



United Japan Small and Mid Cap Fund

Annual Report

for the financial year ended
31st December 2015

United Japan Small and Mid Cap Fund
(Constituted under a Trust Deed in the Republic of Singapore)

MANAGER

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United Japan Small and Mid Cap Fund
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A) Fund Performance

Class JPY

	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr	Since Inception
Fund Performance/ Benchmark Returns	% Growth	% Growth	% Growth	Ann Comp Ret	Ann Comp Ret	Ann Comp Ret	10 March 2014 Ann Comp Ret
United Japan Small and Mid Cap Fund	9.73	1.69	22.49	N/A	N/A	N/A	24.27
Benchmark	9.15	-2.14	13.27	N/A	N/A	N/A	17.95

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in Japanese yen based on a NAV-to-NAV basis with dividends and distributions reinvested, if any.

The benchmark of the Fund : MSCI Japan SMID Cap Index.

Class SGD

	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr	Since Inception
Fund Performance/ Benchmark Returns	% Growth	% Growth	% Growth	Ann Comp Ret	Ann Comp Ret	Ann Comp Ret	11 August 2014 Ann Comp Ret
United Japan Small and Mid Cap Fund	8.49	8.31	29.00	N/A	N/A	N/A	19.35
Benchmark	8.42	4.88	20.86	N/A	N/A	N/A	15.83

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in Singapore dollars based on a NAV-to-NAV basis with dividends and distributions reinvested, if any.

The benchmark of the Fund : MSCI Japan SMID Cap Index.

Class SGD (Hedged)

	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr	Since Inception
Fund Performance/ Benchmark Returns	% Growth	% Growth	% Growth	Ann Comp Ret	Ann Comp Ret	Ann Comp Ret	11 August 2014 Ann Comp Ret
United Japan Small and Mid Cap Fund	10.26	1.42	22.76	N/A	N/A	N/A	23.49
Benchmark	8.42	4.88	20.86	N/A	N/A	N/A	15.83

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in Singapore dollars based on a NAV-to-NAV basis with dividends and distributions reinvested, if any.

The benchmark of the Fund : MSCI Japan SMID Cap Index.

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Class USD

	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr	Since Inception 24 July 2015
Fund Performance/ Benchmark Returns	% Growth	% Growth	% Growth	Ann Comp Ret	Ann Comp Ret	Ann Comp Ret	Ann Comp Ret
United Japan Small and Mid Cap Fund	9.17	N/A	N/A	N/A	N/A	N/A	1.20
Benchmark	8.67	N/A	N/A	N/A	N/A	N/A	-0.91

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in United State dollars based on a NAV-to-NAV basis with dividends and distributions reinvested, if any.

The benchmark of the Fund : MSCI Japan SMID Cap Index.

For the twelve months ended 31 December 2015, the net performance of the Fund **rose 29.0%**, compared with a 20.9% increase in the benchmark MSCI Japan SMID Cap Index in Singapore Dollar terms.

The Fund is sub-managed by Sumitomo Mitsui Asset Management Company and the commentary that follows reflects the views of the sub-manager.

The Fund's outperformance was largely due to stock selection, primarily in **industrials** and **consumer discretionary** sectors. Negative sector allocation partially offset positive stock selection effects. The Fund had an average of 7.7% **cash** during the period for the preparation purpose of the unexpected large amount outflow, also, aiming to buy stocks on dips.

Key contributors to performance included **GMO Payment Gateway (information technology)**, **Benefit One (industrials)** and **Sohgo Security Services (industrials)**.

Key detractors included **Mobile Create (information technology)**, **Komehyo (consumer discretionary)** and **JCU (materials)**.

As at end December 2015, the Fund had the following sector allocation: **industrials (34.9%)**, **consumer discretionary (23.7%)**, **information technology (13.3%)**, **healthcare (9.0%)**, **materials (3.7%)**, **consumer staples (5.0%)**, and **financials (1.8%)**, with the remainder in cash (8.6%).

Economic and Market Review

The MSCI Japan SMID Index rose 20.9% in Singapore Dollar terms for whole year of 2015, outperforming the MSCI Japan Index.

In the first half of this year, the market was basically solid but in the second half, from late August, it started to plunge. The trigger was Chinese RMB devaluation. Consequently, at the initial stage of the negative phase, Japanese stocks that relate to China or foreign demand were heavily sold.

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However, the reason of the plunge in the later stage was 'risk-off mode'. In other words, the market was in panic. During the period, the market ignored fundamentals, and stocks performing well before the event were heavily sold.

After the plunge, the Japanese stock market showed a recovery due to the announcement of China's additional monetary easing, and the mounted expectation of ECB's additional easing.

The companies' earnings results are in an excellent shape. Many companies announced earnings results from October to November, and aggregate corporate earnings (recurring profits) of listed Japanese companies increased by 13% for 1H of FY2015 and expected to grow 14% for the whole FY2015 on the back of JPY depreciation, commodity price decrease, solid economic growth in North America and remarkable increase in consumption demands from non-Japanese travelers coming to Japan.

On the other hand, looking at macro economy, economic indicators are not strong as corporate earnings. In addition, our additional concern is a possible slowdown in export growth.

The economic slowdown in China and other emerging countries may add negative impact on Japanese export growth, that will result in dull earnings growth for foreign demand related Japanese companies.

Outlook and Fund Strategy

As described above, corporate earnings in Japan are very sound. In 2016, the money which is earned by the companies will start to fully circulate in the economy through wage increase and capital investments.

On the other hand, concerns over the China slowdown may continue for a while, and the change of US monetary policy may effect on the existing money flows toward emerging countries.

Japan is well positioned to attract investors' attention because the country is in the process of full-scale economic recovery and exiting the deflation, even under the circumstances of weak global economic growth.

Among the Japanese equity market, the attractiveness of domestic demand related stocks will be escalated, and consequently, global investment flows cannot avoid entering Japan especially the Japanese small-and-mid cap stocks, many of which are operating domestic demand related businesses.

Disclosures

As the Fund is denominated in SGD and invests in foreign currency denominated securities, the Fund uses financial derivatives such as FX Forward contracts for hedging purposes. The Fund had an overlay of currency hedges during the full year, but the effect was largely neutral on the portfolio. Our global exposure to financial derivatives is calculated based on the commitment approach. This is done by adding the exposure of each financial derivative (for those with and without netting arrangement) and cash collateral values under certain cases.

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B) Investments at fair value and as a percentage of NAV as at 31 December 2015 under review classified by

	Fair Value (S\$)	% of NAV
i) Country		
Japan	385,009,804	91.38
Portfolio of investments	385,009,804	91.38
Other net assets	36,318,918	8.62
Total	421,328,722	100.00
ii) Industry		
Consumer Discretionary	99,748,497	23.68
Consumer Staples	20,927,925	4.97
Financials	7,328,073	1.74
Healthcare	38,059,479	9.03
Industrials	147,189,922	34.93
Information Technology	56,194,177	13.34
Materials	15,561,731	3.69
Portfolio of investments	385,009,804	91.38
Other net assets	36,318,918	8.62
Total	421,328,722	100.00
iii) Asset Class		
Equities	385,009,804	91.38
Other net assets	36,318,918	8.62
Total	421,328,722	100.00
iv) Credit rating of debt securities		
N/A		

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C) Top Ten Holdings

The top 10 holdings as at 31 December 2015 and 31 December 2014

10 largest holdings at 31 December 2015

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
OUTSOURCING INC	7,851,286	1.86
RELO HOLDINGS INC	7,328,073	1.74
PRESTIGE INTERNATIONAL INC	6,922,356	1.64
OPTEX CO LTD	6,915,675	1.64
DAITO PHARMACEUTICAL CO LTD	6,759,564	1.60
TOTETSU KOGYO CO LTD	6,607,433	1.57
GLORY LIMITED	6,563,032	1.56
EIKEN CHEMICAL CO LTD	6,546,846	1.55
NIHON M&A CENTER INC	6,523,749	1.55
MONOGATARI CORP	6,477,237	1.54

10 largest holdings at 31 December 2014

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
OUTSOURCING INC	4,419,570	2.53
SIIX CORPORATION	3,544,035	2.03
H I S CO LTD	2,903,825	1.66
KUSURI NO AOKI CO LTD	2,859,473	1.64
TOSHO CO LTD	2,792,113	1.60
GMO PAYMENT GATEWAY INC	2,754,709	1.58
SOHGO SECURITY SERVICES CO LTD	2,729,382	1.56
RELO HOLDINGS INC	2,689,501	1.54
SINKO INDUSTRIES LTD	2,687,490	1.54
MONOGATARI CORP	2,681,533	1.54

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D) Exposure to derivatives

- i) fair value of derivative contracts and as a percentage of NAV as at 31 December 2015

	Contracts or underlying principal amount (S\$)	Positive fair value (S\$)	% of NAV	Negative fair value (S\$)	% of NAV
Forward foreign exchange contracts	7,173,693	-	*	107,691	0.03

- ii) There was a net loss of SGD 422,702 on derivative contracts realised during the financial period ended 31 December 2015
- iii) There was a net loss of SGD 107,691 on outstanding derivative contracts marked to market as at 31 December 2015

** denotes amount less than 0.01%*

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 31 December 2015

N/A

F) Amount and percentage of borrowings to net asset value (NAV) as at 31 December 2015

N/A

G) Amount of redemptions and subscriptions for the financial year ended 31 December 2015

Total amount of redemptions	SGD 282,749,540
Total amount of subscriptions	SGD 458,185,412

H) The amount and terms of related-party transactions for the financial year ended 31 December 2015

- i) As at 31 December 2015, the Fund maintained current accounts with the related parties:

United Overseas Bank Limited

Bank balances 2,670

The Hongkong and Shanghai Banking Corporation Limited

Bank balances 38,023,740

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H) The amount and terms of related-party transactions for the financial year ended 31 December 2015 (continued)

- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 31 December 2015

Holdings of United Japan Small and Mid Cap Fund - Class JPY as at 31 December 2015 were as follows:-

<u>Affiliated Companies</u>	<u>No. of Units</u>	<u>Unit Price</u> <u>JPY</u>	<u>Market Value</u> <u>JPY</u>
a) Deutsche Trustees Malaysia Berhad for United Japan Discovery Fund	1,030,862.90	1,481.988	1,527,726,447.45
b) Clearstream Banking SA/CBL/19977/JPT4410	1,105,662.12	1,481.988	1,638,577,993.89
c) Japan Small and Mid Cap Fund	9,992,627.48	1,481.988	14,808,954,013.83
d) Japan Trigger Fund 4 Plus 4 Eight	1,137,318.49	1,481.988	1,685,492,354.36
e) Japan Trigger Fund 4 Plus 4 Nine	1,202,963.00	1,481.988	1,782,776,730.44
f) UOB Smart Japan Small and Mid Cap Fund	8,651,646.11	1,481.988	12,821,635,715.27

Holdings of United Japan Small and Mid Cap Fund - Class SGD as at 31 December 2015 were as follows:-

<u>Affiliated Companies</u>	<u>No. of Units</u>	<u>Unit Price</u> <u>SGD</u>	<u>Market Value</u> <u>SGD</u>
a) United Japan Growth Fund	275,235.05	1.290	355,053.21

Holdings of United Japan Small and Mid Cap Fund - Class SGD (Hedged) as at 31 December 2015 were as follows:-

<u>Affiliated Companies</u>	<u>No. of Units</u>	<u>Unit Price</u> <u>SGD</u>	<u>Market Value</u> <u>SGD</u>
a) UOB Kay Hian Private Limited	1,447.84	1.354	1,960.38

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

N/A

- iv) As at 31 December 2015 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

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I) Expense ratios

	31 December 2015 %	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014 %
Expense ratio (including preliminary expenses)		
- Class JPY	2.02	2.15
- Class SGD	1.84	3.95
- Class SGD (Hedged)	1.96	2.35
- Class USD	1.91	-
Expense ratio (excluding preliminary expenses)		
- Class JPY	2.02	2.09
- Class SGD	1.84	2.07
- Class SGD (Hedged)	1.96	2.07
- Class USD	1.91	-

Note: The expense ratios have been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the Fund's expense ratios at 31 December 2015 was based on total operating expenses divided by the average net asset value respectively for the period. The total operating expenses do 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. The average net asset value is based on the daily balances. The expense ratios have been calculated based on annualised total operating expenses in accordance with the IMAS guidelines.

Total operating expenses and average net asset value as follows:

	31 December 2015 \$	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014 \$
Total operating expenses (including preliminary expenses)		
- Class JPY	5,990,122	1,502,225
- Class SGD	34,601	8,032
- Class SGD (Hedged)	83,372	22,333
- Class USD	286	-
Total operating expenses (excluding preliminary expenses)		
- Class JPY	5,990,122	1,447,985
- Class SGD	34,601	2,432
- Class SGD (Hedged)	83,372	16,733
- Class USD	286	-
Average net asset value		
- Class JPY	297,171,235	85,308,012
- Class SGD	1,880,484	299,222
- Class SGD (Hedged)	4,249,845	2,059,084
- Class USD	34,012	-

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J) Turnover ratios

	31 December 2015 %	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014 %
Turnover ratio	47.34%	13.54%

Note: The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of total value of purchases or sales of the underlying investments divided by the average daily net asset value.

	31 December 2015 \$	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014 \$
Lower of total value of sales or purchases of the underlying investments	140,194,552	11,515,564
Average daily net asset value	296,175,078	85,041,701

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

N/A

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

i) top 10 holdings at fair value and as percentage of NAV as at 31 December 2015 and 31 December 2014

N/A

ii) expense ratios for the financial year ended 31 December 2015 and 31 December 2014

N/A

iii) turnover ratios for the financial year ended 31 December 2015 and 31 December 2014

N/A

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

M) Soft dollar commissions/arrangements

UOB Asset Management has entered into soft dollars arrangements with selected brokers from whom products and services are received from third parties. The products and services relate essentially to computer hardware and software to the extent that they are used to support the investment decision making process, research and advisory services, economic and political analyses, portfolio analyses including performance measurements, market analyses, data and quotation services, all of which are believed to be helpful in the overall discharge of UOB Asset Management's duties to clients. As such services generally benefit all of UOB Asset Management's clients in terms of input into the investment decision making process, the soft credits utilised are not allocated on a specific client basis. The Manager confirms that trades were executed on a best execution basis and there was no churning of trades.

There are no soft dollars, rebates, commissions or other money incentives generated by the Fund.

The Sub-Managers (Sumitomo Mitsui Asset Management Company, Limited) do not receive or enter into soft-dollar commissions/arrangements in respect of the sub-management of the Fund.

N) Where the scheme offers pre-determined payouts, an explanation on the calculation of the actual payouts received by participants and any significant deviation from the pre-determined payouts

N/A

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REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and hold the assets of United Japan Small and Mid Cap 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, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the year covered by these financial statements, set out on pages 15 to 40, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

Authorised signatory

30 March 2016

United Japan Small and Mid Cap Fund
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STATEMENT BY THE MANAGER

In the opinion of the directors of UOB Asset Management Ltd, the accompanying financial statements set out on pages 15 to 40, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statement are drawn up so as to present fairly, in all material respects, the financial position of United Japan Small and Mid Cap Fund (the "Fund") as at 31 December 2015, and the total return and changes in unitholders' funds 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 Singapore Chartered Accountants. 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 the Manager
UOB ASSET MANAGEMENT LTD

THIO BOON KIAT
Authorised signatory

30 March 2016

United Japan Small and Mid Cap Fund
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**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
UNITED JAPAN SMALL AND MID CAP FUND**

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

We have audited the accompanying financial statements of United Japan Small and Mid Cap Fund (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 31 December 2015, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 15 to 40.

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 Singapore Chartered Accountants, 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 Fund'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 Fund'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 2015 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 Singapore Chartered Accountants.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 30 March 2016

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STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2015

		2015	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014
	Note	\$	\$
Income			
Dividends		4,281,918	999,605
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Less: Expenses			
Management fee	9	5,329,354	1,246,443
Trustee fee	9	121,814	28,490
Audit fee		16,100	15,800
Registrar fee	9	25,000	20,342
Valuation fee	9	380,668	89,032
Custody fee		41,256	8,901
Preliminary expenses		-	65,440
Transaction cost		521,496	269,417
Other expenses		194,189	58,141
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		6,629,877	1,802,006
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Net loss		(2,347,959)	(802,401)
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Net gains or losses on value of investments			
Net gain on investments		75,640,141	9,417,610
Net (loss)/gain on forward foreign exchange contracts		(530,393)	158,451
Net foreign exchange (loss)/gain		(782,272)	430,144
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		74,327,476	10,006,205
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Total return for the year/period before income tax		71,979,517	9,203,804
Less: Income tax	3	(655,776)	(153,089)
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Total return for the year/period		71,323,741	9,050,715
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The accompanying notes form an integral part of these financial statements.

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STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 \$	2014 \$
ASSETS			
Portfolio of investments		385,009,804	163,532,021
Receivables	4	1,967,112	258,093
Cash and bank balances		38,026,410	15,252,383
Financial derivatives at fair value	6	-	168
Total Assets		425,003,326	179,042,665
LIABILITIES			
Payables	5	2,130,622	1,279,963
Purchases awaiting settlement		1,436,291	3,186,482
Financial derivatives at fair value	6	107,691	7,111
Total Liabilities		3,674,604	4,473,556
EQUITY			
Net assets attributable to unitholders	7	421,328,722	174,569,109

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

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STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 31 December 2015

		2015	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014
	Note	\$	\$
Net assets attributable to unitholders at the beginning of the financial year/ period		174,569,109	-
Operations			
Change in net assets attributable to unitholders resulting from operations		71,323,741	9,050,715
Unitholders' contributions/(withdrawals)			
Creation of units		458,185,412	180,668,165
Cancellation of units		(282,749,540)	(15,149,771)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		175,435,872	165,518,394
Total increase in net assets attributable to unitholders		246,759,613	174,569,109
Net assets attributable to unitholders at the end of financial year/period	7	421,328,722	174,569,109

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

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STATEMENT OF PORTFOLIO

As at 31 December 2015

	Holdings at 31 December 2015	Fair value at 31 December 2015 \$	Percentage of total net assets attributable to unitholders at 31 December 2015 %
By Industry - Primary			
Quoted Equities			
CONSUMER DISCRETIONARY			
AMIYAKI TEI CO LTD	76,500	4,222,163	1.00
ARCLAND SERVICE CO LTD	144,000	4,945,173	1.17
BIC CAMERA INC	294,000	3,609,323	0.86
BRONCO BILLY CO LTD	151,500	4,218,288	1.00
H I S CO LTD	134,400	6,442,990	1.53
KOMEHYO CO LTD	140,400	3,942,341	0.94
KOSHIDAKA HOLDINGS CO LTD	177,000	4,560,919	1.08
KYORITSU MAINTENANCE CO LTD	27,000	3,317,868	0.79
MONOGATARI CORP	99,500	6,477,237	1.54
NICHIRIN CO LTD	225,000	4,192,444	1.00
NIFCO INC	96,500	6,407,127	1.52
PIOLAX INC	79,500	6,431,598	1.53
SAC'S BAR HOLDINGS INC	255,000	5,337,848	1.27
SAINT MARC HOLDINGS CO LTD	128,000	5,079,520	1.20
SHOEI CO LTD/TAITO-KU	148,000	4,670,630	1.11
SUMINOE TEXTILE CO LTD	1,495,000	6,117,843	1.45
TENPOS BUSTERS CO LTD	173,000	4,096,731	0.97
TOA CORP	376,000	5,613,700	1.33
TOSHO CO LTD	162,500	6,218,644	1.48
TOW CO LTD	477,500	3,846,110	0.91
TOTAL CONSUMER DISCRETIONARY		99,748,497	23.68
CONSUMER STAPLES			
DAIKOKUTENBUSSAN CO LTD	83,000	4,473,237	1.06
KUSURI NO AOKI CO LTD	65,600	4,579,871	1.09
PIGEON CORPORATION	158,000	5,524,709	1.31
SAN-A CO LTD	98,800	6,350,108	1.51
TOTAL CONSUMER STAPLES		20,927,925	4.97

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

United Japan Small and Mid Cap Fund
(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 31 December 2015

	Holdings at 31 December 2015	Fair value at 31 December 2015 \$	Percentage of total net assets attributable to unitholders at 31 December 2015 %
By Industry - Primary (continued)			
Quoted Equities			
FINANCIALS			
RELO HOLDINGS INC	42,300	7,328,073	1.74
HEALTHCARE			
ASAHI INTECC CO LTD	96,100	6,335,237	1.51
DAITO PHARMACEUTICAL CO LTD	164,000	6,759,564	1.60
EIKEN CHEMICAL CO LTD	247,500	6,546,846	1.55
EPS HOLDINGS INC	353,000	5,561,716	1.32
MANI INC	234,100	6,451,902	1.53
TSUKUI CORP	408,000	6,404,214	1.52
TOTAL HEALTHCARE		38,059,479	9.03
INDUSTRIALS			
BENEFIT ONE INC	145,100	4,870,011	1.16
DAIFUKU CO LTD	256,100	6,266,937	1.49
FUNAI SOKEN HOLDINGS INC	313,200	6,382,534	1.51
GLORY LIMITED	149,000	6,563,032	1.56
KITO CORPORATION	370,500	4,758,212	1.13
MEITEC CORPORATION	124,300	6,090,736	1.44
NIHON M&A CENTER INC	94,400	6,523,749	1.55
NIHON TRIM CO LTD	88,500	4,409,584	1.05
NIPPON AIR CONDITIONING SERVICES CO LTD	268,500	3,935,891	0.93
OBARA GROUP INC	65,000	3,388,155	0.80
OILES CORP	165,500	4,114,303	0.98
OKAMURA COPORATION	420,000	5,993,249	1.42
OUTSOURCING INC	208,700	7,851,286	1.86
PASCO CORPORATION	648,000	3,385,372	0.80
PRESTIGE INTERNATIONAL INC	478,000	6,922,356	1.64
SAKAI MOVING SERVICE CO LTD	141,600	5,477,277	1.30
SHINMAYWA INDUSTRIES LTD	200,000	2,570,894	0.61
Balance carried forward		89,503,578	21.23

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

United Japan Small and Mid Cap Fund
(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 31 December 2015

	Holdings at 31 December 2015	Fair value at 31 December 2015 \$	Percentage of total net assets attributable to unitholders at 31 December 2015 %
By Industry - Primary (continued)			
Quoted Equities			
INDUSTRIALS (continued)			
Balance brought forward		89,503,578	21.23
SINKO INDUSTRIES LTD	309,500	5,620,941	1.33
SOHGO SECURITY SERVICES CO LTD	90,200	6,063,300	1.44
STAR MICRONICS CO LTD	317,000	5,932,856	1.41
TAKEEI CORPORATION	390,000	4,856,867	1.15
TECHNOPRO HOLDINGS INC	149,700	6,276,088	1.49
TOCALO CO LTD	160,300	4,746,876	1.13
TOTETSU KOGYO CO LTD	184,000	6,607,433	1.57
TRANCOM CO LTD	77,800	6,174,792	1.47
TRUSCO NAKAYAMA CORP	113,500	6,324,487	1.50
TRUST TECH INC	164,500	5,082,704	1.21
TOTAL INDUSTRIALS		147,189,922	34.93
INFORMATION TECHNOLOGY			
ASAHI NET INC	451,300	2,788,844	0.66
DTS CORP	178,200	5,800,220	1.38
FUJITSU FRONTECH LTD	72,000	1,266,012	0.30
GMO PAYMENT GATEWAY INC	72,800	4,970,929	1.18
HONDA TSUSHIN KOGYO CO LTD	230,000	3,002,639	0.71
INFOMART CORP	275,100	3,876,914	0.92
IRISO ELECTRONICS CO LTD	58,900	4,737,261	1.13
NIPPON SIGNAL COMPANY LTD	401,800	6,273,726	1.49
OPTEX CO LTD	194,500	6,915,675	1.64
PANASONIC INDUSTRIAL DEVICES	392,500	3,027,228	0.72
SHIBAURA ELECTRONICS CO LTD	89,000	1,786,394	0.42
SIIX CORPORATION	143,100	6,311,591	1.50
SUMIDA CORPORATION	286,000	2,563,346	0.61
VOYAGE GROUP INC	168,500	2,873,398	0.68
TOTAL INFORMATION TECHNOLOGY		56,194,177	13.34

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

United Japan Small and Mid Cap Fund
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STATEMENT OF PORTFOLIO

As at 31 December 2015

	Holdings at 31 December 2015	Fair value at 31 December 2015 \$	Percentage of total net assets attributable to unitholders at 31 December 2015 %
By Industry - Primary (continued)			
Quoted Equities			
MATERIALS			
FUJIMORI KOGYO CO LTD	130,900	4,878,141	1.16
JCU CORP	95,500	4,825,939	1.14
LINTEC CORP	194,100	5,857,651	1.39
TOTAL MATERIALS		15,561,731	3.69
Portfolio of investments		385,009,804	91.38
Other net assets		36,318,918	8.62
Net assets attributable to unitholders		421,328,722	100.00

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

United Japan Small and Mid Cap Fund
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STATEMENT OF PORTFOLIO

As at 31 December 2015

	Percentage of total net assets attributable to unitholders at 31 December 2015 %	Percentage of total net assets attributable to unitholders at 31 December 2014 %
By Industry - Primary (Summary)		
Quoted Equities		
Consumer Discretionary	23.68	20.85
Consumer Staples	4.97	6.45
Financials	1.74	1.54
Healthcare	9.03	8.54
Industrials	34.93	32.22
Information Technology	13.34	15.76
Materials	3.69	8.32
Portfolio of investments	91.38	93.68
Other net assets	8.62	6.32
Net assets attributable to unitholders	100.00	100.00

By Geography - Secondary
Quoted Equities

The Fund invests wholly in Japan.

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

United Japan Small and Mid Cap Fund

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

1. General

United Japan Small and Mid Cap Fund (the “Fund”) is a Singapore registered fund constituted under a Trust Deed dated 27 September 2013 between UOB Asset Management Ltd (the “Manager”) and HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”). The Trust Deed is governed by the laws of the Republic of Singapore.

The investment objective of the Fund is to achieve long term capital growth through investing in securities of small and medium capitalisation corporations listed, domiciled, or having substantial operations, in Japan.

The Fund currently offers three classes of units, namely JPY Class, SGD Class, SGD (Hedged) Class and USD Class. Subscriptions and redemptions of the units are denominated in Singapore Dollar, United States Dollar and Japanese Yen. Investors may subscribe in United States Dollar and Japanese Yen at the applicable rate of exchange from Singapore Dollar. In respect of the SGD (Hedged) Class units, the Manager has the ability to hedge the units of such class in relation to the base currency of the Fund or the currency of the underlying investments in such manner as they deem appropriate. Where hedging of such is undertaken, the Manager may engage, for the exclusive account of the Fund, in, amongst other things, currency forwards, currency futures, currency option transactions and currency swaps in order to preserve the value of the SGD (Hedged) Class against the base currency or the currency of the underlying investments. Where undertaken, the effects of this hedging will be reflected in the Net Asset Value of the SGD (Hedged) Class, and, therefore, in the performance of the SGD (Hedged) Class. Similarly, any expenses arising from such hedging transactions will be borne by the SGD (Hedged) Class. The management fee rates are the same for all four classes.

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 Singapore Chartered Accountants.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

(c) Investments

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

(i) *Initial recognition*

Purchase of investments are 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 fair value on 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 gross of transaction costs, and are taken up in the Statement of Total Return.

(d) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for investments held by the Fund is the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

(e) Foreign currency translation

(i) *Functional and presentation currency*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

(e) Foreign currency translation (continued)

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at 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 are also recognised in the Statement of Total Return within the net gain or loss on investments.

(f) Expenses charged to the Fund

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

(g) Financial derivatives

Financial derivatives including forwards and swaps may be entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provision of the Trust Deed and the Code on Collective Investment Schemes.

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

(h) Distributions

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account, to be paid out on the distribution date. The amount shall not be treated as part of the property of the fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

United Japan Small and Mid Cap Fund
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

3. Income tax

	2015	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014
	\$	\$
Overseas income tax	655,776	153,089

The Fund was granted the status of a Designated Unit Trust (“DUT”) in Singapore. Under the DUT Scheme, subject to certain conditions and reporting obligations being met, certain income of the DUT Fund is not taxable in accordance with Sections 35(12) and 35(12A) of the Income Tax Act. Such income includes:

- (i) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (ii) interest (other than interest for which tax has been deducted under Section 45 of the Singapore Income Tax Act);
- (iii) dividends derived from outside Singapore and received in Singapore;
- (iv) 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;
- (v) discount, prepayment fee, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (vi) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

The overseas income tax represents tax withheld on foreign sourced income.

United Japan Small and Mid Cap Fund
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4. Receivables

	2015	2014
	\$	\$
Amounts receivable for creation of units	1,172,989	13,490
Dividends receivable	637,512	244,563
Other receivables	156,611	40
	1,967,112	258,093

5. Payables

	2015	2014
	\$	\$
Amounts payable for cancellation of units	120,177	552,608
Amount due to Manager	1,934,444	684,133
Amount due to Trustee	41,268	14,587
Other creditors and accrued expenses	34,733	28,635
	2,130,622	1,279,963

6. Fair value of financial derivatives

Financial derivatives contracts comprise forward foreign exchange contracts for the sale and purchase of foreign currencies due for settlement within 29 days (2014: 30 days). The contract or underlying principal amounts of these financial derivatives and their corresponding gross positive or negative fair values at the reporting date are analysed below.

	31 December 2015		
	Contract or underlying principal amount	Positive fair value	Negative fair value
	\$	\$	\$
Forward foreign exchange contracts	7,173,693	-	107,691

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

6. Fair value of financial derivatives (continued)

	31 December 2014		
	Contract or underlying principal amount	Positive fair value	Negative fair value
	\$	\$	\$
Forward foreign exchange contracts	3,474,058	168	7,111

7. Units in issue

During the year/period ended 31 December 2015 and 2014, the number of units issued, redeemed and outstanding were as follow:

	2015			
	Class JPY	Class SGD	Class SGD (Hedged)	Class USD
Units at beginning of the year	12,774,532	318,595	3,134,506	-
Units created	27,368,771	9,178,845	11,976,899	101,884
Units cancelled	(16,983,453)	(2,260,443)	(9,816,125)	(66,275)
Units at end of the year	<u>23,159,850</u>	<u>7,236,997</u>	<u>5,295,280</u>	<u>35,609</u>
	JPY	\$	\$	US\$
Net assets attributable to unitholders	34,322,633,872	9,334,373	7,172,363	35,959
Net assets attributable to unitholders (SGD equivalent)	404,770,973	9,334,373	7,172,363	51,013
Net asset value per unit	1,481.988	1.290	1.354	1.009
Net assets attributable to unitholders (SGD equivalent)	<u>17.477</u>	<u>1.290</u>	<u>1.354</u>	<u>1.431</u>

United Japan Small and Mid Cap Fund
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

7. Units in issue (continued)

	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014		
	Class JPY	Class SGD	Class SGD (Hedged)
Units at beginning of the period	-	-	-
Units created	13,823,176	318,595	4,168,566
Units cancelled	(1,048,644)	-	(1,034,060)
Units at end of the period	<u>12,774,532</u>	<u>318,595</u>	<u>3,134,506</u>
	JPY	\$	\$
Net assets attributable to unitholders	15,476,492,073	314,216	3,457,479
Net assets attributable to unitholders (SGD equivalent)	<u>170,797,414</u>	<u>314,216</u>	<u>3,457,479</u>
Net asset value per unit	1,211.511	0.986	1.103
Net assets value per unit (SGD equivalent)	<u>13.370</u>	<u>0.986</u>	<u>1.103</u>

A reconciliation of the net assets attributable to unitholders per unit per the financial statements and the net assets attributable to unitholders per unit for issuing / redeeming units at the financial year end date is prepared below:

	2015			
	Class JPY JPY	Class SGD \$	Class SGD (Hedged) \$	Class USD US\$
Net assets attributable to unitholders per financial statements	1,481.988	1.290	1.354	1.009
Effect for movement in the net asset value between the last dealing date and the end of the reporting period	6.559	-	-	0.003
Effect of preliminary expenses	-	#	#	-
Net assets attributable to unitholders for issuing/ redeeming	<u>1,488.547</u>	<u>1.290</u>	<u>1.354</u>	<u>1.012</u>

Indicates an effect of less than \$0.001 per unit

United Japan Small and Mid Cap Fund
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

7. Units in issue (continued)

	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014		
	Class JPY JPY	Class SGD \$	Class SGD (Hedged) \$
Net assets attributable to unitholders per financial statements	1,211.511	0.986	1.103
Effect for movement in the net asset value between the last dealing date and the end of the reporting period	(1.602)	#	(0.001)
Effect of preliminary expenses	-	0.014	0.001
Net assets attributable to unitholders for issuing/redeeming	1,209.909	1.000	1.103

Indicates an effect of less than \$0.001 per unit

8. Financial risk management

The Fund's activities expose it to a variety of financial 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's may use financial futures contracts, financial options contracts 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 financial instruments such as equity investments and cash. They are held in accordance with the published investment policies of the Fund. The allocation of assets between the various types of investments is determined by the Manager to achieve their investment objectives.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. Financial risk management (continued)

(a) Market risk

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

(i) Foreign exchange risk

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

United Japan Small and Mid Cap Fund
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The table below summarises the Fund's exposure to foreign currencies as of the end of the financial year.

As at 31 December 2015

	SGD \$	JPY \$	USD \$	Total \$
Assets				
Portfolio of investments	-	385,009,804	-	385,009,804
Receivables	925,538	1,037,374	4,200	1,967,112
Cash and bank balances	5,804,872	32,171,892	49,646	38,026,410
Total Assets	6,730,410	418,219,070	53,846	425,003,326
Liabilities				
Payables	2,119,925	-	10,697	2,130,622
Purchases awaiting settlement	-	1,436,291	-	1,436,291
Total Liabilities	2,119,925	1,436,291	10,697	3,566,913
Forward foreign exchange contracts (notional value)	7,173,693	(7,281,384)	-	
Net currency exposure	11,784,178	409,501,395	43,149	

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For the financial year ended 31 December 2015

8. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2014

	SGD \$	JPY \$	USD \$	Total \$
Assets				
Portfolio of investments	-	163,532,021	-	163,532,021
Receivables	13,490	244,603	-	258,093
Cash and bank balances	310,289	14,942,094	-	15,252,383
Total Assets	323,779	178,718,718	-	179,042,497
Liabilities				
Payables	721,892	552,638	5,433	1,279,963
Purchases awaiting settlement	-	3,186,482	-	3,186,482
Total Liabilities	721,892	3,739,120	5,433	4,466,445
Forward foreign exchange contracts (notional value)	3,474,058	(3,481,001)	-	
Net currency exposure	3,075,945	171,498,597	(5,433)	

Investments, which is the significant item in the Statement of Financial Position is exposed to currency risk and other price risk. Price risk sensitivity analysis includes the impact of currency risk on non-monetary investments. Consequently, currency risk sensitivity analysis is prepared and disclosed only for monetary assets and liabilities. The table below summarises the sensitivity of the Sub-Funds' monetary assets and liabilities to changes in foreign exchange movements as at 31 December 2015 and 2014. The analysis is based on the assumptions that the functional currency increased / decreased to the relevant foreign exchange rates as disclosed below. This represents the Manager's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

United Japan Small and Mid Cap Fund
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Currency	2015		2014	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
JPY	2,204,243	9	-	-

(ii) Price risk

Price risk is the risk of potential adverse changes to the value of financial investments because of changes in market conditions and volatility in security prices.

The table below summarises the impact of increases/decreases from the Fund's underlying investments in equities on the Fund's net assets attributable to unitholders at 31 December 2015 and 2014. The analysis is based on the assumption that the index components within the benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of the Fund's investments moved according to the historical correlation with the index.

Benchmark component	2015		2014	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
MSCI Japan SMID Cap Index	64,681,647	20	30,744,020	20

(iii) Interest rate risk

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

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly. However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect.

Other than cash and bank balances which are subjected to insignificant interest rate risk, the Fund's financial assets and liabilities are largely non-interest bearing.

Hence, no sensitivity analysis has been presented separately.

(b) Liquidity risk

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

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

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting 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 2015

	Less than 3 months \$
Payables	2,130,622
Purchases awaiting settlement	1,436,291
Derivative financial instruments	
- inflows	7,173,693
- outflows	(7,281,384)

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. Financial risk management (continued)

(b) Liquidity risk (continued)

As at 31 December 2014

	Less than 3 months \$
Payables	1,279,963
Purchases awaiting settlement	3,186,482
Derivative financial instruments	
- inflows	3,401,733
- outflows	(3,408,844)
	(3,408,844)

(c) Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Fund's credit risk is concentrated on cash and bank balances, and on amounts or securities receivable on the sale and purchase of investments respectively. In order to mitigate exposure to credit risk, all transactions in listed securities are settled/paid for upon delivery and transacted with approved counterparties using an approved list of brokers that are regularly assessed and updated by the Manager.

The table below summarises the credit rating of banks and custodians in which the Fund's assets are held as at 31 December 2015 and 2014.

The credit ratings are based on the Viability (2014: Bank Financial Strength) ratings published by the rating agency.

As at 31 December 2015

	Credit rating	Source of credit rating
<u>Bank</u>		
The Hongkong Shanghai Banking Corporation Limited	aa-	Fitch
United Overseas Bank Limited	aa-	Fitch
<u>Custodian</u>		
The Hongkong Shanghai Banking Corporation Limited	aa-	Fitch
<u>Counterparties of forward foreign exchange contracts</u>		
The Hongkong Shanghai Banking Corporation Limited	aa-	Fitch

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8. Financial risk management (continued)

(c) Credit risk (continued)

As at 31 December 2014

	Credit rating	Source of credit rating
<u>Bank</u>		
The Hongkong Shanghai Banking Corporation Limited	B	Moody's
United Overseas Bank Limited	B	Moody's
<u>Custodian</u>		
The Hongkong Shanghai Banking Corporation Limited	B	Moody's
<u>Counterparties of forward foreign exchange contracts</u>		
The Hongkong Shanghai Banking Corporation Limited	B	Moody's

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

(d) Capital management

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

(e) Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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8. Financial risk management (continued)

(e) Fair value estimation (continued)

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2015 and 2014.

As at 31 December 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets at fair value through profit or loss				
- Quoted equities	385,009,804	-	-	385,009,804
Liabilities				
- Financial derivatives	-	107,691	-	107,691
<hr/>				
As at 31 December 2014	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets at fair value through profit or loss				
- Quoted equities	163,532,021	-	-	163,532,021
- Financial derivatives	-	168	-	168
	163,532,021	168	-	163,532,189
Liabilities				
- Financial derivatives	-	7,111	-	7,111

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, comprise active listed equities. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include over-the-counter derivatives.

Except for cash and bank balances which are classified as Level 1, the Fund's assets and liabilities not measured at fair value at 31 December 2015 and 2014 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the reporting date.

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9. Related party transactions

- (a) The Manager and the Trustee of the Fund are UOB Asset Management Ltd and HSBC Institutional Trust Services (Singapore) Limited respectively. UOB Asset Management Ltd is a subsidiary of United Overseas Bank Limited and HSBC Institutional Trust Services (Singapore) Limited is a subsidiary of HSBC Holdings Plc.

Management and valuation fees are paid to the Manager, while trustee fee is paid to the Trustee and registrar fee is paid to HSBC Institutional Trust Services (Singapore) Limited, a subsidiary of HSBC Holdings Plc. These fees paid or payable by the Fund shown in the Statement of Total Return and in the respective Notes to the Financial Statements are on terms set out in the Trust Deed. All other related party information are shown elsewhere in the financial statements.

- (b) As at the end of the financial period, the Fund maintained the following accounts with the related parties:

	2015 \$	2014 \$
<u>United Overseas Bank Limited</u>		
Bank balances	2,670	3,748
<u>The Hongkong and Shanghai Banking Corporation Limited</u>		
Bank balances	38,023,740	15,248,635

10. Financial ratios

	2015 %	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014 %
Expense ratio ¹ (including preliminary expenses)		
- Class JPY	2.02	2.15
- Class SGD	1.84	3.95
- Class SGD (Hedged)	1.96	2.35
- Class USD	1.91	-
Expense ratio ¹ (excluding preliminary expenses)		
- Class JPY	2.02	2.09
- Class SGD	1.84	2.07
- Class SGD (Hedged)	1.96	2.07
- Class USD	1.91	-
Turnover ratio ²	47.34	13.54

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For the financial year ended 31 December 2015

10. Financial ratios (continued)

¹ *The expense ratios have been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the Fund's expense ratios at 31 December 2015 was based on total operating expenses divided by the average net asset value respectively for the period. The total operating expenses do 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. The average net asset value is based on the daily balances. The expense ratios have been calculated based on annualised total operating expenses in accordance with the IMAS guidelines.*

The following table presents total operating expenses and average net asset values of the Fund for the Financial year/ period ended 31 December 2015 and 2014.

	2015	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014
	\$	\$
Total operating expenses (including preliminary expenses)		
- Class JPY	5,990,122	1,502,225
- Class SGD	34,601	8,032
- Class SGD (Hedged)	83,372	22,333
- Class USD	286	-
Total operating expenses (excluding preliminary expenses)		
- Class JPY	5,990,122	1,447,985
- Class SGD	34,601	2,432
- Class SGD (Hedged)	83,372	16,733
- Class USD	286	-
Average net asset value		
- Class JPY	297,171,235	85,308,012
- Class SGD	1,880,484	299,222
- Class SGD (Hedged)	4,249,845	2,059,084
- Class USD	34,012	-

² *The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of total value of purchases or sales of the underlying investments divided by the average daily net asset value as follows:*

	2015	For the financial period from 27 September 2013 (date of constitution) to 31 December 2014
	\$	\$
Lower of total value of sales or purchases of the underlying investments	140,194,552	11,515,564
Average daily net asset value	296,175,078	85,041,701

