



# United International Bond Fund

**Semi Annual Report**

For the period 1<sup>st</sup> January to  
30<sup>th</sup> June 2009



# United International Bond Fund

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

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## **MANAGER**

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

## **OPERATIONS ADDRESS**

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Tel: 1800 22 22 228

## **DIRECTORS OF UOB ASSET MANAGEMENT**

Terence Ong Sea Eng  
Yeo Eng Cheong  
Thio Boon Kiat

## **TRUSTEE**

HSBC Institutional Trust Services (Singapore) Limited  
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## **AUDITORS**

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## **SOLICITORS TO THE MANAGER**

Allen & Gledhill LLP  
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#28-00  
Singapore 018989

## **SOLICITORS TO THE TRUSTEE**

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1 Robinson Road  
#18-00 AIA Tower  
Singapore 048542

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## A) Fund Performance

	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr	Since Inception 29 September 1995
	%	%	%	Ann	Ann	Ann	Ann
Fund Performance	Growth	Growth	Growth	Comp Ret	Comp Ret	Comp Ret	Comp Ret
United International Bond Fund	3.85	6.30	-0.94	-0.20	0.81	2.75	1.49

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 Fund **gained 6.3%** on a net asset value basis for the period. The Fund seeks to achieve a return above cash deposits. During the period under review, the benchmark return was 0.39% (Citigroup 6 months Singapore dollar Euro-deposit). The Fund's strategy of reducing its exposure to Developed Market government and quasi-government bonds contributed to performance during the period. The Fund also benefited from tighter corporate spreads and lower volatility due to the short duration of the securities in which it was invested.

The Fund invests broadly in a variety of debt asset classes and across many currencies. As at 30 June 2009, 86% of the Fund was invested in corporate bonds. By geography, the Fund was invested as follows: Developed Markets (24%), Asia (28%) and Singapore (46%). The Fund's average duration was 2 years, with a yield of 4.8%. The portfolio average credit rating as of end of the period was investment grade (BBB).

### Economic & Market Review

In the first quarter of 2009, financial markets were concerned about the extreme weakness of the global economy, the risk of bank nationalization in the US & the UK, and the downgrades in sovereign ratings (Portugal, Greece and Spain). The sharp plunge in trade figures, especially in the Asian economies with large export sectors (Taiwan, Singapore, South Korea) revealed the global nature of the economic downturn and its swift transmission. The uncertain economic environment resulted in a weak performance for corporate bonds. The performance of government bond markets also suffered during this period as the market grew concerned about the amount of new debt that would be needed to fund the many government rescue programmes.

Economic data improved during the second quarter; resulting in optimism that the worst was over and that the global economy could return to positive growth in 2010. The better economic environment was reflected in most countries and the recovery appeared to be a global one. The investment environment turned with the better economic data, resulting in the better performance for most risky asset classes including corporate bonds. Government bond markets continued to suffer, with asset allocation shifts away from risk-free assets compounding the concerns about the increase in supply.

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## Outlook

The unusually sharp contraction in the global economy, the ongoing process of deleveraging and diminished risk appetite mean that the recovery of the global economy is likely to be feeble and that it will be some time before there is a return to the trend growth rate. With the recovery likely being weak, inflation is only likely to rise at a moderate pace and central banks will likely be able to effect the reversal of the current extreme low interest rates in their stride.

However, there are a few risks to consider:

If the pace of economic recovery quickens, the risk to inflation will then clearly be biased upwards. Central banks will then have to move more quickly to reverse the extremely low interest rate and plentiful liquidity environment. However, the debt market could interpret the change in stance as being reactive rather than proactive, especially when coupled with the likelihood that central banks are likely to err on the side of caution in tightening monetary policy in order to secure a sustainable economic recovery.

Another concern of the government debt market relates to the large holdings of financial assets held by the various central banks as part of increasing market liquidity during the economic and financial crisis. Buyers need to be found for these assets but whether there is sufficient demand to absorb the official holdings is unclear. Recent government bond auctions have revealed that buyers desire lower duration assets; as short as below a year in duration. Both scenarios could result in a rise in market interest rates, hurting overall debt market performance.

The recent rebound in the oil price, despite only a nascent improvement in the economic backdrop, will be an inflation concern if global growth should pick up in a more robust manner. Energy-driven inflation will feed through intermediate input prices and manifest itself in final product prices. As energy and food prices are significant components in the computation of consumer price baskets, this will likely mean that oil price rises would flow through fairly quickly into headline inflation calculations, regardless of the current growth environment. Whether the rise in oil price is speculative or otherwise, the upward trend in energy prices is both a threat to both the growth and also the inflation outlook.

There is additional upside risk to the inflation outlook if the US dollar weakens. A continued recovery of risk appetite is likely to result in a weaker US dollar and this would increase US import costs and also commodity prices in general. A sudden depreciation in the US dollar would only quicken the pace of inflation.

## Strategy

We remain cautious on government bonds. With the worst of the economic and financial crisis likely to be over, debt markets will increasingly focus on the future growth and inflation outlook. Short-dated fixed income investments will be preferred over long duration assets. We are increasing our investments in short-dated debt, especially in currencies which will benefit from an environment of higher commodity prices, such as Australia. We are also tilting towards more floating rate securities, which are likely to benefit from a rising interest rate environment.

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**B) Investments at fair value and as a percentage of NAV as at 30 June 2009 under review classified by**

	Fair Value (S\$)	% of NAV
<b>i) Country</b>		
Canada	2,503,740	4.78
China	558,499	1.07
Hong Kong	4,450,789	8.50
Indonesia	443,782	0.85
Malaysia	3,053,530	5.83
Philippines	1,358,307	2.59
Singapore	24,155,334	46.12
South Korea	4,234,405	8.08
Taiwan	511,096	0.98
United Kingdom	1,582,967	3.02
United States	8,185,258	15.62
Portfolio of investments	51,037,707	97.44
Other net assets	1,341,217	2.56
<b>Total</b>	<b>52,378,924</b>	<b>100.00</b>
<b>ii) Industry</b>		
Consumer Discretionary	2,503,865	4.78
Consumer Staples	207,964	0.40
Energy	32,306	0.06
Financials	26,767,935	51.12
Government	787,856	1.50
Government Agency	3,032,978	5.79
Healthcare	1,582,967	3.02
Industrials	3,843,881	7.34
Local Government	558,539	1.07
Property Trust	8,889,462	16.96
Sovereign Guaranteed	606,507	1.16
Telecommunication Services	901,694	1.72
Utilities	1,321,753	2.52
Portfolio of investments	51,037,707	97.44
Other net assets	1,341,217	2.56
<b>Total</b>	<b>52,378,924</b>	<b>100.00</b>

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**B) Investments at fair value and as a percentage of NAV as at 30 June 2009 under review classified by (continued)**

	Fair Value (S\$)	% of NAV
<b>iii) Asset Class</b>		
Fixed Income	51,037,707	97.44
Other net assets	1,341,217	2.56
<b>Total</b>	<b>52,378,924</b>	<b>100.00</b>

**iv) Credit rating of debt securities of S&P**

AA	1,582,967	3.02
A	14,437,047	27.57
BBB	7,220,086	13.79
BB	1,338,001	2.55
B	849,687	1.62
NA	25,609,919	48.89
<b>Total</b>	<b>51,037,707</b>	<b>97.44</b>

**v) Credit rating of debt securities of Moody**

Aa	2,927,044	5.60
A	17,574,275	33.53
Baa	13,546,312	25.87
Ba	829,381	1.58
B	508,620	0.97
NA	15,652,075	29.89
<b>Total</b>	<b>51,037,707</b>	<b>97.44</b>

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## C) Top Ten Holdings

The top 10 holdings as at 30 June 2009 and 30 June 2008

10 largest holdings at 30 June 2009	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
SUNSHINE ASSETS LTD EMTN (BR) 2.78% DUE 11/02/2011	4,946,315	9.44
EXPORT-IMPORT BK KOREA 3.105% DUE 10/9/2009	3,032,978	5.79
CDL PROPERTIES LTD 3.15% DUE 16/09/2010	3,032,254	5.79
ASCENDAS REAL ESTATE INVESTMENT MTN 4.75% DUE 29/04/2011	3,003,325	5.73
CAPITACOMMERCIAL TRUST 3.15% DUE 24/1/2011	2,975,297	5.68
HUTCHISON WHAMPOA INTERNATIONAL LIMITED 5.45% DUE 24/11/2010	2,867,530	5.47
DAIMLERCHRYSLER CANADA FIN 5.75% DUE 10/8/2011	2,503,740	4.78
AMERICAN EXPRESS CREDIT CO 5.625% DUE 18/8/2009	2,489,977	4.75
CAPITAMALL TRUST CB 1% DUE 2/7/2013	1,919,222	3.66
ASTRAZENECA PLC 5.40% DUE 15/09/2012	1,582,967	3.02

10 largest holdings at 30 June 2008

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
PT BK DANAMON INDONESIA 7.65% DUE 30/3/14	5,573,906	5.13
US TREASURY INFL 1.875% DUE 15/07/2013	5,077,223	4.67
SUNSHINE ASSETS LTD 2.78% DUE 11/02/2011	4,835,196	4.45
GENERAL ELEC CAP CORP 4.25% DUE 31/01/2013	4,066,683	3.74
EXPORT-IMPORT BK KOREA 3.105% DUE 10/9/2009	3,060,025	2.82
CITIGROUP FUNDING INC 3.315% DUE 26/3/2009	3,029,429	2.79
CAPITACOMMERCIAL TRUST 3.15% DUE 24/1/2011	2,921,841	2.69
LEHMAN BROS HLDG INC 4.20% DUE 22/02/2013	2,903,869	2.67
AMER EXPRESS CREDIT CO 5.625% DUE 18/8/2009	2,786,855	2.56
DAIMLERCHRYSLER CAN FIN 5.75% DUE 10/8/2011	2,746,850	2.53

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**D) Exposure to derivatives**

- i) fair value of derivative contracts and as a percentage of NAV as at 30 June 2009

	Contract or underlying principal amount	Positive fair value	Negative fair value	% of NAV
	\$	\$	\$	
Forward foreign exchange contracts	33,797,258	226,135	240,899	(0.03)

- ii) There was a net loss of SGD 891,617 on derivative contracts realised for the financial period 01 January 2009 to 30 June 2009.
- iii) There was a net loss of SGD 14,764 on outstanding derivative contracts marked to market as at 30 June 2009.

**E) Amount and percentage of net asset value (NAV) invested in other schemes as at 30 June 2009**

	Fair value (S\$)	% of NAV
ASCENDAS REAL ESTATE INVESTMENT MTN 4.75% DUE 29/04/2011	3,003,325	5.73
CAPITACOMMERCIAL TRUST 3.15% DUE 24/1/2011	2,975,297	5.68
CAPITAMALL TRUST CB 1% DUE 2/7/2013	1,919,222	3.66
SUNTEC REIT 3.25% DUE 20/03/2013	991,618	1.89

**F) Amount and percentage of borrowings to net asset value (NAV) as at 30 June 2009**

N/A

**G) Amount of redemptions and subscriptions for the period 01 January 2009 to 30 June 2009**

Total amount of redemptions	SGD	32,548,339
Total amount of subscriptions	SGD	862,982

**H) The amount and terms of related-party transactions for the period 01 January 2009 to 30 June 2009**

- i) As at 30 June 2009 the Fund maintained current accounts with the United Overseas Bank Limited as follows:

Bank balances	SGD	8,377
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## H) The amount and terms of related-party transactions for the period 01 January 2009 to 30 June 2009 (continued)

ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 30 June 2009

Holdings of United International Bond Fund as at 30 June 2009 were as follows:-

<u>Affiliated Companies</u>	<u>No. of Units</u>	<u>Unit Price SGD</u>	<u>Market Value SGD</u>
a) United Overseas Insurance - Shareholders' Fund	1,800,000.00	0.945	1,701,000.00
b) United Overseas Insurance - Singapore Insurance Fund	3,500,000.00	0.945	3,307,500.00
c) Overseas Union Insurance - Overseas Insurance Fund	2,200,000.00	0.945	2,079,000.00
d) Overseas Union Insurance - Singapore Insurance Fund	1,200,000.00	0.945	1,134,000.00
e) UOBAM Trust - USBID	36,876,942.07	0.945	34,848,710.26

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

N/A

iv) As at 30 June 2009 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

## I) Expense ratios

30 June 2009	0.68%
30 June 2008	0.67%

*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 2009	29.15%
30 June 2008	38.68%

*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”)<sup>1</sup> should be disclosed as well**

- i) top 10 holdings at fair value and as percentage of NAV as at 30 June 2009 and 30 June 2008

N/A

- ii) expense ratios for the period ended 30 June 2009 and 30 June 2008. A footnote should state (where applicable) that the expense ratio does not include brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from or arising out of income received.

N/A

- iii) turnover ratios for the period ended 30 June 2009 and 30 June 2008

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.

<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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## STATEMENT OF TOTAL RETURN

For the half year ended 30 June 2009 (Un-audited)

	Notes	30 June 2009 \$	30 June 2008 \$
<b>Income</b>			
Dividend		11,484	4,899
Interest		1,436	48,939
Other income		-	103,521
		<b>12,920</b>	<b>157,359</b>
<b>Less: Expenses</b>			
Management fee	11	190,977	305,887
Trustee fee	11	19,098	30,589
Audit fee		6,526	5,376
Registrar fee	11	7,984	7,984
Custody fee		10,185	15,176
Other expenses		6,356	3,737
		<b>241,126</b>	<b>368,749</b>
<b>Net loss</b>		<b>(228,206)</b>	<b>(211,390)</b>
<b>Net gains or losses on value of investments</b>			
Net realised gains on investments		1,907,652	332,084
Net change in fair value on investments		4,168,326	(2,374,725)
Net realised (losses)/gains on financial derivatives		(891,617)	1,459,018
Net change in fair value on financial derivatives		(14,764)	48,329
Net foreign exchange losses		(630,213)	(1,023,177)
<b>Net gains/(losses) on value of investments</b>		<b>4,539,384</b>	<b>(1,558,471)</b>
<b>Total return/(deficit) for the period before income tax</b>		<b>4,311,178</b>	<b>(1,769,861)</b>
Less : Income tax	3	-	(57,312)
<b>Total return/(deficit) for the period</b>		<b>4,311,178</b>	<b>(1,827,173)</b>

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

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## BALANCE SHEET

As at 30 June 2009 (Un-audited)

	Notes	30 June 2009 \$	31 December 2008 \$
<b>ASSETS</b>			
Portfolio of investments		<b>51,037,707</b>	78,350,841
Receivables	5	<b>139,685</b>	-
Sales awaiting settlement		<b>393,586</b>	-
Cash and bank balances	4	<b>1,048,692</b>	2,023,818
Financial derivatives at fair value	7	<b>226,135</b>	746,482
<b>Total Assets</b>		<b>52,845,805</b>	81,121,141
<b>LIABILITIES</b>			
Payables	6	<b>225,982</b>	129,959
Financial derivatives at fair value	7	<b>240,899</b>	1,238,079
Net assets attributable to unitholders	8	<b>52,378,924</b>	79,753,103
<b>Total Liabilities</b>		<b>52,845,805</b>	81,121,141

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## PORTFOLIO STATEMENT

As at 30 June 2009 (Un-audited)

	Nominal holdings at 30 June 2009	Fair value at 30 June 2009 \$	Percentage of total net assets attributable to unitholders at 30 June 2009 %
<b>By Geography - Primary Quoted Bonds</b>			
<b>CANADA</b>			
DAIMLERCHRYSLER CANADA FIN 5.75% DUE 10/8/2011	1,000,000	<b>2,503,740</b>	<b>4.78</b>
<b>CHINA</b>			
CMHI FINANCE CAYMAN INC 5.375% DUE 9/3/2015	400,000	<b>558,499</b>	<b>1.07</b>
<b>HONG KONG</b>			
GAIN SILVER FINANCE 6.375% DUE 25/08/2016	600,000	873,396	1.67
HUTCHISON WHAMPOA INTERNATIONAL LIMITED 5.45% DUE 24/11/2010	1,900,000	2,867,530	5.47
PACIFIC CENTURY 5.875% DUE 17/12/2014	500,000	709,863	1.36
<b>TOTAL HONG KONG</b>		<b>4,450,789</b>	<b>8.50</b>
<b>INDONESIA</b>			
INDOSAT FINANCE CO 7.75% DUE 5/11/2010	300,000	443,782	0.85
ONGKO INTL FIN CO BV 10.5% DUE 29/03/04 DF	500,000	-	-
<b>TOTAL INDONESIA</b>		<b>443,782</b>	<b>0.85</b>
<b>MALAYSIA</b>			
AMBB CAPITAL LTD (REG) VAR PERP	400,000	385,599	0.73
BINARIANG GSM SDN BHD 5.65% DUE 26/12/2014	1,500,000	606,583	1.16
KUALA LUMPUR KEPONG 4% DUE 10/05/2012	500,000	207,964	0.40
MALAKOFF CORP BHD 9% DUE 30/04/2057	1,000,000	395,729	0.75
PUBLIC BANK BERHAD 6.84% DUE 22/08/2036	400,000	455,684	0.87
SARAWAK INTERNATIONAL 5.50% DUE 03/08/2015	400,000	558,539	1.07
YTL CORP FIN LABUAN CB 0% DUE 15/05/2012	300,000	443,432	0.85
<b>TOTAL MALAYSIA</b>		<b>3,053,530</b>	<b>5.83</b>

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## PORTFOLIO STATEMENT

As at 30 June 2009 (Un-audited)

	Nominal holdings at 30 June 2009	Fair value at 30 June 2009 \$	Percentage of total net assets attributable to unitholders at 30 June 2009 %
<b>By Geography – Primary (continued)</b>			
<b>Quoted Bonds</b>			
<b>PHILIPPINES</b>			
CE CASECNAN WTR & ENERGY 11.95% DUE 15/11/2010	22,399	32,306	0.06
DEV BANK PHILIPPINES 8.375% 15/09/2049	600,000	849,687	1.62
REPUBLIC OF PHILIPPINES 6.25% DUE 15/3/2016	250,000	476,314	0.91
<b>TOTAL PHILIPPINES</b>		<b>1,358,307</b>	<b>2.59</b>
<b>SINGAPORE</b>			
ASCENDAS REAL ESTATE INVESTMENT MTN 4.75% DUE 29/04/2011	3,000,000	3,003,325	5.73
BLR 5.875% DUE 26/09/2000 (DF)	250,000	125	-
CAPITACOMMERCIAL TRUST 3.15% DUE 24/1/2011	3,000,000	2,975,297	5.68
CAPITAMALL TRUST CB 1% DUE 2/7/2013	2,000,000	1,919,222	3.66
CDL PROPERTIES LTD 3.15% DUE 16/09/2010	3,000,000	3,032,254	5.79
CITY DEVELOPMENTS LTD 3.38% DUE 25/4/2012	1,000,000	971,744	1.86
DBS BANK LTD SPORE 4.47% DUE 15/07/2021	250,000	223,296	0.43
DBS CAPITAL FUNDING CORP 7.657% DUE 15/03/2049	625,000	892,242	1.71
OVERSEA-CHINESE BANKING (REG) 5% DUE 06/09/2011	500,000	509,199	0.97
OCBC NON-CUM PREF SHS 5.10% DUE 29/12/2049	2,600	249,132	0.48
OCBC NON CUM, NON-CON PPS 3.93% DUE 20/09/2049	2,500	195,000	0.37
SEMBCORP MARINE LTD (BR) 3% DUE 27/09/2009	1,250,000	1,261,063	2.41
SINGAPORE AIRLINES LIMTED 4.15% DUE 19/12/2011	1,000,000	1,012,524	1.93
SINGAPORE AIRPORT TERMINAL SVS 3% DUE 2/9/09	1,000,000	1,011,795	1.93
SP POWERASSETS LTD FRN DUE 27/04/2012	500,000	482,592	0.92
SUNSHINE ASSETS LTD EMTN (BR) 2.78% DUE 11/02/2011	5,000,000	4,946,315	9.44
SUNTEC REIT 3.25% DUE 20/03/2013	1,000,000	991,618	1.89
UNITED OVERSEAS LAND LTD 3.34% DUE 15/5/2012	500,000	478,591	0.92
<b>TOTAL SINGAPORE</b>		<b>24,155,334</b>	<b>46.12</b>

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

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## PORTFOLIO STATEMENT

As at 30 June 2009 (Un-audited)

	Nominal holdings at 30 June 2009	Fair value at 30 June 2009 \$	Percentage of total net assets attributable to unitholders at 30 June 2009 %
<b>By Geography – Primary (continued)</b>			
<b>Quoted Bonds</b>			
<b>SOUTH KOREA</b>			
EXPORT-IMPORT BK KOREA 3.105% DUE 10/9/2009	3,000,000	3,032,978	5.79
HANA BANK 6.5% DUE 09/04/2012	400,000	606,507	1.16
HYUNDAI CAPITAL SERVICES INC 5.50% DUE 23/11/2010	200,000	283,378	0.54
REPUBLIC OF KOREA 5.625% DUE 03/11/2025	250,000	311,542	0.59
<b>TOTAL SOUTH KOREA</b>		<b>4,234,405</b>	<b>8.08</b>
<b>TAIWAN</b>			
CHINATRUST COMMERCIAL BANK 5.625% 17/03/2049	500,000	511,096	0.98
<b>UNITED KINGDOM</b>			
ASTRAZENECA PLC 5.40% DUE 15/09/2012	1,000,000	1,582,967	3.02
<b>UNITED STATES</b>			
AMERICAN EXPRESS CREDIT CO 5.625% DUE 18/8/2009	1,000,000	2,489,977	4.75
BANK OF AMERICA CORP FRN DUE 18/05/2010	250,000	498,025	0.95
BANK OF AMERICA CORP FRN DUE 14/02/2017	500,000	448,088	0.86
BEAR STEARNS CO INC FRN DUE 26/9/2013	500,000	858,175	1.64
BELLSOUTH CORPORATION 4.20% DUE 15/09/2009	200,000	295,111	0.56
CITIGROUP INC 4.98% DUE 20/06/2013	1,000,000	933,721	1.78
CITIGROUP INC FRN DUE 16/1/2012	500,000	1,043,385	1.99
MERRILL LYNCH & CO FRN DUE 09/09/2009	250,000	361,438	0.69
MORGAN STANLEY 10.09% DUE 03/05/2017	2,000,000	1,257,338	2.40
<b>TOTAL UNITED STATES</b>		<b>8,185,258</b>	<b>15.62</b>
<b>Portfolio of investments</b>		<b>51,037,707</b>	<b>97.44</b>
<b>Other net assets</b>		<b>1,341,217</b>	<b>2.56</b>
<b>Net assets attributable to unitholders</b>		<b>52,378,924</b>	<b>100.00</b>

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)

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## PORTFOLIO STATEMENT

As at 30 June 2009 (Un-audited)

	Percentage of total net assets attributable to unitholders at 30 June 2009 %	Percentage of total net assets attributable to unitholders at 31 December 2008 %
<b>By Geography - Primary (Summary)</b>		
<b>Quoted Bonds</b>		
Austria	-	3.80
Canada	4.78	5.64
China	1.07	1.26
Germany	-	5.20
Hong Kong	8.50	1.74
Indonesia	0.85	6.88
Malaysia	5.83	4.40
Philippines	2.59	1.54
Singapore	46.12	27.66
South Korea	8.08	4.72
Taiwan	0.98	0.58
Ukraine	-	0.14
United Kingdom	3.02	5.61
United States	15.62	29.07
<b>Portfolio of investments</b>	<b>97.44</b>	<b>98.24</b>
<b>Other net assets</b>	<b>2.56</b>	<b>1.76</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

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

# United International Bond Fund

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

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## PORTFOLIO STATEMENT

As at 30 June 2009 (Un-audited)

	Fair value at 30 June 2009 \$	Percentage of total net assets attributable to unitholders at 30 June 2009 %	Percentage of total net assets attributable to unitholders at 31 December 2008 %
<b>By Industry - Secondary Quoted Bonds</b>			
Consumer Discretionary	2,503,865	4.78	2.51
Consumer Staples	207,964	0.40	0.26
Energy	32,306	0.06	0.16
Financials	26,767,935	51.12	47.51
Government	787,856	1.50	4.23
Government Agency	3,032,978	5.79	12.84
Healthcare	1,582,967	3.02	1.94
Industrials	3,843,881	7.34	4.84
Local Government	558,539	1.07	0.61
PropertyTrust	8,889,462	16.96	7.10
Regional Authority	-	-	1.93
Sovereign Guaranteed	606,507	1.16	11.19
Telecommunication Services	901,694	1.72	1.17
Utilities	1,321,753	2.52	1.95
<b>Portfolio of investments</b>	<b>51,037,707</b>	<b>97.44</b>	<b>98.24</b>
<b>Other net assets</b>	<b>1,341,217</b>	<b>2.56</b>	<b>1.76</b>
<b>Net assets attributable to unitholders</b>	<b>52,378,924</b>	<b>100.00</b>	<b>100.00</b>

*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)

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (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 Limited (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.

# United International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

### 2. Significant accounting policies (continued)

(c) Investments (continued)

(ii) *Subsequent measurement*

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

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the 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 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.

# United International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (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

	<b>30 June 2009</b>	30 June 2008
	\$	\$
Overseas income tax	-	57,312

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.

# United International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

### 4. Cash and bank balances

	<b>30 June 2009</b>	31 December 2008
	\$	\$
Cash at bank	<b>1,048,692</b>	2,023,818

### 5. Receivables

	<b>30 June 2009</b>	31 December 2008
	\$	\$
Amount due from unitholders	<b>137,985</b>	-
Other receivable	<b>1,700</b>	-
	<b>139,685</b>	-

### 6. Payables

	<b>30 June 2009</b>	31 December 2008
	\$	\$
Amount due to unitholders	<b>128,783</b>	-
Amount due to Manager	<b>79,977</b>	104,380
Amount due to Trustee	<b>7,861</b>	10,438
Other creditors and accrued expenses	<b>9,361</b>	15,141
	<b>225,982</b>	129,959

# United International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

### 7. Financial derivatives

Financial derivative contracts comprise 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.

	<b>30 June 2009</b>		
	<b>Contract or underlying principal amount</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
	\$	\$	\$
<b>Forward foreign exchange contracts</b>	<b>33,797,258</b>	<b>226,135</b>	<b>240,899</b>
	<b>31 December 2008</b>		
	Contract or underlying principal amount	Positive fair value	Negative fair value
	\$	\$	\$
Forward foreign exchange contracts	40,343,828	746,482	1,238,079

**United International Bond Fund**  
(Constituted under a Trust Deed in the Republic of Singapore)

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**NOTES TO THE FINANCIAL STATEMENTS**

For the half year ended 30 June 2009 (Un-audited)

**8. Net assets attributable to unitholders**

	<b>30 June 2009 \$</b>	31 December 2008 \$
<b>At the beginning of the financial period/year</b>	<b>79,753,103</b>	92,506,464
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>4,311,178</b>	(8,630,577)
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>862,982</b>	31,665,745
Cancellation of units	<b>(32,548,339)</b>	(35,788,529)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>(31,685,357)</b>	(4,122,784)
<b>Total decrease in net assets attributable to unitholders</b>	<b>(27,374,179)</b>	(12,753,361)
<b>At the end of the financial period/year</b>	<b>52,378,924</b>	79,753,103
<b>Units in issue</b> (Note 9)	<b>55,672,155</b>	89,951,190
	<b>\$</b>	<b>\$</b>
<b>Net assets attributable to unitholders per unit</b>	<b>0.94</b>	0.89

**9. Units in issue**

	<b>30 June 2009</b>	31 December 2008
Units at beginning of the period/year	<b>89,951,190</b>	95,384,588
Units created	<b>928,862</b>	32,676,794
Units cancelled	<b>(35,207,897)</b>	(38,110,192)
Units at end of the period/year	<b>55,672,155</b>	89,951,190

# United International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

### 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, 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 International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (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 2009

	SGD \$	EUR \$	GBP \$	USD \$	AUD \$	Others \$	Total \$
<b>Assets</b>							
Portfolio of investments	27,229,791	1,832,514	6,037,102	13,022,598	448,088	2,467,614	<b>51,037,707</b>
Receivables	139,685	-	-	-	-	-	<b>139,685</b>
Sales awaiting settlement	-	-	-	393,586	-	-	<b>393,586</b>
Cash and bank balances	973,578	-	8	57,801	-	17,305	<b>1,048,692</b>
<b>Total Assets</b>	<b>28,343,054</b>	<b>1,832,514</b>	<b>6,037,110</b>	<b>13,473,985</b>	<b>448,088</b>	<b>2,484,919</b>	<b>52,619,670</b>
<b>Liabilities</b>							
Payables	225,953	-	-	29	-	-	<b>225,982</b>
Net assets attributable to unitholders	52,378,924	-	-	-	-	-	<b>52,378,924</b>
<b>Total Liabilities</b>	<b>52,604,877</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>52,604,906</b>
<b>Net Assets</b>	<b>(24,261,823)</b>	<b>1,832,514</b>	<b>6,037,110</b>	<b>13,473,956</b>	<b>448,088</b>	<b>2,484,919</b>	<b>14,764</b>
<b>Forward foreign exchange contracts (notional value)</b>							
	20,278,338	(1,352,064)	(5,527,499)	(13,418,382)	-	-	
<b>Net currency exposure</b>	<b>(3,983,485)</b>	<b>480,450</b>	<b>509,611</b>	<b>55,574</b>	<b>448,088</b>	<b>2,484,919</b>	

# United International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (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 31 December 2008

	SGD \$	EUR \$	GBP \$	USD \$	AUD \$	Others \$	Total \$
<b>Assets</b>							
Portfolio of investments	28,168,221	12,221,766	7,814,972	25,300,061	1,947,230	2,898,591	78,350,841
Cash and bank balances	1,897,406	27,788	8	80,922	-	17,694	2,023,818
<b>Total Assets</b>	<b>30,065,627</b>	<b>12,249,554</b>	<b>7,814,980</b>	<b>25,380,983</b>	<b>1,947,230</b>	<b>2,916,285</b>	<b>80,374,659</b>
<b>Liabilities</b>							
Payables	129,959	-	-	-	-	-	129,959
Net assets attributable to unitholders	79,753,103	-	-	-	-	-	- 79,753,103
<b>Total Liabilities</b>	<b>79,883,062</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 79,883,062</b>
<b>Net Assets</b>	<b>(49,817,435)</b>	<b>12,249,554</b>	<b>7,814,980</b>	<b>25,380,983</b>	<b>1,947,230</b>	<b>2,916,285</b>	<b>491,597</b>
Forward foreign exchange contracts (notional value)	14,457,589	(2,289,103)	(7,687,108)	(4,973,506)	-	-	-
Net currency exposure	(35,359,846)	9,960,451	127,872	20,407,477	1,947,230	2,916,285	-

# United International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (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 other price risk. The other price risk sensitivity analysis includes the impact of currency risk on non-monetary investments. Consequently, 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 at 30 June 2009 and 31 December 2008. 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 2009		31 December 2008	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
EUR	33,632	7	697,232	7
GBP	50,961	10	12,787	10
USD	2,779	5	1,020,374	5
AUD	67,213	15	292,084	15

(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 Investment 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.

# United International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (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.

<b>As at 30 June 2009</b>	<b>Variable rates \$</b>	<b>Fixed rates \$</b>	<b>Non-interest bearing \$</b>	<b>Total \$</b>
<b>Assets</b>				
Portfolio of investments	6,159,620	43,990,398	887,689	<b>51,037,707</b>
Receivables	-	-	139,685	<b>139,685</b>
Sales awaiting settlement	-	-	393,586	<b>393,586</b>
Cash and bank balances	1,048,692	-	-	<b>1,048,692</b>
Financial derivatives at fair value	-	-	226,135	<b>226,135</b>
<b>Total Assets</b>	<b>7,208,312</b>	<b>43,990,398</b>	<b>1,647,095</b>	<b>52,845,805</b>
<b>Liabilities</b>				
Payables	-	-	225,982	<b>225,982</b>
Financial derivatives at fair value	-	-	240,899	<b>240,899</b>
Net assets attributable to unitholders	-	-	52,378,924	<b>52,378,924</b>
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>52,845,805</b>	<b>52,845,805</b>
<b>As at 31 December 2008</b>	<b>Variable rates \$</b>	<b>Fixed rates \$</b>	<b>Non-interest bearing \$</b>	<b>Total \$</b>
<b>Assets</b>				
Portfolio of investments	12,476,830	64,971,856	902,155	78,350,841
Cash and bank balances	2,023,818	-	-	2,023,818
Financial derivatives at fair value	-	-	746,482	746,482
<b>Total Assets</b>	<b>14,500,648</b>	<b>64,971,856</b>	<b>1,648,637</b>	<b>81,121,141</b>
<b>Liabilities</b>				
Payables	-	-	129,959	129,959
Financial derivatives at fair value	-	-	1,238,079	1,238,079
Net assets attributable to unitholders	-	-	79,753,103	79,753,103
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>81,121,141</b>	<b>81,121,141</b>

# United International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

### 10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

As at 30 June 2009, should interest rates have lowered or risen by 400 basis points ("bps") (31 December 2008: 400 bps) with all other variables remaining constant, the increase or decrease in net assets attributable to unitholders for the period/year would be \$2,095,157 (31 December 2008: \$3,190,124).

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 Exchange.

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.

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.

# United International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

### 10. Financial risk management (continued)

(b) Liquidity risk (continued)

**As at 30 June 2009**

	Less than 3 months \$	3 months to 1 year \$	1 - 5 years \$	Above 5 years \$
Derivative financial instruments				
- inflows	15,468,655	-	-	-
- outflows	(15,711,348)	-	-	-
Payables	225,982	-	-	-
Net assets attributable to unitholders	<b>52,378,924</b>	-	-	-

**As at 31 December 2008**

	Less than 3 months \$	3 months to 1 year \$	1 - 5 years \$	Above 5 years \$
Derivative financial instruments				
- inflows	30,931,464	-	-	-
- outflows	(32,167,699)	-	-	-
Payables	129,959	-	-	-
Net assets attributable to unitholders	<b>79,753,103</b>	-	-	-

(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.

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.

# United International Bond Fund

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

### 10. Financial risk management (continued)

(c) Credit risk (continued)

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 2009**

	Aaa	Aa	A	Baa	Ba	B	Non rated
<b>Fixed rate securities</b>	-	1%	28%	25%	1%	1%	28%
<b>Floating rate securities</b>	-	4%	5%	1%	1%	-	1%
<b>Non-interest bearing</b>	-	-	-	-	-	-	1%

**As at 31 December 2008**

	Aaa	Aa	A	Baa	Ba	B	Non rated
Fixed rate securities	29%	3%	12%	12%	1%	1%	23%
Floating rate securities	1%	3%	3%	1%	7%	-	1%
Non-interest bearing	-	-	-	-	-	-	1%

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 summarizes the credit rating of banks in which the Fund's assets are held as at 30 June 2009 and 31 December 2008.

# United International Bond Fund

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

### 10. Financial risk management (continued)

(c) Credit risk (continued)

**As at 30 June 2009**

	Amount \$	Credit rating	Source of Credit rating
<u>Bank</u>			
State Street Bank & Trust Co.	1,040,315	B	Moody's
United Overseas Bank Limited	8,377	B	Moody's
<u>Counterparties of forward foreign exchange contracts</u>			
United Overseas Bank Limited	10,135,991	B	Moody's
Standard Chartered Bank	14,331,346	C +	Moody's
Citibank NA	9,329,921	C -	Moody's

**As at 31 December 2008**

	Amount \$	Credit rating	Source of Credit rating
<u>Bank</u>			
State Street Bank & Trust Co.	2,010,729	B+	Moody's
United Overseas Bank Limited	13,092	B	Moody's
<u>Counterparties of forward foreign exchange contracts</u>			
United Overseas Bank Limited	2,834,386	B	Moody's
Standard Chartered Bank	5,542,858	C+	Moody's
Citibank NA	1,035,120	C	Moody's

All investments are held in custody with State Street Bank & Trust Co., whose credit rating assigned by Moody's at 30 June 2009 is B (31 December 2008: B+). The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(d) Capital Management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

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## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

### 11. Related party transactions

- (a) The Manager and the Trustee of the Fund are UOB Asset Management Limited and HSBC Institutional Trust Services (Singapore) Limited respectively. UOB Asset Management Limited 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 2009	31 December 2008
	\$	\$
<u>United Overseas Bank Limited</u>		
Bank balances	<b>8,377</b>	13,092

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

	30 June 2009	30 June 2008
	\$	\$
<u>United Overseas Bank Limited</u>		
Interest income	<b>181</b>	12,392

### 12. Financial ratios

	30 June 2009	30 June 2008
Expense ratio <sup>1</sup>	<b>0.68%</b>	0.67%
Turnover ratio <sup>2</sup>	<b>29.15%</b>	38.68%

<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".



