



United SSE 50 China ETF

Semi Annual Report

for the half year ended
31st December 2017

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

MANAGER

UOB Asset Management Ltd
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CUSTODIAN / ADMINISTRATOR / REGISTRAR

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A) Fund Performance

	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 12 November 2009 Ann Comp Ret
United SSE 50 China ETF	6.23	11.76	20.17	-0.84	7.82	N/A	0.22
Benchmark	7.46	13.35	23.48	2.11	10.02	N/A	1.73

Source: Lipper, a Thomson Reuters Company.

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

For the six months ended 31 December 2017, the net asset value of the Fund rose 11.76% on a net asset value basis in Singapore dollar terms, compared to the benchmark SSE 50 Index which rose 13.35% during the same period.

Economic and Market Review

The rally in China was driven by better than expected economic data and earnings particularly in the technology sector, alongside a solid earnings beat across the board in materials, consumer and insurance. The Chinese government's supply side reforms, capacity rationalisation and resilient demand significantly boosted industrial profits, while consumption and services continued to be strong.

China economic indicators were generally strong over the period. North Asian exports picked up strongly. In China, both the official and Caixin purchasing managers' index (PMI) held above 50 during 2017 despite the authorities tightening monetary conditions in a bid to rein in financial leverage. The producer price index (PPI) has accelerated since late 2016, while the consumer price index (CPI) remained steady below 2%. China's exports have also recovered more than expected in 2017 on the back of strong demand globally. On the flip side, investment spending slowed down, as a result of government-led supply side reforms and pollution control enforcement, which would make a positive environmental positive difference in the long run.

China's 19th Party Congress in October reinforced the government's commitment to supply side and state owned enterprise (SOE) reforms, environmental protection and rebalancing. They have quickly taken tangible steps on reforms such as gradually removing foreign ownership limits in financial services, import tariff reduction on consumer goods, further regulation on asset management business and wealth management products.

The US Federal Reserve (Fed) hiked rates by quarter of a percentage point (25 basis points) in March, June and December and the process of unwinding quantitative easing. However, the US dollar has continued to weaken amidst modest US economic activity and muted inflation. This has helped Asian currencies and markets. The Renminbi also appreciated against the US dollar and China's forex reserves gained.

On the geopolitical front, markets shrugged off tensions over North Korea, US President Trump's legal woes, rising Middle-East tensions and welcomed the election of Pro-EU French President Macron.

As of 12 June 2017, five constituents changed during the index review and rebalancing for the SSE50 Index, effective between 12 June 2017 and 12 December 2017. **Shanghai Oriental Pearl Media Co Ltd (Consumer Discretionary)**, **China Citic Bank Corporation Ltd (Financials)**, **Industrial Securities Co Ltd (Financials)**, **Sinolink Securities Co Ltd (Financials)** and **AECC Aviation Power Co Ltd (Industrials)**, were removed from the index and replaced by **Bank of Shanghai Co Ltd (Financials)**, **Bank of Jiangsu Co Ltd (Financials)**, **China Galaxy Securities Co Ltd (Financials)**, **China Fortune Land Development Co Ltd (Financials)** and **Greenland Holdings Co Ltd (Financials)**.

As of 11 December 2017, five constituents changed during the index review and rebalancing for the SSE50 Index, effective between 11 December 2017 and 11 June 2018. **Tsinghua Tongfang Co Ltd (Information Technology)**, **Beijing Xinwei Telecom Technology Group Co Ltd (Information Technology)**, **Dongxing Securities Co Ltd (Financials)**, **Everbright Securities Co Ltd (Financials)** and **Founder Securities Co Ltd (Financials)** were removed from the index and replaced by **Baoshan Iron & Steel Co Ltd (Materials)**, **Power Construction Corporation of China Co Ltd (Industrials)**, **Zheshang Securities Co Ltd (Financials)** and **China Molybdenum Co Ltd (Materials)**.

A) Fund Performance (continued)

Outlook and Fund Strategy

For years, China has been facing headwinds from slowing growth and high leverage. In the past year, its economic recovery stabilised with the PMI above 50. This has given more breathing room for the authorities to refocus on economic rebalancing and financial deleveraging. The recently concluded Party Congress has re-emphasised focus on more balanced and quality growth, supply side reforms to improve efficiency, SOE reforms that include state capital supervision, mixed ownership and more incentivized management. If the government executes well on reforms, then we can expect China's rerating momentum to continue.

With less emphasis on absolute gross domestic product (GDP) growth levels and more stringent controls on leverage and financial risk, we can expect China's growth to moderate going forward. China equity markets have historically struggled in this scenario. However, we believe this time should be different. There has been a structural improvement in industrial enterprise profitability following supply side discipline, capacity rationalisation and the resultant PPI deflation. Consequently, cash flows and interest coverage of industrial enterprises have also improved. This should improve system non-performing loans (NPLs) going forward despite overall slower growth. Moreover, the structure of the market is changing with higher weights in new economy stocks such as technology, consumer and healthcare which have strong structural growth drivers and lesser weight in old economy financials and cyclicals. Hence, the market is less sensitive to a moderation in investment spending and the historical boom-bust cycles in the past.

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 Fund that is above 10% of the Net Asset Value of the Fund in order to reduce the Fund's exposure to BNP Paribas to not more than 10% of the Net Asset Value of the 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 Fund. The detail of the collaterals as of 31 December 2017 is as follow:

Name	Value (SGD)	Natural of Collateral
GERMANY (REP OF) 3P 0720	6,120,591.40	Government Bond
GERMANY (R) 5.625 040128 EUR	14,033,400.54	Government Bond
DEUTSCHE ILB 0.1 150426 EUR	27,117,959.05	Government Bond
GERMANY (REP OF) 4.25P 0739	14,643,757.47	Government Bond

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

i) Country

Please refer to the Statement of Portfolio

ii) Industry

Please refer to the Statement of Portfolio

iii) Asset Class

Please refer to the Statement of Portfolio

iv) Credit rating of quoted bonds

N/A

C) Top Ten Holdings

10 largest holdings as at 31 December 2017

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BNP PARIBAS ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2018	36,943,606	99.89

There was only 1 holding as at 31 December 2017.

10 largest holdings as at 31 December 2016

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BNP PARIBAS ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2017	30,627,450	99.52

There was only 1 holding as at 31 December 2016.

D) Exposure to derivatives

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

N/A

ii) Net gains/(losses) on derivative contracts realised during the financial period from 01 July 2017 to 31 December 2017

N/A

D) Exposure to derivatives (continued)

- iii) Net gains/(losses) on outstanding derivative contracts marked to market as at 31 December 2017
N/A

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

N/A

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

N/A

G) Amount of redemptions and subscriptions for the financial period from 01 July 2017 to 31 December 2017

Total amount of redemptions	SGD	-
Total amount of subscriptions	SGD	-

H) The amount and terms of related-party transactions for the financial period from 01 July 2017 to 31 December 2017

- i) As at 31 December 2017, the Fund maintained current accounts with State Street Bank and Trust Company as follows:
- | | | |
|---------------|-----|---------|
| Bank balances | SGD | 453,324 |
|---------------|-----|---------|
- ii) Investment in Initial Public Offerings managed by UOB Group
N/A
- iii) As at 31 December 2017, there was no brokerage income earned by UOB Kay Hian Pte Ltd.

I) Expense ratios

	2017	2016
	\$	\$
Total operating expenses (excluding collateral fee and running fee)	1,239,248	671,892
Total operating expenses (including collateral fee and running fee)	1,669,884	1,217,189
Average daily net asset value	<u>33,433,526</u>	<u>30,498,769</u>
Expense ratio (excluding collateral fee and running fee)	<u>3.71%</u>	<u>2.20%</u>
Expense ratio (including collateral fee and running fee)	<u>4.99%</u>	<u>3.99%</u>

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 Fund's expense ratio at 31 December 2017 was based on total operating expenses divided by the average net asset value respectively for the financial period. The total operating expenses do not include (where applicable) brokerage and other transaction costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

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J) Turnover ratios

	2017	2016
	\$	\$
Lower of total value of purchases or sales	<u>36,336,526</u>	-
Average daily net assets value	<u>35,555,262</u>	<u>30,903,588</u>
Turnover ratio	<u>102.20%</u>	-

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 divided by the average daily net asset value.

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

N/A

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

i) Top 10 holdings at fair value and as percentage of NAV as at 31 December 2017 and 31 December 2016

N/A

ii) Expense ratios for the financial period ended 31 December 2017 and 31 December 2016

N/A

iii) Turnover ratios for the financial period ended 31 December 2017 and 31 December 2016

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

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STATEMENT OF TOTAL RETURN

For the half year ended 31 December 2017 (Un-audited)

	31 December 2017 \$	31 December 2016 \$
Income		
Dividends	<u>742,127</u>	<u>761,408</u>
Total	<u>742,127</u>	<u>761,408</u>
Less: Expenses		
Management fee	80,503	69,978
Trustee fee	6,372	21,000
Audit fee	14,960	12,844
Custody fee	6,828	20,815
Maintenance fee	56,800	46,652
Collateral fee	243,391	118,796
Running fee	187,245	-
Transaction costs	-	5,476
Other expenses	<u>61,184</u>	<u>73,883</u>
Total	<u>657,283</u>	<u>369,444</u>
Net income/(losses)	<u>84,844</u>	<u>391,964</u>
Net gains/(losses) on value of investments		
Net gains/(losses) on investments	4,081,928	2,803,361
Net foreign exchange gains/(losses)	<u>741</u>	<u>2</u>
	<u>4,082,669</u>	<u>2,803,363</u>
Total return/(deficit) for the period	<u>4,167,513</u>	<u>3,195,327</u>

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STATEMENT OF FINANCIAL POSITION

As at 31 December 2017 (Un-audited)

	31 December	30 June
	2017	2017
	\$	\$
Assets		
Portfolio of investments	36,943,606	32,962,870
Receivables	15,207	1,020,839
Cash and bank balances	453,324	580,100
Total assets	37,412,137	34,563,809
Liabilities		
Payables	428,585	1,747,770
Total liabilities	428,585	1,747,770
Equity		
Net assets attributable to unitholders	36,983,552	32,816,039

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STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the half year ended 31 December 2017 (Un-audited)

	31 December 2017 \$	30 June 2017 \$
Net assets attributable to unitholders at the beginning of the financial period/year	32,816,039	29,015,149
Operations		
Change in net assets attributable to unitholders resulting from operations	4,167,513	5,236,790
Unitholders' contributions/(withdrawals)		
Cancellation of units	-	<u>(1,435,900)</u>
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	-	(1,435,900)
Total increase/(decrease) in net assets attributable to unitholders	<u>4,167,513</u>	<u>3,800,890</u>
Net assets attributable to unitholders at the end of the financial period/year	<u>36,983,552</u>	<u>32,816,039</u>

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STATEMENT OF PORTFOLIO

As at 31 December 2017 (Un-audited)

	Holdings at 31 December 2017	Fair value at 31 December 2017 \$	Percentage of total net assets attributable to unitholders at 31 December 2017 %
By Geography - Primary			
CHINA			
BNP PARIBAS ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2018	13,540,000	<u>36,943,606</u>	<u>99.89</u>
Portfolio of investments		36,943,606	99.89
Other net assets/(liabilities)		<u>39,946</u>	<u>0.11</u>
Net assets attributable to unitholders		<u>36,983,552</u>	<u>100.00</u>

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STATEMENT OF PORTFOLIO

As at 31 December 2017 (Un-audited)

	Percentage of total net assets attributable to unitholders at 31 December 2017 %	Percentage of total net assets attributable to unitholders at 30 June 2017 %
By Geography - Primary (Summary)		
China	<u>99.89</u>	<u>100.45</u>
Portfolio of investments	99.89	100.45
Other net assets	<u>0.11</u>	<u>(0.45)</u>
Net assets attributable to unitholders	<u>100.00</u>	<u>100.00</u>

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

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