



# United Global Capital Fund

**Semi Annual Report**

for the period 1<sup>st</sup> July to  
31<sup>st</sup> December 2009



# United Global Capital Fund

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

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## **MANAGER**

UOB Asset Management Ltd  
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Company Registration No. : 198600120Z

## **OPERATIONS ADDRESS**

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## **DIRECTORS OF UOB ASSET MANAGEMENT**

Terence Ong Sea Eng  
Yeo Eng Cheong  
Thio Boon Kiat

## **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 Global Capital Fund

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## 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 12 July 1996 Ann Comp Ret
United Global Capital Fund	-5.70	14.31	31.00	-15.41	-4.96	-0.57	4.32
Benchmark	-3.99	18.19	27.73	-20.29	-8.12	-2.20	2.88

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: Jul 96 – Present: MSCI World Finance.

For the six months to December 2009, the Fund **rose by 14.3%**, compared with a 18.2% rise in the benchmark MSCI World Financial Index, in Singapore dollar terms.

The Fund's performance in the six month period was disappointing, lagging the broader benchmark due to a combination of stock selection and its allocation between the different markets. After a positive start to the year, where the Fund outperformed strongly, the second half of 2009 was a disappointment.

The Fund's positioning in Asia Pacific (ex. Japan) and Europe was a drag on performance but this was partially offset by the Fund's underweight position in Japan as well as its ongoing higher allocation to the Emerging Markets.

The Fund was underweight Asia Pacific (ex. Japan) and in particular was underweight Australia having allocated funds to Emerging Asia. This detracted from performance as Australian financials performed strongly during the period as did the Australian dollar.

Performance in Europe also suffered as the Fund was underweight Europe. The Fund's European investments also suffered due to holdings in the Irish banks, which negatively contributed to performance.

In price terms the MSCI World Finance Index rose by 17.1% in the six months to December 2009. By sub-sector, Banks rose by 19.0%, Diversified Financials rose by 11.6%, Insurance by 18.9%, while Real Estate jumped by 20.0%.

By region, the Asia Pacific (ex. Japan) surged by 33% (mainly due to Australia, which jumped by 42%), Europe rose by 24%, Canada rose by 23%, the US by 17%, while Japan fell by 17%, as measured by the sub-indices within the benchmark, all in Singapore dollar terms.

Invested levels averaged 91% during the reporting period, with cash levels being above normal due in part to the ongoing risks within the sector, but also due to persistent inflows from investors. The Fund ended the period with a cash balance of 3%.

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For the whole of 2009, the Fund appreciated by 31.0% compared to the broader benchmark which rose 27.7%. The strong performance over the 12-month period reflected the re-rating of the sector from the highly distressed levels at the start of the year. Performance progressively moderated into the year end, with the final quarter return being negative.

Thanks to significant and unconventional policy response, the sector has broadly weathered the financial crisis and economic downturn in one piece. However individual companies and investors faced significant challenges as many household names have disappeared from the landscape, having been placed in bankruptcy, been nationalised (partially nationalised), or taken over. For investors in the weaker companies, their fate dangled dangerously on the edge as confidence collapsed. Policy response was at times confusing as some institutions were saved while others were left to flounder and fail.

In the end, aggressive interest rate reduction, liquidity and capital support measures and government guarantees did the trick, staving off disaster and buying time. This afforded the opportunity for the sector to re-establish its footing, raise capital, improve funding, restructure exposures and limit contagion.

While the worst is behind is, the sector continues to face a number of challenges. Namely:

- (1) ongoing de-leveraging and debt reduction by the household sector,
- (2) fixed asset adjustment by the industrial sector (due to lower end demand)
- (3) falling commercial real-estate values, and
- (4) tighter regulation in terms of capital and liquidity standards.

Of these, the expected shift in regulatory approach will have a profound impact on the sector and a significant bearing on our investment strategy as we will discuss later.

Our focus on institutions with strong positions in high growth Emerging Markets has served the Fund well. The Fund's exposure to global institutions with strong emerging market businesses continued to provide opportunities for growth.

Similarly, our strategy of increasing exposure to institutions with strong fiduciary businesses in payments, custody and wealth management generally worked to the Fund's advantage during the crisis.

**Key contributors to performance include: HSBC (UK), BBVA (Spain), Santander (Spain), Visa Inc. (US), Admiral Group (UK), Banorte (Mexico), and Itau Unibanco (Brazil).**

**Key detractors from performance include: Allied Irish Bank (Ireland), Bank of Ireland (Ireland), State Street Bank (US), and NYSE Euronext (US).**

As at 31 December 2009, the sub-sector exposure of the Fund was as follows: Banks (46.3%), Diversified Financials (29.2%), Insurance (14.3%), Software & Services (7.2%), and Cash (3.0%).

Meanwhile the geographic exposure of the Fund was as follows: US (47.0%), Canada (4.2%), the UK (8.4%), Europe (16.6%), Japan (0.5%), Asia Pacific ex-Japan (10.4%), Brazil and Mexico (9.9%) and Cash (3.0%).

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## **Outlook and Strategy**

Within the context of the financial sector, the past 20 years can be characterized as a period of rapid innovation and consolidation with a focus on laying off risk, building distribution, taking advantage of scale and consolidating market share. However, as we ended the first decade of the new millennium the dark side of many of these changes is all too fresh in our memories. The so called innovation which aimed at redistributing risk only served to disguise it to the point that participants failed to grasp where the risk actually lay. The process started in typical fashion, with the better informed shifting risk to the lesser informed. But it culminated with the better informed loosening their perspective of risk entirely. The build out of risk distribution with the aid of financial tools (securitisation) only served to give management a false sense of confidence in their ability to take on larger commitments. The benefits of scale soon became lost to the diseconomies of size and the challenge to complexity. And the consolidation of market shares left the broader system exposed to the failure of a single large complex financial institution.

The downside to unchecked innovation, increasingly complex financial instruments and increasing unwieldy companies culminated with the mother of all risk trades, the mother of all reversals and the near collapse of the global financial system. It was a complete breakdown of governance at all levels.

The next decade should bear witness to a tighter scrutiny of financial products, and a renewed focus on risk and regulation. Appropriate sanity checks on capital and liquidity requirements as well as strong disincentives for institutions to grow and become “too big to fail”, or “too complex to manage” should be expected.

The indelible lesson drawn from the last crisis is that there is no model for common sense. Despite increasingly eloquent risk tools, e.g. Value at Risk and Basel II, the regulators and the regulated failed horribly. Concentrations of risk and the build up of leverage occurred at a pace that would have made the drafters of the Glass-Steagall act rise from the dead, and led Hyman Minsky to predict disaster. Forgetting lessons from the past is perhaps the greatest failure of all.

As we discovered with the bailout of AIG, weakness at one institution could have precipitated the collapse of many others, potentially setting the global economy on course for a second great depression.

Preventing systemic failures should be the top priority of policymakers in the years ahead. Preventing institutions from becoming “too big to fail” should feature at the top of “To Do” lists for regulators and legislators alike.

Unpopular as it may be, policymakers have a responsibility to do the right thing, or risk sowing the seeds of the next crisis. Furthermore, and this is a topic of great debate, the need to ring-fence the most critical functions of the financial sector, namely the deposit taking and payment functions should not be ignored. We are hopeful that the recent near death experience will serve as a vivid reminder to regulators of the need to implement appropriate reforms, regardless of how unpopular they may be on Wall St or at the major banks. But only time will tell.

The Financial sector plays a central role as the primary allocator of capital across the global economy. Restoring the sector to health is an essential prerequisite to restoring the broader economy to growth. There are no short cuts.

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As we alluded to in our performance review we anticipate a major rebalancing of the financial sector landscape, driven by a combination of shifting competitive dynamics and regulatory change. A large number of financial institutions will have to revisit their business strategies and modify their business models to stay relevant. Many will be unable to do so successfully, creating opportunities for stronger, nimble and more disciplined players. As is frequently the case in banking, a new set of consolidators will likely emerge to feast on the market share that is put into play as yesterday's leaders retrench. This process will take time, but tomorrow's beneficiaries are already becoming clearer as we write.

The Fund's ongoing focus and strategy remain unchanged, namely seeking to identify and invest in companies that should deliver above-average top line growth with strong diversification across a range of fee-generating businesses, proven business models, and tight control of risks and costs. With the broader economy appearing to be on a more stable footing, we are hopeful that the sector will continue to deliver good opportunities for investors.

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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
<b>i) Country</b>		
Australia	1,443,832	1.42
Brazil	7,987,946	7.86
Canada	4,247,918	4.18
Germany	1,156,621	1.14
India	3,316,716	3.26
Indonesia	3,664,914	3.61
Ireland	5,523,258	5.44
Japan	485,603	0.48
Mexico	2,029,455	2.00
Spain	6,122,819	6.03
Switzerland	4,020,084	3.96
Thailand	2,182,354	2.15
United Kingdom	8,520,950	8.39
United States	47,738,989	47.01
Portfolio of investments	98,441,459	96.93
Other net assets	3,114,680	3.07
<b>Total</b>	<b>101,556,139</b>	<b>100.00</b>
<b>ii) Industry</b>		
Financials	91,180,267	89.78
Information Technology	7,261,192	7.15
Portfolio of investments	98,441,459	96.93
Other net assets	3,114,680	3.07
<b>Total</b>	<b>101,556,139</b>	<b>100.00</b>
<b>iii) Asset Class</b>		
Equities	98,441,459	96.93
Other net assets	3,114,680	3.07
<b>Total</b>	<b>101,556,139</b>	<b>100.00</b>
<b>iv) Credit rating of debt securities</b>		
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 (LONDON)	5,142,301	5.06
STATE STREET CORPORATION	4,890,239	4.82
NORTHERN TRUST CORPORATION	4,781,854	4.71
VISA INCORPORATION CLASS A SHARES	4,289,769	4.22
US BANCORP	3,945,100	3.88
JPMORGAN CHASE & COMPANY	3,802,669	3.74
BANK OF AMERICA	3,594,393	3.54
NYSE EURONEXT (US)	3,547,782	3.49
BANCO BILBAO VIZCAYA ARGENTARIA SA	3,332,184	3.28
PNC FINANCIAL SERVICES GROUP INCORPORATION	2,964,581	2.92

### 10 largest holdings at 31 December 2008

	Fair value (S\$)	Percentage of total net assets attributable to unitholders %
CITIGROUP INC	3,137,233	6.66
US BANCORP	2,702,487	5.74
BANCO BILBAO VIZCAYA ARGENTARIA SA	2,688,244	5.71
NORTHERN TRUST CORPORATION	2,628,216	5.58
HSBC HOLDINGS (LONDON)	2,331,197	4.95
STATE STREET CORPORATION	2,039,410	4.33
BANK OF AMERICA	1,910,723	4.06
VISA INCORPORATION CLASS A SHARES	1,810,850	3.85
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED	1,758,709	3.74
BANCO SANTANDER CENTRAL HIPANCO	1,726,527	3.67

## D) Exposure to derivatives

i) fair value of derivative contracts and as a percentage of NAV as at 31 December 2009

N/A

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## D) Exposure to derivatives (continued)

- 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 29,822,261

Total amount of subscriptions SGD 76,624,943

## 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 account with the United Overseas Bank Limited as follows :

Bank balances SGD 46,711

- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 31 December 2009

Holdings of United Global Capital Fund as at 31 December 2009 were as follows:-

<u>Affiliated Companies</u>	<u>No. of Units</u> <u>SGD</u>	<u>Unit Price</u> <u>SGD</u>	<u>Market Value</u>
a) OSK- UOB Global Capital Fund	21,001,573.61	1.6060	33,728,527.22

- 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	2.02%
31 December 2008	2.03%

*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	2.21%
31 December 2008	13.13%

*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")<sup>1</sup> 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

<sup>1</sup> where the underlying scheme is managed by a foreign manager which belongs to the same group of companies as, or has a formal arrangement or investment agreement with, the Singapore manager, the above information should be disclosed on the underlying scheme. In other cases, such information on the underlying scheme should be disclosed only if it is readily available to the Singapore manager.

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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.

# United Global Capital Fund

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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 \$
<b>Income</b>			
Dividends		712,308	962,362
Interest		1,750	3,024
		<b>714,058</b>	<b>965,386</b>
<b>Less: Expenses</b>			
Management fee	9	604,572	459,601
Trustee fee	9	26,436	21,888
Audit fee		6,553	5,610
Registrar fee	9	8,066	8,066
Valuation fee	9	50,381	38,300
Custody fee		59,423	21,948
Interest expenses		827	753
Other expenses		52,880	29,099
		<b>809,138</b>	<b>585,265</b>
<b>Net (loss)/ income</b>		<b>(95,080)</b>	<b>380,121</b>
<b>Net gains or losses on value of investments</b>			
Net realised gain/ (loss) on investments		134,277	(2,599,791)
Net change in fair value on investments		6,442,805	(21,933,377)
Net foreign exchange gain		3,087	68,169
<b>Net gain/ (loss) on value of investments</b>		<b>6,580,169</b>	<b>(24,464,999)</b>
<b>Total return/ (deficit) for the period before income tax</b>		<b>6,485,089</b>	<b>(24,084,878)</b>
Less : Income tax	3	(123,731)	(193,615)
<b>Total return/ (deficit) for the period</b>		<b>6,361,358</b>	<b>(24,278,493)</b>

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

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## BALANCE SHEET

As at 31 December 2009 (Un-audited)

		31 December 2009	30 June 2009
	Notes	\$	\$
<b>ASSETS</b>			
Portfolio of investments		98,441,459	46,692,985
Receivables	4	1,738,596	678,803
Sales awaiting settlement		-	614,406
Cash and bank balances		2,476,832	2,825,561
<b>Total Assets</b>		<b>102,656,887</b>	<b>50,811,755</b>
<b>LIABILITIES</b>			
Payables	5	1,100,748	395,865
Purchases awaiting settlement		-	2,023,791
Net assets attributable to unitholders	6	101,556,139	48,392,099
<b>Total Liabilities</b>		<b>102,656,887</b>	<b>50,811,755</b>

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

# United Global Capital Fund

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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 %
<b>By Geography - Primary Quoted Equities</b>			
<b>AUSTRALIA</b>			
AUSTRALIA AND NEW ZEALAND BANK	50,000	<b>1,443,832</b>	<b>1.42</b>
<b>BRAZIL</b>			
BANCO BRADESCO - ADR	70,000	2,145,376	2.11
CIELO	160,000	1,971,586	1.94
ITAU UNIBANCO HOLDING SA - ADR	70,000	2,241,687	2.21
REDECARD	70,000	1,629,297	1.60
<b>TOTAL BRAZIL</b>		<b>7,987,946</b>	<b>7.86</b>
<b>CANADA</b>			
BANK OF NOVA SCOTIA	22,000	1,449,255	1.43
MANULIFE FINANCIAL CORPORATION - US	30,000	772,454	0.76
MANULIFE FINANCIAL CORPORATION - US (TOR)	20,000	516,931	0.51
ROYAL BANK OF CANADA COM NPV	20,000	1,509,278	1.48
<b>TOTAL CANADA</b>		<b>4,247,918</b>	<b>4.18</b>
<b>GERMANY</b>			
WIRECARD AG	60,000	<b>1,156,621</b>	<b>1.14</b>
<b>INDIA</b>			
HDFC BANK LIMITED	30,000	1,540,694	1.51
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED	22,000	1,776,022	1.75
<b>TOTAL INDIA</b>		<b>3,316,716</b>	<b>3.26</b>
<b>INDONESIA</b>			
BANK RAKYAT INDONESIA	1,750,000	1,974,421	1.94
PT BANK DANAMON INDONESIA	2,500,000	1,690,493	1.67
<b>TOTAL INDONESIA</b>		<b>3,664,914</b>	<b>3.61</b>

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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 %
<b>By Geography - Primary (continued)</b>			
<b>Quoted Equities</b>			
<b>IRELAND</b>			
ALLIED IRISH BANKS	1,200,000	2,864,359	2.82
BANK OF IRELAND	1,000,000	2,658,899	2.62
<b>TOTAL IRELAND</b>		<b>5,523,258</b>	<b>5.44</b>
<b>JAPAN</b>			
SURUGA BANK LTD	40,000	485,603	0.48
<b>MEXICO</b>			
GRUPO FINANCIERO BANORTE DE CV (MXN)	400,000	2,029,455	2.00
<b>SPAIN</b>			
BANCO BILBAO VIZCAYA ARGENTARIA SA	130,000	3,332,184	3.28
BANCO SANTANDER CENTRAL HIPANCO	120,000	2,790,635	2.75
<b>TOTAL SPAIN</b>		<b>6,122,819</b>	<b>6.03</b>
<b>SWITZERLAND</b>			
BANK SARASIN & CIE	41,000	2,174,408	2.14
ZURICH FINANCIAL SERVICES	6,000	1,845,676	1.82
<b>TOTAL SWITZERLAND</b>		<b>4,020,084</b>	<b>3.96</b>
<b>THAILAND</b>			
KASIKORNBANK PCL - FOREIGN	300,000	1,089,598	1.07
SIAM COMMERCIAL BANK (F)	300,000	1,092,756	1.08
<b>TOTAL THAILAND</b>		<b>2,182,354</b>	<b>2.15</b>

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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 %
<b>By Geography - Primary (continued)</b>			
<b>Quoted Equities</b>			
<b>UNITED KINGDOM</b>			
ABERDEEN ASSET MANAGEMENT PLC	450,000	1,367,103	1.35
ADMIRAL GROUP PLC	75,000	2,011,546	1.98
HSBC HOLDINGS (LONDON)	320,000	5,142,301	5.06
<b>TOTAL UNITED KINGDOM</b>		<b>8,520,950</b>	<b>8.39</b>
<b>UNITED STATES</b>			
ACE LTD	35,000	2,476,567	2.44
AFLAC INC	35,000	2,272,644	2.24
ALLSTATE CORPORATION	65,000	2,740,440	2.70
BANK OF AMERICA	170,000	3,594,393	3.54
BB&T CORPORATION	60,000	2,137,092	2.10
GLOBAL PAYMENTS INC	24,000	1,814,802	1.79
JPMORGAN CHASE & COMPANY	65,000	3,802,669	3.74
NORTHERN TRUST CORPORATION	65,000	4,781,854	4.71
NYSE EURONEXT (US)	100,000	3,547,782	3.49
PNC FINANCIAL SERVICES GROUP INCORPORATION	40,000	2,964,581	2.92
RENAISSANCE RE HOLDINGS LTD	25,000	1,864,445	1.84
STATE STREET CORPORATION	80,000	4,890,239	4.82
T ROWE PRICE GROUP INC	35,000	2,616,612	2.58
US BANCORP	125,000	3,945,100	3.88
VISA INCORPORATION CLASS A SHARES	35,000	4,289,769	4.22
<b>TOTAL UNITED STATES</b>		<b>47,738,989</b>	<b>47.01</b>
<b>Portfolio of investments</b>		<b>98,441,459</b>	<b>96.93</b>
<b>Other net assets</b>		<b>3,114,680</b>	<b>3.07</b>
<b>Net assets attributable to unitholders</b>		<b>101,556,139</b>	<b>100.00</b>

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

# United Global Capital Fund

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## PORTFOLIO STATEMENT

As at 31 December 2009 (Un-audited)

	<b>Percentage of total net assets attributable to unitholders at 31 December 2009 %</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2009 %</b>
<b>By Geography - Primary (Summary)</b>		
<b>Quoted Equities</b>		
Australia	1.42	0.60
Brazil	7.86	6.29
Canada	4.18	3.38
Germany	1.14	-
India	3.26	5.26
Indonesia	3.61	5.54
Ireland	5.44	5.36
Japan	0.48	1.14
Mexico	2.00	2.38
Spain	6.03	7.40
Switzerland	3.96	2.91
Thailand	2.15	3.18
United Kingdom	8.39	8.40
United States	47.01	44.65
<b>Portfolio of investments</b>	<b>96.93</b>	<b>96.49</b>
<b>Other net assets</b>	<b>3.07</b>	<b>3.51</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

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

# United Global Capital Fund

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

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## 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 %
<b>By Industry - Secondary Quoted Equities</b>			
Financials	91,180,267	89.78	90.16
Information Technology	7,261,192	7.15	6.33
<b>Portfolio of investments</b>	<b>98,441,459</b>	<b>96.93</b>	<b>96.49</b>
<b>Other net assets</b>	<b>3,114,680</b>	<b>3.07</b>	<b>3.51</b>
<b>Net assets attributable to unitholders</b>	<b>101,556,139</b>	<b>100.00</b>	<b>100.00</b>

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

# United Global Capital Fund

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

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## 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 Global Capital Fund (the “Fund”) is a Singapore registered trust fund constituted by a Trust Deed dated 31 January 1996 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 a wide range of sub-sectors within the finance sector.

### 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.

# United Global Capital Fund

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

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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 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.

# United Global Capital 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)

### 3. Income tax

	<b>31 December 2009</b>	31 December 2008
	<b>\$</b>	<b>\$</b>
Overseas income tax	<b>123,731</b>	193,615

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

	<b>31 December 2009</b>	30 June 2009
	<b>\$</b>	<b>\$</b>
Amount due from unitholders	<b>1,581,996</b>	581,664
Dividend receivable	<b>156,589</b>	94,954
Other receivable	<b>11</b>	2,185
	<b>1,738,596</b>	678,803

### 5. Payables

	<b>31 December 2009</b>	30 June 2009
	<b>\$</b>	<b>\$</b>
Amount due to unitholders	<b>379,937</b>	157,947
Amount due to Manager	<b>696,108</b>	209,864
Amount due to Trustee	<b>15,274</b>	7,894
Other creditors and accrued expenses	<b>9,429</b>	20,160
	<b>1,100,748</b>	395,865

# United Global Capital 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. Net assets attributable to unitholders

	<b>31 December 2009</b>	30 June 2009
	<b>\$</b>	<b>\$</b>
<b>At the beginning of the financial period/year</b>	<b>48,392,099</b>	46,602,662
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>6,361,358</b>	(21,168,465)
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>76,624,943</b>	64,207,083
Cancellation of units	<b>(29,822,261)</b>	(41,249,181)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>46,802,682</b>	22,957,902
<b>Total increase in net assets attributable to unitholders</b>	<b>53,164,040</b>	1,789,437
<b>At the end of the financial period/year</b>	<b>101,556,139</b>	48,392,099
<b>Units in issue</b> (Note 7)	<b>63,334,983</b>	34,510,630
	<b>\$</b>	<b>\$</b>
<b>Net assets attributable to unitholders per unit</b>	<b>1.60</b>	1.40

### 7. Units in issue

	<b>31 December 2009</b>	30 June 2009
Units at beginning of the period/year	<b>34,510,630</b>	25,279,711
Units created	<b>47,475,081</b>	44,066,113
Units cancelled	<b>(18,650,728)</b>	(34,835,194)
Units at end of the period/year	<b>63,334,983</b>	34,510,630

# United Global Capital Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

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

### 8. 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 Global Capital 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. 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 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

	USD	GBP	EUR	INR	SGD	Others	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>							
Portfolio of investments	52,898,506	8,520,950	12,802,698	3,316,716	-	20,902,589	98,441,459
Receivables	215,882	32,647	-	-	1,477,386	12,681	1,738,596
Cash and bank balances	186,216	-	19,372	-	2,227,425	43,819	2,476,832
<b>Total Assets</b>	<b>53,300,604</b>	<b>8,553,597</b>	<b>12,822,070</b>	<b>3,316,716</b>	<b>3,704,811</b>	<b>20,959,089</b>	<b>102,656,887</b>
<b>Liabilities</b>							
Payables	206,944	-	-	-	893,804	-	1,100,748
Net assets attributable to unitholders	-	-	-	-	101,556,139	-	101,556,139
<b>Total Liabilities</b>	<b>206,944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,449,943</b>	<b>-</b>	<b>102,656,887</b>
<b>Net currency exposure</b>	<b>53,093,660</b>	<b>8,553,597</b>	<b>12,822,070</b>	<b>3,316,716</b>	<b>(98,745,132)</b>	<b>20,959,089</b>	

# United Global Capital 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. Financial risk management (continued)

#### (a) Market risk (continued)

##### (i) Foreign exchange risk (continued)

As at 30 June 2009

	USD \$	GBP \$	EUR \$	INR \$	SGD \$	Others \$	Total \$
<b>Assets</b>							
Portfolio of investments	23,654,968	4,062,554	6,175,969	2,544,645	-	10,254,849	46,692,985
Receivables	139,008	-	-	7,553	487,181	45,061	678,803
Sales awaiting settlement	269,889	-	344,517	-	-	-	614,406
Cash and bank balances	565,779	-	47	-	2,259,735	-	2,825,561
<b>Total Assets</b>	<b>24,629,644</b>	<b>4,062,554</b>	<b>6,520,533</b>	<b>2,552,198</b>	<b>2,746,916</b>	<b>10,299,910</b>	<b>50,811,755</b>
<b>Liabilities</b>							
Payables	15,220	4,280	-	-	376,268	97	395,865
Purchases awaiting settlement	894,897	349,017	-	-	-	779,877	2,023,791
Net assets attributable to unitholders	-	-	-	-	48,392,099	-	48,392,099
<b>Total Liabilities</b>	<b>910,117</b>	<b>353,297</b>	<b>-</b>	<b>-</b>	<b>48,768,367</b>	<b>779,974</b>	<b>50,811,755</b>
<b>Net currency exposure</b>	<b>23,719,527</b>	<b>3,709,257</b>	<b>6,520,533</b>	<b>2,552,198</b>	<b>(46,021,451)</b>	<b>9,519,936</b>	

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.

# United Global Capital 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. 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 World Finance	<b>20,082,058</b>	<b>20</b>	9,338,597	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 Global Capital 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. 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	1,100,748	-	-	-
Net assets attributable to unitholders	101,556,139	-	-	-

#### As at 30 June 2009

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Payables	395,865	-	-	-
Purchases awaiting settlement	2,023,791	-	-	-
Net assets attributable to unitholders	48,392,099	-	-	-

#### (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 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 Global Capital Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

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

### 8. 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

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

#### As at 30 June 2009

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

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 Global Capital 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. 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 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:

	<b>31 December 2009</b>	30 June 2009
	\$	\$
<u>United Overseas Bank Limited</u>		
Bank balances	<b>46,711</b>	12,030

- (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:

	<b>31 December 2009</b>	31 December 2008
	\$	\$
Bank charges	<b>30</b>	30
Interest expenses	<b>10</b>	-

### 10. Financial ratios

	<b>31 December 2009</b>	31 December 2008
Expense ratio <sup>1</sup>	<b>2.02%</b>	2.03%
Turnover ratio <sup>2</sup>	<b>2.21%</b>	13.13%

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

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



