

United Choice Portfolios II

➤ United SGD Fund

Annual Report

for the financial year ended
31 December 2019

United Choice Portfolios II

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

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 LTD

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

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Singapore 018936

United SGD Fund

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

A) Fund Performance

Class A (Acc) SGD

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	Since Inception 19 June 1998 Ann Comp Ret
United SGD Fund	1.05	1.10	4.16	2.11	2.52	3.35	3.18
Benchmark	0.46	0.95	1.94	1.59	1.36	0.79	1.30

Source: Morningstar.

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

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	Since Inception 13 March 2014 Ann Comp Ret
United SGD Fund	1.08	1.08	4.22	2.12	2.52	N/A	2.45
Benchmark	0.46	0.95	1.94	1.59	1.36	N/A	1.20

Source: Morningstar.

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

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

A) Fund Performance (continued)

Class A (Acc) USD (Hedged)

							Since Inception 16 February 2016
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	1.18	1.28	4.71	2.72	N/A	N/A	2.84
Benchmark	3.32	1.58	3.33	4.05	N/A	N/A	2.66

Source: Morningstar.

Note: The performance returns of the Fund are in United State 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
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	1.18	1.28	5.27	2.82	N/A	N/A	2.84
Benchmark	3.32	1.58	3.33	4.05	N/A	N/A	2.66

Source: Morningstar.

Note: The performance returns of the Fund are in United State 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

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

A) Fund Performance (continued)

Class B (Acc) SGD

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	Since Inception 28 March 2013 Ann Comp Ret
United SGD Fund	1.16	1.25	4.55	2.41	2.86	N/A	2.96
Benchmark	0.46	0.95	1.94	1.59	1.36	N/A	1.06

Source: Morningstar.

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 S (Dist) SGD

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	Since Inception 11 March 2019 Ann Comp Ret
United SGD Fund	1.13	1.07	N/A	N/A	N/A	N/A	2.04
Benchmark	0.46	0.95	N/A	N/A	N/A	N/A	1.57

Source: Morningstar.

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

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

A) Fund Performance (continued)

Class S (Dist) USD (Hedged)

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	Since Inception 10 April 2019 Ann Comp Ret
United SGD Fund	1.13	1.27	N/A	N/A	N/A	N/A	1.82
Benchmark	3.32	1.58	N/A	N/A	N/A	N/A	2.04

Source: Morningstar.

Note: The performance returns of the Fund are in United State 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 2019, Class A (Acc) SGD, Class A (Dist) SGD and Class B (Acc) SGD of the Fund **returned 4.16%, 4.22% and 4.55%** respectively on a net-asset-value basis, outperforming its benchmark 6-month Singapore Interbank Bid Rate (SIBID) return of 1.94% in Singapore Dollar terms, while Class A (Acc) USD (Hedged) and Class A (Dist) USD (Hedged) of the Fund **returned 4.71% and 5.27%** respectively against its benchmark return of 3.33% in United States Dollar terms.

The Fund adopted the key strategies of: (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.

As at 31 December 2019, the Fund was 15.90% invested in government securities and 82.69% in corporate bonds with the balance in cash and others. The Fund had a yield-to-maturity of 2.96% and effective duration of 1.15 years.

Economic and Market Review

2019 was a good year for credit despite disorderly trade war rhetoric, the risk of a hard “Brexit”, recessionary fears on the back of a brief inversion of the US yield curve and the long-lasting Hong Kong protests. Policy support from global central banks via benchmark interest rate cuts was paramount as investors took the cue and poured into attractive risk assets after the December 2018 correction.

Asia ex-Japan G3 new bonds totalling US\$339 billion were issued in the year, an increase of 26.2% over 2018. Issuances from China continued to account for the largest share at 62%, followed by Hong Kong (8%) and South Korea (7%). Of these issuances, 29% were high-yield (HY) (2018: 16%) as issuers capitalised on investors’ increased risk appetite.

US Treasury (UST) 10-year and 2-year yields closed at 1.92% (Dec 2018: 2.68%) and 1.57% (Dec 2018: 2.49%) respectively. The JP Morgan Asia Credit Index (JACI) Investment Grade Corporate Spread tightened 35 basis points (bps) to end the year at 194 bps.

United SGD Fund

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A) Fund Performance (continued)

Outlook and Fund Strategy

While geopolitical flashpoints will remain sources of concern heading into the 2020 US election cycle amidst still-slowing global growth, the case for an economic rebound is building. The fourth quarter of 2019 (4Q19) may potentially mark a low-point for weakness in the global expansion as synchronized easing by 23 central banks since the third quarter of 2019 (3Q19) should support a recovery in global activity in the new year. The US Federal Reserve (Fed) is expected to keep an easing bias and more easing is expected from emerging market central banks.

On the credit front, fundamentals for Asia credit are largely stable, except for a few weak spots. Market technicals should turn more supportive with a moderation in gross supply, while demand remains resilient. However, performance may be constrained by valuations that now look fair after the strong run in 2019.

We will continue to maintain our defensive positioning with a preference for quality credits that have a leading market share, those that are of systemic importance, in defensive sectors and which are professionally managed.

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.

United SGD Fund

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B) Investments at fair value and as a percentage of net asset value (“NAV”) as at 31 December 2019 under review classified by

i) Country

	Fair Value (S\$)	% of NAV
Australia	30,544,316	2.56
China	291,334,730	24.42
Hong Kong	46,866,552	3.93
Indonesia	67,597,107	5.67
Japan	13,975,692	1.17
Malaysia	35,311,322	2.96
Qatar	33,688,996	2.82
Singapore	440,739,121	36.95
South Korea	33,678,843	2.82
Thailand	34,440,857	2.89
United Arab Emirates	117,225,638	9.83
United Kingdom	30,658,550	2.57
Accrued interest receivable on quoted bonds	7,694,960	0.65
Portfolio of investments	1,183,756,684	99.24
Other net assets/(liabilities)	9,084,605	0.76
Total	1,192,841,289	100.00

ii) Industry

	Fair Value (S\$)	% of NAV
Communication Services	5,073,085	0.43
Consumer Discretionary	101,648,832	8.52
Financials	339,277,969	28.44
Government	189,709,985	15.90
Industrials	210,797,748	17.67
Materials	101,935,554	8.55
Real Estate	215,038,678	18.03
Utilities	12,579,873	1.05
Accrued interest receivable on quoted bonds	7,694,960	0.65
Portfolio of investments	1,183,756,684	99.24
Other net assets/(liabilities)	9,084,605	0.76
Total	1,192,841,289	100.00

United SGD Fund

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B) Investments at fair value and as a percentage of net asset value (“NAV”) as at 31 December 2019 under review classified by (continued)

iii) Asset Class

	Fair Value (S\$)	% of NAV
Quoted bonds	1,176,061,724	98.59
Accrued interest receivable on quoted bonds	7,694,960	0.65
Other net assets/(liabilities)	<u>9,084,605</u>	<u>0.76</u>
Total	<u>1,192,841,289</u>	<u>100.00</u>

iv) Credit rating of quoted bonds by Standard & Poor’s

	Fair Value (S\$)	% of NAV
A-	80,234,654	6.73
AA-	17,589,710	1.47
AAA	189,709,985	15.90
BBB	21,441,415	1.80
BBB-	30,375,787	2.55
BBB+	94,881,709	7.95
Non-rated	<u>741,828,464</u>	<u>62.19</u>
Total	<u>1,176,061,724</u>	<u>98.59</u>

v) Credit rating of quoted bonds by Moody’s

	Fair Value (S\$)	% of NAV
A2	64,950,118	5.45
A3	108,043,250	9.06
Aa3	51,278,706	4.30
Aaa	189,709,985	15.90
B1	6,170,689	0.52
Baa1	233,198,207	19.55
Baa2	152,475,390	12.78
Baa3	18,781,840	1.57
Non-rated	<u>351,453,539</u>	<u>29.46</u>
Total	<u>1,176,061,724</u>	<u>98.59</u>

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C) Top Ten Holdings

10 largest holdings as at 31 December 2019

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
SSG RESOURCES LTD SR SECURED REGS 10/22 4.25	35,311,322	2.96
MONETARY AUTHORITY OF SINGAPORE BILLS 03/01/20 0.00000	34,998,273	2.93
MONETARY AUTHORITY OF SINGAPORE BILLS 24/01/20 0.00000	34,962,384	2.93
MONETARY AUTHORITY OF SINGAPORE BILLS 20/03/20 0.00000	34,870,544	2.92
SINGAPORE TREASURY BILL BILLS 16/06/20 0.00000	34,728,138	2.91
MINOR INTERNATIONAL PCL BANK GUARANT REGS 12/99 VAR	34,440,857	2.89
CHINA MINMETALS CORP SR UNSECURED REGS 12/99 VAR	34,221,679	2.87
FEDERAL INTERNATIONAL FINANCE SR UNSECURED REGS 05/21 4.125	34,135,492	2.86
QNB FINANCE LTD COMPANY GUARANT REGS 04/20 2.875	33,688,996	2.82
HYUNDAI CAPITAL SERVICES INC SR UNSECURED REGS 09/20 2.625	33,678,843	2.82

United SGD Fund

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C) Top Ten Holdings (continued)

10 largest holdings as at 31 December 2018

	Fair Value (\$)	Percentage of total net assets attributable to unitholders %
STANDARD CHARTERED PLC SR UNSECURED REGS 01/23 VAR	40,539,604	3.23
CHINA MINMETALS CORP SR UNSECURED REGS 12/99 VAR	40,257,900	3.21
HYUNDAI CAPITAL SERVICES INC SR UNSECURED REGS 09/20 2.625	39,710,195	3.17
RHB BANK BHD SR UNSECURED REGS 10/21 2.503	39,598,606	3.16
FEDERAL INTERNATIONAL FINANCE SR UNSECURED REGS 05/21 4.125	39,465,297	3.15
MINOR INTERNATIONAL PCL BANK GUARANT REGS 12/99 VAR	36,887,041	2.94
AXIATA SPV2 BHD SR UNSECURED REGS 11/20 3.466	36,782,587	2.93
DIB SUKUK LTD SR UNSECURED REGS 06/20 2.921	34,959,587	2.79
INCITEC PIVOT FINANCE LLC COMPANY GUARANT REGS 12/19 6	34,542,733	2.75
KEPPEL LAND FINANCIAL SERVICES COMPANY GUARANT REGS 12/19 3.259	33,913,772	2.71

D) Exposure to derivatives

i) Fair value of derivative contracts and as a percentage of NAV as at 31 December 2019

	Contract or underlying principal amount \$	Positive fair value \$	% of NAV	Negative fair value \$	% of NAV
Foreign currency contracts	1,104,776,856	20,511,152	1.72	2,946,272	0.25

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D) Exposure to derivatives (continued)

- ii) There was a net realised loss of SGD 13,148,901 on derivative contracts during the financial year ended 31 December 2019.
- iii) There was a net unrealised gain of SGD 17,564,880 on outstanding derivative contracts marked to market as at 31 December 2019.

E) Amount and percentage of NAV invested in other schemes as at 31 December 2019

N/A

F) Amount and percentage of borrowings to NAV as at 31 December 2019

N/A

G) Amount of redemptions and subscriptions for the financial year ended 31 December 2019

Total amount of redemptions	SGD	532,101,119
Total amount of subscriptions	SGD	428,452,923

H) The amount and terms of related-party transactions for the financial year ended 31 December 2019

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

I) Expense ratios

Please refer to Note 12 of the Notes to the Financial Statements.

J) Turnover ratios

Please refer to Note 12 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

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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 2019 and 31 December 2018

N/A

- ii) Expense ratios for the financial year ended 31 December 2019 and 31 December 2018

N/A

- iii) Turnover ratios for the financial year ended 31 December 2019 and 31 December 2018

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.

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

United Choice Portfolios II

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

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 18 to 65, 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
20 March 2020

STATEMENT BY THE MANAGER

In the opinion of UOB Asset Management Ltd, the accompanying financial statements set out on pages 18 to 65, 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 position and portfolio holdings of the sub-fund of United Choice Portfolios II, namely United SGD Fund (the "Sub-Fund") as at 31 December 2019, 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
20 March 2020

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"), are 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 2019, 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 2019;
- the Statement of Financial Position as at 31 December 2019;
- the Statement of Movements of Unitholders' Funds for the financial year ended 31 December 2019;
- the Statement of Portfolio as at 31 December 2019; 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.

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

Our opinion on the financial statements does not cover the other information and we do 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, 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.

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.

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

- 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.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 20 March 2020

United Choice Portfolios II
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STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2019

		United SGD Fund	
		2019	2018
	Note	\$	\$
Income			
Interest		85,189	63,571
Other income		<u>-</u>	<u>600,180</u>
Total		<u>85,189</u>	<u>663,751</u>
Less: Expenses			
Management fee	11	7,087,445	8,346,309
Less: Management fee rebate	11	(9,011)	(684)
Audit fee		23,617	20,700
Registrar fee	11	58,989	58,031
Valuation fee	11	11,000	10,940
Custody fee	11	142,203	226,879
Other expenses		<u>206,204</u>	<u>147,682</u>
Total		<u>7,520,447</u>	<u>8,809,857</u>
Net income/(losses)		<u>(7,435,258)</u>	<u>(8,146,106)</u>
Net gains/(losses) on value of investments and financial derivatives			
Net gains/(losses) on investments		51,876,421	38,655,219
Net gains/(losses) on financial derivatives		4,415,979	(29,599,177)
Net foreign exchange gains/(losses)		<u>244,797</u>	<u>238,401</u>
		<u>56,537,197</u>	<u>9,294,443</u>
Total return/(deficit) for the financial year before income tax		49,101,939	1,148,337
Less: Income tax refund/(expense)	3	<u>12,939</u>	<u>(12,939)</u>
Total return/(deficit) for the financial year		<u>49,114,878</u>	<u>1,135,398</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 2019

		United SGD Fund	
		2019	2018
	Note	\$	\$
Assets			
Portfolio of investments		1,183,756,684	1,238,089,963
Receivables	5	4,514,441	3,712,541
Cash and bank balances		11,464,471	12,033,648
Financial derivatives at fair value	7	<u>20,511,152</u>	<u>6,547,004</u>
Total assets		<u>1,220,246,748</u>	<u>1,260,383,156</u>
Liabilities			
Purchases awaiting settlement		17,428,250	-
Payables	6	5,451,369	4,889,700
Distribution payable	4	1,579,568	1,381,177
Financial derivatives at fair value	7	<u>2,946,272</u>	<u>601,184</u>
Total liabilities		<u>27,405,459</u>	<u>6,872,061</u>
Equity			
Net assets attributable to unitholders	8	<u>1,192,841,289</u>	<u>1,253,511,095</u>

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

United Choice Portfolios II
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STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 31 December 2019

	Note	United SGD Fund	
		2019	2018
		\$	\$
Net assets attributable to unitholders at the beginning of the financial year		1,253,511,095	1,587,352,599
Operations			
Change in net assets attributable to unitholders resulting from operations		49,114,878	1,135,398
Unitholders' contributions/(withdrawals)			
Creation of units		428,452,923	367,633,949
Cancellation of units		(532,101,119)	(697,252,799)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(103,648,196)	(329,618,850)
Distributions	4	(6,136,488)	(5,358,052)
Total increase/(decrease) in net assets attributable to unitholders		(60,669,806)	(333,841,504)
Net assets attributable to unitholders at the end of the financial year	8	<u>1,192,841,289</u>	<u>1,253,511,095</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 2019

	United SGD Fund		
	Holdings at 31 December 2019	Fair value at 31 December 2019 \$	Percentage of total net assets attributable to unitholders at 31 December 2019 %
By Geography - Primary			
Quoted bonds			
AUSTRALIA			
BHP BILLITON FINANCE USA LTD COMPANY GUARANT REGS 10/75 VAR	22,000,000	30,544,316	2.56
CHINA			
ANHUI PROVINCIAL INVESTMENT GROUP SR UNSECURED REGS 10/21 4.875	7,300,000	10,072,709	0.84
BEIJING ENVIRONMENT BVI CO LTD COMPANY GUARANT REGS 10/21 5.3	21,900,000	30,472,574	2.55
CHINA MINMETALS CORP SR UNSECURED REGS 12/99 VAR	25,000,000	34,221,679	2.87
CHINA OVERSEAS GRAND OCEANS FINANCE COMPANY GUARANT REGS 06/21 4.875	22,000,000	30,375,787	2.55
DIANJIAN HAIYU LTD COMPANY GUARANT REGS 12/99 VAR	23,100,000	31,196,978	2.62
ENVISION ENERGY OVERSEAS CAPITAL COMPANY GUARANT REGS 04/21 7.5	11,000,000	12,579,873	1.05
GUANGZHOU METRO INVESTMENT FINANCE COMPANY GUARANT REGS 12/20 3.375	15,000,000	20,315,876	1.70
HAIGUO XINTAI CAPITAL LTD COMPANY GUARANT REGS 10/22 4.3	16,000,000	21,441,415	1.80
HUARONG FINANCE 2017 CO LTD COMPANY GUARANT REGS 04/21 3.2	33,000,000	33,183,134	2.78
LONGFOR GROUP HOLDINGS LTD SR UNSECURED REGS 07/22 3.875	11,160,000	15,336,485	1.29
SHOUGANG GROUP CO LTD SR UNSECURED REGS 08/20 1.35	20,900,000	31,758,934	2.66
SICHUAN RAILWAY INVESTMENT GROUP SR UNSECURED REGS 06/22 3.8	10,400,000	14,208,597	1.19

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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 2019

	United SGD Fund		
	Holdings at 31 December 2019	Fair value at 31 December 2019 \$	Percentage of total net assets attributable to unitholders at 31 December 2019 %
By Geography - Primary (continued)			
Quoted bonds			
CHINA (continued)			
TIANQI FINCO CO LTD COMPANY GUARANT REGS 11/22 3.75	7,000,000	<u>6,170,689</u>	<u>0.52</u>
TOTAL CHINA		<u>291,334,730</u>	<u>24.42</u>
HONG KONG			
ANHUI TRANSPORTATION HOLDING HONG KONG COMPANY GUARANT REGS 09/21 4.875	18,000,000	24,857,321	2.08
MCC HOLDING HONG KONG CORP LTD COMPANY GUARANT REGS 12/99 VAR	16,000,000	<u>22,009,231</u>	<u>1.85</u>
TOTAL HONG KONG		<u>46,866,552</u>	<u>3.93</u>
INDONESIA			
FEDERAL INTERNATIONAL FINANCE SR UNSECURED REGS 05/21 4.125	25,000,000	34,135,492	2.86
INDONESIA ASAHAN ALUMINIUM PER SR UNSECURED REGS 11/21 5.23	23,700,000	<u>33,461,615</u>	<u>2.81</u>
TOTAL INDONESIA		<u>67,597,107</u>	<u>5.67</u>
JAPAN			
MIZUHO FINANCIAL GROUP CAYMAN 2 COMPANY GUARANT REGS 07/22 4.2	10,000,000	13,975,692	1.17

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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 2019

	United SGD Fund		
	Holdings at 31 December 2019	Fair value at 31 December 2019 \$	Percentage of total net assets attributable to unitholders at 31 December 2019 %
By Geography - Primary (continued)			
Quoted bonds			
MALAYSIA			
SSG RESOURCES LTD SR SECURED REGS 10/22 4.25	25,300,000	35,311,322	2.96
QATAR			
QNB FINANCE LTD COMPANY GUARANT REGS 04/20 2.875	25,000,000	33,688,996	2.82
SINGAPORE			
AACI REIT MTN PTE LTD COMPANY GUARANT REGS 03/22 3.6	3,750,000	3,752,333	0.32
ARMF WHITESANDS PTE LTD SR SECURED 04/20 2.635	4,250,000	4,242,637	0.36
ASCENDAS HOSPITALITY TRUST COMPANY GUARANT REGS 09/22 3.325	7,000,000	7,177,811	0.60
ASCENDAS PTE LTD SR UNSECURED REGS 03/21 2.965	10,000,000	10,078,917	0.85
CAPITALAND TREASURY LTD COMPANY GUARANT REGS 09/22 4.076	12,455,000	17,341,115	1.45
CAPITAMALLS ASIA TREASURY LTD COMPANY GUARANT REGS 08/22 3.7	5,000,000	5,162,679	0.43
CITIC ENVIROTECH LTD SR UNSECURED REGS 12/99 VAR	23,750,000	23,445,485	1.97
FCOT TREASURY PTE LTD COMPANY GUARANT REGS 02/20 2.625	10,000,000	10,008,473	0.84
FCOT TREASURY PTE LTD COMPANY GUARANT REGS 08/21 2.835	10,000,000	10,053,166	0.84
FRASERS PROPERTY TREASURY PTE COMPANY GUARANT REGS 07/21 2.5	20,000,000	26,723,659	2.24
HOTEL PROPERTIES LTD SR UNSECURED REGS 05/21 3.85	4,000,000	4,046,609	0.34

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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 2019

	United SGD Fund		
	Holdings at 31 December 2019	Fair value at 31 December 2019 \$	Percentage of total net assets attributable to unitholders at 31 December 2019 %
By Geography - Primary (continued)			
Quoted bonds			
SINGAPORE (continued)			
KEPPEL CORP LTD SR UNSECURED 10/20 3.1	10,000,000	10,070,007	0.84
KEPPEL LAND LTD SR UNSECURED 06/22 3.8	7,500,000	7,723,951	0.65
KEPPEL REIT MTN PTE LTD COMPANY GUARANT REGS 02/22 3.15	5,000,000	5,059,731	0.42
MAPLETREE TREASURY SERVICES LTD COMPANY GUARANT REGS 06/21 2.888	19,500,000	19,657,730	1.65
METRO HOLDINGS LTD/SINGAPORE SR UNSECURED REGS 10/21 4	15,000,000	15,167,177	1.27
MONETARY AUTHORITY OF SINGAPORE BILLS 03/01/20 0.00000	35,000,000	34,998,273	2.93
MONETARY AUTHORITY OF SINGAPORE BILLS 20/03/20 0.00000	35,000,000	34,870,544	2.92
MONETARY AUTHORITY OF SINGAPORE BILLS 24/01/20 0.00000	35,000,000	34,962,384	2.93
MONETARY AUTHORITY OF SINGAPORE BILLS 27/03/20 0.00000	17,500,000	17,428,250	1.46
QUE CT TREASURY PTE LTD COMPANY GUARANT REGS 09/20 3.03	13,250,000	13,225,565	1.11
SINGAPORE TREASURY BILL BILLS 16/06/20 0.00000	35,000,000	34,728,138	2.91
SINGAPORE TREASURY BILL BILLS 30/06/20 0.00000	33,000,000	32,722,396	2.74
SOUTH BEACH CONSORTIUM PTE LTD SR SECURED REGS 03/21 2.83	21,500,000	21,620,598	1.81
STARHUB LTD SR UNSECURED 09/22 3.08	5,000,000	5,073,085	0.43
SUNTEC REIT MTN PTE LTD COMPANY GUARANT REGS 02/20 3.35	18,750,000	18,781,840	1.58

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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 2019

	United SGD Fund		
	Holdings at 31 December 2019	Fair value at 31 December 2019 \$	Percentage of total net assets attributable to unitholders at 31 December 2019 %
By Geography - Primary (continued)			
Quoted bonds			
SINGAPORE (continued)			
SUNTEC REIT MTN PTE LTD COMPANY GUARANT REGS 07/21 3	12,500,000	<u>12,616,568</u>	<u>1.06</u>
TOTAL SINGAPORE		<u>440,739,121</u>	<u>36.95</u>
SOUTH KOREA			
HYUNDAI CAPITAL SERVICES INC SR UNSECURED REGS 09/20 2.625	25,000,000	33,678,843	2.82
THAILAND			
MINOR INTERNATIONAL PCL BANK GUARANT REGS 12/99 VAR	25,000,000	34,440,857	2.89
UNITED ARAB EMIRATES			
BOS FUNDING LTD COMPANY GUARANT REGS 06/20 3.374	10,000,000	13,470,004	1.13
CBD CAYMAN LTD COMPANY GUARANT REGS 11/20 4	17,240,000	23,506,705	1.97
DIB SUKUK LTD SR UNSECURED REGS 06/20 2.921	23,500,000	31,711,579	2.66
FIRST ABU DHABI BANK PJSC SR UNSECURED REGS 04/22 VAR	13,000,000	17,589,710	1.48
SIB SUKUK CO III LTD SR UNSECURED REGS 03/20 2.843	23,000,000	<u>30,947,640</u>	<u>2.59</u>
TOTAL UNITED ARAB EMIRATES		<u>117,225,638</u>	<u>9.83</u>

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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 2019

	United SGD Fund	
	Holdings at 31 December 2019	Percentage of total net assets attributable to unitholders at 31 December 2019
	Fair value at 31 December 2019 \$	%
By Geography - Primary (continued)		
Quoted bonds		
UNITED KINGDOM		
STANDARD CHARTERED PLC SR UNSECURED REGS 01/23 VAR	22,000,000	<u>30,658,550</u> <u>2.57</u>
Accrued interest receivable on quoted bonds		<u>7,694,960</u> <u>0.65</u>
Total Bonds		<u>1,183,756,684</u> <u>99.24</u>
Portfolio of investments	1,183,756,684	99.24
Other net assets/(liabilities)	<u>9,084,605</u>	<u>0.76</u>
Net assets attributable to unitholders	<u>1,192,841,289</u>	<u>100.00</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 2019

	United SGD Fund	
	Percentage of total net assets attributable to unitholders at 31 December 2019 %	Percentage of total net assets attributable to unitholders at 31 December 2018 %
By Geography - Primary (Summary)		
Quoted bonds and unit trusts		
Australia	2.56	2.45
China	24.42	32.63
France	-	0.68
Hong Kong	3.93	6.30
Indonesia	5.67	5.60
Japan	1.17	-
Malaysia	2.96	6.09
Qatar	2.82	2.69
Singapore	36.95	9.40
South Korea	2.82	5.36
Sweden	-	3.35
Thailand	2.89	2.94
United Arab Emirates	9.83	12.07
United Kingdom	2.57	3.23
United States	-	5.25
Accrued interest receivable on quoted bonds	0.65	0.73
Portfolio of investments	99.24	98.77
Other net assets/(liabilities)	0.76	1.23
Net assets attributable to unitholders	100.00	100.00

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 2019

	United SGD Fund		
	Fair value at 31 December 2019 \$	Percentage of total net assets attributable to unitholders at 31 December 2019 %	Percentage of total net assets attributable to unitholders at 31 December 2018 %
By Industry - Secondary			
Quoted bonds and unit trusts			
Communication Services	5,073,085	0.43	2.93
Consumer Discretionary	101,648,832	8.52	9.20
Financials	339,277,969	28.44	45.41
Government	189,709,985	15.90	-
Industrials	210,797,748	17.67	14.84
Materials	101,935,554	8.55	13.43
Real Estate	215,038,678	18.03	10.62
Unit Trusts	-	-	0.08
Utilities	12,579,873	1.05	1.53
Accrued interest receivable on quoted bonds	7,694,960	0.65	0.73
Portfolio of investments	1,183,756,684	99.24	98.77
Other net assets/(liabilities)	9,084,605	0.76	1.23
Net assets attributable to unitholders	1,192,841,289	100.00	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 2019

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 between UOB Asset Management Ltd (the “Manager”) and State Street Trust (SG) Limited (the “Trustee”). The Trust Deed is governed by the laws of the Republic of Singapore.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Significant accounting policies (continued)

(d) Basis of valuation of investments (continued)

The fair value of investments held in underlying funds is the quoted net asset value of the underlying funds as determined by the underlying funds' administrator. Net changes in fair value of investments are included in the Statements of Total Return in the year in which they arise.

(e) Foreign currency translation

(i) Functional and presentation currency

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) Receivables

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

(g) Sales and purchases awaiting settlement

Sales and purchases awaiting settlement represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Significant accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

(i) Payables

Payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(j) 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 Sub-Fund. In addition, certain expenses shared by all unit trusts managed by the Manager are allocated to the Sub-Fund based on the Sub-Fund's net asset value.

(k) Management fee rebates

The management fees charged on investments in underlying funds managed by the Manager are rebated to the Sub-Fund.

(l) 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 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.

(m) 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 2019

2 Significant accounting policies (continued)

(n) 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.

(o) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Sub-Fund considers all of their investments in other fund ("Investee Fund") to be investments in unconsolidated structured entities. The Sub-Fund invests in an Investee Fund whose objective is to maximise long term return capital appreciation and/or income for investors by investing primarily in fixed income or debt securities. The Investee Fund is managed by related asset managers and the Investee Fund applies various investment strategies to accomplish its respective investment objectives. The Investee Fund finances its operations by issuing redeemable shares which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets. The Sub-Fund holds redeemable shares in the Investee Fund.

The changes in fair value of the Investee Fund are included in the Statement of Total Return within "Net gains/losses on investments".

3 Income tax

	United SGD Fund	
	2019	2018
	\$	\$
Overseas income tax	(12,939)	12,939

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Income tax (continued)

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4 Distributions

	United SGD Fund					
	2019			2018		
	Per 100 units Class currency	Amount Class currency	Amount \$	Per 100 units Class currency	Amount Class currency	Amount \$
Class A (Dist) SGD						
March interim distribution on units outstanding as at 1 April 2019 (2018: 2 April 2018)	0.514	972,996	972,996	0.511	1,112,244	1,112,244
June interim distribution on units outstanding as at 1 July 2019 (2018: 2 July 2018)	0.901	1,387,036	1,387,036	0.507	1,091,525	1,091,525
September interim distribution on units outstanding as at 1 October 2019 (2018: 1 October 2018)	0.893	1,255,256	1,255,256	0.507	1,265,732	1,265,732
December final distribution on units outstanding as at 2 January 2020 (2018: 2 January 2019)	0.895	1,341,796	<u>1,341,796</u>	0.505	1,214,760	<u>1,214,760</u>
			<u>4,957,084</u>			<u>4,684,261</u>
Class A (Dist) USD (Hedged)						
March interim distribution on units outstanding as at 1 April 2019 (2018: 2 April 2018)	0.511	117,933	159,740	0.504	132,792	174,130
June interim distribution on units outstanding as at 1 July 2019 (2018: 2 July 2018)	0.900	84,121	113,811	0.500	123,017	167,733
September interim distribution on units outstanding as at 1 October 2019 (2018: 1 October 2018)	0.893	96,497	133,446	0.501	121,134	165,511
December final distribution on units outstanding as at 2 January 2020 (2018: 2 January 2019)	0.895	140,590	<u>189,045</u>	0.500	122,096	<u>166,417</u>
			<u>596,042</u>			<u>673,791</u>

United Choice Portfolios II
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4 Distributions (continued)

	United SGD Fund					
	2019			2018		
	Per 100 units Class currency	Amount Class currency	Amount \$	Per 100 units Class currency	Amount Class currency	Amount \$
Class S (Dist) SGD						
March interim distribution on units outstanding as at 1 April 2019 (2018: 2 April 2018)	0.317	38,389	38,389	-	-	-
April interim distribution on units outstanding as at 2 May 2019 (2018: 2 May 2018)	0.315	56,079	56,079	-	-	-
May interim distribution on units outstanding as at 3 June 2019 (2018: 1 June 2018)	0.315	62,760	62,760	-	-	-
June interim distribution on units outstanding as at 1 July 2019 (2018: 2 July 2018)	0.316	64,333	64,333	-	-	-
July interim distribution on units outstanding as at 1 August 2019 (2018: 1 August 2018)	0.314	68,984	68,984	-	-	-
August interim distribution on units outstanding as at 2 September 2019 (2018: 3 September 2018)	0.314	70,765	70,765	-	-	-
September interim distribution on units outstanding as at 1 October 2019 (2018: 1 October 2018)	0.313	66,378	66,378	-	-	-
October interim distribution on units outstanding as at 1 November 2019 (2018: 1 November 2018)	0.298	50,507	50,507	-	-	-
November interim distribution on units outstanding as at 2 December 2019 (2018: 3 December 2018)	0.298	48,449	48,449	-	-	-
December final distribution on units outstanding as at 2 January 2020 (2018: 2 January 2019)	0.289	47,684	47,684	-	-	-
			<u>574,328</u>			<u>-</u>

United Choice Portfolios II
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4 Distributions (continued)

	United SGD Fund					
	2019	2018				
	Per 100 units	Amount	Amount	Per 100 units	Amount	Amount
	Class	Class	\$	Class	Class	\$
	currency	currency		currency	currency	
Class S (Dist) USD (Hedged)						
April interim distribution on units outstanding as at 2 May 2019 (2018: 2 May 2018)	0.315	328	447	-	-	-
May interim distribution on units outstanding as at 3 June 2019 (2018: 1 June 2018)	0.315	689	948	-	-	-
June interim distribution on units outstanding as at 1 July 2019 (2018: 2 July 2018)	0.316	691	935	-	-	-
July interim distribution on units outstanding as at 1 August 2019 (2018: 1 August 2018)	0.314	842	1,152	-	-	-
August interim distribution on units outstanding as at 2 September 2019 (2018: 3 September 2018)	0.314	842	1,168	-	-	-
September interim distribution on units outstanding as at 1 October 2019 (2018: 1 October 2018)	0.314	840	1,162	-	-	-
October interim distribution on units outstanding as at 1 November 2019 (2018: 1 November 2018)	0.298	799	1,087	-	-	-
November interim distribution on units outstanding as at 2 December 2019 (2018: 3 December 2018)	0.298	799	1,092	-	-	-
December final distribution on units outstanding as at 2 January 2020 (2018: 2 January 2019)	0.290	776	1,043	-	-	-
			<u>9,034</u>			<u>-</u>
			<u>6,136,488</u>			<u>5,358,052</u>

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5 Receivables

	United SGD Fund	
	2019	2018
	\$	\$
Amounts receivable for creation of units	4,016,717	2,709,927
Management fee rebate receivable	622	684
Other receivables	497,102	1,001,930
	<u>4,514,441</u>	<u>3,712,541</u>

6 Payables

	United SGD Fund	
	2019	2018
	\$	\$
Amount payable for cancellation of units	3,658,930	2,770,881
Amount due to the Manager	1,713,525	2,024,911
Tax payables	-	12,939
Other creditors and accrued expenses	78,914	80,969
	<u>5,451,369</u>	<u>4,889,700</u>

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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			
2019			
	Contract or underlying principal amount	Positive fair value	Negative fair value
	\$	\$	\$
Foreign currency contracts	1,104,776,856	20,511,152	2,946,272
 2018			
	Contract or underlying principal amount	Positive fair value	Negative fair value
	\$	\$	\$
Foreign currency contracts	1,258,470,334	6,547,004	601,184

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8 Units in issue

During the financial year ended 31 December 2019 and 2018, the numbers of units issued, redeemed and outstanding were as follows:

	United SGD Fund			
	Class A (Acc) SGD		Class A (Dist) SGD	
	2019	2018	2019	2018
Units at the beginning of the financial year	453,562,699	574,893,389	240,785,036	198,207,101
Units created	138,890,945	126,922,175	51,648,129	95,319,149
Units cancelled	(172,806,205)	(248,252,865)	(142,532,794)	(52,741,214)
Units at the end of the financial year	<u>419,647,439</u>	<u>453,562,699</u>	<u>149,900,371</u>	<u>240,785,036</u>
	\$	\$	\$	\$
Net assets attributable to unitholders (SGD equivalent)	810,113,237	840,514,744	152,019,802	241,818,005
Net assets value per unit (SGD equivalent)	1.930	1.853	1.014	1.004
Net assets attributable to unitholders (Class Currency)	810,113,237	840,514,744	152,019,802	241,818,005
Net asset value per unit (Class Currency)	1.930	1.853	1.014	1.004

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8 Units in issue (continued)

	United SGD Fund			
	Class A (Acc) USD (Hedged)		Class A (Dist) USD (Hedged)	
	2019	2018	2019	2018
Units at the beginning of the financial year	15,552,548	18,952,117	24,443,594	30,060,039
Units created	22,697,629	4,921,130	11,526,696	1,452,475
Units cancelled	(7,033,244)	(8,320,699)	(20,264,088)	(7,068,920)
Units at the end of the financial year	<u>31,216,933</u>	<u>15,552,548</u>	<u>15,706,202</u>	<u>24,443,594</u>
	\$	\$	\$	\$
Net assets attributable to unitholders (SGD equivalent)	46,650,838	22,506,895	21,433,884	33,137,215
Net assets value per unit (SGD equivalent)	1.494	1.447	1.364	1.355
Net assets attributable to unitholders (Class Currency)	34,693,666	16,512,762	15,940,121	24,311,970
Net asset value per unit (Class Currency)	1.111	1.061	1.014	0.994

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8 Units in issue (continued)

	United SGD Fund		
	Class B (Acc) SGD		Class S
	2019	2018	(Dist) SGD*
			2019
Units at the beginning of the financial year	99,171,584	217,117,093	-
Units created	30,567,400	23,345,345	24,347,781
Units cancelled	(9,836,646)	(141,290,854)	(7,852,351)
Units at the end of the financial year	<u>119,902,338</u>	<u>99,171,584</u>	<u>16,495,430</u>
	\$	\$	\$
Net assets attributable to unitholders (SGD equivalent)	145,963,240	115,534,236	16,303,423
Net assets value per unit (SGD equivalent)	1.217	1.164	0.988
Net assets attributable to unitholders (Class Currency)	145,963,240	115,534,236	16,303,423
Net asset value per unit (Class Currency)	1.217	1.164	0.988

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8 Units in issue (continued)

	United SGD Fund Class S (Dist) USD (Hedged)* 2019
Units at the beginning of the financial year	-
Units created	267,784
Units cancelled	-
Units at the end of the financial year	267,784
	\$
Net assets attributable to unitholders (SGD equivalent)	356,865
Net assets value per unit (SGD equivalent)	1.332
Net assets attributable to unitholders (Class Currency)	265,396
Net asset value per unit (Class Currency)	0.991

* Current year disclosure for Class S (Dist) SGD is covering the period from 11 March 2019 (date of inception) to 31 December 2019, and for Class S (Dist) USD (Hedged) is covering the period from 10 April 2019 (date of inception) to 31 December 2019.

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, for the purpose of determining the accounting net asset values in the financial statements.

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8 Units in issue (continued)

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	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net assets attributable to unitholders per financial statements per unit	1.930	1.853	1.014	1.004
Effect of distribution payable	<u>-</u>	<u>-</u>	<u>0.009</u>	<u>0.005</u>
Net assets attributable to unitholders for issuing/redeeming per unit	<u>1.930</u>	<u>1.853</u>	<u>1.023</u>	<u>1.009</u>
Net assets attributable to unitholders for issuing/redeeming per unit (Class Currency)	<u>1.930</u>	<u>1.853</u>	<u>1.023</u>	<u>1.009</u>

	United SGD Fund			
	Class A (Acc) USD (Hedged)		Class A (Dist) USD (Hedged)	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net assets attributable to unitholders per financial statements per unit	1.494	1.447	1.364	1.355
Effect of distribution payable	<u>-</u>	<u>-</u>	<u>0.012</u>	<u>0.007</u>
Net assets attributable to unitholders for issuing/redeeming per unit	<u>1.494</u>	<u>1.447</u>	<u>1.376</u>	<u>1.362</u>
Net assets attributable to unitholders for issuing/redeeming per unit (Class Currency)	<u>1.111</u>	<u>1.061</u>	<u>1.023</u>	<u>0.999</u>

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8 Units in issue (continued)

	United SGD Fund		
	Class B (Acc) SGD		Class S
	2019	2018	(Dist) SGD*
	\$	\$	2019
			\$
Net assets attributable to unitholders per financial statements per unit	1.217	1.164	0.988
Effect of distribution payable	-	-	0.003
Net assets attributable to unitholders for issuing/redeeming per unit	1.217	1.164	0.991
Net assets attributable to unitholders for issuing/redeeming per unit (Class Currency)	1.217	1.164	0.991

	United SGD Fund
	Class S
	(Dist) USD
	(Hedged)*
	2019
	\$
Net assets attributable to unitholders per financial statements per unit	1.332
Effect of distribution payable	0.004
Net assets attributable to unitholders for issuing/redeeming per unit	1.336
Net assets attributable to unitholders for issuing/redeeming per unit (Class Currency)	0.993

* Current year disclosure for Class S (Dist) SGD is covering the period from 11 March 2019 (date of inception) to 31 December 2019, and for Class S (Dist) USD (Hedged) is covering the period from 10 April 2019 (date of inception) to 31 December 2019.

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).

NOTES TO THE FINANCIAL STATEMENTS

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9 Financial risk management

The Sub-Fund's activities expose it to a variety of market risk (including foreign exchange risk, price risk and interest rate 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 fixed interest investments, investments in open-ended collective investment schemes which are also managed by the Manager 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 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.

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9 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

United SGD Fund
As at 31 December 2019

	SGD \$	EUR \$	USD \$	Total \$
Assets				
Portfolio of investments	431,770,675	31,929,980	720,056,029	1,183,756,684
Receivables	4,514,441	-	-	4,514,441
Cash and bank balances	10,619,311	-	845,160	11,464,471
Total Assets	<u>446,904,427</u>	<u>31,929,980</u>	<u>720,901,189</u>	<u>1,199,735,596</u>
Liabilities				
Purchases awaiting settlement	17,428,250	-	-	17,428,250
Payables	5,450,395	-	974	5,451,369
Distribution payable	1,389,480	-	190,088	1,579,568
Total Liabilities	<u>24,268,125</u>	<u>-</u>	<u>191,062</u>	<u>24,459,187</u>
Net Assets	422,636,302	31,929,980	720,710,127	
Foreign currency contracts (notional value)	686,264,072	(31,943,297)	(654,320,775)	
Net currency exposure	<u>1,108,900,374</u>	<u>(13,317)</u>	<u>66,389,352</u>	

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9 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

United SGD Fund

As at 31 December 2018

	SGD \$	EUR \$	USD \$	Total \$
Assets				
Portfolio of investments	116,752,308	32,358,170	1,088,979,485	1,238,089,963
Receivables	3,712,541	-	-	3,712,541
Cash and bank balances	<u>10,269,218</u>	<u>-</u>	<u>1,764,430</u>	<u>12,033,648</u>
Total Assets	<u>130,734,067</u>	<u>32,358,170</u>	<u>1,090,743,915</u>	<u>1,253,836,152</u>
Liabilities				
Payables	4,874,469	-	15,231	4,889,700
Distribution payable	<u>1,214,760</u>	<u>-</u>	<u>166,417</u>	<u>1,381,177</u>
Total Liabilities	<u>6,089,229</u>	<u>-</u>	<u>181,648</u>	<u>6,270,877</u>
Net Assets	124,644,838	32,358,170	1,090,562,267	
Foreign currency contracts (notional value)	<u>1,064,842,214</u>	<u>(33,276,243)</u>	<u>(1,031,565,971)</u>	
Net currency exposure	<u>1,189,487,052</u>	<u>(918,073)</u>	<u>58,996,296</u>	

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9 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Investments, which is the significant item in the Statement of Financial Position, is exposed to foreign exchange risk and interest rate risk. Foreign exchange 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 2019 and 2018. 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	Volatility	2019	Volatility	2018
		Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders
	%	\$	%	\$
USD	4	2,366,289	5	2,949,815
EUR	4	-*	5	45,904

* denotes amount less than 0.1% of NAV

(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.

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9 Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

The table below summarises the impact of increases/decreases from the Sub-Fund's investments in Investee Fund on the Sub-Fund's net assets attributable to unitholders at 31 December 2019 and 2018. The analysis is based on the assumption that the index components within the benchmark and the price of the Investee Fund increased/decreased by a reasonable possible shift, with all other variables held constant and that the price of the Investee Fund moved according to the historical correlation with the index. For Investee Fund with an absolute return benchmark, the analysis is based on the assumption that the price of the Investee Fund increased/decreased by a reasonable possible shift.

Benchmark component	2019		2018	
	Volatility %	Net impact to net assets attributable to unitholders \$	Volatility %	Net impact to net assets attributable to unitholders \$
United SGD Fund				
United SGD Plus Fund	n/a	n/a	1	9,940

(iii) Interest rate risk

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

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market 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. The average effective duration of the Sub-Fund's portfolio is a measure of the sensitivity of the fair value of the Sub-Fund's fixed interest securities to changes in market interest rates.

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9 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

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

	United SGD Fund			
	Variable rates	Fixed rate	Non-interest bearing	Total
	\$	\$	\$	\$
As at 31 December 2019				
Assets				
Portfolio of investments	224,106,806	951,954,918	7,694,960	1,183,756,684
Receivables	-	-	4,514,441	4,514,441
Cash and bank balances	11,464,471	-	-	11,464,471
Financial derivatives at fair value	-	-	20,511,152	20,511,152
Total Assets	<u>235,571,277</u>	<u>951,954,918</u>	<u>32,720,553</u>	<u>1,220,246,748</u>
Liabilities				
Purchases awaiting settlement	-	-	17,428,250	17,428,250
Payables	-	-	5,451,369	5,451,369
Distribution payable	-	-	1,579,568	1,579,568
Financial derivatives at fair value	-	-	2,946,272	2,946,272
Total Liabilities	<u>-</u>	<u>-</u>	<u>27,405,459</u>	<u>27,405,459</u>

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9 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

	Variable rates \$	Fixed rate \$	United SGD Fund Non-interest bearing \$	Total \$
As at 31 December 2018				
Assets				
Portfolio of investments	267,035,732	960,892,266	10,161,965	1,238,089,963
Receivables	-	-	3,712,541	3,712,541
Cash and bank balances	12,033,648	-	-	12,033,648
Financial derivatives at fair value	-	-	6,547,004	6,547,004
Total Assets	<u>279,069,380</u>	<u>960,892,266</u>	<u>20,421,510</u>	<u>1,260,383,156</u>
Liabilities				
Payables	-	-	4,889,700	4,889,700
Distribution payable	-	-	1,381,177	1,381,177
Financial derivatives at fair value	-	-	601,184	601,184
Total Liabilities	<u>-</u>	<u>-</u>	<u>6,872,061</u>	<u>6,872,061</u>

As at 31 December 2019 and 2018, 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:

	2019		2018	
	Volatility bps	Net impact to net assets attributable to unitholders \$	Volatility bps	Net impact to net assets attributable to unitholders \$
United SGD Fund	50	5,488,163	50	8,136,007

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For the financial year ended 31 December 2019

9 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

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 quoted securities are considered to be readily realisable as they are quoted on established regional stock exchanges. The Sub-Fund's investments in Investee Fund are considered to be readily realisable as the net asset value is struck daily, and units are redeemable on demand at the published price.

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9 Financial risk management (continued)

(b) Liquidity risk (continued)

The tables below analyse 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 tables 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
	\$	\$	\$
As at 31 December 2019			
Purchases awaiting settlement	17,428,250	-	-
Payables	5,451,369	-	-
Distribution payable	1,579,568	-	-
Financial derivatives at fair value			
- Foreign currency contracts	2,946,272	-	-
	Less than 3 months	3 months to 1 year	Over 1 year
	\$	\$	\$
As at 31 December 2018			
Payables	4,876,761	-	-
Distribution payable	1,381,177	-	-
Financial derivatives at fair value			
- Foreign currency contracts	601,184	-	-

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9 Financial risk management (continued)

(b) Liquidity risk (continued)

The tables below analyse the Sub-Fund's derivatives financial instruments in a loss position that will be settled on a gross basis into relevant maturity groups based on the remaining period at the Statement of Financial Position date to the contractual maturity date.

	United SGD Fund		
	Less than 3 months	3 months to 1 year	Over 1 year
	\$	\$	\$
As at 31 December 2019			
Financial derivatives at fair value			
- Foreign currency contracts			
- inflow	209,256,392	-	-
- outflow	(212,202,664)	-	-
	Less than 3 months	3 months to 1 year	Over 1 year
	\$	\$	\$
As at 31 December 2018			
Financial derivatives at fair value			
- Foreign currency contracts			
- inflow	96,814,060	-	-
- outflow	(97,415,244)	-	-

(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.

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For the financial year ended 31 December 2019

9 Financial risk management (continued)

(c) Credit risk (continued)

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.

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

	United SGD Fund			
	Debt securities			
	2019		2018	
	Fixed Rate Securities	Floating Rate securities	Fixed Rate Securities	Floating Rate securities
A2	3%	3%	2%	3%
A3	9%	-	10%	1%
Aa3	3%	1%	3%	-
Aaa	16%	-	-	-
B1	1%	-	-	-
Ba1	-	-	2%	3%
Baa1	10%	10%	11%	7%
Baa2	10%	3%	17%	3%
Baa3	2%	-	5%	-
Non-rated	27%	2%	28%	4%

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.

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9 Financial risk management (continued)

(c) Credit risk (continued)

Credit risk also arises from cash and bank balances 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 2019 and 2018.

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

United SGD Fund

	Credit rating as at 31 December 2019	Credit rating as at 31 December 2018
Bank and custodian		
State Street Bank and Trust Company	aa-	aa-
 Counterparties of foreign currency contracts		
Australia and New Zealand Banking Group	aa-	aa-
BNP Paribas	a+	a+
Citibank NA.	a	a
State Street Bank and Trust Company	aa-	aa-
United Overseas Bank Limited	aa-	aa-
Westpac Banking Corporation	aa-	aa-

The custodian of the Investee Fund is also State Street Bank and Trust Company, with credit ratings disclosed in the table above.

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

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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).

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9 Financial risk management (continued)

(e) Fair value estimation (continued)

The following tables analyse within the fair value hierarchy, the Sub-Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2019 and 2018:

	United SGD Fund			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 31 December 2019				
Assets				
Portfolio of investments				
- Quoted bonds	-	1,183,756,684	-	1,183,756,684
Financial derivatives at fair value	-	<u>20,511,152</u>	-	<u>20,511,152</u>
Total	-	<u>1,204,267,836</u>	-	<u>1,204,267,836</u>
Liabilities				
Financial derivatives at fair value	-	<u>2,946,272</u>	-	<u>2,946,272</u>
Total	-	<u>2,946,272</u>	-	<u>2,946,272</u>
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 31 December 2018				
Assets				
Portfolio of investments				
- Quoted bonds	-	1,237,095,963	-	1,237,095,963
- Quoted unit trusts	994,000	-	-	994,000
Financial derivatives at fair value	-	<u>6,547,004</u>	-	<u>6,547,004</u>
Total	<u>994,000</u>	<u>1,243,642,967</u>	-	<u>1,244,636,967</u>
Liabilities				
Financial derivatives at fair value	-	<u>601,184</u>	-	<u>601,184</u>
Total	-	<u>601,184</u>	-	<u>601,184</u>

Investment in open-ended investment funds whose net asset value is struck daily, price information is published and readily available and units are subscribed and redeemable on demand at the published price, are classified within Level 1. The quoted price for these financial instruments is not adjusted.

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.

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9 Financial risk management (continued)

(e) Fair value estimation (continued)

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 2019 and 2018 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.

(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
	\$	\$	\$	\$	\$	\$
31 December 2019						
Derivative financial instruments	20,511,152	-	20,511,152	(2,946,272)	-	17,564,880
Total	20,511,152	-	20,511,152	(2,946,272)	-	17,564,880
31 December 2018						
Derivative financial instruments	6,547,004	-	6,547,004	(601,184)	-	5,945,820
Total	6,547,004	-	6,547,004	(601,184)	-	5,945,820

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9 Financial risk management (continued)

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

United SGD Fund

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
	\$	\$	\$	\$	\$	\$
31 December 2019						
Derivative financial instruments	2,946,272	-	2,946,272	(2,946,272)	-	-
Total	2,946,272	-	2,946,272	(2,946,272)	-	-
31 December 2018						
Derivative financial instruments	601,184	-	601,184	(601,184)	-	-
Total	601,184	-	601,184	(601,184)	-	-

10 Structured entities

The Sub-Fund's investment in the Investee Fund is subject to the terms and conditions of the Investee Fund's offering documentation and is susceptible to market price risk arising from uncertainties about future value of the Investee Fund. The Manager makes investment decisions after extensive due diligence of the Investee Fund, its strategy and the overall quality of the Investee Fund's manager. The Investee Fund's portfolio manager is compensated by the Investee Fund for their services. Such compensation generally consists of an asset based fee and is reflected in the valuation of the Sub-Fund's investment in the Investee Fund.

The Sub-Fund has the right to request redemption of its investment in the Investee Fund on a daily basis.

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10 Structured entities (continued)

The exposure to investment in the Investee Fund at fair value is disclosed under the Statement of Portfolio. The investment is included within "Portfolio of Investments" in the Statement of Financial Position.

The Sub-Fund's holdings in an Investee Fund, as a percentage of the Investee Fund's total net asset value, will vary from time to time, dependent on the volume of subscriptions and redemptions at the Investee Fund level. It is possible that the Sub-Fund may, at any point in time, hold a majority of an Investee Fund's total units in issue.

The Sub-Fund's maximum exposure to loss from its interests in the Investee Fund is equal to the total fair value of its investment in the Investee Fund.

Once the Sub-Fund has disposed of its shares in an Investee Fund, the Sub-Fund ceases to be exposed to any risk from it.

11 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. 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. Management fee rebates are received from the Manager in respect of Investee Funds that are managed by the Manager. Registrar fee and custody fee are paid to State Street Bank and Trust Company, Singapore Branch.

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

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

	United SGD Fund	
	2019	2018
	\$	\$
State Street Bank and Trust Company, Singapore Branch		
Cash and bank balances	11,464,471	12,033,648

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11 Related party transactions (continued)

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

	United SGD Fund	
	2019	2018
	\$	\$
State Street Bank and Trust Company, Singapore Branch		
Interest income	85,189	63,571
United Overseas Bank Limited		
Bank charges	50,200	72,398

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12 Financial ratios

Current year disclosure for Class S (Dist) SGD is covering the period from 11 March 2019 (date of inception) to 31 December 2019, and for Class S (Dist) USD (Hedged) is covering the period from 10 April 2019 (date of inception) to 31 December 2019.

	United SGD Fund	
	2019	2018
	\$	\$
Class A (Acc) SGD		
Total operating expenses	5,451,329	5,878,944
Average daily net asset value	<u>815,240,445</u>	<u>940,792,566</u>
Expense ratio ¹	<u>0.67%</u>	<u>0.62%</u>
Class A (Dist) SGD		
Total operating expenses	1,202,579	1,395,978
Average daily net asset value	<u>176,917,535</u>	<u>229,370,276</u>
Expense ratio ¹	<u>0.68%</u>	<u>0.61%</u>
Class A (Acc) USD (Hedged)		
Total operating expenses	161,887	151,215
Average daily net asset value	<u>24,872,860</u>	<u>24,334,583</u>
Expense ratio ¹	<u>0.65%</u>	<u>0.62%</u>
Class A (Dist) USD (Hedged)		
Total operating expenses	151,016	208,972
Average daily net asset value	<u>21,957,975</u>	<u>34,019,454</u>
Expense ratio ¹	<u>0.69%</u>	<u>0.61%</u>
Class B (Acc) SGD		
Total operating expenses	457,622	574,568
Average daily net asset value	<u>133,571,103</u>	<u>183,161,475</u>
Expense ratio ¹	<u>0.34%</u>	<u>0.31%</u>

¹ 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.

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NOTES TO THE FINANCIAL STATEMENTS

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12 Financial ratios (continued)

	United SGD Fund	
	2019	2018
	\$	\$
Class S (Dist) SGD		
Total operating expenses	94,535	-
Average daily net asset value	<u>17,920,880</u>	<u>-</u>
Expense ratio (annualised) ¹	<u>0.65%</u>	<u>-</u>
Class S (Dist) USD (Hedged)		
Total operating expenses	1,479	-
Average daily net asset value	<u>319,213</u>	<u>-</u>
Expense ratio (annualised) ¹	<u>0.64%</u>	<u>-</u>
Lower of total value of purchases or sales	1,606,579,969	1,354,086,344
Average daily net assets value	<u>1,190,800,011</u>	<u>1,411,678,354</u>
Turnover ratio ²	<u>134.92%</u>	<u>95.92%</u>

¹ 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.

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 the total value of purchases or sales of the underlying investments divided by the average daily net asset value.

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