

SPDR[®] STRAITS TIMES INDEX ETF

Stock Code: ES3

Website: www.spdrs.com.sg

Annual Report 2014

1st July 2013 to 30th June 2014



Precise in a world that isn't.[®]

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SPDR® STRAITS TIMES INDEX ETF

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MANAGER'S INVESTMENT REPORT

For the financial year ended 30 June 2014

Manager's Notes

About SPDR® STRAITS TIMES INDEX ETF (the "Fund")

SPDR® STRAITS TIMES INDEX (the "Fund"), Singapore's first locally created exchange traded fund, is designed to track the performance of the Straits Times Index ("STI"). Shares of SPDR® STRAITS TIMES INDEX ETF were listed and traded on Singapore Exchange Security Trading Limited ("SGX-ST") since 17 April 2002.

Details of the Fund

NAV per share (30 June 2014):	S\$3.298
Net Assets Attributable to Unitholders (30 June 2014):	S\$438.62 million
Fund Currency:	Singapore dollar
Listing Date on SGX-ST:	17 April 2002
Stock Code on SGX-ST:	ES3
Board Lot:	1000 shares
Price:	Approximately 1/1000th of the STI
CPF Usage:	Included in CPF Investment Scheme – Ordinary Account
Annual Costs:	0.3%

Benefits of investing in the Fund

SPDR® STRAITS TIMES INDEX ETF offers investors the opportunity to gain diversified exposure to the leading companies in Singapore and participate in Singapore's long term growth potential in a single transaction, at relatively low cost.

Just like any share listed on SGX-ST, investors can buy and sell anytime during the trading day, on margin or sell short. Investors can also receive regular dividends. Unlike ordinary unit trusts, there are no sales charges upon purchase. Instead, investors pay brokerage commissions to buy or sell. SPDR® STRAITS TIMES INDEX ETF total annual fees, including management and trustee fees, are also low at 0.3%.

MANAGER'S INVESTMENT REPORT (Continued)

For the financial year ended 30 June 2014

Performance of the Scheme

	3-month	6-month	1-year	3-year	5-year	10-year	Annualised Since inception
From	31-Mar-14	31-Dec-13	30-Jun-13	30-Jun-11	30-Jun-09	30-Jun-04	11-Apr-02
To	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14
Fund*	2.09%	4.19%	6.22%	4.13%	9.61%	9.06%	8.39%
Fund**	2.09%	2.77%	3.32%	1.22%	6.76%	5.89%	5.24%
STI**	2.10%	2.79%	3.34%	1.42%	6.89%	5.88%	5.26%

* Includes dividends

** Excludes dividends

Notes:

- As stated in the financial statements, units are issued and redeemed through the creation and redemption of an Index Basket in accordance with the Fund's Trust Deed. The Fund does not, therefore, publish a bid price and the Fund's returns have been computed from Net Asset Values. The net distributions of the Fund have been included for the purposes of this return calculation.
- The benchmark returns are stated on a price only basis and do not include dividends. The performance of the Straits Times Index with dividends reinvested is not published.

Details of Top 10 Holdings of the Fund

As at 30 June 2014

	Cost SGD	Market Value/ Fair Value SGD	Percentage of total net assets value %	Percentage of free-float adjusted share capital owned %	Dividends received SGD	Dividend Cover Ratio
DBS Group Holdings Limited	40,335,928	45,725,825	10.42	0.15	1,491,410	2.59
Singapore Telecommunications Limited	36,281,887	44,282,800	10.10	0.15	1,740,164	1.37
United Overseas Bank Limited	33,523,324	41,877,404	9.55	0.15	1,267,785	2.46
Overseas Chinese Banking Corporation	40,017,831	40,663,795	9.27	0.15	1,368,107	2.30
Jardine Matheson Holdings Limited	22,040,550	27,746,281	6.33	0.15	645,106	2.03
Keppel Corporation Limited	20,337,292	24,191,212	5.52	0.15	877,152	2.55
Jardine Strategic Holdings Limited	12,355,158	15,671,504	3.57	0.15	110,550	7.24
Hongkong Land Holdings Limited	15,419,993	15,349,833	3.50	0.15	407,627	2.09
CapitalLand Limited	13,242,249	12,748,538	2.91	0.15	323,517	2.50
Global Logistic Properties Limited	10,914,670	12,709,016	2.90	0.15	165,239	3.99
	<u>244,468,882</u>	<u>280,966,208</u>				

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MANAGER'S INVESTMENT REPORT *(Continued)*

For the financial year ended 30 June 2014

Details of Top 10 Holdings of the Fund (Continued)

As at 30 June 2013						
	Cost	Market Value/ Fair Value	Percentage of total net assets value	Percentage of free-float adjusted share capital owned	Dividends received	Dividend Cover Ratio
	SGD	SGD	%	%	SGD	
Singapore Telecommunications Limited	30,623,772	37,632,577	10.18	0.14	1,575,720	1.31
Overseas Chinese Banking Corporation Limited	34,333,304	37,019,384	10.02	0.14	1,120,527	3.43
DBS Group Holdings Limited	33,716,302	36,360,954	9.84	0.14	1,956,021	2.79
United Overseas Bank Limited	28,185,168	31,786,089	8.60	0.14	913,908	2.45
Jardine Matheson Holdings Limited	18,051,438	24,244,193	6.56	0.14	525,604	1.87
Keppel Corporation Limited	17,321,896	20,264,046	5.48	0.14	808,141	2.77
Jardine Strategic Holdings Limited	10,272,361	14,017,742	3.79	0.14	86,708	6.86
Hongkong Land Holdings Limited	13,500,086	13,876,756	3.75	0.14	376,001	3.60
Global Logistic Properties Limited	9,088,966	11,181,007	3.03	0.14	93,330	4.57
Genting Singapore PLC	14,656,236	10,986,829	2.97	0.14	80,368	5.57
	<u>209,749,531</u>	<u>237,369,577</u>				

The industry in which the above companies conduct their business is shown in the Statement of Portfolio on pages 14 to 18.

MANAGER'S INVESTMENT REPORT *(Continued)*

For the financial year ended 30 June 2014

Amount of Subscription and Redemption

For the financial year ended 30 June 2014

	Units	S\$
Subscription	19,000,000	59,145,817
Redemption	(2,000,000)	(6,664,213)

Other Information

During the year ended 30th June 2014, the Fund had no exposure to other unit trusts, mutual funds and collective investment schemes (except for certain listed funds that are included in the Straits Times Index) and did not hold any collateral. During the year ended 30th June 2014, the Fund had no borrowings, securities lending and repurchase transactions. There are no other material information that will adversely impact the valuation of the Fund.

Soft Dollar Practices

The Manager may receive soft dollar commissions/arrangements in respect of the Fund and is subject to the applicable regulatory and industry standards on soft dollars. The soft dollar commissions/arrangements which the Manager may for the time being receive or enter into include specific advice as to the advisability of dealing in or as to the value of any investments, research and advisory services, economic and political analyses, portfolio analyses including valuation and performance measurements, market analyses, data and quotation services, computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis, and custodial service in relation to the investments managed for clients.

Brokers for the Fund are selected on the basis of the best available terms for execution. As the Manager is a part of the State Street Group which approaches soft dollar on a group wide basis, the benefits received by the Manager through soft dollars may or may not be directly related to the transactions performed for the Fund.

The goods and services received were for the benefit of the Fund. The trades were executed on best available terms, and there was no churning of trades.

Exposure to Financial Derivatives

The Fund had no exposure to derivative for the financial year ended 30 June 2014 and 2013.

MANAGER'S INVESTMENT REPORT *(Continued)*

For the financial year ended 30 June 2014

Global Exposure to Financial Derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- a) The absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;
- b) The absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c) The sum of the values of cash collateral received pursuant to:
 - i) The reduction of exposure to counterparties of OTC financial derivatives; and
 - ii) EPM techniques relating to securities lending and repurchase transactions,and that are reinvested.

Information on the Manager

The Manager is State Street Global Advisors Singapore Limited, an indirect wholly-owned subsidiary of State Street Corporation. The Manager will remain manager of the Fund until terminated in accordance to the Fund's Trust Deed. The basis of the Manager's remuneration is set down in the Fund's prospectus dated 27 September 2013. As agreed between the Manager and the Trustee, the total combined management fees, trustee fees and other recurring expenses for the Fund are currently set at 0.3% per annum of its net asset value.

REPORT OF THE TRUSTEE

For the financial year ended 30 June 2014

The Trustee is under a duty to take into custody and hold the assets of SPDR® STRAITS TIMES INDEX ETF (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap.289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report.

To the best of the knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 11 to 32, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
DBS TRUSTEE LIMITED

JANE LIM
Director

26 September 2014

SPDR® STRAITS TIMES INDEX ETF
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STATEMENT BY THE MANAGER

For the financial year ended 30 June 2014

In the opinion of the directors of State Street Global Advisors Singapore Limited, the accompanying financial statements set out on pages 11 to 32, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of SPDR® STRAITS TIMES INDEX ETF (the "Fund") as at 30 June 2014 and the total return and changes in unitholders' funds 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 Singapore Chartered Accountants. 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
STATE STREET GLOBAL ADVISORS
SINGAPORE LIMITED

HON WING CHEUNG

Director

26 September 2014

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SPDR® STRAITS TIMES INDEX ETF

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

We have audited the accompanying financial statements of SPDR® STRAITS TIMES INDEX ETF (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 June 2014, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the year then ended, and a summary of significant accounting policies and other explanatory information, set out on pages 11 to 32.

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 Singapore Chartered Accountants, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 Fund'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 Fund's internal control. 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.

SPDR® STRAITS TIMES INDEX ETF
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**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
SPDR® STRAITS TIMES INDEX ETF** *(Continued)*

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2014 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants

Singapore, 26 September 2014

STATEMENT OF TOTAL RETURN

For the financial year ended 30 June 2014

	Note	2014 S\$	2013 S\$
Income			
Dividends		12,762,682	10,555,884
Interest		—	1
		<u>12,762,682</u>	<u>10,555,885</u>
Less: Expenses			
Management fees		(1,210,124)	(1,097,983)
Transaction costs		(11,295)	(77,251)
Other expenses		—	(2,378)
		<u>(1,221,419)</u>	<u>(1,177,612)</u>
Net income		<u>11,541,263</u>	<u>9,378,273</u>
Net gains or losses on value of investments and financial derivatives			
Net gains on investments		15,881,314	32,220,864
Net losses on financial derivatives		—	(172,320)
Net losses on foreign exchange		(16,515)	(1,800)
		<u>15,864,799</u>	<u>32,046,744</u>
Total return for the year before income tax		<u>27,406,062</u>	<u>41,425,017</u>
Less: Income tax	3	<u>(93,294)</u>	<u>(68,078)</u>
Total return for the year after income tax		<u><u>27,312,768</u></u>	<u><u>41,356,939</u></u>

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

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STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	2014 S\$	2013 S\$
ASSETS			
Portfolio of investments		431,418,826	363,926,184
Receivables	5	61,278	20,644,793
Cash and bank balances	6	7,476,249	5,066,566
Margin account		–	436,341
Total assets		438,956,353	390,073,884
LIABILITIES			
Payables	7	333,360	285,660
Purchases awaiting settlement		–	20,233,603
Total liabilities		333,360	20,519,263
EQUITY			
Net assets attributable to unitholders	8	438,622,993	369,554,621

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

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 30 June 2014

	Note	2014 S\$	2013 S\$
Net assets attributable to unitholders at the beginning of the financial year		369,554,621	369,370,320
Operations			
Change in net assets attributable to unitholders resulting from operations		27,312,768	41,356,939
Unitholders' contributions/(withdrawals)			
Creation of units		59,145,817	26,870,469
Cancellation of units		(6,664,213)	(58,863,107)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		52,481,604	(31,992,638)
Distributions	4	(10,726,000)	(9,180,000)
Total increase in net assets attributable to unitholders		69,068,372	184,301
Net assets attributable to unitholders at the end of the financial year	8	438,622,993	369,554,621

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

SPDR® STRAITS TIMES INDEX ETF
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STATEMENT OF PORTFOLIO

As at 30 June 2014

Primary – by Industry

	Holdings at 30 June 2014	Fair value at 30 June 2014 S\$	Percentage of total net assets attributable to unitholders at 30 June 2014 %
Quoted equities			
Aerospace & Defence			
Singapore Technologies Engineering	2,432,539	9,243,648	2.11
		9,243,648	2.11
Bank & Financial Services			
DBS Group Holdings Limited	2,729,900	45,725,825	10.42
Overseas Chinese Banking Corporation	4,257,989	40,663,795	9.27
United Overseas Bank Limited	1,859,565	41,877,404	9.55
Singapore Exchange Ltd	1,292,265	8,981,242	2.05
		137,248,266	31.29
Beverages & Food Producers			
Thai Beverage PCL	15,372,898	9,531,197	2.17
		9,531,197	2.17
Food Producers			
Olam International Limited	751,684	1,939,345	0.44
Wilmar International Limited	3,304,727	10,542,079	2.40
Golden Agri-Resources Limited	10,077,773	5,593,164	1.27
		18,074,588	4.11
General Industrials			
Jardine Matheson Holdings Limited	374,734	27,746,281	6.33
Jardine Strategic Holdings Limited	351,337	15,671,504	3.57
Noble Group Limited	6,037,047	8,270,754	1.89
		51,688,539	11.79

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

STATEMENT OF PORTFOLIO *(Continued)*

As at 30 June 2014

Primary – by Industry *(Continued)*

	Holdings at 30 June 2014	Fair value at 30 June 2014 S\$	Percentage of total net assets attributable to unitholders at 30 June 2014 %
Quoted equities <i>(continued)</i>			
General Retailers			
Jardine Cycle & Carriage Limited	156,370	6,920,936	1.58
		6,920,936	1.58
Industrial Transportation			
Hutchison Port Holdings	7,929,328	7,127,261	1.62
SIA Engineering Co Ltd	345,511	1,744,831	0.40
		8,872,092	2.02
Media			
Singapore Press Holdings Ltd	2,498,739	10,419,742	2.38
		10,419,742	2.38
Mobile Telecommunications			
Singapore Telecommunications Limited	11,502,026	44,282,800	10.10
Starhub Limited	916,098	3,820,129	0.87
		48,102,929	10.97
Oil Equipment Services & Distribution			
Keppel Corp Ltd	2,242,003	24,191,212	5.52
SembCorp Industries Ltd	1,399,925	7,517,597	1.71
SembCorp Marine Ltd	1,304,911	5,350,135	1.22
		37,058,944	8.45

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

SPDR® STRAITS TIMES INDEX ETF
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STATEMENT OF PORTFOLIO *(Continued)*

As at 30 June 2014

Primary – by Industry *(Continued)*

	Holdings at 30 June 2014	Fair value at 30 June 2014 S\$	Percentage of total net assets attributable to unitholders at 30 June 2014 %
Quoted equities <i>(continued)</i>			
Real Estate Investments			
Ascendas Real Estate Investment Trust	3,096,440	7,121,812	1.62
Capitaland Ltd	3,983,918	12,748,538	2.91
City Developments Ltd	927,657	9,489,931	2.16
Global Logistic Properties Ltd	4,707,043	12,709,016	2.90
Hongkong Land Holdings Ltd	1,843,419	15,349,833	3.50
Capitamall Trust Reit NPV*	4,069,578	8,037,417	1.83
		<u>65,456,547</u>	<u>14.92</u>
Travel & Leisure			
Comfortdelgro Corporation (S) Limited	3,156,522	7,891,305	1.80
Singapore Airlines Limited	791,756	8,210,510	1.87
Genting Singapore PLC	9,548,559	12,699,583	2.90
		<u>28,801,398</u>	<u>6.57</u>
Portfolio of investments		431,418,826	98.36
Cash and other net assets		<u>7,204,167</u>	<u>1.64</u>
Net assets attributable to unitholders		<u><u>438,622,993</u></u>	<u><u>100.00</u></u>

* This is a collective investment scheme

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

STATEMENT OF PORTFOLIO *(Continued)*

As at 30 June 2014

Primary – by Industry *(Continued)*

Summary

	Percentage of total net assets attributable to unitholders at 30 June 2014 %	Percentage of total net assets attributable to unitholders at 30 June 2013 %
Quoted equities		
Aerospace & Defence	2.11	2.40
Bank & Financial Services	31.29	30.60
Beverages & Food Producers	2.17	2.14
Food Producers	4.11	4.62
General Industrials	11.79	11.69
General Retailers	1.58	1.57
Industrial Transportation	2.02	2.15
Media	2.38	2.46
Mobile Telecommunications	10.97	11.34
Oil Equipment Services & Distribution	8.45	8.44
Real Estate Investments	14.92	14.83
Travel & Leisure	6.57	6.22
Portfolio of investments	98.36	98.46
Cash and other net assets	1.64	1.54
Net assets attributable to unitholders	100.00	100.00

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

SPDR® STRAITS TIMES INDEX ETF
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STATEMENT OF PORTFOLIO *(Continued)*

As at 30 June 2014

Secondary – By Geography

	Fair value at 30 June 2014	Percentage of total net assets attributable to unitholders at 30 June 2014	Percentage of total net assets attributable to unitholders at 30 June 2013
	S\$	%	%
Quoted equities			
By Country of Incorporation			
Singapore	336,556,510	76.73	76.58
Bermuda	67,038,372	15.29	15.45
Mauritius	5,593,164	1.27	1.32
Thailand	9,531,197	2.17	2.14
United Kingdom	12,699,583	2.90	2.97
Portfolio of investments	431,418,826	98.36	98.46
Cash and other net assets	7,204,167	1.64	1.54
Net assets attributable to unitholders	438,622,993	100.00	100.00

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

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

1. GENERAL

SPDR® STRAITS TIMES INDEX ETF (the "Fund") is a Singapore-domiciled fund constituted by a Trust Deed dated 26 March 2002 (the "Original Deed"). The Original Deed as modified by subsequent supplemental deeds (the "Supplemental Deeds") is amended and restated by a Eighth Amending and Restating Deed dated 27 September 2013. The Deed is between State Street Global Advisors Singapore Limited and DBS Trustee Limited. The Deed is governed by the laws of the Republic of Singapore. The Fund is also listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and is included under the Central Provident Fund ("CPF") Investment Scheme.

The investment objective of the Fund is to replicate as closely as possible, before expenses, the performance of the Straits Times Index. The Straits Times Index ("STI") comprises 30 blue-chip companies on the SGX Main Board ranked by market capitalisation that pass the relevant investability screens. The index sponsor of the STI is FTSE International Limited ("FTSE").

Based on FTSE's international methodology, these companies have been included based on the following criteria:

1. Free Float. The free float of a listed company must be greater than 15%. The definition of "free float" includes portfolio investments, nominee holdings, and holdings by investment companies.
2. Liquidity. A stock must trade with a median daily turnover value of at least 0.05% of the value of its free float-adjusted shares in issue for at least 10 out of the last 12 months.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared under the historical-cost convention, as 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 Singapore Chartered Accountants.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation (Continued)

On 1 July 2013, the Fund has adopted Singapore Financial Reporting Standard 113 "Fair value measurement" ("FRS 113") which is effective for annual periods beginning on or after 1 January 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Financial Reporting Standards ("FRS"). The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask price spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread.

On adoption of the standard, the Fund changed its valuation inputs for listed financial assets and liabilities to last traded prices to be consistent with the inputs prescribed in the Fund's prospectus for the calculation of its per unit trading value for subscription and redemptions. In the prior year, the Fund utilised bid and ask prices for its listed financial assets and liabilities in accordance with FRS 39 "Financial Instruments: Recognition and Measurement". The change in valuation inputs is considered to be a change in estimate in accordance with FRS 8 "Accounting Policies Changes in Accounting Estimates and Errors" and is applied prospectively.

(b) Recognition of income

Dividend income is recorded gross in the financial statements in the accounting period in which the security is quoted ex-dividend. Bank interest and other income are recognised on a time proportion basis using the effective interest method.

(c) Distributions

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. Distributions are accrued for at the point in time when the necessary approvals have been obtained and a legal or constructive obligation has been created.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and term deposits.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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.

(ii) Subsequent measurement

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

(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 first-in-first-out cost and selling price gross of transaction costs, and are taken up in the Statement of Total Return.

(f) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. Prior to 1 July 2013, the quoted market price used for the financial assets held by the Fund was the current market quoted bid price. On adoption of FRS 113 'Fair value measurement', the Fund changed its fair valuation input to utilise the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask price spread that is most representative of fair value.

(g) Foreign currency translation

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "function currency"). The financial statements are presented in Singapore dollars ("S\$"), which is the Fund's functional and presentation currency.

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the date of the Statement of Financial Position date. The net unrealised gain and loss is taken to the Statement of Total Return. Transactions in foreign currencies during the year are translated into Singapore dollars at the rates of exchange prevailing at transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(i) Expenses

As agreed between the Manager and the Trustee, the total combined management, trustee and other fees for the Fund are set at 0.3% per annum of its net asset value.

3. INCOME TAX

The Fund is included in the CPF Investment Scheme and, therefore, the following income is exempted from tax in accordance with section 35(12) and (12A) of the Income Tax Act (Cap 134) of Singapore, subject to certain conditions.

- (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 Income Tax (Act);
- (iii) dividends derived from outside Singapore and received in Singapore;
- (iv) gains or profits derived from foreign exchange transactions; and
- (v) distribution from foreign unit trusts derived from outside Singapore and received in Singapore.

Income tax for the financial year ended 30 June 2014 and 2013 comprises:

	2014	2013
	S\$	S\$
Singapore income tax	93,294	68,078

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2014

4. DISTRIBUTIONS

	2014	2013
	S\$	S\$
Interim distribution		
– S\$0.043 on 127,000,000 units paid on 20 February 2014	5,461,000	–
– S\$0.04 on 113,000,000 units paid on 19 February 2013	–	4,520,000
Final distribution		
– S\$0.045 on 117,000,000 units paid on 28 August 2013	5,265,000	–
– S\$0.04 on 116,500,000 units paid on 14 August 2012	–	4,660,000
Total distributions	10,726,000	9,180,000

5. RECEIVABLES

	2014	2013
	S\$	S\$
Receivable from unitholders for creation of units	–	20,535,087
Dividend receivable	61,278	109,706
	61,278	20,644,793

6. CASH AND BANK BALANCES

The cash and bank balances are placed with a financial institution related to the Trustee.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2014

7. PAYABLES

	2014	2013
	S\$	S\$
Accruals for expenses	2,100	10,500
Amount due to the Manager	331,260	275,160
	333,360	285,660

Management fee is payable by the Fund to State Street Global Advisors Singapore Limited based on terms set out in the Trust Deed.

8. UNITS IN ISSUE

During the year ended 30 June 2014 and 30 June 2013, the number of units issued, redeemed and outstanding were as follows:

	2014	2013
	Units	Units
Units at beginning of the financial year	116,000,000	126,000,000
Units created	19,000,000	8,500,000
Units cancelled	(2,000,000)	(18,500,000)
Units at end of the financial year	133,000,000	116,000,000
Net assets attributable to unitholders – S\$	438,622,993	369,554,621
Net asset value per unit – S\$	3.298	3.186

For subscriptions and redemptions and for various fee calculations, as well as for reporting purpose, investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit.

Prior to 1 July 2013, the investments were valued at the relevant bid market prices as at the reporting date for reporting purpose.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2014

8. UNITS IN ISSUE *(Continued)*

A reconciliation of the net asset value as reported in the Statement of Financial Position to the net asset value as determined for the purpose of processing unit subscription and redemption is provided below:

	2014	2013
	S\$	S\$
Net assets attributable to unitholders per financial statements per unit	3.298	3.186
Effect of adopting bid prices at fair value per unit	—	0.005
Net assets attributable to unitholders for issuing/redeeming per unit	3.298	3.191

9. FINANCIAL RISK MANAGEMENT

The Manager continually monitors the Fund's exposure to risk and appropriate procedures are in place to manage the risks.

(a) Market risk

Market risk is the risk of potential adverse changes to the value of financial instruments and/or their derivatives because of changes in market conditions like interest and currency rate movements and volatility in commodity or security prices. The Manager manages the Fund's exposure to market risk through the use of risk management strategies that evaluate the effect of cash instruments and/or derivative contracts.

(i) Price risk

Although the Fund is listed on the Singapore Exchange, the trading price of the Units may differ to some degree from the Units' net asset value. The Value of the Units will generally fluctuate with changes in the market value of the Index Shares. The market price of the Units will generally fluctuate in accordance with changes in the Value of the Units, as well as supply of and demand for Units of the Fund on the Singapore Exchange. It is impossible to predict whether Units will trade at, above or below their Value at any given time. Price differences may be due, in large part, to the fact that supply and demand forces at work in the secondary market for Units will be closely related to, but not identical to, the same forces influencing the market prices of the Index Shares. However, given that the Units can be created and redeemed in Creation and Redemption Unit sizes by Participating Dealers, as applicable, it is not anticipated that large discounts or premiums will be sustained.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2014

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk (Continued)

(i) Price risk (Continued)

The Manager is of the view that the market risk of the Fund is best reflected by movements in its benchmark of Straits Times Index.

At 30 June 2014, the Fund's market risk is affected by changes in actual market prices of the securities held by the Fund. If the Straits Times Index at 30 June 2014 had increased by 8.6% (2013: 3.9%) with all other variables held constant in the next 12 months, this would have increased net assets attributable to unitholders by approximately 8.6% (2013: 3.9%). Conversely, if the Straits Times Index had decreased by 8.6% (2013: 3.9%) during the same year, this would have decreased net assets attributable to unitholders by 8.6% (2013: 3.9%).

If the spot exchange rate of US dollars had appreciated 0.62% (2013: 1.9%) against the Singapore dollars with all other variables held constant in the next 12 months, this would have increased the net asset value of the Fund by approximately 0.12% (2013: 0.26%). Conversely, if the spot exchange rate of US dollars had depreciated by 0.63% (2013: 1.8%) against the Singapore dollars, this would have decreased the net asset value of the Fund by approximately 0.05% (2013: 0.24%) for the same year.

(ii) Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2014

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk (Continued)

(iii) Currency risk

Due to the nature of the Fund's business activities and the nature of its financial assets and financial liabilities, there is minimal foreign exchange risk to the Fund.

The table below summarises the Fund's exposure to currency risk.

	USD S\$	SGD S\$	Total S\$
As at 30 June 2014			
Assets			
Portfolio of investments	65,894,879	365,523,947	431,418,826
Receivables	–	61,278	61,278
Cash and bank balances	427	7,475,822	7,476,249
Total assets	65,895,306	373,061,047	438,956,353
Liabilities			
Payables	–	333,360	333,360
Total liabilities	–	333,360	333,360
Net currency exposure	65,895,306	372,727,687	

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2014

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk (Continued)

(iii) Currency risk (Continued)

	USD S\$	SGD S\$	Total S\$
As at 30 June 2013			
Assets			
Portfolio of investments	58,554,985	305,371,199	363,926,184
Receivables	–	20,644,793	20,644,793
Cash and bank balances	–	5,066,566	5,066,566
Margin account	–	436,341	436,341
Total assets	58,554,985	331,518,899	390,073,884
Liabilities			
Payables	–	285,660	285,660
Purchases awaiting settlement	3,244,455	16,989,148	20,223,603
Total liabilities	3,244,455	17,274,808	20,519,263
Net currency exposure	55,310,530	314,244,091	

Portfolio of investments, which is a significant item in the Statement of Financial Position, is exposed to currency risk and other price risk. The Manager has considered the impact of currency risk sensitivity on non-monetary assets as part of the price risk sensitivity analysis.

Monetary liabilities/assets are due to be settled within 3 days after the year end. Changes in foreign exchange rates on monetary liabilities/assets will not result in a significant change in the net asset value of the Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2014

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

The Fund's liquidity risk arises mainly from redemptions of units, which are redeemable at the holders' option. It may seek to invest its assets in financial instruments that are traded in an active market which is easily realizable and/or financial instruments where the issuer stands ready to unwind.

The Fund is allowed to borrow in the short term for the purpose of meeting redemptions and short term bridging requirements.

To ensure continuity of funding, dedicated personnel are responsible for ensuring that sufficient cash resources and liquid assets are available to meet liabilities as and when they fall due.

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.

The table below analyse the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. At the year end, all liabilities are either payable on demand or due in less than 3 months. The impact of discounting is not significant.

	Less than 3 months	
	As at	As at
	30 June 2014	30 June 2013
	S\$	S\$
Liabilities		
Payables	333,360	285,660
Purchases awaiting settlement	—	20,233,603
Contractual cash outflows (excluding gross settled derivatives)	333,360	20,519,263

(c) Credit risk

The Fund takes on exposure to credit risk, which is the risk that counterparty will be unable to pay amounts in full when due, including transactions with counterparties such as issuers, brokers, participating dealers, custodians and banks.

Impairment provisions are provided for losses that have been incurred by the Statement of Financial Position date, if any. The Manager has in place procedures for proper credit screening and monitoring of credit risk.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2014

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) *Credit risk (Continued)*

Credit risk also arises from cash and cash equivalents held with financial institutions. The table below summarises the credit ratings of banks in which the Fund's assets are held as at 30 June 2014 and 30 June 2013.

	Amount S\$	Credit rating	Source of credit rating
As at 30 June 2014			
<u>Bank</u>			
State Street Bank and Trust Company	7,476,249	B-	Moody's
As at 30 June 2013			
<u>Bank</u>			
State Street Bank and Trust Company	5,066,566	B*-	Moody's

In addition, all investments are held in custody with State Street Bank and Trust Company, whose credit rating assigned by Moody's at 30 June 2014 is B- (2013: 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.

(e) *Fair value estimation*

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the financial year ended 30 June 2014

9. FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 30 June 2014 and 2013:

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
As at 30 June 2014				
Assets				
Financial assets designated at fair value through profit or loss at inception:				
– Quoted equities	431,418,826	–	–	431,418,826
	431,418,826	–	–	431,418,826
	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$

As at 30 June 2013

Assets

Financial assets designated at fair value through profit or loss at inception:

– Quoted equities	363,926,184	–	–	363,926,184
	363,926,184	–	–	363,926,184

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Fund does not adjust the quoted price for these instruments.

Except for cash and bank balances which are classified as level 1, the Fund's assets and liabilities not measured at fair value at 30 June 2014 and 2013 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the Statement of Financial Position date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the financial year ended 30 June 2014

10. RELATED PARTY DISCLOSURES

- (a) The Manager and the Trustee of the Fund are State Street Global Advisors Singapore Limited and DBS Trustee Limited, respectively. State Street Global Advisors Singapore Limited is an indirect wholly-owned subsidiary of State Street Corporation. DBS Trustee Limited is a wholly owned subsidiary of DBS Group Holding Ltd. ("DBS").

State Street Bank and Trust Company ("SSB") is the custodian of the Fund and is a subsidiary of State Street Corporation.

- (b) The cash balance of the Fund is held in current accounts as follows:

	2014 S\$	2013 S\$
Bank balance held at SSB	7,476,249	5,066,566

11. FINANCIAL RATIOS

	2014 S\$	2013 S\$
Expense ratio ¹	0.30%	0.30%
Portfolio turnover ratio ²	2.03%	14.01%

¹ 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 2014 was based on total operating expenses of S\$1,210,124 (2013: S\$1,100,361) divided by the average net asset value of S\$403,562,065 (2013: S\$365,994,594) for the year. The total operating expenses do not include brokerage and other transaction costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchases or sales 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 daily balances.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. In accordance with the Fund's Trust Deed, units are issued through a creation of an Index Basket. For each creation Unit (comprising 500,000 units), the Fund receives an Index Basket consisting of constituent shares plus or minus a cash payment as determined by the Manager on a daily basis. For the purpose of computation of the portfolio turnover rate, the value of the Index Baskets received is not considered as part of purchases. The calculation of the portfolio turnover ratio was based on the lower of the rebalancing purchases or sales, being sales of S\$8,178,504 (2013: purchases of S\$51,288,588), divided by the average daily net asset value of S\$403,562,065 (2013: S\$365,994,594).

12. EVENT OCCURRING AFTER BALANCE SHEET DATE

On 1 August 2014, the Fund announced a final dividend of S\$0.045 per unit totalling S\$5,962,500. The final dividend was paid on 19 August 2014.

