



# United SSE 50 China ETF

**Semi Annual Report**

for the financial period 1<sup>st</sup> July to  
31<sup>st</sup> December 2014



# United SSE 50 China ETF

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

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## **MANAGER**

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

## **OPERATIONS ADDRESS**

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## **DIRECTORS OF UOB ASSET MANAGEMENT**

Terence Ong Sea Eng  
Cheo Chai Hong  
Thio Boon Kiat

## **TRUSTEE / REGISTRAR**

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

## **CUSTODIAN**

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1 Queen's Road Central  
Hong Kong

## **AUDITORS**

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

## **SOLICITORS TO THE MANAGER**

Allen & Gledhill LLP  
One Marina Boulevard  
#28-00  
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## **SOLICITORS TO THE TRUSTEE**

Clifford Chance Pte. Ltd.  
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12 Marina Boulevard  
Singapore 018982

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## A) Fund Performance

<b>Fund Performance/ Benchmark Returns</b>	<b>3 mth % Growth</b>	<b>6 mth % Growth</b>	<b>1 yr % Growth</b>	<b>3 yr Ann Comp Ret</b>	<b>5 yr Ann Comp Ret</b>	<b>10 yr Ann Comp Ret</b>	<b>Since Inception 12 November 2009 Ann Comp Ret</b>
United SSE 50 China ETF	61.85	84.54	65.74	17.13	0.44	N/A	0.85
Benchmark	63.89	85.14	67.89	18.24	0.98	N/A	1.51

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in Singapore dollars based on a NAV-to-NAV basis with net dividends reinvested.  
The benchmark of the Fund: SSE 50 Index.

For the six months ended 31 December 2014, the net asset value of the Fund rose by 84.5% in Singapore dollar terms, compared to the benchmark SSE 50 Index which rose 85.1% during the same period.

## Market and Portfolio Review

China continues to manage its growth from 10% in recent years down to slightly above 7% in 2014 amid economic rebalancing. It remains a challenge for policy makers to manage slower growth smoothly going forward. China's overly-tight monetary, fiscal and property market-related policy stance has resulted in weaker-than-expected domestic demand despite improving export performance. However, a surprise interest rate cut by the central bank in November boosted China's A-share market and the rally continued into the end of the year. 2014 was a year of harvest in China's equity market as it outperformed most of the major equity markets for the first time in five years. We expect that the central bank would have to loosen monetary policy in response to the rising deflation risk as such policy adjustments would benefit the equity market. Policymakers have pledged to ensure stability by implementing counter-cyclical measures on both the monetary and fiscal fronts.

Recent economic data in China is showing signs of slowing with key economic and credit indicators progressively softening. China's third quarter 2014 GDP grew 7.3%, a deceleration from previous quarters to its weakest growth rate since the first quarter of 2009. The slowdown was driven by lower property investment, dwindling credit growth and weakening industrial production. Retail sales rose 11.6% in September compared with 11.9% in August. Inflation slowed for the second straight month in September to 1.6%, down from 2% in the previous month and reaching the lowest level in nearly five years. The World Bank has cut China's growth forecast for the next three years and projected that GDP would slow in 2014 to 7.4% from a previous estimate of 7.6%. China officials have pledged the government would tolerate growth slightly lower than the target 7.5% for 2014.

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During the period under review, the SSE 50 Index had two index review and rebalancing. As of 16 June 2014, the SSE 50 Index had an index review and rebalancing, which was effective between 16 June 2014 and 15 December 2014. During this index review, five constituents were changed. **Jiangxi Copper Co Ltd (materials)**, **Zhongjin Gold Co Ltd (materials)**, **Xiamen Tungsten Co Ltd (materials)**, **Shanzi Lu'an Environment Energy Development Co Ltd (energy)** and **Zijin Mining Group Co Ltd (materials)** were removed from the index. They were replaced by **TEBA Co Ltd (industrials)**, **Shanghai Fosun Pharmaceutical Group Co Ltd (healthcare)**, **Sana Optoelectronics Co Ltd (information technology)**, **Shanghai Oriental Pearl (Group) Co Ltd (consumer discretionary)** and **China Hainan Rubber Industry Group Co Ltd (consumer discretionary)**. All the 50 index constituents rose during the period from July to December 2014.

As of 15 December 2014, five constituents were changed during the index review and rebalancing for the SSE 50 Index, effective between 15 December 2014 and 15 June 2015. **Sany Heavy Industry Co Ltd (industrials)**, **Gemdale Corporation (financials)**, **Shandong Gold-Mining Co Ltd (materials)**, **China National Chemical Engineering Co Ltd (industrials)** and **New China Life Insurance Co Ltd (financials)** were removed from the index and replaced by **Sinolink Securities Co Ltd (financials)**, **China CSSC Holdings Limited (industrials)**, **China Avic Electronics Co Ltd (industrials)**, **Qingdao Haier Co Ltd (consumer discretionary)** and **China Citic Bank Corporation Limited (financials)**.

## Market Outlook

After the strong rally in 2014, we expect that the Chinese A-share market may need some time to digest its gains as investors await positive economic and corporate data to reaffirm the market's bullish sentiment. Nonetheless, the interest rate cut in November – alongside the relaxation of reserve requirement ratios for savings of non-deposit taking financial institutions – will lay the foundation for the introduction of additional stimulus in 2015, should the Chinese economy threaten to slow down further.

We think that it will be essential to maintain liquidity levels in order for the market rally to continue during the year, and we are expecting credit easing targets to lower the cost of capital, and boost the volume of economic activities. China will strive to keep economic growth and policies steady in 2015 and adapt to the “new normal” of slower speed but higher quality. The “new normal” is characterized by a shift from high speed growth to a medium-to-high speed growth and a shift from focusing on quantity and speed to quality and efficiency in its growth model. The government has vowed to accelerate reforms, further open up the economy, encourage innovation, upgrade agriculture, enhance regional integration and improve the lives of the lower-income group in order to reach its 2015 goals.

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## Disclosures

The Fund invests in the Participatory Notes (the P-Notes) and the value of the P-Notes is linked to a composite portfolio comprising an underlying basket of A-Shares, closely corresponding to the performance of the SSE 50 Index.

BNP Paribas posts collateral for any value of the P-Notes issued by BNP Paribas held by the Trustee on behalf of the Sub-Fund that is above 10% of the Net Asset Value of the Sub-Fund in order to reduce the Sub-Fund's exposure to BNP Paribas to not more than 10% of the Net Asset Value of the Sub-Fund. It is intended that the collateral would be placed in a trust or custodian account charge and assigned to the Trustee as Trustee for the Sub-Fund. The detail of the collaterals as of 31 Dec 2014 is as follow:

<b>Name</b>	<b>Value (SGD)</b>	<b>Nature of Collateral</b>
BUNDES DEUT 1.500 150523 EUR	5,265,852.13	Government Bond
BUNDESREP 1.750 040722 EUR	17,847,854.72	Government Bond
BUNDESSCH 0.00 120615 EUR	8,021,568.01	Government Bond
GERMANY (F) 2.75 080416 EUR	8,308,579.54	Government Bond
GERMANY 4.75P28	11,984,720.28	Government Bond
GERMANY(FED)5.500 040131 EUR	23,852,152.38	Government Bond

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## B) Investments at fair value and as a percentage of NAV as at 31 December 2014 under review classified by

### i) Country

Please refer to the Statement of Portfolio on page 12

### ii) Industry

Please refer to the Statement of Portfolio on page 12

### iii) Asset Class

Please refer to the Statement of Portfolio on page 12

### iv) Credit rating of debt securities

N/A

## C) Top Ten Holdings

The top 10 holdings as at 31 December 2014 and 31 December 2013

### 31 December 2014<sup>+</sup>

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
<b>BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 03/11/2015</b>	<b>59,962,221</b>	<b>99.67</b>

### 31 December 2013<sup>+</sup>

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE A	41,670,557	84.36
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE B	7,726,086	15.64

<sup>+</sup> There were only 1 & 2 holdings as at 31 December 2014 and 31 December 2013 respectively

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## D) Exposure to derivatives

- i) fair value of derivative contracts and as a percentage of NAV as at 31 December 2014

	<b>Contract or Underlying Principal amount \$</b>	<b>Positive fair value \$</b>	<b>% of NAV</b>
P-notes	59,962,221	9,454,044	15.71

- ii) there was a net gain of SGD 22,751,701 on derivative contracts realised during the financial period ended 31 December 2014
- iii) there was a net gain of SGD 9,454,044 on outstanding derivative contracts marked to market as at 31 December 2014

## E) Amount and percentage of net asset value (NAV) invested in other schemes as at 31 December 2014

N/A

## F) Amount and percentage of borrowings to net asset value (NAV) as at 31 December 2014

N/A

## G) Amount of redemptions and subscriptions for the period 01 July 2014 to 31 December 2014

Total amount of redemptions	SGD	17,188,500
Total amount of subscriptions	SGD	-

## H) The amount and terms of related-party transactions for the period 01 July 2014 to 31 December 2014

- i) As at 31 December 2014 the Fund maintained current account with HSBC Group as follows:

<u>HSBC Group</u> Bank balances	SGD	343,112
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- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 31 December 2014

N/A

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

N/A

- iv) As at 31 December 2014 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

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## I) Expense ratios

31 December 2014	1.55%
31 December 2013	1.30%

*Note: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 31 December 2014 was based on total operating expenses of \$746,820 (2013: \$713,296) divided by the average net asset value of \$48,336,818 (2013: \$54,725,450) for the 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 Fund does not pay any performance fee. The average net asset value is based on the daily balances.*

## J) Turnover ratios

31 December 2014	219.46%
31 December 2013	0.68%

*Note: The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being purchases of \$112,242,760 (2013: sales of \$340,447) divided by the average daily net asset value of \$51,145,708 (2013: \$50,217,343).*

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

N/A

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

i) top 10 holdings at fair value and as percentage of NAV as at 31 December 2014 and 31 December 2013

N/A

ii) expense ratios for the financial period ended 31 December 2014 and 31 December 2013

N/A

iii) turnover ratios for the financial period ended 31 December 2014 and 31 December 2013

N/A

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

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## **M) Soft dollar commissions/arrangements**

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

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

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

N/A

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## STATEMENT OF TOTAL RETURN

For the half year ended 31 December 2014 (Un-audited)

	<b>31 December 2014 \$</b>	31 December 2013 \$
<b>Income</b>		
Dividends	<b>1,319,615</b>	1,490,587
<b>Less: Expenses</b>		
Management fee	<b>116,027</b>	114,118
Trustee fee	<b>21,000</b>	21,000
Audit fee	<b>12,602</b>	12,095
Custody fee	-	4,921
Maintenance fee	<b>77,421</b>	76,271
Collateral fee	<b>43,122</b>	306,333
Transaction cost	<b>74,086</b>	4,983
Other expenses	<b>217,708</b>	100,472
	<b>561,966</b>	640,193
<b>Net income</b>	<b>757,649</b>	850,394
<b>Net gains or losses on value of investments</b>		
Net gain on investments	<b>32,205,745</b>	367,516
Net foreign exchange loss	<b>(129)</b>	(142)
	<b>32,205,616</b>	367,374
<b>Total return for the period before income tax</b>	<b>32,963,265</b>	1,217,768
Capital gain tax refund	<b>6,789</b>	-
<b>Total return for the period</b>	<b>32,970,054</b>	1,217,768

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## STATEMENT OF FINANCIAL POSITION

As at 31 December 2014 (Un-audited)

	<b>31 December 2014</b>	30 June 2014
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
Portfolio of investments	<b>59,962,221</b>	44,028,102
Cash and bank balances	<b>343,112</b>	481,778
<b>Total Assets</b>	<b>60,305,333</b>	44,509,880
<b>LIABILITIES</b>		
Payables	<b>141,831</b>	127,932
<b>Total Liabilities</b>	<b>141,831</b>	127,932
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>60,163,502</b>	44,381,948

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## STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the half year ended 31 December 2014 (Un-audited)

	<b>31 December 2014</b>	30 June 2014
	<b>\$</b>	<b>\$</b>
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>44,381,948</b>	48,177,269
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>32,970,054</b>	(3,795,321)
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	-	-
Cancellation of units	<b>(17,188,500)</b>	-
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>(17,188,500)</b>	-
Total increase/(decrease) in net assets attributable to unitholders	<b>15,781,554</b>	(3,795,321)
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>60,163,502</b>	44,381,948

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## STATEMENT OF PORTFOLIO

As at 31 December 2014 (Un-audited)

	Holdings at 31 December 2014	Fair value at 31 December 2014 \$	Percentage of total net assets attributable to unitholders at 31 December 2014 %
<b>By Geography - Primary</b>			
<b>CHINA</b>			
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 03/11/2015	23,245,000	59,962,221	99.67
<b>Portfolio of investments</b>		59,962,221	99.67
<b>Other net assets</b>		201,281	0.33
<b>Net assets attributable to unitholders</b>		60,163,502	100.00

	Percentage of total net assets attributable to unitholders at 31 December 2014 %	Percentage of total net assets attributable to unitholders at 30 June 2014 %
<b>By Geography - Primary (Summary)</b>		
<b>CHINA</b>	99.67	99.20
<b>Portfolio of investments</b>	99.67	99.20
<b>Other net assets</b>	0.33	0.80
<b>Net assets attributable to unitholders</b>	100.00	100.00

As the Fund invests only into one participatory note, no secondary representation is considered necessary.



