



United International Bond Fund

Semi Annual Report

for the period 1st January to
30th June 2011

United International Bond Fund

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

MANAGER

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

OPERATIONS ADDRESS

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DIRECTORS OF UOB ASSET MANAGEMENT

Terence Ong Sea Eng
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TRUSTEE

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SOLICITORS TO THE TRUSTEE

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United International Bond Fund

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A) Fund Performance

Fund Performance	3 mth % Growth	6 mth % Growth	1 yr % Growth	3 yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	29 September 1995 Since Inception Ann Comp Ret
United International Bond Fund	-0.68	1.17	4.73	3.68	2.26	3.50	2.06

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.

For the period ended 30 June 2011, the Fund gained **1.2%** on a net asset value basis. The Fund's investment objective is to preserve capital and generate stable income streams, with minimal volatility. The Fund also has a 2% annual dividend payout target.

The Fund's strategy of investing in high yield corporate bond in Asia, Emerging markets and the US and Asian convertible bond performed well in the first quarter of 2011 as expectations of strong global growth drove credit spreads to tighten. The strong rallies in Asian equity markets also provided additional lift to the convertible bonds segment.

However, that changed in the second quarter, as a series of negative events sparked off a selloff in risk assets, thereby eroding the Fund's gains. At the end of the period, the Fund was invested mostly in corporate bonds (65% of the portfolio) and convertible bonds (30%). Country was as follow: Developed markets (19%), Asia ex Singapore (61%), Emerging Markets (4%) and Singapore (16%, including cash).

As of 30 June 2011, the Fund's average duration was 3.15 years and with a yield to maturity of 9.65% and the average rating of the bonds in the portfolio was slightly under investment grade.

Market Review

The period under review saw the G3 government bond yields tighten and volatility rise as the European debt crisis worsened. After Greece, Ireland became the second Euro zone country to seek a bailout late last year. This was then followed by Portugal in May this year. Also, just a year on from the Greek bailout, concerns about a possible debt restructuring in Greece grew again, and that made Greece's planned return to the market in 2012 appear unrealistic. Subsequent plans for second bailout package for Greece got underway, while the Euro zone authorities called for private sector involvement as well. Besides Greece, Spain and Italy also got hit, as their yields and CDS spreads hit fresh highs.

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In the US, we saw the end of quantitative easing II, but that did not push the yields to higher as weak economic data pointed to a slower than expected recovery. Although the programme eliminated the risk of deflation, it could not stimulate the needed economic growth and job creation. However, the longer-term inflation expectations (measured by five year TIPS breakevens) did jump by around 43% since QE2 began in November. We do not expect another round of quantitative easing, unless the economic situation worsens significantly, with signs of deflation coming back. We believe that the slowdown in the US was mostly due to supply chain disruptions from the Japan earthquake, soft data from China and higher fuel prices. With these factors showing signs of stabilization, we expect to see a stronger recovery in the second half of the year.

As for the Asian credit market, the market was hit by a sharp increase in risk aversion driven by heightened macro uncertainty and a huge increase in Chinese bond issuance (both investment grade and high yields), due to the tightening monetary policy in China. In addition, the Chinese Industrial high yield credits were further bogged down by a dispute between Sino Forest and research firm Muddy Waters over the former's corporate governance practices. The saga spooked investors who became more cautious of Chinese equity and debt investments thereafter.

Outlook and Strategy

Looking ahead, the Euro zone debt crisis and slower global growth remain our biggest concerns. Despite the slower expected growth rates for US and Asia, we continue to be positive on the outlook for corporate credit and we recommend overweights in Asia and emerging markets. The economic fundamentals of the emerging markets and Asian economies are still positive despite concerns over China slowing down. We believe that these economies should emerge from the crisis in far stronger position, and may outperform the developed economies.

Meanwhile, Asian corporate credits (both investment grade and high yields) have underperformed relative to the developed markets, but we expect their spreads to tighten as global growth outlook improves. In contrast, the Fund will avoid the credit issues from Euro zone. In terms of credit strategy, we will raise our exposure to investment grade paper, and reduce our positions in the high yield corporate credits and convertible bonds segment.

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B) Investments at fair value and as a percentage of NAV as at 30 June 2011 under review classified by

	Fair Value (S\$)	% of NAV
i) Country		
<u>Quoted Bonds</u>		
Australia	4,598,106	10.63
Chile	1,575,972	3.64
China	10,866,949	25.12
France	352,875	0.81
Hong Kong	12,885,263	29.78
India	2,144,154	4.96
Malaysia	615,120	1.42
Norway	1,664,083	3.85
Singapore	5,162,434	11.93
Spain	1,073,887	2.48
United Kingdom	497,108	1.15
<u>Unit Trust</u>		
Singapore	1,206,836	2.79
Portfolio of investments	42,642,787	98.56
Other net assets	623,549	1.44
Total	43,266,336	100.00
ii) Industry		
Consumer Discretionary	3,230,240	7.46
Consumer Staples	6,057,806	14.00
Energy	4,857,679	11.23
Financials	8,255,375	19.09
Government	1,689,007	3.90
Industrials	3,828,632	8.84
Materials	13,517,212	31.25
Unit Trust/ Fund	1,206,836	2.79
Portfolio of investments	42,642,787	98.56
Other net assets	623,549	1.44
Total	43,266,336	100.00

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B) Investments at fair value and as a percentage of NAV as at 30 June 2011 under review classified by (continued)

	Fair Value (S\$)	% of NAV
iii) Asset Class		
Fixed Income	41,435,951	95.77
Unit Trust	1,206,836	2.79
Other net assets	623,549	1.44
Total	43,266,336	100.00

iv) Credit rating of debt securities of S&P

AA	1,073,887	2.48
BBB	352,875	0.81
BB	13,692,894	31.64
B	8,229,148	19.03
CCC	1,813,072	4.19
NR	17,480,911	40.41
Total	42,642,787	98.56

v) Credit rating of debt securities of Moody's

Aa	1,073,887	2.48
A	615,120	1.42
Baa	2,491,540	5.75
Ba	4,134,188	9.56
B	11,890,086	27.48
NR	22,437,966	51.87
Total	42,642,787	98.56

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C) Top Ten Holdings

The top 10 holdings as at 30 June 2011 and 30 June 2010

10 largest holdings at 30 June 2011

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
CHINA GREEN HOLDINGS LTD 3% DUE 12/04/2013	3,296,004	7.62
WINSWAY COKING COAL HOLDINGS 8.5% DUE 08/04/2016	2,883,624	6.66
OSIM INTL LTD CB 2.75% DUE 05/07/2016	2,877,240	6.65
KAISA GROUP HOLDINGS LTD 13.5% DUE 28/04/2015	2,490,764	5.76
FUFENG GROUP LTD 7.625% DUE 13/04/2016	2,323,586	5.37
TATA STEEL LTD CONV BOND 4.5% DUE 21/11/2014	2,144,154	4.96
ORIGIN ENERGY FINANCE LTD 7.875% DUE 16/06/2071	2,138,665	4.94
HIDILI INDS INTL DEV 8.625% DUE 04/11/2015	1,943,549	4.49
EVERGRANDE REAL ESTATE GROUP 13% DUE 27/01/2015	1,845,254	4.26
DAVOMAS INTERNATIONAL FI 11.0% DUE 08/12/2014	1,813,072	4.19

10 largest holdings at 30 June 2010

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
ASCENDAS REAL ESTATE INV 4.75% DUE 29/4/2011	3,088,067	6.96
CAPITACOMMERCIAL TRUST 3.15% DUE 24/1/2011	3,062,429	6.90
DAIMLERCHRYSLER CANADA FIN 5.75% DUE 10/8/2011	2,282,759	5.14
CAPITAMALL TRUST CB 1% DUE 2/7/2013	2,078,088	4.68
SUNSHINE ASSETS LTD EMTN (BR) 2.78% DUE 11/2/2011	2,024,846	4.56
MORGAN STANLEY 10.09% DUE 3/5/2017	1,465,818	3.30
KOREA LAND & HOUS CORP 4.875% DUE 10/9/2014	1,231,460	2.78
BANK OF AMERICA CORP FRN DUE 14/2/2012	1,156,878	2.61
CITIGROUP INC 4.98% DUE 20/6/2013	1,055,601	2.38
SINGAPORE GOVERNMENT BOND 2.375% DUE 1/4/2017	1,052,176	2.37

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D) Exposure to derivatives

i) fair value of derivative contracts and as a percentage of NAV as at 30 June 2011

	Contract or underlying principal amount	Positive fair value	% of NAV	Negative fair value	% of NAV
	\$	\$		\$	
Forward foreign exchange contracts	32,900,435	228,013	0.53	-	-
Option contracts	6,673,588	11,125	0.03	16,544	0.04

ii) There was a net gain of SGD 1,271,835 on derivative contracts realised for the period 1 January 2011 to 30 June 2011

iii) There was a net gain of SGD 222,594 on outstanding derivative contracts marked to market as at 30 June 2011

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 30 June 2011

	Fair value (S\$)	% of NAV
UNITED RENMINBI BOND FUND (USD)	1,206,836	2.79

F) Amount and percentage of borrowings to net asset value (NAV) as at 30 June 2011

N/A

G) Amount of redemptions and subscriptions for the period 01 January 2011 to 30 June 2011

Total amount of redemptions	SGD	3,061,081
Total amount of subscriptions	SGD	5,648,924

H) The amount and terms of related-party transactions for the period 01 January 2011 to 30 June 2011

i) As at 30 June 2011 the Fund maintained current accounts with the United Overseas Bank Limited as follows:

Bank balances	SGD	36,125
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H) The amount and terms of related-party transactions for the period 01 January 2011 to 30 June 2011 (continued)

- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 30 June 2011

Holdings of United International Bond Fund as at 30 June 2011 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) UNION Offshore Insurance Fund	1,456,644.64	1.022	1,488,690.82
b) UNION Singapore Insurance Fund	832,368.36	1.022	850,680.46
c) United Overseas Insurance - Shareholders' Fund	1,872,828.83	1.022	1,914,031.06
d) United Overseas Insurance - Singapore Insurance Fund	3,500,000.00	1.022	3,577,000.00
e) UOBAM Trust- United Sure Balanced Income Fund	19,634,383.14	1.022	20,066,339.57

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

N/A

- iv) As at 30 June 2011 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

I) Expense ratios

30 June 2011	0.78%
30 June 2010	0.76%

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

30 June 2011	352.43%
30 June 2010	27.30%

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

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K) Any material information that will adversely impact the valuation of the scheme such as contingent liabilities of open contracts

N/A

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

i) top 10 holdings at fair value and as percentage of NAV as at 30 June 2011 and 30 June 2010

N/A

ii) expense ratios for the period ended 30 June 2011 and 30 June 2010. A footnote should state (where applicable) that the expense ratio does not include brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from or arising out of income received.

N/A

iii) turnover ratios for the period ended 30 June 2011 and 30 June 2010

N/A

M) Soft dollar commissions/arrangements

There were no soft dollar arrangements, rebates, commissions or other monetary incentives received by UOB Asset Management Ltd.

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

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STATEMENT OF TOTAL RETURN

For the half year ended 30 June 2011 (Un-audited)

	Note	30 June 2011 \$	30 June 2010 \$
Income			
Dividends		4,872	11,484
Interest		770	382
Other Income		29,698	-
		35,340	11,866
Less: Expenses			
Management fee	11	103,734	114,048
Less: Management fee rebate	11	(4,220)	-
Trustee fee	11	8,299	9,124
Audit fee		6,600	6,100
Registrar fee	11	7,490	7,460
Custody fee		16,046	12,921
Interest expenses		117	20
Other expenses		41,691	32,351
		179,757	182,024
Net loss		(144,417)	(170,158)
Net gains or losses on value of investments			
Net realised gain/(loss) on investments		1,423,282	(335,831)
Net change in fair value on investments		(1,742,009)	1,095,890
Net realised gain on financial derivatives		1,271,835	495,330
Net change in fair value on financial derivatives		222,594	(27,023)
Net foreign exchange loss		(594,821)	(8,129)
Net gain on value of investments		580,881	1,220,237
Total return for the period before income tax		436,464	1,050,079
Less : Income tax	3	(43)	-
Total return for the period		436,421	1,050,079

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

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BALANCE SHEET

As at 30 June 2011 (Un-audited)

	Note	30 June 2011 \$	31 December 2010 \$
ASSETS			
Portfolio of investments		42,642,787	40,126,120
Receivables	4	22,322	7,451
Margin Deposit		170,347	222,279
Sales awaiting settlement		3,315,562	-
Cash and bank balances		2,796,876	421,075
Financial derivatives at fair value	7	239,138	641,051
Total Assets		49,187,032	41,417,976
LIABILITIES			
Payables	5	79,196	363,830
Purchase awaiting settlement		5,824,956	-
Financial derivatives at fair value	7	16,544	10,943
Distribution payable	6	-	801,131
Net assets attributable to unitholders	8	43,266,336	40,242,072
Total Liabilities		49,187,032	41,417,976

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PORTFOLIO STATEMENT

As at 30 June 2011 (Un-audited)

	Nominal holdings at 30 June 2011	Fair value at 30 June 2011 \$	Percentage of total net assets attributable to unitholders at 30 June 2011 %
By Geography - Primary			
Quoted Bonds			
AUSTRALIA			
ORIGIN ENERGY FINANCE LTD 7.875% DUE 16/06/2071	1,200,000	2,138,665	4.94
PALADIN ENERGY LTD CB 3.625% DUE 04/11/2015	1,400,000	1,503,053	3.48
TRANSPACIFIC INDUSTRIES GROUP 6.75% DUE 07/12/2014	800,000	956,388	2.21
TOTAL AUSTRALIA		4,598,106	10.63
CHILE			
BRT ESCROW CORP SPA 8% DUE 18/08/2018	1,300,000	1,575,972	3.64
CHINA			
BIG WILL INVESTMENTS LTD 10.875% DUE 29/04/2016	500,000	589,020	1.37
EVERGRANDE REAL ESTATE GROUP 13% DUE 27/01/2015	1,400,000	1,845,254	4.26
HIDILI INDS INTL DEV 8.625% DUE 04/11/2015	1,600,000	1,943,549	4.49
MIE HOLDINGS CORP 9.75% DUE 12/05/2016	1,000,000	1,215,961	2.81
WEST CHINA CEMENT LTD 7.5% DUE 25/01/2016	1,100,000	1,326,729	3.07
WINSWAY COKING COAL HOLDINGS 8.5% DUE 08/04/2016	2,500,000	2,883,624	6.66
YUZHOU PROPERTIES CO 13.5% DUE 15/12/2015	900,000	1,062,812	2.46
TOTAL CHINA		10,866,949	25.12
FRANCE			
BANQUE PSA FINANCE 4% DUE 24/06/2015	200,000	352,875	0.81

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PORTFOLIO STATEMENT

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	Nominal holdings at 30 June 2011	Fair value at 30 June 2011 \$	Percentage of total net assets attributable to unitholders at 30 June 2011 %
By Geography – Primary (continued)			
Quoted Bonds			
HONG KONG			
BLT INTERNATIONAL CORP CB 12% DUE 10/2/2015	1,000,000	1,296,272	2.99
CHAODA MODERN AGRICULT CB 3.7% DUE 01/09/2015	1,000,000	948,730	2.19
CHINA GREEN HOLDINGS LTD 3% DUE 12/04/2013	23,000,000	3,296,004	7.62
FOSUN INTL LTD 7.5% DUE 12/05/2016	600,000	734,379	1.70
FUFENG GROUP LTD 7.625% DUE 13/04/2016	2,000,000	2,323,586	5.37
KAISA GROUP HOLDINGS LTD 13.5% DUE 28/04/2015	2,000,000	2,490,764	5.76
KAISA GROUP HOLDINGS LTD CB 8% DUE 20/12/2015	9,000,000	1,795,528	4.15
TOTAL HONG KONG		12,885,263	29.78
INDIA			
TATA STEEL LTD CONV BOND 4.5% DUE 21/11/2014	1,500,000	2,144,154	4.96
INDONESIA			
ONGKO INTL FIN CO BV 10.5% DUE 31/12/2049 DF*	500,000	-	-
MALAYSIA			
WAKALA GLOBAL SUKUK BHD 4.646% DUE 06/07/2021	500,000	615,120	1.42
NORWAY			
NORSKE SKOGINDUSTRIER 11.75% DUE 15/06/2016	1,000,000	1,664,083	3.85

* Bond has defaulted, and its fair value represents the Manager's best estimate.

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

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PORTFOLIO STATEMENT

As at 30 June 2011 (Un-audited)

	Nominal holdings at 30 June 2011	Fair value at 30 June 2011 \$	Percentage of total net assets attributable to unitholders at 30 June 2011 %
By Geography – Primary (continued)			
Quoted Bonds			
SINGAPORE			
BINTAN LAGOON RESORT LTD 5.875% DUE 26900DF*	250,000	125	-
DAVOMAS INTERNATIONAL FI 11.0% DUE 08/12/2014	1,800,000	1,813,072	4.19
KEPPEL LAND LTD CONV 1.875% DUE 29/11/2015	500,000	471,997	1.09
OSIM INTL LTD CB 2.75% DUE 05/07/2016	3,000,000	2,877,240	6.65
TOTAL SINGAPORE		5,162,434	11.93
SPAIN			
BONOS Y OBLIG DEL ESTADO 5.5% DUE 30/04/2021	600,000	1,073,887	2.48
UNITED KINGDOM			
VEDANTA RESOURCES 8.25% DUE 07/06/2021	400,000	497,108	1.15
TOTAL BONDS		41,435,951	95.77

* Bond has defaulted, and its fair value represents the Manager's best estimate.

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As at 30 June 2011 (Un-audited)

	Holdings at 30 June 2011	Fair value at 30 June 2011 \$	Percentage of total net assets attributable to unitholders at 30 June 2011 %
By Geography – Primary (continued)			
Unit Trust			
SINGAPORE			
UNITED RENMINBI BOND FUND (USD)	990,016	1,206,836	2.79
TOTAL UNIT TRUST		1,206,836	2.79
Portfolio of investments		42,642,787	98.56
Other net assets		623,549	1.44
Net assets attributable to unitholders		43,266,336	100.00

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

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As at 30 June 2011 (Un-audited)

	Percentage of total net assets attributable to unitholders at 30 June 2011 %	Percentage of total net assets attributable to unitholders at 31 December 2010 %
By Geography - Primary (Summary)		
Quoted Bonds		
Australia	10.63	9.50
Cayman Island	-	3.18
Chile	3.64	-
China	25.12	16.03
France	0.81	-
Germany	-	1.39
Hong Kong	29.78	22.51
India	4.96	-
Indonesia	-	13.25
Ireland	-	0.63
Malaysia	1.42	2.15
Norway	3.85	-
Peru	-	0.67
Qatar	-	0.62
Singapore	11.93	14.68
Spain	2.48	-
South Korea	-	1.49
Supra National	-	1.81
Taiwan	-	-
United Kingdom	1.15	2.51
United States	-	9.29
Unit Trust		
Singapore	2.79	-
Portfolio of investments	98.56	99.71
Other net assets	1.44	0.29
Net assets attributable to unitholders	100.00	100.00

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

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PORTFOLIO STATEMENT

As at 30 June 2011 (Un-audited)

	Fair value at 30 June 2011 \$	Percentage of total net assets attributable to unitholders at 30 June 2011 %	Percentage of total net assets attributable to unitholders at 31 December 2010 %
By Industry - Secondary			
Quoted Bonds			
Consumer Discretionary	3,230,240	7.46	9.14
Consumer Staples	6,057,806	14.00	9.38
Energy	4,857,679	11.23	13.00
Financials	8,255,375	19.09	49.72
Government	1,689,007	3.90	-
Industrials	3,828,632	8.84	9.26
Materials	13,517,212	31.25	5.03
Telecommunication Services	-	-	2.45
Utilities	-	-	1.73
Unit Trust/Fund	1,206,836	2.79	-
Portfolio of investments	42,642,787	98.56	99.71
Other net assets	623,549	1.44	0.29
Net assets attributable to unitholders	43,266,336	100.00	100.00

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

United International Bond Fund

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

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2011 (Un-audited)

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

1. General

United International Bond Fund (the “Fund”) is a Singapore-registered trust fund constituted by a Trust Deed dated 30 April 1987 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 global bonds and money market instruments issued by the government, statutory bodies or other public or private entities of Singapore and by sovereign states or governments or corporations or government related bodies in both developed and emerging markets around the world, although the Manager may also invest the assets of the Fund in shares, stocks, bonds, debentures, debenture stocks, loans, loan stocks, warrants or any other security selected by them.

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

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2. Significant accounting policies (continued)

(c) Investments (continued)

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments are included in the Statement of Total Return in the period in which they arise.

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales 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. Accrued interest is incorporated in the fair value of fixed income instruments.

(e) Foreign currency translation

(i) *Functional and presentation currency*

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

The performance of the Fund is measured and reported to the investors in Singapore dollars. The Manager considers the Singapore dollars as the currency of the primary economic environment in which the Fund operates. The financial statements are presented in Singapore dollars, which is the Fund's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period/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.

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For the half year ended 30 June 2011 (Un-audited)

2. Significant accounting policies (continued)

(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.

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 value.

(h) 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

	30 June 2011	30 June 2010
	\$	\$
Overseas income tax	43	-

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 deducted at source on dividends derived from outside Singapore.

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4. Receivables

	30 June 2011	31 December 2010
	\$	\$
Amounts receivable for creation of units	18,136	7,451
Other receivable	4,186	-
	22,322	7,451

5. Payables

	30 June 2011	31 December 2010
	\$	\$
Amounts payable for cancellation of units	6,597	288,586
Amount due to Manager	53,776	55,013
Amount due to Trustee	4,290	4,382
Other creditors and accrued expenses	14,533	15,849
	79,196	363,830

6. Distribution payable

	30 June 2011	31 December 2010
	\$	\$
Distribution of income amounting to \$2.00 per 100 units on 40,056,562 units	-	801,131

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7. Financial derivatives

Financial derivative contracts comprise futures and forward foreign exchange contracts for the sale and purchase of foreign currencies. The contract or underlying principal amounts of these financial derivatives and their corresponding gross positive or negative fair values at the balance sheet date are analysed below.

	30 June 2011		
	Contract or underlying principal amount \$	Positive fair value \$	Negative fair value \$
Forward foreign exchange contracts	32,900,435	228,013	-
Option contracts	6,673,588	11,125	16,544
		239,138	16,544
		31 December 2010	
	Contract or underlying principal amount \$	Positive fair value \$	Negative fair value \$
Forward foreign exchange contracts	23,123,390	641,051	10,943

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8. Net assets attributable to unitholders

	30 June 2011	31 December 2010
	\$	\$
At the beginning of the financial period/year	40,242,072	46,227,556
Operations		
Change in net assets attributable to unitholders resulting from operations	436,421	1,653,901
Unitholders' contributions/(withdrawals)		
Creation of units	5,648,924	8,979,884
Cancellation of units	(3,061,081)	(16,619,269)
Change in net assets attributable to unitholders resulting from net cancellation of units	2,587,843	(7,639,385)
Total increase/(decrease) in net assets attributable to unitholders	3,024,264	(5,985,484)
At the end of the financial period/year	43,266,336	40,242,072
Units in issue (Note 9)	42,540,368	40,056,562
	\$	\$
Net assets attributable to unitholders per unit	1.02	1.00

9. Units in issue

	30 June 2011	31 December 2010
Units at the beginning of period/year	40,056,562	47,600,079
Units created	5,454,968	9,138,225
Units cancelled	(2,971,162)	(16,681,742)
Units at the end of period/year	42,540,368	40,056,562

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10. 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 fixed interest 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2011 (Un-audited)

10. 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 30 June 2011

	SGD \$	EUR \$	RMB \$	USD \$	AUD \$	Others \$	Total \$
Assets							
Portfolio of investments	3,349,362	5,229,510	5,091,532	28,015,995	956,388	-	42,642,787
Receivables	13,891	-	-	8,431	-	-	22,322
Margin Deposit	-	-	-	170,301	46	-	170,347
Sales awaiting settlement	-	-	-	3,315,562	-	-	3,315,562
Financial derivatives at fair value	-	-	-	11,125	-	-	11,125
Cash and bank balances	984,171	47,929	-	1,764,769	-	7	2,796,876
Total Assets	4,347,424	5,277,439	5,091,532	33,286,183	956,434	7	48,959,019
Liabilities							
Payables	75,420	3,634	-	142	-	-	79,196
Purchase awaiting settlement	2,957,375	1,252,530	-	1,615,051	-	-	5,824,956
Financial derivatives at fair value	-	-	-	16,544	-	-	16,544
Net assets attributable to unitholders	43,266,336	-	-	-	-	-	43,266,336
Total Liabilities	46,299,131	1,256,164	-	1,631,737	-	-	49,187,032
Net Assets	(41,951,707)	4,021,275	5,091,532	31,654,446	956,434	7	(228,013)
Forward foreign exchange contracts (notional value)							
	32,900,435	-	(2,849,780)	(29,822,642)	-	-	-
Net currency exposure	(9,051,272)	4,021,275	2,241,752	1,831,804	956,434	7	-

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10. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2010

	SGD \$	EUR \$	RMB \$	USD \$	AUD \$	Others \$	Total \$
Assets							
Portfolio of investments	3,292,470	1,355,399	4,795,127	21,846,522	3,039,720	5,796,882	40,126,120
Receivables	7,451	-	-	-	-	-	7,451
Margin Deposit	-	-	-	176,101	46,178	-	222,279
Cash and bank balances	326,006	-	-	82,639	12,423	7	421,075
Total Assets	3,625,927	1,355,399	4,795,127	22,105,262	3,098,321	5,796,889	40,776,925
Liabilities							
Payables	363,766	-	-	64	-	-	363,830
Proposed distribution of income	800,207	-	-	924	-	-	801,131
Net assets attributable to unitholders	40,242,072	-	-	-	-	-	40,242,072
Total Liabilities	41,406,045	-	-	988	-	-	41,407,033
Net Assets	(37,780,118)	1,355,399	4,795,127	22,104,274	3,098,321	5,796,889	(630,108)
Forward foreign exchange contracts (notional value)	23,123,390	(1,340,256)	-	(19,593,893)	(1,559,133)	-	-
Net currency exposure	(14,656,728)	15,143	4,795,127	2,510,381	1,539,188	5,796,889	-

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For the half year ended 30 June 2011 (Un-audited)

10. 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 interest rate risk. Currency risk sensitivity analysis is prepared and disclosed only for monetary assets and liabilities. The table below summarises the sensitivity of the Fund's monetary assets and liabilities to changes in foreign exchange movements as at 30 June 2011 and 31 December 2010. The analysis is based on the assumptions that the functional currency increased / decreased to the relevant foreign exchange rates as disclosed below. This represents the Manager's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

Currency	30 June 2011		31 December 2010	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
EUR	361,915	9	1,363	9
RMB	134,505	6	287,708	6
USD	109,908	6	150,623	6
AUD	162,594	17	261,662	17

(ii) 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.

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund holds interest bearing securities that expose the Fund to fair value interest rate risk. The Fund holds securities of varying maturities and interest rate sensitivities. Movement in market interest rates will affect the valuation of the Fund's securities by varying degrees. The Fund's policy requires the Manager to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities.

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For the half year ended 30 June 2011 (Un-audited)

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the Fund's exposure to interest rate risks. They include the Fund's assets and trading liabilities at fair value, categorised by the earlier of contractual re-pricing or maturity dates. All variable rate financial instruments are reset within a month.

As at 30 June 2011	Variable rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
Assets				
Portfolio of investments	-	41,435,826	1,206,961	42,642,787
Receivables	-	-	22,322	22,322
Margin Deposit	-	170,347	-	170,347
Sales awaiting settlement	-	-	3,315,562	3,315,562
Cash and bank balances	2,796,876	-	-	2,796,876
Financial derivatives at fair value	-	-	239,138	239,138
Total Assets	2,796,876	41,606,173	4,783,983	49,187,032
Liabilities				
Payables	-	-	79,196	79,196
Purchase awaiting settlement	-	-	5,824,956	5,824,956
Financial derivatives at fair value	-	-	16,544	16,544
Net assets attributable to unitholders	-	-	43,266,336	43,266,336
Total Liabilities	-	-	49,187,032	49,187,032

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For the half year ended 30 June 2011 (Un-audited)

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

As at 31 December 2010	Variable rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
Assets				
Portfolio of investments	3,212,826	36,913,169	125	40,126,120
Receivables	-	-	7,451	7,451
Margin Deposit	-	222,279	-	222,279
Cash and bank balances	421,075	-	-	421,075
Financial derivatives at fair value	-	-	641,051	641,051
Total Assets	3,633,901	37,135,448	648,627	41,417,976
Liabilities				
Payables	-	-	363,830	363,830
Financial derivatives at fair value	-	-	10,943	10,943
Distribution payable	-	-	801,131	801,131
Net assets attributable to unitholders	-	-	40,242,072	40,242,072
Total Liabilities	-	-	41,417,976	41,417,976

As at 30 June 2011, should interest rates have lowered or risen by respective percentages as disclosed below with all other variables remaining constant, the increase or decrease in net assets attributable to unitholders for the period/year would be as follows:

Currency	30 June 2011		31 December 2010	
	Net impact to net assets attributable to unitholders \$	%	Net impact to net assets attributable to unitholders \$	%
SGD	154,406	1	13,170	1
USD	2,033,961	2	1,865,693	2

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2011 (Un-audited)

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain over-the-counter derivative products that use market interest rates as an input. Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to unitholders of future movements in interest rates.

(b) Liquidity risk

The Fund is exposed to daily cash redemptions and disbursements for the settlements of purchases. The Manager therefore ensures that the Fund maintains sufficient cash and cash equivalents and that it is able to obtain cash from the sale of investments held to meet its liquidity requirements. Reasonable efforts will be taken to invest in securities which are traded in a relatively active market and which can be readily disposed of.

The Fund's investments in listed securities are considered to be readily realisable as they are listed on established regional stock exchanges.

The Manager may from time to time employ derivatives to implement a portfolio strategy to reduce risk or for the purpose of efficient portfolio management. Market liquidity of complex derivatives are significantly less than traditional investment instruments and such positions may therefore require a longer time to reverse than would be typically be expected for traditional investment instruments. No such investments were held at the balance sheet date.

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For the half year ended 30 June 2011 (Un-audited)

10. Financial risk management (continued)

(b) Liquidity risk (continued)

The table below analyses the Fund's financial liabilities and net settled derivative 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 30 June 2011

	Less than 3 months \$	3 months to 1 year \$	1 - 5 years \$	Above 5 years \$
Payables	79,196	-	-	-
Purchase awaiting settlement	5,824,956	-	-	-
Net assets attributable to unitholders	43,266,336	-	-	-

As at 31 December 2010

	Less than 3 months \$	3 months to 1 year \$	1 - 5 years \$	Above 5 years \$
Derivative financial instruments				
- inflows	1,548,190	-	-	-
- outflows	(1,559,133)	-	-	-
Payables	363,830	-	-	-
Distribution payable	801,131	-	-	-
Net assets attributable to unitholders	40,242,072	-	-	-

(c) Credit risk

Credit risk is the risk that counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved,
- ensuring that transactions are undertaken with a large number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

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10. Financial risk management (continued)

(c) Credit risk (continued)

As such, the Fund does not have a concentration of credit risk that arises from an exposure to a single counterparty. Furthermore, the Fund does not have a material exposure to group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

The Fund invests in financial assets, which have an investment grade as rated by Moody's. The credit ratings are reviewed regularly.

The table below analyses the Fund's investments by credit ratings expressed as a percentage of net assets attributable to unitholders.

As at 30 June 2011

	Aa	A	Baa	Ba	B	Non rated
Fixed rate securities	2%	1%	6%	10%	28%	49%

As at 31 December 2010

	Aaa	A	Baa	Ba	B	Caa	Non rated
Fixed rate securities	3%	9%	2%	14%	19%	2%	44%
Floating rate securities	-	3%	1%	-	-	-	3%

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Credit risk also arises from cash and cash equivalents and derivative positions held with financial institutions. The table below summarises the credit rating of banks and custodians in which the Fund's assets are held as at 30 June 2011 and 31 December 2010.

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10. Financial risk management (continued)

(c) Credit risk (continued)

As at 30 June 2011

	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
<u>Counterparties of forward foreign exchange contracts and margin deposit</u>		
Citibank NA	C-	Moody's
HSBC Group	B+	Moody's
JP Morgan Chase Bank NA	B	Moody's
United Overseas Bank Limited	B	Moody's

As at 31 December 2010

	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
<u>Counterparties of forward foreign exchange contracts and margin deposit</u>		
Citibank NA	C-	Moody's
JP Morgan Chase Bank NA	B	Moody's
Standard Chartered Bank	B	Moody's
United Overseas Bank Limited	B	Moody's

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

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10. 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.

11. 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 period/year, the Fund maintained the following accounts with a related party:

	30 June 2011	31 December 2010
	\$	\$
<u>United Overseas Bank Limited</u>		
Bank balances	36,125	76,642

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For the half year ended 30 June 2011 (Un-audited)

11. Related party transactions (continued)

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

	30 June 2011	30 June 2010
	\$	\$
Bank charges	75	75
Interest income	-	333
Interest expense	-	20

12. Financial ratios

	30 June 2011	30 June 2010
Expense ratio ¹	0.78%	0.76%
Turnover ratio ²	352.43%	27.30%

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

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

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