



United European Equity Fund

Semi Annual Report

for the period 1st July to
31st December 2009

United European Equity Fund

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

MANAGER

UOB Asset Management Ltd
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Singapore 048624
Company Registration No. : 198600120Z

OPERATIONS ADDRESS

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DIRECTORS OF UOB ASSET MANAGEMENT

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TRUSTEE

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AUDITORS

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SOLICITORS TO THE MANAGER

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SOLICITORS TO THE TRUSTEE

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United European Equity Fund

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A) Fund Performance

	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr	Since Inception
Fund Performance/ Benchmark Returns	% Growth	% Growth	% Growth	Ann Comp Ret	Ann Comp Ret	Ann Comp Ret	26 August 1997 Ann Comp Ret
United European Equity Fund	-1.07	19.12	25.31	-12.14	-3.01	-3.20	1.09
Benchmark	2.87	23.11	32.36	-8.79	0.84	0.24	5.15

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: MSCI Europe.

For the half year ending 31 December 2009, the Fund **increased 19.1%** on a net asset value basis against a return of **23.1%** for the benchmark MSCI Europe Index, both in Singapore dollar terms.

The Fund's holding of cyclical companies suffered due to renewed worries over the sustainability of the economic recovery. Exit strategies announced by European central banks rekindled fears that the recovery could be undermined. Growing concern over sovereign risk in Greece, Ireland, and Eastern Europe added to investors' risk aversion. To our mind, these concerns are overdone and it is typical for market to be cautious in the early stage of a recovery.

Accordingly, we maintained Overweight positions in cyclical stocks. Our analysis shows that the economic recovery has further upside. Virtually all leading indicators point upwards, and equity valuations remain attractive.

We maintained Overweight positions in Industrials, Materials, Energy and Technology. However, Financials remained an Underweight as we continue to believe the market is under-estimating the size of future bad debt charges, additional provisions and capital requirements. In the period under review, we also neutralised our Underweight positions in Defensives such as Telecommunications on attractive valuations. But we maintained our Underweight positions in the other Defensive sectors such as Healthcare and Consumer Staples. The former carries regulatory risk while valuations for the latter remain excessive.

The sectors that performed better than the MSCI Europe Benchmark Index during the period were Materials, Industrials, Consumer Staples and Financials. The worst performing sector relative to the benchmark was Utilities.

By stocks, key contributors to the Fund included **Banco Bilbao Vizcaya Argenta** (Financials) which gained 45% on stronger-than-expected earnings. **Xstrata** (Materials) also delivered a superior return of 63% driven by the company's attractive thermal coal and copper exposures. **Saipem** (Energy) continued to do well with a return of 42%, buoyed by earnings resilience. Our investment in **Magnit OJSC** (Consumer Staples), one of Russia's leading food retailers, did well with a return of 77% as the company benefitted from strong food-related demand in Russia.

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Conversely, **Gamesa**, an Industrial company, declined by **14.6%** due to disappointing new orders. We have since divested most of our holdings. **Bank of Ireland** fell **19.7%** on renewed fears that a larger-than-expected amount of capital will be required. But, we deemed the market was too pessimistic about the bank's capital requirements and continue to hold the stock. **Lonza Group** (**-19.2%**), a Switzerland-based biopharmaceutical company, suffered from a drop in demand. We have since sold off our holdings.

As at 31 December 2009, the Fund was invested in the UK (36.79%), Switzerland (15.29%), Spain (9.75%), Germany (9.11%), France (7.50%), Russia (6.96%), Others (13.03%) and cash (1.57%).

By sectors we were in Consumer (19.53%), Financials (19.13%), Energy (13.60%), Industrials (10.46%), Materials (9.72%), Healthcare (8.25%), Others (17.74%) and Cash (1.57%).

Outlook and Strategy

Although European equity markets have recovered strongly from their lows in March 2009, we continue to allocate more weight to sectors that are most operationally geared into the economic recovery. Growth will be driven by a pick up in exports, an end to de-stocking, and business investments. Re-stocking is in the early phase and has further upside. Given surplus capacity, there is little inflationary pressure, implying monetary policy will remain accommodative – another positive for equities.

As such, we continue to allocate more weight to Industrials, Consumer Discretionary, Energy and Technology. We have tempered our previously Overweight position in Materials on valuation grounds. We have also increased the Fund's exposure to Consumer Staples (which was previously an Underweight) due to attractive valuations. Financials, Utilities and Healthcare remain Underweight due to operating and regulatory concerns.

Recent additions to our portfolio reflect our strategy of investing in high quality companies with leverage to recovery. One such company is **SKF**, the world's leading supplier of bearings and related products. SKF is well positioned to benefit from a pick up in global industrial production. **Aixtron**, which has a 70% market share for LED chip production equipment, is well-placed to benefit from the shift to LED usage in flat panel TV, computers and lighting. We also initiated a position in **Philips Electronics** which provides exposure to both consumer electronics and early cycle capital goods, viz. lighting and personal care products, both of which are recovering. **Tesco**, a well managed and diversified UK food retailer is another recent addition.

While we believe that the European equity market offers upside, it will also not be without risks. The heavy indebtedness of some EU member countries, like Greece, will continue to pose economic and credit risks to the other European countries. Additionally, negative earnings surprises could arise from margin pressures due to higher commodity prices. Nonetheless, we believe our active and disciplined investment approach to stock-picking will help mitigate these risks and position the Fund to perform strongly into the recovery.

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B) Investments at fair value and as a percentage of NAV as at 31 December 2009 under review classified by

	Fair Value (S\$)	% of NAV
i) Country		
Belgium	161,284	2.20
Canada	107,579	1.46
Finland	54,296	0.74
France	551,287	7.50
Germany	668,975	9.11
Ireland	189,418	2.58
Italy	176,395	2.40
Netherlands	148,342	2.02
Norway	59,057	0.80
Russia	511,508	6.96
Spain	716,352	9.75
Sweden	60,758	0.83
Switzerland	1,123,150	15.29
United Kingdom	2,702,583	36.79
Portfolio of investments	7,230,984	98.43
Other net assets	115,702	1.57
Total	7,346,686	100.00
ii) Industry		
Consumer Discretionary	564,905	7.69
Consumer Staples	869,589	11.84
Energy	999,395	13.60
Financials	1,404,866	19.13
Healthcare	606,782	8.25
Industrials	768,035	10.46
Information Technology	479,270	6.53
Materials	714,363	9.72
Telecommunication Services	520,274	7.08
Utilities	303,505	4.13
Portfolio of investments	7,230,984	98.43
Other net assets	115,702	1.57
Total	7,346,686	100.00
iii) Asset Class		
Equities	7,230,984	98.43
Other net assets	115,702	1.57
Total	7,346,686	100.00
iv) Credit rating of debt securities		
N/A		

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C) Top Ten Holdings

The top 10 holdings as at 31 December 2009 and 31 December 2008

10 largest holdings at 31 December 2009

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
HSBC HOLDINGS PLC	351,733	4.79
BANCO BILBAO VIZCAYA ARGENTARIA SA	307,227	4.18
NOVARTIS AG BEARER SHARES	229,997	3.13
NESTLE SA	224,080	3.05
BG GROUP PLC	219,781	2.99
TULLOW OIL PLC	208,289	2.84
ROYAL DUTCH SHELL PLC B SHARES	188,089	2.56
BANCO SANTANDER SA	169,764	2.31
ANHEUSER-BUSCH INBEV NV	161,284	2.20
ROCHE HOLDING AG	158,444	2.16

10 largest holdings at 31 December 2008

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BANCO BILBAO VIZCAYA ARGENTARIA SA	338,441	5.47
KONINKLIJKE KPN NV	282,719	4.57
HSBC HOLDINGS PLC	265,112	4.29
NESTLE SA	224,683	3.63
NOVARTIS AG BEARER SHARES	214,011	3.46
GDF SUEZ	201,964	3.27
RECKITT BENCKISER GROUP PLC	197,610	3.19
K+S AG	189,526	3.06
BANCO SANTANDER SA	184,252	2.98
ROCHE HOLDING AG	179,053	2.89

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D) Exposure to derivatives

- i) fair value of derivative contracts and as a percentage of NAV as at 31 December 2009
N/A
- ii) net gains/(losses) on derivative contracts realised during the financial period ended 31 December 2009
N/A
- iii) net gains/(losses) on outstanding derivative contracts marked to market as at 31 December 2009
N/A

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 31 December 2009

N/A

F) Amount and percentage of borrowings to net asset value (NAV) as at 31 December 2009

N/A

G) Amount of redemptions and subscriptions for the period 01 July 2009 to 31 December 2009

Total amount of redemptions	SGD	420,572
Total amount of subscriptions	SGD	286,613

H) The amount and terms of related-party transactions for the period 01 July 2009 to 31 December 2009

- i) As at 31 December 2009 the Fund maintained current accounts with the United Overseas Bank Limited as follows :

Bank balances	SGD	7,451
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- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 31 December 2009

Affiliated Companies	No. of Units	Unit Price SGD	Market Value SGD
(a) UOB Life Assurance Limited	26,467.79	1.109	29,352.78

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

N/A

- iv) As at 31 December 2009 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

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I) Expense ratios

31 December 2009	3.26%
31 December 2008	3.07%

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

31 December 2009	71.14%
31 December 2008	48.67%

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

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 2009 and 31 December 2008

N/A

- ii) expense ratios for the period 31 December 2009 and 31 December 2008. 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 31 December 2009 and 31 December 2008

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.

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M) Soft dollar commissions/arrangements

UOB Asset Management has entered into soft dollars arrangements with selected brokers from whom products and services are received from third parties. The 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.

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STATEMENT OF TOTAL RETURN

For the half year ended 31 December 2009 (Un-audited)

	Notes	31 December 2009 \$	31 December 2008 \$
Income			
Dividends		67,946	108,972
Interest		1	79
		67,947	109,051
Less: Expenses			
Management fee	10	63,464	78,300
Trustee fee	10	10,081	11,070
Audit fee		7,540	6,596
Registrar fee	10	8,066	8,056
Valuation fee	10	4,533	5,593
Custody fee		14,087	11,377
Interest expenses		41	-
Other expenses		7,669	3,197
		115,481	124,189
Net loss		(47,534)	(15,138)
Net gains or losses on value of investments			
Net realised gain/(loss) on investments		114,331	(1,615,721)
Net change in fair value on investments		1,139,839	(2,678,628)
Net foreign exchange loss		(5,632)	(8,821)
Net gain/(loss) on value of investments		1,248,538	(4,303,170)
Total return/(deficit) for the period before income tax		1,201,004	(4,318,308)
Less : Income tax	3	(10,169)	(13,172)
Total return/(deficit) for the period		1,190,835	(4,331,480)

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

United European Equity Fund

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BALANCE SHEET

As at 31 December 2009 (Un-audited)

		31 December 2009	30 June 2009
	Notes	\$	\$
ASSETS			
Portfolio of investments		7,230,984	6,248,509
Sales awaiting settlement		57,723	54,828
Receivables	4	6,742	8,797
Cash and bank balances		168,056	161,331
Total Assets		7,463,505	6,473,465
LIABILITIES			
Purchases awaiting settlement		58,257	126,494
Payables	5	58,562	57,161
Net assets attributable to unitholders	6	7,346,686	6,289,810
Total Liabilities		7,463,505	6,473,465

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PORTFOLIO STATEMENT

As at 31 December 2009 (Un-audited)

	Holdings at 31 December 2009	Fair value at 31 December 2009 \$	Percentage of total net assets attributable to unitholders at 31 December 2009 %
By Geography - Primary Quoted Equities			
BELGIUM			
ANHEUSER-BUSCH INBEV NV	2,200	161,284	2.20
CANADA			
POTASH CORP OF SASKATCHEWAN INC - DEM	300	45,751	0.62
YAMANA GOLD INC (FRANKFURT)	3,500	55,414	0.75
YAMANA GOLD INC	410	6,414	0.09
TOTAL CANADA		107,579	1.46
FINLAND			
KONE OYJ - B	900	54,296	0.74
FRANCE			
ALSTOM	700	69,176	0.94
ELECTRICITE DE FRANCE (EDF)	1,795	150,088	2.04
EUTELSAT COMMUNICATIONS	1,100	49,743	0.68
LVMH MOET HENNESSY LOUIS VUITTON	400	63,129	0.86
RENAULT (REGIE NATIONALE) (E)	900	65,590	0.89
ST MICROELECTRONICS NV	5,000	64,357	0.88
TOTAL SA	984	89,204	1.21
TOTAL FRANCE		551,287	7.50
GERMANY			
AIXTRON AG	2,050	96,668	1.32
E. ON AG	2,620	153,417	2.09
GOLDCORP INC	1,494	82,457	1.12
INFINEON TECHNOLOGIES	8,000	62,605	0.85
PUMA AG RUDOLF DASSIER SPORT	150	70,340	0.96
SGL CARBON AG	800	33,454	0.46
SMA SOLAR TECHNOLOGY AG	447	83,287	1.13
WIRECARD AG	4,500	86,747	1.18
TOTAL GERMANY		668,975	9.11

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As at 31 December 2009 (Un-audited)

	Holdings at 31 December 2009	Fair value at 31 December 2009 \$	Percentage of total net assets attributable to unitholders at 31 December 2009 %
By Geography - Primary (continued)			
Quoted Equities			
IRELAND			
ALLIED IRISH BANKS	44,310	105,766	1.44
BANK OF IRELAND	31,461	83,652	1.14
TOTAL IRELAND		189,418	2.58
ITALY			
ENI SPA	1,585	56,702	0.77
SAIPEM SPA	2,480	119,693	1.63
TOTAL ITALY		176,395	2.40
NETHERLANDS			
KONINKLIJKE KPN NV	3,600	85,858	1.17
PHILIPS ELECTRONIC	1,500	62,484	0.85
TOTAL NETHERLANDS		148,342	2.02
NORWAY			
TELENOR ASA	3,000	59,057	0.80
RUSSIA			
COMSTAR UNITED TELESYSTEMS - GDR	7,000	53,561	0.73
MAGNIT OJSC - SPON GDR REGS	3,418	76,059	1.04
MOBILE TELESYSTEMS-SP ADR	1,650	113,046	1.54
PHARMSTANDARD-REG S GDR	3,000	84,026	1.14
ROSNEFT OIL COMPANY - GDR	9,800	117,637	1.60
X5 RETAIL GROUP NV - REGS GDR	1,500	67,179	0.91
TOTAL RUSSIA		511,508	6.96

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	Holdings at 31 December 2009	Fair value at 31 December 2009 \$	Percentage of total net assets attributable to unitholders at 31 December 2009 %
By Geography - Primary (continued)			
Quoted Equities			
SPAIN			
BANCO BILBAO VIZCAYA ARGENTARIA SA	11,986	307,227	4.18
BANCO SANTANDER SA	7,300	169,764	2.31
GAMESA CORPORACION TECNOLOGICA SA	5,250	124,470	1.70
TELEFONICA SA	2,922	114,891	1.56
TOTAL SPAIN		716,352	9.75
SWEDEN			
SKF AB - B	2,500	60,758	0.83
SWITZERLAND			
ABB LTD	4,800	129,923	1.77
BANK SARASIN & CIE	2,600	137,889	1.88
DUFREY GROUP	1,000	95,068	1.29
NESTLE SA	3,290	224,080	3.05
NOVARTIS AG BEARER SHARES	3,000	229,997	3.13
ROCHE HOLDING AG	664	158,444	2.16
SONOVA HOLDING AG-REG	450	76,638	1.04
THE SWATCH GROUP AG-B	200	71,111	0.97
TOTAL SWITZERLAND		1,123,150	15.29

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As at 31 December 2009 (Un-audited)

	Holdings at 31 December 2009	Fair value at 31 December 2009 \$	Percentage of total net assets attributable to unitholders at 31 December 2009 %
By Geography - Primary (continued)			
Quoted Equities			
UNITED KINGDOM			
ABERDEEN ASSET MANAGEMENT PLC	36,000	109,368	1.49
ADMIRAL GROUP PLC	5,200	139,467	1.90
AQUARIUS PLATINUM LIMITED	14,800	136,565	1.86
ARM HOLDINGS PLC	19,000	76,460	1.04
AUTONOMY CORPORATION	2,700	92,433	1.26
BG GROUP PLC	8,640	219,781	2.99
BHP BILLITON PLC	3,250	146,998	2.00
BRITISH AMERICAN TOBACCO PLC	1,800	82,271	1.12
COMPASS GROUP PLC	9,100	91,850	1.25
HSBC HOLDINGS PLC	21,888	351,733	4.79
INMARSAT PLC	6,000	93,861	1.28
PEARSON PLC	6,000	121,203	1.65
RECKITT BENCKISER GROUP PLC	1,655	125,885	1.71
RIO TINTO PLC - REG	1,548	118,975	1.62
ROLLS ROYCE GROUP - C SHARES	390,000	884	0.01
ROLLS-ROYCE GROUP PLC	6,500	71,222	0.97
ROYAL DUTCH SHELL PLC B SHARES	4,581	188,089	2.56
SMITH & NEPHEW PLC	4,000	57,677	0.78
TESCO PLC	7,200	69,702	0.95
TULLOW OIL PLC	7,040	208,289	2.84
WEIR GROUP PLC	4,800	78,081	1.06
XSTRATA PLC	4,792	121,789	1.66
TOTAL UNITED KINGDOM		2,702,583	36.79
Portfolio of investments		7,230,984	98.43
Other net assets		115,702	1.57
Net assets attributable to unitholders		7,346,686	100.00

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

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As at 31 December 2009 (Un-audited)

	Percentage of total net assets attributable to unitholders at 31 December 2009 %	Percentage of total net assets attributable to unitholders at 30 June 2009 %
By Geography - Primary (Summary)		
Quoted Equities		
Belgium	2.20	2.21
Canada	1.46	-
Denmark	-	1.33
Finland	0.74	2.73
France	7.50	9.09
Germany	9.11	7.35
Ireland	2.58	4.03
Italy	2.40	5.31
Luxembourg	-	1.13
Netherlands	2.02	3.03
Norway	0.80	-
Russia	6.96	1.10
Spain	9.75	11.00
Sweden	0.83	2.06
Switzerland	15.29	16.12
United Kingdom	36.79	32.09
United States	-	0.76
Portfolio of investments	98.43	99.34
Other net assets	1.57	0.66
Net assets attributable to unitholders	100.00	100.00

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

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As at 31 December 2009 (Un-audited)

	Fair value at 31 December 2009 \$	Percentage of total net assets attributable to unitholders at 31 December 2009 %	Percentage of total net assets attributable to unitholders at 30 June 2009 %
By Industry - Secondary Quoted Equities			
Consumer Discretionary	564,905	7.69	6.92
Consumer Staples	869,589	11.84	11.24
Energy	999,395	13.60	13.51
Financials	1,404,866	19.13	21.90
Healthcare	606,782	8.25	8.99
Industrials	768,035	10.46	10.75
Information Technology	479,270	6.53	5.46
Materials	714,363	9.72	9.44
Telecommunication Services	520,274	7.08	7.40
Utilities	303,505	4.13	3.73
Portfolio of investments	7,230,984	98.43	99.34
Other net assets	115,702	1.57	0.66
Net assets attributable to unitholders	7,346,686	100.00	100.00

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

United European Equity Fund

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

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2009 (Un-audited)

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

1. General

United European Equity Fund (the “Fund”) is a Singapore registered trust fund constituted by a Trust Deed dated 23 July 1997 between UOB Asset Management Ltd (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 invest in shares listed or traded on the stock exchanges in the European region (including Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, the Republic of Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey and the United Kingdom).

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

Dividend income is recognised when the right to receive payment is established. 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.

(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 period in which they arise.

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2009 (Un-audited)

2. Significant accounting policies (continued)

(c) Investments (continued)

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sale 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 currency*

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 dollars as the currency of the primary economic environment in which the Fund operates. The financial statements are presented in Singapore dollars, which is the 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 dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-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.

(f) 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 value.

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3. Income tax

	31 December 2009	31 December 2008
	\$	\$
Overseas income tax	10,169	13,172

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 overseas income tax represents tax withheld on foreign sourced income.

4. Receivables

	31 December 2009	30 June 2009
	\$	\$
Amount due from unitholders	217	1,314
Dividend receivable	5,111	7,483
Other receivable	1,414	-
	6,742	8,797

5. Payables

	31 December 2009	30 June 2009
	\$	\$
Amount due to unitholders	7,673	6,689
Amount due to Manager	35,440	28,455
Amount due to Trustee	5,041	4,986
Other creditors and accrued expenses	10,408	17,031
	58,562	57,161

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NOTES TO THE FINANCIAL STATEMENTS

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6. Net assets attributable to unitholders

	31 December 2009	30 June 2009
	\$	\$
At the beginning of the financial period/year	6,289,810	10,727,704
Operations		
Change in net assets attributable to unitholders resulting from operations	1,190,835	(4,027,335)
Unitholders' contributions/(withdrawals)		
Creation of units	286,613	176,887
Cancellation of units	(420,572)	(587,446)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(133,959)	(410,559)
Total increase/(decrease) in net assets attributable to unitholders	1,056,876	(4,437,894)
At the end of the financial period/year	7,346,686	6,289,810
Units in issue (Note 7)	6,633,912	6,759,475
	\$	\$
Net assets attributable to unitholders per unit	1.11	0.93

7. Units in issue

	31 December 2009	30 June 2009
Units at beginning of the period/year	6,759,475	7,173,974
Units created	262,533	163,235
Units cancelled	(388,096)	(577,734)
Units at end of the period/year	6,633,912	6,759,475

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8. Distribution to unitholders

The Manager does not propose any distribution to unitholders for the financial period ended 31 December 2009 (31 December 2008: NIL).

9. Financial risk management

The 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 Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. The 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 Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

The Fund's assets principally consist of financial instruments such as equity investments, money market investments and cash. They are held in accordance with the published investment policies of the 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 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.

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9. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk

The 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 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 Fund.

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

As at 31 December 2009

	EUR \$	GBP \$	CHF \$	SGD \$	Others \$	Total \$
Assets						
Portfolio of investments	2,767,514	2,708,997	1,123,150	-	631,323	7,230,984
Sales awaiting settlement	-	-	-	-	57,723	57,723
Receivables	-	2,847	-	1,395	2,500	6,742
Cash and bank balances	1,890	-	-	154,954	11,212	168,056
Total Assets	2,769,404	2,711,844	1,123,150	156,349	702,758	7,463,505
Liabilities						
Purchases awaiting settlement	-	58,257	-	-	-	58,257
Payables	-	-	-	58,323	239	58,562
Net assets attributable to unitholders	-	-	-	7,346,686	-	7,346,686
Total Liabilities	-	58,257	-	7,405,009	239	7,463,505
Net currency exposure	2,769,404	2,653,587	1,123,150	(7,248,660)	702,519	

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For the half year ended 31 December 2009 (Un-audited)

9. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 30 June 2009

	EUR \$	GBP \$	CHF \$	SGD \$	Others \$	Total \$
Assets						
Portfolio of investments	2,933,594	2,018,235	1,014,216	-	282,464	6,248,509
Sales awaiting settlement	54,828	-	-	-	-	54,828
Receivables	-	4,428	-	-	4,369	8,797
Cash and bank balances	4,356	19	-	150,373	6,583	161,331
Total Assets	2,992,778	2,022,682	1,014,216	150,373	293,416	6,473,465
Liabilities						
Purchases awaiting settlement	106,944	-	-	-	19,550	126,494
Payables	292	-	-	56,869	-	57,161
Net assets attributable to unitholders	-	-	-	6,289,810	-	6,289,810
Total Liabilities	107,236	-	-	6,346,679	19,550	6,473,465
Net currency exposure	2,885,542	2,022,682	1,014,216	(6,196,306)	273,866	

Investments, which is the significant item in the balance sheet is exposed to currency risk and other price risk. The other price risk sensitivity analysis includes the impact of currency risk on non-monetary investments. The Fund's net financial assets comprise significantly non-monetary investments, hence currency risk sensitivity analysis has not been performed on the remaining financial assets.

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For the half year ended 31 December 2009 (Un-audited)

9. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

Price risk is the risk of potential adverse changes to the value of financial investments because of changes in market conditions and volatility in security prices.

The table below summarises the impact of increases/decreases from the Fund's underlying investments in equities on the Fund's net assets attributable to unitholders at 31 December 2009 and 30 June 2009. The analysis is based on the assumption that the index components within the benchmark increased/ decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Fund's investments moved according to the historical correlation with the index.

Benchmark components	31 December 2009		30 June 2009	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
MSCI Europe	1,518,507	20	1,299,690	20

(iii) 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.

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.

(b) Liquidity risk

The Fund is exposed to daily cash redemptions and 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 will be 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.

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9. Financial risk management (continued)

(b) Liquidity risk (continued)

The table below analyses the 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 31 December 2009

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Purchases awaiting settlement	58,257	-	-	-
Payables	58,562	-	-	-
Net assets attributable to unitholders	7,346,686	-	-	-

As at 30 June 2009

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Purchases awaiting settlement	126,494	-	-	-
Payables	57,161	-	-	-
Net assets attributable to unitholders	6,289,810	-	-	-

(c) 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 cash and bank balances, and 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/paid for upon delivery and transacted with approved counterparties using an approved list of brokers that are regularly assessed and updated by the Investment Manager.

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9. Financial risk management (continued)

(c) Credit risk (continued)

The table below summarises the credit rating of banks and custodians in which the Fund's assets are held as at 31 December 2009 and 30 June 2009.

As at 31 December 2009

	Credit rating	Source of credit rating
<u>Bank</u>		
State Street Bank & Trust Co.	B	Moody's
United Overseas Bank Limited	B	Moody's
<u>Custodian</u>		
State Street Bank & Trust Co.	B	Moody's

As at 30 June 2009

	Credit rating	Source of credit rating
<u>Bank</u>		
State Street Bank & Trust Co.	B	Moody's
United Overseas Bank Limited	B	Moody's
<u>Custodian</u>		
State Street Bank & Trust Co.	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 Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

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10. Related party transactions

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

Management and valuation fees are paid to the Manager, while trustee fee is paid to the Trustee and the registrar fee is paid to HSBC Securities Services (Transfer Agency) Pte Ltd, a subsidiary of HSBC Holdings Plc. These fees paid or payable by the Fund 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.

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

	31 December 2009	30 June 2009
	\$	\$
<u>United Overseas Bank Limited</u>		
Bank balances	7,451	4,727

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

	31 December 2009	31 December 2008
	\$	\$
Bank charges	30	39

11. Financial ratios

	31 December 2009	31 December 2008
Expense ratio ¹	3.26%	3.07%
Turnover ratio ²	71.14%	48.67%

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 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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