



United SSE 50 China ETF

Semi Annual Report

for the period 1st July to
31st December 2013

United SSE 50 China ETF

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

MANAGER

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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 12 November 2009 Ann Comp Ret
United SSE 50 China ETF	-3.02	2.53	-9.83	-5.46	N/A	N/A	-10.56
Benchmark	-2.47	2.39	-9.82	-5.10	N/A	N/A	-10.12

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in Singapore dollars based on a NAV-to-NAV basis with net dividends reinvested.
The benchmark of the Fund: SSE 50 Index.

Market and Portfolio Review

In the second half of 2013, the Chinese equity market underwent a period of higher market volatility as investors grew concerned about high debt levels in China, the possible losses from non-performing loans and the slower economic growth prospects. That made it the worst performing market in Asia. The debt levels in China stood at over 220% - up from below 150% of GDP before the global financial crisis. This is certainly high by emerging market standards - only made worse by the escalation in local government debt and shadow banking practices. However, it helped that the China government unveiled a package of wide-ranging and comprehensive reforms at the Third Plenum in November. These reforms, tackling economic, structural and social issues represent China's most significant overhauls in decades, and reflect the leaders' resolve in tackling some of the deep-seated problems there.

On the economic front, the data released hinted at weakness in the world's second largest economy. China's export growth fared much poorer in 2H2013 as compared to 1H2013. After posting double-digit growth figures for the first four months of the year, export growth slowed to a crawl and even turned negative, most recently in September 2013 (-3.0% y-o-y). Although China managed to end the year on a positive note with a 4.30% export growth for December 2013, the number still came in below market consensus of a 5.0% growth. Correspondingly, the decline in export growth also pointed to a deceleration in activity for the manufacturing and services sectors, where readings largely disappointed market expectations and indicated a slowing pace of growth despite hovering above a reading of 50. Similarly, even with a 3Q GDP growth rate of 7.80%, - higher on sequential and y-o-y terms, investor concerns remained as the higher growth rate marked only the second time in the past ten quarters where growth accelerated.

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In addition, rising inflation readings and a possible overheating of China's property market led to fears that the central bank would tighten monetary policy to combat inflationary pressures, thus leading to a reduction in liquidity. Furthermore, the government initiative to rein in corruption curbed discretionary spending and affected the performance of consumer-related counters. On the policy front, authorities continue to advocate the need to restructure and reform China's economy in the face of slowing demand. Invariably, this led to some pressure on corporate profitability, especially with rising wage costs.

During the period under review, the SSE 50 Index had two index review and rebalancing. At the end of June 2013, the SSE 50 Index had an index review and rebalancing, which will be effective between 1 July 2013 and 15 December 2013. During this index review, four changes were made to the underlying constituents. **Minmetals Development Co Ltd**, **China Communications Construction Company Limited** (Industrials), **Yanzhou Coal Mining Co Ltd** and **China Coal Energy Co Ltd** (Energy) were removed from the index and replaced by **Gemdale Corporation** (Financials), **China Merchant Securities Co Ltd** (Financials), **Everbright Securities Co Ltd** (Financials) and **Kangmei Pharmaceutical Co Ltd** (Health Care).

Among the 50 index constituents, 24 constituents rose, while 25 constituents declined and one constituent was suspended during the period from July to December 2013. All of the constituents posted positive return in the **Telecommunication Services** sector. All of the constituents in the **Consumer Discretionary** and **Health Care** sectors posted negative returns. One constituent posted positive return and one constituent posted negative return in the **Consumer Staples** sector. Two constituents posted positive returns and five constituents posted negative returns in the **Energy** sector. Eleven constituents posted positive returns, ten constituents posted negative returns and one constituent remain unchanged in the **Financials** sector. Five constituents posted positive returns and two constituents posted negative returns in the **Industrial** sector. Five constituents posted positive returns and four constituents posted negative returns in **Materials** sector.

As of 16 December 2013, there were five changes made to the underlying constituents during the index review and rebalancing for the SSE 50 Index, effective between 16 December 2013 and 15 June 2014. **Baoshan Iron & Steel Co Ltd** (Materials), **Shanxi Lanhua Science-Tech Venture Co Ltd** (Energy), **Yang Quan Coal Industry (Group) Co., Ltd** (Energy), **Sinohydro Group Ltd** (Industrials) and **Everbright Securities** (Financials) were removed from the index and replaced by **Shanghai International Port (Group) Co Ltd** (Industrials), **NARI Technology Development Co Ltd** (Industrials), **China National Chemical Engineering Co Ltd** (Industrials), **Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited** (Health Care) and **BesTV New Media Co Ltd** (Consumer Discretionary).

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Market Outlook

The performance of the Chinese market will continue to depend on continuing economic rebalancing efforts. The recently concluded Third Plenary Session suggests that the government will now allow market-based approaches to play a bigger role in allocating resources going forward. This means that the private sector should benefit as compared to state-own-enterprises (SOE). However, as state-owned enterprises (SOEs) currently have a greater share of economic output, this transition may result in further slowdown in economic growth. Chinese market economic fundamentals were on the downside in recent years. While stable growth and better sentiment should lead to a market rally, recent growth moderation outpaced the positive sentiment on reform and weighed on the indices. Chinese market could break out from its trading range only if the slower growth coupled with more decisive reform measures are taken positively by the market. When China gets through the current necessary painful transition and reforms, and rebalances its economy towards a more sustainable growth path, these positive fundamentals should reassert themselves. The China market could then enjoy a sustained re-rating, with high rewards for long term investors.

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Disclosures

The Fund invests in two tranches of the Participatory Notes (the P-Notes), Tranche A P-Notes and Tranche B P-Notes. The value of the P-Notes is linked to a composite portfolio comprising an underlying basket of A-Shares closely correspond to the performance of the SSE 50 Index.

Rabobank Hong Kong posts collateral for any value of the P-Notes issued by Rabobank held by the Trustee on behalf of the Sub-Fund that is above 10% of the Net Asset Value of the Sub-Fund in order to reduce the Sub-Fund's exposure to Rabobank to not more than 10% of the Net Asset Value of the Sub-Fund. It is intended that the collateral would be placed in a trust or custodian account charge and assigned to the Trustee as trustee for the Sub-Fund. The detail of the collaterals as of 31 Dec 2013 is as follows:

Name	Value (SGD)	Nature of Collateral
Singapore T-Bills 21 Mar 14	64,960,350	Bond

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B) Investments at fair value and as a percentage of NAV as at 31 December 2013 under review classified by

i) Country

Please refer to the Portfolio Statement on page 13

ii) Industry

Please refer to the Portfolio Statement on page 13

iii) Asset Class

Please refer to the Portfolio Statement on page 13

iv) Credit rating of debt securities

N/A

C) Top Ten Holdings

The top 10 holdings as at 31 December 2013 and 31 December 2012

31 December 2013^{*}

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE A	41,670,557	84.36
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE B	7,726,086	15.64

31 December 2012^{*}

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE A	40,069,822	57.10
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE B	30,183,133	43.01

^{*} There were only 2 holdings as at 31 December 2013 and 31 December 2012

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D) Exposure to derivatives

- i) fair value of derivative contracts and as a percentage of NAV as at 31 December 2013

	Contract or Underlying Principal amount \$	Positive fair value \$	% of NAV
P-notes	49,396,643	357,524	0.72

- ii) there was a net gain of SGD 9,992 on derivative contracts realised during the financial period ended 31 December 2013
- iii) there was a net gain of SGD 357,524 on outstanding derivative contracts marked to market as at 31 December 2013

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 31 December 2013

N/A

F) Amount and percentage of borrowings to net asset value (NAV) as at 31 December 2013

N/A

G) Amount of redemptions and subscriptions for the period 01 July 2013 to 31 December 2013

Total amount of redemptions	SGD	-
Total amount of subscriptions	SGD	-

H) The amount and terms of related-party transactions for the period 01 July 2013 to 31 December 2013

- i) As at 31 December 2013 the Fund maintained current account with HSBC Group as follows:

<u>HSBC Group</u> Bank balances	SGD	288,073
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- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 31 December 2013

N/A

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

N/A

- iv) As at 31 December 2013 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

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I) Expense ratios

31 December 2013	1.30%
31 December 2012	1.70%

Note: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 2013 was based on total operating expenses of \$713,296 (2012: \$735,248) divided by the average net asset value of \$54,725,450 (2012: \$43,290,826) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

J) Turnover ratios

31 December 2013	0.68%
31 December 2012	101.31%

Note: The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being sales of \$340,447 (2012: \$41,528,890) divided by the average daily net asset value of \$50,217,343 (2012: \$40,993,698).

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 2013 and 31 December 2012

N/A

- ii) expense ratios for the period ended 31 December 2013 and 31 December 2012

N/A

- ii) turnover ratios for the period ended 31 December 2013 and 31 December 2012

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.

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M) Soft dollar commissions/arrangements

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

There are no soft dollars, rebates, commissions or other money incentives generated by the Fund.

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STATEMENT OF TOTAL RETURN

For the half year ended 31 December 2013 (Un-audited)

	31 December 2013 \$	31 December 2012 \$
Income		
Dividends	1,490,587	984,530
Less: Expenses		
Management fee	114,118	93,674
Trustee fee	21,000	21,000
Audit fee	12,095	11,544
Custody fee	4,921	3,945
Maintenance fee	76,271	62,301
Collateral fee	306,333	196,576
Transaction cost	4,983	270,319
Other expenses	100,472	125,242
	640,193	784,601
Net income	850,394	199,929
Net gains or losses on value of investments		
Net gain on investments	367,516	4,106,155
Net foreign exchange (loss)/gain	(142)	5
	367,374	4,106,160
Total return for the period	1,217,768	4,306,089

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STATEMENT OF FINANCIAL POSITION

As at 31 December 2013 (Un-audited)

	31 December 2013	30 June 2013
	\$	\$
ASSETS		
Portfolio of investments	49,396,643	48,483,125
Cash and bank balances	288,073	37,981
Total Assets	49,684,716	48,521,106
LIABILITIES		
Payables	289,679	343,837
Total Liabilities	289,679	343,837
EQUITY		
Net assets attributable to unitholders	49,395,037	48,177,269

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STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the half year ended 31 December 2013 (Un-audited)

	31 December 2013	30 June 2013
	\$	\$
Net assets attributable to unitholders at the beginning of the financial period/year	48,177,269	40,619,003
Operations		
Change in net assets attributable to unitholders resulting from operations	1,217,768	(1,933,734)
Unitholders' contributions/(withdrawals)		
Creation of units	-	30,550,000
Cancellation of units	-	(21,058,000)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	-	9,492,000
Total increase in net assets attributable to unitholders	1,217,768	7,558,266
Net assets attributable to unitholders at the end of the financial period/year	49,395,037	48,177,269

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STATEMENT OF PORTFOLIO

As at 31 December 2013 (Un-audited)

	Holdings at 31 December 2013	Fair value at 31 December 2013 \$	Percentage of total net assets attributable to unitholders at 31 December 2013 %
By Geography - Primary			
CHINA			
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE B	4,976,000	7,726,086	15.64
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE A	26,838,000	41,670,557	84.36
Portfolio of investments		49,396,643	100.00
Other net liabilities		(1,606)	*
Net assets attributable to unitholders		49,395,037	100.00

	Percentage of total net assets attributable to unitholders at 31 December 2013 %	Percentage of total net assets attributable to unitholders at 30 June 2013 %
By Geography - Primary (Summary)		
CHINA	100.00	100.64
Portfolio of investments	100.00	100.64
Other net liabilities	*	(0.64)
Net assets attributable to unitholders	100.00	100.00

As the Fund invests only into two participatory notes, no secondary representation is considered necessary.

* denotes amounts less than 0.01%

