



United Growth Fund

Annual Report

for the financial year ended
31st December 2009

United Growth Fund

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

MANAGER

UOB Asset Management Ltd
Registered Address:
80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration No. : 198600120Z

OPERATIONS ADDRESS

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#06-00, UOB Plaza 2
Singapore 048624
Tel: 1800 22 22 228

DIRECTORS OF UOB ASSET MANAGEMENT

Terence Ong Sea Eng
Yeo Eng Cheong
Thio Boon Kiat

TRUSTEE

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21 Collyer Quay
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AUDITORS

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SOLICITORS TO THE MANAGER

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SOLICITORS TO THE TRUSTEE

Shook Lin & Bok LLP
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#18-00, AIA Tower
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A) Fund Performance

Fund Performance/ Benchmark Returns	3 mth %	6 mth %	1 yr %	3 yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	Since Inception 28 February 1990 Ann Comp Ret
United Growth Fund	8.80	24.95	69.57	-0.80	8.83	4.48	7.52
Benchmark	9.05	26.21	70.82	1.61	8.68	2.37	4.85

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: Straits Times Index.

For the year ended 31 December 2009, the Fund rose 69.6% on a net-asset-value basis, compared with the 70.8% rise in the benchmark, the FTSE-ST Index (FSSTI) in total return terms.

As at 31 December 2009, the Fund was 99.5% invested, with the balance in cash and cash equivalents. In term of sectors, the Fund was positioned in **Financials** (50.0%), **Industrials** (28.0%), **Telecom Services** (6.8%), **Consumers** (10.7%), **Property Trust** (2.6%) and **Others** (1.4%).

Market Review

The FSSTI rose 1,136.06 points or 64.5% in 2009, a year which was characterized by extreme market volatility and weakness in the first quarter but was followed by a strong second quarter rebound which continued into the second half, albeit at a slower pace in percentage terms. The FSSTI rose 571.58 points or 32.45% in a volatile first half and ended at 2,333.14. In the second half, the FSSTI rose another 564.48 points or 24.19% to end the year at 2,897.62.

Poor export numbers out of Singapore, disappointing 4Q08 results for the local banks and weak global sentiment caused by falling share prices of leading US banks on nationalization fears badly affected the local bourse in the first quarter. The FSSTI fell as much as 306.09 points from the start of the year when it reached an intra-day low of 1,455.47 on 10 March 2009.

Market sentiment turned better in mid-March on assertions by the global banking chiefs of Bank of America and Citigroup that operating performance was good in the first two months of the year, coupled with the US Federal Open Market Committee's decision to embark on quantitative easing. Signs of improvement in some leading economic indicators in the US as well as rising optimism that the worst of the economic contraction is behind added to the market strength in the second quarter.

Continued inflow of liquidity on the back of greater confidence about the sustainability of the "green shoots" of recovery, better economic numbers, and upward revision to earnings estimates helped sustain the market rally into the second half. Better-than-expected 2Q09 GDP numbers out of Singapore and the government's upward revision to a smaller full year GDP decline helped market sentiment. Outside of Singapore, better PMI data out of China, a further improvement in US manufacturing ISM and commitments made by the G20 leaders to keep monetary policy accommodative supported the market's rise in 2H09.

United Growth Fund

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The major gainers in 2009 were commodity-related plays such as **Noble Group**, **Golden Agri-Resources** and **Wilmar International** as well as gaming stock **Genting Singapore**. **Keppel Corporation** and **DBS Group** also fared much better than the index. The major underperformers in 2009 were mainly those in the defensive sectors such as **ComfortDelgro**, **SMRT** and **StarHub**.

Market Outlook and Strategy

The current cyclical bull market is into its 46th week and appears to be in a relatively early stage compared to the average 101 weeks seen in past bull markets when Singapore emerged from recessions. If the March 2003 to October 2007 market rally is excluded, the average duration of the historical Singapore bull markets will be lower at 55 weeks. The continuing economic recovery and loose monetary policy should provide good downside support.

Valuations are no longer cheap but they are not expensive either. From a top-down perspective, based on the long-term mean P/B of 1.75x, we see the FSSTI reaching 3,100 on mid-2010 book. Our bottom-up approach derives an FSSTI fair value of 3,060. Although we do not expect the US Federal Reserve to hike the Fed funds rate until well into 2010, one key risk to the market is the potential monetary tightening by the MAS in April 2010. Past tightening episodes have seen the FSSTI declining by 6% in 3 months and 13% in 6 months after the MAS tightens its exchange rate policy.

For 1Q10, we have raised our weights on selected **property** stocks, with a focus on office-related plays and maintain our *overweight* on the **banking** stocks. We also take a tactical exposure to the **palm oil** sector. To fund these, we have increased our *underweight* in the **telecoms** sector.

United Growth Fund

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

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

	Fair Value (S\$)	% of NAV
i) Country		
China	1,186,900	0.75
Hong Kong	7,561,531	4.81
Singapore	147,727,431	93.93
Portfolio of investments	156,475,862	99.49
Other net assets	804,884	0.51
Total	157,280,746	100.00
ii) Industry		
Consumer Discretionary	3,706,700	2.36
Consumer Staples	13,063,430	8.31
Energy	1,020,000	0.65
Financials	78,602,934	49.98
Healthcare	1,186,900	0.75
Industrials	44,119,273	28.05
Property Trust	4,126,900	2.62
Telecommunication Services	10,649,725	6.77
Portfolio of investments	156,475,862	99.49
Other net assets	804,884	0.51
Total	157,280,746	100.00
iii) Asset Class		
Equities	156,475,862	99.49
Other net assets	804,884	0.51
Total	157,280,746	100.00
iv) Credit rating of debt securities		
N/A		

United Growth Fund

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

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 %
DBS GROUP HOLDINGS LIMITED	19,225,000	12.22
OVERSEAS-CHINESE BANKING CORPORATION LIMITED	16,550,163	10.52
UNITED OVERSEAS BANK LIMITED	14,071,200	8.95
SINGAPORE TELECOMMUNICATIONS LIMITED	9,686,725	6.16
CAPITALAND LIMITED	9,481,500	6.03
KEPPEL CORPORATION LIMITED	8,384,400	5.33
WILMAR INTERNATIONAL LIMITED	7,748,150	4.93
HONGKONG LAND	6,714,251	4.27
JARDINE MATHESON HOLDINGS LIMITED	6,221,273	3.96
CITY DEVELOPMENTS LIMITED	5,968,500	3.79

10 largest holdings at 31 December 2008

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
SINGAPORE TELECOMMUNICATIONS LIMITED	11,984,363	13.12
UNITED OVERSEAS BANK LIMITED	9,675,000	10.59
OVERSEAS-CHINESE BANKING CORPORATION LIMITED	7,810,348	8.55
DBS GROUP HOLDINGS LIMITED	7,148,500	7.82
KEPPEL CORPORATION LIMITED	6,062,000	6.64
CAPITALAND LIMITED	5,389,630	5.90
CITY DEVELOPMENTS LIMITED	4,459,000	4.88
SEMBCORP INDUSTRIES LIMITED	3,978,058	4.35
SINGAPORE AIRLINES LIMITED	3,851,708	4.22
HONGKONG LAND	3,843,345	4.21

United Growth Fund

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

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

	Fair Value SGD	% of NAV
CAPITACOMMERCIAL TRUST	2,320,000	1.48
CDL HOSPITALITY TRUST	870,000	0.55
SUNTEC REIT	936,900	0.60

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	49,937,092
Total amount of subscriptions	SGD	51,786,999

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	29,475
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United Growth Fund

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

H) The amount and terms of related-party transactions for the financial year ended 31 December 2009 (continued)

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

Holdings of United Growth Fund as at 31 December 2009 were as follows:

<u>Affiliated Companies</u>	<u>No. of Units</u>	<u>Unit Price</u> <u>SGD</u>	<u>Market Value</u> <u>SGD</u>
a) UOB Life Assurance Limited	13,669.42	3.140	42,921.98
b) UOBAM Trust LifeLink Growth Fund	202,350.45	3.140	635,380.41

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

N/A

- iv) As at 31 December 2009 the brokerage income earned by UOB Kay Hian Pte Ltd was SGD 5,409.

I) Expense ratios

31 December 2009	1.25%
31 December 2008	1.26%

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	46.30%
31 December 2008	39.08%

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

United Growth Fund

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

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

- 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

M) Soft dollar commissions/arrangements

UOB Asset Management has entered into soft dollars arrangements with selected brokers from whom products and services are received from third parties. The product and services relate essentially to computer hardware and software to the extent that they are used to support the investment decision making process, research and advisory services, economic and political analyses, portfolio analyses including performance measurements, market analyses, data and quotation services, all of which are believed to be helpful in the overall discharge of UOB Asset Management’s duties to clients. As such services generally benefit all of UOB Asset Management’s clients in terms of input into the investment decision making process, the soft credits utilised are not allocated on a specific client basis. The Manager confirms that trades were executed on the best available terms and there was no churning of trades.

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

United Growth Fund

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

REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and to hold the assets of United Growth 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 12 to 28 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

Authorised signatory

17 March 2010

United Growth Fund

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

STATEMENT BY THE MANAGER

In the opinion of the directors of UOB Asset Management Ltd, the accompanying financial statements set out on pages 12 to 28, 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

TERENCE ONG
Authorised signatory

17 March 2010

United Growth Fund

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF UNITED GROWTH FUND

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

We have audited the financial statements of United Growth Fund (the "Fund") set out on pages 12 to 28, 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, 17 March 2010

United Growth Fund

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

STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2009

	Notes	2009 \$	2008 \$
Income			
Dividends		4,669,880	5,291,273
Interest		79	7,865
		4,669,959	5,299,138
Less: Expenses			
Management fee	10	1,244,719	1,329,054
Trustee fee	10	74,957	79,864
Audit fee		14,604	13,796
Registrar fee	10	16,050	16,050
Custody fee		34,495	41,164
Interest expenses		-	228
Other expenses		149,498	73,629
		1,534,323	1,553,785
Net income		3,135,636	3,745,353
Net gains or losses on value of investments			
Net realised loss on investments		(3,889,200)	(3,836,579)
Net change in fair value on investments		65,844,505	(76,010,056)
Net realised gain on financial derivatives		63,760	-
Net foreign exchange loss		(8,901)	(65,879)
Net gain/(loss) on value of investments		62,010,164	(79,912,514)
Total return/(deficit) for the year before income tax		65,145,800	(76,167,161)
Less : Income tax	3	(58,988)	(23,152)
Total return/(deficit) for the year before distribution		65,086,812	(76,190,313)
Less: Distribution	6	(1,011,340)	(988,762)
Total return/(deficit) for the year		64,075,472	(77,179,075)

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

United Growth Fund

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

BALANCE SHEET

As at 31 December 2009

	Notes	2009 \$	2008 \$
ASSETS			
Portfolio of investments		156,475,862	91,433,361
Receivables	4	1,222,552	384,530
Cash and bank balances		1,917,069	922,610
Total Assets		159,615,483	92,740,501
LIABILITIES			
Payables	5	1,323,723	396,372
Proposed distribution of income	6	1,011,014	988,762
Net assets attributable to unitholders	7	157,280,746	91,355,367
Total Liabilities		159,615,483	92,740,501

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

United Growth Fund

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

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 %
By Geography - Primary			
Quoted Equities			
CHINA			
CHINA ANIMAL HEALTHCARE LIMITED	5,395,000	1,186,900	0.75
HONG KONG			
CHINA FISHERY GROUP LIMITED	623,000	847,280	0.54
HONGKONG LAND	980,000	6,714,251	4.27
TOTAL HONG KONG		7,561,531	4.81
SINGAPORE			
CAPITACOMMERCIAL TRUST	2,000,000	2,320,000	1.48
CAPITALAND LIMITED	2,257,500	9,481,500	6.03
CAPITAMALLS ASIA LIMITED	368,000	934,720	0.59
CDL HOSPITALITY TRUST	500,000	870,000	0.55
CITY DEVELOPMENTS LIMITED	519,000	5,968,500	3.79
DBS GROUP HOLDINGS LIMITED	1,250,000	19,225,000	12.22
EZRA HOLDINGS LIMITED	500,000	1,130,000	0.72
FRASER AND NEAVE LIMITED	1,070,000	4,494,000	2.86
GOLDEN AGRI-RESOURCES LIMITED	3,600,000	1,818,000	1.16
JARDINE MATHESON HOLDINGS LIMITED	148,800	6,221,273	3.96
JARDINE STRATEGIC HOLDINGS LIMITED	135,000	3,335,785	2.12
KEPPEL CORPORATION LIMITED	1,020,000	8,384,400	5.33
NOBLE GROUP LIMITED	1,570,000	5,086,800	3.23
OLAM INTERNATIONAL LIMITED	1,000,000	2,650,000	1.68
OVERSEAS-CHINESE BANKING CORPORATION LIMITED	1,820,700	16,550,163	10.52
SEBFCORP INDUSTRIES LIMITED	1,149,680	4,230,822	2.69
SEBFCORP MARINE LIMITED	464,000	1,712,160	1.09
SIA ENGINEERING COMPANY	200,000	664,000	0.42
SINGAPORE AIRLINES LIMITED	292,070	4,351,843	2.77
SINGAPORE EXCHANGE LIMITED	680,000	5,657,600	3.60
SINGAPORE PRESS HOLDINGS LIMITED	1,010,000	3,706,700	2.36
ST ENGINEERING LIMITED	900,000	2,916,000	1.85
SINGAPORE TELECOMMUNICATIONS LIMITED	3,124,750	9,686,725	6.16
SMRT CORPORATION LIMITED	430,000	821,300	0.52
Balance carried forward		122,217,291	77.70

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

United Growth Fund

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

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 %
By Geography - Primary (continued)			
Quoted Equities			
SINGAPORE (continued)			
Balance brought forward		122,217,291	77.70
STARHUB LIMITED	450,000	963,000	0.61
SUNTEC REIT	694,000	936,900	0.60
SWIBER HOLDINGS LIMITED	1,000,000	1,020,000	0.65
TIONG WOON CORP HOLDINGS LIMITED	1,214,000	770,890	0.49
UNITED OVERSEAS BANK LIMITED	715,000	14,071,200	8.95
WILMAR INTERNATIONAL LIMITED	1,205,000	7,748,150	4.93
TOTAL SINGAPORE		147,727,431	93.93
Portfolio of investments		156,475,862	99.49
Other net assets		804,884	0.51
Net assets attributable to unitholders		157,280,746	100.00

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

United Growth 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 %
By Geography - Primary (Summary)		
Quoted Equities		
China	0.75	-
Hong Kong	4.81	4.21
Singapore	93.93	95.88
Portfolio of investments	99.49	100.09
Other net assets/(liabilities)	0.51	(0.09)
Net assets attributable to unitholders	100.00	100.00

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

United Growth Fund

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

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 %
By Industry - Secondary Quoted Equities			
Consumer Discretionary	3,706,700	2.36	3.51
Consumer Staples	13,063,430	8.30	3.65
Energy	1,020,000	0.65	0.21
Financials	78,602,934	49.98	48.75
Healthcare	1,186,900	0.75	-
Industrials	44,119,273	28.05	28.02
Information Technology	-	-	0.32
Property Trust	4,126,900	2.63	2.51
Telecommunication Services	10,649,725	6.77	13.12
Portfolio of investments	156,475,862	99.49	100.09
Other net assets/(liabilities)	804,884	0.51	(0.09)
Net assets attributable to unitholders	157,280,746	100.00	100.00

United Growth Fund

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

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 Growth Fund (the "Fund") is a Singapore registered trust fund constituted by a Trust Deed dated 19 December 1989 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 shares of companies listed or quoted on Singapore Exchange Securities Trading Limited. There will be no limit on foreign currency denominated investments in respect of the Fund.

2. Significant accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss, and in accordance with the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Certified Public Accountants of Singapore.

The financial statements are expressed in Singapore dollars.

(b) Recognition of income

Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis using the effective interest method.

(c) Investments

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

(i) *Initial recognition*

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

(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 Growth 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)

(c) Investments (continued)

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sale of investments are computed on the basis of the difference between the weighted average cost and selling price net of transaction costs, and are taken up in the Statement of Total Return.

(d) Basis of valuation of investments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for these investments held by the Fund is the current market quoted bid price.

(e) Foreign currency translation

(i) *Functional and presentation currency*

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

The performance of the Fund is measured and reported to the investors in Singapore dollars. The Manager considers the Singapore dollars to be 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 such as equities 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 Growth 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)

(g) Distribution policy

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid out on the distribution date. This amount shall not be treated as part of the property of the Fund.

3. Income tax

	2009 \$	2008 \$
Singapore income tax	<u>58,988</u>	<u>23,152</u>

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 Singapore income tax represents tax deducted at source for Singapore sourced dividends.

4. Receivables

	2009 \$	2008 \$
Amount due from unitholders	1,005,609	121,334
Dividend receivable	216,943	263,196
	<u>1,222,552</u>	<u>384,530</u>

5. Payables

	2009 \$	2008 \$
Amount due to unitholders	732,614	114,384
Amount due to Manager	551,512	250,190
Amount due to Trustee	22,216	15,021
Other creditors and accrued expenses	17,381	16,777
	<u>1,323,723</u>	<u>396,372</u>

United Growth Fund

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

6. Proposed distribution of income

	2009 \$	2008 \$
Proposed final distribution of income amounting to \$2 per 100 units on 50,550,712 units (2008: \$2.00 per 100 units on 49,438,088 units)	1,011,014	988,762

7. Net assets attributable to unitholders

	2009 \$	2008 \$
At the beginning of the financial year	91,355,367	150,239,717
Operations		
Change in net assets attributable to unitholders resulting from operations	64,075,472	(77,179,075)
Unitholders' contributions/(withdrawals)		
Creation of units	51,786,999	42,037,583
Cancellation of units	(49,937,092)	(23,742,858)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	1,849,907	18,294,725
Total increase/(decrease) in net assets attributable to unitholders	65,925,379	(58,884,350)
At the end of the financial year	157,280,746	91,355,367
Units in issue (Note 8)	50,550,712	49,438,088
	\$	\$
Net assets attributable to unitholders per unit	3.11	1.85

United Growth 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. Units in issue

	2009	2008
Units at beginning of the year	49,438,088	42,105,907
Units created	21,291,880	16,331,090
Units cancelled	(20,179,256)	(8,998,909)
Units at end of the year	50,550,712	49,438,088

9. Financial risk management

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

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

(a) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments. The Fund's investments are substantially dependent on changes in market prices. The Fund's investments are monitored by the Manager on a regular basis so as to assess changes in fundamentals and valuation. Although the Manager makes reasonable efforts in the choice of investments, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the asset value of the Fund. Guidelines are set to reduce the Fund's risk exposures to market volatility such as diversifying the portfolio by investing across various geographies, alternatively, the Fund may be hedged using derivative strategies.

(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 Growth Fund

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

9. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

As at 31 December 2009

	SGD \$	USD \$	Total \$
Assets			
Portfolio of investments	140,204,553	16,271,309	156,475,862
Receivables	759,153	463,399	1,222,552
Cash and bank balances	1,288,206	628,863	1,917,069
Total Assets	142,251,912	17,363,571	159,615,483

Liabilities

Payables	1,191,315	132,408	1,323,723
Proposed distribution of income	944,606	66,408	1,011,014
Net assets attributable to unitholders	157,280,746	-	157,280,746
Total Liabilities	159,416,667	198,816	159,615,483

Net currency exposure

(17,164,755) 17,164,755

As at 31 December 2008

	SGD \$	USD \$	Total \$
Assets			
Portfolio of investments	82,378,824	9,054,537	91,433,361
Receivables	382,017	2,513	384,530
Cash and bank balances	797,594	125,016	922,610
Total Assets	83,558,435	9,182,066	92,740,501

Liabilities

Payables	391,500	4,872	396,372
Proposed distribution of income	945,655	43,107	988,762
Net assets attributable to unitholders	91,355,367	-	91,355,367
Total Liabilities	92,692,522	47,979	92,740,501

Net currency exposure

(9,134,087) 9,134,087

United Growth Fund

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

9. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Investments, which is the significant item in the balance sheet is exposed to currency risk and other price risk. Price risk sensitivity analysis includes the impact of currency risk on non-monetary investments. The Fund's net financial assets comprise significantly non-monetary investments, hence currency risk sensitivity analysis has not been 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 component	2009		2008	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
Straits Times Index	32,234,028	20	18,469,539	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 Growth Fund

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

9. 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	1,323,723	-	-	-
Proposed distribution of income	1,011,014	-	-	-
Net assets attributable to unitholders	157,280,746	-	-	-

As at 31 December 2008

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Payables	396,372	-	-	-
Proposed distribution of income	988,762	-	-	-
Net assets attributable to unitholders	91,355,367	-	-	-

United Growth Fund

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

9. 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 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
JP Morgan	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.

(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 Growth Fund

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

10. Related party transactions

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

Management fee is 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	29,475	24,231

- (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

- (d) UOB Kay Hian Pte Ltd is an affiliate company of United Overseas Bank Limited.

As at the end of the financial year, the Fund has brokerage fee paid or payable to UOB Kay Hian Pte Ltd as follows:

	2009	2008
	\$	\$
Brokerage charges	5,409	17,321

United Growth Fund

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

11. Financial ratios

	2009	2008
Expense ratio ¹	1.25%	1.26%
Turnover ratio ²	46.30%	39.08%

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

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

