin account maintained is provided as a collateral for the index swap entered into by the Fund with the counterparty.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

## 7. Payables

| | **31 December 2010 $** | 30 June 2010 $ |
|---|---|---|
| Amount due to unitholders | **97** | 380,760 |
| Amount due to Manager | **115,060** | 151,660 |
| Amount due to Trustee | **2,831** | 3,732 |
| Other creditors and accrued expenses | **32,585** | 18,232 |
| | **150,573** | 554,384 |

## 8. Fair value of financial derivative contracts

Financial derivative contracts comprises of foreign exchange contracts for the sale and purchase of foreign currencies and Index Swap. The contract or underlying principal amounts of these financial derivatives and their corresponding gross positive or negative fair values at the balance sheet date are analysed below.

As at 31 December 2010, there was no amount outstanding under financial derivative contracts.

| | 30 June 2010 | | |
|---|---|---|---|
| | Contract or underlying principal amount $ | Positive fair value $ | Negative fair value $ |
| Index swaps | 26,176,875 | 78,430 | 206,448 |

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

## 9. Net assets attributable to unitholders

| | **31 December 2010 $** | 30 June 2010 $ |
|---|---|---|
| **At the beginning of the financial period/year** | **34,788,506** | 52,638,602 |
| **Operations** | | |
| Change in net assets attributable to unitholders resulting from operations | **(727,213)** | (560,218) |
| **Unitholders' contributions/(withdrawals)** | | |
| Creation of units | **52,221** | 255,508 |
| Cancellation of units | **(8,590,116)** | (17,545,386) |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | **(8,537,895)** | (17,289,878) |
| **Total decrease in net assets attributable to unitholders** | **(9,265,108)** | (17,850,096) |
| **At the end of the financial period/year** | **25,523,398** | 34,788,506 |
| **Units in issue** (Note 10) | **40,695,083** | 54,078,314 |
| | **$** | $ |
| **Net assets attributable to unitholders per unit** | **0.63** | 0.64 |

## 10. Units in issue

| | **31 December 2010** | 30 June 2010 |
|---|---|---|
| Units at beginning of the period/year | **54,078,314** | 79,886,154 |
| Units created | **82,995** | 379,931 |
| Units cancelled | **(13,466,226)** | (26,187,771) |
| Units at end of the period/year | **40,695,083** | 54,078,314 |

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

## 11. Distribution to unitholders

The Manager does not propose any distribution to unitholders for the financial period ended 31 December 2010 (31 December 2009: Nil).

## 12. Financial risk management

The Fund's activities expose it to a variety of financial risk (including currency risk, fair value risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. The Fund may use financial derivatives instruments, such as futures contracts, options contracts, currency forward contracts and/or swaps agreements subject to the terms of the Prospectus to moderate certain risk exposures. Specific guidelines on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

The Fund's assets principally consist of financial instruments such as swaps, fixed interest investments, money market investments and cash. They are held in accordance with the published investment policies of the Fund. The allocation of assets between the various types of investments is determined by the Manager to achieve their investment objectives.

(a) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investment. The Fund's investments are substantially dependent on changes in market prices. The Fund's investments are monitored by the Manager on a regular basis so as to assess changes in fundamentals and valuation. Although the Manager makes reasonable efforts in the choice of investments, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the asset value of the Fund. Guidelines are set to reduce the Fund's risk exposures to market volatility such as diversifying the portfolio by investing across various geographies, alternatively, the Fund may be hedged using derivative strategies.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

## 12. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk

The Fund has securities denominated in currencies other than the Singapore dollars and it may be affected favourably or unfavourably by exchange rate regulations or changes in the exchange rates between the Singapore dollars and such other currencies. The Manager may at his discretion, implement a currency management strategy either to reduce currency volatility or to hedge the currency exposures of the Fund.

The table below summarises the on-balance sheet exposure to currency risks for the Fund.

**As at 31 December 2010**

| | MYR<br>$ | EUR<br>$ | SGD<br>$ | USD<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Portfolio of investments | 845,182 | 2,442,903 | 12,177,961 | 7,957,323 | 23,423,369 |
| Receivables | - | - | 97 | 89 | 186 |
| Cash and bank balances | 15,924 | 88 | 2,756,440 | 821,689 | 3,594,141 |
| **Total Assets** | 861,106 | 2,442,991 | 14,934,498 | 8,779,101 | 27,017,696 |
| **Liabilities** | | | | | |
| Payables | - | - | 142,339 | 8,234 | 150,573 |
| Purchases awaiting settlement | - | - | - | 1,343,725 | 1,343,725 |
| Net assets attributable to unitholders | - | - | 25,523,398 | - | 25,523,398 |
| **Total Liabilities** | - | - | 25,665,737 | 1,351,959 | 27,017,696 |
| **Net currency exposure** | 861,106 | 2,442,991 | (10,731,239) | 7,427,142 | |

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

## 12. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 30 June 2010

| | MYR $ | EUR $ | SGD $ | USD $ | Total $ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Portfolio of investments | 880,747 | 3,590,368 | 20,813,371 | 6,182,735 | 31,467,221 |
| Receivables | - | - | 850 | - | 850 |
| Cash and bank balances | - | 98,330 | 2,604,068 | 741,999 | 3,444,397 |
| Margin account | - | - | - | 558,440 | 558,440 |
| Fair value of financial derivative contract | - | - | - | 78,430 | 78,430 |
| **Total Assets** | 880,747 | 3,688,698 | 23,418,289 | 7,561,604 | 35,549,338 |
| **Liabilities** | | | | | |
| Payables | - | - | 554,384 | - | 554,384 |
| Fair value of derivative contract | - | - | - | 206,448 | 206,448 |
| Net assets attributable to unitholders | - | - | 34,788,506 | - | 34,788,506 |
| **Total Liabilities** | - | - | 35,342,890 | 206,448 | 35,549,338 |
| **Net currency exposure** | 880,747 | 3,688,698 | (11,924,601) | 7,355,156 | |

Investments, which is the significant item in the balance sheet is exposed to currency risk and interest rate risk. Consequently, currency risk sensitivity analysis is prepared and disclosed only for monetary assets and liabilities. The table below summarises the sensitivity of the Fund's monetary assets and liabilities to changes in foreign exchange movements at 31 December 2010 and 30 June 2010. The analysis is based on the assumptions that the functional currency increased / decreased to the relevant foreign exchange rates as disclosed below. This represents the Manager's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

**12. Financial risk management** (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

| Currency | **31 December 2010** Net impact to net assets attributable to unitholders $ | **%** | 30 June 2010 Net impact to net assets attributable to unitholders $ | % |
|---|---|---|---|---|
| MYR | **43,055** | **5** | 44,037 | 5 |
| EUR | **219,869** | **9** | 295,096 | 8 |
| USD | **445,629** | **6** | 441,309 | 6 |

(ii) Price risk

Price risk is the risk of potential adverse changes to the value of financial investments because of changes in market conditions and volatility in security prices. The Fund seeks to enhance the yield and capital growth by employing various strategies via over-the-counter derivatives, such as futures contracts, interest rate swaps, total return swaps, options (puts and calls) purchased or sold by the Fund, and structured notes.

Derivatives are subject to a number of risks described elsewhere in this section, such as liquidity risk, interest rate risk, credit risk, and the risk that a derivative may not have the effect the Manager anticipated. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate, or index. Any use of derivatives strategies entails the risks of investing directly in the securities or instruments underlying the derivatives strategies, as well as the risks of using derivatives generally.

The Fund may from time to time employ derivatives such as put options to reduce its exposure to price risks.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

**12. Financial risk management** (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

The table below summarises the impact of increases/decreases from the Fund's underlying investments in these strategies on the Fund's net assets attributable to unitholders at 31 December 2010 and 30 June 2010. The analysis is based on the assumption that the performance of these strategies increased/ decreased by a reasonable possible shift, with all other variables held constant.

| | Strategies Performance increase / decrease by x% (30 June 2010: 4%) Impact on net assets attributable to unitholders | | | |
|---|---|---|---|---|
| | **31 December 2010** | | 30 June 2010 | |
| | **+ x%** | **- x%** | + 4% | - 4% |
| | **$** | **$** | $ | $ |
| United Enhanced Income Fund | - | - | 1,043,062 | (1,043,062) |

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund holds interest bearing securities that expose the Fund to fair value interest rate risk. The Fund holds securities of varying maturities and interest rate sensitivities. Movement in market interest rates will affect the valuation of the fund's securities by varying degrees. The Fund's policy requires the Manager to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

## 12. Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The table below summarises the Fund's exposure to interest rate risks. They include the Fund's assets and trading liabilities at fair value, categorised by the earlier of contractual re-pricing or maturity dates. All variable rate financial instruments are reset within a month.

**As at 31 December 2010**

| | **Variable rates $** | **Fixed rates $** | **Non-interest bearing $** | **Total $** |
|---|---|---|---|---|
| **Assets** | | | | |
| Portfolio of investments | 2,415,035 | 21,008,334 | - | **23,423,369** |
| Receivables | - | - | 186 | **186** |
| Cash and bank balances | 3,594,141 | - | - | **3,594,141** |
| **Total Assets** | **6,009,176** | **21,008,334** | **186** | **27,017,696** |
| **Liabilities** | | | | |
| Payables | - | - | 150,573 | **150,573** |
| Purchases awaiting settlement | - | - | 1,343,725 | **1,343,725** |
| Net assets attributable to unitholders | - | - | 25,523,398 | **25,523,398** |
| **Total Liabilities** | **-** | **-** | **27,017,696** | **27,017,696** |

As at 30 June 2010

| | Variable rates $ | Fixed rates $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|
| **Assets** | | | | |
| Portfolio of investments | 1,068,357 | 30,398,864 | - | 31,467,221 |
| Receivables | - | - | 850 | 850 |
| Cash and bank balances | 3,444,397 | - | - | 3,444,397 |
| Margin account | - | - | 558,440 | 558,440 |
| Financial derivatives at fair value | - | - | 78,430 | 78,430 |
| **Total Assets** | 4,512,754 | 30,398,864 | 637,720 | 35,549,338 |
| **Liabilities** | | | | |
| Payables | - | - | 554,384 | 554,384 |
| Financial derivatives at fair value | - | - | 206,448 | 206,448 |
| Net assets attributable to unitholders | - | - | 34,788,506 | 34,788,506 |
| **Total Liabilities** | - | - | 35,549,338 | 35,549,338 |

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

**12. Financial risk management** (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

As at 31 December 2010, should interest rates have lowered or risen by respective percentages as disclosed below with all other variables remaining constant, the increase or decrease in net assets attributable to unitholders for the year would be as follows:

| | **31 December 2010** | | 30 June 2010 | |
|---|---|---|---|---|
| | **Net impact to net assets attributable to unitholders** | | Net impact to net assets attributable to unitholders | |
| | **$** | **%** | $ | % |
| SGD | **298,360** | **1** | 966,044 | 1 |
| USD | **569,744** | **2** | - | - |

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain over-the-counter derivative products that use market interest rates as an input. Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in interest rates.

(b) Liquidity risk

The Fund is exposed to daily cash redemptions and cash disbursements for the settlements of purchases. The Manager therefore ensures that the Fund maintains sufficient cash and cash equivalents and that it is able to obtain cash from the sale of investments held to meet its liquidity requirements. Reasonable efforts will be taken to invest in securities which are traded in a relatively active market and which can be readily disposed of.

The Fund's investments in listed securities are considered to be readily realisable as they are listed on established regional stock exchanges.

The Manager may from time to time employ derivatives to implement a portfolio strategy, to reduce risk or for the purpose of efficient portfolio management. Market liquidity of complex derivatives are significantly less than traditional investment instruments and such positions may therefore require a longer time to reverse than would be typically be expected for traditional investment instruments. No such investments were held at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

**12. Financial risk management** (continued)

(b) Liquidity risk (continued)

The table below analyses the Fund's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**As at 31 December 2010**

| | **Less than 3 months $** | **3 months to 1 year $** | **1-5 years $** | **Above 5 years $** |
|---|---|---|---|---|
| Payables | **150,573** | **-** | **-** | **-** |
| Purchases awaiting settlement | **1,343,725** | **-** | **-** | **-** |
| Net assets attributable to unitholders | **25,523,398** | **-** | **-** | **-** |

As at 30 June 2010

| | Less than 3 months $ | 3 months to 1 year $ | 1-5 years $ | Above 5 years $ |
|---|---|---|---|---|
| Payables | 554,384 | - | - | - |
| Fair value of financial derivative contract | 206,448 | - | - | - |
| Net assets attributable to unitholders | 34,788,506 | - | - | - |

(c) Credit risk

Credit risk is the risk that counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Concentrations of credit risk are minimised primarily by:

– ensuring counterparties, together with the respective credit limits, are approved,
– ensuring that transactions are undertaken with a large number of counterparties, and
– ensuring that the majority of transactions are undertaken on recognised exchanges.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

## 12. Financial risk management (continued)

(c) Credit risk (continued)

As such, the Fund does not have a concentration of credit risk that arises from an exposure to a single counterparty. Furthermore, the Fund does not have a material exposure to group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

The Fund invests in financial assets, which have an investment grade as rated by Moody's. The credit ratings are reviewed regularly.

The table below analyses the Fund's investments by credit ratings expressed as a percentage of net assets attributable to unitholders.

**As at 31 December 2010**

| | **Aaa** | **Aa2** | **Aa3** | **A1** | **A2** |
|---|---|---|---|---|---|
| Fixed rate securities | **25%** | **4%** | **6%** | **13%** | **16%** |
| Floating rate securities | **-** | **-** | **-** | **-** | **-** |

| | **A3** | **Baa1** | **Baa2** | **Non rated** |
|---|---|---|---|---|
| Fixed rate securities | **5%** | **14%** | **-** | **-** |
| Floating rate securities | **-** | **-** | **4%** | **5%** |

As at 30 June 2010

| | Aaa | Aa | A | Baa | Non rated |
|---|---|---|---|---|---|
| Fixed rate securities | 22% | 29% | 22% | 11% | 4% |
| Floating rate securities | - | - | - | 3% | - |

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Credit risk also arises from cash and cash equivalents and derivative positions held with financial institutions.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

**12. Financial risk management** (continued)

(c) Credit risk (continued)

The table below summarizes the credit rating of banks and custodians in which the Fund's assets are held as at 31 December 2010 and 30 June 2010.

**As at 31 December 2010**

| | **Credit rating** | **Source of Credit rating** |
|---|---|---|
| Bank | | |
| State Street Bank & Trust Co. | **B** | **Moody's** |
| United Overseas Bank Limited | **B** | **Moody's** |
| | | |
| Custodian | | |
| State Street Bank & Trust Co. | **B** | **Moody's** |

As at 30 June 2010

| | Credit rating | Source of Credit rating |
|---|---|---|
| Bank | | |
| State Street Bank & Trust Co. | B | Moody's |
| United Overseas Bank Limited | B | Moody's |
| | | |
| Custodian | | |
| State Street Bank & Trust Co. | B | Moody's |
| | | |
| Counterparties of forward foreign exchange contracts | | |
| Citibank N.A. | C- | Moody's |
| BNP Paribas | B- | Moody's |

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(d) Capital management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

## 13. Related party transactions

(a) The Manager and the Trustee of the Fund are UOB Asset Management Ltd and RBC Dexia Trust Services Singapore Limited respectively. UOB Asset Management Ltd is a subsidiary of United Overseas Bank Limited. RBC Dexia Trust Services Singapore Limited is a subsidiary of RBC Investor Services, a joint venture between Dexia Banque Internationale A. Luxembourg S.A. and Royal Bank Of Canada.

Management and valuation fees are paid to the Manager, while trustee fee is paid to the Trustee and the registrar fee is paid to HSBC Securities (Transfer Agency) Pte Ltd, a Subsidiary of HSBC Holdings Plc. These fees paid or payable by the Fund shown in the Statement of Total Return and in the respective Notes to the Financial Statements are on terms set out in the Trust Deed. All other related party transactions are shown elsewhere in the financial statements.

(b) As at the end of the financial period/year, the Fund maintained the following accounts with the related party:

| | **31 December 2010 $** | 30 June 2010 $ |
|---|---|---|
| <u>United Overseas Bank Limited</u> | | |
| Bank balances | **45,769** | 43,180 |

(c) The following transactions took place during the financial period between the Fund and United Overseas Bank Limited at terms agreed between the parties as follow:

| | **31 December 2010 $** | 30 December 2009 $ |
|---|---|---|
| Bank charges | **150** | 75 |
| Interest expense | **-** | 10 |

**NOTES TO THE FINANCIAL STATEMENTS**
For the half year ended 31 December 2010 (Un-audited)

## 14. Financial ratios

| | **31 December 2010** | 30 December 2009 |
|---|---|---|
| Expense ratio[1] | **2.11%** | 1.96% |
| Turnover ratio[2] | **8.04%** | 2.96% |

[1] *The expense ratio is computed in accordance with the IMAS guidelines on disclosure of expense ratios dated 25 May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio. The Fund does not pay any performance fees.*

[2] *The turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes".*

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