



United SSE 50 China ETF

Annual Report

for the financial year ended
30th June 2018

United SSE 50 China ETF

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

MANAGER

UOB Asset Management Ltd

Registered Address:

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Singapore 048624

Company Registration No. : 198600120Z

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DIRECTORS OF UOB ASSET MANAGEMENT

Lee Wai Fai

Eric Tham Kah Jin

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Thio Boon Kiat

TRUSTEE

State Street Trust (SG) Limited

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CUSTODIAN / ADMINISTRATOR / REGISTRAR

State Street Bank and Trust Company, acting through its Singapore Branch

168 Robinson Road

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AUDITOR

PricewaterhouseCoopers LLP

7 Straits View, Marina One

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Singapore 018936

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

A) Fund Performance

Fund Performance/ Benchmark Returns	3 mth % Growth	6 mth % Growth	1 yr % Growth	3 yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	Since Inception 12 November 2009 Ann Comp Ret
United SSE 50 China ETF	-10.71	-13.98	-3.86	-9.04	7.34	N/A	-1.52
Benchmark	-8.85	-11.87	1.56	-3.87	12.86	N/A	2.54

Source: Morningstar.

Note: The performance returns of the Fund are in Singapore Dollar based on a NAV-to-NAV basis with dividends and distributions reinvested, if any.
The benchmark of the Fund: SSE 50 Index.

For the twelve months ended 30 June 2018, the net asset value of the Fund **decreased 3.86%** on a net asset value basis in Singapore Dollar terms, compared to the benchmark SSE 50 Index which increased 1.56% during the same period.

Economic and Market Review

The onshore Chinese equity market, as represented by the SSE 50 Index, saw a volatile 12-month period ending June 2018.

The China equity markets rallied on the back of better than expected economic data and reported corporate earnings. The Chinese government's supply side reforms, capacity rationalisation and resilient demand significantly boosted industrial profits, while consumption and services continued to be healthy. China economic indicators were generally positive over the period despite the authorities tightening monetary conditions in a bid to rein in financial leverage. China's 19th Party Congress in October 2017 reinforced the government's commitment to supply side and state owned enterprise (SOE) reforms, environmental protection and rebalancing. These initiatives were welcomed by the stock market as China was seen paving the way for further integration with the global economy in a cooperative manner. As a result, large sectors in the benchmark such as **Financials**, **Industrials** and **Consumer Staples** benefitted strongly from the bullish market sentiment.

Things took a weaker turn in the latter half of the reporting period. The Greater China equity markets ended the first half of 2018 relatively flat, underperforming developed markets, but outperforming most other emerging markets and Asia.

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A) Fund Performance (continued)

Markets started 2018 strongly in January as good macroeconomic data, positive earnings revisions and weaker United States Dollar continued to drive stock prices higher. The tide then corrected from February onwards. Market weakness was led by the flash correction in the US markets and surge in the 10-year US Treasury yields as investors started worrying about tightening measures and the mounting US fiscal deficit. There were further headwinds for China equities due to concerns over domestic policy and monetary tightening with the government's unrelenting drive for financial and economic deleveraging. Headline news of rising bond defaults also rattled the financial sector despite strong evidence of improving non-performing loans. From March onwards, mounting trade tensions between the US and China further took its toll on the onshore China equity market, culminating in June when it looked increasingly likely that US-China trade tensions would escalate after talks between both sides broke down.

On a full year basis, heavy-weight sectors such as **Financials** and **Industrials** ended the twelve months in the red. Other sectors such as **Utilities** and **Telecommunication Services** which are traditionally perceived as safe-havens ended the period badly as well. **Consumer Staples** held on to its earlier gains and posted a strong finish at the end of the period despite the market volatility, and more than offset the performance drags by the other mentioned sectors.

As of 12 June 2017, five constituents changed during the index review and rebalancing for the SSE50 Index, effective between 12 June 2017 and 12 December 2017. **Shanghai Oriental Pearl Media Co Ltd (Consumer Discretionary)**, **China Citic Bank Corporation Ltd (Financials)**, **Industrial Securities Co Ltd (Financials)**, **Sinolink Securities Co Ltd (Financials)** and **AECC Aviation Power Co Ltd (Industrials)**, were removed from the index and replaced by **Bank of Shanghai Co Ltd (Financials)**, **Bank of Jiangsu Co Ltd (Financials)**, **China Galaxy Securities Co Ltd (Financials)**, **China Fortune Land Development Co Ltd (Financials)** and **Greenland Holdings Co Ltd (Financials)**.

As of 11 December 2017, five constituents changed during the index review and rebalancing for the SSE50 Index, effective between 11 December 2017 and 11 June 2018. **Tsinghua Tongfang Co Ltd (Information Technology)**, **Beijing Xinwei Technology Group Co Ltd (Information Technology)**, **Dongxing Securities Co Ltd (Financials)**, **Everbright Securities Co Ltd (Financials)** and **Founder Securities Co Ltd (Financials)**, were removed from the index and replaced by **Baoshan Iron & Steel Co Ltd (Materials)**, **Wanhua Chemical Group Co Ltd (Materials)**, **Power Construction Corporation of China Co Ltd (Industrials)**, **Zheshang Securities Co Ltd (Financials)** and **China Molybdenum Co Ltd (Materials)**.

As of 11 June 2018, five constituents changed during the index review and rebalancing for the SSE50 Index, effective between 11 June 2018 and 10 December 2018. **Jiangsu Hengrui Medicine Co Ltd (Health Care)**, **Anhui Conch Cement Co Ltd (Materials)**, **Qingdao Haier Co Ltd (Consumer Discretionary)**, **Sanan Optoelectronics Co Ltd (Information Technology)** and **360 Security Technology Inc (Information Technology)**, were removed from the index and replaced by **Kangmei Pharmaceutical Co Ltd (Health Care)**, **Haitong Securities Company Limited (Financials)**, **Bank of Jiangsu Co Ltd (Financials)**, **Power Construction Corporation of China Ltd (Financials)** and **China National Nuclear Power Co Ltd (Industrials)**.

A) Fund Performance (continued)

Outlook and Fund Strategy

China's fundamentals have continued to strengthen in 2018. Economic growth is steady with the purchasing manager's index (PMIs) in positive territory, corporate and industrial profits have continued to grow strongly helped by capacity rationalisation, improving utilisation and firmly positive producer price inflation. Property sales are steady and corporate earnings continue to be revised up.

However, investors have been spooked by a series of concerns including rising corporate bond defaults, slower than expected May activity data, the accelerated depreciation of the Renminbi since mid-June and last but not least, escalating United States-China trade tensions as United States President Trump carries through with his threat to impose trade tariffs and restrict China investments in the United States.

On the issue of rising bond defaults, we note that this has been an ongoing trend since the beginning of the year as the government continues to rein shadow banking and promote more efficient credit risk pricing. It is part and parcel of China's financial reform path. While the headline news looks alarming, it should be noted that the rate of defaults is just 0.7% of the total corporate bond stock at the end of the first half of 2018 which does not appear to be an indication of systemic risk. May 2018 activity data came in lower than expected. We believe this reflects the lagged effects of slower credit creation in the shadow banking system, but this is in the context of strong activity data since the start of the year. Meanwhile, the manufacturing and services PMI are still well above 50. To counter the fall in shadow banking, we expect the authorities to ease policy in a targeted manner, such as cutting the reserve requirement ratio (a 50 basis point cut was announced in June), keeping interbank rates low, and reviving investment projects to support growth.

The Renminbi depreciation accelerated in the last week of June, reviving fears of a scenario in August 2015, when the market experienced a sharp correction. However, we do note that the Renminbi still remains one of the strongest currencies year to date in the emerging markets. It has only depreciated 2% vs the United States Dollar in 2018. Ultimately, the Renminbi is still a controlled currency and the Chinese central bank has pledged to refrain from using it as an instrument in a trade war.

On the United States-China trade war, while we assess the growth and earnings impact on the market as muted, we think a long drawn out trade war and escalating retaliation beyond trade is damaging for both countries. Our base case remains that there should not be a full blown trade war, and there should be some negotiated settlement assuming rationality from both sides. Nonetheless, we acknowledge that trade tensions will persist and remain an overhang on the Greater China markets. However we believe much of this has already been priced into the markets. After the recent correction, the MSCI China 1-year forward price to earnings ratio of 11x is trading at close to its 10-year historical mean and close to the levels at early 2016 when economic and corporate earnings were much weaker than now. China 'A' share valuations are even more distressed at a price to earnings ratio of 10x, trading below the early 2016 levels.

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A) Fund Performance (continued)

For years, China has been facing headwinds from slowing growth and high leverage. In the past year, its economic recovery stabilised with the PMI above 50. This has given more breathing room for the authorities to refocus on economic rebalancing and financial deleveraging. The recently concluded Party Congress has re-emphasised focus on more balanced and quality growth, supply side reforms to improve efficiency, SOE reforms that include state capital supervision, mixed ownership and more incentivised management. If the government executes well on reforms, then we can expect China's rerating momentum to continue.

With less emphasis on absolute gross domestic product (GDP) growth levels and more stringent controls on leverage and financial risk, we can expect China's growth to moderate going forward. China equity markets have historically struggled in this scenario. However, we believe this time should be different. There has been a structural improvement in industrial enterprise profitability following supply side discipline, capacity rationalisation and the resultant PPI deflation. Consequently, cash flows and interest coverage of industrial enterprises have also improved. This should improve system non-performing loans (NPLs) going forward despite overall slower growth. Thus, although China's growth will continue to moderate, we expect the market to perceive the quality of growth to be improving and to interpret these developments favourably.

Appendix

Disclosures

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

BNP Paribas posts collateral for any value of the P-Notes issued by BNP Paribas held by the Trustee on behalf of the Fund that is above 10% of the Net Asset Value of the Fund in order to reduce the Fund's exposure to BNP Paribas to not more than 10% of the Net Asset Value of the 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 Fund. The detail of the collaterals as of 30 June 2018 is as follow:

Name	Value (SGD)	Nature of Collateral
GERMANY (R) 0.000 170520 EUR	9,672,744.81	Government Bond
GERMA (FED) 0.000 040726 EUR	24,929,763.11	Government Bond
GE (FED REP) STRI 040124 EUR	24,412,888.83	Government Bond

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B) Investments at fair value and as a percentage of net asset value (“NAV”) as at 30 June 2018 under review classified by

i) Country

Please refer to the Statement of Portfolio

ii) Industry

Please refer to the Statement of Portfolio

iii) Asset Class

Please refer to the Statement of Portfolio

iv) Credit rating of quoted bonds

N/A

C) Top Ten Holdings

10 largest holdings as at 30 June 2018

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2018	32,101,740	100.92

There was only 1 holding as at 30 June 2018.

10 largest holdings as at 30 June 2017

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2017	32,962,870	100.45

There was only 1 holding as at 30 June 2017.

D) Exposure to derivatives

- i) Fair value of derivative contracts and as a percentage of NAV as at 30 June 2018
N/A
- ii) Net gains/(losses) on derivative contracts realised during the financial year ended 30 June 2018
N/A
- iii) Net gains/(losses) on outstanding derivative contracts marked to market as at 30 June 2018
N/A

E) Amount and percentage of NAV invested in other schemes as at 30 June 2018

N/A

F) Amount and percentage of borrowings to NAV as at 30 June 2018

N/A

G) Amount of redemptions and subscriptions for the financial year ended 30 June 2018

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

H) The amount and terms of related-party transactions for the financial year ended 30 June 2018

Please refer to Note 8 of the Notes to the Financial Statements.

I) Expense ratios

Please refer to Note 9 of the Notes to the Financial Statements.

J) Turnover ratios

Please refer to Note 9 of the Notes to the Financial Statements.

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

N/A

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

i) Top 10 holdings at fair value and as percentage of NAV as at 30 June 2018 and 30 June 2017

N/A

ii) Expense ratios for the financial year ended 30 June 2018 and 30 June 2017

N/A

iii) Turnover ratios for the financial year ended 30 June 2018 and 30 June 2017

N/A

¹ *Where the underlying scheme is managed by a foreign manager which belongs to the same group of companies as, or has a formal arrangement or investment agreement with, the Singapore manager, the above information should be disclosed on the underlying scheme. In other cases, such information on the underlying scheme should be disclosed only if it is readily available to the Singapore manager.*

M) Soft dollar commissions/arrangements

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.

N) Where the scheme offers pre-determined payouts, an explanation on the calculation of the actual payouts received by participants and any significant deviation from the pre-determined payouts

N/A

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REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and hold the assets of United SSE 50 China 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 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 15 to 33, 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
STATE STREET TRUST (SG) LIMITED

Authorised signatory
21 September 2018

United SSE 50 China ETF
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STATEMENT BY THE MANAGER

In the opinion of UOB Asset Management Ltd, the accompanying financial statements set out on pages 15 to 33, 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 and portfolio holdings of United SSE 50 China ETF (the "Fund") as at 30 June 2018, and the financial performance and movements of 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
UOB ASSET MANAGEMENT LTD

THIO BOON KIAT
Authorised signatory
21 September 2018

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UNITED SSE 50 CHINA ETF

Our Opinion

In our opinion, the accompanying financial statements of the United SSE 50 China ETF (the "Fund"), are properly drawn up 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, so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 30 June 2018, and of the financial performance and movements of unitholders' funds for the financial year ended on that date.

What we have audited

The financial statements of the Fund comprise:

- the Statement of Total Return for the financial year ended 30 June 2018;
- the Statement of Financial Position as at 30 June 2018;
- the Statement of Movements of Unitholders' Funds for the financial year ended 30 June 2018;
- the Statement of Portfolio as at 30 June 2018; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Fund in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UNITED SSE 50 CHINA ETF

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular we considered where the Fund's manager (the "Manager") made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 30 June 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of portfolio of investments

Refer to Note 2(d) – Basis of valuation of investments.

The value of the Fund's portfolio of investments is presented on the Statement of Financial Position.

The valuation of the portfolio of investments was an area of focus because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.

How our audit addressed the Key Audit Matter

Our testing on the valuation of the portfolio of investments included:

- comparing the price used in valuation to an independent third party source which we evaluated had the necessary competency, capability and objectivity for the purpose of our audit; and
- evaluating the appropriateness of the price used in valuation at financial year end date, by comparing previous valuations produced by the independent third party source against latest available actual trades nearest to the financial year end date.

Based on the procedures performed above, we found no exceptions to be highlighted in our report.

Other Information

The Manager is responsible for the other information. The other information comprises all sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UNITED SSE 50 CHINA ETF

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager 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 control 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.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UNITED SSE 50 CHINA ETF

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lim Kheng Wah.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 21 September 2018

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STATEMENT OF TOTAL RETURN

For the financial year ended 30 June 2018

	Note	2018 \$	2017 \$
Income			
Dividends		742,518	774,419
Interest		<u>3</u>	<u>-</u>
Total		<u>742,521</u>	<u>774,419</u>
Less: Expenses			
Management fee	8	162,080	139,585
Trustee fee	8	12,726	34,222
Audit fee		25,609	25,502
Custody fee	8	55,505	22,616
Maintenance fee	8	111,943	93,056
Collateral fee		536,249	452,904
Transaction costs		-	5,476
Other expenses		<u>425,128</u>	<u>608,684</u>
Total		<u>1,329,240</u>	<u>1,382,045</u>
Net income/(losses)		<u>(586,719)</u>	<u>(607,626)</u>
Net gains/(losses) on value of investments			
Net gains/(losses) on investments		(419,869)	5,844,420
Net foreign exchange gains/(losses)		<u>922</u>	<u>(4)</u>
		<u>(418,947)</u>	<u>5,844,416</u>
Total return/(deficit) for the year		<u>(1,005,666)</u>	<u>5,236,790</u>

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

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STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 \$	2017 \$
Assets			
Portfolio of investments		32,101,740	32,962,870
Receivables	4	-	1,020,839
Cash and bank balances		<u>178,848</u>	<u>580,100</u>
Total assets		<u>32,280,588</u>	<u>34,563,809</u>
Liabilities			
Payables	5	<u>470,215</u>	<u>1,747,770</u>
Total liabilities		<u>470,215</u>	<u>1,747,770</u>
Equity			
Net assets attributable to unitholders	6	<u>31,810,373</u>	<u>32,816,039</u>

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

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STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 30 June 2018

	Note	2018 \$	2017 \$
Net assets attributable to unitholders at the beginning of the financial year		32,816,039	29,015,149
Operations			
Change in net assets attributable to unitholders resulting from operations		(1,005,666)	5,236,790
Unitholders' contributions/(withdrawals)			
Cancellation of units		-	<u>(1,435,900)</u>
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		-	(1,435,900)
Total increase/(decrease) in net assets attributable to unitholders		<u>(1,005,666)</u>	<u>3,800,890</u>
Net assets attributable to unitholders at the end of the financial year	6	<u>31,810,373</u>	<u>32,816,039</u>

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

United SSE 50 China ETF
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STATEMENT OF PORTFOLIO

As at 30 June 2018

	Holdings at 30 June 2018	Fair value at 30 June 2018 \$	Percentage of total net assets attributable to unitholders at 30 June 2018 %
By Geography - Primary			
CHINA			
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2018	13,420,000	32,101,740	100.92
Portfolio of investments		32,101,740	100.92
Other net assets/(liabilities)		(291,367)	(0.92)
Net assets attributable to unitholders		31,810,373	100.00

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

United SSE 50 China ETF
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STATEMENT OF PORTFOLIO

As at 30 June 2018

	Percentage of total net assets attributable to unitholders at 30 June 2018 %	Percentage of total net assets attributable to unitholders at 30 June 2017 %
By Geography - Primary (Summary)		
China	<u>100.92</u>	<u>100.45</u>
Portfolio of investments	100.92	100.45
Other net assets/(liabilities)	<u>(0.92)</u>	<u>(0.45)</u>
Net assets attributable to unitholders	<u>100.00</u>	<u>100.00</u>

As the Fund invests only into one participatory note, no secondary representation is considered necessary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

1 General

United SSE 50 China ETF (the “Fund”) is a Singapore-registered trust fund constituted under a Trust Deed dated 8 October 2009 between UOB Asset Management Ltd (the “Manager”) and HSBC Institutional Trust Services (Singapore) Limited (the “Retired Trustee”). The Trust Deed is governed by the laws of the Republic of Singapore.

With effect from 1 April 2017, the Trustee of the Fund has changed from HSBC Institutional Trust Services (Singapore) Limited to State Street Trust (SG) Limited (the “Trustee”), and the global custodian of the Fund has changed from The Hongkong and Shanghai Banking Corporation Limited to State Street Bank and Trust Company, Singapore Branch.

The primary activity of the Fund is to invest in a type of market access product known as participatory notes (the “P-Notes”) to be issued by suitably rated P-Notes issuer(s), which will be linked to a composite portfolio (the “Composite Portfolio”) comprising of an underlying basket of the A-Shares held by the relevant Qualified Foreign Institutional Investor (“QFII”) and designed to track as closely as possible, before fees, costs and expenses (including any taxes and withholding taxes), the performance of the SSE 50 China Index.

Subscriptions and redemptions of the units are denominated in the Singapore Dollar.

2 Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets held 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” issued by the Institute of Singapore Chartered Accountants.

(b) Recognition of income

Dividend income is recognised when the right to receive payment is established.

(c) Investments

Investments are classified as financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2 Significant accounting policies (continued)

(c) Investments (continued)

(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 changes 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 sale of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statement of Total Return.

(d) 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 financial year end date. The fair value of P-Notes which are not traded in active markets is based on quotation from an independent third party valuer at the end of each financial year.

(e) Foreign currency translation

(i) Functional and presentation currency

The Fund's investors are mainly from Singapore with the subscriptions and redemptions of the units denominated in the Singapore Dollar.

The performance of the Fund is measured and reported to the investors in the Singapore Dollar. The Manager considers the Singapore Dollar as the currency of the primary economic environment in which the Fund operate. The financial statements are presented in the Singapore Dollar, which is the Fund's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2 Significant accounting policies (continued)

(e) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities are also recognised in the Statement of Total Return within "Net gains/losses on investments".

(f) Financial derivatives

Financial derivatives including forwards and swaps may be entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provision of the Trust Deed and the Code on Collective Investment Schemes.

Financial derivatives outstanding on the financial year end date are valued at the forward rate or at the current market prices using the "mark-to-market" method, as applicable, and the resultant gains and losses are taken up in the Statement of Total Return.

(g) 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. The amount shall not be treated as part of the property of the Fund. Distributions are accrued for at the financial year end date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

3 Income tax

The Fund has been approved by the Monetary Authority of Singapore under the Enhanced-Tier Fund ("ETF") Scheme (section 13X of the Income Tax Act and the relevant regulations). Subject to certain conditions being met on an annual basis, the Fund may enjoy Singapore corporate income tax exemption on "specified income" derived from "designated investments" for the life of the Fund. The tax exemption does not apply in the year when the relevant conditions are not met. Losses from "designated investments" are correspondingly disregarded. The terms "specified income" and "designated investments" are defined in the relevant income tax regulations.

United SSE 50 China ETF
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

3 Income tax (continued)

The trustee of the Fund has assessed and is satisfied that the Fund has met the requisite conditions under the ETF Scheme for the current financial year. The trustee of the Fund will also ensure that the Fund fulfills its reporting obligations under the ETF Scheme.

In addition, the Fund has exposure to China A-shares through P-Notes issued by brokers in the QFII programme. There is significant uncertainty over the People's Republic of China's ("PRC") taxation on capital gains derived from China A-shares for any transaction prior to 17 November 2014.

The capital gain tax represents tax accrued for gains from trading of P-Notes which is linked to the Composite Portfolio comprising an underlying basket of China A-shares.

4 Receivables

	2018	2017
	\$	\$
Amount due from the Manager	-	1,020,839

5 Payables

	2018	2017
	\$	\$
Amount due to the Manager	66,487	58,339
Amount due to Trustee	3,069	2,722
Other creditors and accrued expenses	400,659	1,686,709
	<u>470,215</u>	<u>1,747,770</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

6 Units in issue

During the financial year ended 30 June 2018 and 2017, the numbers of units issued, redeemed and outstanding were as follows:

	2018	2017
Units at the beginning of the financial year	14,852,000	15,552,000
Units cancelled	-	(700,000)
Units at the end of the financial year	<u>14,852,000</u>	<u>14,852,000</u>
	\$	\$
Net assets attributable to unitholders	31,810,373	32,816,039
Net assets value per unit	2.141	2.209

A reconciliation of the net assets attributable to unitholders per unit per the financial statements and the net assets attributable to unitholders per unit for issuing/redeeming units at the financial year end date is prepared below:

	2018	2017
	\$	\$
Net assets attributable to unitholders per financial statements per unit	2.141	2.209
Under accrual for collateral fee	0.001	0.007
Under accrual for legal and professional fee	-	0.005
Effect of movement in the net asset value between the last dealing date and the end of the reporting period*	-	0.007
Net assets attributable to unitholders for issuing/redeeming per unit	<u>2.142</u>	<u>2.228</u>

* *The net asset value for the purpose of processing unit subscription and redemption was established in accordance with the methodology indicated in the Fund's Prospectus. This item reflects the movement in net asset value between such date and the end of the financial year.*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

7 Financial risk management

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

The Fund's assets principally consist of investments in P-Notes. They are held in accordance with the published investment policies of the Fund. The allocation of assets between the various types of investments is determined by the Manager to achieve its investment objectives.

(a) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments. The Fund's investments are substantially dependent on changes in market prices and are monitored by the Manager on a regular basis so as to assess changes in fundamentals and valuation. Although the Manager makes reasonable efforts in the choice of investments, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the asset value of the Fund. Guidelines are set to reduce the Fund's risk exposures to market volatility such as diversifying the portfolio by investing across various geographies, alternatively, the Fund may be hedged using derivative strategies.

(i) Foreign exchange risk

The majority of the Fund's financial assets and liabilities are denominated in the Singapore Dollar. Consequently, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of foreign currency rates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

7 Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

Price risk is the risk of potential adverse changes to the value of financial investments because of changes in market conditions and volatility in security prices. The Fund is designated to track the performance of the SSE 50 Index, therefore the exposure to price risk in the Fund will be substantially the same as the SSE 50 Index. As an exchange traded fund, the Manager manages the Fund's exposure to price risk by ensuring the key characteristics of the portfolio, such as security weight and industry weight, is closely aligned to the SSE 50 Index characteristics.

Benchmark component	2018		2017	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
SSE 50 A-share Index	6,359,475	20	9,691,084	30

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly. 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 equity securities is indirect.

Other than the cash and bank balances which are at short term market interest rates, and therefore subject to insignificant interest rate risk, the Fund's financial assets and liabilities are largely non-interest bearing.

Hence, no sensitivity analysis has been presented separately.

United SSE 50 China ETF
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

7 Financial risk management (continued)

(b) Liquidity risk

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

At the end of the financial year, the Fund's investments in P-Notes and other assets are realisable within one month.

The Manager may from time to time employ derivatives to implement a portfolio strategy to reduce risk or for the purpose of efficient portfolio management. Market liquidity of complex derivatives are significantly less than traditional investment instruments and such positions may therefore require a longer time to reverse than would be typically be expected for traditional investment instruments.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 3 months \$	3 months to 1 year \$	Over 1 year \$
As at 30 June 2018			
Payables	470,215	-	-
	Less than 3 months \$	3 months to 1 year \$	Over 1 year \$
As at 30 June 2017			
Payables	726,931	1,020,839	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

7 Financial risk management (continued)

(c) Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Fund's credit risk is concentrated on cash and bank balances, and amounts or securities receivable on the sale and purchase of investments respectively. In order to mitigate exposure to credit risk, all transactions in listed securities are settled/paid for upon delivery and transacted with approved counterparties using an approved list of brokers that are regularly assessed and updated by the Manager.

The table below summarises the credit rating of banks and custodians in which the Fund's assets are held as at 30 June 2018 and 2017.

The credit ratings are based on the Viability ratings published by Fitch.

	Credit rating as at 30 June 2018	Credit rating as at 30 June 2017
Bank and custodian		
State Street Bank and Trust Company	aa-	aa-

The maximum exposure to credit risk at the financial year end date is the carrying amount of the portfolio of investments and cash and bank balances as presented in Statement of Financial Position.

The Fund is exposed to BNP Paribas Arbitrage Issuance B.V. ("BNP") as the counterparty for the issuance of the P-Notes. BNP's credit rating per Fitch is a+. To limit the Fund's net exposure to BNP, BNP posts collateral to reduce the Fund's exposure to BNP to not more than 10% of the Fund's net asset value at any time. The collateral is placed into a trust or custodian account in Hong Kong charged and assigned by BNP to the Trustee of the Fund.

(d) Capital management

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

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

7 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 or 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 2018 and 2017:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 30 June 2018				
Assets				
Portfolio of investments				
- Participatory notes	-	32,101,740	-	32,101,740
Total	-	32,101,740	-	32,101,740

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 30 June 2017				
Assets				
Portfolio of investments				
- Participatory notes	-	32,962,870	-	32,962,870
Total	-	32,962,870	-	32,962,870

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. These comprise the P-Notes.

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 2018 and 2017 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the financial year end date.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

8 Related party transactions

(a) The Manager and the Trustee of the Fund are UOB Asset Management Ltd and State Street Trust (SG) Limited respectively. State Street Trust (SG) Limited replaced HSBC Institutional Trust Services (Singapore) Limited as the Trustee with effect from 1 April 2017. The Manager is a subsidiary of United Overseas Bank Limited while the Trustee is a subsidiary of State Street Bank and Trust Company.

Management fee and maintenance fee are paid to the Manager for the financial year. Trustee fee was paid to the Retired Trustee for the period from 1 July 2016 to 31 March 2017.

With effect from 1 April 2017, trustee fee is paid to the Trustee.

Custody fee was paid to The Hongkong and Shanghai Banking Corporation Limited, a related party of the Retired Trustee, for the period from 1 July 2016 to 31 March 2017 and is paid to State Street Bank and Trust Company, Singapore Branch with effect from 1 April 2017.

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

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

	2018	2017
	\$	\$
State Street Bank and Trust Company, Singapore Branch		
Cash and bank balances	178,848	580,100

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

8 Related party transactions (continued)

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

	2018	2017
	\$	\$
State Street Bank and Trust Company, Singapore Branch		
Bank charges	-	163
Interest income	3	-
The Hongkong and Shanghai Banking Corporation Limited		
Bank charges	-	2,213

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

9 Financial ratios

	2018	2017
	\$	\$
Total operating expenses (excluding collateral fee)	792,991	923,665
Total operating expenses (including collateral fee)	1,329,240	1,376,569
Average daily net asset value	<u>36,068,544</u>	<u>31,059,277</u>
Expense ratio (excluding collateral fee) ¹	<u>2.20%</u>	<u>2.97%</u>
Expense ratio (including collateral fee) ¹	<u>3.69%</u>	<u>4.43%</u>
Lower of total value of purchases or sales [#]	36,336,526	2,051,349
Average daily net assets value	<u>36,068,544</u>	<u>31,059,277</u>
Turnover ratio ²	<u>100.74%</u>	<u>6.60%</u>

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 Fund's expense ratio at financial year end was based on total operating expenses divided by the average net asset value respectively for the financial 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.*

There were no purchases during the financial year ended 30 June 2017. Therefore, the total value of sales is used in the calculation of portfolio turnover ratio.

2 *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 divided by the average daily net asset value.*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

10 Comparative

Certain comparative figures have been revised to conform to the current year's presentation. These revisions have no impact on the Fund's net assets attributable to unitholders as at 30 June 2018 and 2017.

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