



United European Small & Mid Cap Fund

Semi Annual Report

for the period 1st July to
31th December 2009

United European Small and Mid Cap Fund

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

MANAGER

UOB Asset Management Ltd

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

RBC Dexia Trust Services Singapore Limited

20 Cecil Street

#28-01, Equity Plaza

Singapore 049705

AUDITORS

PricewaterhouseCoopers LLP

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 LLP

One Marina Boulevard

#28-00

Singapore 018989

United European Small and Mid Cap Fund

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

A) Fund Performance

Fund Performance/ Benchmark Returns	3 mth % Growth	6 mth % Growth	1 yr % Growth	3 yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	Since Inception 10 April 2000 Ann Comp Ret
United European Small & Mid Cap Fund	-2.31	17.94	31.46	-15.40	-2.90	N/A	-3.42
Benchmark	1.49	23.57	41.18	-11.25	2.80	N/A	5.82

Source: Lipper, a Thomson Reuters Company, UOBAM

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: Apr 00 – Dec 01: MSCI Europe Small Cap USD; Jan 02 –Jul 08: Citigroup Broad Market Index Europe < US\$2 billion ; Aug 08- Present : MSCI Europe Mid Cap

For the half year ended 31 December 2009, the Fund **returned 17.9%** on a net asset value basis against a return of 23.6% of the benchmark MSCI Midcap Europe Index in Singapore dollar terms.

This underperformance arose mainly in October when the Fund fell by 7.4% compared with a fall of 3.3% in its benchmark index.

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.

As of 31 December 2009, the Fund was invested in the UK (36%), Germany (18%), Switzerland (10%), Italy (8%), France (4%), Others (23%) and cash (1%).

The best performing sectors during the period under review were Energy (7%), Materials (12%), Telecom Services (4%) and Consumer (20%). The worst performing sectors were Healthcare (4%), Information Technology (12%) and Financials (16%).

Key contributors to performance include: **Weir Group** (+49%), **Eurasian Natural Resources** (+35%), **Swatch Group** (+47%), **Admiral Group** (+31%), **GEA Group** (+42%), **Pearson** (+33%), **Saipem** (+39%), **Antofagasta** (+51%), **Adidas** (+39%) and **Kone** (+38%).

Weir Group, a world leader in pumps and valves for the mineral and oil & gas sector benefited from a rise in investment spending by mining and energy companies. Consumer discretionary stocks such as **Swatch Group** and **Adidas** benefited from a recovery in sales in the developed world, and strong

United European Small and Mid Cap Fund

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

expansion into Emerging Markets. Energy and Material names such as **Saipem** and **Antofagasta** performed well due to higher commodity prices.

We reduced our position in some companies such as **Kone** after a good run. **Kone**, a manufacturer of elevators and escalators was re-rated as orders rebounded.

Key detractors from performance include: **Vossloh** (-14%), **Bank of Ireland** (-23%), **SGL Carbon** (-9%), **Allied Irish Bank** (-28%) and **Lonza Group** (-23%).

Vossloh, a company focused on railway supplies fell due to lower-than-expected orders in its Chinese fastener business. The company's failure to secure a major contract in Beijing also weighed on performance. **Lonza Group**, a custom manufacturer of drugs experienced an unexpected loss of some biopharma contracts and materially lowered its guidance, causing its share price to suffer. **Allied Irish Bank** and **Bank of Ireland** fell on worries over credit quality and capital requirements. These fears are more than fully discounted in their current share prices.

Outlook and Strategy

Although European equity markets have recovered strongly from their lows since March 2009, we continue to allocate more weight to sectors that are most geared to recovery. An end to de-stocking and a recovery in business investment should result in a sustained rebound to growth expectations. Meanwhile, surplus industrial capacity will keep inflationary pressures at bay, implying continued accommodative monetary policy – a positive for equities.

We continue to Overweight the cyclical sectors (Industrials, Consumer Discretionary and Technology). However, we have trimmed our previously Overweight positions in Materials and Energy on valuation grounds. Financials, Utilities and Healthcare are Underweights due to regulatory concerns.

With the cyclical recovery now well entrenched, stock-picking will be more important to drive future performance. We are particularly drawn to companies which have dominant presence in emerging niche industries. One such company is **SMA Solar Technology**, which is a leading global solar technology company. The company has a strong operational track record and has delivered consistent earnings. We also added **Aixtron**, which enjoys a 70% of the world's market for LED chip production equipment. It is a key beneficiary of the shift to LED TVs and LED lighting. We also added **Smiths Group**, a leader in airport security screening. Following the attempt to bring down a plane over Detroit last December, airport security is a renewed area of focus and spending. Another new holding is **Inmarsat** which enjoys a dominant share in Mobile Satellite Services, with a 75% share among maritime & aeronautical end users.

While we believe that the European equity market offers upside, it is not without risks. The heavy indebtedness of some EU member states like Greece will continue to pose risks to the broader region and to financial markets. Additionally, negative earnings surprises could arise from margin disappointment due to rising commodity prices. We believe our active and disciplined investment approach to stock-picking will mitigate these risks and position the Fund to perform strongly into the recovery.

United European Small and Mid Cap Fund

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

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		
Austria	282,780	2.18
Canada	221,656	1.71
Finland	319,150	2.46
France	522,419	4.03
Germany	2,325,447	17.95
Ireland	378,648	2.92
Italy	1,040,209	8.03
Netherlands	433,920	3.35
Norway	128,175	0.99
Russia	573,584	4.43
Spain	291,072	2.24
Sweden	384,276	2.97
Switzerland	1,251,353	9.66
United Kingdom	4,634,894	35.77
Portfolio of investments	12,787,583	98.69
Other net assets	170,314	1.31
Total	12,957,897	100.00
ii) Industry		
Consumer Discretionary	2,128,865	16.42
Consumer Staples	467,801	3.61
Energy	872,611	6.74
Financials	2,004,185	15.46
Healthcare	579,893	4.49
Industrials	2,633,792	20.34
Information Technology	1,563,387	12.07
Materials	1,610,407	12.42
Telecommunication Services	474,447	3.66
Unit Trust/ Fund	200,984	1.55
Utilities	251,211	1.93
Portfolio of investments	12,787,583	98.69
Other net assets	170,314	1.31
Total	12,957,897	100.00
iii) Asset Class		
Equities	12,787,583	98.69
Other net assets	170,314	1.31
Total	12,957,897	100.00

United European Small and Mid Cap Fund

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

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

iv) Credit rating of debt securities

N/A

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 (\$)	Percentage of total net assets attributable to unitholders %
ADMIRAL GROUP PLC	536,412	4.14
PEARSON PLC	464,611	3.59
BANCA POPOLARE DI MILANO	443,704	3.42
SWATCH GROUP	426,665	3.29
GEA GROUP ORD NPV	389,400	3.01
WEIR GROUP PLC	377,393	2.91
WIRECARD AG ORD NPV	346,986	2.68
AUTONOMY CORPORATION PLC	342,342	2.64
BANK SARASIN & CIE	341,064	2.63
MAGNIT OJSC-SPON GDR	333,789	2.58

10 largest holdings at 31 December 2008	Fair Value (\$)	Percentage of total net assets attributable to unitholders %
BANK SARASIN & CIE	412,293	4.00
ENAGAS	405,109	3.93
PEARSON PLC	398,027	3.86
COLRUYT	383,482	3.72
COMPASS GROUP PLC	380,875	3.69
ABERDEEN ASSET MANAGEMENT PLC	370,203	3.59
QIAGEN N.V.	364,278	3.53
ALLIED IRISH BANKS	362,742	3.52
MOBISTAR	361,270	3.50
BEIERSDORF ORD NPV	358,591	3.48

United European Small and Mid Cap Fund

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

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

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.

I) Expense ratios

31 December 2009	2.77%
31 December 2008	2.98%

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	64.10%
31 December 2008	165.06%

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

United European Small and Mid Cap Fund

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

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 (continued)

iii) turnover ratios for the period 31 December 2009 and 31 December 2008

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.

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.

United European Small and Mid Cap Fund

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

STATEMENT OF TOTAL RETURN

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

	Notes	31 December 2009 \$	31 December 2008 \$
Income			
Dividends		113,046	125,493
Interest		-	1,016
		113,046	126,509
Less: Expenses			
Management fee	10	111,608	135,182
Trustee fee	10	4,783	5,794
Audit fee		7,252	6,441
Registrar fee	10	4,284	13,443
Valuation fee	10	12,755	15,449
Custody fee		9,559	20,856
Interest expenses		-	378
Other expenses		15,009	26,687
		165,250	224,230
Net loss		(52,204)	(97,721)
Net gains or losses on value of investments			
Net realised losses on investments		(119,233)	(6,088,936)
Net change in fair value on investments		2,196,699	(1,986,156)
Net foreign exchange losses		(2,191)	(94,612)
Net gain/(loss) on value of investments		2,075,275	(8,169,704)
Total return/(deficit) for the period before income tax		2,023,071	(8,267,425)
Less : Income tax	3	(16,662)	(5,126)
Total return/(deficit) for the period		2,006,409	(8,272,551)

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

United European Small and Mid Cap Fund

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

BALANCE SHEET

As at 31 December 2009 (Un-audited)

		31 December 2009	30 June 2009
	Notes	\$	\$
ASSETS			
Portfolio of investments		12,787,583	11,052,985
Receivables	4	10,172	2,792
Cash and bank balances	5	378,612	382,826
Total Assets		13,176,367	11,438,603
LIABILITIES			
Payables	6	88,415	72,492
Purchases awaiting settlement		130,055	119,328
Net assets attributable to unitholders	7	12,957,897	11,246,783
Total Liabilities		13,176,367	11,438,603

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

United European Small and Mid Cap Fund

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

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			
AUSTRIA			
ANDRITZ	3,500	282,780	2.18
CANADA			
YAMANA GOLD INC	14,000	221,656	1.71
FINLAND			
FORTUM OYJ	3,300	126,098	0.97
KONE OYJ - B	3,200	193,052	1.49
TOTAL FINLAND		319,150	2.46
FRANCE			
EUTELSAT COMMUNINCATIONS	1,700	76,877	0.59
LYXOR ETF MSCI EMU SMALL CAP	700	200,984	1.55
STMICROELECTRONICS	19,000	244,558	1.89
TOTAL FRANCE		522,419	4.03
GERMANY			
ADIDAS ORD NPV	4,000	304,404	2.35
AIXTRON AG ORD NPV	5,600	264,069	2.04
GEA GROUP ORD NPV	12,400	389,400	3.01
GOLDCORP INC ORD NPV (FSE)	2,000	110,385	0.85
HAMBURGER HAFEN UND LOGISTIK ORD NPV	2,300	124,209	0.96
PUMA AG RUDOLF DASSLER SPORT ORD NPV	690	323,564	2.49
SGL CARBON AG ORD NPV	4,300	179,814	1.39
SMA SOLAR TECHNOLOGY AG ORD NPV	800	149,059	1.15
WINCOR NIXDORF ORD NPV	1,400	133,557	1.03
WIRECARD AG ORD NPV	18,000	346,986	2.68
TOTAL GERMANY		2,325,447	17.95
IRELAND			
ALLIED IRISH BANKS	85,000	202,892	1.56
BANK OF IRELAND	66,101	175,756	1.36
TOTAL IRELAND		378,648	2.92

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

United European Small and Mid Cap Fund

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

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 (continued)			
Quoted Equities			
ITALY			
ATLANTIA	7,000	257,329	1.99
BANCA POPOLARE DI MILANO	44,500	443,704	3.42
SAIPEM	5,736	276,837	2.14
TOD'S SPA	600	62,339	0.48
TOTAL ITALY		1,040,209	8.03
NETHERLANDS			
FUGRO CVA	3,700	299,908	2.32
HEINEKEN NV	2,000	134,012	1.03
TOTAL NETHERLANDS		433,920	3.35
NORWAY			
YARA INTERNATIONAL	2,000	128,175	0.99
RUSSIA			
MAGNIT OJSC-SPON GDR	15,000	333,789	2.58
MOBILE TELESYSTEMS-SP ADR	3,500	239,795	1.85
TOTAL RUSSIA		573,584	4.43
SPAIN			
GAMESA CORPORACION TECNOLOGICA SA	7,000	165,959	1.28
RED ELECTRICA DE ESPANA S.A.	1,600	125,113	0.96
TOTAL SPAIN		291,072	2.24
SWEDEN			
ATLAS COPCO	6,000	124,230	0.96
SKF AB	10,700	260,046	2.01
TOTAL SWEDEN		384,276	2.97

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

United European Small and Mid Cap Fund

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

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 (continued)			
Quoted Equities			
SWITZERLAND			
BANK SARASIN & CIE	6,431	341,064	2.63
DUFREY GROUP	2,400	228,163	1.76
SONOVA HOLDING	1,500	255,461	1.98
SWATCH GROUP	1,200	426,665	3.29
TOTAL SWITZERLAND		1,251,353	9.66
UNITED KINGDOM			
ABERDEEN ASSET MANAGEMENT PLC	100,183	304,357	2.35
ADMIRAL GROUP PLC	20,000	536,412	4.14
ANTOFAGASTA PLC	11,000	247,393	1.91
AQUARIUS PLATINUM LIMITED	36,000	332,186	2.56
AUTONOMY CORPORATION PLC	10,000	342,342	2.64
COMPASS GROUP PLC	24,000	242,242	1.87
CSR PLC	25,000	231,875	1.79
EURASIAN NATURAL RESOURCE	13,000	269,532	2.08
INMARSAT PLC	15,000	234,652	1.81
KAZAKHMYS PLC	10,000	301,080	2.32
PEARSON PLC	23,000	464,611	3.59
SMITH & NEPHEW PLC	22,500	324,432	2.51
SMITHS GROUP PLC	5,700	130,521	1.01
TULLOW OIL PLC	10,000	295,866	2.28
WEIR GROUP PLC	23,200	377,393	2.91
TOTAL UNITED KINGDOM		4,634,894	35.77
Portfolio of investments		12,787,583	98.69
Other net assets		170,314	1.31
Net assets attributable to unitholders		12,957,897	100.00

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

United European Small and Mid Cap Fund

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

PORTFOLIO STATEMENT

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		
Austria	2.18	0.89
Belgium	-	7.54
Canada	1.71	1.35
Denmark	-	1.84
Finland	2.46	2.17
France	4.03	1.94
Germany	17.95	9.76
Ireland	2.92	4.65
Italy	8.03	5.29
Netherlands	3.35	6.12
Norway	0.99	-
Russia	4.43	0.71
Spain	2.24	9.99
Sweden	2.97	1.54
Switzerland	9.66	9.48
United Kingdom	35.77	34.48
United States	-	0.53
	<hr/>	<hr/>
Portfolio of investments	98.69	98.28
Other net assets	1.31	1.72
Net assets attributable to unitholders	100.00	100.00

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

United European Small and Mid Cap Fund

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

PORTFOLIO STATEMENT

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	2,128,865	16.42	15.80
Consumer Staples	467,801	3.61	5.97
Energy	872,611	6.74	5.33
Financials	2,004,185	15.46	16.02
Healthcare	579,893	4.49	7.54
Industrials	2,633,792	20.34	20.55
Information Technology	1,563,387	12.07	8.06
Materials	1,610,407	12.42	11.70
Telecommunication Services	474,447	3.66	3.09
Unit Trust/Fund	200,984	1.55	-
Utilities	251,211	1.93	4.22
Portfolio of investments	12,787,583	98.69	98.28
Other net assets	170,314	1.31	1.72
Net assets attributable to unitholders	12,957,897	100.00	100.00

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

United European Small and Mid Cap 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 Small & Mid Cap Fund (the "Fund") (formerly known as United European Small Cap Fund) is a Singapore registered trust fund constituted by a Trust Deed dated 21 February 2000 between UOB Asset Management Ltd (the "Manager") and RBC Dexia Trust Services Singapore Limited (the "Trustee"). The Deed is governed by the laws of the Republic of Singapore.

The primary activity is that of investment trading. The Fund's investment objective is to achieve long term capital growth with a diversified portfolio primarily invested in European-listed companies with a market capitalisation of less than US\$2 billion. With effect from 16 December 2008, the Fund's investment objective is to achieve long term capital growth mainly through investing in small and medium securities of corporations listed, domiciled or having substantial operations in Europe.

The Fund has changed its name to United European Small & Mid cap Fund.

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 recognized on trade date. Investments are recorded at fair value on initial recognition.

United European Small and Mid Cap 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)

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 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 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.

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.

United European Small and Mid Cap 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)

2. Significant accounting policies (continued)

(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.

3. Income tax

	31 December 2009	31 December 2008
	\$	\$
Overseas income tax	16,662	5,126

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	300	1,967
Dividend receivable	7,565	825
Other receivable	2,307	-
	10,172	2,792

5. Cash and bank balances

	31 December 2009	30 June 2009
	\$	\$
Current account	378,612	382,826

United European Small and Mid Cap 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)

6. Payables

	31 December 2009	30 June 2009
	\$	\$
Amount due to unitholders	11,600	197
Amount due to Manager	64,169	53,411
Amount due to Trustee	2,466	2,043
Other creditors and accrued expenses	10,180	16,841
	88,415	72,492

7. Net assets attributable to unitholders

	31 December 2009	30 June 2009
	\$	\$
At the beginning of the financial period/year	11,246,783	19,110,479
Operations		
Change in net assets attributable to unitholders resulting from operations	2,006,409	(7,115,541)
Unitholders' contributions/(withdrawals)		
Creation of units	96,648	87,901
Cancellation of units	(391,943)	(836,056)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(295,295)	(748,155)
Total increase/(decrease) in net assets attributable to unitholders	1,711,114	(7,863,696)
At the end of the financial period/year	12,957,897	11,246,783
Units in issue (Note 8)	19,164,267	19,634,777
	\$	\$
Net assets attributable to unitholders per unit	0.68	0.57

United European Small and Mid Cap 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)

8. Units in issue

	31 December 2009	30 June 2009
Units at beginning of the period/year	19,634,777	20,789,698
Units created	143,487	145,740
Units cancelled	(613,997)	(1,300,661)
Units at end of the period/year	19,164,267	19,634,777

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.

United European Small and Mid Cap 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)

9. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk

The Fund has securities denominated in currencies other than the 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 Fund.

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

As at 31 December 2009

	SGD \$	EUR \$	GBP \$	Others \$	Total \$
Assets					
Portfolio of investments	-	5,815,301	4,634,894	2,337,388	12,787,583
Receivables	2,483	-	7,268	421	10,172
Cash and bank balances	360,049	1,804	-	16,759	378,612
Total Assets	362,532	5,817,105	4,642,162	2,354,568	13,176,367
Liabilities					
Payables	88,415	-	-	-	88,415
Purchases awaiting settlement	-	-	-	130,055	130,055
Net assets attributable to unitholders	12,957,897	-	-	-	12,957,897
Total Liabilities	13,046,312	-	-	130,055	13,176,367
Net currency exposure	(12,683,780)	5,817,105	4,642,162	2,224,513	

United European Small and Mid Cap 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)

9. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 30 June 2009

	SGD \$	EUR \$	GBP \$	Others \$	Total \$
Assets					
Portfolio of investments	-	5,329,296	4,197,625	1,526,064	11,052,985
Receivables	1,967	-	-	825	2,792
Cash and bank balances	378,707	132	-	3,987	382,826
Total Assets	380,674	5,329,428	4,197,625	1,530,876	11,438,603
Liabilities					
Payables	71,555	324	-	613	72,492
Purchases awaiting settlement	-	51,079	-	68,249	119,328
Net assets attributable to unitholders	11,246,783	-	-	-	11,246,783
Total Liabilities	11,318,338	51,403	-	68,862	11,438,603
Net currency exposure	(10,937,664)	5,278,025	4,197,625	1,462,014	

Investments, which is the significant item in the balance sheet is exposed to currency risk and other price risk. 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 prepared on the remaining financial assets.

United European Small and Mid Cap 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)

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 Mid Cap	2,608,667	20	2,276,915	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.

United European Small and Mid Cap 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)

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 \$
Payables	88,415	-	-	-
Purchases awaiting settlement	130,055	-	-	-
Net assets attributable to unitholders	12,957,897	-	-	-

As at 30 June 2009

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Payables	72,492	-	-	-
Purchases awaiting settlement	119,328	-	-	-
Net assets attributable to unitholders	11,246,783	-	-	-

(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 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.

United European Small and Mid Cap 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)

9. Financial risk management (continued)

(c) Credit risk (continued)

The table below summarises the credit rating of banks 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.

United European Small and Mid Cap 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)

10. Related party transactions

- (a) The Manager and the Trustee of the Fund are UOB Asset Management Ltd and RBC Dexia Trust Services Singapore Limited respectively. UOB Asset Management Limited is a subsidiary of United Overseas Bank Limited. RBC Dexia Trust Services Singapore Limited is a subsidiary of RBC Dexia Investor Services, a joint venture between Dexia Banque Internationale A. Luxembourg S.A. and Royal Bank Of Canada.

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 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 a related party:

	31 December 2009	30 June 2009
	\$	\$
<u>United Overseas Bank Limited</u>		
Bank balances	2,914	25,297

- (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	30

11. Financial ratios

	31 December 2009	31 December 2008
Expense ratio ¹	2.77%	2.98%
Turnover ratio ²	64.10%	165.06%

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".

United European Small and Mid Cap Fund
(Constituted under a Trust Deed in the Republic of Singapore)

This page has been intentionally left blank.

United European Small and Mid Cap Fund
(Constituted under a Trust Deed in the Republic of Singapore)

This page has been intentionally left blank.

