



# United Choice Portfolios II- United SGD Fund

## Annual Report

for the financial year ended  
31<sup>st</sup> December 2017



**United Choice Portfolios II**  
(Constituted under a Trust Deed in the Republic of Singapore)

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**MANAGER**

UOB Asset Management Ltd  
Registered Address:  
80 Raffles Place  
UOB Plaza  
Singapore 048624  
Company Registration No. : 198600120Z  
Tel: 1800 22 22 228

**DIRECTORS OF UOB ASSET MANAGEMENT**

Lee Wai Fai  
Eric Tham Kah Jin  
Peh Kian Heng  
Thio Boon Kiat

**TRUSTEE**

State Street Trust (SG) Limited  
168 Robinson Road  
#33-01, Capital Tower  
Singapore 068912

**CUSTODIAN / ADMINISTRATOR / REGISTRAR**

State Street Bank and Trust Company, acting through its Singapore Branch  
168 Robinson Road  
#33-01, Capital Tower  
Singapore 068912

**AUDITOR**

PricewaterhouseCoopers LLP  
7 Straits View, Marina One  
East Tower, Level 12  
Singapore 018936

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

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**A) Fund Performance**

**Class A (Acc) SGD**

							Since Inception 19 June 1998
<b>Fund Performance/ Benchmark Returns</b>	<b>3 mth % Growth</b>	<b>6 mth % Growth</b>	<b>1 yr % Growth</b>	<b>3 yr Ann Comp Ret</b>	<b>5 yr Ann Comp Ret</b>	<b>10 yr Ann Comp Ret</b>	<b>Ann Comp Ret</b>
United SGD Fund	0.00	0.33	2.15	2.82	3.05	3.99	3.29
Benchmark	0.30	0.60	1.19	1.06	0.72	0.59	1.24

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in Singapore Dollar based on a NAV-to-NAV basis with dividends and distributions reinvested, if any.  
The benchmark of the Fund: 6-month SIBID rate.

**Class A (Dist) SGD**

							Since Inception 13 March 2014
<b>Fund Performance/ Benchmark Returns</b>	<b>3 mth % Growth</b>	<b>6 mth % Growth</b>	<b>1 yr % Growth</b>	<b>3 yr Ann Comp Ret</b>	<b>5 yr Ann Comp Ret</b>	<b>10 yr Ann Comp Ret</b>	<b>Ann Comp Ret</b>
United SGD Fund	0.02	0.33	2.12	2.80	N/A	N/A	2.63
Benchmark	0.30	0.60	1.19	1.06	N/A	N/A	0.88

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in Singapore Dollar based on a NAV-to-NAV basis with dividends and distributions reinvested, if any.  
The benchmark of the Fund: 6-month SIBID rate.

**United SGD Fund**  
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**A) Fund Performance** (continued)

**Class A (Acc) USD (Hedged)**

							Since Inception 16 February 2016
<b>Fund Performance/ Benchmark Returns</b>	<b>3 mth % Growth</b>	<b>6 mth % Growth</b>	<b>1 yr % Growth</b>	<b>3 yr Ann Comp Ret</b>	<b>5 yr Ann Comp Ret</b>	<b>10 yr Ann Comp Ret</b>	<b>Ann Comp Ret</b>
United SGD Fund	0.19	0.67	2.83	N/A	N/A	N/A	3.02
Benchmark	1.92	3.64	9.39	N/A	N/A	N/A	3.92

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in United States Dollar based on a NAV-to-NAV basis with dividends and distributions reinvested, if any.  
The benchmark of the Fund: 6-month SIBID rate.

**Class A (Dist) USD (Hedged)**

							Since Inception 16 February 2016
<b>Fund Performance/ Benchmark Returns</b>	<b>3 mth % Growth</b>	<b>6 mth % Growth</b>	<b>1 yr % Growth</b>	<b>3 yr Ann Comp Ret</b>	<b>5 yr Ann Comp Ret</b>	<b>10 yr Ann Comp Ret</b>	<b>Ann Comp Ret</b>
United SGD Fund	0.01	0.51	2.63	N/A	N/A	N/A	2.77
Benchmark	1.92	3.64	9.39	N/A	N/A	N/A	3.92

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in United States Dollar based on a NAV-to-NAV basis with dividends and distributions reinvested, if any.  
The benchmark of the Fund: 6-month SIBID rate.

**United SGD Fund**  
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**A) Fund Performance (continued)**

**Class B (Acc) SGD**

							Since Inception 28 March 2013
Fund Performance/ Benchmark Returns	3 mth % Growth	6 mth % Growth	1 yr % Growth	3 yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	Ann Comp Ret
United SGD Fund	0.09	0.52	2.38	3.15	N/A	N/A	3.19
Benchmark	0.30	0.60	1.19	1.06	N/A	N/A	0.74

Source: UOBAM.

Note: The performance returns of the Fund are in Singapore Dollar based on a NAV-to-NAV basis with dividends and distributions reinvested, if any.  
The benchmark of the Fund: 6-month SIBID rate.

For the year ended 31 December 2017, Class A (Acc) SGD, Class A (Dist) SGD and Class B (Acc) SGD of the Fund **rose 2.15%, 2.12% and 2.38%** respectively on a net-asset-value basis, outperforming its benchmark 6-month Singapore Interbank Bid Rate (SIBID) return of 1.19% in Singapore Dollar terms, while Class A (Acc) USD (Hedged) and Class A (Dist) USD (Hedged) of the Fund **rose 2.83% and 2.63%** respectively against its benchmark return of 9.39% in United States Dollar terms.

The Fund adopted two key strategies: (1) investing in fixed rate bonds of up to three years in maturity profile for portfolio yield enhancement; and (2) buying cheaper Eurodollar-denominated bonds while hedging foreign currency risk. We also methodically moderated allocation to **China** on the back of a strong supply pipeline.

As at 30 June 2017, 91.68% of the Fund was invested in corporate bonds, 5.97% in MAS Bills and balance in cash and others. The Fund had a yield-to-maturity of 3.04% and effective duration of 1.84 years.

**Economic and Market Review**

The unwinding of Trump's relation trade dominated a large part of 2017 as 10-year US Treasury (UST) yields hit lows of 2.01% in early September (December 2016: 2.44%) as investors re-focused on a benign inflation outlook and escalating tensions in the Korean Peninsula. However, 10-year UST yields made a quick reversal thereafter to end the year at 2.41% on hopes of US tax reforms, increased probability of US Federal Reserve (Fed) rate hike in December and possibility of appointment of a hawkish new Fed Chairperson.

Meanwhile, the Federal Open Market Committee (FOMC) persisted with its monetary policy normalisation after delivering its third rate hike of 25 basis points (bps) in December 2017 while the median dot plot suggested another three hikes in 2018. 2 year UST yields began a sharp ascend notably since early September at 1.26% to hit high of 1.93% in late December on Fed rate hike expectations.

2017 has been a record year for the supply of Asian US dollar denominated bonds. Aside from January and April, each month in 2017 witnessed issuances of historic monthly records. On a full year basis, Asian issuers printed US\$271 billion through USD-denominated fixed rate bonds, representing a 56% increase year-on-year (yoy). After considering redemptions and coupons, net supply came in at US\$136 billion, a 50% increase yoy. Chinese issuers dominated again in 2017, accounting for 64% of total issuances (compared to 60% in 2016) as the onshore tightening drove issuers offshore for financing. This is followed by **Hong Kong (9%), Indonesia (6%) and Korea (6%)**.

**Outlook and Fund Strategy**

Considering that existing Fed rate is now at 1.5%, the market is likely to have priced in two of the three Fed rate hikes expected for 2018. While we expect 2 year UST yields to remain elevated, we are inclined to opine that the 67 bps surge between September to December (compared to total increase for 2017 at +69bps) is unlikely to be repeated in the near term.

The Fund increased cash buffer towards the end of 2017. 2018 is expected to be a year of "carry-trade" and the Fund will continue to add risk opportunistically to capitalise on higher yields.

**A) Fund Performance (continued)**

We will continue to maintain our defensive positioning with a preference for quality credits with leading market share, those that are of systemic importance, in defensive sectors and which are professionally managed. We look to increase geographical diversification to further insulate the portfolio against spurts of volatility.

**Disclosures**

As the Fund is in SGD and invests in non-SGD denominated securities, the Fund uses financial derivatives such as FX Forward contracts for hedging purposes. The Fund uses Commitment Approach with Netting Arrangements in determining compliance with the CIS (in respect of clause 8.4 of Appendix 1) to calculate global exposure. 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.

**B) Investments at fair value and as a percentage of net asset value (“NAV”) as at 31 December 2017 under review classified by**

**i) Country**

	Fair Value (S\$)	% of NAV
Australia	33,328,964	2.10
China	541,310,767	34.10
France	17,546,551	1.11
Hong Kong	188,494,116	11.87
Japan	33,576,215	2.12
Luxembourg	23,940,890	1.51
Malaysia	36,556,639	2.30
Singapore	275,758,993	17.37
South Korea	91,271,547	5.75
Sweden	43,631,819	2.75
Thailand	29,719,505	1.87
United Arab Emirates	158,065,819	9.96
United Kingdom	11,009,263	0.69
United States	65,923,938	4.15
Accrued interest receivable on quoted bonds	<u>10,448,818</u>	<u>0.66</u>
Portfolio of investments	1,560,583,844	98.31
Other net assets/(liabilities)	<u>26,768,755</u>	<u>1.69</u>
<b>Total</b>	<b><u>1,587,352,599</u></b>	<b><u>100.00</u></b>

**ii) Industry**

	Fair Value (S\$)	% of NAV
Consumer Discretionary	66,473,886	4.19
Consumer Staples	7,450,376	0.47
Financials	512,735,391	32.30
Government	94,818,905	5.97
Industrials	311,810,499	19.64
Materials	235,752,172	14.85
Real Estate	209,217,942	13.18
Telecommunication Services	36,556,639	2.30
Utilities	75,319,216	4.75
Accrued interest receivable on quoted bonds	<u>10,448,818</u>	<u>0.66</u>
Portfolio of investments	1,560,583,844	98.31
Other net assets/(liabilities)	<u>26,768,755</u>	<u>1.69</u>
<b>Total</b>	<b><u>1,587,352,599</u></b>	<b><u>100.00</u></b>



**B) Investments at fair value and as a percentage of net asset value (“NAV”) as at 31 December 2017 under review classified by (continued)**

**iii) Asset Class**

	Fair Value (S\$)	% of NAV
Quoted bonds	1,550,135,026	97.65
Accrued interest receivable on quoted bonds	10,448,818	0.66
Other net assets/(liabilities)	26,768,755	1.69
<b>Total</b>	<b><u>1,587,352,599</u></b>	<b><u>100.00</u></b>

**iv) Credit rating of quoted bonds by S & P**

	Fair Value (S\$)	% of NAV
A	60,154,939	3.79
A-	77,289,474	4.87
A+	49,141,194	3.10
AA	19,881,402	1.25
BBB	115,899,309	7.30
BBB-	87,604,354	5.51
BBB+	247,002,718	15.56
Non-rated	893,161,636	56.27
<b>Total</b>	<b><u>1,550,135,026</u></b>	<b><u>97.65</u></b>

**v) Credit rating of quoted bonds by Moody's**

	Fair Value (S\$)	% of NAV
A1	77,782,646	4.90
A2	26,710,627	1.68
A3	199,770,339	12.59
Aa1	8,238,388	0.52
Aa2	55,562,709	3.50
Baa1	287,047,122	18.08
Baa2	182,347,811	11.48
Baa3	150,247,154	9.47
Non-rated	562,428,230	35.43
<b>Total</b>	<b><u>1,550,135,026</u></b>	<b><u>97.65</u></b>

### C) Top Ten Holdings

10 largest holdings as at 31 December 2017

	Fair Value (\$)	Percentage of total net assets attributable to unitholders %
BLUESTAR FIN HOLDINGS COMPANY GUAR REGS 12/49 VAR	40,292,660	2.54
MCC HOLDING HK CORP LTD COMPANY GUAR REGS 05/20 2.95	39,837,696	2.51
SHOUGANG CORP SR UNSECURED REGS 08/20 1.35	37,125,069	2.34
AXIATA SPV2 BHD SR UNSECURED REGS 11/20 3.466	36,556,639	2.30
HYUNDAI CAPITAL SERVICES SR UNSECURED REGS 09/20 2.625	35,708,838	2.25
DOOSAN INFRACORE CO LTD COMPANY GUAR REGS 07/20 2.5	35,681,307	2.25
INCITEC PIVOT FIN LLC COMPANY GUAR REGS 12/19 6	35,109,895	2.21
MAS BILL BILLS 02/18 0.00000	34,955,375	2.20
MAS BILL BILLS 03/18 0.00000	34,897,030	2.20
CHUGOKU ELECTRIC POWER SR SECURED REGS 03/20 2.701	33,576,215	2.12

10 largest holdings as at 31 December 2016

	Fair Value (\$)	Percentage of total net assets attributable to unitholders %
MAF GLOBAL SECURITIES LIMITED 5.25% DUE 05/07/2019	30,592,732	2.33
SINGAPORE GOVERNMENT BOND 1.625% DUE 01/10/2019	30,054,000	2.29
HUARONG FINANCE COMPANY LIMITED 4% DUE 17/07/2019	29,537,522	2.25
OCBC WING HANG BANK LIMITED 6% DUE 29/04/2049	29,492,994	2.25
GUANGZHOU METRO INVESTMENT FINANCE BVI LIMITED 2.875% DUE 03/12/2018	29,051,813	2.21
STANDARD CHARTERED PUBLIC LISTED COMPANY 4% DUE 12/07/2022	28,996,047	2.20
ZHEJIANG ENERGY GROUP HONG KONG LIMITED 2.3% DUE 30/09/2017	28,923,578	2.20
ANSTOCK II LIMITED 2.125% DUE 24/07/2017	28,905,704	2.20
JANY SUKUK COMPANY LIMITED 2.844% DUE 23/09/2019	28,901,275	2.20
MIDEA INVESTMENT DEVELOPMENT COMPANY LIMITED 2.375% DUE 03/06/2019	28,805,058	2.19

**D) Exposure to derivatives**

- i) Fair value of derivative contracts and as a percentage of NAV as at 31 December 2017

	Contract or underlying principal amount \$	Positive fair value \$	% of NAV	Negative fair value \$	% of NAV
Foreign currency contracts	1,412,634,984	17,111,652	1.08	1,255,142	0.08

- ii) There was a net realised gain of SGD 64,017,772 on derivative contracts during the financial year ended 31 December 2017.
- iii) There was a net unrealised gain of SGD 15,856,510 on outstanding derivative contracts marked to market as at 31 December 2017.

**E) Amount and percentage of NAV invested in other schemes as at 31 December 2017**

N/A

**F) Amount and percentage of borrowings to NAV as at 31 December 2017**

N/A

**G) Amount of redemptions and subscriptions for the financial year ended 31 December 2017**

Total amount of redemptions	SGD	510,656,904
Total amount of subscriptions	SGD	761,719,879

**H) The amount and terms of related-party transactions for the financial year ended 31 December 2017**

Please refer to Note 10 of the Notes to the Financial Statements.

**I) Expense ratios**

Please refer to Note 11 of the Notes to the Financial Statements.

**J) Turnover ratios**

Please refer to Note 11 of the Notes to the Financial Statements.

**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")<sup>1</sup> should be disclosed as well**

- i) Top 10 holdings at fair value and as percentage of NAV as at 31 December 2017 and 31 December 2016  
N/A
- ii) Expense ratios for the financial year ended 31 December 2017 and 31 December 2016  
N/A
- iii) Turnover ratios for the financial year ended 31 December 2017 and 31 December 2016  
N/A

<sup>1</sup> *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.

**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

## **REPORT OF THE TRUSTEE**

The Trustee is under a duty to take into custody and hold the assets of the sub-fund of United Choice Portfolios II, namely United SGD Fund (the "Sub-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 Sub-Fund during the financial year covered by these financial statements, set out on pages 15 to 45, 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  
STATE STREET TRUST (SG) LIMITED

Authorised signatory  
29 March 2018

## **STATEMENT BY THE MANAGER**

In the opinion of UOB Asset Management Ltd, the accompanying financial statements set out on pages 15 to 45, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions and portfolio holdings of the sub-fund of United Choice Portfolios II, namely United SGD Fund (the "Sub-Fund") as at 31 December 2017, and the financial performance and movements of 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 Sub-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  
29 March 2018

## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UNITED CHOICE PORTFOLIOS II**

### ***Our Opinion***

In our opinion, the accompanying financial statements of the sub-fund of United Choice Portfolios II, namely United SGD Fund (the "Sub-Fund"), is properly drawn up 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, so as to present fairly, in all material respects, the financial position and portfolio holdings of the Sub-Fund as at 31 December 2017, and of the financial performance and movements of unitholders' funds for the financial year ended on that date.

### ***What we have audited***

The financial statements of the Sub-Fund comprise:

- the Statement of Total Return for the financial year ended 31 December 2017;
- the Statement of Financial Position as at 31 December 2017;
- the Statement of Movements of Unitholders' Funds for the financial year ended 31 December 2017;
- the Statement of Portfolio as at 31 December 2017; and
- the notes to the financial statements, including a summary of significant accounting policies.

### ***Basis for Opinion***

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

### ***Independence***

We are independent of the Sub-Fund in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

### ***Other Information***

The Sub-Fund's Manager (the "Manager") is responsible for the other information. The other information comprises all sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of the Manager for the Financial Statements***

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.

## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UNITED CHOICE PORTFOLIOS II**

In preparing the financial statements, the Manager is responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Sub-Fund or to cease the Sub-Fund's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Sub-Fund's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2017

	Note	United SGD Fund	
		2017	2016
		\$	\$
<b>Income</b>			
Interest		20,456	655
Other income		<u>64,874</u>	<u>45,000</u>
<b>Total</b>		<u>85,330</u>	<u>45,655</u>
<b>Less: Expenses</b>			
Management fee	10	8,495,201	6,342,629
Audit fee		23,391	23,200
Registrar fee	10	59,320	60,164
Valuation fee	10	10,877	10,998
Custody fee	10	225,178	256,985
Interest expenses		632	-
Other expenses		<u>362,539</u>	<u>444,851</u>
<b>Total</b>		<u>9,177,138</u>	<u>7,138,827</u>
<b>Net income/(losses)</b>		<u>(9,091,808)</u>	<u>(7,093,172)</u>
<b>Net gains/(losses) on value of investments and financial derivatives</b>			
Net gains/(losses) on investments		(42,517,672)	69,343,231
Net gains/(losses) on financial derivatives		79,874,282	(27,736,101)
Net foreign exchange gains/(losses)		<u>(1,333,463)</u>	<u>(671,741)</u>
		<u>36,023,147</u>	<u>40,935,389</u>
<b>Total return/(deficit) for the year</b>		<u>26,931,339</u>	<u>33,842,217</u>

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

**United Choice Portfolios II**  
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**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2017

		<b>United SGD Fund</b>	
		<b>2017</b>	<b>2016</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Portfolio of investments		<b>1,560,583,844</b>	1,313,904,686
Receivables	5	<b>9,171,468</b>	18,058,976
Cash and bank balances		<b>21,934,684</b>	18,124,503
Fixed deposits		-	12,000,000
Financial derivatives at fair value	7	<b>17,111,652</b>	695,831
<b>Total assets</b>		<b><u>1,608,801,648</u></b>	<u>1,362,783,996</u>
<b>Liabilities</b>			
Purchases awaiting settlement		<b>11,696,109</b>	-
Payables	6	<b>7,274,550</b>	5,288,433
Distribution payable	4	<b>1,223,248</b>	1,061,954
Financial derivatives at fair value	7	<b>1,255,142</b>	42,735,741
<b>Total liabilities</b>		<b><u>21,449,049</u></b>	<u>49,086,128</u>
<b>Equity</b>			
<b>Net assets attributable to unitholders</b>	8	<b><u>1,587,352,599</u></b>	<u>1,313,697,868</u>

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

## STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 31 December 2017

	Note	United SGD Fund	
		2017 \$	2016 \$
<b>Net assets attributable to unitholders at the beginning of the financial year</b>		<b>1,313,697,868</b>	935,322,925
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		26,931,339	33,842,217
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		761,719,879	758,183,931
Cancellation of units		<u>(510,656,904)</u>	<u>(410,828,840)</u>
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		251,062,975	347,355,091
Distributions	4	(4,339,583)	(2,822,365)
Total increase/(decrease) in net assets attributable to unitholders		<u>273,654,731</u>	<u>378,374,943</u>
<b>Net assets attributable to unitholders at the end of the financial year</b>	8	<u>1,587,352,599</u>	<u>1,313,697,868</u>

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

**United Choice Portfolios II**  
(Constituted under a Trust Deed in the Republic of Singapore)

**STATEMENT OF PORTFOLIO**

As at 31 December 2017

	United SGD Fund		Percentage of total net assets attributable to unitholders at 31 December 2017 %
	Holdings at 31 December 2017	Fair value at 31 December 2017 \$	
<b>By Geography - Primary</b>			
<b>Quoted Bonds</b>			
<b>AUSTRALIA</b>			
BHP BILLITON FIN USA LTD COMPANY GUAR REGS 10/75 VAR	22,975,000	33,328,964	2.10
<b>CHINA</b>			
BLUESTAR FIN HOLDINGS COMPANY GUAR REGS 12/49 VAR	29,800,000	40,292,660	2.54
CCCI TREASURE LTD COMPANY GUAR REGS 12/49 VAR	23,000,000	30,697,457	1.93
CHALCO HK INVESTMENT COMPANY GUAR REGS 10/49 VAR	7,200,000	9,872,254	0.62
CHINA CONSTRUCTION BANK SUBORDINATED REGS 05/25 VAR	20,000,000	26,987,903	1.70
CHINA GRT WALL INTL III COMPANY GUAR REGS 10/19 2.25	23,000,000	30,306,111	1.91
CHINALCO FINANCE HLDGS SR UNSECURED REGS 12/19 3.625	10,090,000	13,573,286	0.85
CHOUZHOU INTL INV LTD COMPANY GUAR REGS 12/20 4	20,600,000	27,440,478	1.73
DIANJIANG HAIXING LTD COMPANY GUAR REGS 10/49 VAR	20,000,000	26,975,234	1.70
DONGXING VOYAGE CO LTD COMPANY GUAR REGS 09/19 2.25	18,000,000	23,610,107	1.49
GRAM INTERNATIONAL LTD SR UNSECURED REGS 11/20 2.75	20,000,000	26,282,043	1.65
GZ MTR FIN BVI COMPANY GUAR REGS 12/20 3.375	19,500,000	26,157,785	1.65
HENGJIAN INTL INVT LTD COMPANY GUAR REGS 07/20 2.75	21,800,000	28,883,438	1.82
HUARONG FINANCE 2017 CO COMPANY GUAR REGS 04/21 3.2	25,000,000	25,025,500	1.58
HUZHOU CITY INVS DEV SR UNSECURED REGS 12/20 4.875	13,800,000	18,529,884	1.17
JIAXING INV AND DEV SR UNSECURED REGS 01/21 4.4	8,800,000	11,772,080	0.74
SHOUGANG CORP SR UNSECURED REGS 08/20 1.35	22,900,000	37,125,069	2.34
SINO OCEAN LD TRS FIN II COMPANY GUAR REGS 02/20 4.45	20,000,000	27,246,630	1.72
TALENT YIELD EURO LTD COMPANY GUAR REGS 05/20 1.435	14,780,000	24,186,844	1.52
TEWOO GROUP NO 4 LTD SR UNSECURED REGS 12/20 3.15	23,000,000	30,765,048	1.94
TIANJIN CITY CONSTRUCTIO SR UNSECURED REGS 06/19 2.75	23,000,000	30,571,373	1.93

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

**United Choice Portfolios II**  
(Constituted under a Trust Deed in the Republic of Singapore)

**STATEMENT OF PORTFOLIO**

As at 31 December 2017

	United SGD Fund		Percentage of total net assets attributable to unitholders at 31 December 2017 %
	Holdings at 31 December 2017	Fair value at 31 December 2017 \$	
<b>By Geography - Primary (continued)</b>			
<b>Quoted Bonds</b>			
<b>CHINA (continued)</b>			
WUHAN METRO SR UNSECURED REGS 11/19 2.375	19,000,000	<u>25,009,583</u>	<u>1.57</u>
<b>TOTAL CHINA</b>		<b><u>541,310,767</u></b>	<b><u>34.10</u></b>
<b>FRANCE</b>			
CNP ASSURANCES SUBORDINATED REGS 07/49 VAR	12,400,000	17,546,551	1.11
<b>HONG KONG</b>			
CNAC HK FINBRIDGE CO LTD COMPANY GUAR REGS 07/20 3	20,000,000	26,612,348	1.68
CRCC YUPENG LTD COMPANY GUAR REGS 02/49 VAR	23,000,000	31,009,255	1.95
DOUBLE ROSY LTD COMPANY GUAR REGS 11/19 3.625	18,000,000	24,168,043	1.52
HK BAORONG DEVELOPMENT SR UNSECURED REGS 12/18 3.625	15,000,000	20,091,083	1.27
ICBCIL FINANCE CO LTD SR UNSECURED REGS 04/20 3	20,000,000	26,710,627	1.68
MCC HOLDING HK CORP LTD COMPANY GUAR REGS 05/20 2.95	30,000,000	39,837,696	2.51
YUEXIU REIT MTN CO 5/18 FIXED 3.1	15,000,000	<u>20,065,064</u>	<u>1.26</u>
<b>TOTAL HONG KONG</b>		<b><u>188,494,116</u></b>	<b><u>11.87</u></b>
<b>JAPAN</b>			
CHUGOKU ELECTRIC POWER SR SECURED REGS 03/20 2.701	25,000,000	33,576,215	2.12
<b>LUXEMBOURG</b>			
DOOSAN POWER SYSTEM SA GOVT GUARANT REGS 12/45 VAR	18,000,000	23,940,890	1.51
<b>MALAYSIA</b>			
AXIATA SPV2 BHD SR UNSECURED REGS 11/20 3.466	27,000,000	36,556,639	2.30
<b>SINGAPORE</b>			
AACI REIT MTN PTE LTD COMPANY GUAR 05/19 3.8	5,000,000	5,030,380	0.32
BREADTALK GROUP LIMITED SR UNSECURED REGS 04/19 4.6	7,250,000	7,450,376	0.47
CENTURION CORP LTD SR UNSECURED REGS 07/18 5.25	5,500,000	5,516,940	0.35

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

**United Choice Portfolios II**  
(Constituted under a Trust Deed in the Republic of Singapore)

**STATEMENT OF PORTFOLIO**

As at 31 December 2017

	United SGD Fund		Percentage of total net assets attributable to unitholders at 31 December 2017 %
	Holdings at 31 December 2017	Fair value at 31 December 2017 \$	
<b>By Geography - Primary (continued)</b>			
<b>Quoted Bonds</b>			
<b>SINGAPORE (continued)</b>			
CITIC ENVIROTECH LTD SR UNSECURED REGS 04/18 4.7	12,500,000	12,550,412	0.79
CITIC ENVIROTECH LTD SR UNSECURED REGS 12/99 VAR	23,750,000	23,598,712	1.49
EZION HOLDINGS LTD SR UNSECURED REGS 08/20 3.65	8,750,000	8,238,388	0.52
FCOT TREASURY PTE LTD COMPANY GUAR REGS 02/20 2.625	10,000,000	10,071,750	0.63
KEPPEL LAND FINANCIAL SE COMPANY GUAR REGS 12/19 3.259	25,000,000	33,487,144	2.11
MAPLETREE TREASURY SVCS COMPANY GUAR REGS 01/19 2.92	20,000,000	20,225,180	1.27
MAS BILL BILLS 01/18 0.00000	25,000,000	24,966,500	1.57
MAS BILL BILLS 02/18 0.00000	35,000,000	34,955,375	2.20
MAS BILL BILLS 03/18 0.00000	35,000,000	34,897,030	2.20
QUE CT TREASURY PTE LTD COMPANY GUAR REGS 09/20 3.03	10,250,000	10,264,350	0.65
RH INTL SINGAPORE CORP COMPANY GUAR REGS 05/19 3.5	13,000,000	17,556,157	1.10
SOILBUILD BUSINESS SPACE SR UNSECURED REGS 05/18 3.45	9,500,000	9,529,469	0.60
UOL TREASURY SERVICES COMPANY GUAR REGS 04/18 2.5	17,500,000	<u>17,420,830</u>	<u>1.10</u>
<b>TOTAL SINGAPORE</b>		<b><u>275,758,993</u></b>	<b><u>17.37</u></b>
<b>SOUTH KOREA</b>			
DOOSAN INFRACORE CO LTD COMPANY GUAR REGS 07/20 2.5	27,000,000	35,681,307	2.25
EXPORT IMPORT BANK KOREA SR UNSECURED 11/20 2.5	15,000,000	19,881,402	1.25
HYUNDAI CAPITAL SERVICES SR UNSECURED REGS 09/20 2.625	27,000,000	<u>35,708,838</u>	<u>2.25</u>
<b>TOTAL SOUTH KOREA</b>		<b><u>91,271,547</u></b>	<b><u>5.75</u></b>
<b>SWEDEN</b>			
SKANDINAVISKA ENSKILDA JR SUBORDINA REGS 11/49 VAR	16,500,000	22,859,151	1.44
SWEDBANK AB JR SUBORDINA REGS 12/49 VAR	15,000,000	<u>20,772,668</u>	<u>1.31</u>
<b>TOTAL SWEDEN</b>		<b><u>43,631,819</u></b>	<b><u>2.75</u></b>

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**United Choice Portfolios II**  
(Constituted under a Trust Deed in the Republic of Singapore)

**STATEMENT OF PORTFOLIO**

As at 31 December 2017

	United SGD Fund		Percentage of total net assets attributable to unitholders at 31 December 2017 %
	Holdings at 31 December 2017	Fair value at 31 December 2017 \$	
<b>By Geography - Primary (continued)</b>			
<b>Quoted Bonds</b>			
<b>THAILAND</b>			
SIAM COMMERCIAL BANK CAY SR UNSECURED REGS 04/19 3.5	22,000,000	29,719,505	1.87
<b>UNITED ARAB EMIRATES</b>			
ADCB FINANCE CAYMAN LTD COMPANY GUAR REGS 09/19 2.75	25,000,000	33,444,312	2.11
BOS FUNDING LTD COMPANY GUAR REGS 06/20 3.374	15,000,000	20,058,529	1.26
CBD CAYMAN COMPANY GUAR REGS 11/20 4	15,000,000	20,564,189	1.30
DIB SUKUK LTD SR UNSECURED REGS 06/20 2.921	15,000,000	20,011,922	1.26
MAF GLOBAL SECURITIES COMPANY GUAR REGS 07/19 5.25	24,000,000	33,404,398	2.10
SIB SUKUK CO III LTD SR UNSECURED REGS 03/20 2.843	23,000,000	<u>30,582,469</u>	<u>1.93</u>
<b>TOTAL UNITED ARAB EMIRATES</b>		<b><u>158,065,819</u></b>	<b><u>9.96</u></b>
<b>UNITED KINGDOM</b>			
PRUDENTIAL PLC JR SUBORDINA REGS 01/49 7.75	8,000,000	11,009,263	0.69
<b>UNITED STATES</b>			
INCITEC PIVOT FIN LLC COMPANY GUAR REGS 12/19 6	24,790,000	35,109,895	2.21
JANY SUKUK COMPANY GUAR REGS 09/19 2.844	23,000,000	<u>30,814,043</u>	<u>1.94</u>
<b>TOTAL UNITED STATES</b>		<b><u>65,923,938</u></b>	<b><u>4.15</u></b>
<b>Accrued interest receivable on quoted bonds</b>		<b><u>10,448,818</u></b>	<b><u>0.66</u></b>
<b>Total Bonds</b>		<b><u>1,560,583,844</u></b>	<b><u>98.31</u></b>
<b>Portfolio of investments</b>		<b>1,560,583,844</b>	<b>98.31</b>
<b>Other net assets/(liabilities)</b>		<b><u>26,768,755</u></b>	<b><u>1.69</u></b>
<b>Net assets attributable to unitholders</b>		<b><u>1,587,352,599</u></b>	<b><u>100.00</u></b>

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

## STATEMENT OF PORTFOLIO

As at 31 December 2017

	<b>United SGD Fund</b>	
	<b>Percentage of total net assets attributable to unitholders at 31 December 2017 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2016 %</b>
<b>By Geography - Primary (Summary)</b>		
<b>Quoted Bonds</b>		
Australia	2.10	2.15
China	34.10	42.03
France	1.11	-
Hong Kong	11.87	8.95
Japan	2.12	-
Luxembourg	1.51	1.98
Malaysia	2.30	-
Netherlands	-	2.80
Qatar	-	1.12
Singapore	17.37	21.30
South Korea	5.75	-
Sweden	2.75	-
Switzerland	-	1.12
Taiwan	-	2.20
Thailand	1.87	1.97
United Arab Emirates	9.96	5.62
United Kingdom	0.69	3.10
United States	4.15	5.00
Accrued interest receivable on quoted bonds	<u>0.66</u>	<u>0.68</u>
<b>Portfolio of investments</b>	<b>98.31</b>	<b>100.02</b>
<b>Other net assets/(liabilities)</b>	<u><b>1.69</b></u>	<u><b>(0.02)</b></u>
<b>Net assets attributable to unitholders</b>	<u><b>100.00</b></u>	<u><b>100.00</b></u>

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



**United Choice Portfolios II**  
(Constituted under a Trust Deed in the Republic of Singapore)

**STATEMENT OF PORTFOLIO**

As at 31 December 2017

	<b>United SGD Fund</b>		
	<b>Fair value at 31 December 2017 \$</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2017 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2016 %</b>
<b>By Industry - Secondary Quoted Bonds</b>			
Consumer Discretionary	66,473,886	4.19	5.37
Consumer Staples	7,450,376	0.47	5.05
Energy	-	-	0.63
Financials	512,735,391	32.30	41.42
Government	94,818,905	5.97	5.38
Government Agency	-	-	1.91
Health Care	-	-	0.45
Industrials	311,810,499	19.64	14.65
Information Technology	-	-	2.20
Materials	235,752,172	14.85	3.08
Real Estate	209,217,942	13.18	13.76
Telecommunication Services	36,556,639	2.30	2.58
Utilities	75,319,216	4.75	2.86
Accrued interest receivable on quoted bonds	10,448,818	0.66	0.68
<b>Portfolio of investments</b>	<b>1,560,583,844</b>	<b>98.31</b>	100.02
<b>Other net assets/(liabilities)</b>	<b>26,768,755</b>	<b>1.69</b>	(0.02)
<b>Net assets attributable to unitholders</b>	<b>1,587,352,599</b>	<b>100.00</b>	100.00

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

### 1 General

United Choice Portfolios II is a Singapore-registered umbrella fund, which offers one sub-fund, United SGD Fund (the "Sub-Fund"). The Sub-Fund is constituted under a Trust Deed in Singapore dated 18 May 1998 between UOB Asset Management Ltd (the "Manager") and BNP Paribas Trust Services Singapore Limited (the "Retired Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore.

With effect from 1 April 2017, the Trustee of the Sub-Fund has changed from BNP Paribas Trust Services Singapore Limited to State Street Trust (SG) Limited (the "Trustee"), and the global custodian of the Sub-Fund has changed from BNP Paribas Securities Services, Singapore Branch to State Street Bank and Trust Company, Singapore Branch.

The investment objective of the Sub-Fund is to invest substantially all its assets in money market and short term interest bearing debt instruments and bank deposits with the objective of achieving a yield enhancement over Singapore Dollar deposits.

The Sub-Fund offers the following classes of units for subscription:

- Class A (Acc) SGD
- Class A (Dist) SGD
- Class A (Dist) USD (Hedged)
- Class A (Acc) USD (Hedged)
- Class B (Acc) SGD

"Acc" refers to Accumulation classes which do not declare or pay distributions but accumulate investment gains and income in their net assets values.

"Dist" refers to Distribution classes which declare and pay distributions in accordance with the applicable distribution policies of the Sub-Fund.

Class B (Acc) SGD units are available for subscription only by institutional clients and such other persons as the Manager may determine in their sole discretion from time to time.

Class A and Class B units are subject to management fee of 0.63% and 0.33% per annum respectively.

### 2 Significant accounting policies

#### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held 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.

The Sub-Fund has adopted the following Singapore Financial Reporting Standards ("FRS") and related amendments in accordance with the recommendations of the RAP 7 issued in March 2017 for annual periods beginning on or after 1 July 2016:

##### *(i) Consolidation and disclosure of interests in other entities*

FRS 110 "Consolidated financial statements"

FRS 112 "Disclosure of interests in other entities"

Amendments to FRS 110, FRS 112 and FRS 27 "Investment entities"

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 2 Significant accounting policies (continued)

#### (a) Basis of preparation (continued)

##### *(i) Consolidation and disclosure of interests in other entities (continued)*

FRS 110 and the amendments define an investment entity and introduce an exception from the consolidation requirements for investments entities.

FRS 112 and the amendments require entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some interests in other entities. Entities are also required to provide disclosure around certain "structured entities". The amendments to FRS 112 introduce new disclosure requirements related to investment entities.

##### *(ii) Offsetting financial assets and liabilities disclosures*

Amendments to FRS 32 "Financial instruments: Presentation - Offsetting financial assets and financial liabilities"  
Amendments to FRS 107 "Disclosures - Offsetting financial assets and financial liabilities"

The amendments to FRS 32 provide clarification on the offsetting criteria in FRS 32 and address inconsistencies in their application.

The amendments to FRS 107 require additional disclosures to enable users of the financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The adoption of these new or amended FRS impacted the Sub-Fund's level of disclosures in certain of the above noted areas, but did not result in substantial changes to the accounting policies of the Sub-Fund and had no material effect on the amounts reported for the current or prior years.

#### (b) Recognition of income

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

#### (c) 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 changes 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 sale 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2017

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

#### **(d) Basis of valuation of investments**

The fair value of financial assets and liabilities traded in active markets is based on market mid prices for the quoted debt securities on the financial year end date. Accrued interest or discount or premium on debt securities at financial year end date is included in the fair value of debt securities. Interest income on debt securities is presented within "Net gains/losses on investments" on the Statement of Total Return.

#### **(e) Foreign currency translation**

##### *(i) Functional and presentation currency*

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

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

##### *(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 "Net gains/losses on investments".

#### **(f) Expenses charged to the Sub-Fund**

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

#### **(g) Financial derivatives**

Financial derivatives including forwards and swaps may be entered into for the purposes 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 financial year end 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 Sub-Fund. Distributions are accrued for at the financial year end date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 2 Significant accounting policies (continued)

#### (i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Sub-Fund or the counterparty.

### 3 Income tax

The Sub-Fund was granted the status of Designated Unit Trust ("DUT") in Singapore. The Trustee of the Sub-Fund ensures that the Sub-Fund fulfills its reporting obligations under the DUT Scheme.

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 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 4 Distributions

	Per 100 units Class currency	United SGD Fund				Amount
		2017 Amount Class currency	Amount \$	Per 100 units Class currency	2016 Amount Class currency	
<b>Class A (Dist) SGD</b>						
March interim distribution on units outstanding as at 3 April 2017 (2016: 1 April 2016)	0.516	848,812	848,812	0.500	457,182	457,182
June interim distribution on units outstanding as at 3 July 2017 (2016: 1 July 2016)	0.518	983,703	983,703	0.500	553,848	553,848
September interim distribution on units outstanding as at 2 October 2017 (2016: 3 October 2016)	0.517	1,012,603	1,012,603	0.500	679,416	679,416
December final distribution on units outstanding as at 2 January 2018 (2017: 3 January 2017)	0.515	1,019,776	<u>1,019,776</u>	0.500	964,555	<u>964,555</u>
			<u>3,864,894</u>			<u>2,655,001</u>
<b>Class A (Dist) USD (Hedged)</b>						
March interim distribution on units outstanding as at 3 April 2017 (2016: 1 April 2016)	0.506	56,152	78,462	0.500	2,952	3,990
June interim distribution on units outstanding as at 3 July 2017 (2016: 1 July 2016)	0.509	60,989	83,972	0.500	2,227	2,994
September interim distribution on units outstanding as at 2 October 2017 (2016: 3 October 2016)	0.509	80,108	108,783	0.500	46,113	62,981
December final distribution on units outstanding as at 2 January 2018 (2017: 3 January 2017)	0.507	152,254	<u>203,472</u>	0.500	67,093	<u>97,399</u>
			<u>474,689</u>			<u>167,364</u>
			<u>4,339,583</u>			<u>2,822,365</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 5 Receivables

	United SGD Fund	
	2017	2016
	\$	\$
Amounts receivable for creation of units	9,171,468	18,058,544
Other receivables	-	432
	<u>9,171,468</u>	<u>18,058,976</u>

### 6 Payables

	United SGD Fund	
	2017	2016
	\$	\$
Amount payable for cancellation of units	4,883,337	3,255,322
Amount due to the Manager	2,343,024	1,971,840
Other creditors and accrued expenses	48,189	61,271
	<u>7,274,550</u>	<u>5,288,433</u>

### 7 Fair value of financial derivatives

Financial derivatives contracts comprise foreign currency contracts for the sale and purchase of foreign currencies. The contract or underlying principal amounts of these financial derivatives and their corresponding gross positive or negative fair values at the financial year end date are analysed below.

	United SGD Fund					
	2017			2016		
	Contract or underlying principal amount \$	Positive fair value \$	Negative fair value \$	Contract or underlying principal amount \$	Positive fair value \$	Negative fair value \$
Foreign currency contracts	1,412,634,984	17,111,652	1,255,142	987,370,325	695,831	42,735,741

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 8 Units in issue

During the financial year ended 31 December 2017 and 2016, the numbers of units issued, redeemed and outstanding were as follows:

	United SGD Fund			
	Class A (Acc) SGD		Class A (Dist) SGD	
	2017	2016	2017	2016
Units at the beginning of the financial year	<b>524,436,687</b>	447,675,037	<b>187,656,647</b>	92,222,399
Units created	<b>247,619,525</b>	269,409,723	<b>77,908,528</b>	129,649,112
Units cancelled	<b>(197,162,823)</b>	(192,648,073)	<b>(67,358,074)</b>	(34,214,864)
Units at the end of the financial year	<b>574,893,389</b>	524,436,687	<b>198,207,101</b>	187,656,647
	\$	\$	\$	\$
Net assets attributable to unitholders (SGD equivalent)	<b>1,065,114,849</b>	951,214,921	<b>203,058,744</b>	191,999,952
Net assets value per unit (SGD equivalent)	<b>1.852</b>	1.813	<b>1.024</b>	1.023
Net assets attributable to unitholders (Class Currency)	<b>1,065,114,849</b>	951,214,921	<b>203,058,744</b>	191,999,952
Net asset value per unit (Class Currency)	<b>1.852</b>	1.813	<b>1.024</b>	1.023

	United SGD Fund			
	Class B (Acc) SGD		Class A (Acc) USD (Hedged)*	
	2017	2016	2017	2016
Units at the beginning of the financial year	<b>118,110,841</b>	50,869,675	<b>11,702,289</b>	-
Units created	<b>152,470,667</b>	91,131,946	<b>11,367,446</b>	13,389,067
Units cancelled	<b>(53,464,415)</b>	(23,890,780)	<b>(4,117,618)</b>	(1,686,778)
Units at the end of the financial year	<b>217,117,093</b>	118,110,841	<b>18,952,117</b>	11,702,289
	\$	\$	\$	\$
Net assets attributable to unitholders (SGD equivalent)	<b>251,972,394</b>	133,831,050	<b>26,699,071</b>	17,339,516
Net assets value per unit (SGD equivalent)	<b>1.160</b>	1.133	<b>1.408</b>	1.481
Net assets attributable to unitholders (Class Currency)	<b>251,972,394</b>	133,831,050	<b>19,978,353</b>	12,002,132
Net asset value per unit (Class Currency)	<b>1.160</b>	1.133	<b>1.054</b>	1.025



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 8 Units in issue (continued)

	United SGD Fund	
	Class A (Dist) USD (Hedged)*	
	2017	2016
Units at the beginning of the financial year	13,325,271	-
Units created	24,659,553	13,900,150
Units cancelled	<u>(7,924,785)</u>	<u>(574,879)</u>
Units at the end of the financial year	<u>30,060,039</u>	<u>13,325,271</u>
	\$	\$
Net assets attributable to unitholders (SGD equivalent)	40,507,541	19,312,429
Net assets value per unit (SGD equivalent)	1.347	1.449
Net assets attributable to unitholders (Class Currency)	30,310,941	13,367,750
Net asset value per unit (Class Currency)	1.008	1.003

\*Prior year disclosure for Class A (Acc) USD (Hedged) and Class A (Dist) USD (Hedged) is covering the period from 16 February 2016 (date of inception) to 31 December 2017

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:

	United SGD Fund			
	Class A (Acc) SGD		Class A (Dist) SGD	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net assets attributable to unitholders per financial statements per unit	1.852	1.813	1.024	1.023
Effect of distribution payable	-	-	0.005	0.005
Net assets attributable to unitholders for issuing/redeeming per unit	<u>1.852</u>	<u>1.813</u>	<u>1.029</u>	<u>1.028</u>
Net assets attributable to unitholders for issuing/redeeming per unit (Class Currency)	<u>1.852</u>	<u>1.813</u>	<u>1.029</u>	<u>1.028</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 8 Units in issue (continued)

	United SGD Fund			
	Class B (Acc) SGD		Class A (Acc) USD (Hedged)	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net assets attributable to unitholders per financial statements per unit	<u>1.160</u>	1.133	<u>1.408</u>	1.481
Net assets attributable to unitholders for issuing/redeeming per unit	<u>1.160</u>	1.133	<u>1.408</u>	1.481
Net assets attributable to unitholders for issuing/redeeming per unit (Class Currency)	<u>1.160</u>	1.133	<u>1.054</u>	1.025

	United SGD Fund	
	Class A (Dist) USD (Hedged)	
	2017	2016
	\$	\$
Net assets attributable to unitholders per financial statements per unit	<u>1.347</u>	1.449
Effect of distribution payable	<u>0.007</u>	0.007
Net assets attributable to unitholders for issuing/redeeming per unit	<u>1.354</u>	1.456
Net assets attributable to unitholders for issuing/redeeming per unit (Class Currency)	<u>1.013</u>	1.008

There is no difference between the net asset attributable to unitholders per unit per financial statements and the net assets attributable to unitholders per unit for issuing/redeeming for Class A (Acc) SGD, Class B (Acc) SGD and Class A (Acc) USD (Hedged).

### 9 Financial risk management

The Sub-Fund's activities expose them to a variety of market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Sub-Fund's overall risk management programme seeks to minimise potential adverse effects on the Sub-Fund's financial performance. The Sub-Fund may use financial futures contracts, financial options contracts and/or foreign currency 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 Sub-Fund at any time as part of the overall financial risk management to reduce the Sub-Fund's risk exposures.

The Sub-Fund's assets principally consist of financial instruments such as quoted bond investments and cash. They are held in accordance with the published investment policies of the Sub-Fund. The allocation of assets between the various types of investments is determined by the Manager to achieve their investment objectives.

#### (a) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments. The Sub-Fund's investments are substantially dependent on changes in market prices and 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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 9 Financial risk management (continued)

#### (a) Market risk (continued)

beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the asset value of the Sub-Fund. Guidelines are set to reduce the Sub-Fund's risk exposures to market volatility such as diversifying the portfolio by investing across various geographies, alternatively, the Sub-Fund may be hedged using derivative strategies.

#### (i) Foreign exchange risk

The Sub-Fund has monetary financial assets and liabilities denominated in currencies other than the Singapore Dollar and it 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 Manager may at his discretion, implement a currency management strategy either to reduce currency volatility or to hedge the currency exposures of the Sub-Fund.

The table below summarises the Sub-Fund's exposures to foreign currencies at the end of the financial year.

#### United SGD Fund

As at 31 December 2017

	SGD \$	EUR \$	USD \$	Total \$
<b>Assets</b>				
Portfolio of investments	251,123,861	61,734,579	1,247,725,404	1,560,583,844
Receivables	3,585,213	-	5,586,255	9,171,468
Cash and bank balances	<u>3,201,512</u>	<u>-</u>	<u>18,733,172</u>	<u>21,934,684</u>
<b>Total Assets</b>	<u>257,910,586</u>	<u>61,734,579</u>	<u>1,272,044,831</u>	<u>1,591,689,996</u>
<b>Liabilities</b>				
Purchases awaiting settlement	-	-	11,696,109	11,696,109
Payables	7,274,550	-	-	7,274,550
Distribution payable	<u>1,019,776</u>	<u>-</u>	<u>203,472</u>	<u>1,223,248</u>
<b>Total Liabilities</b>	<u>8,294,326</u>	<u>-</u>	<u>11,899,581</u>	<u>20,193,907</u>
<b>Net Assets</b>				
Foreign currency contracts (notional value)	<u>1,239,387,318</u>	<u>(60,276,755)</u>	<u>(1,179,110,563)</u>	
<b>Net currency exposure</b>	<u>1,489,003,578</u>	<u>1,457,824</u>	<u>81,034,687</u>	

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 9 Financial risk management (continued)

#### (a) Market risk (continued)

##### (i) Foreign exchange risk (continued)

United SGD Fund

As at 31 December 2016

	SGD \$	EUR \$	USD \$	AUD \$	Total \$
<b>Assets</b>					
Portfolio of investments	295,066,568	33,421,396	985,416,722	-	1,313,904,686
Receivables	17,706,892	-	352,084	-	18,058,976
Cash and bank balances	15,270,357	-	2,854,145	1	18,124,503
Fixed deposits	12,000,000	-	-	-	12,000,000
<b>Total Assets</b>	<u>340,043,817</u>	<u>33,421,396</u>	<u>988,622,951</u>	<u>1</u>	<u>1,362,088,165</u>
<b>Liabilities</b>					
Payables	5,127,146	-	161,287	-	5,288,433
Distribution payable	964,555	-	97,399	-	1,061,954
<b>Total Liabilities</b>	<u>6,091,701</u>	<u>-</u>	<u>258,686</u>	<u>-</u>	<u>6,350,387</u>
<b>Net Assets</b>					
Foreign currency contracts (notional value)	915,802,120	(32,152,182)	(925,689,848)	-	-
<b>Net currency exposure</b>	<u>1,249,754,236</u>	<u>1,269,214</u>	<u>62,674,417</u>	<u>1</u>	

Investments, which is the significant item in the Statement of Financial Position is exposed to currency risk and interest rate risk. Currency risk sensitivity analysis is prepared and disclosed only for monetary assets and liabilities. The table below summarises the sensitivity of the Sub-Fund's monetary assets and liabilities to changes in foreign exchange movements at 31 December 2017 and 2016. 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 SGD Fund

Currency	2017 Net impact to net assets attributable to unitholders		2016 Net impact to net assets attributable to unitholders	
	\$	%	\$	%
USD	4,862,081	6	3,133,721	5
EUR	102,048	7	88,845	7

##### (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.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2017

### **9 Financial risk management (continued)**

#### **(a) Market risk (continued)**

##### *(ii) Interest rate risk (continued)*

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 9 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

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

	<b>United SGD Fund</b>			
	<b>Variable rates \$</b>	<b>Fixed rate \$</b>	<b>Non-interest bearing \$</b>	<b>Total \$</b>
<b>As at 31 December 2017</b>				
<b>Assets</b>				
Portfolio of investments	307,881,699	1,242,253,327	10,448,818	1,560,583,844
Receivables	-	-	9,171,468	9,171,468
Cash and bank balances	21,934,684	-	-	21,934,684
Financial derivatives at fair value	-	-	17,111,652	17,111,652
<b>Total Assets</b>	<u>329,816,383</u>	<u>1,242,253,327</u>	<u>36,731,938</u>	<u>1,608,801,648</u>
<b>Liabilities</b>				
Purchases awaiting settlement	-	-	11,696,109	11,696,109
Payables	-	-	7,274,550	7,274,550
Distribution payable	-	-	1,223,248	1,223,248
Financial derivatives at fair value	-	-	1,255,142	1,255,142
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>21,449,049</u>	<u>21,449,049</u>
<b>As at 31 December 2016</b>				
<b>Assets</b>				
Portfolio of investments	141,674,621	1,148,308,670	23,921,395	1,313,904,686
Receivables	-	-	18,058,976	18,058,976
Cash and bank balances	18,124,503	-	-	18,124,503
Fixed deposits	-	12,000,000	-	12,000,000
Financial derivatives at fair value	-	-	695,831	695,831
<b>Total Assets</b>	<u>159,799,124</u>	<u>1,160,308,670</u>	<u>42,676,202</u>	<u>1,362,783,996</u>
<b>Liabilities</b>				
Payables	-	-	5,288,433	5,288,433
Distribution payable	-	-	1,061,954	1,061,954
Financial derivatives at fair value	-	-	42,735,741	42,735,741
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>49,086,128</u>	<u>49,086,128</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 9 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

As at 31 December 2017 and 2016, should interest rates have lowered or risen by the respective basis points ("bps") as disclosed below with all other variables remaining constant, the increase or decrease in net assets attributable to unitholders for the year would be as follows:

	2017		2016	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	bps	\$	bps
<b>United SGD Fund</b>	<b>11,428,731</b>	<b>50</b>	9,688,577	50

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

#### (b) Liquidity risk

The Sub-Fund is exposed to daily cash redemptions and disbursements for the settlements of purchases. The Manager therefore ensures that the Sub-Fund maintains sufficient cash and cash equivalents and that they are 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 Sub-Fund's investments in listed securities are considered to be readily realisable as they are listed on established regional stock exchanges.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 9 Financial risk management (continued)

#### (b) Liquidity risk (continued)

The table below analyses the Sub-Fund's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end 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.

	United SGD Fund		
	Less than 3 months	3 months to 1 year	Over 1 year
	\$	\$	\$
<b>As at 31 December 2017</b>			
Purchases awaiting settlement	11,696,109	-	-
Payables	7,274,550	-	-
Distribution payable	1,223,248	-	-
Financial derivatives at fair value			
- Foreign currency contracts	1,130,439	124,703	-
	Less than 3 months	3 months to 1 year	Over 1 year
	\$	\$	\$
<b>As at 31 December 2016</b>			
Payables	5,288,433	-	-
Distribution payable	1,061,954	-	-
Financial derivatives at fair value			
Foreign currency contracts	27,621,170	15,114,571	-

#### (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.

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 9 Financial risk management (continued)

#### (c) Credit risk (continued)

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

	United SGD Fund					
	Debt securities					
		2017			2016	
	Fixed Rate Securities	Floating Rate securities	Non-interest bearing	Fixed Rate Securities	Floating Rate securities	Non-interest bearing
A1	5%	-	-	17%	4%	-
A2	2%	-	-	-	-	-
A3	9%	4%	-	-	-	-
Aa1	1%	-	-	1%	-	-
Aa2	4%	-	-	-	-	-
Aaa	-	-	-	4%	-	-
Baa1	16%	2%	-	34%	2%	-
Baa2	5%	6%	-	-	-	-
Baa3	7%	3%	-	-	-	-
Non-rated	31%	5%	-	31%	4%	2%

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.

The non-rated securities comprise mainly of government bonds issued in Singapore.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 9 Financial risk management (continued)

#### (c) Credit risk (continued)

Credit risk also arises from cash and bank balances, fixed deposit and derivative positions held with financial institutions. The table below summarises the credit rating of banks and custodians in which the Sub-Fund's assets are held as at 31 December 2017 and 2016.

The credit ratings are based on the Viability ratings published by Fitch.

#### United SGD Fund

	<b>Credit rating as at 31 December 2017</b>	Credit rating as at 31 December 2016
<b>Bank and custodian</b>		
State Street Bank and Trust Company	aa-	-
BNP Paribas Securities Services, Singapore Branch <sup>#</sup>	n/a	a+
<b>Bank</b>		
United Overseas Bank Limited	n/a	aa-
<b>Counterparties of foreign currency contracts</b>		
ANZ Bank	aa-	aa-
BNP Paribas	a+	a+
Citibank NA.	a	a
HSBC Group	-	aa-
Standard Chartered Bank	-	a
State Street Bank and Trust Company	aa-	aa-
UBS AG	-	a
United Overseas Bank Limited	aa-	aa-
Westpac Banking Corporation	aa-	aa-

<sup>#</sup> Group credit rating is used when the credit rating for the branch is not available.

The maximum exposure to credit risk at the financial year end date is the carrying amount of the portfolio of investments and cash and bank balances as presented in Statement of Financial Position.

#### (d) Capital management

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 9 Financial risk management (continued)

#### (e) Fair value estimation

The Sub-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).

The following table analyses within the fair value hierarchy, the Sub-Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2017 and 2016:

	<b>United SGD Fund</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>As at 31 December 2017</b>				
<b>Assets</b>				
Portfolio of investments				
- Quoted bonds	-	1,560,583,844	-	1,560,583,844
Financial derivatives at fair value	-	17,111,652	-	17,111,652
<b>Total</b>	-	1,577,695,496	-	1,577,695,496
<b>Liabilities</b>				
Financial derivatives at fair value	-	1,255,142	-	1,255,142
<b>Total</b>	-	1,255,142	-	1,255,142
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>As at 31 December 2016</b>				
<b>Assets</b>				
Portfolio of investments				
- Quoted bonds	-	1,313,904,686	-	1,313,904,686
Financial derivatives at fair value	-	695,831	-	695,831
<b>Total</b>	-	1,314,600,517	-	1,314,600,517
<b>Liabilities</b>				
Financial derivatives at fair value	-	42,735,741	-	42,735,741
<b>Total</b>	-	42,735,741	-	42,735,741

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.

Except for cash and bank balances which are classified as Level 1, the Sub-Fund's assets and liabilities not measured at fair value at 31 December 2017 and 2016 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the financial year end date.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 9 Financial risk management (continued)

#### (f) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the Statement of Financial Position are disclosed in the first three columns of the tables below.

#### United SGD Fund

Financial assets	Effects of offsetting on the Statement of Financial Position			Related amount not offset		
	Gross amounts of financial assets	Gross amounts set off in the Statement of Financial Position	Net amount of financial assets presented in the Statement of Financial Position	Financial instruments	Collateral pledged/ received	Net amount
	\$	\$	\$	\$	\$	\$
<b>31 December 2017</b>						
Derivative financial instruments	17,111,652	-	17,111,652	(1,255,142)	-	15,856,510
<b>Total</b>	<b>17,111,652</b>	<b>-</b>	<b>17,111,652</b>	<b>(1,255,142)</b>	<b>-</b>	<b>15,856,510</b>
<b>31 December 2016</b>						
Derivative financial instruments	695,831	-	695,831	(656,869)	-	38,962
<b>Total</b>	<b>695,831</b>	<b>-</b>	<b>695,831</b>	<b>(656,869)</b>	<b>-</b>	<b>38,962</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 9 Financial risk management (continued)

#### (f) Offsetting financial assets and financial liabilities (continued)

Financial liabilities	Effects of offsetting on the Statement of Financial Position			Related amounts not offset		
	Gross amounts of financial liabilities	Gross amounts set off in the Statement of Financial Position	Net amount of financial liabilities presented in the Statement of Financial Position	Financial instruments	Collateral pledged/received	Net amount
	\$	\$	\$	\$	\$	\$
<b>31 December 2017</b>						
Derivative financial instruments	1,255,142	-	1,255,142	(1,255,142)	-	-
<b>Total</b>	<b>1,255,142</b>	<b>-</b>	<b>1,255,142</b>	<b>(1,255,142)</b>	<b>-</b>	<b>-</b>
<b>31 December 2016</b>						
Derivative financial instruments	42,735,741	-	42,735,741	(656,869)	-	42,078,872
<b>Total</b>	<b>42,735,741</b>	<b>-</b>	<b>42,735,741</b>	<b>(656,869)</b>	<b>-</b>	<b>42,078,872</b>

### 10 Related party transactions

(a) The Manager and the Trustee of the Sub-Fund are UOB Asset Management Ltd and State Street Trust (SG) Limited respectively. State Street Trust (SG) Limited replaced BNP Paribas Trust Services Singapore Limited as the Trustee with effect from 1 April 2017. The Manager is a subsidiary of United Overseas Bank Limited while the Trustee is a subsidiary of State Street Bank and Trust Company.

Management fee and valuation fee are paid to the Manager for the financial year. Registrar fee was paid to the Retired Trustee for the period from 1 January 2017 to 31 March 2017. With effect from 1 April 2017, registrar fee is paid to the Trustee and State Street Bank and Trust Company, Singapore Branch respectively.

Custody fee was paid to BNP Paribas Securities Services, Singapore Branch, a related party of the Retired Trustee, for the period from 1 January 2017 to 31 March 2017 and is paid to State Street Bank and Trust Company, Singapore Branch with effect from 1 April 2017.

These fees paid or payable by the Sub-Fund shown in the Statement of Total Return and in the respective Notes to the Financial Statements are on terms set out in the Trust Deed. All other related party transactions are shown elsewhere in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 10 Related party transactions (continued)

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

	<b>United SGD Fund</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>State Street Bank and Trust Company, Singapore Branch</b>		
Cash and bank balances	21,934,684	-
<b>United Overseas Bank Limited</b>		
Cash and bank balances	-	4,874
Fixed deposits	-	12,000,000
<b>BNP Paribas Securities Services, Singapore Branch</b>		
Cash and bank balances	-	18,119,629

(c) The following transactions took place during the financial year between the Sub-Fund and related parties at terms agreed between the parties:

	<b>United SGD Fund</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>State Street Bank and Trust Company, Singapore Branch</b>		
Bank charges	36,786	-
<b>BNP Paribas Securities Services, Singapore Branch</b>		
Interest income	4,890	-

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

### 11 Financial ratios

	<b>United SGD Fund</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Class A (Acc) SGD</b>		
Total operating expenses	6,967,863	5,927,708
Average daily net asset value	<u>1,036,713,774</u>	<u>872,178,664</u>
Expense ratio <sup>1</sup>	<u>0.67%</u>	<u>0.68%</u>
<b>Class A (Dist) SGD</b>		
Total operating expenses	1,299,034	821,942
Average daily net asset value	<u>193,518,967</u>	<u>121,260,300</u>
Expense ratio <sup>1</sup>	<u>0.67%</u>	<u>0.68%</u>
<b>Class B (Acc) SGD</b>		
Total operating expenses	632,021	305,809
Average daily net asset value	<u>175,085,723</u>	<u>85,515,467</u>
Expense ratio <sup>1</sup>	<u>0.36%</u>	<u>0.36%</u>
<b>Class A (Acc) USD (Hedged)*</b>		
Total operating expenses	145,118	44,896
Average daily net asset value	<u>21,587,719</u>	<u>7,576,631</u>
Expense ratio <sup>1</sup>	<u>0.67%</u>	<u>0.68%</u>
<b>Class A (Dist) USD (Hedged)*</b>		
Total operating expenses	132,470	36,471
Average daily net asset value	<u>19,706,661</u>	<u>6,153,535</u>
Expense ratio <sup>1</sup>	<u>0.67%</u>	<u>0.68%</u>
Lower of total value of purchases or sales	2,303,914,736	1,178,414,448
Average daily net assets value	<u>1,446,612,844</u>	<u>1,091,110,783</u>
Turnover ratio <sup>2</sup>	<u>159.26%</u>	<u>108.00%</u>

\*Prior year disclosure for Class A (Acc) USD (Hedged) and Class A (Dist) USD (Hedged) is covering the period from 16 February 2016 (date of inception) to 31 December 2017

<sup>1</sup> The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the Sub-Fund's expense ratio at financial year end was based on total operating expenses divided by the average net asset value respectively for the financial year. The total operating expenses do not include (where applicable) brokerage and other transactions 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 Sub-Fund does not pay any performance fee. The average net asset value is based on the daily balances.

<sup>2</sup> 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 the total value of purchases or sales of the underlying investments divided by the average daily net asset value.

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