

# LionGlobal Flexi Fund

## Annual Report

For the financial year ended 31 December 2012

**Managers**

Lion Global Investors Limited  
65 Chulia Street #18-01  
OCBC Centre  
Singapore 049513

**Directors of Lion Global Investors Limited**

Mr Ching Wei Hong (Chairman)  
Mr Christopher Brian Wei (Deputy Chairman)  
Mr Gerard Lee How Cheng (CEO)  
Mr Cheong Jin Keat  
Mr Yoon Mun Thim  
Mr Norman Ip Ka Cheung  
Mr Tan Siew Peng  
Mr George Lee Lap Wah

**Trustee/Registrar**

HSBC Institutional Trust Services (Singapore) Limited  
21 Collyer Quay  
#10-02 HSBC Building  
Singapore 049320

**Custodian**

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong

**Independent Auditor**

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

## LIONGLOBAL FLEXI FUND

### PERFORMANCE OF THE FUND

*For the year ended 31 December 2012*

Cumulative returns for the Fund are calculated up to 31 December 2012 in SGD terms, on a single pricing basis with dividends reinvested net of all charges payable upon re-investment.

| <b>Time Period</b>                 | <b>Fund Returns (%)<br/>LionGlobal Flexi Fund –<br/>SGD Class</b> | <b>Benchmark Returns (%)<br/>(12-month SIBID + 2.5%)</b> |
|------------------------------------|---|--|
| 3 months                           | 3.2   | 0.7  |
| 6 months                           | 6.5   | 1.4  |
| 1 year                             | 8.8   | 2.8  |
| 3 years*                           | 0.4   | 2.9  |
| 5 years*                           | -2.8  | 3.1  |
| Since inception*<br>(3 April 2006) | 0.7   | 3.7  |

*Source: Morningstar/Lion Global Investors Ltd. Data as of 31 December 2012.*

Cumulative returns for the Fund are calculated up to 31 December 2012 in USD terms, on a single pricing basis with dividends reinvested net of all charges payable upon re-investment.

| <b>Time Period</b>                    | <b>Fund Returns (%)<br/>LionGlobal Flexi Fund -<br/>USD Class</b> | <b>Benchmark Returns (%)<br/>(12-month SIBID + 2.5%)</b> |
|---------------------------------------|---|--|
| 3 months                              | 3.7   | 1.1  |
| 6 months                              | 10.4  | 5.2  |
| 1 year                                | 15.6  | 9.1  |
| 3 years*                              | 5.1   | 7.8  |
| 5 years*                              | 0.4   | 6.6  |
| Since Inception*<br>(24 January 2007) | 2.7   | 7.5  |

*Source: Morningstar/Lion Global Investors Ltd. Data as of 31 December 2012.*

\* Returns of more than 1 year are annualized.

### FUND AND MARKET REVIEW

For the year ended 31 December 2012, the Fund gained 8.6%, outperforming the benchmark 12-Month Singapore Interbank Bid Rate Plus 2.5% which returned 2.8%, in Singapore dollar terms.

In 2012, the direction of financial markets was largely driven by both politics and policy. Risk assets rallied at the start of the year with the European Central Bank's (ECB) Long Term Refinancing Operations (LTRO) and the US Federal Reserve's (Fed) decision to keep rates low for the foreseeable future. The initial rally soon fizzled out on concerns about global economic growth as well as heightened macro risks brought on by uncertainty surrounding Greek solvency and the risk of Greece exiting the Eurozone.

A positive outcome to the European Union (EU) summit in June 2012 paved the way for the reduction of investors' fears over a potential break-up of the Eurozone. In September, Mario Draghi, President of the European Central Bank (ECB) followed-up on his earlier comments that the ECB would do "all that it takes" to protect the Euro, with a commitment to unlimited bond purchases under its Outright Monetary Transactions (OMT) programme. This substantially removed the tail risk of a Eurozone breakup. Funds that had flowed into the core bond markets seeking safe havens reversed. As a result, bond yields rose from historic lows in the core markets while bond yields in the peripheral countries came down. September also saw the Fed delivering a third round of Quantitative Easing (QE3). All these actions improved sentiment towards risk assets over the year.

As the end of 2012 approached, markets were buoyed by further optimism given that the Eurozone sovereign debt situation had started to stabilize while China also averted a hard landing to its economy. In addition, investors were hopeful that a deal would be concluded allowing the US to avert a "fiscal cliff" situation from occurring in 2013. This positive market sentiment was vindicated by the last minute agreement that was reached on the last day of 2012.

The Fund's performance in 2012 was lifted by the contribution of equities and fixed income; the Manager maintained its focus on high dividend yielding stocks and credits which continued to outperform. The Manager increased the portfolio's equity exposure and reduced its hedging strategy as economies continued to show signs of bottoming and markets gained in confidence. In Q4 2012, the Manager added a number of high conviction growth stocks to the Fund which also added value. With regard to the fixed income segment, credit spreads tightening and coupon income resulted in a positive contribution to the Fund's performance.

### STRATEGY AND OUTLOOK

In 2013, the global economy is expected to strengthen further. However, the overall trend rate of growth will be constrained by the impact of the fiscal austerity measures needed to rein in US and European debt levels. The implication for equity markets is that growth and cyclical stocks could continue to drive returns in the nearer term, but investors are likely to continue to see yields drive a bigger portion of their long-term sustainable returns.

The US and Chinese economies are expected to maintain their cyclical recovery in 2013, while the European economies continue to face challenges to growth, in particular, severe austerity measures in the periphery and challenges to political stability as European Union structural reforms are slowly and painfully put in place.

We are also optimistic about the Asia ex Japan markets in 2013. Central to our view is the improvement of the Chinese economy, which has bottomed and is likely to see further improvement, with growth expectations of approximately +7.5% in 2013. Asian companies are also expected to benefit from the restarting of US capital expenditure programmes once a fiscal agreement has been reached. Earnings revisions have bottomed, and there is potential for earnings upgrades as growth recovers, albeit moderately.

The outlook for systemic risk has declined compared to a year ago. Measures announced by the European Central Bank have helped to stabilize Europe's sovereign debt markets in 2012. The Eurozone will be a smaller driver of global risk, but still a source of tail risks as the challenges of implementation remain. The European Central Bank's Outright Market Transactions programme and the EU leaders' resolve to support the peripheral countries will likely be tested by significant European debt redemption needs from April 2013 onwards.

In the shorter-term, structural recovery in the US and a renewed focus on China's growth could provide positive conditions for earnings recovery and risk assets to perform. However, in the longer-term, the long-term backdrop of slow global growth is expected to continue. As such, policy rates are expected to remain low, while uncertainty regarding the US debt ceiling negotiations is likely to keep rates range-bound. In this low interest rate environment, the Manager expects steady returns to continue to come from Asian credits and high dividend yielding stocks.

The Manager expects to remain overweight in equities in the first half of the year, but will tactically adjust the equity weighting, given that risk appetite has improved, while event risks and the pace of earnings recovery is expected to create intermittent volatility.

As for fixed income, the level of yields for corporate bonds is currently below the long-term average, driven by interest rates which are at extremely low levels and credit spreads which have compressed significantly. Nevertheless, we are positive on selective Asian corporate bonds as credit quality continues to be stable. The current level of liquidity in the financial system is likely to continue to shift to corporate bonds and also gradually to equities, as investors broaden their search for return opportunities.

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

For the financial year ended 31 December 2012

**1. DISTRIBUTION OF INVESTMENTS AS AT 31 DECEMBER 2012**

|  | Fair Value<br>\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders<br>% |
|--|------------------|--|
| <i>a) <u>By Asset Class</u></i>                                    |                  |  |
| Equities   | 2,684,741        | 28.7   |
| Debt Securities (including accrued<br>interest on debt securities) | 4,672,245        | 49.8   |
| Funds  | 1,816,211        | 19.4   |
| Financial Derivatives  | 33,100           | 0.4  |
| Cash and cash equivalents  | 166,643          | 1.7  |
| <b>Net assets attributable to unitholders</b>                      | <b>9,372,940</b> | <b>100.0</b>   |
| <i>b) <u>By Credit Rating of Debt Securities</u></i>               |                  |  |
| A3   | 259,350          | 2.8  |
| Baa1   | 257,500          | 2.7  |
| Baa2   | 254,233          | 2.7  |
| Baa3   | 693,767          | 7.5  |
| Ba1  | 398,500          | 4.2  |
| B1   | 260,690          | 2.8  |
| B2   | 265,073          | 2.8  |
| Unrated (Singapore - incorporated debt<br>securities)              | 2,205,754        | 23.5   |
| Accrued interest on debt securities                                | 77,378           | 0.8  |
|  | <b>4,672,245</b> | <b>49.8</b>  |
| <i>c) <u>By Derivative Type</u></i>                                |                  |  |
| Forward foreign exchange contracts                                 | 4,086            | 0.1  |
| Spot foreign exchange contracts                                    | (200)            | *  |
| Futures contracts  | 12,375           | 0.1  |
| Options  | 16,839           | 0.2  |
|  | <b>33,100</b>    | <b>0.4</b>   |

\* denotes amount less than 0.1%

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

**2. TOP 10 HOLDINGS**
**As at 31 December 2012**

|  | <b>Fair Value<br/>\$</b> | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders<br/>%</b> |
|--|--------------------------|---|
| LionGlobal Asia Bond Fund  | 1,402,262                | 15.0  |
| LionGlobal Emerging Markets Fund                                     | 339,892                  | 3.6   |
| PCCW HKT Capital No4 Limited 5.75% due<br>17/04/2022                 | 269,380                  | 2.9   |
| Evergrande Real Estate Group 13% due<br>27/01/2015                   | 265,073                  | 2.8   |
| Overseas Union Enterprise Limited Series MTN<br>4.95% due 01/02/2017 | 260,968                  | 2.8   |
| Republic of Sri Lanka 5.875% due 25/07/2022                          | 260,690                  | 2.8   |
| Stats Chippac Limited 7.5% due 12/08/2015                            | 260,180                  | 2.8   |
| DBS Bank Limited Singapore 4.7% Perpetual                            | 260,120                  | 2.8   |
| Mapletree Logistics Trust Var Perpetual                              | 259,384                  | 2.8   |
| Bank of East Asia Limited Series EMTN Var due<br>13/09/2022          | 259,350                  | 2.8   |

**As at 31 December 2011**

|  | <b>Fair Value<br/>\$</b> | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders<br/>%</b> |
|--|--------------------------|---|
| LionGlobal Singapore Fixed Income Investment                   | 1,100,000                | 9.9   |
| LionGlobal Asia Bond Fund                                      | 919,421                  | 8.3   |
| Indosat Palapa Company Limited 7.375% due<br>29/07/2020        | 285,276                  | 2.6   |
| LionGlobal Emerging Markets Bond Fund                          | 279,834                  | 2.5   |
| Stats Chippac Limited 7.5% due 12/08/2015                      | 272,297                  | 2.4   |
| PTTEP Canada International Finance 5.692%<br>due 05/04/2021    | 271,044                  | 2.4   |
| State of Qatar 4.5% due 20/01/2022                             | 268,199                  | 2.4   |
| CFS Retail Property Trust Convertible 5.075%<br>due 21/08/2014 | 262,574                  | 2.4   |
| Banyan Tree Holdings Limited 6.25% due<br>27/08/2013           | 261,278                  | 2.3   |
| Hyundai Capital America 4% due 08/06/2017                      | 257,069                  | 2.3   |

### 3. GLOBAL EXPOSURE

The global exposure relating to derivative instruments is calculated using the commitment approach by converting the derivative positions into equivalent positions in the underlying assets embedded in those derivatives.

The global exposure of the Fund to financial derivative instruments or embedded financial derivative instruments will not exceed 100% of the net asset value of the Fund at any time.

### 4. COLLATERAL

Nil

### 5. SECURITIES LENDING OR REPURCHASE TRANSACTIONS

Nil

### 6. INVESTMENT IN OTHER UNIT TRUSTS, MUTUAL FUNDS AND COLLECTIVE INVESTMENT SCHEMES

Nil

### 7. BORROWINGS

Nil

### 8. 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.

### 9. OTHER MATERIAL INFORMATION

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

### 10. 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 Flexi 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 year covered by these financial statements, set out on pages 11 to 38 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

27 March 2013

## 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 38, 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 Flexi Fund (the "Fund") as at 31 December 2012 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

27 March 2013

## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LIONGLOBAL FLEXI FUND**

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

We have audited the accompanying financial statements of LionGlobal Flexi Fund (the "Fund") set out on pages 11 to 38, which comprise the Balance Sheet and Portfolio Statement as at 31 December 2012, 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 judgement, 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 2012 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, 27 March 2013

# LIONGLOBAL FLEXI FUND

## STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2012

|   | Note | 2012<br>\$      | 2011<br>\$         |
|---|------|-----------------|--------------------|
| <b>Income</b>   |      |                 |                    |
| Dividends   |      | 194,078         | 283,449            |
| Interest on cash and bank balances  |      | 999             | 1,298              |
| Other income  |      | 477             | -                  |
|   |      | <u>195,554</u>  | <u>284,747</u>     |
| <b>Less: Expenses</b>   |      |                 |                    |
| Audit fee   |      | 19,667          | 16,958             |
| Custodian fees  |      | 3,753           | 8,580              |
| Management fee  | 3    | 102,546         | 154,206            |
| Professional fees   |      | 18,141          | 35,531             |
| Registration fee  |      | 9,406           | 3,829              |
| Trustee fee   |      | 10,019          | 16,586             |
| Valuation fees  |      | 10,015          | 5,030              |
| Miscellaneous expenses  |      | 2,005           | 36,499             |
|   |      | <u>175,552</u>  | <u>277,219</u>     |
| <b>Net income</b>   |      | <u>20,002</u>   | <u>7,528</u>       |
| <b>Net gains or losses on investments</b>                                       |      |                 |                    |
| Net realised gains/losses on investments  |      | 162,301         | (932,371)          |
| Net realised gains/(losses) on financial derivatives                            |      | 187,299         | (58,609)           |
| Net change in fair value of investments   |      | 481,073         | (672,034)          |
| Net unrealised gains/(losses) on financial derivatives                          |      | 22,198          | (34,575)           |
| Net foreign exchange losses/gains   |      | (14,286)        | 23,922             |
|   |      | <u>838,585</u>  | <u>(1,673,667)</u> |
| <b>Total return/(deficit) for the year before income tax</b>                    |      | 858,587         | (1,666,139)        |
| <b>Less: Income tax</b>   | 4    | <u>(10,080)</u> | <u>(28,946)</u>    |
| <b>Total return/(deficit) for the year after income tax before distribution</b> |      | 848,507         | (1,695,085)        |
| <b>Less: Distribution</b>   | 5    | -               | -                  |
| <b>Total return/(deficit) for the year</b>                                      |      | <u>848,507</u>  | <u>(1,695,085)</u> |

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

## LIONGLOBAL FLEXI FUND

### BALANCE SHEET

As at 31 December 2012

|  | Note | 2012<br>\$       | 2011<br>\$        |
|--|------|------------------|-------------------|
| <b>ASSETS</b>                          |      |                  |                   |
| Portfolio of investments               |      | 9,173,197        | 9,858,960         |
| Receivables                            | 6    | 30,862           | 251,143           |
| Due from brokers                       | 7    | 59,084           | 68,995            |
| Financial derivatives at fair value    | 8    | 33,733           | 8,543             |
| Fixed deposits                         | 9    | -                | 500,133           |
| Cash and bank balances                 | 10   | 333,511          | 530,768           |
| <b>Total assets</b>                    |      | <u>9,630,387</u> | <u>11,218,542</u> |
| <b>LIABILITIES</b>                     |      |                  |                   |
| Payables                               | 11   | 58,330           | 39,214            |
| Due to brokers                         |      | 198,484          | -                 |
| Financial derivatives at fair value    | 8    | 633              | 43,118            |
| Net assets attributable to unitholders | 12   | 9,372,940        | 11,136,210        |
| <b>Total liabilities</b>               |      | <u>9,630,387</u> | <u>11,218,542</u> |

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

## LIONGLOBAL FLEXI FUND

### PORTFOLIO STATEMENT

As at 31 December 2012

|  | Holdings at<br>31 December<br>2012 | Fair value at<br>31 December<br>2012<br>\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>31 December<br>2012<br>% |
|--|------------------------------------|--|--|
| <b>By Industry (Primary)</b>                     |                                    |  |  |
| <b>QUOTED</b>                                    |                                    |  |  |
| <b>EQUITIES AND FUNDS</b>                        |                                    |  |  |
| <b>FUNDS</b>                                     |                                    |  |  |
| LionGlobal Asia Bond Fund                        | 1,180,355                          | 1,402,262                                  | 15.0   |
| LionGlobal Emerging Markets Fund                 | 303,746                            | 339,892                                    | 3.6  |
| CSOP FTSE China A50 ETF                          | 44,000                             | 74,057                                     | 0.8  |
|  |                                    | <u>1,816,211</u>                           | <u>19.4</u>  |
| <b>FINANCIAL</b>                                 |                                    |  |  |
| Suntec Real Estate Investment Trust              | 75,000                             | 125,625                                    | 1.3  |
| Malayan Banking                                  | 23,035                             | 83,547                                     | 0.9  |
| QBE Insurance Group Limited                      | 5,663                              | 78,279                                     | 0.8  |
| Capitacommercial Trust                           | 45,000                             | 75,600                                     | 0.8  |
| Commonwealth Bank of Australia                   | 927                                | 73,098                                     | 0.8  |
| ASX Limited                                      | 1,681                              | 66,512                                     | 0.7  |
| Westpac Banking Corporation<br>Limited           | 1,973                              | 65,129                                     | 0.7  |
| National Australia Bank Limited                  | 1,341                              | 42,498                                     | 0.5  |
|  |                                    | <u>610,288</u>                             | <u>6.5</u>   |
| <b>COMMUNICATIONS</b>                            |                                    |  |  |
| Telstra Corporation Limited                      | 19,610                             | 108,676                                    | 1.2  |
| Singapore Telecommunications<br>Limited          | 30,000                             | 99,000                                     | 1.0  |
| StarHub Limited                                  | 23,000                             | 86,710                                     | 0.9  |
| Philippine Long Distance Telephone<br>Company    | 1,075                              | 80,905                                     | 0.9  |
| PT Telekomunikasi Indonesia TBK                  | 69,000                             | 77,834                                     | 0.8  |
| China Mobile Limited                             | 4,000                              | 56,892                                     | 0.6  |
| Far Eastone Telecommunication<br>Company Limited | 18,000                             | 55,878                                     | 0.6  |
|  |                                    | <u>565,895</u>                             | <u>6.0</u>   |

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

## LIONGLOBAL FLEXI FUND

|   | Holdings at<br>31 December<br>2012 | Fair value at<br>31 December<br>2012<br>\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>31 December<br>2012<br>% |
|---|------------------------------------|--|--|
| <b>INDUSTRIAL</b>   |                                    |  |  |
| Jiangsu Expressway Company<br>Limited H Shares                                | 74,000                             | 92,480                                     | 1.0  |
| Comfort Delgro Corporation Limited  | 46,000                             | 81,650                                     | 0.9  |
| Hutchison Port Holdings Trust   | 74,000                             | 70,957                                     | 0.7  |
| Singapore Post Limited  | 53,000                             | 60,685                                     | 0.6  |
| Zoomlion Heavy Industry Science<br>And Technology Company Limited<br>H Shares | 29,600                             | 53,272                                     | 0.6  |
| NWS Holdings Limited  | 26,000                             | 53,185                                     | 0.6  |
| CJ Korea Express Corporation  | 430                                | 49,307                                     | 0.5  |
|   |                                    | <u>461,536</u>                             | <u>4.9</u>   |
| <b>CONSUMER, CYCLICAL</b>   |                                    |  |  |
| UMW Holdings  | 22,000                             | 104,926                                    | 1.1  |
| Singapore Press Holdings Limited  | 18,000                             | 72,360                                     | 0.8  |
| David Jones Limited   | 20,745                             | 62,087                                     | 0.7  |
| Li & Fung Limited   | 18,000                             | 38,806                                     | 0.4  |
| Hansae Company Limited  | 1,470                              | 27,758                                     | 0.3  |
| Kangwon Land Incorporation  | 680                                | 22,694                                     | 0.2  |
|   |                                    | <u>328,631</u>                             | <u>3.5</u>   |
| <b>TECHNOLOGY</b>   |                                    |  |  |
| Advantech Company Limited   | 18,700                             | 95,178                                     | 1.0  |
| Powertech Technology Incorporation  | 28,000                             | 55,298                                     | 0.6  |
| Samsung Electronics   | 46                                 | 44,665                                     | 0.5  |
| Flexium Interconnect Incorporation  | 8,000                              | 34,324                                     | 0.4  |
|   |                                    | <u>229,465</u>                             | <u>2.5</u>   |
| <b>CONSUMER, NON-CYCLICAL</b>   |                                    |  |  |
| Westfarmers Limited   | 1,545                              | 72,201                                     | 0.8  |
| Charoen Pokphand Foods Public<br>Company Limited                              | 50,500                             | 68,058                                     | 0.7  |
| Woolworths Limited  | 1,440                              | 53,543                                     | 0.6  |
|   |                                    | <u>193,802</u>                             | <u>2.1</u>   |

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

## LIONGLOBAL FLEXI FUND

|   | Holdings at<br>31 December<br>2012 | Fair value at<br>31 December<br>2012<br>\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>31 December<br>2012<br>% |
|---|------------------------------------|--|--|
| <b>ENERGY</b>                                   |                                    |  |  |
| Petrochina Company Limited Limited<br>H Shares  | 46,000                             | 79,309                                     | 0.8  |
| CNOOC Limited                                   | 18,000                             | 47,600                                     | 0.5  |
| China Shenhua Energy Company<br>Limited H Share | 5,000                              | 26,673                                     | 0.3  |
| PTT PCL   | 1,800                              | 23,647                                     | 0.3  |
|   |                                    | <u>177,229</u>                             | <u>1.9</u>   |
| <b>BASIC MATERIAL</b>                           |                                    |  |  |
| Taiwan Cement Corporation                       | 44,000                             | 71,904                                     | 0.8  |
| Jiangxi Copper Company Limited H<br>Shares      | 8,000                              | 25,657                                     | 0.3  |
| China Forestry Holdings Limited                 | 448,000                            | 20,334                                     | 0.2  |
|   |                                    | <u>117,895</u>                             | <u>1.3</u>   |
| <b>UNQUOTED</b>                                 |                                    |  |  |
| <b>CONSUMER, CYCLICAL</b>                       |                                    |  |  |
| China Hongxing Sports Limited                   | 802,000                            | -  | -  |
| Octaviar Limited                                | 63,500                             | -  | -  |
|   |                                    | <u>-</u>                                   | <u>-</u>   |
| <b>FINANCIAL</b>                                |                                    |  |  |
| Reef China Commercial Trust REIT                | 500,000                            | -  | -  |
| <b>FUNDS</b>                                    |                                    |  |  |
| Fairfield Sentry Limited                        | 176                                | -  | -  |
| <b>TOTAL EQUITIES AND FUNDS</b>                 |                                    | <u>4,500,952</u>                           | <u>48.1</u>  |

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

## LIONGLOBAL FLEXI FUND

|   | Holdings at<br>31 December<br>2012 | Fair value at<br>31 December<br>2012<br>\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>31 December<br>2012<br>% |
|---|------------------------------------|--|--|
| <b>DEBT SECURITIES</b>  |                                    |  |  |
| <b>FINANCIAL</b>  |                                    |  |  |
| Evergrande Real Estate Group 13%<br>due 27/01/2015                      | 200,000                            | 265,073                                    | 2.8  |
| Overseas Union Enterprise<br>Limited Series MTN 4.95% due<br>01/02/2017 | 250,000                            | 260,968                                    | 2.8  |
| DBS Bank Limited Singapore 4.7%<br>Perpetual                            | 250,000                            | 260,120                                    | 2.8  |
| Mapletree Logistics Trust Var<br>Perpetual                              | 250,000                            | 259,384                                    | 2.8  |
| Bank of East Asia Limited Series<br>EMTN Var due 13/09/2022             | 250,000                            | 259,350                                    | 2.8  |
| Dah Sing Bank Limited Series<br>EMTN 4.875% due 09/02/2022              | 250,000                            | 257,500                                    | 2.7  |
| Mapletree Treasury SVCS EMTN<br>Var Perpetual                           | 250,000                            | 255,263                                    | 2.7  |
| Chinatrust Commercial Bank<br>Perpetual                                 | 150,000                            | 183,493                                    | 2.0  |
| Joyous King Group Limited<br>Convertible 3.3% due 22/10/2014            | 1,000,000                          | 158,187                                    | 1.7  |
|   |                                    | <u>2,159,338</u>                           | <u>23.1</u>  |
| <b>INDUSTRIAL</b>   |                                    |  |  |
| PTT Global Chemical PCL 4.25%<br>due 19/09/2022                         | 200,000                            | 254,233                                    | 2.7  |
| KS Energy Services Limited<br>Convertible 3% due 26/03/2015             | 250,000                            | 236,250                                    | 2.5  |
| ASL Marine Holdings Limited<br>4.697% due 19/03/2014                    | 165,000                            | 164,971                                    | 1.8  |
| Royal Capital BV 8.375% Perpetual                                       | 100,000                            | 132,244                                    | 1.4  |
|   |                                    | <u>787,698</u>                             | <u>8.4</u>   |

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

## LIONGLOBAL FLEXI FUND

|  | Holdings at<br>31 December<br>2012 | Fair value at<br>31 December<br>2012<br>\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>31 December<br>2012<br>% |
|--|------------------------------------|--|--|
| <b>CONSUMER, NON CYCLICAL</b>                                  |                                    |  |  |
| Cencosud 4.875% due 20/01/2023                                 | 200,000                            | 250,891                                    | 2.7  |
| Osim International Limited Convertible<br>2.75% due 05/07/2016 | 200,000                            | 211,750                                    | 2.2  |
|  |                                    | <u>462,641</u>                             | <u>4.9</u>   |
| <b>COMMUNICATION</b>   |                                    |  |  |
| PCCW HKT Capital No4 Limited<br>5.75% due 17/04/2022           | 200,000                            | 269,380                                    | 2.9  |
| Indosat Palapa Company Limited<br>7.375% due 29/07/2020        | 100,000                            | 138,320                                    | 1.4  |
|  |                                    | <u>407,700</u>                             | <u>4.3</u>   |
| <b>SOVEREIGN</b>   |                                    |  |  |
| Republic of Sri Lanka 5.875% due<br>25/07/2022                 | 200,000                            | 260,690                                    | 2.8  |
| <b>TECHNOLOGY</b>  |                                    |  |  |
| Stats Chippac Limited 7.5% due<br>12/08/2015                   | 200,000                            | 260,180                                    | 2.8  |
| <b>CONSUMER, CYCLICAL</b>                                      |                                    |  |  |
| Howes Captial Limited 4.75% due<br>10/04/2017                  | 200,000                            | 256,620                                    | 2.7  |
| Accrued interest receivable on debt<br>securities              |                                    | 77,378                                     | 0.8  |
| <b>TOTAL DEBT SECURITIES</b>                                   |                                    | <u>4,672,245</u>                           | <u>49.8</u>  |
| <b>UNQUOTED</b>  |                                    |  |  |
| NIL  |                                    | -  | -  |
| <b>Portfolio of investments</b>                                |                                    | 9,173,197                                  | 97.9   |
| <b>Other net assets</b>  |                                    | 199,743                                    | 2.1  |
| <b>Net assets attributable to<br/>unitholders</b>              |                                    | <u>9,372,940</u>                           | <u>100.0</u>   |

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

|  | Percentage of total net assets<br>attributable to unitholders at |                          |
|--|--|--------------------------|
|  | 31 December<br>2012<br>%   | 31 December<br>2011<br>% |
| <b>By Industry (Summary)</b>                   |  |                          |
| Financial                                      | 29.6   | 20.9                     |
| Funds  | 19.4   | 25.8                     |
| Industrial                                     | 13.3   | 10.7                     |
| Communications                                 | 10.3   | 8.9                      |
| Consumer, Non-cyclical                         | 7.0  | 3.8                      |
| Consumer, Cyclical                             | 6.2  | 5.5                      |
| Technology                                     | 5.3  | 5.0                      |
| Sovereign                                      | 2.8  | 2.4                      |
| Energy   | 1.9  | 4.5                      |
| Basic Materials                                | 1.3  | 0.5                      |
|  | <u>97.1</u>  | <u>88.0</u>              |
| Accrued interest receivable on debt securities | <u>0.8</u>   | <u>0.6</u>               |
| <b>Portfolio of investments</b>                | <u>97.9</u>  | <u>88.6</u>              |
| <b>Other net assets</b>                        | <u>2.1</u>   | <u>11.4</u>              |
| <b>Net assets attributable to unitholders</b>  | <u>100.0</u>   | <u>100.0</u>             |

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

## LIONGLOBAL FLEXI FUND

### PORTFOLIO STATEMENT

As at 31 December 2012

|   | Fair value at<br>31 December<br>2012<br>\$ | Percentage of total net assets<br>attributable to unitholders at |                          |
|---|--|--|--------------------------|
|   |  | 31 December<br>2012<br>%   | 31 December<br>2011<br>% |
| <b>By Geography (Secondary)</b>                   |  |  |                          |
| Singapore   | 4,323,627                                  | 46.1   | 44.8                     |
| Hong Kong   | 1,293,028                                  | 13.8   | 4.3                      |
| China   | 741,347                                    | 7.9  | 3.5                      |
| Australia   | 622,023                                    | 6.7  | 11.3                     |
| Taiwan  | 496,075                                    | 5.3  | 4.2                      |
| Thailand  | 345,938                                    | 3.7  | 3.3                      |
| Sri Lanka   | 260,690                                    | 2.8  | -                        |
| Chile   | 250,891                                    | 2.7  | -                        |
| Indonesia   | 216,154                                    | 2.3  | 4.7                      |
| Philippines                                       | 213,149                                    | 2.3  | 1.3                      |
| Malaysia  | 188,473                                    | 2.0  | 0.8                      |
| South Korea                                       | 144,424                                    | 1.5  | -                        |
| United States of America                          | -  | -  | 7.4                      |
| Qatar   | -  | -  | 2.4                      |
|   | <u>9,095,819</u>                           | <u>97.1</u>  | <u>88.0</u>              |
| Accrued interest receivable on<br>debt securities | <u>77,378</u>                              | <u>0.8</u>   | <u>0.6</u>               |
| <b>Portfolio of investments</b>                   | <u>9,173,197</u>                           | <u>97.9</u>  | <u>88.6</u>              |
| <b>Other net assets</b>                           | <u>199,743</u>                             | <u>2.1</u>   | <u>11.4</u>              |
| <b>Net assets attributable to<br/>unitholders</b> | <u>9,372,940</u>                           | <u>100.0</u>   | <u>100.0</u>             |

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

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2012*

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

### 1. GENERAL

LionGlobal Flexi Fund (the "Fund") is a unit trust constituted by a Deed of Trust dated 16 January 2006 together with its Supplemental Deeds thereon (hereafter referred to as "Trust Deed") between Lion Global Investors Limited (the "Managers") and RBC Dexia Trust Services Singapore Limited ("RBC Dexia"). The Trust Deed is governed by the laws of the Republic of Singapore.

With effect from 1 July 2011, RBC Dexia retired as the Trustee of the Fund and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") was appointed in place of RBC Dexia.

### 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 the 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. The primary activity of the Fund is to invest in a diversified portfolio of equities, money market securities, asset-backed securities, equity related securities, fixed income instruments and other debt-related instruments such as collateralised debt obligations.

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. MANAGEMENT FEE**

The management fees charged on any investment in other unit trusts managed by the Managers and on seed capital invested by the Managers is rebated back to the Fund, where applicable.

|  | <b>2012</b>     | <b>2011</b>     |
|--|-----------------|-----------------|
|  | \$              | \$              |
| Management fee   | 119,228         | 164,497         |
| Less: Rebate on investments in other unit trusts managed by the Managers | <u>(16,682)</u> | <u>(10,291)</u> |
| Net management fee   | <u>102,546</u>  | <u>154,206</u>  |

**4. INCOME TAX**

The Fund was granted the status of a Designated Unit Trust and, therefore, the following income is not taxable 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>2012</b>   | <b>2011</b>   |
|----------------------|---------------|---------------|
|                      | \$            | \$            |
| Singapore income tax | 1,040         | 5,356         |
| Overseas income tax  | <u>9,040</u>  | <u>23,590</u> |
| Total income tax     | <u>10,080</u> | <u>28,946</u> |

The Singapore income tax represents tax deducted at source for Singapore sourced dividends. The overseas income tax represents tax deducted at source on dividends derived from outside Singapore.

5. DISTRIBUTION

The Managers do not propose any distribution to unitholders for the year ended 31 December 2012 (2011: Nil).

6. RECEIVABLES

|   | 2012<br>\$    | 2011<br>\$     |
|---|---------------|----------------|
| Amount receivable for creation of units | 23,972        | 236,109        |
| Dividends receivable                    | 2,040         | 7,156          |
| Management fee rebate receivable        | 4,231         | 7,877          |
| Interest receivable                     | -             | 1              |
| Other receivable                        | 619           | -              |
|   | <u>30,862</u> | <u>251,143</u> |

7. DUE FROM BROKERS

|  | 2012<br>\$    | 2011<br>\$    |
|--|---------------|---------------|
| Sales awaiting settlement  | -             | 11,803        |
| Margin deposits placed with a financial institution which is a non-related company | <u>59,084</u> | <u>57,192</u> |
|  | <u>59,084</u> | <u>68,995</u> |

8. FINANCIAL DERIVATIVES AT FAIR VALUE

Financial derivatives comprise forward foreign exchange contracts, spot foreign exchange contracts and future contracts due for settlement within 3 months (2011: 1 month) 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.

| As at 31 December 2012             | Contract or underlying principal amount<br>\$ | Fair value    |                 |
|------------------------------------|---|---------------|-----------------|
|                                    |   | Asset<br>\$   | Liability<br>\$ |
| Forward foreign exchange contracts | 3,439,521                                     | 4,231         | 145             |
| Spot foreign exchange contracts    | 205,882                                       | 23            | 223             |
| Futures contracts                  | 754,028                                       | 12,375        | -               |
| Options                            | 14,428  | <u>17,104</u> | <u>265</u>      |
|                                    |   | <u>33,733</u> | <u>633</u>      |

## LIONGLOBAL FLEXI FUND

| As at 31 December 2011                | Contract or<br>underlying<br>principal<br>amount<br>\$ | Fair value   |                 |
|---------------------------------------|--|--------------|-----------------|
|                                       |  | Asset<br>\$  | Liability<br>\$ |
| Forward foreign exchange<br>contracts | 4,056,945  | 4,185        | 23,856          |
| Spot foreign exchange<br>contracts    | 11,829   | 26           | -               |
| Options                               | 455,779  | 4,332        | 19,262          |
|                                       |  | <u>8,543</u> | <u>43,118</u>   |

### 9. FIXED DEPOSITS

|  | 2012<br>\$ | 2011<br>\$     |
|--|------------|----------------|
| Fixed deposit placed with a bank which<br>is non-related company | <u>-</u>   | <u>500,133</u> |

Fixed deposits have an average maturity of Nil days (2011: 3 days) from the end of the financial year with the following weighted average effective interest rate.

|                  | 2012<br>% | 2011<br>%   |
|------------------|-----------|-------------|
| Singapore Dollar | <u>-</u>  | <u>0.05</u> |

### 10. CASH AND BANK BALANCES

The cash and bank balances are placed with a financial institution which is a related company.

### 11. PAYABLES

|  | 2012<br>\$    | 2011<br>\$    |
|--|---------------|---------------|
| Amount payable for cancellation of units | -             | 2,731         |
| Amount due to the Managers               | 9,893         | 11,244        |
| Amount due to the Trustee                | 14,677        | 3,620         |
| Amount due to the Custodian              | 2,033         | 346           |
| Amount due to the Registrar              | 3,017         | 2,732         |
| Other payables                           | 28,710        | 18,541        |
|  | <u>58,330</u> | <u>39,214</u> |

12. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

|  | 2012<br>\$       | 2011<br>\$        |
|--|------------------|-------------------|
| <b>At beginning of financial year</b>  | 11,136,210       | 16,641,504        |
| <b>Operations</b>  |                  |                   |
| Change in net assets attributable to unitholders resulting from operations                             | 848,507          | (1,695,085)       |
| Unitholders' contributions/(withdrawals)   |                  |                   |
| Creation of units  | 672,343          | 1,254,063         |
| Cancellation of units  | (3,284,120)      | (5,064,272)       |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | (2,611,777)      | (3,810,209)       |
| Total decrease in net assets attributable to unitholders   | (1,763,270)      | (5,505,294)       |
| <b>At end of financial year</b>  | <u>9,372,940</u> | <u>11,136,210</u> |
| <b>Units in issue (see Note 13)</b>  | <u>8,940,544</u> | <u>11,555,893</u> |
| <b>Net assets attributable to unitholders per unit</b>   | <u>1.048</u>     | <u>0.963</u>      |

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

|  | 2012<br>\$   | 2011<br>\$   |
|--|--------------|--------------|
| Net assets attributable to unitholders per unit for issuing/redeeming units  | 1.051        | 0.966        |
| Effect of adopting bid prices as fair value                                  | (0.003)      | (0.003)      |
| Net assets attributable to unitholders per unit per the financial statements | <u>1.048</u> | <u>0.963</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.

**13. UNITS IN ISSUE**

|  | <b>2012<br/>Units</b> | <b>2011<br/>Units</b> |
|--|-----------------------|-----------------------|
| Units at beginning of the year         | 11,555,893            | 15,295,766            |
| Units created                          | 672,319               | 1,227,644             |
| Units cancelled                        | <u>(3,287,668)</u>    | <u>(4,967,517)</u>    |
| Units at end of the year               | <u>8,940,544</u>      | <u>11,555,893</u>     |
| of which, units denominated in<br>-USD | <u>34,664</u>         | <u>34,664</u>         |

**14. 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, debt and derivatives investments. 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 movement is measured against the daily price movements of the benchmark to derive the beta.

As at 31 December 2012, the Fund's beta was 1.00 (2011: 0.82) which was calculated based on the daily returns over the preceding 12 months for the Fund and its benchmark (2011: 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 2012 and 31 December 2011. 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 8% (2011: 12%)<br>movement in benchmark on<br>net assets attributable to the<br>unitholders |            |
|-----------------------|-------------------------------------|---|------------|
|                       |                                     | 2012<br>\$  | 2011<br>\$ |
| LionGlobal Flexi Fund | MSCI Asia Pacific ex<br>Japan Index | 360,076   | 565,996    |

(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 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 2012                          | Variable<br>rates<br>\$ | Fixed<br>rates<br>\$ | Non-interest<br>bearing<br>\$ | Total<br>\$      |
|---|-------------------------|----------------------|-------------------------------|------------------|
| <b>Assets</b>                             |                         |                      |                               |                  |
| Portfolio of investments                  | 957,490                 | 3,637,377            | 4,578,330                     | 9,173,197        |
| Receivables                               | -                       | -                    | 30,862                        | 30,862           |
| Due from brokers                          | -                       | -                    | 59,084                        | 59,084           |
| Financial derivatives at fair<br>value    | -                       | -                    | 33,733                        | 33,733           |
| Cash and bank balances                    | 333,511                 | -                    | -                             | 333,511          |
| <b>Total assets</b>                       | <u>1,291,001</u>        | <u>3,637,377</u>     | <u>4,702,009</u>              | <u>9,630,387</u> |
| <b>Liabilities</b>                        |                         |                      |                               |                  |
| Payables                                  | -                       | -                    | 58,330                        | 58,330           |
| Due to brokers                            | -                       | -                    | 198,484                       | 198,484          |
| Financial derivatives at fair<br>value    | -                       | -                    | 633                           | 633              |
| Net assets attributable to<br>unitholders | -                       | -                    | 9,372,940                     | 9,372,940        |
| <b>Total liabilities</b>                  | <u>-</u>                | <u>-</u>             | <u>9,630,387</u>              | <u>9,630,387</u> |

## LIONGLOBAL FLEXI FUND

| 31 December 2011                       | Variable rates<br>\$ | Fixed rates<br>\$ | Non-interest bearing<br>\$ | Total<br>\$       |
|--|----------------------|-------------------|----------------------------|-------------------|
| <b>Assets</b>                          |                      |                   |                            |                   |
| Portfolio of investments               | 173,612              | 3,868,475         | 5,816,873                  | 9,858,960         |
| Receivables                            | -                    | -                 | 251,143                    | 251,143           |
| Due from broker                        | -                    | -                 | 68,995                     | 68,995            |
| Financial derivatives at fair value    | -                    | -                 | 8,543                      | 8,543             |
| Fixed deposits                         | -                    | 500,133           | -                          | 500,133           |
| Cash and bank balances                 | 530,768              | -                 | -                          | 530,768           |
| <b>Total assets</b>                    | <u>704,380</u>       | <u>4,368,608</u>  | <u>6,145,554</u>           | <u>11,218,542</u> |
| <b>Liabilities</b>                     |                      |                   |                            |                   |
| Payables                               | -                    | -                 | 39,214                     | 39,214            |
| Financial derivatives at fair value    | -                    | -                 | 43,118                     | 43,118            |
| Net assets attributable to unitholders | -                    | -                 | 11,136,210                 | 11,136,210        |
| <b>Total liabilities</b>               | <u>-</u>             | <u>-</u>          | <u>11,218,542</u>          | <u>11,218,542</u> |

The duration, a measure of the sensitivity of the price of a fixed income security to a change in interest as at 31 December 2012 is 5.23 (2011: 2.67). As of 31 December 2012, should interest rates lower or rise by 1% (2011: 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% (2011: 1%)<br>movement in interest rates on<br>net assets attributable to the<br>unitholders |                |
|-----------------------|---|----------------|
|                       | 2012<br>\$  | 2011<br>\$     |
| LionGlobal Flexi Fund | <u>190,235</u>  | <u>103,288</u> |

(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.

## LIONGLOBAL FLEXI FUND

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.

| As at 31 December<br>2012  | AUD<br>\$      | HKD<br>\$      | USD<br>\$        | SGD<br>\$          | Others<br>\$     | Total<br>\$      |
|--|----------------|----------------|------------------|--------------------|------------------|------------------|
| <b>Assets</b>  |                |                |                  |                    |                  |                  |
| Portfolio of<br>investments  | 622,023        | 727,450        | 2,386,600        | 4,541,202          | 895,922          | 9,173,197        |
| Receivables  | -              | -              | -                | 30,862             | -                | 30,862           |
| Due from brokers   | 26,400         | 13,819         | 9,201            | -                  | 9,664            | 59,084           |
| Cash and bank<br>balances  | 2,359          | 1,354          | 3,692            | 170,887            | 155,219          | 333,511          |
| <b>Total assets</b>  | <u>650,782</u> | <u>742,623</u> | <u>2,399,493</u> | <u>4,742,951</u>   | <u>1,060,805</u> | <u>9,596,654</u> |
| <b>Liabilities</b>   |                |                |                  |                    |                  |                  |
| Payables   | 761            | -              | 1,434            | 56,135             | -                | 58,330           |
| Due to brokers   | 100,252        | 52,701         | -                | -                  | 45,531           | 198,484          |
| Net assets<br>attributable to<br>unitholders                                 | -              | -              | -                | 9,372,940          | -                | 9,372,940        |
| <b>Total liabilities</b>   | <u>101,013</u> | <u>52,701</u>  | <u>1,434</u>     | <u>9,429,075</u>   | <u>45,531</u>    | <u>9,629,754</u> |
| <b>Net financial assets/<br/>(liabilities)</b>                               | 549,769        | 689,922        | 2,398,059        | (4,686,124)        | 1,015,274        | (33,100)         |
| <b>Fair value of<br/>currency forwards<br/>and financial<br/>derivatives</b> |                |                |                  |                    |                  |                  |
|  | (177,969)      | (296,582)      | (2,251,738)      | 2,758,824          | 565              | 33,100           |
| <b>Currency exposure</b>   | <u>371,800</u> | <u>393,340</u> | <u>146,321</u>   | <u>(1,927,300)</u> | <u>1,015,839</u> |                  |

## LIONGLOBAL FLEXI FUND

| As at 31 December<br>2011  | AUD<br>\$        | HKD<br>\$      | USD<br>\$        | SGD<br>\$          | Others<br>\$   | Total<br>\$       |
|--|------------------|----------------|------------------|--------------------|----------------|-------------------|
| <b>Assets</b>  |                  |                |                  |                    |                |                   |
| Portfolio of   |                  |                |                  |                    |                |                   |
| investments  | 1,254,158        | 528,278        | 3,094,106        | 4,265,282          | 717,136        | 9,858,960         |
| Receivables  | -                | -              | 3,212            | 247,931            | -              | 251,143           |
| Due from brokers   | 21,959           | 47,036         | -                | -                  | -              | 68,995            |
| Fixed deposits   | -                | -              | -                | 500,133            | -              | 500,133           |
| Cash and bank  |                  |                |                  |                    |                |                   |
| balances   | 23,077           | 1,365          | 9,567            | 261,097            | 235,662        | 530,768           |
| <b>Total assets</b>  | <u>1,299,194</u> | <u>576,679</u> | <u>3,106,885</u> | <u>5,274,443</u>   | <u>952,798</u> | <u>11,209,999</u> |
| <b>Liabilities</b>   |                  |                |                  |                    |                |                   |
| Payables   | 199              | -              | 1,999            | 37,016             | -              | 39,214            |
| Net assets   |                  |                |                  |                    |                |                   |
| attributable to  |                  |                |                  |                    |                |                   |
| unitholders  | -                | -              | -                | 11,136,210         | -              | 11,136,210        |
| <b>Total liabilities</b>   | <u>199</u>       | <u>-</u>       | <u>1,999</u>     | <u>11,173,226</u>  | <u>-</u>       | <u>11,175,424</u> |
| <b>Net financial assets/<br/>(liabilities)</b>                               | 1,298,995        | 576,679        | 3,104,886        | (5,898,783)        | 952,798        | 34,575            |
| <b>Fair value of<br/>currency forwards<br/>and financial<br/>derivatives</b> |                  |                |                  |                    |                |                   |
|  | (1,183,222)      | (26,733)       | (2,893,394)      | 4,068,774          | -              | (34,575)          |
| <b>Currency exposure</b>   | <u>115,773</u>   | <u>549,946</u> | <u>211,492</u>   | <u>(1,830,009)</u> | <u>952,798</u> |                   |

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 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.

## LIONGLOBAL FLEXI FUND

As of 31 December 2012 and 31 December 2011, the Fund's exposure to foreign currency fluctuations is not considered to be significant except for the currency presented in the table below which shows the Fund's sensitivity to exchange rate movements on significant monetary assets/liabilities denominated in foreign currencies, should this currency increase by a reasonable possible shift with all other variables held constant. This sensitivity analysis is not presented separately should this currency decrease as it is the reversal of the impact disclosed below.

| Currency | Reasonable possible FX movement |           | Impact of increase in FX rates on net assets attributable to the unitholders |            |
|----------|---------------------------------|-----------|--|------------|
|          | 2012<br>%                       | 2011<br>% | 2012<br>\$   | 2011<br>\$ |
| USD      | -                               | 5         | -  | 30,272     |

(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 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 2012                  | Less than 3 months<br>\$ | 3 months-1 year<br>\$ | 1-5 years<br>\$ | Above 5 years<br>\$ |
|---|--------------------------|-----------------------|-----------------|---------------------|
| Payables                                | 58,330                   | -                     | -               | -                   |
| Due to brokers                          | 198,484                  | -                     | -               | -                   |
| Financial derivatives at fair value     | 633                      | -                     | -               | -                   |
| Net assets attributable to unitholders* | 9,372,940                | -                     | -               | -                   |

## LIONGLOBAL FLEXI FUND

| As at 31 December<br>2011                     | Less than 3<br>months<br>\$ | 3 months-<br>1 year<br>\$ | 1-5<br>years<br>\$ | Above 5<br>years<br>\$ |
|---|-----------------------------|---------------------------|--------------------|------------------------|
| Payables                                      | 39,214                      | -                         | -                  | -                      |
| Financial derivatives<br>at fair value        | 43,118                      | -                         | -                  | -                      |
| Net assets<br>attributable to<br>unitholders* | <u>11,136,210</u>           | <u>-</u>                  | <u>-</u>           | <u>-</u>               |

\* 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>2012</b> | <b>2011</b> |
|---|-------------|-------------|
|   | %           | %           |
| Aa2   | -           | 2.4         |
| A3  | 2.8         | -           |
| Baa1  | 2.7         | 2.4         |
| Baa2  | 2.7         | 2.3         |
| Baa3  | 7.5         | 1.6         |
| Ba1   | 4.2         | 6.3         |
| Ba3   | -           | 1.1         |
| B1  | 2.8         | -           |
| B2  | 2.8         | 0.9         |
| Unrated (primarily corporate debts issued by Singapore companies) | 23.5        | 19.3        |
| Accrued interest on debt securities                               | <u>0.8</u>  | <u>0.6</u>  |
| Total debt securities   | <u>49.8</u> | <u>36.9</u> |

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 events of any default by the parties concerned. The Managers minimise the Fund's credit risk by undertaking transactions with banks that are part of a banking group with good credit-ratings assigned by international credit rating agencies.

## LIONGLOBAL FLEXI FUND

The tables below summarise the credit rating of banks and the custodian in which the Fund's assets are held as at 31 December 2012 and 31 December 2011.

| <b>As at 31 December 2012</b>  | <b>Credit rating ##</b> | <b>Source of credit rating</b> |
|--|-------------------------|--------------------------------|
| <u>Custodian</u><br>HSBC Institutional Trust Services<br>(Singapore) Limited | A+                      | S&P                            |
| <u>Bank</u><br>HSBC Institutional Trust Services<br>(Singapore) Limited      | A+                      | S&P                            |
| <u>Margin Deposit</u><br>UBS AG  | A                       | S&P                            |
| <b>As at 31 December 2011</b>  | <b>Credit rating ##</b> | <b>Source of credit rating</b> |
| <u>Custodian</u><br>HSBC Institutional Trust Services<br>(Singapore) Limited | A+                      | S&P                            |
| <u>Bank</u><br>HSBC Institutional Trust Services<br>(Singapore) Limited      | A+                      | S&P                            |

The credit ratings are based on the Long-Term Issuer Ratings published by the rating agency.

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.

**15. RELATED PARTY TRANSACTIONS**

With effect from 1 July 2011, RBC Dexia Trust Services Singapore Limited retired as the Trustee of the Fund and the new Trustee is HSBC Institutional Trust Services (Singapore) Limited.

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:

|  | 2012<br>\$ | 2011<br>\$ |
|--|------------|------------|
| Brokerage on purchases and sales of investments charged by a related company of the Managers | 1,254      | 218        |
| Brokerage on purchases and sales of investments charged by a related company of the Trustee  | 66         | -          |
| Interest income earned from a bank which is the ultimate holding company of the Managers     | -          | 3          |
| Transaction fees charged by the Trustee  |            |            |
| RBC Dexia Trust Service Singapore Limited  | -          | 6,427      |
| HSBC Institutional Trust Services (Singapore) Limited  | 24,969     | 20,933     |
| Registration fee charged by a related company of the Trustee                                 |            |            |
| RBC Dexia Trust Service Singapore Limited  | -          | (2,633)    |
| HSBC Institutional Trust Services (Singapore) Limited  | 9,406      | 6,462      |
| Bank service fees charged by a bank which is a related company of the Trustee                |            |            |
| HSBC Institutional Trust Services (Singapore) Limited  | 2,081      | -          |

**16. FINANCIAL RATIOS**

|   | <b>2012</b><br>% | <b>2011</b><br>% |
|---|------------------|------------------|
| Expense ratio <sup>1</sup> (excludes underlying sub-funds' expense ratio) | 1.85             | 2.17             |
| Expense ratio <sup>2</sup> (includes underlying sub-funds' expense ratio) | 2.13             | 2.43             |
| Portfolio turnover ratio <sup>3</sup>                                     | <u>131</u>       | <u>170</u>       |

<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 expense ration is the sum of the Fund's expense ratio and the underlying fund's unaudited weighted average expense ratio.

<sup>3</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes.

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