

# LionGlobal Singapore Balanced Fund

## Annual Report

For the financial year ended 31 December 2010

**Managers**

Lion Global Investors Limited  
One George Street #08-01  
Singapore 049145

**Directors of Lion Global Investors Limited**

David Philbrick Conner (Chairman)  
Christopher Brian Wei (Deputy Chairman)  
Gerard Lee How Cheng (CEO)  
Soon Tit Koon  
Cheong Jin Keat  
Yoon Mun Tim  
Ching Wei Hong

**Trustee/Custodian/Registrar**

HSBC Institutional Trust Services (Singapore) Limited  
21 Collyer Quay  
#14-01 HSBC Building  
Singapore 049320

**Independent Auditor**

PricewaterhouseCoopers LLP  
8 Cross Street #17-00  
PWC Building  
Singapore 048424u

## LIONGLOBAL SINGAPORE BALANCED FUND

### PERFORMANCE OF THE FUND

*For the financial year ended 31 December 2010*

Cumulative returns for the Fund are calculated up to 31 December 2010 in SGD terms, based on single pricing, with dividends reinvested net of all charges payable upon reinvestment.

<b>Time Period</b>	<b>Fund Returns (%) LionGlobal Singapore Balanced Fund - SGD Class</b>	<b>Benchmark Returns (%) (50% STI + 50% CPF Ordinary Rate)</b>
3 months	3.4	1.8
6 months	9.5	6.8
1 year	9.1	6.5
3 years	2.7	2.6
5 years	47.7	28.8
10 years	95.6	54.4
Since Inception (22 September 1995)	139.6	73.1

Cumulative returns for the Fund are calculated up to 31 December 2010 in USD terms, based on single pricing, with dividends reinvested net of all charges payable upon reinvestment.

<b>Time Period</b>	<b>Fund Returns (%) LionGlobal Singapore Balanced Fund - USD Class</b>	<b>Benchmark Returns (%) (50% STI + 50% CPF Ordinary Rate)</b>
3 months	6.2	4.5
6 months	19.4	16.4
1 year	19.6	16.7
3 years	15.3	15.3
5 years	91.7	67.2
Since Inception (2 August 2004)	128.8	96.4

*Source: Morningstar/CPF Board/Lion Global Investors Limited*

## FUND AND MARKET REVIEW

For the financial year ended 31 December 2010, the Fund gained 9.1% outperforming the benchmark which rose 6.5%, in Singapore dollar terms.

The Straits Times Index rose 13.4% during 2010, outperforming the MSCI Asia ex-Japan index which gained 9.1%. The Singapore dollar ended the year at close to its record high against the US dollar at S\$1.2834 (+8.3%). With the buoyant market conditions, equity raising activity increased towards the end of the year as Global Logistics Properties (GLP) and the Mapletree Industrial Trust raised S\$3.5 billion and S\$800 million respectively from their IPOs. The portfolio benefited from its investment in GLP.

During the year, 'Consumer Discretionary' was the best performing sector with a gain of 49.7%, followed by industrials which rose 29.2%. The portfolio owns Jardine Matheson which has outperformed because the underlying consumer businesses were doing well amid the broadening economic recovery. Our overweight in offshore and marine stocks such as Sembcorp Marine and Keppel Corp added value to the portfolio as these stock prices rose on expectations of stronger order momentum.

The portfolio's underweight in the financials (banks and real estate) sector contributed positively. Bank stocks underperformed because of margin pressure in a low interest rate environment. Real estate stocks saw lacklustre performance throughout the year as a result of cooling measures introduced by the Government.

For fixed income, we saw a correction in 4Q10, as the focus seemed to return to inflation, amidst a more sanguine economic outlook for the US, in particular. On the domestic bond market, the low yield environment and the risk-on mode of investors seeking yield saw a sharp increase of new corporate bond issues. Some rare but good credit quality issuers took the opportunity to issue relatively long-dated issues. Credit spreads tightened and swap rates have fell in line with SGS yields. As the correction hit bond markets in 4Q10, swap rates reversed and there was some indigestion of some long-dated corporate issues.

## STRATEGY AND OUTLOOK

With the economic rebound gaining traction, Singapore's economy is expected to grow by 15% in 2010 and 4 to 6% in 2011. Growth is likely to be driven by services (tourism, business), construction activities and new capacity expansion in manufacturing. Food inflation is apparent across the region and governments are monitoring the situation closely in order to prevent an excessive escalation in food prices.

Economic growth momentum and earnings revision have peaked, but corporate margins should continue to hold steady at current levels. We expect the cyclical rebound in business investment to continue to improve as the US economy improves. We also believe that there is room for cash-generative companies with strong balance sheets to improve their capital efficiency by buying back shares, paying higher dividends, increasing capex or considering Merger & Acquisition activity.

The Singapore market is currently trading at a price-to-earnings ratio of 14x FY11 which is slightly lower than the historical average range. The price-to-book ratio at 1.8x and dividend yield at 3% suggest that valuations continue to look reasonable.

Banks are trading at attractive valuations and we expect the sector to re-rate amid expectation of a higher interest rate environment going forward. The commodity-related and oil and gas stocks have started to outperform on the back of strong order-book momentum arising from the global rig and offshore equipment replacement cycle. We are cautious on mass market developers as we view policy measures as having a dampening effect on the sector for a period of time. The dynamics of rising supply and potentially falling demand in the medium term are not favorable for the sector.

In the fixed income space, we do not expect US rate hikes to start any time soon, and as such expect Singapore short-term interest rates to remain subdued. Whilst it seems like imported inflation may not be the major contributor to inflationary pressures, the strong SGD policy will serve to mitigate the effects of imported inflation on top of domestic factors such as capacity constraints and higher wages. Our strategy will be to keep the core portfolio in shorter duration corporate bonds, but we will look for opportunity to trade the interest rates (via Singapore Government Securities) – buying on dips. We will continue to keep a relative short duration (to benchmark).

**DISCLOSURES ON THE FUND <sup>1</sup>**

*For the financial year ended 31 December 2010*

**1. DISTRIBUTION OF INVESTMENTS AS AT 31 DECEMBER 2010**

	Fair Value \$	Percentage of total net assets attributable to unitholders %
<i>a) <u>By Asset Class</u></i>		
Equities	89,452,520	57.2
Debt Securities (including accrued interest on debt securities)	62,641,744	40.1
Financial Derivatives at fair value	96,281	0.1
Cash and cash equivalents	4,206,491	2.6
<b>Net assets attributable to unitholders</b>	<b>156,397,036</b>	<b>100.0</b>
<i>b) <u>By Credit Rating of Debt Securities</u></i>		
Aaa	1,488,825	0.9
Aa2	3,036,453	1.9
A1	3,556,261	2.3
A2	1,019,672	0.7
A3	5,425,700	3.5
Baa1	2,536,616	1.6
Unrated (primarily corporate debts issued by Singapore companies)	45,133,437	28.9
Accrued interest on debt securities	444,780	0.3
	<b>62,641,744</b>	<b>40.1</b>
<i>c) <u>By Derivative Type</u></i>		
Forward foreign exchange contracts	96,281	0.1

<sup>1</sup> As required by the Code on Collective Investment Schemes

2. TOP 10 HOLDINGS

As at 31 December 2010

	Fair Value \$	Percentage of total net assets attributable to unitholders %
Keppel Corporation Limited	7,539,120	4.8
United Overseas Bank Limited	6,346,941	4.1
DBS Group Holdings Limited	5,698,701	3.6
Oversea-Chinese Banking Corporation	5,541,208	3.5
Jardine Matheson Holdings Limited	5,118,051	3.3
United Overseas Land Limited 3.34% due 15/05/2012	5,102,614	3.3
Noble Group Limited	4,529,183	2.9
Singapore Telecommunications Limited	4,498,628	2.9
Genting Singapore Public Company Limited	4,329,480	2.8
Sembcorp Marine Limited	3,909,360	2.5

As at 31 December 2009

	Fair Value \$	Percentage of total net assets attributable to unitholders %
DBS Group Holdings Limited	8,228,300	5.6
United Overseas Bank Limited	7,835,789	5.3
Singapore Telecommunications Limited	7,498,776	5.1
Oversea-Chinese Banking Corporation	5,197,389	3.5
United Overseas Land Limited 3.34% due 15/05/2012	5,020,000	3.4
Singapore Airlines Limited	4,991,500	3.4
Keppel Corporation Limited	3,978,480	2.7
Raffles Medical Group Limited	3,917,320	2.7
CapitaLand Limited	3,910,372	2.7
Frasers Centrepoint Trust	3,053,940	2.1

**3. INVESTMENT IN OTHER UNIT TRUSTS, MUTUAL FUNDS AND COLLECTIVE INVESTMENT SCHEMES**

Nil

**4. BORROWINGS**

Nil

**5. SOFT DOLLAR COMMISSION RECEIVED BY THE MANAGERS**

The soft dollar commissions from various brokers for the year were utilised on research and advisory services, economic and political analyses, portfolio analyses, market analyses, data and quotation analyses and computer hardware and software used for and in support of the investment process of fund managers. Goods and services received were for the benefit of the scheme and there was no churning of trades. These brokers also execute trades for other funds managed by the managers. The trades are conducted on best available terms and in accordance with best practices.

**6. OTHER MATERIAL INFORMATION**

There is no other material information that will adversely impact the valuation of the Fund.

**7. SUPPLEMENTAL INFORMATION ON UNDERLYING SUB-FUNDS**

Not applicable

## REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and to hold the assets of LionGlobal Singapore Balanced Fund (the “Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of the Managers for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Managers have, in all material respects, managed the Fund during the period covered by these financial statements, set out on pages 11 to 42 comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee  
HSBC INSTITUTIONAL TRUST SERVICES (SINGAPORE) LIMITED

Authorised signatory

## STATEMENT BY THE MANAGERS

In the opinion of the directors of Lion Global Investors Limited, the accompanying financial statements set out on pages 11 to 42, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of LionGlobal Singapore Balanced Fund (the "Fund") as at 31 December 2010 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 Reporting Framework for Unit Trusts issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of directors of  
LION GLOBAL INVESTORS LIMITED

GERARD LEE HOW CHENG  
CEO

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LIONGLOBAL SINGAPORE BALANCED FUND

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

We have audited the accompanying financial statements of LionGlobal Singapore Balanced Fund (the "Fund") set out on pages 11 to 42, which comprise the Balance Sheet and Portfolio Statement as at 31 December 2010, the Statement of Total Return for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Manager's Responsibility for the Financial Statements**

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2010 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

PricewaterhouseCoopers LLP  
Public Accountants and Certified Public Accountants

Singapore

**STATEMENT OF TOTAL RETURN**

*For the financial year ended 31 December 2010*

	Note	2010 \$	2009 \$
<b>Income</b>			
Dividends		2,400,788	3,015,894
Interest		5,108	9,417
		<u>2,405,896</u>	<u>3,025,311</u>
<b>Less: Expenses</b>			
Audit fee		13,152	15,411
Custodian fees		30,733	24,625
Management fee		1,880,917	1,524,688
Professional fees		17,763	37,073
Registration fee		25,440	31,177
Trustee fee		75,237	60,988
Valuation and administration fees		54,666	44,893
Miscellaneous expenses		(25,760)	136,277
		<u>2,072,148</u>	<u>1,875,132</u>
<b>Net income</b>		<u>333,748</u>	<u>1,150,179</u>
<b>Net gains or losses on investments</b>			
Net realised gains on investments		6,854,423	1,227,387
Net realised gains on financial derivatives		36,786	38,829
Net change in fair value of investments		6,084,891	35,096,238
Net unrealised gains on financial derivatives		96,281	-
Net foreign exchange (losses)/gains		(5,709)	11,780
		<u>13,066,672</u>	<u>36,374,234</u>
<b>Total return for the year before income tax</b>		13,400,420	37,524,413
<b>Less: Income tax</b>	3	(71,535)	(80,005)
<b>Total return for the year after income tax before distribution</b>		<u>13,328,885</u>	<u>37,444,408</u>
<b>Less: Distribution</b>	4	-	-
<b>Total return for the year</b>		<u>13,328,885</u>	<u>37,444,408</u>

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

# LIONGLOBAL SINGAPORE BALANCED FUND

## BALANCE SHEET

As at 31 December 2010

	Note	2010 \$	2009 \$
<b>ASSETS</b>			
Portfolio of investments		152,094,264	133,287,838
Receivables	5	734,463	778,324
Financial derivatives at fair value	6	96,281	-
Fixed deposits	7	2,500,151	13,208,595
Cash and bank balances	8	1,723,211	1,006,059
<b>Total assets</b>		<u>157,148,370</u>	<u>148,280,816</u>
<b>LIABILITIES</b>			
Payables	9	751,334	854,951
Net assets attributable to unitholders	10	156,397,036	147,425,865
<b>Total liabilities</b>		<u>157,148,370</u>	<u>148,280,816</u>

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

# LIONGLOBAL SINGAPORE BALANCED FUND

## PORTFOLIO STATEMENT

As at 31 December 2010

	Holdings at 31 December 2010	Fair value at 31 December 2010 \$	Percentage of total net assets attributable to unitholders at 31 December 2010 %
<b>By Industry (Primary)</b>			
<b>QUOTED</b>			
<b>EQUITIES</b>			
<b>FINANCIAL</b>			
United Overseas Bank Limited	348,733	6,346,941	4.1
DBS Group Holdings Limited	397,954	5,698,701	3.6
Oversea-Chinese Banking Corporation*	560,851	5,541,208	3.5
Singapore Exchange Limited	314,000	2,643,880	1.7
CapitaLand Limited	642,041	2,381,972	1.5
Frasers Centrepoint Trust	1,582,000	2,357,180	1.5
City Developments Limited	156,000	1,959,360	1.3
CDL Hospitality Trusts	588,000	1,223,040	0.8
Global Logistic Properties Limited	528,000	1,135,200	0.7
Keppel Land Limited	221,000	1,060,800	0.7
		<u>30,348,282</u>	<u>19.4</u>

\* ultimate holding company of the Managers

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

# LIONGLOBAL SINGAPORE BALANCED FUND

	Holdings at 31 December 2010	Fair value at 31 December 2010 \$	Percentage of total net assets attributable to unitholders at 31 December 2010 %
<b>INDUSTRIAL</b>			
Noble Group Limited	2,087,181	4,529,183	2.9
Sembcorp Marine Limited	728,000	3,909,360	2.5
COSCO Corporation (Singapore) Limited	1,183,000	2,531,620	1.6
Sembcorp Industries	451,000	2,313,630	1.5
STX OSV Holdings Limited	1,011,000	1,152,540	0.7
Ezion Holdings Limited	1,339,000	950,690	0.6
ComfortDelGro Corporation Limited	597,000	925,350	0.6
Tat Hong Holdings Limited	794,000	758,270	0.5
		<u>17,070,643</u>	<u>10.9</u>
<b>DIVERSIFIED</b>			
Keppel Corporation Limited	666,000	7,539,120	4.8
Jardine Matheson Holdings Limited	90,800	5,118,051	3.3
		<u>12,657,171</u>	<u>8.1</u>
<b>CONSUMER, CYCLICAL</b>			
Genting Singapore Public Company Limited	1,986,000	4,329,480	2.8
Singapore Airlines Limited	181,000	2,769,300	1.8
Overseas Union Enterprise Limited	564,000	1,855,560	1.2
Jardine Cycle & Carriage Limited	31,000	1,134,600	0.7
Tiger Airways Holdings Limited	512,000	942,080	0.6
		<u>11,031,020</u>	<u>7.1</u>

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# LIONGLOBAL SINGAPORE BALANCED FUND

	Holdings at 31 December 2010	Fair value at 31 December 2010 \$	Percentage of total net assets attributable to unitholders at 31 December 2010 %
<b>CONSUMER, NON-CYCLICAL</b>			
Olam International Limited	1,130,000	3,548,200	2.3
Wilmar International Limited	456,000	2,567,280	1.6
Golden Agri-Resources Limited	2,640,000	2,098,800	1.3
Indofood Agri Resources Limited	358,000	1,002,400	0.6
Raffles Medical Group Limited	210,000	499,800	0.3
		<u>9,716,480</u>	<u>6.1</u>
<b>COMMUNICATIONS</b>			
Singapore Telecommunications Limited	1,474,960	<u>4,498,628</u>	<u>2.9</u>
<b>ENERGY</b>			
Ezra Holdings Limited	1,023,400	1,831,886	1.2
Straits Asia Resources Limited	319,000	794,310	0.5
		<u>2,626,196</u>	<u>1.7</u>
<b>TECHNOLOGY</b>			
CSE Global Limited	1,157,000	<u>1,504,100</u>	<u>1.0</u>
<b>UNQUOTED</b>			
<b>BASIC MATERIALS</b>			
FerroChina Limited	532,000	<u>-</u>	<u>-</u>
<b>TOTAL EQUITIES</b>		<u>89,452,520</u>	<u>57.2</u>

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

# LIONGLOBAL SINGAPORE BALANCED FUND

	Notional amounts at 31 December 2010	Fair value at 31 December 2010 \$	Percentage of total net assets attributable to unitholders at 31 December 2010 %
<b>QUOTED</b>			
<b>DEBT SECURITIES</b>			
<b>FINANCIAL</b>			
United Overseas Land Limited 3.34% due 15/05/2012	5,000,000	5,102,614	3.3
DBS Capital Funding Corporation Preference Shares	3,000,000	3,174,300	2.0
City Developments Limited Series MTN 3.38% due 25/04/2012	3,000,000	3,069,662	1.9
CapitaMall Trust Management Limited Convertible 1% due 02/07/2013	2,500,000	2,639,375	1.7
United Overseas Bank Limited Class E 5.05% Non-Cumulative Preference Shares	2,000,000	2,110,000	1.3
F&N Treasury Private Limited MTN 3.405% due 11/06/2012	2,000,000	2,051,729	1.3
General Electric Capital Corporation EMTN 3.03% due 11/02/2013	2,000,000	2,025,440	1.3
Frasers Centrepoint Limited MTN 4.045% due 14/03/2011	2,000,000	2,009,264	1.3
Keppel Land Limited Convertible 2.5% due 23/06/2013	1,600,000	1,711,840	1.1
United Overseas Bank Limited 4.95% due 30/09/2016	1,500,000	1,531,350	1.0
City Developments Limited DMTN 3.85% due 12/10/2011	1,500,000	1,526,068	1.0
Ascendas Real Estate Investment Trust MTN 4.75% due 29/04/2011	1,500,000	1,514,386	1.0

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

# LIONGLOBAL SINGAPORE BALANCED FUND

	Notional amounts at 31 December 2010	Fair value at 31 December 2010 \$	Percentage of total net assets attributable to unitholders at 31 December 2010 %
Midpoint Properties Series MTN 3.75% due 04/07/2011	1,500,000	1,507,347	1.0
Temasek Financial I Limited 3.785% due 05/03/2025	1,500,000	1,488,825	1.0
Queensley Holdings Limited 4.62% due 07/12/2012	1,250,000	1,271,552	0.8
Mapletree Treasury Services Limited MTN 4.6% due 20/08/2013	1,000,000	1,057,386	0.7
Keppel Land Limited MTN 2.77% due 04/02/2013	1,000,000	1,013,810	0.6
Standard Chartered Bank EMTN 2.22% due 05/07/2013	1,000,000	1,002,600	0.6
CapitaLand Limited Series 2.95% due 20/06/2022	1,000,000	934,170	0.6
Midpoint Properties Series MTN 5.1% due 21/05/2014	750,000	791,230	0.5
Morgan Stanley EMTN 3.585% due 23/10/2012	750,000	766,298	0.5
VTB Capital 4.2% due 11/08/2012	750,000	757,814	0.5
CapitaCommercial Trust Convertible 2% due 06/05/2013	500,000	546,550	0.3
Suntec Real Estate Investment Trust Convertible 3.25% due 20/03/2013	500,000	542,435	0.3
DBS Bank Limited Singapore MTN Var due 15/07/2021	500,000	515,511	0.3
Export-Import Bank of Korea EMTN 2.8% due 04/05/2012	500,000	506,800	0.3
Kim Eng Holdings Limited Series MTN 2.3% due 28/01/2011	500,000	500,185	0.3

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

# LIONGLOBAL SINGAPORE BALANCED FUND

	Notional amounts at 31 December 2010	Fair value at 31 December 2010 \$	Percentage of total net assets attributable to unitholders at 31 December 2010 %
CapitaMalls Asia Treasury Limited EMTN 3.95% due 24/08/2017	500,000	495,485	0.3
Ascendas Real Estate Investment Trust Series MTN 5% due 22/07/2013	250,000	264,416	0.2
Sengkang Mall Limited Series A 4.88% due 20/11/2012	250,000	259,061	0.2
Ascendas India Trust MTN 5.255% due 09/11/2012	250,000	257,018	0.2
Ascendas India Trust MTN due 09/11/2012	250,000	257,018	0.2
HK Land Treasury SG 3.65% due 05/10/2015	250,000	253,374	0.2
Kim Eng Holdings Limited Series MTN 2.2% due 21/10/2011	250,000	250,175	0.1
DBS Group Holdings Limited 6% Non-Cumulative Preference Shares	140,000	141,400	0.1
		43,846,488	28.0
<b>CONSUMER, CYCLICAL</b>			
Singapore Airlines Limited 4.15% due 19/12/2011	2,000,000	2,058,056	1.3
Cathay Pacific Airways Limited MTN 3.82% due 09/11/2011	1,500,000	1,524,178	1.0
Hotel Properties Limited Series MTN 3.3% due 07/03/2011	1,000,000	1,002,092	0.6
Overseas Union Enterprise Limited 3.36% due 27/09/2013	750,000	759,300	0.5
		5,343,626	3.4

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

# LIONGLOBAL SINGAPORE BALANCED FUND

	Notional amounts at 31 December 2010	Fair value at 31 December 2010 \$	Percentage of total net assets attributable to unitholders at 31 December 2010 %
<b>INDUSTRIAL</b>			
SembCorp Financial Services MTN 5% due 21/04/2014	1,000,000	1,086,298	0.7
SembCorp Financial Services Series MTN 3.7325% due 09/04/2020	1,000,000	987,973	0.6
PB Issuer Limited Series PB Convertible 3.3% due 01/02/2013	400,000	511,954	0.3
Singapore Post Limited 3.5% due 30/03/2020	500,000	507,344	0.3
Goodpack Limited MTN 4% due 19/07/2013	500,000	503,844	0.3
Land Transport Authority 3.275% due 29/10/2025	500,000	479,500	0.3
Singapore Post Limited 3.13% due 11/04/2013	250,000	259,953	0.2
WBL Corporation Limited MTN 3.173% due 29/07/2013	250,000	250,860	0.2
		<u>4,587,726</u>	<u>2.9</u>
<b>UTILITIES</b>			
SP PowerAssets Limited EMTN 3.385% due 27/04/2015	1,750,000	1,836,300	1.2
Singapore Power 4.05% due 04/05/2013	940,000	995,669	0.6
		<u>2,831,969</u>	<u>1.8</u>
<b>COMMUNICATIONS</b>			
Singapore Press Holdings Limited MTN 2.81% due 02/03/2015	1,000,000	1,021,036	0.7
SingTel Group Treasury Private Limited 3.4875% due 08/04/2020	1,000,000	1,011,013	0.6
		<u>2,032,049</u>	<u>1.3</u>

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

# LIONGLOBAL SINGAPORE BALANCED FUND

	Notional amounts at 31 December 2010	Fair value at 31 December 2010 \$	Percentage of total net assets attributable to unitholders at 31 December 2010 %
<b>CONSUMER, NON CYCLICAL</b>			
Petra Foods Limited EMTN 4.435% due 11/01/2012	1,250,000	1,235,562	0.8
IOI Resources (L) Berhad Series IOI 0% due 15/01/2013	400,000	530,544	0.3
		<u>1,766,106</u>	<u>1.1</u>
<b>SOVEREIGN</b>			
Majlis Ugama Islam Singapura 2.9% due 16/11/2014	1,500,000	1,554,000	1.0
<b>DIVERSIFIED</b>			
Keppel Corporation Limited Series MTN 3.1% due 12/10/2020	250,000	235,000	0.2
Accrued interest receivable on debt securities		444,780	0.3
<b>TOTAL DEBT SECURITIES</b>		<u>62,641,744</u>	<u>40.0</u>
<b>UNQUOTED</b>			
NIL			
<b>Portfolio of investments</b>		152,094,264	97.2
<b>Other net assets</b>		4,302,772	2.8
<b>Net assets attributable to unitholders</b>		<u>156,397,036</u>	<u>100.0</u>

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

	Percentage of total net assets attributable to unitholders at	
	31 December 2010 %	31 December 2009 %
<b>By Industry (Summary)</b>		
Financial	47.4	57.5
Industrial	13.8	7.6
Consumer, Cyclical	10.5	7.0
Diversified	8.3	2.7
Consumer, Non-Cyclical	7.2	5.8
Communications	4.2	5.1
Utilities	1.8	1.5
Energy	1.7	1.1
Sovereign	1.0	1.0
Technology	1.0	0.9
	<hr/>	<hr/>
	96.9	90.2
Accrued interest receivable on debt securities	0.3	0.2
	<hr/>	<hr/>
<b>Portfolio of investments</b>	97.2	90.4
<b>Other net assets</b>	2.8	9.6
	<hr/>	<hr/>
<b>Net assets attributable to unitholders</b>	100.0	100.0
	<hr/>	<hr/>

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

**PORTFOLIO STATEMENT**

*As at 31 December 2010*

	Fair value at 31 December 2010 \$	Percentage of total net assets attributable to unitholders at	
		31 December 2010 %	31 December 2009 %
<b>By Geography (Secondary)</b>			
Singapore	134,123,248	85.8	84.7
Hong Kong	11,936,740	7.6	2.0
United States of America	2,791,738	1.8	1.8
Great Britain	1,002,600	0.6	-
Luxembourg	757,814	0.5	-
South Korea	506,800	0.3	1.0
Malaysia	530,544	0.3	-
Supranational	-	-	0.7
	<hr/> 151,649,484	<hr/> 96.9	<hr/> 90.2
Accrued interest receivable on debt securities	444,780	0.3	0.2
	<hr/> 152,094,264	<hr/> 97.2	<hr/> 90.4
<b>Portfolio of investments</b>			
<b>Other net assets</b>	4,302,772	2.8	9.6
	<hr/> 156,397,036	<hr/> 100.0	<hr/> 100.0
<b>Net assets attributable to unitholders</b>			

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

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2010*

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

### 1. GENERAL

LionGlobal Singapore Balanced Fund (the “Fund”) is a unit trust constituted by a Deed of Trust dated 15 September 1995 together with its Supplemental Deeds thereon (hereafter referred to as “Trust Deed”) between Lion Global Investors Limited (the “Managers”) and HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”). The Trust Deed is governed by the laws of the Republic of Singapore. The Fund is a unit trust under the Central Provident Fund Investment Scheme.

### 2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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 recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore (“ICPAS”).

(b) Recognition of income

Dividend income is recognised when the right to receive payment is established.

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

(c) Financial derivatives

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

Financial derivatives outstanding at the end of the financial year are measured at their fair values using the marked-to-market method, and the resultant gains and losses are taken up in the Statement of Total Return.

(d) Distribution

The Managers have 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. The amount shall not be treated as part of the property of the Fund.

(e) Investments

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

(i) Initial recognition

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

(ii) Subsequent measurement

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

(iii) Derecognition

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales 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.

(f) Basis of valuation of investments

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

(g) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method.

(h) Foreign currencies

(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 primary activity of the Fund is to invest in securities and bonds (including real estate investment trusts) in Singapore with limited investments in countries outside Singapore.

The performance of the Fund is measured and reported to the investors in Singapore dollars. The Managers consider the Singapore Dollar as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's functional and presentation currency is the Singapore Dollar.

(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 year-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 such as equities are also recognised in the Statement of Total Return within the fair value net gain or loss.

**3. INCOME TAX**

The Fund was granted the status of a Designated Unit Trust and included under the Central Provident Fund Investment Scheme and, therefore, the following income is exempted from tax in accordance with Section 35(12) and (12A) of the Income Tax Act (Cap 134):

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under Section 45 of the Income Tax Act);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index; and
- (e) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Singapore income tax	<u>71,535</u>	<u>80,005</u>

The Singapore income tax represents tax deducted at source for Singapore sourced dividends.

**4. DISTRIBUTION**

The Managers do not propose any distribution to unitholders for the financial year ended 31 December 2010 (2009: Nil).

5. RECEIVABLES

	2010	2009
	\$	\$
Amount receivable for creation of units	597,620	590,264
Dividends receivable	115,648	187,776
Interest receivable from a bank which is the ultimate holding company of the Managers	16	34
Interest receivable from a bank which is a non-related company	-	250
Other receivable	21,179	-
	<u>734,463</u>	<u>778,324</u>

6. FINANCIAL DERIVATIVES AT FAIR VALUE

Financial derivative contracts comprise forward foreign exchange contracts due for settlement within 1 year (2009: Nil) from balance sheet date. The contract or underlying principal amounts of these financial derivatives and their corresponding gross fair values at the balance sheet date are analysed below.

31 December 2010

	Contract or underlying principal amount \$	Fair Value	
		Asset \$	Liability \$
Forward foreign exchange contracts	<u>1,120,800</u>	<u>96,281</u>	<u>-</u>

As at 31 December 2009, there was no commitment under financial derivative contract.

**7. FIXED DEPOSITS**

	<b>2010</b>	<b>2009</b>
	\$	\$
Fixed deposit placed with a bank which is the ultimate holding company of the Managers	2,500,151	3,205,282
Fixed deposit placed with a bank which is a non-related company	-	10,003,313
	<u>2,500,151</u>	<u>13,208,595</u>

Fixed deposits have an average maturity of 5 days (2009: 8 days) from the end of the financial year with the following weighted average effective interest rate:

	<b>2010</b>	<b>2009</b>
	%	%
Singapore Dollar	<u>0.12</u>	<u>0.11</u>

**8. CASH AND BANK BALANCES**

The cash and bank balances are placed with a financial institution related to the Trustee.

**9. PAYABLES**

	<b>2010</b>	<b>2009</b>
	\$	\$
Amount payable for cancellation of units	546,810	661,684
Amount due to the Managers	166,585	154,975
Amount due to the Trustee	11,524	11,536
Amount due to the Custodian	2,123	2,123
Amount due to the Registrar	7,562	8,934
Other payables	16,730	15,699
	<u>751,334</u>	<u>854,951</u>

10. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2010 \$	2009 \$
<b>At beginning of financial year</b>	147,425,865	105,656,241
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	13,328,885	37,444,408
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	46,647,494	43,306,228
Cancellation of units	(51,005,208)	(38,981,012)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(4,357,714)	4,325,216
Total increase in net assets attributable to unitholders	8,971,171	41,769,624
<b>At end of financial year</b>	<u>156,397,036</u>	<u>147,425,865</u>
<b>Units in issue (see Note 11)</b>	<u>74,859,779</u>	<u>77,067,103</u>
<b>Net assets attributable to unitholders per unit</b>	<u>2.089</u>	<u>1.912</u>

Reconciliation of net assets attributable to unitholders per unit for issuing/ redeeming units at financial year-end and the net assets attributable to unitholders per unit per the financial statements:

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Net assets attributable to unitholders per unit for issuing/redeeming units	2.092	1.917
Effect of adopting bid prices as fair value	(0.003)	(0.005)
	<hr/>	<hr/>
Net assets attributable to unitholders per unit per the financial statements	<u>2.089</u>	<u>1.912</u>

Quoted investments have been valued at the current bid prices in accordance with the recommendations of Statement of Recommended Accounting Practice 7. For the purpose of the net assets attributable to unitholders per unit calculation for the issuance and redemption of units, quoted investments are stated at the last available transacted price, in accordance with the Code on Collective Investment Schemes.

**11. UNITS IN ISSUE**

	<b>2010</b>	<b>2009</b>
	<b>Units</b>	<b>Units</b>
Units at beginning of the year	77,067,103	74,969,886
Units created	23,804,042	26,192,333
Units cancelled	(26,011,366)	(24,095,116)
Units at end of the year	<u>74,859,779</u>	<u>77,067,103</u>
of which, units denominated in		
- USD	<u>120,181</u>	<u>164,674</u>

**12. FINANCIAL RISK MANAGEMENT**

The Fund's activities expose it to a variety of market risk (including currency 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 futures contracts, options and/or currency forward contracts subject to the terms of the Trust Deed 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 equity investments, 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 Managers to achieve their investment objectives.

The following is a summary of the main risks and risk management policies:

(a) Market risk

Market risk is the risk of loss to the value of financial investments because of changes in market conditions like interest and currency rate movements and volatility in security prices. External factors such as changes in economic environment, consumption patterns and investor's expectation contribute to market risk which may have a significant impact on the asset's value.

The Fund's investments are substantially dependent on changes in market prices. The Managers monitor the Fund's investments closely so as to assess changes in fundamentals and valuation. Although the Managers make reasonable efforts in the choice of investments, events beyond reasonable control of the Managers 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/industries.

The Fund's market risk is affected by three main components: changes in actual market prices, interest rate volatilities and foreign exchange movements.

(i) Price risk

The Fund's sensitivity to the market is measured using its beta, a ratio that describes how the expected return of a portfolio is correlated to the return of the financial market as a whole. The daily Fund price movements are measured against the daily price movements of the benchmark to derive the beta.

As at 31 December 2010, the Fund's beta was 1.04 (2009: 1.02) which is calculated based on the daily returns over the preceding 12 months for the Fund and its benchmark (2009: based on the daily returns over the preceding 12 months for the Fund and its benchmark).

The table below summarises the impact of increases/decreases from the Fund's underlying investments in equities on the Fund's net assets attributable to the unitholders as at 31 December 2010 and 2009. The analysis was based on the assumptions that the index components within the benchmark index increased/decreased by a reasonable possible shift, with all variables held constant and that the fair value of the Fund's investments moved according to the beta.

Fund	Benchmark	Impact of 12% (2009: 12%) movement in benchmark on net assets attributable to the unitholders	
		2010 \$	2009 \$
LionGlobal Singapore Balanced Fund	Straits Times Index	11,163,674	10,290,705

(ii) 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.

It affects the value of fixed income securities more directly than equities. As interest rates rise, prices of fixed income securities may fall and vice versa. The rationale is that as interest rates increase, the opportunity cost of holding a fixed income security increases since investors are able to realise greater yields by switching to other investments that reflect the higher interest rate. The Managers will regularly assess the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk.

The tables below summarise the Fund's exposure to interest rate risks. They include the Fund's assets and liabilities at fair value, categorised by the interest rate types.

31 December 2010	Variable rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Portfolio of investments	515,511	61,681,453	89,897,300	152,094,264
Receivables	-	-	734,463	734,463
Financial derivatives at fair value	-	-	96,281	96,281
Fixed deposits	-	2,500,151	-	2,500,151
Cash and bank balances	1,723,211	-	-	1,723,211
<b>Total assets</b>	<b>2,238,722</b>	<b>64,181,604</b>	<b>90,728,044</b>	<b>157,148,370</b>
<b>Liabilities</b>				
Payables	-	-	751,334	751,334
Net assets attributable to unitholders	-	-	156,397,036	156,397,036
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>157,148,370</b>	<b>157,148,370</b>

# LIONGLOBAL SINGAPORE BALANCED FUND

31 December 2009	Variable rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Portfolio of investments	475,048	48,404,358	84,408,432	133,287,838
Receivables	-	-	778,324	778,324
Fixed deposits	-	13,208,595	-	13,208,595
Cash and bank balances	1,006,059	-	-	1,006,059
<b>Total assets</b>	<b>1,481,107</b>	<b>61,612,953</b>	<b>85,186,756</b>	<b>148,280,816</b>
<b>Liabilities</b>				
Payables	-	-	854,951	854,951
Net assets attributable to unitholders	-	-	147,425,865	147,425,865
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>148,280,816</b>	<b>148,280,816</b>

The duration, a measure of the sensitivity of the price of a fixed income security to a change in interest for the 12 month period is 2.84 (2009: 3.13). As of 31 December 2010, should interest rates lower or rise by 1% (2009: 1%), with all other variables remaining constant, the increase or decrease in net assets attributable to unitholders would be as follows:

Fund	Impact of 1% (2009: 1%) movement in interest rates on net assets attributable to the unitholders	
	2010 \$	2009 \$
LionGlobal Singapore Balanced Fund	1,751,753	1,515,056

(iii) Currency risk

The Fund has monetary financial assets/liabilities denominated in currencies other than Singapore dollars and the Fund may be affected favourably or unfavourably by exchange rate regulations or changes in the exchange rates between the Singapore Dollar and such other currencies. The Fund may enter into foreign currency contracts designed to either hedge some or all of this exposure, or alternatively increase exposure to preferred foreign currencies.

The tables below summarise the Fund's exposure to key currencies at the end of the financial year. Monetary and non-monetary items have been taken into the account for the analysis.

31 December 2010	USD	HKD	MYR	SGD	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Portfolio of investments	6,167,595	-	-	145,926,669	152,094,264
Receivables	347	-	-	734,116	734,463
Fixed deposits	-	-	-	2,500,151	2,500,151
Cash and bank balances	1,541	597	68	1,721,005	1,723,211
<b>Total assets</b>	<b>6,169,483</b>	<b>597</b>	<b>68</b>	<b>150,881,941</b>	<b>157,052,089</b>
<b>Liabilities</b>					
Payables	77	-	-	751,257	751,334
Net assets attributable to unitholders	-	-	-	156,397,036	156,397,036
<b>Total liabilities</b>	<b>77</b>	<b>-</b>	<b>-</b>	<b>157,148,293</b>	<b>157,148,370</b>
<b>Net financial assets/ (liabilities)</b>	<b>6,169,406</b>	<b>597</b>	<b>68</b>	<b>(6,266,352)</b>	<b>(96,281)</b>
<b>Fair value of currency forwards and financial derivatives</b>	<b>(1,024,519)</b>	<b>-</b>	<b>-</b>	<b>1,120,800</b>	<b>96,281</b>
<b>Currency exposure</b>	<b>5,144,887</b>	<b>597</b>	<b>68</b>	<b>(5,145,552)</b>	

# LIONGLOBAL SINGAPORE BALANCED FUND

31 December 2009	USD	HKD	MYR	SGD	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Portfolio of investments	-	-	-	133,287,838	133,287,838
Receivables	1,277	-	-	777,047	778,324
Fixed deposits	-	-	-	13,208,595	13,208,595
Cash and bank balances	16,576	-	67	989,416	1,006,059
<b>Total assets</b>	<b>17,853</b>	<b>-</b>	<b>67</b>	<b>148,262,896</b>	<b>148,280,816</b>
<b>Liabilities</b>					
Payables	4,118	-	-	850,833	854,951
Net assets attributable to unitholders	-	-	-	147,425,865	147,425,865
<b>Total liabilities</b>	<b>4,118</b>	<b>-</b>	<b>-</b>	<b>148,276,698</b>	<b>148,280,816</b>
<b>Net financial assets/ (liabilities)</b>	<b>13,735</b>	<b>-</b>	<b>67</b>	<b>(13,802)</b>	<b>-</b>
<b>Fair value of currency forwards and financial derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Currency exposure</b>	<b>13,735</b>	<b>-</b>	<b>67</b>	<b>(13,802)</b>	<b>-</b>

Equity/Mutual fund investments are non-monetary financial assets and are exposed to both currency risk and price risk. As these financial assets are non-monetary, no separate sensitivity analysis has been performed to analyse currency risk. The impact of currency risk arising from these financial assets on the Fund's net asset value has been included in the above other price risk sensitivity analysis.

The Fund's monetary assets/liabilities are measured for their sensitivity to exchange rate movements based on the balance of the monetary assets/liabilities, forecasted exchange rate movements and the net asset value of the Fund.

As of 31 December 2010 and 2009, the Fund's exposure to foreign currency fluctuations with respect to the monetary assets/liabilities is not considered to be significant and consequently no sensitivity analysis on foreign currency risk has been presented.

(b) Liquidity risk

The Fund is exposed to daily redemption of units in the Fund. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

The tables below analyse the Fund's 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 tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

<b>31 December 2010</b>	<b>Less than 3 months \$</b>	<b>3 months- 1 year \$</b>	<b>1-5 years \$</b>	<b>Above 5 years \$</b>
Payables	751,334	-	-	-
Net assets attributable to unitholders*	156,397,036	-	-	-
<b>31 December 2009</b>	<b>Less than 3 months \$</b>	<b>3 months- 1 year \$</b>	<b>1-5 years \$</b>	<b>Above 5 years \$</b>
Payables	854,951	-	-	-
Net assets attributable to unitholders*	147,425,865	-	-	-

\* Net assets attributable to unitholders are repayable on demand.

(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.

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

The table below analyses the Fund's investments by credit ratings.

	<b>2010</b>	<b>2009</b>
	%	%
Aaa	0.9	-
Aa2	1.9	2.7
Aa3	-	3.6
A1	2.3	-
A2	0.7	1.5
A3	3.5	1.0
Baa1	1.6	-
Baa2	-	0.9
Unrated (primarily corporate debts issued by Singapore companies)	28.9	23.5
Accrued interest receivable on debt securities	0.3	0.2
<b>Total debt securities</b>	<b>40.1</b>	<b>33.4</b>

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 assets held with financial institutions.

The Fund may also enter into derivatives to manage its exposures to currency risk and price risk, including foreign exchange forward contracts and options. Hence, the Fund is also exposed to the risk that its derivatives held with counterparties may not be recoverable in the event of any default by the parties concerned. The Managers minimise the Fund's credit risk by undertaking transactions with banks that are part of banking groups with good credit-ratings assigned by international credit rating agencies.

The tables below summarise the credit rating of banks and custodian in which the Fund's assets are held as at 31 December 2010 and 2009.

<b>31 December 2010</b>	<b>Credit rating<sup>##</sup></b>	<b>Source of credit rating</b>
<u>Custodian</u>		
HSBC Institutional Trust Services (Singapore) Limited	AA-	S&P
<u>Bank</u>		
The Hongkong and Shanghai Banking Corporation Limited	AA-	S&P
Oversea-Chinese Banking Corporation Limited	A+	S&P

<sup>##</sup> Group credit ratings are presented for subsidiaries.

31 December 2009	Credit rating##	Source of credit rating
<u>Custodian</u>		
HSBC Institutional Trust Services (Singapore) Limited	AA-	S&P
<u>Bank</u>		
The Hongkong and Shanghai Banking Corporation Limited	AA-	S&P
Oversea-Chinese Banking Corporation Limited	A+	S&P

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

*## Group credit ratings are presented for subsidiaries.*

(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 unitholders' redemptions.

## 13. RELATED PARTY TRANSACTIONS

In addition to the related party information shown elsewhere in the financial statements, the following significant transactions took place during the financial year between the Fund and related parties at terms agreed between the parties and within the provisions of the Trust Deed:

	2010	2009
	\$	\$
Brokerage on purchases and sales of investments charged by the ultimate holding company of the Managers	9,682	-
Interest income earned from a bank which is the ultimate holding company of the Managers	1,490	5,558
Interest income earned from a bank which is a related company of the Trustee	28	7
Interest expenses incurred with a bank which is a related company of the Trustee	398	123
Transaction fees charged by the Trustee	16,986	5,627
Registration fee charged by a related company of the Trustee	25,440	31,177
Valuation and administration fees charged by the Trustee	54,666	44,893
Custodian fees charged by a related company of the Trustee	30,733	24,625
Bank service fees charged by a bank which is a related company of the Trustee	<u>7,200</u>	<u>5,837</u>

**14. FINANCIAL RATIOS**

	<b>2010</b>	<b>2009</b>
	%	%
Expense ratio <sup>1</sup>	1.38	1.54
Portfolio turnover ratio <sup>2</sup>	<u>53</u>	<u>43</u>

**15. COMPARATIVES**

Certain comparative information in the financial statements for the year ended 31 December 2009 has been restated from previous year, to be consistent with the current year presentation.

<sup>1</sup> The expense ratio does not include (where applicable) brokerage and other transaction costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee.

<sup>2</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes.

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