



UOB Optimix SGD Fund

Annual Report

for the financial year ended
31st December 2008

UOB Optimix SGD Fund

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

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

Citicorp Trustee (Singapore) Limited

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AUDITORS

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SOLICITORS TO THE MANAGER

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SOLICITORS TO THE TRUSTEE

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20 Raffles Place #17-00

Ocean Towers

Singapore 048620

UOB Optimix SGD Fund

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

(A) Fund Performance

Fund Performance/ Benchmark Returns	3 mth % Growth	6 mth % Growth	1 yr % Growth	3 yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	Since Inception 19 June 1998 Ann Comp Ret
UOB Optimix SGD Fund	-1.03	-0.96	-0.64	1.80	1.59	2.14	2.25
Benchmark	0.25	0.56	1.23	2.31	1.93	1.74	1.86

Source : Lipper, Bloomberg

Note: The performance returns of the Fund are in Singapore dollars based on a NAV-to-NAV basis with net dividends reinvested.
The benchmark of the Fund: 6-month SIBID rate.

For the full year ended 31 December 2008, the unit price of the Fund **declined 0.6%** on a net asset value basis, against the benchmark 6-month Singapore Interbank Bid Rate (SIBID), which rose by 1.23%. The underperformance was due to the massive flight to government bills in the second half of 2008 and the short term corporates debt instruments in which the Fund was invested came under pressure as fears of systemic risk developed.

During the period under review, the Fund's focus has shifted in accordance to market conditions. The Fund was previously overweight in corporate bonds for the enhancement of yield but as the Singapore economy took a drastic turn in the last quarter, with all indicators of economic activities deteriorating sharply, the Fund adopted a more defensive stance and was managed on the premise of stable returns. New inflows were channeled into safer assets like government securities and secure corporate assets with strong balance sheets. We reduced our exposure in real estate, in particular the smaller developers and increased our exposure in domestic financials from zero to 5% as systemic risk abated.

As at end December 2008, 46% of the Fund was invested in corporate bonds, 46% in government bills and the balance in fixed deposits.

Market Outlook

Singapore officially entered into a recession in the fourth quarter of 2008. The authorities reported in January 2009 that real GDP shrank 2.6% year-on-year in the fourth quarter, from -0.6% year-on-year in the third quarter. This means that the economy has shrunk year-on-year for two consecutive quarters, which is the definition for a recession. Fourth quarter GDP performance was worse than consensus expectation, which was anticipating a contraction of 1.5% year-on-year. The manufacturing sector was the key drag on the economy, falling 9.0% year-on-year in the fourth quarter from -11% year-on-year in the third quarter. Services growth moderated sharply to 1.1% year-on-year from 5.3% year-on-year in the third quarter. On a seasonally-adjusted quarter-on-quarter annualised basis, real GDP shrank for the third consecutive quarter, falling 12.5% in the fourth quarter from -5.4% in the third quarter.

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The government revised down its 2009 GDP growth forecast to -2% to +1% from -1% to +2% previously. In our view, Singapore's economy is likely to fall more sharply than the government's expectation given Singapore's high sensitivity to global demand and rising evidence of a sharp global slowdown. The economy is likely to experience its sharpest contraction in the second quarter of 2009, likely falling as much as 6% year-on-year. However, the recovery in the second half of 2009 is likely to be anaemic. We expect the economy to continue contracting in the second half of 2009, albeit less than in the first half of 2009. For 2009 as a whole, we expect the economy to shrink 3% year-on-year.

Meanwhile, private residential property prices fell 5.7% quarter-on-quarter in the fourth quarter 2008 from -2.4% quarter-on-quarter in the third quarter. This is the sharpest quarter-on-quarter fall in property price in more than 10 years. Property prices have fallen 7.9% from its peak in the second quarter of 2008. With the economy set to shrink for several more quarters, there is probably significant downside risk for property prices in 2009.

Consumer Price Inflation (CPI) inflation slowed to 5.5% year-on-year in November from 6.4% year-on-year in October. On a seasonally-adjusted month-on-month basis, CPI inflation fell 2.2% in November. This is the largest month-on-month fall in 15 months. The moderation in CPI inflation was broad-based, with food, housing, transport and clothing all reporting contraction or slower rises. With oil prices down almost 70% from its peak and the CRB food index (which is a composite index of 22 basic commodities) having fallen more than 30% from its peak, inflationary pressure is likely to moderate rapidly going forward. Recession always exerts deflationary pressures on the economy, with a two-three quarter lag. CPI inflation fell 0.5-1.3% in the last four major downturns in 1986, 1998, 2001 and 2003. CPI inflation is likely to moderate sharply in 2009, with CPI inflation likely to begin contracting in September 2009.

Strategy

Going into 2009, we remain cautious and continue to favour the large corporates with good liquidity, low leverage and who have good performance track record. Yields at the front end (1 to 3 years) are likely to remain low as the economy is likely to remain in recession in the first half of 2009. With only 46% of the Fund invested in corporate bonds, the Fund is well positioned for further investments into credits as this space is likely to become cheaper. A few large companies such as City Development and Keppel Land are looking to refinance their existing debt in the first half of this year and instances such as these would present good opportunities to add credit exposure to the portfolio.

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B) Investments at fair value and as a percentage of NAV as at 31 December 2008 under review classified by

	Fair Value (S\$)	% of NAV
i) Country		
Singapore	86,598,118	89.18
South Korea	3,018,723	3.11
Portfolio of investments	89,616,841	92.29
Other net assets	7,487,485	7.71
Total	97,104,326	100.00
ii) Industry		
Consumer Staples	5,415,163	5.57
Energy	2,252,998	2.32
Financials	66,132,235	68.12
Government Agency	1,002,518	1.03
Industrials	4,994,186	5.14
Property Trust	9,819,741	10.11
Portfolio of investments	89,616,841	92.29
Other net assets	7,487,485	7.71
Total	97,104,326	100.00
iii) Asset Class		
Fixed Income	89,616,841	92.29
Other net assets	7,487,485	7.71
Total	97,104,326	100.00
iv) Credit rating of debt securities by S&P		
A	1,002,518	1.03
BBB	2,016,205	2.08
NA	86,598,118	89.18
	89,616,841	92.29
v) Credit rating of debt securities by Moody		
Aa	2,474,193	2.55
A	3,656,025	3.76
Baa	3,575,233	3.68
NA	79,911,390	82.30
	89,616,841	92.29

UOB Optimix SGD Fund

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C) Top Ten Holdings

The top 10 holdings as at 31 December 2008 and 31 December 2007

10 largest holdings at 31 December 2008

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
SINGAPORE TRSRY BILLS DUE 02/04/2009	27,960,800	28.79
SINGAPORE TRSRY BILLS DUE 26/03/2009	16,977,390	17.48
CAPITACOMMERCIALTRUST 3.15% DUE 24/01/2011	3,575,233	3.68
CITY DEVELOPMENTS LTD 2.30% DUE 20/02/2009	3,021,918	3.11
SUNTEC REIT 3.25% DUE 20/03/2013	2,588,483	2.67
YONGNAM ENGINEER & CO FRN 26/12/2012	2,257,288	2.32
SWIBER HOLDINGS FRN 24/08/2010	2,252,998	2.32
MAPLETREELOG TREASURY 3.81% DUE 19/10/2009	2,024,700	2.09
HYUNDAI CAPITAL SVS INC 3.57% DUE 27/11/2009	2,016,205	2.08
CITY DEVELOPMENTS LTD 3.19% DUE 10/06/2010	2,002,621	2.06

10 largest holdings at 31 December 2007

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
SWIBER HOLDINGS FRN DUE 24/08/2010	2,508,544	7.63
YONGNAM ENGINEER & CO FRN DUE 26/12/2012	2,501,366	7.60
KIM ENG SECURITIES 3.3% DUE 19/09/2008	2,018,625	6.14
ALLGREEN PROPERTIES 3.25% DUE 18/10/2010	2,014,156	6.12
HYUNDAI CAPITAL SVS INC 3.57% DUE 27/11/2009	2,005,511	6.10
GP BATTERIES INTL LTD FRN DUE 23/06/2008	1,996,661	6.07
TUAS POWER LTD 4.50% DUE 28/05/2009	1,534,997	4.67
GUOCOLAND LTD 3.445% DUE 16/10/2008	1,513,173	4.60
SPORE AIRPORT TERMINAL SVS 3% DUE 02/09/2009	1,512,977	4.60
OLAM INTL LTD 4.17% DUE 31/01/2008	1,018,555	3.10

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D) Exposure to derivatives

- i) fair value of derivative contracts and as a percentage of NAV as at 31 December 2008
N/A
- ii) net gains/(losses) on derivative contracts realised during the financial year ended 31 December 2008
N/A
- iii) net gains/(losses) on outstanding derivative contracts marked to market as at 31 December 2008
N/A

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 31 December 2008

	Fair Value (S\$)	% of NAV
CAPITACOMMERCIALTRUST 3.15% DUE 24/01/2011	3,575,233	3.68
CAPITAMALL TRUST CB 1% DUE 02/07/2013	849,008	0.87
CMT MTN PTE LTD CAPITA FRN DUE 30/04/2010	893,811	0.92
CMT MTN PTE LTD CAPITA 3.25%DUE 01/04/2010	1,913,206	1.97
SUNTEC REIT 3.25% DUE 20/03/2013	2,588,483	2.67

F) Amount and percentage of borrowings to net asset value (NAV) as at 31 December 2008

N/A

G) Amount of redemptions and subscriptions for the financial year ended 31 December 2008

Total amount of redemptions	SGD 72,430,367
Total amount of subscriptions	SGD137,492,020

H) The amount and terms of related-party transactions for the financial year ended 31 December 2008

- i) As at 31 December 2008 the Fund maintained current accounts with the United Overseas Bank Limited as follows :

Bank balances SGD 1,134,542

- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 31 December 2008

Holdings of UOB Optimix SGD Fund as at 31 December 2008 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) United Overseas Insurance - Shareholders' Fund	1,000,000.00	1.244	1,244,000.00
b) United Overseas Insurance - Singapore Insurance Fund	2,000,000.00	1.244	2,488,000.00

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H) The amount and terms of related-party transactions for the financial year ended 31 December 2008 (continued)

<u>Affiliated Companies</u>	<u>No. of Units</u>	<u>Unit Price</u> <u>SGD</u>	<u>Market Value</u> <u>SGD</u>
c) Overseas Union Insurance - Singapore Insurance Fund	1,651,822.88	1.244	2,054,867.66
d) Overseas Union Insurance - Overseas Insurance Fund	1,934,305.31	1.244	2,406,275.81
iii) Investment in Initial Public Offerings managed by UOB Group. N/A			
iv) As at 31 December 2008 there was no brokerage income earned by UOB Kay Hian Pte Ltd.			

I) Expense ratios

31 December 2008	0.42%
31 December 2007	0.54%

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

J) Turnover ratios

31 December 2008	43.11%
31 December 2007	125.11%

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

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

N/A

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

i) top 10 holdings at fair value and as percentage of NAV as at 31 December 2008 and 31 December 2007

N/A

ii) expense ratios for the financial year ended 31 December 2008 and 31 December 2007 . 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

UOB Optimix SGD Fund

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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 (continued)

iii) turnover ratios for the financial year ended 31 December 2008 and 31 December 2007

N/A

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.

M) Soft dollar commissions/arrangements

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

UOB Optimix SGD Fund

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REPORT OF THE TRUSTEE

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

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out in pages 12 to 29, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee
CITICORP TRUSTEE (SINGAPORE) LIMITED

SHIN HYE-SU
Authorised signatory

23 March 2009

UOB Optimix SGD Fund

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

STATEMENT BY THE MANAGER

In the opinion of the directors of UOB Asset Management Limited, the accompanying financial statements set out on pages 12 to 29, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of the Fund as at 31 December 2008, the total deficit for the period then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore and the provision of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager
UOB ASSET MANAGEMENT LIMITED

TERENCE ONG
Authorised signatory

23 March 2009

UOB Optimix SGD Fund

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

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UOB OPTIMIX SGD FUND

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

We have audited the financial statements of UOB Optimix SGD Fund (the "Fund") set out on pages 12 to 29, which comprise the Balance Sheet and Portfolio Statement as at 31 December 2008, the Statement of Total Return for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Manager's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2008 and the total deficit for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 23 March 2009

UOB Optimix SGD Fund

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

STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2008

	Notes	2008 \$	2007 \$
Income			
Interest		<u>58,362</u>	31,036
Less: Expenses			
Management fee	10	135,216	70,356
Administration fee	10	10,731	10,701
Audit fee		6,446	8,571
Registrar fee		19,644	14,549
Custody fee	10	13,042	10,884
Interest expense	10	185	1,045
Other expenses		<u>41,342</u>	37,718
		<u>226,606</u>	153,824
Net loss		<u>(168,244)</u>	(122,788)
Net gains/(losses) on investments			
Net realised gains on investments		857,041	816,326
Net change in fair value on investments		<u>(1,541,029)</u>	212,985
Net (losses)/gains on investments		<u>(683,988)</u>	1,029,311
Total (deficit)/return for the year		<u>(852,232)</u>	906,523

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

UOB Optimix SGD Fund

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

BALANCE SHEET

As at 31 December 2008

	Notes	2008 \$	2007 \$
ASSETS			
Portfolio of investments		89,616,841	29,483,470
Receivables	4	806,611	2,214,502
Cash and bank balances		1,305,988	507,995
Fixed deposits with financial institutions	5	35,331,326	1,001,275
Total Assets		127,060,766	33,207,242
LIABILITIES			
Payables	6	503,480	312,337
Purchases awaiting settlement		29,452,960	-
Net assets attributable to unitholders	7	97,104,326	32,894,905
Total Liabilities		127,060,766	33,207,242

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

UOB Optimix SGD Fund

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

PORTFOLIO STATEMENT

As at 31 December 2008

	Nominal holdings at 31 December 2008	Fair value at 31 December 2008 \$	Percentage of total net assets attributable to unitholders at 31 December 2008 %
By Geography - Primary Quoted Bonds			
SINGAPORE			
ALLGREEN PROPERTIES 3.25% DUE 18/10/2010	2,000,000	1,883,756	1.94
ASCENDAS PTE LTD 3.66% DUE 14/05/2010	500,000	502,456	0.52
ASCOTT CAPITAL PTE LTD 2.725% DUE 02/06/2009	1,000,000	998,740	1.03
ASL MARINE HOLDGS LTD FRN DUE 05/06/2010	1,000,000	972,100	1.00
CAPITAMALL TRUST CB 1% DUE 02/07/2013	1,000,000	849,008	0.87
CAPITACOMMERCIALTRUST 3.15% DUE 24/01/2011	4,000,000	3,575,233	3.68
CDL PROPERTIES LTD 3.15% DUE 16/09/2010	1,000,000	939,148	0.97
CEL DEVELOPMENT 4.275% 09/04/2009	500,000	501,872	0.52
CITY DEVELOPMENTS LTD 2.30% DUE 20/02/2009	3,000,000	3,021,918	3.11
CITY DEVELOPMENTS LTD 3.10% DUE 22/02/2010	500,000	502,988	0.52
CITY DEVELOPMENTS LTD 3.19% DUE 10/06/2010	2,000,000	2,002,621	2.06
CMT MTN PTE LTD CAPITA FRN DUE 30/04/2010	1,000,000	893,811	0.92
CMT MTN PTE LTD CAPITA 3.25% DUE 01/04/2010	2,000,000	1,913,206	1.97
F&N TREASURY PTE LTD 2.43% DUE 21/05/2009	2,000,000	2,002,476	2.06
F&N TREASURY PTE LTD 3.60% DUE 09/07/2010	1,500,000	1,435,890	1.48
FRASER & NEAVE LIMITED 3.41% DUE 12/08/2010	500,000	507,551	0.52
KEPPEL LAND LTD CB 2.50% DUE 23/06/2013	1,000,000	820,853	0.85
KEPPEL LAND LTD VRN DUE 03/04/2013	1,500,000	1,492,500	1.54
KEPPEL LAND LTD SERIES 59 2% DUE 20/05/2013	2,000,000	2,002,556	2.06
MAPLETREELOG TREASURY DUE 3.81% 19/10/2009	2,000,000	2,024,700	2.09
OLAM INTL LTD 3.635% DUE 11/05/2010	1,000,000	999,780	1.03
OLAM INTL LTD FRN DUE 26/02/2010	500,000	469,466	0.48
OVERSEAS CHINESE BANKG 5.0% 06/09/2011	1,460,000	1,471,675	1.52
QUEENSLEY HOLDINGS LTD 4.50% DUE 05/12/2009	500,000	505,328	0.52
SENBCORP MARINE LTD 3% DUE 27/09/2009	500,000	500,803	0.52
SING INVEST & FIN LTD 4.36% DUE 17/04/2009	500,000	506,729	0.52
Balance carried forward		33,297,164	34.30

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

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PORTFOLIO STATEMENT

As at 31 December 2008

	Nominal holdings at 31 December 2008	Fair value at 31 December 2008 \$	Percentage of total net assets attributable to unitholders at 31 December 2008 %
By Geography - Primary (continued)			
Quoted Bonds			
SINGAPORE			
Balance brought forward		33,297,164	34.30
SINGAPORE TRSRY BILLS DUE 26/03/2009	17,000,000	16,977,390	17.48
SINGAPORE TRSRY BILLS DUE 02/04/2009	28,000,000	27,960,800	28.79
SPORE AIRPORT TERMINAL SVS 3% DUE 02/09/2009	1,250,000	1,263,995	1.30
SUNTEC REIT 3.25% DUE 20/03/2013	3,000,000	2,588,483	2.67
SWIBER HOLDINGS FRN 24/08/2010	2,500,000	2,252,998	2.32
YONGNAM ENGINEER & CO FRN 26/12/2012	2,375,000	2,257,288	2.32
Total Singapore		86,598,118	89.18
SOUTH KOREA			
EXPORT-IMPORT BK KOREA 2.55% DUE 20/07/2009	1,000,000	1,002,518	1.03
HYUNDAI CAPITAL SVS INC 3.57% DUE 27/11/2009	2,000,000	2,016,205	2.08
Total South Korea		3,018,723	3.11
Portfolio of investments		89,616,841	92.29
Other net assets		7,487,485	7.71
Net assets attributable to unitholders		97,104,326	100.00

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

UOB Optimix SGD Fund

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

PORTFOLIO STATEMENT

As at 31 December 2008

	Percentage of total net assets attributable to unitholders at 31 December 2008 %	Percentage of total net assets attributable to unitholders at 31 December 2007 %
By Geography - Primary (Summary)		
Quoted Bonds		
India	-	3.05
Singapore	89.18	80.48
South Korea	3.11	6.10
	<hr/>	<hr/>
Portfolio of investments	92.29	89.63
Other net assets	7.71	10.37
	<hr/>	<hr/>
Net assets attributable to unitholders	100.00	100.00
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The accompanying notes form an integral part of these financial statements.

UOB Optimix SGD Fund

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

PORTFOLIO STATEMENT

As at 31 December 2008

	Fair value at 31 December 2008 \$	Percentage of total net assets attributable to unitholders at 31 December 2008 %	Percentage of total net assets attributable to unitholders at 31 December 2007 %
By Industry - Secondary Quoted Bonds			
Consumer Discretionary	-	-	1.53
Consumer Staples	5,415,163	5.57	15.29
Energy	2,252,998	2.32	7.63
Financials	66,132,235	68.12	46.03
Government	-	-	-
Government Agency	1,002,518	1.03	-
Industrials	4,994,186	5.14	14.48
Property Trust	9,819,741	10.11	-
Utilities	-	-	4.67
Portfolio of investments	89,616,841	92.29	89.63
Other net assets	7,487,485	7.71	10.37
Net assets attributable to unitholders	97,104,326	100.00	100.0

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

UOB Optimix SGD Fund

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

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

1. General

UOB Optimix Fund II is a Singapore registered umbrella Fund, which offers one sub-fund, UOB Optimix SGD Fund. UOB Optimix Fund II (the "Fund") is constituted under a Trust Deed in Singapore dated 18 May 1998 and Supplemental Deeds dated 18 November 1998, 13 May 1999, 15 November 1999, 2 March 2000, 1 March 2001, 27 June 2001, 21 June 2002, 21 December 2002, 23 June 2003, 22 June 2004, 21 June 2005, 9 June 2006, 8 June 2007 and 26 June 2007. The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is Citicorp Trustee (Singapore) Limited (the "Trustee"). The Manager of the Fund is UOB Asset Management Limited (the "Manager").

These financial statements pertain only to the UOB Optimix SGD Fund. The primary activity of the fund is of investment trading.

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 and loss, and in accordance with 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

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*

Purchases of investments are recognised 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. Unrealised gains and losses arising from changes in the fair value of investments are included in the Statement of Total Return in the year in which they arise.

(iii) *Derecognition*

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

(d) Basis of valuation of investments

The fair value of investments 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.

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 date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities are also recognised in the statement of total return within the fair value net gain or loss.

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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.

3. Income Tax

The Fund was granted the status of a Designated Unit Trust and, therefore, the following income is exempted 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; and
- (ii) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act).

4. Receivables

	2008	2007
	\$	\$
Amounts due from Manager	802,284	2,214,465
Interest receivables	4,327	37
	<u>806,611</u>	<u>2,214,502</u>

5. Fixed deposits with financial institutions

Fixed deposits with financial institutions as at balance sheet date has an average maturity of 5 days (2007: 4 days) from the end of the financial year with a weighted average effective interest rate of 0.204 % (2007: 1.345%)

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6. Payables

	2008 \$	2007 \$
Amount due to unitholders	428,177	275,143
Amount due to Manager	56,595	23,911
Amount due to Trustee	-	-
Accrued expenses	18,708	13,283
	503,480	312,337

7. Nets assets attributable to unitholders

	2008 \$	2007 \$
At the beginning of the financial year	32,894,905	27,076,989
Operations		
Change in net assets attributable to unitholders resulting from operations	(852,232)	906,523
Unitholders' contributions/(withdrawals)		
Creation of units	137,492,020	29,800,201
Cancellation of units	(72,430,367)	(24,888,808)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	65,061,653	4,911,393
Total increase in net assets attributable to unitholders	64,209,421	5,817,916
At the end of the financial year	97,104,326	32,894,905
Units in issue (Note 8)	78,087,017	26,272,045
	\$	\$
Net assets attributable to unitholders per unit	1.24	1.25

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8. Units in issue

	2008	2007
Units at beginning of the year	26,272,045	22,351,343
Units created	109,489,657	23,984,404
Units cancelled	(57,674,685)	(20,063,702)
Units at end of the year	<u>78,087,017</u>	<u>26,272,045</u>

9. Financial risk management

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

The Fund's assets principally consist of financial instruments such as 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 only Singapore dollars. There is no foreign currency exposure for the Fund as at 31 December 2008 and 2007.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

9. Financial risk management (continued)

(a) Market risk (continued)

(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. The average effective duration of the Fund's portfolio is a measure of the sensitivity of the fair value of the Fund's fixed interest securities to changes in market interest rates.

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 repricing or maturity dates. All variable rate financial instruments are reset within a month.

At 31 December 2008

	Variable rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
Assets				
Portfolio of investments	10,340,719	34,337,932	44,938,190	89,616,841
Receivables	-	-	806,611	806,611
Cash and bank balances	-	-	1,305,988	1,305,988
Fixed deposits with financial institutions	35,331,326	-	-	35,331,326
Total Assets	45,672,045	34,337,932	47,050,789	127,060,766
Liabilities				
Payables	-	-	503,480	503,480
Purchases awaiting settlement	-	-	29,452,960	29,452,960
Net assets attributable to unitholders	-	-	97,104,326	97,104,326
Total Liabilities	-	-	127,060,766	127,060,766

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9. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

At 31 December 2007

	Variable rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
Assets				
Portfolio of investments	8,518,250	20,965,220	-	29,483,470
Receivables	-	-	2,214,502	2,214,502
Cash and bank balances	-	-	507,995	507,995
Fixed deposits with financial institutions	1,001,275	-	-	1,001,275
Total Assets	9,519,525	20,965,220	2,722,497	33,207,242
Liabilities				
Payables	-	-	312,337	312,337
Net assets attributable to unitholders	-	-	32,894,905	32,894,905
Total Liabilities	-	-	33,207,242	33,207,242

As at 31 December 08, should interest rates have risen or lowered by 100 basis points ("bps") (2007: 100 bps) with all other variables remaining constant, the decrease or increase in net assets attributable to unitholders for the year would be \$971,043 (2007:\$ 328,949).

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.

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For the financial year ended 31 December 2008

9. Financial risk management (continued)

(b) Liquidity risk

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

The Fund's investments in listed securities are considered to be readily realisable as they are listed on established regional stock 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 tables below analyse the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 31 December 2008

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Payables	503,480	-	-	-
Purchases awaiting settlement	29,450,960	-	-	-
Net assets attributable to unitholders	97,104,326	-	-	-

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For the financial year ended 31 December 2008

9. Financial risk management (continued)

(b) Liquidity risk (continued)

As at 31 December 2007

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Payables	312,337	-	-	-
Net assets attributable to unitholders	32,894,905	-	-	-

(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 Standard and Poor's or Moody's. The credit ratings are reviewed regularly.

The table below analyses the Fund's investments by credit ratings

As at 31 December 2008

	Aa	A	Baa	Non rated
Fixed rate securities	3%	2%	4%	26%
Floating rate securities	-	1%	-	56%
Non - interest bearing	-	-	-	46%

As at 31 December 2007

	Aa	A	Baa	Non rated
Fixed rate securities	-	2%	3%	59%
Floating rate securities	-	-	-	26%
Non - interest bearing	-	-	-	-

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9. Financial risk management (continued)

(c) Credit risk (continued)

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 31 December 2008 and 2007.

As at 31 December 2008

	Amount \$	Credit rating	Source of credit rating
<u>Bank</u>			
Citibank N.A.	9,674,931	C	Moody's
United Overseas Bank Limited	10,142,574	B	Moody's
Oversea-Chinese Banking Corporation	7,810,841	B	Moody's
The Hong Kong and Shanghai Banking Corporation limited	9,008,968	B+	Moody's

As at 31 December 2007

	Amount \$	Credit rating	Source of credit rating
<u>Bank</u>			
Citibank N.A.	42,116	B	Moody's
United Overseas Bank Limited	1,467,154	B	Moody's

All Investments are held in custody with reputed Citibank N. A. whose credit rating assigned by Moody's at 31 December 2008 is C (2007:B). The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

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NOTES TO THE FINANCIAL STATEMENTS

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9. 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 unitholders' redemptions.

10. Related party transactions

- (a) The Manager and the Trustee of the Fund are UOB Asset Management Limited and Citicorp Trustee (Singapore) Limited respectively. UOB Asset Management Ltd is a subsidiary of United Overseas Bank Limited and Citicorp Trustee (Singapore) Limited is a subsidiary of Citigroup.

Management fee is paid to the Manager, while trustee fee is paid to the Trustee. These fees paid or payable by the Fund are shown in the Statement of Total Return and respective Notes to the Financial Statements are on terms set out in the Trust Deed. All other related party transactions are shown elsewhere in the financial statements.

- (b) As at the end of the financial year, the Fund maintained the following accounts with the following:

	2008	2007
	\$	\$
Bank balances held with a related party of the Manager	1,134,542	465,879
Bank balances held with a related party of the Trustee	171,446	42,116
Fixed deposit held with a related party of the Trustee	9,503,485	-
Fixed deposit held with a related party of the Manager	9,008,033	1,001,275

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10. Related party transactions (continued)

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

	2008	2007
	\$	\$
Interest income earned from a bank which is a related party of Manager	41,049	8,903
Interest income earned from a bank which is a related company of the Trustee	17,313	22,133
Interest expense from a bank which is a related company of the Manager	100	13
Interest expense from a bank which is a related company of the Trustee	85	1,032
Administration fee expenses charged by a related company of the Trustee	10,731	10,701
Custody fee expense charged by a related company of the Trustee	13,042	10,884

11. Financial ratios

	2008	2007
Expense ratio ¹	0.42%	0.54%
Turnover ratio ²	43.11%	125.11%

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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