



United Choice Portfolios II - United SGD Fund

Semi Annual Report

for the period 1st January to
30th June 2011

United Choice Portfolios II - United SGD Fund

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

MANAGER

UOB Asset Management Ltd

Registered Address:

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Singapore 048624

Company Registration No. : 198600120Z

OPERATIONS ADDRESS

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Singapore 048624

United Choice Portfolios II - United SGD Fund

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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 19 June 1998 Ann Comp Ret
United SGD Fund	0.87	2.24	5.40	6.17	4.77	3.34	3.30
Benchmark	0.06	0.12	0.28	0.46	1.24	1.27	1.56

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: 6-month SIBID rate.

For the half year ended 30 June 2011, the Fund returned 2.2% on a net asset value basis, outperforming its benchmark 6-month Singapore Interbank Bid Rate (SIBID) return of 0.1%.

During the period under review, the Fund adopted two broad strategies: (1) extended duration via investing in longer dated fixed rate bonds for higher yield pick-up; and (2) bought cheaper foreign currency denominated bonds relative to SGD denominated bonds (foreign currency risk was fully hedged).

As at 30 June 2011, 95% of the Fund was invested in corporate bonds and the balance in cash & cash equivalents. The Fund had a yield to maturity of 4.4% and effective duration of 2.6 years.

Market Review

Even in the first 6 months of 2011, it was a tale of two halves. Market entered the year with optimism as market gained confidence of US economic recovery after report of improved US consumer confidence, increasing manufacturing activities and downward trend of initial jobless claims. However by early April, market entered into a maelstrom of negatives coming out of pretty much every direction.

It started with a massive tsunami that triggered by a powerful earthquake measured 9.0 magnitude hit northeast coast of Japan that disrupted global supply chains. This was followed by US unemployment rate which resumed upward trend to hit 9.2% by June 2011, reversing a steady decline to 8.8% in March 2011 from 9.8% in November 2010. Bernanke said at a press conference on 22 June 2011 that progress to bring down the US unemployment rate was "frustratingly slow". Worries that China may face a hard landing after the release of poor economic data did not help sentiment. To top it all, concerns on Greece sovereign credit risk took center stage in June as politicians rushed to iron out austerity package amidst street protests.

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Closer to home, Singapore's economy also moderated since April. Following 9.5% yoy decline in April, industrial production fell 17.5% yoy in May driven by electronics and biomedical. Non-oil domestic exports grew a total 2.7% yoy in April and May, which is a sharp slowdown from a growth of 12.3% we saw in 1Q11. Leading indicators like OECD Composite Leading Indicator and US ISM new orders continue to suggest that economic growth will slow in 2H11. Global demand is also negatively affected by a combination of high food and energy prices, supply disruptions from the March Japan earthquake, monetary tightening and end of QE2 in US. We expect real GDP growth for FY11 to slow to 4-5% in 2011 from 14.5% in 2010.

Singapore CPI inflation was stable at 4.5% yoy in May. Housing and transport were the key drivers of inflation. While food and energy prices have moderated, it remained 10-20% above end-2010 levels. We expect CPI to stay above 4% in 3Q11 and then moderating to 3.5% yoy in 4Q11.

Market Outlook & Strategy

Macro environment in the US, Euro zone, China and Japan combined together to create a heady cocktail that spell less than positive as we enter the second half of 2011.

The current Fed rate is at 0-0.25%, which the same rate since March 2009. Any monetary tightening is not expected until we see a steady decline of US unemployment rate and increase in US core inflation beyond Fed's comfortable range of 1.5% - 2%. As such, we should see Singapore interest rates hovering at current low levels for some time.

With expectation of first Fed interest rate hike delayed till late 2012 or even into 2013, we are comfortable with maintaining longer duration investing in bonds maturing in 2014 to enhance overall portfolio yield.

We continue to favour the large corporates with good liquidity, low leverage and which have good performance track record in Asia such as Singapore prominent property developer Capitaland Limited, China large conglomerate China Merchants Holdings and established banks such as the Australian and Japanese banks.

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B) Investments at fair value and as a percentage of NAV as at 30 June 2011 under review classified by

	Fair Value (S\$)	% of NAV
i) Country		
Australia	13,303,035	2.51
China	29,820,352	5.61
Hongkong	58,980,203	11.11
Ireland	12,880,258	2.43
Japan	49,316,258	9.29
Netherlands	6,779,228	1.28
Qatar	6,770,883	1.28
Singapore	166,630,721	31.40
South Africa	9,711,083	1.83
South Korea	59,595,635	11.23
United Arab Emirates	6,470,040	1.22
United Kingdom	25,398,291	4.79
United States	60,726,121	11.45
Portfolio of investments	506,382,108	95.43
Other net assets	24,162,434	4.57
Total	530,544,542	100.00
ii) Industry		
Consumer Discretionary	26,837,646	5.06
Energy	25,635,931	4.84
Financials	366,877,952	69.12
Industrials	52,181,658	9.84
Telecommunication Services	13,427,230	2.53
Utilities	21,421,691	4.04
Portfolio of investments	506,382,108	95.43
Other net assets	24,162,434	4.57
Total	530,544,542	100.00
iii) Asset Class		
Fixed Income	506,382,108	95.43
Other net assets	24,162,434	4.57
Total	530,544,542	100.00

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B) Investments at fair value and as a percentage of NAV as at 30 June 2011 under review classified by (continued)

iv) Credit rating of debt securities by S&P

	Fair Value (S\$)	% of NAV
A	92,645,851	17.47
BBB	196,689,650	37.07
BB	12,880,258	2.43
NR	204,166,349	38.46
	506,382,108	95.43

v) Credit rating of debt securities by Moody's

Aa	6,770,883	1.28
A	69,153,212	13.03
Baa	193,465,707	36.46
Ba	23,351,760	4.40
B	11,262,300	2.12
NR	202,378,246	38.14
	506,382,108	95.43

C) Top Ten Holdings

The top 10 holdings as at 30 June 2011 and 30 June 2010

10 largest holdings at 30 June 2011

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
WESTPAC CAP III FRN DUE 29/12/2049	24,795,696	4.67
SMFG PREFERRED 8.75% DUE 29/05/2049	23,351,760	4.40
BANK EAST ASIA FRN DUE 29/03/2049	21,704,761	4.09
ANZ CAP TRUST II 5.36% DUE 29/11/2049	20,729,330	3.91
NOBLE GROUP LTD 8.5% DUE 30/05/2013	20,562,618	3.88
CMHI FINANCE 6.125% DUE 18/06/2013	20,550,091	3.87
SAVU INVESTMENTS 3.83% DUE 17/01/2014	19,537,721	3.68
STREET SQUARE 3.02% DUE 05/05/2014	19,210,015	3.62
BARCLAYS BK PLC SR DUE 29/12/2049	18,259,587	3.44
UNITED OVERSEAS 2.5% DUE 01/07/2014	18,000,000	3.39

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C) Top Ten Holdings (continued)

10 largest holdings at 30 June 2010

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
PUBLIC BANK BERH FRN DUE 20/06/2017	10,694,271	4.74
SUNTEC REIT 3.25% DUE 20/03/2013	10,404,778	4.62
BANK EAST ASIA FRN DUE 29/03/2049	9,742,310	4.33
MALAYAN BANKING FRN DUE 25/04/2017	9,371,510	4.16
PCCW-HKT CAPITAL 7.75% DUE 15/11/2011	8,782,541	3.90
CCT 2% DUE 06/05/2013	7,503,536	3.33
DAH SING BANK FRN DUE 18/08/2017	7,224,587	3.21
HONG LEONG BANK FRN DUE 03/08/2015	7,118,363	3.17
PUSAN BANK FRN DUE 14/03/2017	6,867,910	3.05
ICICI BANK LTD/S 5.875% DUE 20/10/2011	6,553,633	2.91

D) Exposure to derivatives

i) fair value of derivative contracts and as a percentage of NAV as at 30 June 2011

	Contract or underlying principal amount \$	Positive fair value \$	% of NAV	Negative fair value \$	% of NAV
Forward foreign exchange contracts	630,846,065	19,903,830	3.75	(3,860,253)	(0.73)

ii) There was a net loss of SGD 5,995,472 on derivatives contracts realised during the financial ended period 30 June 2011.

iii) There was a net gain of SGD 16,043,577 on outstanding derivative contracts marked to market as at 30 June 2011.

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 30 June 2011

N/A

F) Amount and percentage of borrowings to net asset value (NAV) as at 30 June 2011

N/A

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G) Amount of redemptions and subscriptions for the period 01 January 2011 to 30 June 2011

Total amount of redemptions	SGD	210,588,713
Total amount of subscriptions	SGD	302,487,550

H) The amount and terms of related-party transactions for the period 01 January 2011 to 30 June 2011

- i) As at 30 June 2011 the Fund maintained current accounts with the United Overseas Bank Limited and BNP Paribas Trust Services Singapore Limited as follows:

United Overseas Bank Limited

Bank balances	SGD	11,546
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BNP Paribas Trust Services Singapore Limited

Bank balances	SGD	31,697,297
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- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 30 June 2011

Holdings of United SGD Fund as at 30 June 2011 were as follows:

<u>Affiliated Companies</u>	<u>No. of Units</u>	<u>Unit Price</u> <u>SGD</u>	<u>Market Value</u> <u>SGD</u>
a) United Overseas Insurance - Shareholders' Fund	1,000,000.00	1.503	1,503,000.00
b) United Overseas Insurance - Shareholders' Fund - United SGD Fund	1,374,997.68	1.503	2,066,621.51
c) United Overseas Insurance - Singapore Insurance Fund	2,000,000.00	1.503	3,006,000.00
d) United Overseas Insurance - Singapore Insurance Fund - United SGD Fund	6,863,094.21	1.503	10,315,230.60
e) Union Singapore Insurance Fund	4,701,883.83	1.503	7,066,931.40
f) Union (2009) Singapore Insurance Fund (OWN)	4,211,807.15	1.503	6,330,346.15
g) Union Overseas Insurance Fund	12,671,387.33	1.503	19,045,095.16
h) Union (2009) Overseas Insurance Fund (OWN)	2,663,115.84	1.503	4,002,663.11

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H) The amount and terms of related-party transactions for the period 01 January 2011 to 30 June 2011 (continued)

<u>Affiliated Companies</u>	<u>No. of Units</u>	<u>Unit Price</u> <u>SGD</u>	<u>Market Value</u> <u>SGD</u>
i) Union Shareholders' Fund	1,639,666.16	1.503	2,464,418.24
j) United Overseas Insurance - Overseas Insurance Fund	642,725.75	1.503	966,016.80
k) United Overseas Insurance - Overseas Insurance Fund - United SGD Fund	1,374,357.77	1.503	2,065,659.73
iii) Investment in Initial Public Offerings managed by UOB Group.			
N/A			

iv) As at 30 June 2011 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

I) Expense ratios

30 June 2011	0.59%
30 June 2010	0.59%

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 Sub-Fund does not pay any performance fees.

J) Turnover ratios

30 June 2011	77.45%
30 June 2009	37.38%

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

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

N/A

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

- i) top 10 holdings at fair value and as percentage of NAV as at 30 June 2011 and 30 June 2010

N/A

- ii) expense ratios for the period ended 30 June 2011 and 30 June 2010. 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 ended 30 June 2011 and 30 June 2010

N/A

M) Soft dollar commissions/arrangements

There were no soft dollar arrangements, rebates, commissions or other monetary incentives received by UOB Asset Management Ltd.

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.

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STATEMENT OF TOTAL RETURN

For the half year ended 30 June 2011 (Un-audited)

	Note	30 June 2011 \$	30 June 2010 \$
Income			
Interest		-	116
Other Income		3,245	-
		3,245	116
Less: Expenses			
Management fee	10	1,121,370	473,959
Administration fee	10	5,455	5,426
Audit fee		21,916	5,604
Registrar fee		29,753	29,753
Custody fee	10	48,952	17,359
Interest expenses		2,254	1,142
Other expenses		99,639	39,953
		1,329,339	573,196
Net loss		(1,326,094)	(573,080)
Net gains/(losses) on value of investments			
Net realised (loss)/gain on investments		(2,193,929)	3,266,512
Net change in fair value of investments		3,093,239	562,144
Net foreign exchange loss		(258,837)	(33,419)
Net realised loss on financial derivatives		(5,995,472)	(471,647)
Net change in fair value of financial derivatives		16,043,577	2,027,601
Net gains on value of investments		10,688,578	5,351,191
Total return for the period		9,362,484	4,778,111

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

United Choice Portfolios II - United SGD Fund

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BALANCE SHEET

As at 30 June 2011 (Un-audited)

	Note	30 June 2011 \$	31 December 2010 \$
ASSETS			
Portfolio of investments		506,382,108	400,156,362
Receivables	4	13,487,040	3,502,182
Cash and bank balances		31,708,843	15,796,751
Financial derivatives at fair value	6	19,903,830	13,511,018
Total Assets		571,481,821	432,966,313
LIABILITIES			
Payables	5	5,527,092	2,379,833
Purchases awaiting settlement		31,549,934	-
Financial derivatives at fair value	6	3,860,253	1,303,259
Net assets attributable to unitholders	7	530,544,542	429,283,221
Total Liabilities		571,481,821	432,966,313

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PORTFOLIO STATEMENT

As at 30 June 2011 (Un-audited)

	Nominal holdings at 30 June 2011	Fair value at 30 June 2011 \$	Percentage of total net assets attributable to unitholders at 30 June 2011 %
By Geography - Primary Quoted Bonds			
AUSTRALIA			
QANTAS AIRWAYS 5.125% DUE 20/06/2013	7,000,000	9,022,449	1.70
SPI ELECT & GAS 6.15% DUE 15/11/2013	3,200,000	4,280,586	0.81
TOTAL AUSTRALIA		13,303,035	2.51
CHINA			
CHINA OVERSEAS F 5.75% DUE 13/07/2012	1,850,000	2,411,053	0.45
CIH BVI LTD 5.8% DUE 12/11/2013	5,300,000	6,859,208	1.29
CMHI FINANCE 6.125% DUE 18/06/2013	15,600,000	20,550,091	3.87
TOTAL CHINA		29,820,352	5.61
HONG KONG			
BANK EAST ASIA FRN DUE 29/03/2049	11,000,000	21,704,761	4.09
DAH SING BANK FRN DUE 18/08/2017	7,000,000	8,933,280	1.68
PCCW-HKT CAP NO2 6% DUE 03-15/07/2013	10,000,000	13,427,230	2.53
WING HANG BK LTD 9.375% DUE 29/09/2049	10,610,000	14,914,932	2.81
TOTAL HONG KONG		58,980,203	11.11
IRELAND			
GAZPROMBANK 6.25% DUE 15/12/2014	10,000,000	12,880,258	2.43
JAPAN			
MIZUHO CAP INV 2 FRN DUE 28/02/2049	7,200,000	11,262,300	2.12
RESONA BANK FRN DUE 29/08/2049	7,100,000	14,702,198	2.77
SMFG PREFERRED 8.75% DUE 29/05/2049	17,060,000	23,351,760	4.40
TOTAL JAPAN		49,316,258	9.29
NETHERLANDS			
LUKOIL INTL FIN 6.375% DUE 05/11/2014	5,000,000	6,779,228	1.28
QATAR			
RAS LAFFAN LNG 3 5.5% DUE 30/09/2014	5,000,000	6,770,883	1.28

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PORTFOLIO STATEMENT

As at 30 June 2011 (Un-audited)

	Nominal holdings at 30 June 2011	Fair value at 30 June 2011 \$	Percentage of total net assets attributable to unitholders at 30 June 2011 %
By Geography - Primary (continued)			
Quoted Bonds			
SINGAPORE			
ASCENDAS INDIA 5.255% DUE 09/11/2012	4,750,000	4,886,894	0.92
ASCOTT CAPITAL 4.38% DUE 14/08/2012	6,000,000	6,274,260	1.18
ASL MARINE HLDGS 4.5% DUE 10/03/2014	2,000,000	2,046,500	0.39
CAPITAMALL TRUST 2.125% DUE 11-19/04/2014	12,000,000	12,021,972	2.27
CCT 2% DUE 08-06/05/2013	7,000,000	7,662,926	1.44
CDLHT MTN PTE LT 2.355% DUE 19/08/2013	15,000,000	15,241,233	2.87
NOBLE GROUP LTD 8.5% DUE 30/05/2013	15,000,000	20,562,618	3.88
OVERSEAS UNION E 3.36% DUE 27/09/2013	9,000,000	9,276,758	1.75
OVERSEAS UNION E 4.3% DUE 15/04/2014	17,000,000	17,560,888	3.31
SAVU INVESTMENTS 3.83% DUE 17/01/2014	18,750,000	19,537,721	3.68
STREET SQUARE 3.02% DUE 05/05/2014	19,000,000	19,210,015	3.62
SUNTEC REIT 3.25% DUE 08-20/03/2013	10,000,000	10,787,478	2.03
UNITED OVERSEAS 2.5% DUE 01/07/2014	18,000,000	18,000,000	3.39
UNITED OVERSEAS 3.34% DUE 15/05/2012	3,500,000	3,561,458	0.67
TOTAL SINGAPORE		166,630,721	31.40
SOUTH AFRICA			
AFRICAN BANK LTD 6% DUE 15/06/2016	8,000,000	9,711,083	1.83

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As at 30 June 2011 (Un-audited)

	Nominal holdings at 30 June 2011	Fair value at 30 June 2011 \$	Percentage of total net assets attributable to unitholders at 30 June 2011 %
By Geography - Primary (continued)			
Quoted Bonds			
SOUTH KOREA			
HANA FUNDING LTD FRN DUE 29/12/2049	9,493,000	13,041,879	2.46
KOREA ELEC PWR 5.125% DUE 23/04/2034	3,070,000	3,941,817	0.74
KOREA FIRST BANK SR DUE 03/03/2034	8,654,000	11,496,878	2.17
KOREA HYDRO & NU 6.25% DUE 17/06/2014	5,000,000	6,729,248	1.27
PUSAN BANK FRN DUE 30/10/2017	2,730,000	3,470,885	0.65
PUSAN BANK VAR DUE 14/03/2017	7,000,000	8,829,108	1.66
SK ENERGY CO LTD 7% DUE 19/06/2013	9,000,000	12,085,820	2.28
TOTAL SOUTH KOREA		59,595,635	11.23
UNITED ARAB EMIRATES			
TAQA ABU DHABI 5.62% DUE 25/10/2012	5,000,000	6,470,040	1.22
UNITED KINGDOM			
BARCLAYS BK PLC SR DUE 29/12/2049	12,000,000	18,259,587	3.44
PRUDENTIAL PLC FRN DUE 29/12/2049	5,000,000	7,138,704	1.35
TOTAL UNITED KINGDOM		25,398,291	4.79
UNITED STATES			
ANZ CAP TRUST II 5.36% DUE 29/11/2049	16,848,000	20,729,330	3.91
INTESABCI CAPITA SR DUE 29/07/2049	8,000,000	15,201,095	2.87
WESTPAC CAP III FRN DUE 29/12/2049	20,000,000	24,795,696	4.67
TOTAL UNITED STATES		60,726,121	11.45
Portfolio of investments		506,382,108	95.43
Other net assets		24,162,434	4.57
Net assets attributable to unitholders		530,544,542	100.00

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

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PORTFOLIO STATEMENT

As at 30 June 2011 (Un-audited)

	Percentage of total net assets attributable to unitholders at 30 June 2011 %	Percentage of total net assets attributable to unitholders at 31 December 2010 %
By Geography - Primary (Summary)		
Quoted Bonds		
Australia	2.51	2.55
China	5.61	0.59
Hong Kong	11.11	16.92
India	-	0.88
Ireland	2.43	-
Japan	9.29	11.54
Malaysia	-	4.36
Netherlands	1.28	-
Qatar	1.28	-
Russia	-	0.72
Singapore	31.40	26.37
South Africa	1.83	-
South Korea	11.23	20.58
Thailand	-	0.86
United Arab Emirates	1.22	-
United Kingdom	4.79	-
Unites States	11.45	7.85
Portfolio of investments	95.43	93.22
Other net assets	4.57	6.78
Net assets attributable to unitholders	100.00	100.00

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PORTFOLIO STATEMENT

As at 30 June 2011 (Un-audited)

	Fair value at 30 June 2011 \$	Percentage of total net assets attributable to unitholders at 30 June 2011 %	Percentage of total net assets attributable to unitholders at 31 December 2010 %
By Industry – Secondary Quoted Bonds			
Consumer Discretionary	26,837,646	5.06	2.57
Consumer Staples	-	-	1.25
Energy	25,635,931	4.84	3.53
Financials	366,877,952	69.12	68.56
Government Agency	-	-	1.21
Industrials	52,181,658	9.84	6.89
Materials	-	-	0.86
Property Trust	-	-	3.26
Telecommunication Services	13,427,230	2.53	1.50
Utilities	21,421,691	4.04	3.59
Portfolio of investments	506,382,108	95.43	93.22
Other net assets	24,162,434	4.57	6.78
Net assets attributable to unitholders	530,544,542	100.00	100.00

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

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2011 (Un-audited)

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

1. General

United Choice Portfolios II is a Singapore registered umbrella fund, which offers one sub-fund, United SGD Fund (the “Sub-Fund”). The Fund is constituted under a Trust Deed in Singapore dated 18 May 1998 and Supplemental Deeds dated 18 November 1998, 13 May 1999, 15 November 1999, 2 March 2000, 1 March 2001, 27 June 2001, 21 June 2002, 21 December 2002, 23 June 2003, 22 June 2004, 21 June 2005, 9 June 2006, 8 June 2007, 26 June 2007, 20 May 2008 and 13 May 2009, 29 June 2009, 4 September 2009, 6 May 2010 and 28 April 2011. The Deeds are governed by the laws of the Republic of Singapore. As of 01 November 2009, the Trustee of the Fund has changed from Citicorp Trustee (Singapore) Limited to BNP Paribas Trust Services Singapore Limited (the “Trustee”). The Manager of the Fund is UOB Asset Management Ltd (“the Manager”).

These financial statements pertain only to the Sub-Fund. The primary activity of the Fund is investment trading.

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 at fair value through profit or loss, and in accordance with the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“RAP 7”) issued by the Institute of Certified Public Accountants of Singapore.

The financial statements are expressed in Singapore dollars.

(b) Recognition of income

Interest income is recognised on a time proportion basis using the effective interest method.

(c) Investments

Investments are classified as financial assets at fair value through profit or loss.

(i) *Initial recognition*

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

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2011 (Un-audited)

2. Significant accounting policies (continued)

(c) Investments (continued)

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value of investments are included in the Statement of Total Return in the period in which they arise.

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sale of investment are computed on the basis of the difference between 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 investments 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 Sub-Fund is the current market quoted bid price. Accrued interest is incorporated in the fair value of fixed income instruments.

(e) Foreign currency translation

(i) *Functional and presentation currency*

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

The performance of the Sub-Fund is measured and reported to the investors in Singapore dollars. The Manager considers the Singapore dollars as the currency of the primary economic environment in which the Sub-Fund operates. The financial statements are presented in Singapore dollars, which is the Sub-Fund's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period/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

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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 or 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 Sub-Fund

All direct expenses relating to the Sub-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 Sub-Fund's based on the respective Sub-Fund's net asset value.

3. Income Tax

The Sub-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):

- gains or profits derived from Singapore or elsewhere from the disposal of securities;
- interest (other than interest for which tax has been deducted under Section 45 of the Income Tax Act).

4. Receivables

	30 June 2011	31 December 2010
	\$	\$
Amounts receivable for creation of units	13,487,040	3,502,182

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5. Payables

	30 June 2011	31 December 2010
	\$	\$
Amounts payable for cancellation of units	4,773,607	1,826,150
Amount due to Manager	691,554	509,795
Other creditors and accrued expenses	61,931	43,888
	5,527,092	2,379,833

6. Financial derivatives

Financial derivative contracts comprise foreign exchange contracts for the sale and purchase of foreign currencies and treasury note call and put options. The contract or underlying principal amounts of these financial derivatives and their corresponding gross positive or negative fair values at the balance sheet date are analysed below.

	30 June 2011		
	Contract or underlying principal amount	Positive fair value	Negative fair value
	\$	\$	\$
Forward foreign exchange contracts	630,846,065	19,903,830	3,860,253

	31 December 2010		
	Contract or underlying principal amount	Positive fair value	Negative fair value
	\$	\$	\$
Forward foreign exchange contracts	394,484,861	13,511,018	(1,303,259)

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NOTES TO THE FINANCIAL STATEMENTS

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7. Net assets attributable to unitholders

	30 June 2011 \$	31 December 2010 \$
At the beginning of the financial period/year	429,283,221	151,607,498
Operations		
Change in net assets attributable to unitholders resulting from operations	9,362,484	13,523,729
Unitholders' contributions/(withdrawals)		
Creation of units	302,487,550	470,499,598
Cancellation of units	(210,588,713)	(206,347,604)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	91,898,837	264,151,994
Total increase in net assets attributable to unitholders	101,261,321	277,675,723
At the end of the financial period/year	530,544,542	429,283,221
Units in issue (See Note 8)	352,963,051	291,847,506
	\$	\$
Net assets attributable to unitholders per unit	1.50	1.47

8. Units in issue

	30 June 2011	31 December 2010
Units at beginning of the period/year	291,847,506	109,206,016
Units created	202,475,664	325,978,958
Units cancelled	(141,360,119)	(143,337,468)
Units at end of the period/year	352,963,051	291,847,506

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NOTES TO THE FINANCIAL STATEMENTS

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9. Financial risk management

The Sub-Fund's activities expose it to a variety of financial risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Sub-Fund's overall risk management programme seeks to minimise potential adverse effects on the Sub-Fund's financial performance. The Sub-Fund may use financial futures contracts, financial options contracts and/or currency forward contracts subject to the terms of the Prospectus to moderate certain risk exposures. Specific guidelines on exposures to individual securities and certain industries are in place for the Sub-Fund at any time as part of the overall financial risk management to reduce the Sub-Fund's risk exposures.

The Sub-Fund's assets principally consist of financial instruments such as fixed interest investments, money market investments and cash. They are held in accordance with the published investment policies of the Sub-Fund. The allocation of assets between the various types of investments is determined by the Manager to achieve their investment objectives.

(a) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments. The Sub-Fund's investments are substantially dependent on changes in market prices. The Sub-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 Sub-Fund. Guidelines are set to reduce the Sub-Fund's risk exposures to market volatility such as diversifying the portfolio by investing across various geographies, alternatively, the Sub-Fund may be hedged using derivative strategies.

(i) Foreign exchange risk

The Sub-Fund has securities denominated in currencies other than Singapore dollars and it may be affected favourably or unfavourably by exchange rate regulations or changes in the exchange rates between the Singapore dollars and such other currencies. The Manager may at his discretion, implement a currency management strategy either to reduce currency volatility or to hedge the currency exposures of the Sub-Fund.

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2011 (Un-audited)

9. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The table below summarises the on-balance sheet exposure to currency risks for the Sub-Fund.

As at 30 June 2011

	USD \$	GBP \$	EUR \$	SGD \$	Total \$
Assets					
Portfolio of investments	290,446,364	36,406,959	33,460,682	146,068,103	506,382,108
Receivables	-	-	-	13,487,040	13,487,040
Cash and bank balances	713,526	-	11,215,193	19,780,124	31,708,843
Total Assets	291,159,890	36,406,959	44,675,875	179,335,267	551,577,991
Liabilities					
Payables	22,417	-	-	5,504,675	5,527,092
Purchases awaiting settlement	13,549,934	-	-	18,000,000	31,549,934
Net assets attributable to unitholders	-	-	-	530,544,542	530,544,542
Total Liabilities	13,572,351	-	-	554,049,217	567,621,568
Net assets/(liabilities)	277,587,539	36,406,959	44,675,875	(374,713,950)	(16,043,577)
Forward foreign exchange (contracts amount)	(272,343,713)	(35,673,869)	(46,276,709)	370,337,868	
Net currency exposure	5,243,826	733,090	(1,600,834)	(4,376,082)	

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For the half year ended 30 June 2011 (Un-audited)

9. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2010

	USD \$	GBP \$	EUR \$	SGD \$	Total \$
Assets					
Portfolio of investments	261,568,437	30,627,878	15,373,316	92,586,731	400,156,362
Receivables	-	-	-	3,502,182	3,502,182
Cash and bank balances	1,339	-	2	15,795,410	15,796,751
Total Assets	261,569,776	30,627,878	15,373,318	111,884,323	419,455,295
Liabilities					
Payables	-	-	-	2,379,833	2,379,833
Net assets attributable to unitholders	-	-	-	429,283,221	429,283,221
Total Liabilities	-	-	-	431,663,054	431,663,054
Net assets/(liabilities)	261,569,776	30,627,878	15,373,318	(319,778,731)	(12,207,759)
Forward foreign exchange (contracts amount)	(260,473,980)	(30,286,356)	(15,467,400)	318,435,495	
Net currency exposure	1,095,796	341,522	(94,082)	(1,343,236)	

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For the half year ended 30 June 2011 (Un-audited)

9. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Investments, which is the significant item in the balance sheet is exposed to currency risk and interest rate risk. Currency risk sensitivity analysis is prepared and disclosed only for monetary assets and liabilities. The table below summarises the sensitivity of the Fund's monetary assets and liabilities to changes in foreign exchange movements as at 30 June 2011 and 31 December 2010. The analysis is based on the assumptions that the functional currency increased / decreased to the relevant foreign exchange rates as disclosed below. This represents the Manager's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

	30 June 2011		31 December 2010	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
GBP	87,971	12	40,983	12
USD	314,630	6	65,748	6
EUR	(144,075)	9	(8,467)	9

(ii) Interest rate risk

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

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Sub-Fund holds significantly interest bearing securities that expose the Sub-Fund to fair value interest rate risk. The Sub-Fund holds securities of varying maturities and interest rate sensitivities. Movement in market interest rates will affect the valuation of the Sub-Fund's securities by varying degrees. The Sub-Fund's policy requires the Manager to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities.

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For the half year ended 30 June 2011 (Un-audited)

9. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the Sub-Fund's exposure to interest rate risks. They include the Sub-Fund's assets and trading liabilities at fair value, categorised by the earlier of contractual re-pricing or maturity dates. All variable rate financial instruments are reset within a month.

As at 30 June 2011

	Variable rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
Assets				
Portfolio of investments	158,836,371	347,545,737	-	506,382,108
Receivables	-	-	13,487,040	13,487,040
Cash and bank balances	-	-	31,708,843	31,708,843
Financial derivatives at fair value	-	-	19,903,830	19,903,830
Total Assets	158,836,371	347,545,737	65,099,713	571,481,821
Liabilities				
Payables	-	-	5,527,092	5,527,092
Purchases awaiting settlement	-	-	31,549,934	31,549,934
Financial derivatives at fair value	-	-	3,860,253	3,860,253
Net assets attributable to unitholders	-	-	530,544,542	530,544,542
Total Liabilities	-	-	571,481,821	571,481,821

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2011 (Un-audited)

9. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

As at 31 December 2010

	Variable rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
Assets				
Portfolio of investments	184,513,218	215,643,144	-	400,156,362
Receivables	-	-	3,502,182	3,502,182
Cash and bank balances	-	-	15,796,751	15,796,751
Financial derivatives at fair value	-	-	13,511,018	13,511,018
Total Assets	184,513,218	215,643,144	32,809,951	432,966,313
Liabilities				
Payables	-	-	2,379,833	2,379,833
Financial derivatives at fair value	-	-	1,303,259	1,303,259
Net assets attributable to unitholders	-	-	429,283,221	429,283,221
Total Liabilities	-	-	432,966,313	432,966,313

As at 30 June 2011, should interest rates have lowered or risen by respective percentages as disclosed below with all other variables remaining constant, the increase or decrease in net assets attributable to unitholders for the period/year would be as follows:

	30 June 2011		31 December 2010	
	Net impact to net assets attributable to unitholders \$	%	Net impact to net assets attributable to unitholders \$	%
USD	8,568,168	1	12,607,599	2
SGD	3,330,353	1	1,546,198	1

The Sub-Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of changes on the earnings of certain companies in which the Sub-Fund invests and impact on the valuation of certain over-the-counter derivative products that use market interest rates as an input. Therefore, the above sensitivity analysis may not fully indicate the total effect on the Sub-Fund's net assets attributable to holders of redeemable shares of future movements in interest rates.

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2011 (Un-audited)

9. Financial risk management (continued)

(b) Liquidity risk

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

The Sub-Fund's investments in listed securities are considered to be readily realisable as they are listed on an established stock exchange.

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 would be typically be expected for traditional investment instruments. No such investments were held at the balance sheet date.

The table below analyses the Sub-Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 30 June 2011

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Derivatives financial instruments				
-Inflows	111,311,219	56,860,989		
-Outflows	(113,884,947)	(58,147,514)		
Payables	5,527,092	-	-	-
Purchases awaiting settlement	31,549,934	-	-	-
Net assets attributable to unit holders	530,544,542	-	-	-

As at 31 December 2010

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Derivatives financial instruments				
-Inflows	9,928,176	27,606,735	-	-
-Outflows	(10,374,208)	(28,442,556)	-	-
Payables	2,379,833	-	-	-
Net assets attributable to unit holders	429,283,221	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2011 (Un-audited)

9. Financial risk management (continued)

(c) Credit risk

Credit risk is the risk that counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved,
- ensuring that transactions are undertaken with a large number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

As such, the Sub-Fund does not have a concentration of credit risk that arises from an exposure to a single counterparty. Furthermore, the Sub-Fund does not have a material exposure to group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

The Sub-Fund invests in financial assets, which have an investment grade as rated by Moody's. The credit ratings are reviewed regularly.

The table below analyses the Sub-Fund's investments by credit ratings expressed as a percentage of Net Assets Value attributable to unitholders.

As at 30 June 2011

	Aa	A	Baa	Ba	B	Non Rated
Fixed rate securities	1%	8%	21%	4%	-	31%
Floating rate securities	-	5%	15%	-	2%	8%
Non-interest bearing	-	-	-	-	-	-

As at 31 December 2010

	Aa	A	Baa	Ba	B	Non Rated
Fixed rate securities	-	7%	19%	5%	-	19%
Floating rate securities	1%	21%	7%	1%	4%	9%
Non-interest bearing	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2011 (Un-audited)

9. Financial risk management (continued)

(c) Credit risk (continued)

All transactions in listed securities are settled /paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Credit risk also arises from cash and cash equivalents and derivative positions held with financial institutions. The table below summarizes the credit rating of banks and custodians in which the Sub-Fund's assets are held as at 30 June 2011 and 31 December 2010.

As at 30 June 2011

	Credit rating	Source of credit rating
<u>Bank</u>		
United Overseas Bank Limited	B	Moody's
BNP Paribas	B-	Moody's
<u>Custodian</u>		
BNP Paribas	B-	Moody's

As at 31 December 2010

	Credit rating	Source of credit rating
<u>Bank</u>		
United Overseas Bank Limited	B	Moody's
BNP Paribas	B-	Moody's
<u>Custodian</u>		
BNP Paribas	B-	Moody's

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(d) Capital management

The Sub-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Sub-Fund's investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

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10. Related party transactions

- (a) The Manager and the Trustee of the Fund are UOB Asset Management Ltd and BNP Paribas Trust Services Singapore Limited respectively.

UOB Asset Management Ltd is a subsidiary of United Overseas Bank Limited and BNP Paribas Trust Services Singapore Limited is a related company of BNP Paribas.

Management fee is paid to the Manager, while administration fee is paid to the Trustee. These fees paid or payable by the Fund are shown in the Statement of Total Return and in the respective Notes to the Financial Statements are on terms set out in the Trust Deed. All other related party transactions are shown elsewhere in the financial statements.

- (b) As at the end of the financial period/year, the Fund maintained the following accounts with the following:

	30 June 2011	31 December 2010
	\$	\$
<u>United Overseas Bank Limited</u>		
Bank balances	11,546	11,835
<u>BNP Paribas Trust Services Singapore Limited</u>		
Bank balances	31,697,297	15,784,916

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

	30 June 2011	31 December 2010
	\$	\$
BNP Paribas		
Interest income	-	2
Interest expense	2,254	1,142
Custody fee expense	48,952	26,615
Administration fee	5,455	10,971

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For the half year ended 30 June 2011 (Un-audited)

11. Financial ratios

	30 June 2011	30 June 2010
Expense ratio ¹	0.59%	0.59%
Turnover ratio ²	77.45%	37.38%

¹ 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 Sub-Fund does not pay any performance fees.

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

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