



# United Global Telecoms Fund

**Annual Report**

for the financial year ended  
31<sup>st</sup> December 2009



# United Global Telecoms Fund

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

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## **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**

Terence Ong Sea Eng  
Yeo Eng Cheong  
Thio Boon Kiat

## **TRUSTEE**

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## **AUDITORS**

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Singapore 048424

## **SOLICITORS TO THE MANAGER**

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## **SOLICITORS TO THE TRUSTEE**

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# United Global Telecoms 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 16 August 1999 Ann Comp Ret
<b>United Global Telecoms Fund</b>	2.30	10.90	10.56	-4.87	0.67	-7.80	-2.74
<b>Benchmark</b>	2.97	13.34	13.48	-4.35	0.70	-6.78	-3.96

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 ACWI Telecoms.

For the year ended 31 December 2009, the Fund rose **10.6%** on a net asset value basis against a rise of **13.5%** by the benchmark MSCI Global Telecom Index, in Singapore dollar terms. The under-performance was due to our holdings of dominant, well-capitalised telecom companies in the developed and emerging markets. These solid names did not perform as well as the small cap, loss making, highly geared telcos which rebounded strongly as the credit crisis abated.

Key contributors to the Fund were **America Movil** (+52%), **PT Telkom** (+34.5%) and **Telefonica** (+25.6%).

Key detractors to the Fund were **AT&T** (+1.4%), **Rogers Communications** (-9.2%), **France Telecom** (-7.7%) and **Deutsche Telekom** (+1.8%).

Our top holdings in 2009 were **AT&T**, **Verizon**, **Telefonica**, **Vodafone**, **America Movil**, **China Mobile** and **Bharti Airtel**.

As at end December 2009, the Fund was positioned 26% in the US & Canada, 34% in Western Europe, 21% in Asia Pacific, 10% in Latin America, 4% in EMEA (Eastern Europe, Middle East & Africa) and 1% in Japan. There was 4% cash at the end of the period.

## Market and Portfolio Review

In the first two months of 2009, global equities continued their steep decline as credit markets remained frozen and there were fears of a prolonged economic recession. During this period, Telecom Services out-performed the broader index due to the sector's defensive qualities.

In the rally which followed the market's bottom in March, Telecom Services severely lagged the broader index as investors shifted out of defensive sectors into cyclical ones. The US Telecom sector underperformed its broader market by 15%, European Telecom by 21% and Asia Telecom by 62%.

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The **US** Telecom Services sector continued to be defined by four broad trends in 2009, namely, slowing subscriber growth as the market approaches saturation (penetration is 90%); a shift from post-paid to pre-paid plans due to customers down-shifting and very aggressive pre-paid pricing; intense pressure on voice Average Revenue Per User (ARPU) as voice service becomes increasingly commoditised; and service competition on data and 3G handsets e.g. the large amounts AT&T spent on iPhone subsidies.

Our core holding in the US are **AT&T** and **Verizon**. We hold both stocks as we see earning growth being supported from continued, albeit slowing, revenue growth and cutbacks in capex. Both stocks are trading at multi-year low price-earnings multiples and have a dividend yield of 6%. AT&T has managed to generate 2 million net new mobile subscribers in three of the past five quarters. Postpaid ARPU has increased in every quarter, due to iPhone sales. iPhone subsidies have however affected wireless profits and margins. Even without the iPhone **Verizon** (+1.5%) still managed to do well due to its robust network. Verizon's subscriber churn is lower and its wireless Ebitda margins, in the mid-40%, is about 500bp higher than AT&T's. A holding we plan to increase is **American Tower** as it is a key beneficiary of the explosion in smartphones and the need for telcos to lease more tower space to transmit data.

Another core holding in the Americas, **America Movil**, continued to deliver top line growth in 2009 albeit at one-third of the rate of the previous five years as its markets are maturing. America Movil's dominant market position, network coverage, brand equity, America Movil and operating scale positions it to achieve industry leading growth and profitability. Drivers of growth include the increase in data usage and the migration of higher ARPU post-paid plans.

In 2009, there was a common trend among European incumbents (**Telefonica** and **KPN**) missing top line estimates but still meeting profitability and cash flow targets, by controlling operating expenses and cutting investment spending. With the credit crisis, the focus has clearly shifted from top line growth to cash generation. Mobile revenues fell for the first time ever in 2009, due to near negative voice elasticity. The growth in data revenue, while strong, is only partially offsetting the decline in voice revenue. The incumbents have however reiterated their FY09/10 targets and have also stuck to their dividend payments. We continue to favour **Telefonica** and **KPN** for their scale and geographic diversification, strong balance sheets, cash generation and consistent shareholder return. For **Telefonica**, its diversification into Latin America has enabled it to be the fastest growing European incumbent. The weakness in its domestic Spanish division is offset by strong subscriber and revenue growth in Brazil (Vivo) and good performance in Europe (O2) thanks to the iPhone. The company is also controlling cost well.

We added off-benchmark stocks, **Eutelsat** and **Inmarsat**, to the portfolio. These two satellite operators offer a combination of growth and defensiveness. We have turned less positive on **Vodafone**. Revenue growth will be subdued for some time as 95% of its revenues comes from the wireless business and elasticity in the European mobile voice market is weak. There are also regulatory caps to termination fees.

In **Asia**, revenue growth in the two biggest markets, China and India, slowed dramatically in 2009. The strong growth in subscribers and revenues that we saw for the region in the 2006-07 period appears to be behind us. As mobile penetration in the cities reaches maturity, Asian telcos are expanding into the less profitable rural areas. Rural subscribers typically have lower Minutes of Use (MoUs) and lower ARPUs. In Indonesia, telco revenues improved as the price war finally ended and competition shifted from price to service.

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We continue to favour **China Mobile** and **Bharti Airtel** despite both stocks experiencing greater competitive pressure. **China Mobile** has the burden of championing the domestic TD-SCDMA 3G standard. It has had to revise its capex spending upwards as the competition for 3G subscribers intensifies. China Mobile also faces slowing top line growth due to weaker subscriber growth and negative price elasticity but it remains the best positioned Telco in China. **Bharti Airtel's** abandonment of its merger talks with MTN, the South African incumbent, delighted shareholders as the deal had questionable synergies. Bharti was subsequently dragged into a tariff war for GSM subscribers, which has led to a substantial decline in Bharti's earnings growth to resume. China Mobile and Bharti are the most attractive exposures to world's two largest telecom markets.

Our favoured Asian telco is **PT Telkom**. After a bruising price war, pricing should stabilise or rise through 2010 as its competitors are in no position to cut tariffs further due to weak balance sheets. PT Telkom has also strengthened its network whereas its competitors are at full capacity.

## Market and Sector Outlook

The Telecom sector may continue to lag the broader indices in 2010 as sectors that are more leveraged to global growth will see larger earnings surprises and are likely to perform better. However, given the uncertainty over the sustainability of the recovery, investors may start to rotate out of the cyclical and small cap companies which are trading at substantial premiums to telecom stocks. Telecom valuations are at a historical low and dividend yields for some telcos even exceed their bond yields. The sector offers investors a safe haven given the more predictable earnings and consistent cash flow.

## Issues for the sector in 2009:

Emerging Market telcos: - The key question for 2010 is whether the slowdown in revenue growth is just a hiccup. We are anticipating the end to the tariff war in India and also believe competitive pressures in China will decline as telcos realise that taking on new subscribers at high costs, especially 3G ones, kills profitability.

Developed Market telcos: - Telcos are discovering that smartphones are proving a double-edged sword, pushing up data ARPU and lowering subscriber defection, but coming at the cost of high handset subsidies that lower margins. High data traffic is also overwhelming networks and triggering the need for more investment in capacity.

## Summary

We favour Asian telecom operators the most, followed by the US, Europe and Japan. Despite the slowdown, Asian telecom operators are still achieving better revenue and subscriber growth than any other region. We have also increased our exposure to other growth markets in Latin America, the Middle East and Africa. In the developed markets, share buybacks and high dividend yields offer shareholders attractive cash returns.

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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	202,957	0.51
Canada	1,268,886	3.22
China	2,636,237	6.68
France	1,728,546	4.38
Germany	941,685	2.39
India	2,281,558	5.78
Indonesia	1,971,388	5.00
Japan	519,384	1.31
Mexico	3,760,566	9.53
Netherlands	2,053,443	5.20
Philippines	276,356	0.70
Russia	899,585	2.28
Singapore	770,600	1.95
South Africa	555,288	1.41
South Korea	410,126	1.04
Spain	4,348,734	11.02
United Kingdom	4,248,901	10.77
United States	9,122,404	23.11
Portfolio of investments	37,996,644	96.28
Other net assets	1,467,938	3.72
<b>Total</b>	<b>39,464,582</b>	<b>100.00</b>
<b>ii) Industry</b>		
Consumer Discretionary	556,223	1.41
Telecommunication Services	37,440,421	94.87
Portfolio of investments	37,996,644	96.28
Other net assets	1,467,938	3.72
<b>Total</b>	<b>39,464,582</b>	<b>100.00</b>
<b>iii) Asset Class</b>		
Equities	37,996,644	96.28
Other net assets	1,467,938	3.72
<b>Total</b>	<b>39,464,582</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 %
AT & T INC	4,919,090	12.46
TELEFONICA SA	4,348,734	11.02
AMERICA MOVIL- ADR SERIES L	3,760,566	9.53
VODAFONE GROUP PLC	3,576,232	9.06
VERIZON COMMUNICATIONS INC	3,488,465	8.84
CHINA MOBILE LIMITED	2,636,237	6.68
BHARTI AIRTEL LIMITED	2,281,558	5.78
KONINKLIJKE KPN NV	2,053,443	5.20
TELKOMUNIKASI INDONESIA PT	1,971,388	5.00
ROGERS COMMUNICATIONS - CLASS B	1,268,886	3.22

### 10 largest holdings at 31 December 2008

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
AT & T INC	5,666,470	14.61
VERIZON COMMUNICATIONS INC	3,868,241	9.97
TELEFONICA SA	3,838,483	9.89
VODAFONE GROUP PLC	3,537,386	9.12
CHINA MOBILE LIMITED	2,892,579	7.46
AMERICA MOVIL- ADR SERIES L	2,543,690	6.56
BHARTI AIRTEL LIMITED	2,140,114	5.52
KONINKLIJKE KPN NV	1,789,862	4.61
ROGERS COMMUNICATIONS - CLASS B	1,643,622	4.24
FRANCE TELECOM SA	1,550,998	4.00

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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 year 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 financial year ended 31 December 2009

Total amount of redemptions	SGD	3,454,369
Total amount of subscriptions	SGD	211,139

## H) The amount and terms of related-party transactions for the financial year ended 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	45,113
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- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 31 December 2009

N/A

- 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	2.06%
31 December 2008	2.08%

*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	13.38%
31 December 2008	26.77%

*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 financial year ended 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 financial year ended 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.

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## REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and to hold the assets of United Global Telecoms Fund (the “Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 13 to 30 comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

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

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Authorised signatory

22 March 2010

# United Global Telecoms Fund

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

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## STATEMENT BY THE MANAGER

In the opinion of the directors of UOB Asset Management Ltd, the accompanying financial statements set out on pages 13 to 30, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of the Fund as at 31 December 2009 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager  
UOB ASSET MANAGEMENT LTD

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TERENCE ONG  
Authorised signatory

22 March 2010

# United Global Telecoms Fund

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## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UNITED GLOBAL TELECOMS FUND**

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

We have audited the financial statements of United Global Telecoms Fund (the "Fund") set out on pages 13 to 30, which comprise the Balance Sheet and Portfolio Statement as at 31 December 2009, the Statement of Total Return for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2009 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

PricewaterhouseCoopers LLP  
Public Accountants and Certified Public Accountants

Singapore, 22 March 2010

# United Global Telecoms Fund

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## STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2009

	Notes	2009 \$	2008 \$
<b>Income</b>			
Dividends		1,881,207	1,850,166
Interest		765	3,969
		<b>1,881,972</b>	1,854,135
<b>Less: Expenses</b>			
Management fee	9	580,053	797,315
Trustee fee	9	32,055	42,982
Audit fee		15,116	14,253
Registrar fee	9	16,050	16,019
Valuation fee	9	48,338	66,443
Custody fee		20,313	28,415
Interest expenses		-	89
Other expenses		70,544	55,583
		<b>782,469</b>	1,021,099
<b>Net income</b>		<b>1,099,503</b>	833,036
<b>Net gains or losses on value of investments</b>			
Net realised loss on investments		(1,541,290)	(1,165,517)
Net change in fair value on investments		4,714,046	(22,150,952)
Net foreign exchange loss		(21,980)	(13,493)
<b>Net gain/(loss) on value of investments</b>		<b>3,150,776</b>	(23,329,962)
<b>Total return/(deficit) for the year before income tax</b>		<b>4,250,279</b>	(22,496,926)
Less : Income tax	3	(339,220)	(354,596)
<b>Total return/(deficit) for the year</b>		<b>3,911,059</b>	(22,851,522)

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

# United Global Telecoms Fund

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## BALANCE SHEET

As at 31 December 2009

	Notes	2009 \$	2008 \$
<b>ASSETS</b>			
Portfolio of investments		<b>37,996,644</b>	36,091,330
Receivables	4	<b>101,845</b>	93,639
Sales awaiting settlement		<b>712,762</b>	-
Cash and bank balances		<b>914,512</b>	2,798,472
<b>Total Assets</b>		<b>39,725,763</b>	38,983,441
<b>LIABILITIES</b>			
Payables	5	<b>261,181</b>	186,688
Net assets attributable to unitholders	6	<b>39,464,582</b>	38,796,753
<b>Total Liabilities</b>		<b>39,725,763</b>	38,983,441

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

# United Global Telecoms Fund

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## PORTFOLIO STATEMENT

As at 31 December 2009

	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>			
TELSTRA CORPORATION LIMITED	47,000	202,957	0.51
<b>CANADA</b>			
ROGERS COMMUNICATIONS - CLASS B	29,100	1,268,886	3.22
<b>CHINA</b>			
CHINA MOBILE LIMITED	200,000	2,636,237	6.68
<b>FRANCE</b>			
EUTELSAT COMMUNICATIONS	12,300	556,223	1.41
FRANCE TELECOM SA	33,400	1,172,323	2.97
<b>TOTAL FRANCE</b>		<b>1,728,546</b>	<b>4.38</b>
<b>GERMANY</b>			
DEUTSCHE TELEKOM REG	45,300	941,685	2.39
<b>INDIA</b>			
BHARTI AIRTEL LIMITED	230,000	2,281,558	5.78
<b>INDONESIA</b>			
TELKOMUNIKASI INDONESIA PT	1,396,000	1,971,388	5.00
<b>JAPAN</b>			
KDDI CORPORATION	70	519,384	1.31
<b>MEXICO</b>			
AMERICA MOVIL- ADR SERIES L	57,100	3,760,566	9.53

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## PORTFOLIO STATEMENT

As at 31 December 2009

	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>NETHERLANDS</b>			
KONINKLIJKE KPN NV	86,100	<b>2,053,443</b>	<b>5.20</b>
<b>PHILIPPINES</b>			
GLOBE TELECOM INC	10,000	<b>276,356</b>	<b>0.70</b>
<b>RUSSIA</b>			
COMSTAR UNITED TELESYSTEMS - GDR	25,700	196,644	0.50
MOBILE TELESYSTEMS-SP ADR	10,260	702,941	1.78
<b>TOTAL RUSSIA</b>		<b>899,585</b>	<b>2.28</b>
<b>SINGAPORE</b>			
SINGAPORE TELECOMMUNICATIONS LIMITED	183,000	567,300	1.44
STARHUB LTD	95,000	203,300	0.51
<b>TOTAL SINGAPORE</b>		<b>770,600</b>	<b>1.95</b>
<b>SOUTH AFRICA</b>			
MTN GROUP LIMITED	25,000	<b>555,288</b>	<b>1.41</b>
<b>SOUTH KOREA</b>			
KT CORPORATION	8,700	<b>410,126</b>	<b>1.04</b>
<b>SPAIN</b>			
TELEFONICA SA	110,600	<b>4,348,734</b>	<b>11.02</b>
<b>UNITED KINGDOM</b>			
INMARSAT PLC	43,000	672,669	1.71
VODAFONE GROUP PLC	1,100,000	3,576,232	9.06
<b>TOTAL UNITED KINGDOM</b>		<b>4,248,901</b>	<b>10.77</b>

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

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## PORTFOLIO STATEMENT

As at 31 December 2009

	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 STATES</b>			
AMERICAN TOWER CORP - CLASS A	11,800	714,849	1.81
AT & T INC	125,000	4,919,090	12.46
VERIZON COMMUNICATIONS INC	75,000	3,488,465	8.84
<b>TOTAL UNITED STATES</b>		<b>9,122,404</b>	<b>23.11</b>
<b>Portfolio of investments</b>		<b>37,996,644</b>	<b>96.28</b>
<b>Other net assets</b>		<b>1,467,938</b>	<b>3.72</b>
<b>Net assets attributable to unitholders</b>		<b>39,464,582</b>	<b>100.00</b>

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

# United Global Telecoms Fund

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

## PORTFOLIO STATEMENT

As 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 31 December 2008 %
<b>By Geography - Primary (Summary)</b>		
<b>Quoted Equities</b>		
Australia	0.51	-
Canada	3.22	4.24
China	6.68	7.46
Egypt	-	0.50
France	4.38	4.00
Germany	2.39	3.34
India	5.78	5.52
Indonesia	5.00	3.26
Japan	1.31	2.20
Malaysia	-	0.68
Mexico	9.53	6.56
Netherlands	5.20	4.61
Philippines	0.70	0.29
Russia	2.28	0.75
Singapore	1.95	1.92
South Africa	1.41	0.44
South Korea	1.04	1.15
Spain	11.02	9.89
Taiwan	-	1.24
United Kingdom	10.77	9.12
United States	23.11	25.86
<b>Portfolio of investments</b>	<b>96.28</b>	93.03
<b>Other net assets</b>	<b>3.72</b>	6.97
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	100.00

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

# United Global Telecoms Fund

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

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## PORTFOLIO STATEMENT

As at 31 December 2009

	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 31 December 2008 %
<b>By Industry - Secondary Quoted Equities</b>			
Consumer Discretionary	556,223	1.41	-
Telecommunication Services	37,440,421	94.87	93.03
<b>Portfolio of investments</b>	<b>37,996,644</b>	<b>96.28</b>	<b>93.03</b>
<b>Other net assets</b>	<b>1,467,938</b>	<b>3.72</b>	<b>6.97</b>
<b>Net assets attributable to unitholders</b>	<b>39,464,582</b>	<b>100.00</b>	<b>100.00</b>

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

# United Global Telecoms Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

### 1. General

United Global Telecoms Fund (the “Fund”) is a unit trust constituted by a Trust Deed dated 28 June 1999 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 to invest in securities engaged in the development, production or distribution of communications services or equipment in any part of the world.

### 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 year in which they arise.

# United Global Telecoms Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

### 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.

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities are also recognised in the Statement of Total Return within the fair value net gain or loss.

(f) Financial derivatives

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

# United Global Telecoms Fund

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

### 2. Significant accounting policies (continued)

(f) Financial derivatives (continued)

Financial derivatives outstanding at the balance sheet date are valued at forward rates or at current market prices using the “mark-to-market” method, as applicable, and the resultant gains and losses are taken up in the Statement of Total Return.

(g) Expenses charged to the Fund

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

### 3. Income tax

	2009 \$	2008 \$
Overseas income tax	<b>339,220</b>	354,596

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

	2009 \$	2008 \$
Amount due from unitholders	<b>9,056</b>	3,380
Dividend receivable	<b>86,158</b>	90,259
Other receivable	<b>6,631</b>	-
	<b>101,845</b>	93,639

# United Global Telecoms Fund

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

### 5. Payables

	2009 \$	2008 \$
Amount due to unitholders	75,015	3,888
Amount due to Manager	160,065	157,539
Amount due to Trustee	8,130	8,025
Other creditors and accrued expenses	17,971	17,236
	<b>261,181</b>	<b>186,688</b>

### 6. Net assets attributable to unitholders

	2009 \$	2008 \$
<b>At the beginning of the financial year</b>	<b>38,796,753</b>	68,108,091
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	3,911,059	(22,851,522)
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	211,139	230,952
Cancellation of units	(3,454,369)	(6,690,768)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(3,243,230)	(6,459,816)
<b>Total increase/(decrease) in net assets attributable to unitholders</b>	<b>667,829</b>	(29,311,338)
<b>At the end of the financial year</b>	<b>39,464,582</b>	38,796,753
<b>Units in issue (Note 7)</b>	<b>55,460,321</b>	60,300,932
	<b>\$</b>	<b>\$</b>
<b>Net assets attributable to unitholders per unit</b>	<b>0.71</b>	0.64

# United Global Telecoms Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

### 7. Units in issue

	2009	2008
Units at beginning of the year	60,300,932	68,209,918
Units created	324,725	282,362
Units cancelled	(5,165,336)	(8,191,348)
Units at end of the year	55,460,321	60,300,932

### 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.

#### (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.

# United Global Telecoms Fund

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

### 8. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

**As at 31 December 2009**

	SGD \$	USD \$	EUR \$	Others \$	Total \$
<b>Assets</b>					
Portfolio of investments	770,600	13,782,555	9,072,408	14,371,081	37,996,644
Receivables	27,033	-	-	74,812	101,845
Sales awaiting settlement	-	712,762	-	-	712,762
Cash and bank balances	769,748	82,608	-	62,156	914,512
<b>Total Assets</b>	<b>1,567,381</b>	<b>14,577,925</b>	<b>9,072,408</b>	<b>14,508,049</b>	<b>39,725,763</b>
<b>Liabilities</b>					
Payables	261,181	-	-	-	261,181
Net assets attributable to unitholders	39,464,582	-	-	-	39,464,582
<b>Total Liabilities</b>	<b>39,725,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,725,763</b>
<b>Net currency exposure</b>	<b>(38,158,382)</b>	<b>14,577,925</b>	<b>9,072,408</b>	<b>14,508,049</b>	

**As at 31 December 2008**

	SGD \$	USD \$	EUR \$	Others \$	Total \$
<b>Assets</b>					
Portfolio of investments	747,150	13,060,802	8,475,137	13,808,241	36,091,330
Receivables	19,788	-	-	73,851	93,639
Cash and bank balances	2,700,847	78,789	-	18,836	2,798,472
<b>Total Assets</b>	<b>3,467,785</b>	<b>13,139,591</b>	<b>8,475,137</b>	<b>13,900,928</b>	<b>38,983,441</b>
<b>Liabilities</b>					
Payables	186,688	-	-	-	186,688
Net assets attributable to unitholders	38,796,753	-	-	-	38,796,753
<b>Total Liabilities</b>	<b>38,983,441</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,983,441</b>
<b>Net currency exposure</b>	<b>(35,515,656)</b>	<b>13,139,591</b>	<b>8,475,137</b>	<b>13,900,928</b>	

# United Global Telecoms Fund

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

### 8. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Investments, which is the significant item in the balance sheet is exposed to currency risk and 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 of non-monetary investments, hence currency risk sensitivity analysis has not been performed on the remaining financial assets.

(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 2008. 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	2009		2008	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
MSCI ACWI Telecoms	<b>8,131,282</b>	<b>20</b>	4,258,777	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.

# United Global Telecoms Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

### 8. Financial risk management (continued)

(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.

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	261,181	-	-	-
Net assets attributable to unitholders	<b>39,464,582</b>	-	-	-

#### As at 31 December 2008

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Payables	186,688	-	-	-
Net assets attributable to unitholders	<b>38,796,753</b>	-	-	-

# United Global Telecoms Fund

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

### 8. Financial risk management (continued)

#### (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.

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 2008.

#### 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 31 December 2008

	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.

# United Global Telecoms Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

### 8. Financial risk management (continued)

#### (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.

### 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) Ltd 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 year, the Fund maintained the following accounts with a related party:

	2009 \$	2008 \$
<u>United Overseas Bank Limited</u>		
Bank balances	45,113	6,037

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

	2009 \$	2008 \$
Bank charges	30	39
Interest expense	-	10

# United Global Telecoms Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

### 10. Financial ratios

	2009	2008
Expense ratio <sup>1</sup>	2.06%	2.08%
Turnover ratio <sup>2</sup>	13.38%	26.77%

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

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

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