



# United SSE 50 China ETF

**Semi Annual Report**

for the financial period 1<sup>st</sup> July to  
31<sup>st</sup> December 2015



# 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:  
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Singapore 048624  
Company Registration No. : 198600120Z

## **OPERATIONS ADDRESS**

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## **DIRECTORS OF UOB ASSET MANAGEMENT**

Terence Ong Sea Eng  
Cheo Chai Hong  
Goh Yu Min  
Thio Boon Kiat

## **TRUSTEE / REGISTRAR**

HSBC Institutional Trust Services (Singapore) Limited  
21 Collyer Quay  
#13-02, HSBC Building  
Singapore 049320

## **CUSTODIAN**

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

## **AUDITORS**

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

## **SOLICITORS TO THE MANAGER**

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One Marina Boulevard  
#28-00  
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## **SOLICITORS TO THE TRUSTEE**

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Singapore 018982

## United SSE 50 China ETF

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### A) Fund Performance

	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr	Since
Fund Performance/ Benchmark Returns	% Growth	% Growth	% Growth	Ann Comp Ret	Ann Comp Ret	Ann Comp Ret	Inception 12 November 2009 Ann Comp Ret
United SSE 50 China ETF	8.35	-16.58	-7.05	11.58	5.41	N/A	-0.48
Benchmark	10.17	-15.14	-4.09	13.24	6.59	N/A	0.57

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 2015, the net asset value of the Fund declined 16.58% in Singapore dollar terms, compared to the benchmark SSE 50 Index which declined 15.14% during the same period.

### Market and Portfolio Review

China's equity market suffered an unprecedented crash in the second half of 2015, followed by abrupt currency devaluation in August that sent shock waves through the global equity markets. The volatility in the stock market and currency markets eroded political support for market-oriented reforms and shook confidence in the leadership's economic management skills. It jolted investors' faith in China's capacity to continue driving global growth. However, on a positive note, with the launch of the registration based IPO system, China could attract better performing enterprises to list domestically. This would likely lead to a quick and substantive increase in equity supply. Eased restrictions on supply and less control over capital flows will likely help correct the pricing imbalance, improve risk pricing in the A-share market and align A-shares with international markets.

Recent economic data in China is showing signs of slowing with key economic indicators have been progressively softening. China's real economic performance has not only been poor but is deteriorating. The Producer Price index declined 5.9% y-o-y in December 15. Deflationary pressure persisted for the 46<sup>th</sup> month for manufacturers, driven by overcapacity and low global commodity prices. CPI continued rising for two months to 1.6% in December 15 and the higher inflation was mainly driven by food prices, which rose 2.7% y-o-y and contributed 0.9 percentage point to the inflation rate.

As of 15 June 2015, the SSE 50 Index had an index review and rebalancing, which was effective between 15 June 2015 and 14 December 2015. During this index review, 5 constituents were changed. **Shanghai Fosun Pharmaceutical (Group) Co. Ltd** (Health Care), **Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited** (Health Care), **China Avionics System Co. Ltd** (Industrials), **Sanan Optoelectronics Co. Ltd** (Information Technology), **China Hainan Rubber Industry Group Co. Ltd** (Consumer Discretionary) were removed from the index and replaced by **Bank of China Ltd** (Financials), **China Railway Construction Co Ltd** (Industrials), **China Railway Group Limited** (Industrials), **China Communications Construction Company Limited** (Industrials) and **Orient Securities Company Limited** (Financials).

## United SSE 50 China ETF

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

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As of 14 December 2015, five constituents changed during the index review and rebalancing for the SSE50 Index, effective between 14 December 2015 and 14 June 2016. **TBEA Co. Ltd** (Industrials), **GuangHui Energy Co., Ltd** (Energy), **Nari Technology Co. Ltd** (Industrials), **Offshore Oil Engineering Co Ltd** (Energy) and **Qingdao Haier Co Ltd** (Consumer Discretionary), were removed from the index and replaced by **GD Power Development Co Ltd** (Utilities), **Guotai Junan Securities Co. Ltd** (Financials), **New China Life Insurance Co Ltd** (Financials), **Power Construction Corporation of China Ltd** (Industrials) and **China National Nuclear Power Co. Ltd** (Utilities).

### Market Outlook

Investors are generally cautious towards the equity market in 2016 as there will likely be less liquidity injection as compared to last year. The key risks are a disorderly capital outflow, currency volatility and worse than expected slowdown in China. However, China's growth should stabilize with the impact of earlier monetary loosening, mini-stimulus programmes and a property market pick up. Economic rebalancing is accelerating with the growth in the services sector outpacing that of the industrial production sector. Within the services sector, household services have the strongest prospects for steady growth led by household income growth and supportive economic policy.

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### Appendix

#### 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 correspond 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 December 2015 is as follows:

<b>Name</b>	<b>Value (SGD)</b>	<b>Nature of Collateral</b>
GERMANY (R) 0.000 170520 EUR	4,416,424.58	Government Bond
GERMANY (REP OF) 2.25P 0921	15,253,811.23	Government Bond
GERMANY (REP OF) 4.25P 0718	6,872,642.34	Government Bond
GERMANY 4.75P28	6,185,332.64	Government Bond
KFW 3.5000 040721 EUR	8,201,665.33	Government Bond

## United SSE 50 China ETF

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

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### B) Investments at fair value and as a percentage of NAV as at 31 December 2015 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 2015 and 31 December 2014

#### 31 December 2015<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 08/11/2017</b>	<b>33,795,476</b>	<b>99.85</b>

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

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

+ There was only 1 holding as at 31 December 2015 and 31 December 2014

**United SSE 50 China ETF**  
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**D) Exposure to derivatives**

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

	<b>Contract or underlying principal amount \$</b>	<b>Positive fair value \$</b>	<b>% of NAV</b>
P-notes	33,795,476	9,287,397	27.44

- ii) there was a net loss of SGD 16,479,305 on derivative contracts realised during the financial period ended 31 December 2015
- iii) there was a net gain of SGD 9,287,397 on outstanding derivative contracts marked to market as at 31 December 2015

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

N/A

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

N/A

**G) Amount of redemptions and subscriptions for the period 01 July 2015 to 31 December 2015**

Total amount of redemptions	SGD	5,985,000
Total amount of subscriptions	SGD	-

**H) The amount and terms of related-party transactions for the period 01 July 2015 to 31 December 2015**

- i) As at 31 December 2015 the Fund maintained current account with HSBC Group as follows:

HSBC Group		
Bank balances	SGD	149,771

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

N/A



**United SSE 50 China ETF**  
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**H) The amount and terms of related-party transactions for the period 01 July 2015 to 31 December 2015** (continued)

iii) Investment in Initial Public Offerings managed by UOB Group

N/A

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

**I) Expense ratios**

	<b>31 December 2015</b>	31 December 2014
Expense ratio (excluding collateral fee)	<b>1.47%</b>	1.55%
Expense ratio (including collateral fee)	<b>2.59%</b>	1.63%

*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 2015 was based on total operating expenses of \$670,836 (2014: \$746,820) divided by the average net asset value of \$45,642,437 (2014: \$48,336,818) 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 2015	93.56%
31 December 2014	219.46%

*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 \$34,347,670 (2014: purchases of \$112,242,760) divided by the average daily net asset value of \$36,713,335 (2014: \$51,145,708).*

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

N/A

## United SSE 50 China ETF

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

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

N/A

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

N/A

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

N/A

**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

<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.

## United SSE 50 China ETF

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

### STATEMENT OF TOTAL RETURN

For the half year ended 31 December 2015 (Un-audited)

	31 December 2015 \$	31 December 2014 \$
<b>Income</b>		
Dividends	762,011	1,319,615
<b>Less: Expenses</b>		
Management fee	83,005	116,027
Trustee fee	21,000	21,000
Audit fee	12,819	12,602
Custody fee	2,100	-
Maintenance fee	55,336	77,421
Collateral fee	509,022	43,122
Transaction cost	28,746	74,086
Other expenses	234,904	217,708
	946,932	561,966
<b>Net (loss)/income</b>	(184,921)	757,649
<b>Net gains or losses on value of investments</b>		
Net (loss)/gain on investments	(7,191,908)	32,205,745
Net gain/(loss) on foreign exchange contracts	5	(129)
	(7,191,903)	32,205,616
<b>Total (deficit)/return for the period before income tax</b>	(7,376,824)	32,963,265
Capital gain tax refund	-	6,789
<b>Total (deficit)/return for the period</b>	(7,376,824)	32,970,054

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### STATEMENT OF FINANCIAL POSITION

As at 31 December 2015 (Un-audited)

	<b>31 December 2015</b>	30 June 2015
	<b>\$</b>	\$
<b>ASSETS</b>		
Portfolio of investments	<b>33,795,476</b>	47,230,138
Receivables	<b>14,158</b>	17,062
Cash and bank balances	<b>149,771</b>	321,309
<b>Total Assets</b>	<b>33,959,405</b>	47,568,509
<b>LIABILITIES</b>		
Payables	<b>113,291</b>	360,571
<b>Total Liabilities</b>	<b>113,291</b>	360,571
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>33,846,114</b>	47,207,938

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### STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the half year ended 31 December 2015 (Un-audited)

	31 December 2015 \$	30 June 2015 \$
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>47,207,938</b>	44,381,948
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>(7,376,824)</b>	39,699,690
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	-	-
Cancellation of units	<b>(5,985,000)</b>	(36,873,700)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>(5,985,000)</b>	(36,873,700)
Total (decrease)/increase in net assets attributable to unitholders	<b>(13,361,824)</b>	2,825,990
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>33,846,114</b>	47,207,938

## United SSE 50 China ETF

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

### STATEMENT OF PORTFOLIO

As at 31 December 2015 (Un-audited)

	Holdings at 31 December 2015	Fair value at 31 December 2015 \$	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>By Geography - Primary</b>			
<b>CHINA</b>			
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2017	13,690,000	<b>33,795,476</b>	<b>99.85</b>
<b>Portfolio of investments</b>		<b>33,795,476</b>	<b>99.85</b>
<b>Other net assets</b>		<b>50,638</b>	<b>0.15</b>
<b>Net assets attributable to unitholders</b>		<b>33,846,114</b>	<b>100.00</b>

	Percentage of total net assets attributable to unitholders at 31 December 2015 %	Percentage of total net assets attributable to unitholders at 30 June 2015 %
<b>By Geography - Primary (Summary)</b>		
<b>CHINA</b>	<b>99.85</b>	100.04
<b>Portfolio of investments</b>	<b>99.85</b>	100.04
<b>Other net assets/(liabilities)</b>	<b>0.15</b>	(0.04)
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	100.00

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



