

SPDR® STRAITS TIMES INDEX ETF

Stock Code: ES3

Website: www.spdrs.com.sg

Annual Report 2016

1st July 2015 to 30th June 2016

STATE STREET
GLOBAL ADVISORS®
SPDR®

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SPDR® STRAITS TIMES INDEX ETF

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MANAGER'S INVESTMENT REPORT

For the financial year ended 30 June 2016

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 2016):	S\$2.886
Net Assets Attributable to Unitholders (30 June 2016):	S\$503.65 million
Fund Currency:	Singapore dollar
Listing Date on SGX-ST:	17 April 2002
Stock Code on SGX-ST:	ES3
Board Lot:	100 shares
Price:	Approximately 1/1,000th 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 2016

Performance of the Scheme

	3-month	6-month	1-year	3-year	5-year	10-year	Annualised Since inception
From	31-Mar-16	31-Dec-15	30-Jun-15	30-Jun-13	30-Jun-11	30-Jun-06	11-Apr-02
To	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16
Fund*	0.02%	0.51%	-11.40%	-0.47%	0.94%	4.70%	6.61%
Fund**	0.02%	-1.41%	-14.40%	-3.40%	-1.99%	1.49%	3.49%
STI**	0.00%	-1.45%	-14.36%	-3.39%	-1.86%	1.55%	3.51%

* 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 2016						
	Market Value/ Cost	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	55,618,732	64,924,405	12.89	0.21	1,741,623	1.39
Overseas Chinese Banking Corporation	62,973,223	60,711,156	12.05	0.21	1,854,545	2.62
DBS Group Holdings Limited	61,250,671	60,328,287	11.98	0.21	1,688,491	2.93
United Overseas Bank Limited	48,811,096	47,559,832	9.44	0.21	1,749,007	2.37
Hongkong Land Holdings Limited	22,445,081	20,718,550	4.11	0.21	554,719	8.95
Thai Beverage PCL	13,965,836	19,166,203	3.81	0.21	381,833	7.03
Keppel Corporation Limited	23,670,461	16,861,020	3.35	0.21	835,309	1.42
CapitaLand Limited	16,779,053	16,749,834	3.33	0.21	461,468	2.79
Wilmar International Limited	16,357,588	14,752,035	2.93	0.21	297,402	2.93
Singapore Press Holdings	13,301,882	13,524,227	2.69	0.21	569,619	0.95
	<u>335,173,623</u>	<u>335,295,549</u>				

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MANAGER'S INVESTMENT REPORT *(Continued)*

For the financial year ended 30 June 2016

Details of Top 10 Holdings of the Fund (Continued)

As at 30 June 2015						
	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	
DBS Group Holdings Limited	31,672,680	41,733,778	12.67	0.11	1,357,323	2.80
Overseas Chinese Banking Corporation	33,758,628	36,309,780	11.02	0.11	1,384,511	2.81
Singapore Telecommunications Limited	27,750,794	34,879,551	10.59	0.11	1,893,788	1.35
United Overseas Bank Limited	25,882,266	31,393,564	9.53	0.11	1,046,911	2.62
Jardine Matheson Holdings Limited	18,286,572	21,159,216	6.42	0.11	599,555	3.14
Hongkong Land Holdings Limited	11,278,635	14,665,746	4.45	0.11	390,536	2.97
Keppel Corporation Limited	14,869,720	13,271,650	4.03	0.11	877,785	2.17
Jardine Strategic Holdings Limited	10,197,213	10,328,809	3.13	0.11	105,402	11.20
CapitaLand Limited	9,170,266	10,051,318	3.05	0.11	261,882	2.95
Global Logistic Properties Limited	8,805,230	8,734,129	2.65	0.11	211,817	2.47
	<u>191,672,004</u>	<u>222,527,541</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 2016

Amount of Subscription and Redemption

For the financial year ended 30 June 2016

	Units	S\$
Subscription	78,500,000	222,828,505
Redemption	(2,000,000)	(5,899,031)

Other Information

During the year ended 30th June 2016, 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 2016, 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

Other than from the rights issue by Jardine Cycle & Carriage Limited, the Fund had no exposure to derivative for the financial year ended 30 June 2016 and 2015.

MANAGER'S INVESTMENT REPORT *(Continued)*

For the financial year ended 30 June 2016

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 25 September 2015. 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 2016

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, 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 2016

SPDR® STRAITS TIMES INDEX ETF
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STATEMENT BY THE MANAGER

For the financial year ended 30 June 2016

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 2016 and the total deficit 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 2016

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 2016, the Statement of Total Return and the 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 Fund Manager (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.

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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 2016 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 Singapore Chartered Accountants.

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants

Singapore, 26 September 2016

STATEMENT OF TOTAL RETURN

For the financial year ended 30 June 2016

	Note	2016 S\$	2015 S\$
Income			
Dividends		14,899,464	12,370,600
Interest		41	51
		<u>14,899,505</u>	<u>12,370,651</u>
Less: Expenses			
Management fees	10	(1,230,002)	(1,209,400)
Transaction costs		(112,848)	(9,807)
		<u>(1,342,850)</u>	<u>(1,219,207)</u>
Net income		<u>13,556,655</u>	<u>11,151,444</u>
Net gains or losses on value of investments and financial derivatives			
Net (losses)/gains on investments		(43,265,152)	10,552,266
Net gains on foreign exchange		40,828	19,994
		<u>(43,224,324)</u>	<u>10,572,260</u>
Total (deficit)/return for the year before income tax		<u>(29,667,669)</u>	<u>21,723,704</u>
Less: Income tax	3	<u>(217,303)</u>	<u>(162,457)</u>
Total (deficit)/return for the year after income tax		<u><u>(29,884,972)</u></u>	<u><u>21,561,247</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 2016

	Note	2016 S\$	2015 S\$
ASSETS			
Portfolio of investments		494,402,200	324,019,991
Receivables	5	4,259,423	—
Cash and bank balances	6	9,909,802	5,760,806
Total assets		508,571,425	329,780,797
LIABILITIES			
Payables	7	739,508	263,500
Purchases awaiting settlement		4,180,118	—
Total liabilities		4,919,626	263,500
EQUITY			
Net assets attributable to unitholders	8	503,651,799	329,517,297

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

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 30 June 2016

	Note	2016 S\$	2015 S\$
Net assets attributable to unitholders at the beginning of the financial year		329,517,297	438,622,993
Operations			
Change in net assets attributable to unitholders resulting from operations		(29,884,972)	21,561,247
Unitholders' contributions/(withdrawals)			
Creation of units		222,828,505	31,366,855
Cancellation of units		(5,899,031)	(149,927,298)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		216,929,474	(118,560,443)
Distributions	4	(12,910,000)	(12,106,500)
Total increase/(decrease) in net assets attributable to unitholders		174,134,502	(109,105,696)
Net assets attributable to unitholders at the end of the financial year	8	503,651,799	329,517,297

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 2016

Primary – by Industry

	Holdings at 30 June 2016	Fair value at 30 June 2016 S\$	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities			
Aerospace & Defence			
Singapore Technologies Engineering	3,336,313	10,509,386	2.09
		10,509,386	2.09
Bank & Financial Services			
DBS Group Holdings Limited	3,827,937	60,328,287	11.98
Overseas Chinese Banking Corporation	6,986,324	60,711,156	12.05
Singapore Exchange Ltd	1,770,347	13,490,044	2.68
United Overseas Bank Limited	2,581,967	47,559,832	9.44
		182,089,319	36.15
Beverages & Food Producers			
Thai Beverage PCL	21,061,762	19,166,203	3.81
		19,166,203	3.81
Food Producers			
Golden Agri-Resources Limited	13,830,654	4,840,729	0.96
Wilmar International Limited	4,525,164	14,752,035	2.93
		19,592,764	3.89
General Retailers			
Jardine Cycle & Carriage Limited	237,431	8,666,232	1.72
		8,666,232	1.72

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

STATEMENT OF PORTFOLIO *(Continued)*

As at 30 June 2016

Primary – by Industry *(Continued)*

	Holdings at 30 June 2016	Fair value at 30 June 2016 S\$	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities <i>(Continued)</i>			
Industrial Engineering			
Yangzijiang Shipbuilding Holdings Limited	4,464,273	3,995,524	0.79
		<u>3,995,524</u>	<u>0.79</u>
Industrial Transportation			
Hutchison Port Holdings	10,861,798	6,666,423	1.32
SATS Limited	1,350,244	5,549,503	1.10
SIA Engineering Co Ltd	480,588	1,768,564	0.35
		<u>13,984,490</u>	<u>2.77</u>
Media			
Singapore Press Holdings Ltd	3,423,855	13,524,227	2.69
		<u>13,524,227</u>	<u>2.69</u>
Mobile Telecommunications			
Singapore Telecommunications Limited	15,720,195	64,924,405	12.89
Starhub Limited	1,267,076	4,802,218	0.95
		<u>69,726,623</u>	<u>13.84</u>
Oil Equipment Services & Distribution			
Keppel Corp Ltd	3,065,640	16,861,020	3.35
SembCorp Industries Ltd	1,920,654	5,416,244	1.08
SembCorp Marine Ltd	1,791,871	2,777,400	0.55
		<u>25,054,664</u>	<u>4.98</u>

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

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STATEMENT OF PORTFOLIO *(Continued)*

As at 30 June 2016

Primary – by Industry *(Continued)*

	Holdings at 30 June 2016	Fair value at 30 June 2016 S\$	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities <i>(Continued)</i>			
Real Estate Investments			
Ascendas Real Estate Investment Trust*	4,706,412	11,671,902	2.32
CapitaLand Commercial Trust	4,308,675	6,355,296	1.26
CapitaLand Limited	5,455,972	16,749,834	3.33
CapitaLand Mall Trust Reit NPV*	5,710,499	12,163,363	2.42
City Developments Ltd	1,271,268	10,348,122	2.05
Global Logistic Properties Ltd	6,426,690	11,600,175	2.30
Hongkong Land Holdings Ltd	2,522,100	20,718,550	4.11
UOL Group Limited	1,011,965	5,525,329	1.10
		95,132,571	18.89
Travel & Leisure			
Comfortdelgro Corporation (S) Limited	4,383,523	12,054,688	2.39
Genting Singapore PLC	12,903,248	9,354,855	1.86
Singapore Airlines Limited	1,083,551	11,550,654	2.29
		32,960,197	6.54
Portfolio of investments			
		494,402,200	98.16
Cash and other net assets			
		9,249,599	1.84
Net assets attributable to unitholders			
		503,651,799	100.00

* 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 2016

Primary – by Industry *(Continued)*

Summary

	Percentage of total net assets attributable to unitholders at 30 June 2016 %	Percentage of total net assets attributable to unitholders at 30 June 2015 %
Quoted Equities		
Aerospace & Defence	2.09	1.76
Bank & Financial Services	36.15	35.43
Beverages & Food Producers	3.81	2.58
Food Producers	3.89	3.59
General Industrials	–	10.75
General Retailers	1.72	1.13
Industrial Engineering	0.79	–
Industrial Transportation	2.77	1.77
Media	2.69	2.23
Mobile Telecommunications	13.84	11.38
Oil Equipment Services & Distribution	4.98	6.03
Real Estate Investments	18.89	15.72
Travel & Leisure	6.54	5.93
	98.16	98.30
Quoted Derivatives		
General Retailers	–	0.03
	98.16	98.33
Portfolio of investments	98.16	98.33
Cash and other net assets	1.84	1.67
	100.00	100.00
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 2016

Secondary – by Geography

	Fair value at 30 June 2016 S\$	Percentage of total net assets attributable to unitholders at 30 June 2016 %	Percentage of total net assets attributable to unitholders at 30 June 2015 %
Quoted Equities			
By Country of Incorporation			
Singapore	440,321,863	87.42	77.74
Bermuda	20,718,550	4.11	15.20
Mauritius	4,840,729	0.96	0.91
Thailand	19,166,203	3.81	2.58
United Kingdom	9,354,855	1.86	1.87
	494,402,200	98.16	98.30
Quoted Derivatives			
Singapore	–	–	0.03
	494,402,200	98.16	98.33
Portfolio of investments	494,402,200	98.16	98.33
Cash and other net assets	9,249,599	1.84	1.67
Net assets attributable to unitholders	503,651,799	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 2016

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 (the "Manager") and DBS Trustee Limited (the "Trustee"). 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 eligible companies on the SGX Main Board 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.

With effect from 18 September 2015, the inclusion policy has changed to:

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 and ETFs.
2. Liquidity. Securities must turnover at least 0.10% of their shares in issue (after the application of any investability weightings) based on their median daily trade per month in ten of the twelve months prior to the March or September review. For existing constituents, securities must trade at least 0.08% of its shares in issue in at least eight of the twelve months.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2016

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 recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2016

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investments (Continued)

(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. 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.

(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 management fee for the Fund are set at 0.3% per annum of its net asset value. Trustee and other fees, excluding transaction costs are borne by the Manager.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2016

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 2016 and 2015 comprises:

	2016	2015
	S\$	S\$
Singapore income tax	217,303	162,457

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 2016

4. DISTRIBUTIONS

	2016	2015
	S\$	S\$
Interim distribution		
– S\$0.051 on 158,500,000 units paid on 18 February 2016	8,083,500	–
– S\$0.048 on 128,000,000 units paid on 17 February 2015	–	6,144,000
Final distribution		
– S\$0.049 on 98,500,000 units paid on 20 August 2015	4,826,500	–
– S\$0.045 on 132,500,000 units paid on 19 August 2014	–	5,962,500
Total distributions	12,910,000	12,106,500

5. RECEIVABLES

	2016	2015
	S\$	S\$
Receivable from unitholders for creation of units	4,257,323	–
Other receivables	2,100	–
	4,259,423	–

6. CASH AND BANK BALANCES

The cash and bank balances are placed with State Street Bank and Trust Company, a related party of the Manager.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2016

7. PAYABLES

	2016	2015
	S\$	S\$
Accruals for expenses	58,800	10,500
Amount due to the Manager	680,708	253,000
	739,508	263,500

Management fee is payable by the Fund to the Manager based on terms set out in the Trust Deed.

8. UNITS IN ISSUE

During the year ended 30 June 2016 and 30 June 2015, the number of units issued, redeemed and outstanding were as follows:

	2016	2015
	Units	Units
Units at beginning of the financial year	98,000,000	133,000,000
Units created	78,500,000	9,000,000
Units cancelled	(2,000,000)	(44,000,000)
Units at end of the financial year	174,500,000	98,000,000
Net assets attributable to unitholders – S\$	503,651,799	329,517,297
Net asset value per unit – S\$	2.886	3.362

There is no difference between the net assets attributable to unitholders per financial statements and the net assets attributable to unitholders for issuing/redeeming of units.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2016

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.

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 2016, 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 2016 had increased or decreased by 0.6% (2015: 6.9%) with all other variables held constant in the next 12 months, this would have increased or decreased net assets attributable to unitholders by approximately 0.6% (2015: 6.9%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the financial year ended 30 June 2016

9. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing. Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate changes may affect the equity risk premium at varying degrees. However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between the interest rates and the value of the securities is indirect.

Hence, no sensitivity analysis has been presented separately.

(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\$	HKD S\$	SGD S\$	Total S\$
As at 30 June 2016				
Assets				
Portfolio of investments	27,384,973	–	467,017,227	494,402,200
Receivables	–	–	4,259,423	4,259,423
Cash and bank balances	888,699	329,255	8,691,848	9,909,802
Total assets	28,273,672	329,255	479,968,498	508,571,425
Liabilities				
Payables	–	–	739,508	739,508
Purchases awaiting settlement	–	–	4,180,118	4,180,118
Total liabilities	–	–	4,919,626	4,919,626
Net currency exposure	28,273,672	329,255	475,048,872	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the financial year ended 30 June 2016

9. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

	USD S\$	SGD S\$	Total S\$
As at 30 June 2015			
Assets			
Portfolio of investments	51,009,056	273,010,935	324,019,991
Cash and bank balances	216,735	5,544,071	5,760,806
Total assets	51,225,791	278,555,006	329,780,797
Liabilities			
Payables	—	263,500	263,500
Total liabilities	—	263,500	263,500
Net currency exposure	51,225,791	278,291,506	

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 2016

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 realisable and/or financial instruments where the issuer stands ready to unwind.

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

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 analyses 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 30 June 2016 S\$	As at 30 June 2015 S\$
Liabilities		
Payables	739,508	263,500
Purchases awaiting settlement	4,180,118	—
Contractual cash outflows	4,919,626	263,500

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2016

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(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.

Credit risk also arises from cash and cash equivalents held with financial institutions. The table below summarises the credit ratings of banks and sub-custodian in which the Fund's assets are held as at 30 June 2016 and 30 June 2015.

	Credit rating	Source of credit rating
As at 30 June 2016		
<u>Bank and custodian</u>		
State Street Bank and Trust Company	aa-	Fitch
<u>Sub-custodian</u>		
Citibank N.A.	a	Fitch
As at 30 June 2015		
<u>Bank and custodian</u>		
State Street Bank and Trust Company	aa-	Fitch
<u>Sub-custodian</u>		
Citibank N.A.	a	Fitch

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the financial year ended 30 June 2016

9. FINANCIAL RISK MANAGEMENT (Continued)

(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).

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 2016 and 2015:

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
As at 30 June 2016				
Assets				
Financial assets designated at fair value through profit or loss at inception:				
– Quoted equities	494,402,200	–	–	494,402,200
	494,402,200	–	–	494,402,200
As at 30 June 2015				
Assets				
Financial assets designated at fair value through profit or loss at inception:				
– Quoted equities	323,931,213	–	–	323,931,213
– Quoted derivatives	–	88,778	–	88,778
	323,931,213	88,778	–	324,019,991

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2016

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Fair value estimation (Continued)

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.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2, include quoted derivatives.

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:

	2016	2015
	S\$	S\$
Bank balance held at SSB	9,909,802	5,760,806

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the financial year ended 30 June 2016

11. FINANCIAL RATIOS

	2016	2015
	S\$	S\$
Expense ratio ¹	0.30%	0.30%
Portfolio turnover ratio ²	10.31%	0.94%

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 2016 was based on total operating expenses of S\$1,230,002 (2015: S\$1,209,400) divided by the average net asset value of S\$409,356,346 (2015: S\$402,834,528) 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 purchases of S\$42,207,419 (2015: purchases of S\$3,792,144), divided by the average daily net asset value of S\$409,356,346 (2015: S\$402,834,528).

12. EVENT OCCURRING AFTER BALANCE SHEET DATE

On 25 July 2016, the Fund announced a final distribution of S\$0.042 per unit totalling S\$7,266,000. The final dividend was paid on 17 August 2016.

