



# United Apec Equity Fund

**Annual Report**

for the financial year ended  
30<sup>th</sup> June 2007



大華資產管理  
UOB ASSET MANAGEMENT



# United APEC Equity Fund

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

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## **MANAGER**

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

## **OPERATIONS ADDRESS**

80 Raffles Place  
#06-00, UOB Plaza 2  
Singapore 048624  
Tel: 1800 22 22 228

## **DIRECTORS OF UOB ASSET MANAGEMENT**

Terence Ong Sea Eng  
Yeo Eng Cheong  
Thio Boon Kiat

## **TRUSTEE**

HSBC Institutional Trust Services (Singapore) Limited  
21 Collyer Quay  
#14-01, HSBC Building  
Singapore 049320

## **AUDITORS**

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

## **SOLICITORS TO THE MANAGER**

Tan Peng Chin LLC  
30 Raffles Place  
#11-00, Chevron House  
Singapore 048622

## **SOLICITORS TO THE TRUSTEE**

Allen & Gledhill  
One Marina Boulevard  
#28-00  
Singapore 018989

# United APEC Equity Fund

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

## A) Fund Performance

Fund Performance/ Benchmark Returns	3 mth %	6 mth %	1 yr %	3yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	Since Inception 15 December 1995 Ann Comp Ret
United APEC Equity Fund	8.00	8.27	15.84	10.74	10.09	3.56	5.05
Benchmark	7.02	8.56	17.69	12.25	11.29	5.00	6.09

Source: Lipper

Note: The performance returns of the Fund are in Singapore dollars on a bid-to-bid price with net dividends reinvested.  
The benchmark of the Fund: 50% MSCI AC Pacific USD & 50% MSCI Nth America USD.

For the full year ended 30 June 2007, the unit price of the Fund **rose 15.8%** on a bid-to-bid basis against the Fund's composite benchmark return of 17.7%. The underperformance was entirely a result of an expense related drag. On a gross basis (pre-expenses), the fund performance would have slightly outperformed the index.

Top contributors to overall performance for the period were **Nine Dragons, Samsung Heavy Industries, China Mobile** and **Sembcorp Industries**. On the downside, stocks that hurt performance included **Mitsubishi UFJ, Caterpillar** and **Mitsubishi Gas**.

As at the end of June, the country allocations were as follows:

Equities	%
North America	51.6
Japan	24.3
Australia	2.3
Asia ex Japan	21.5
Cash	0.3
	<u>100.0</u>

## Market Review

After a steep pullback in May and June of 2006, equity markets recovered to end the last 12 months strongly. A resilient global economy, firm corporate earnings and robust liquidity drove many markets to new highs. We note however, that 2007 experienced substantially higher bouts of volatility. Despite that, Asia ex-Japan equities gained a hefty 40.4% in Singapore dollars terms as the economic backdrop continued to be robust and there was strong inflows of liquidity into the region. US equities returned 16.6%, while Japan equities experienced a positive return of 3.8%.

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## Outlook and Strategy

We continue to be bullish on Asia and intend to increase our weight at appropriate price levels. Asia is the fastest growing region in the world and real interest rates in Asia are still low. Earnings moreover have been revised upwards. We look to underweight the US and reduce our overweight in Japan. The still weak US housing market and high food and energy prices are likely to be a drag on consumer spending. Japan appears to be range bound and now political uncertainty has risen with the pension scandal.

In the **US**, we continue to favour the large-cap, globally diversified companies. Large caps have underperformed year to date but their earnings are rising faster than the broader S&P 500. Large caps have greater exposure to the global economy and the dominant theme of the first quarter reporting season was the strength of international operations. The global economy has been growing much stronger than the US economy and better growth is also expected in 2008. Large caps furthermore trade at 15.2x 2007 earnings vs the 16.2x for the S&P 500. Along the same lines, we are also overweight companies which have a high percentage of their sales outside the US. Companies we own here include **McDonalds, Citigroup and Exxon Mobile**.

In **Japan**, we expect Japan to show above-trend real GDP growth of above 1.5% in 2007, due to sustained growth in fixed capital expenditure. The weak yen coupled with strong demand from emerging economies should underpin exports. Domestic consumption is recovering modestly.

We remain overweight **Asia-ex-Japan**. While the region has performed well, we believe the uptrend remains intact due to strong fundamentals in the Asian region with economic growth, liquidity and corporate earnings all staying robust. Furthermore, with a moderate slowdown in the US and no substantial changes in US interest rates, the current condition should continue to fuel growth in Asia, led by China's robust expansion. The slowdown in Asia's export growth is showing signs of bottoming out. We continue to like consumption plays as the Asia consumer sector offers both growth opportunities as well as stable and predictable earnings. We also like companies that can benefit from industrialization of Asia as a whole. Companies we own in this region include **Samsung Heavy Industries, China Mobile and Beijing Jingkelong Supermarket**.

# United APEC Equity Fund

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## B) Investments at fair value and as a percentage of NAV as at 30 June 2007 under review classified by

	Fair Value (S\$)	% of NAV
<b>i) Country</b>		
Australia	136,246	2.26
Canada	115,596	1.91
China	489,327	8.11
Japan	1,466,281	24.29
Malaysia	129,378	2.14
Singapore	250,020	4.14
South Korea	261,889	4.34
Taiwan	168,717	2.79
United States	3,002,425	49.73
Portfolio of investments	6,019,879	99.71
Other net assets	17,750	0.29
<b>Total</b>	<b>6,037,629</b>	<b>100.00</b>

<b>ii) Industry</b>		
Consumer Discretionary	600,799	9.94
Consumer Staples	248,498	4.12
Energy	532,938	8.83
Financials	865,969	14.35
Healthcare	670,527	11.11
Industrials	848,645	14.05
Information Technology	1,305,569	21.63
Materials	387,754	6.43
Telecommunication Services	426,081	7.05
Utilities	133,099	2.20
Portfolio of investments	6,019,879	99.71
Other net assets	17,750	0.29
<b>Total</b>	<b>6,037,629</b>	<b>100.00</b>

<b>iii) Asset Class</b>		
Equities	6,019,879	99.71
Other net assets	17,750	0.29
<b>Total</b>	<b>6,037,629</b>	<b>100.00</b>

### iv) Credit rating of debt securities

N/A

# United APEC Equity Fund

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## C) Top Ten Holdings

The top 10 holdings as at 30 June 2007 and 30 June 2006

10 largest holdings at 30 June 2007	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
SAMSUNG HEAVY INDUSTRIES CO LIMITED	261,889	4.34
CHINA MOBILE LIMITED	197,199	3.26
MCDONALDS CORPORATION	194,049	3.20
HOYA CORPORATION	177,287	2.94
RESPIRONICS INC	173,759	2.88
CITIGROUP INC	172,412	2.86
HON HAI PRECISION INDUSTRY COMPANY LIMITED	168,717	2.79
EXXON MOBIL CORPORATION	166,698	2.76
WYETH CORPORATION	157,858	2.61
ADOBE SYSTEM INC	153,366	2.54

10 largest holdings at 30 June 2006	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
UNITED TECHNOLOGIES CORPORATION	240,542	3.35
NIKKO EXCHANGE TRADE INDEX FUND TOPIX	221,471	3.10
TOYOTA MOTOR CORPORATION	198,203	2.76
MITSUBISHI UFJ FINANCIAL GROUP INC	197,954	2.76
HOYA CORPORATION	196,571	2.74
CVS CORPORATION	194,127	2.70
CATERPILLAR INC	188,421	2.63
CANON INC	185,255	2.58
EXELON CORPORATION	179,736	2.50
BHP BILLITON LIMITED	102,213	1.42

## D) Exposure to derivatives

i) fair value of derivative contracts and as a percentage of NAV as at 30 June 2007

N/A

ii) net gains/losses on derivative contracts realised during the financial year ended 30 June 2007

N/A

iii) net gains/losses on outstanding derivative contracts marked to market as at 30 June 2007

N/A

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**E) Amount and percentage of net asset value (NAV) invested in other schemes as at 30 June 2007**

N/A

**F) Amount and percentage of borrowings to net asset value (NAV) as at 30 June 2007**

N/A

**G) Amount of redemptions and subscriptions for the financial year ended 30 June 2007**

Total amount of redemptions	SGD 2,346,951
Total amount of subscriptions	SGD 239,636

**H) The amount and terms of related-party transactions for the financial year ended 30 June 2007**

- i) As at 30 June 2007 the Fund maintained current account with the United Overseas Bank Limited as follows :

Bank balances	SGD 6,027
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- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 30 June 2007

N/A

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

N/A

- iv) As at 30 June 2007 the brokerage income earned by UOB Kay Hian Pte Ltd was SGD 140.47

**I) Expense ratios**

30 June 2007	2.66%
30 June 2006	2.52%

*Note : The expense ratio is computed in accordance with the IMAS guidelines on disclosure of expense ratios dated 25 May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio. The Fund does not pay any performance fees.*

**J) Turnover ratios**

30 June 2007	35.69%
30 June 2006	61.34%

*Note : The turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes".*

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**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 30 June 2007 and 30 June 2006

N/A

ii) expense ratios for the period 30 June 2007 and 30 June 2006. A footnote should state (where applicable) that the expense ratio does not include brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from or arising out of income received

N/A

iii) turnover ratios for the period 30 June 2007 and 30 June 2006

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 product 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 the best available terms and there was no churning of trades.

<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 APEC Equity Fund

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

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## REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and to hold the assets of United Apec Equity Fund (the "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 (collectively referred to as the "laws and regulations"), 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 which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 11 to 26 comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee  
HSBC INSTITUTIONAL TRUST SERVICES (SINGAPORE) LIMITED

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Authorised signatory

14 September 2007

# United APEC Equity Fund

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

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## STATEMENT BY THE MANAGER

In the opinion of the directors of UOB Asset Management Limited, the accompanying financial statements set out on pages 11 to 26, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of the Fund as at 30 June 2007 and the total return 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 Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager  
UOB ASSET MANAGEMENT LIMITED

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TERENCE ONG  
Authorised signatory

14 September 2007

# United APEC Equity Fund

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

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## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UNITED APEC EQUITY FUND**

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

We have audited the financial statements of United Apec Equity Fund (the "Fund") set out on pages 11 to 26, which comprise the Balance Sheet and Portfolio Statement as at 30 June 2007, the Statement of Total Return for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Manager's Responsibility for the Financial Statements*

The Fund's 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 Certified Public Accountants of Singapore. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Fund's Manager, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2007 and the total return 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 Certified Public Accountants of Singapore.

PricewaterhouseCoopers  
Certified Public Accountants

Singapore, 14 September 2007

# United APEC Equity Fund

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

## STATEMENT OF TOTAL RETURN

For the financial year ended 30 June 2007

	Notes	2007 \$	2006 \$
<b>Income</b>			
Dividends		103,155	151,356
Interest		142	1,719
		<b>103,297</b>	<b>153,075</b>
<b>Less: Expenses</b>			
Management fees	10	103,751	119,592
Trustee fees	10	15,983	23,587
Audit fees		10,677	10,760
Registrar fees	10	15,709	15,177
Custody fees		11,436	13,315
Interest expenses		724	355
Other expenses		18,689	17,627
		<b>176,969</b>	<b>200,413</b>
<b>Net loss</b>		<b>(73,672)</b>	<b>(47,338)</b>
<b>Net gains or losses on value of investments</b>			
Net realised gains on investments		797,804	439,019
Net change in fair value on investments		273,269	309,254
Net foreign exchange (loss)/gain		(9,701)	13,676
<b>Net gains on value of investments</b>		<b>1,061,372</b>	<b>761,949</b>
<b>Total return for the year before income tax</b>		<b>987,700</b>	<b>714,611</b>
<b>Less : Income tax</b>	3	<b>(19,997)</b>	<b>(27,373)</b>
<b>Total return for the year</b>		<b>967,703</b>	<b>687,238</b>

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

# United APEC Equity Fund

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## BALANCE SHEET

As at 30 June 2007

	Notes	2007 \$	2006 \$
<b>ASSETS</b>			
Portfolio of investments		<b>6,019,879</b>	6,906,348
Receivables	4	<b>4,867</b>	28,407
Sales awaiting settlement		-	255,672
Cash and bank balances		<b>69,450</b>	224,224
<b>Total Assets</b>		<b>6,094,196</b>	7,414,651
<b>LIABILITIES</b>			
Payables	5	<b>56,567</b>	56,547
Bank overdraft (unsecured)	8	-	180,863
Net assets attributable to unitholders	6	<b>6,037,629</b>	7,177,241
<b>Total Liabilities</b>		<b>6,094,196</b>	7,414,651

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

# United APEC Equity Fund

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

## PORTFOLIO STATEMENT

As at 30 June 2007

	Holdings at 30 June 2007	Fair value at 30 June 2007 \$	Percentage of total net assets attributable to unitholders at 30 June 2007 %
<b>By Geography – Primary Quoted Equities</b>			
<b>AUSTRALIA</b>			
BHP BILLITON LIMITED	3,000	136,246	2.26
<b>CANADA</b>			
BCE INC	2,000	115,596	1.91
<b>CHINA</b>			
BEIJING JINGKELONG SUPERMARKET	79,000	119,932	1.99
CHINA MOBILE LIMITED	12,000	197,199	3.26
JIUTIAN CHEMICAL GROUP LIMITED	42,000	101,220	1.68
NINE DRAGONS PAPER HOLDINGS LIMITED	20,000	70,976	1.18
<b>TOTAL CHINA</b>		<b>489,327</b>	<b>8.11</b>
<b>JAPAN</b>			
CANON INC	1,500	134,126	2.22
EAST JAPAN RAILWAY COMPANY	8	94,124	1.56
EXEDY CORPORATION	1,700	70,741	1.17
HOYA CORPORATION	3,500	177,287	2.94
IBIDEN COMPANY LIMITED	500	49,229	0.82
INPEX HOLDINGS	6	84,711	1.40
MITSUBISHI UFJ FINANCIAL GROUP INC	5	83,597	1.38
mitsui & CO LIMITED	3,000	90,842	1.50
NIPPON ELECTRIC GLASS CO LIMITED	3,000	80,624	1.34
NISSAN MOTOR COMPANY LIMITED	6,000	98,161	1.63
ORIX CORPORATION	170	68,110	1.13
SHIMADZU CORPORATION	6,000	96,081	1.59
SUMITOMO REALTY & DEVELOPMENT COMPANY LIMITED	2,000	99,325	1.65
T & D HOLDINGS INC	600	61,676	1.02
TAKEDA PHARMACEUTICAL CO LIMITED	1,000	98,335	1.63
TOKUYAMA CORPORATION	4,000	79,312	1.31
<b>TOTAL JAPAN</b>		<b>1,466,281</b>	<b>24.29</b>

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

# United APEC Equity Fund

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

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## PORTFOLIO STATEMENT

As at 30 June 2007

	Holdings at 30 June 2007	Fair value at 30 June 2007 \$	Percentage of total net assets attributable to unitholders at 30 June 2007 %
<b>By Geography – Primary (continued)</b>			
<b>Quoted Equities</b>			
<b>MALAYSIA</b>			
TA ENTERPRISE BERHAD	165,000	<u>129,378</u>	<u>2.14</u>
<b>SINGAPORE</b>			
RICKMERS MARITIME	57,000	97,470	1.61
SEMBORP INDUSTRIES LIMITED	27,000	152,550	2.53
<b>TOTAL SINGAPORE</b>		<u>250,020</u>	<u>4.14</u>
<b>SOUTH KOREA</b>			
SAMSUNG HEAVY INDUSTRIES CO LIMITED	3,500	<u>261,889</u>	<u>4.34</u>
<b>TAIWAN</b>			
HON HAI PRECISION INDUSTRY COMPANY LIMITED	12,811	<u>168,717</u>	<u>2.79</u>

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

# United APEC Equity Fund

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

## PORTFOLIO STATEMENT

As at 30 June 2007

	Holdings at 30 June 2007	Fair value at 30 June 2007 \$	Percentage of total net assets attributable to unitholders at 30 June 2007 %
<b>By Geography – Primary (continued)</b>			
<b>Quoted Equities</b>			
<b>UNITED STATES</b>			
ACE LIMITED	1,100	105,032	1.74
ADOBE SYSTEM INC	2,500	153,366	2.54
AKAMAI TECHNOLOGIES INC	1,500	111,589	1.85
ALTRIA GROUP INC	1,200	128,566	2.13
AMDOCS LIMITED	1,400	85,071	1.41
APACHE CORPORATION	1,200	149,562	2.48
BRISTOL MYERS	1,500	72,312	1.20
CITIGROUP INC	2,200	172,412	2.86
CONOCOPHILLIPS	1,100	131,967	2.19
EXELON CORPORATION	1,200	133,099	2.20
EXXON MOBIL CORPORATION	1,300	166,698	2.76
GENZYME CORPORATION	1,000	98,497	1.63
IBM CORPORATION	800	128,682	2.13
KIMBERLY CLARK	1,000	102,167	1.69
MCDONALDS CORPORATION	2,500	194,049	3.20
RESPIRONICS INC	2,670	173,759	2.88
SCHERING-PLOUGH CORPORATION	1,500	69,766	1.16
STATE STREET CORPORATION	1,400	146,439	2.43
TEXAS INSTRUMENTS	2,100	120,797	2.00
UNITED TECHNOLOGIES CORPORATION	1,400	151,770	2.51
VERIZON COMMUNICATIONS	1,800	113,286	1.88
WALT DISNEY CO	2,600	135,681	2.25
WYETH CORPORATION	1,800	157,858	2.61
<b>TOTAL UNITED STATES</b>		<b>3,002,425</b>	<b>49.73</b>
<b>Portfolio of investments</b>		<b>6,019,879</b>	<b>99.71</b>
<b>Other net assets</b>		<b>17,750</b>	<b>0.29</b>
<b>Net assets attributable to unitholders</b>		<b>6,037,629</b>	<b>100.00</b>

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

# United APEC Equity Fund

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## PORTFOLIO STATEMENT

As at 30 June 2007

	<b>Percentage of total net assets attributable to unitholders at 30 June 2007 %</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2006 %</b>
<b>By Geography – Primary (Summary) Quoted Equities</b>		
Australia	<b>2.26</b>	1.42
Canada	<b>1.91</b>	-
China	<b>8.11</b>	5.33
Indonesia	-	1.84
Japan	<b>24.29</b>	31.30
Malaysia	<b>2.14</b>	0.51
Singapore	<b>4.14</b>	7.06
South Korea	<b>4.34</b>	1.78
Taiwan	<b>2.79</b>	1.45
United States	<b>49.73</b>	45.54
<b>Portfolio of investments</b>	<b>99.71</b>	96.23
<b>Other net assets</b>	<b>0.29</b>	3.77
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	100.00

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

# United APEC Equity Fund

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

## PORTFOLIO STATEMENT

As at 30 June 2007

	Fair value at 30 June 2007 \$	Percentage of total net assets attributable to unitholders at 30 June 2007 %	Percentage of total net assets attributable to unitholders at 30 June 2006 %
<b>By Industry – Secondary Quoted Equities</b>			
Consumer Discretionary	600,799	9.94	14.35
Consumer Staples	248,498	4.12	8.08
Energy	532,938	8.83	5.15
Financials	865,969	14.35	15.90
Healthcare	670,527	11.11	6.25
Industrials	848,645	14.05	18.30
Information Technology	1,305,569	21.63	13.08
Materials	387,754	6.43	2.73
Telecommunication Services	426,081	7.05	5.51
Unit Trust	-	-	3.86
Utilities	133,099	2.20	3.02
<b>Portfolio of investments</b>	<b>6,019,879</b>	<b>99.71</b>	<b>96.23</b>
<b>Other net assets</b>	<b>17,750</b>	<b>0.29</b>	<b>3.77</b>
<b>Net assets attributable to unitholders</b>	<b>6,037,629</b>	<b>100.00</b>	<b>100.00</b>

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

# United APEC Equity Fund

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

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

### 1. General

United APEC Equity Fund (the "Fund") is a Singapore registered trust fund constituted by a Trust Deed dated 30 May 1995 between UOB Asset Management Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The Deed is governed by the laws of the Republic of Singapore.

The primary activity of the Fund is that of investment trading. The Fund's investment objective is to achieve long term capital growth mainly through investing in companies with assets in, or revenues derived from Australia, Brunei Darussalam, Canada, Chile, the People's Republic of China, Hong Kong SAR, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Republic of Philippines, Singapore, Chinese Taipei, Thailand and the United States.

### 2. Significant accounting policies

#### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets, and in accordance with the Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

The financial statements are expressed in Singapore dollars.

#### (b) Recognition of income

Dividend income is taken up gross of tax in the Statement of Total Return in the accounting year in which the security is quoted ex-dividend. 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*

Purchase of investments are recognised on trade date. Investments are recorded at fair value on initial recognition.

# United APEC Equity Fund

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

### 2. Significant accounting policies (continued)

(c) Investments (continued)

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change 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 sales of investments are computed on the basis of the difference between the weighted average cost and selling price net of transaction costs, and are taken up in the Statement of Total Return.

(d) Basis of valuation of investments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for these investments held by the Fund is the current market quoted bid price.

(e) Foreign currency translation

(i) *Functional and presentation currencies*

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

The performance of the Fund is measured and reported to the investors in Singapore dollars. The Manager considers the Singapore Dollar as the currency of the primary economic environment in which the Fund operates. The Fund's functional and presentation currency is the Singapore Dollar.

(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 the fair value net gain or loss.

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

### 2. Significant accounting policies (continued)

(f) Financial derivatives

Financial derivatives including forwards and swaps are entered into for the purpose of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Trust Deed.

Financial derivatives outstanding at the balance sheet date are valued at forward rates of at 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.

(g) Expenses charged to the Fund

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

### 3. Income tax

	2007	2006
	\$	\$
Singapore income tax	238	-
Overseas income tax	19,759	27,373
Total Income tax	<u>19,997</u>	<u>27,373</u>

The Fund was granted the status of a Designated Unit Trust and, therefore, the following income is exempt from tax in accordance with section 35(12) of the Income Tax Act (Cap 134):

- (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 Singapore Income Tax Act); and
- (iii) dividends derived from outside Singapore and received in Singapore.

The Singapore income tax represents tax deducted at source for Singapore sourced dividends. The overseas income tax represents tax withheld on foreign sourced income.

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

### 4. Other receivables

	2007	2006
	\$	\$
Amount due from unitholders	1,028	14,657
Amount due from Manager	-	178
Dividend receivable	3,836	13,572
Other receivable	3	-
	<u>4,867</u>	<u>28,407</u>

### 5. Payables

	2007	2006
	\$	\$
Amount due to unitholders	15,971	3,722
Amount due to Manager	22,594	31,804
Amount due to Trustee	3,699	8,147
Other creditors and accrued expenses	14,303	12,874
	<u>56,567</u>	<u>56,547</u>

# United APEC Equity Fund

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

### 6. Net assets attributable to unitholders

	2007 \$	2006 \$
<b>At the beginning of the financial year</b>		
- as previously reported	7,177,241	8,299,262
- effect of adopting bid prices as fair value	-	(11,303)
- as restated	7,177,241	8,287,959
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	967,703	687,238
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	239,636	960,526
Cancellation of units	(2,346,951)	(2,758,482)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(2,107,315)	(1,797,956)
<b>Total decrease in net assets attributable to unitholders</b>	(1,139,612)	(1,110,718)
<b>At the end of the financial year</b>	6,037,629	7,177,241
<b>Units in issue (Note 7)</b>	3,493,170	4,811,580
	\$	\$
<b>Net assets attributable to unitholders per unit</b>	1.73	1.49

### 7. Units in issue

	2007	2006
Units at beginning of year	4,811,580	6,027,113
Units created	152,183	633,387
Units cancelled	(1,470,593)	(1,848,920)
Units at end of year	3,493,170	4,811,580

# United APEC Equity Fund

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

### 8. Bank overdraft

Bank overdraft represents borrowings by the Fund for meeting short-term bridging requirements. The interest rate was charged to the Fund at 6.75% per annum for the financial year ended 30 June 2006.

### 9. Financial risk management

The overall responsibility for the implementation of the Fund's financial risk management policies lies with the Manager who, amongst other things, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Fund. These policies are as per stated in the prospectus of the Fund. Specific guidelines on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

#### (a) Foreign exchange risk

The Fund has securities denominated in currencies other than Singapore dollars and the Fund 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 adjust the currency exposures of the Fund.

The table below summarises the Fund's exposure to currency risks.

#### As at 30 June 2007

	SGD \$	USD \$	JPY \$	Others \$	Total \$
<b>Assets</b>					
Portfolio of investments	351,240	3,118,021	1,466,281	1,084,337	<b>6,019,879</b>
Receivables	1,031	2,238	864	734	<b>4,867</b>
Cash and bank balances	49,710	14,360	3,029	2,351	<b>69,450</b>
<b>Total Assets</b>	<b>401,981</b>	<b>3,134,619</b>	<b>1,470,174</b>	<b>1,087,422</b>	<b>6,094,196</b>
<b>Liabilities</b>					
Payables	56,567	-	-	-	<b>56,567</b>
Net assets attributable to unitholders	6,037,629	-	-	-	<b>6,037,629</b>
<b>Total Liabilities</b>	<b>6,094,196</b>	-	-	-	<b>6,094,196</b>

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

### 9. Financial risk management (continued)

#### (a) Foreign exchange risk (continued)

As as 30 June 2006

	SGD \$	USD \$	JPY \$	Others \$	Total \$
<b>Assets</b>					
Portfolio of investments	506,828	3,268,518	2,246,130	884,872	6,906,348
Receivables	14,835	2,350	2,523	8,699	28,407
Sales awaiting settlement	-	-	255,672	-	255,672
Cash and bank balances	10,353	579	65,215	148,077	224,224
<b>Total Assets</b>	<b>532,016</b>	<b>3,271,447</b>	<b>2,569,540</b>	<b>1,041,648</b>	<b>7,414,651</b>
<b>Liabilities</b>					
Bank overdraft (unsecured)	180,863	-	-	-	180,863
Payables	56,547	-	-	-	56,547
Net assets attributable to unitholders	7,177,241	-	-	-	7,177,241
<b>Total Liabilities</b>	<b>7,414,651</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,414,651</b>

#### (b) Market risk

The Fund's investments are substantially dependent on changes in market prices. The Fund's investments 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 Fund. Guidelines are set to reduce the Fund's risk exposures to market volatility such as diversifying the portfolio by investing across various geographies; alternatively, the Fund may be hedged using derivative strategies.

#### (c) Interest rate risk

The Fund's financial assets and liabilities are largely non-interest bearing. Hence, the Fund is not subjected to risk due to fluctuations in the prevailing levels of market interest rates.

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

### 9. Financial risk management (continued)

#### (d) Liquidity risk

The Fund is exposed to daily cash redemptions and cash disbursements for the settlements of purchases. The Manager therefore ensures that the Fund maintains sufficient cash and cash equivalents and that it is able to obtain cash from the sale of investments held to meet its liquidity requirements. Reasonable efforts have been taken to invest in securities which are traded in a relatively active market and which can be readily disposed of.

The Fund's investments in listed securities are considered to be readily realisable as they are listed on established regional stock exchanges.

The Manager may from time to time employ derivatives to implement a portfolio strategy to reduce risk or for the purpose of efficient portfolio management. Market liquidity of complex derivatives are significantly less than traditional investment instruments and such positions may therefore require a longer time to reverse than what would be typically expected for traditional investment instruments. No such investments were held at the balance sheet date.

#### (e) Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Fund's credit risk is concentrated on amounts or securities receivable on the sale and purchase of investments respectively. In order to mitigate exposure to credit risk, all transactions in listed securities are settled upon delivery and transacted with approved counterparties using an approved list of brokers that are regularly assessed and updated by the Manager.

### 10. Related party transactions

- (a) The Manager and the Trustee of the Fund are UOB Asset Management Limited and HSBC Institutional Trust Services (Singapore) Limited respectively. UOB Asset Management Limited is a subsidiary of United Overseas Bank Limited and HSBC Institutional Trust Services (Singapore) Limited is a subsidiary of HSBC Holdings Plc.

Management fees are paid to the Manager, while trustee fees are paid to the Trustee. With effect from 1 January 2007, registrar fees are paid to HSBC Securities Services (Transfer Agency) Pte Ltd, a subsidiary of HSBC Holdings Plc. Prior to that, registrar fees were paid to the Manager. These fees paid or payable by the Fund are shown in the Statement of Total Return and in the respective Notes to the Financial Statement are on terms set out in the Trust Deed. All other related party transactions are shown elsewhere in the financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

### 10. Related party transactions (continued)

- (b) As at the end of the financial year, the Fund maintained the following account with the related party:

	2007	2006
	\$	\$
<u>United Overseas Bank Limited</u>		
Bank balances	6,027	10,903

- (c) The following transactions took place during the financial year between the Fund and United Overseas Bank Limited as terms agreed between the parties as follow:

	2007	2006
	\$	\$
<u>United Overseas Bank Limited</u>		
Bank charges	30	-
Interest expense	51	-

- (d) UOB Kay Hian Pte Ltd is an affiliate company of United Overseas Bank Limited.

As at the end of the financial year, the Fund has brokerage fee paid or payable to UOB Kay Hian Pte Ltd as follows:

	2007	2006
	\$	\$
<u>UOB Kay Hian Pte Ltd</u>		
Brokerage charges	140	238

### 11. Financial ratios

	2007	2006
Expense ratio <sup>1</sup>	2.66%	2.52%
Turnover ratio <sup>2</sup>	35.69%	61.34%

<sup>1</sup> The expense ratio is computed in accordance with the IMAS guidelines on disclosure of expense ratios dated 25 May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio. The Fund does not pay any performance fees.

<sup>2</sup> The turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes".

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