

LIFELINK INVESTMENTS

Half Year
Fund Report

Report and statement of the managers for the
period **1 January 2012 to 30 June 2012**



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FUND MANAGER'S REPORT

FOR THE PERIOD ENDED 30 JUNE 2012

PERFORMANCE OF LIFELINK ASIA FUND

Fund Performance

For the six months ended 30 June 2012, the Fund rose 2.0% on a net-asset-value basis, compared with a 3.5% increase in the benchmark MSCI AC Asia ex-Japan index¹ in Singapore dollar terms.

The underperformance arose in the first quarter when the Fund was positioned in an overly defensive stance due to concerns related to global growth and the Euro zone's public debt crisis. Performance picked up in the second quarter of the year.

The Fund's performance was dragged down by our stock selection, particularly in China and to a smaller extent in Hong Kong, Taiwan and Singapore. The Fund's positive country allocation mitigated some of the underperformance. In particular, overweight positions in Indonesia, Thailand, Singapore and India, as well as an underweight position in Taiwan contributed to its performance.

Stocks that contributed positively include Tencent Holdings, China's largest social networking site and vendor of online games, CP All, a Thai convenience store operator, ITC, India's consumer conglomerate, HDFC Bank, an Indian private sector bank, and LG Household and Healthcare, a Korean consumer goods company.

Stocks that detracted from performance include Comba Telecom, a China telecommunications equipment provider, China Telecom, a China fixed line operator, Hyundai Home Shopping, a Korean consumer company, Baidu, a China search engine provider, and Chow Tai Fook Jewellery, a Hong Kong/China luxury player.

As at end June 2012, the Fund had the following regional asset allocation: China (22.93%), Hong Kong (17.76%), South Korea (16.12%), India (11.82%), Taiwan (7.65%), Indonesia (7.63%), Singapore (6.47%), Thailand (4.42%), Malaysia (2.76%), Philippines (2.27%) and the remainder in cash/net liquidity (0.17%).

¹ The benchmark was changed to MSCI AC Asia ex-Japan from Jan 12. Previously (April 92 – Dec 11) the benchmark was MSCI AC Far East ex-Japan.

Market Review

Asian equity markets started the year strongly, chalking up double-digit percentage gains in the first two months of the year as economic data improved and following policy easing. Gains were largely eroded in May as Euro zone woes once again took centre stage, rekindling fear of Greece leaving the Euro common currency. Concurrently, economic data and leading indicators broadly started to weaken.

The sharp rally in January and February was from distressed valuation levels in late 2011 during a period of intense risk aversion. With the US economy continuing to recover, concern of a Euro break-up abating and China's central bank moving to ease monetary conditions, markets moved sharply higher. US economic growth in the fourth quarter of 2011 rose to 2.8% above expectation and the fastest pace since the second quarter of 2010. The Fed's announcement that it would keep the Fed Funds Target Rate unchanged at 0-0.25% through 2014 and the chairman's comment that he is leaving the option open for a third round of quantitative easing (QE3) contributed significantly to the change in market sentiment. Meanwhile, the European Central Bank (ECB) announced a second liquidity injection via the Long Term Repurchase Operation (LTRO).

As has been the case for the past year, Euro zone issues remained the most dominant factor influencing equity market direction for much of the period under review. Greece again returned to the spotlight after the country failed to form a government following parliamentary elections in May. The increased popularity of anti-austerity parties raised fears of a Greek exit from the Euro and railed financial markets. In June, a second round election produced a coalition government that appears committed to staying in the Euro.

Attention then shifted to Spain and Italy where borrowing costs surged as investors became increasingly worried about contagion risk. Moody's downgrade of Spain's sovereign debt rating to Baa3 in June, further added to market volatility. Spain requested for financial support from European institutions to bolster its struggling banks that had suffered huge losses due to the collapse of the country's housing market.

Meanwhile in the US, economic data generally pointed to an economy on the mend. Signs that the recovery was broadening out as employment and wage gains fed through to consumption growth reinforced this view. However, the US Purchasing

Managers' Index (PMI) which had trended higher through April has pulled back slightly in May. Similarly, growth in consumer expenditure started to moderate, as did both manufacturing and export growth rates. Signs arose that challenges in the Euro zone, coupled with longer term fiscal challenges in the US were starting to influence business and consumer sentiment, raising concern over the US growth outlook. This prompted the US Fed to extend its "Operation Twist" stimulus programme in June. Europe remains a weak link in terms of the global outlook as Euro zone PMI fell below the 50 level, with peripheral Europe posting recessionary readings and even core Europe facing a possibility of economic declines.

In line with the change in outlook impacting the developed world, Asia too experienced a significant change in the economic environment. The strong economic outlook in the first quarter moderated sharply into the second quarter. Uncertainty arising from the Euro zone debt crisis, weaker external demand (trade) and a moderation in domestic demand caused key leading indicators to dip. Growth indicators in China, India, Taiwan and Singapore have negatively surprised. Industrial production in the big four economies of China, India, South Korea and Taiwan softened, while those in the ASEAN economies of Indonesia, Philippines, Malaysia and Thailand have in general held up better. The weaker industrial data has to a large extent been influenced by weaker external demand. Exports have been growing at negative or single-digit growth rates across most of the region. And while still a bright spot, domestic consumption too has been decelerating.

Meanwhile, inflation has been moderating on the back of lower oil prices. With energy prices having declined and with consumer prices starting to soften, policymakers have more flexibility to relax monetary conditions to counter the dip in demand. China for instance, has lowered its reserve requirements as well as interest rates. Indonesia has also lowered its interest rates. However, as the fund manager writes, food prices again are facing potential risks of price rises due to feedstock disruptions arising from a drought in the US which is impacting corn supplies.

Fund Strategy and Outlook

Growth expectations for emerging economies and Asia in particular have moderated significantly from the very buoyant levels registered in 2011. The shift in growth rates appears to be in part structural. Many economies, most notably China, are transitioning from investment/export driven growth strategies to income/consumption driven growth models. This transition implies lower potential growth rates over the medium to long term. Also impacting this shift in growth outlook is an underlying erosion of the terms of trade from much of the emerging world due to a decade of rapid wage gains and currency appreciation. The moderation in growth rates and increasing pressure on corporate profit margins in the Brazil, Russia, India and China (BRIC) economies in particular clearly illustrate this challenge.

Fortunately, Asia's banking systems remain healthy and are not significantly exposed to the Euro zone. Asia's banks are well positioned to respond to any adverse impact of Euro zone's credit liquidity challenges. However, trade linkages and a concurrent drop in external demand are placing a downward bias to the growth outlook. The weaker economic backdrop is filtering through to the corporate sector and is placing downward pressure on operating margins and corporate profitability. This could over time filter through to impact credit quality in the region, so it will require monitoring.

The main mechanism of transmission of the Euro zone's problems has been through trade linkages. Exports to the developed world have been tracking below trend. The slowdown in Euro zone growth is being multiplied by a drop in the Euro, which is putting downward pressure on Europe's import demand. Asia's high export dependency suggests that growth rates will correlate with this weaker external backdrop. Exports have been growing at negative or single-digit growth rates across most of the region. And while still a bright spot, domestic consumption too has been decelerating. Relatively stronger domestic demand thanks largely to higher income levels is still creating end market opportunities. For example, China retail sales have grown steadily at 15% year-on-year.

Fortunately, a drop in inflation rates is providing more policy flexibility for central banks in the region. However, several of the regions' currencies have weakened (Indian Rupee and Indonesian Rupiah), causing price pressures to remain stickier than otherwise expected. China, Thailand and Malaysia are better positioned to relax monetary policy. On the fiscal front, most Asian governments have room to stimulate the economies. As the fund manager writes, moderate fiscal stimulus from China is in the works.

The impact of prior wage and input price increases, coupled with a slowdown in final demand, is creating renewed margin challenges for the corporate sector. Profit margins across all major sectors started to narrow in the first quarter, and earnings continue to be adjusted downwards. The first quarter reporting season can best be characterized as one of more misses than beats in terms of expectations. Although the pace of revisions has slowed, this pressure is expected to persist given the weaker growth backdrop.

Valuations are now very attractive. Stocks are trading at or near one standard deviation below mean, both on a forward Price-to-Earnings (P/E) and Price-to-Book Value (P/BV) basis. However, valuation alone is not a catalyst when earnings are being cut.

The Fund's strategy is to remain focused on identifying high quality growth opportunities for investment. Given the cyclical slowdown in growth and structural changes in the operating environment, the fund manager has reduced exposure to sectors and companies that are more at risk of margin decline and earnings miss. The fund manager remains focused on exploiting longer term growth opportunities arising from the economic development of the region. In particular, the fund manager is focused

on taking advantage of opportunities in what he refers to as stable growth sectors, with the consumer sector being the best illustration. Higher wages continue to drive medium-to-long term opportunities. The fund manager has tactically reduced exposure to the cyclical sectors (materials, energy and industrials), which face potential margins downside due to their high operating leverage to changes in growth expectations.

In terms of sector allocation, the Fund is overweight in the consumer, healthcare, telecommunications and utilities sectors, while underweight in the materials, energy, industrials and real estate sectors. The Fund is neutral on the financials and technology sectors.

The Fund's greatest overweight is in the consumer sector where the staples stocks are seeing resilient earnings as margins stabilize in the short to medium term (benefiting from falling raw material and soft commodity prices). The key stock picks in the sector are Indian consumer conglomerate ITC and Hyundai Home Shopping in Korea.

The utilities and telecommunications sectors are more defensive and backed by stable dividend yields. Key stock picks in these sectors are Indian utility company NTPC and Hong Kong mobile operator Smartone.

Larger underweights are in the materials, energy and industrials sectors. The materials sector is more susceptible to an economic slowdown and external factors while the energy sector is facing headwinds from the weak oil prices and reduced capital in the oil and gas upstream segment. The fund manager is cautious on the outlook for the industrials sector due to reduced order levels, and declines in margins especially in the large emerging economies of India and China.

The Asian market trajectory will continue to be influenced by global economic developments. Over time, the evolution of economic conditions locally will start to become a more important driver. The growth drivers that are so evident in Asia – the positive demographics, the rising purchasing power and growth in consumption – should remain a positive backdrop for investors for some time. While there may be bumps on the road ahead, Asia will likely remain an important destination for investors in the years ahead. The current environment that can continue to be characterized as one of global rebalancing (or factor market reform in the case of Asia) should play to our strengths as stock pickers in the years ahead.

The above information on the LifeLink Asia Fund is provided by UOB Asset Management Ltd.

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PERFORMANCE OF LIFELINK GROWTH FUND

Fund Performance

For the six months ended 30 June 2012, the net asset value of the Fund rose 9.3% compared with a 10.5% increase in the benchmark Straits Times Index (STI).

The Fund's underperformance for the period under review was due to a weak performance in the second quarter. The underperformance arose because the Fund was overweight in the industrial cyclical stocks, which underperformed the more defensive sectors. The Fund's allocation was the main contributor to underperformance, while positive stock selection partially mitigated this. The Fund's underweight in financials and overweight in the energy sector over the review period detracted from performance.

The Fund's positive stock selection effect partially mitigated the underperformance. Stocks that contributed to performance include Singapore banks DBS Group, UOB and OCBC, and offshore marine players Keppel Corp and Sembcorp Industries.

Stocks that detracted from the Fund's performance include commodity companies Wilmar International, Golden Agri-Resources and Olam International, casino operator Genting Singapore, and medical device maker Biosensors International.

As at end June 2012, the Fund was 99.98% invested. In terms of sectors, the Fund's allocation stood at Financials (45.40%), Industrials (26.21%), Telecommunication Services (11.04%), Consumer Discretionary (7.76%), Consumer Staples (7.09%), Energy (1.96%), Healthcare (0.52%) and the remainder in cash/net liquidity (0.02%).

Market Review

Asian equity markets started the year strongly, chalking up double-digit percentage gains in the first two months of the year as economic data improved and following policy easing. Gains were largely eroded in May as Euro zone woes once again took centre stage on fear of Greece leaving the Euro common currency. Concurrently, economic data and leading indicators broadly started to weaken.

The sharp rally in January and February was from distressed valuation levels in late 2011 during a period of intense risk aversion. With the US economy continuing to recover, concern of a Euro break-up abating and China's central bank moving to ease monetary conditions, markets moved sharply higher. US economic growth in 4Q11 rose to 2.8%, above expectations, and the fastest pace since 2Q10. The Fed's announcement that it would keep the Fed Funds Target Rate unchanged at 0-0.25% through 2014 and the chairman's comment that he is leaving the option open for a third round of quantitative easing (QE3) contributed significantly to the change in market sentiment. Meanwhile the European Central Bank's (ECB) announced a second liquidity injection via the Long Term Repurchase Operation (LTRO).

As has been the case for the past year, Euro zone issues remain the most dominant factor influencing equity market direction. Greece again returned to the spotlight after the country failed to form a government following parliamentary elections in May. The increased popularity of anti-austerity parties raised fears of a Greek exit from the Euro and railed financial markets. In June, a second round election produced a coalition government that appears committed to staying in the Euro.

Attention then shifted to Spain and Italy where borrowing costs surged as investors became increasingly worried about contagion risk. Moody's downgraded Spain's sovereign debt rating to Baa3 in June, further adding to market volatility.

Meanwhile in the US, economic data generally pointed to an economy on the mend. Signs that the recovery was broadening out as employment and wage gains fed through to consumption growth reinforced this view. However, the US purchasing managers' index (PMI) which had trended higher through April has pulled back slightly in May. Similarly, growth in consumer expenditure started to moderate, as did both manufacturing and export growth rates.

Asia too experienced a significant change in outlook. The strong economic outlook in the first quarter moderated sharply into the second quarter. Uncertainty arising from the Euro zone debt crisis, weaker external demand (trade) and a moderation in domestic demand caused key leading indicators to dip. Growth indicators in China, India, Taiwan and Singapore have negatively surprised. Industrial production in the big four economies of China, India, South Korea and Taiwan softened, while those in the ASEAN economies of Indonesia, the Philippines, Malaysia and Thailand have in general held up better. The weaker industrial data has to a large extent been influenced by weaker external demand. Exports have been growing at negative or single-digit growth rates across most of the region. And while still a bright spot, domestic consumption too has been decelerating.

Closer to home, the weakness in global growth has clearly impacted the Singapore economy which posted a slowdown in GDP growth for the second quarter. According to advance government flash estimates, the Singapore economy declined 1.1% for the second quarter, a drop which has already led to economists revising downwards their 2012 full year GDP growth estimate from above 3% previously to just slightly above 2%. While this is still in line with the official government forecast growth range of 1-3%, we are concerned that the slowdown may adversely impact Singapore corporate earnings.

Fund Strategy and Outlook

Growth expectations for emerging economies and Asia in particular have moderated significantly from the very buoyant levels registered in 2011. The shift in growth rates appears to be in part structural. Many economies, most notably China, are

transitioning from investment/export driven growth strategies to income/consumption driven growth models. This transition implies lower potential growth rates over the medium to long term.

The main mechanism of transmission of the Euro zone's problems has been through trade linkages. Asia's exports to the developed world have been tracking below trend. The slowdown in Euro zone growth is being multiplied by a drop in the Euro, which is putting downward pressure on Europe's import demand. The high export dependency of Asia (Singapore in particular) suggests that growth rates will correlate with this weaker external backdrop.

The impact of prior wage and input price increases, coupled with a slowdown in final demand, is creating renewed margin challenges for the corporate sector. Profit margins across all major sectors started to narrow in the first quarter, and earnings continue to be adjusted downwards. The first quarter reporting season can best be characterized as one of more misses than beats in terms of expectations. Although the pace of revisions has slowed, this pressure is expected to persist given the weaker growth backdrop.

The Fund's strategy is to remain focused on identifying high quality growth opportunities for investment. Given the cyclical slowdown in operating conditions, the fund manager has reduced exposure to sectors and companies that are more at risk due to this change. The fund manager has adopted a barbell strategy, where the approach is to remain defensively focused while simultaneously holding a balanced tactical weight in growth companies with solid fundamentals and superior earnings visibility.

On the selection of defensive stocks, we favour the telecommunications sector and real estate investment trusts (REITs) which offer attractive dividend yields backed by sustainable cash flows. Key holdings include SingTel, Mapletree Commercial Trust and CDL Hospitality Trust.

The Fund also continues to target growth opportunities in the offshore and marine sector, which is poised to benefit from an upswing in deepwater oil exploration, increased capital spending from oil companies and demand for equipment. The Fund's key holdings include Keppel Corp, Sembcorp Industries and STX OSV in this space.

The Asian market trajectory will continue to be influenced by global economic developments. Over time, the evolution of economic conditions locally will start to become a more important driver. The growth drivers that are so evident in Asia – the positive demographics, the rising purchasing power and growth in consumption – should remain a positive backdrop for investors for some time. While there may be bumps on the road ahead, Asia will likely remain an important destination for investors in the years ahead.

Singapore, given its well-established trade links and strategic geographical location, is well positioned to benefit from Asia's long term positive growth drivers. Moreover, being part of ASEAN will be another plus for Singapore as the regional grouping has been relatively resilient in the current economic turmoil given the robust levels of domestic demand.

The above information on the LifeLink Growth Fund is provided by UOB Asset Management Ltd.

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PERFORMANCE OF LIFELINK GLOBAL FUND

Fund Performance

For the half year ended 30 June 2012, the Fund increased by 3.9%, outperforming the benchmark MSCI AC World Free index which rose by 3.2% in Singapore dollar terms.

The Fund's outperformance was due mainly to stock selection, mainly in the US and Latin America. The Fund adopts a strategy of investing in high-quality growth companies with strong and resilient cash flows at reasonable prices. And despite being overweight in emerging markets, Latin America in particular, this strategy performed favorably, as bottom-up securities selection helped to offset some potential adverse allocation effects.

Asset allocation had a limited impact on performance. The Fund was overweight in the US, which was the best performing region, but was also overweight in Latin America which was amongst the worst.

Stock selection was the key driver of performance. Notable contributors to performance (mostly from the US holdings) included: Apple Inc (US), Visa Inc. (US), PT Bank Danamon (Indonesia), Priceline.com Inc (US), US Bancorp (US), Microsoft (US), Philip Morris (US), Grupo Financiero Banorte (Mexico), Davita Inc (US), Admiral Group PLC (UK) and Gilead Sciences Inc (US).

Principle detractors from performance included: Banco Bilbao Vizcaya S.A. (Spain), Eaton Corporation (US), McDonalds (US), Freeport-McMoran Copper & Gold (US), Occidental Petroleum (US), Anglo American PLC (UK), Itau Unibanco Holdings SA (Brazil), Tesco PLC (UK), Canadian Natural Resources (Canada) and EMC Corp (US).

As at 30 June 2012, the Fund was positioned as follows:

By Country

United States (51.46%), Europe (19.49%), Asia (ex-Japan) (12.28%), Latin America (6.49%), Japan (5.80%), Canada (2.00%), Australia (1.59%), EMEA (0.95%) and Cash/Net Liquidity (-0.06%).

By Sector

Consumer Discretionary (11.60%), Consumer Staples (12.13%), Energy (9.95%), Financials (18.84%), Healthcare (9.50%), Industrials (8.91%), Information Technology (15.09%), Materials (6.70%), Telecom Services (2.99%), Unit Trust (0.46%), Utilities (3.89%) and Cash/Net Liquidity (-0.06%).

Market Review

For the first half of the year, the MSCI AC World Free Index rose by a modest 1.9% in Singapore dollar terms. The market continued to fluctuate, driven by alternating periods of “risk-on” and “risk-off” behaviour caused by European sovereign debt problems. Global equities started the year on a positive trend supported by recovering economic indicators and strong corporate earnings. With the PMI hitting a one-year high in February, fourth quarter 2011 earnings broadly beating expectations, and ongoing quantitative easing, equities started the year with very strong gains. The MSCI AC World Free Index rose by 6.7% in Singapore dollar terms during the January-February period of the year.

The rally lost steam by mid-March as the Euro zone crisis intensified leading into the Greek elections and in tandem with stalling global economic momentum. Markets recovered in June on expectations that the EU Leaders Summit scheduled for month-end would result in credible long term solutions for Europe’s debt problems.

The US equity market outperformed all the others. The MSCI US Index rose by 5.9% in the period under review, buoyed by improving economic data and generally solid corporate earnings. And although the Federal Reserve had lowered US GDP growth estimate to between 1.9% and 2.4% in 2012, this is still above the 2008 crisis levels and much stronger than that of the Euro zone economy. A key factor behind the strong market performance was the fact that US earnings momentum has held up better than that of other regions.

European equity markets continue to face headwinds and have remained volatile. The MSCI Europe Index fell by 2.3% in Singapore dollar terms. Initial favorable response to the ECB’s liquidity injections dwindled quickly as sovereign debt challenges intensified into March. The possibility of a Greece exit from the Euro zone coupled with deteriorating fiscal conditions in Spain and broad based economic weakness across both peripheral and core Europe were too much for market participants to ignore. And while there has been some recovery in June on the victory of the pro-austerity party in Greece and renewed optimism over the European Union (EU) Summit, the reality remains that that a durable solution has yet to be found. At best, the transition to a fiscally integrated Europe is several years out.

Europe’s deepening recession has placed more downward pressure on corporate earnings. Earnings upgrade/downgrade ratio dropped to 0.58 in June from 1.0 at the start of the year. This shift in conditions has kept European markets under pressure.

Asian markets followed a similar pattern. After rallying at the start of the year, they lost ground into the period’s end. The MSCI AC Asia (ex-Japan) Index rose by 2.2% in Singapore dollar terms. The dip in market in Asia was initially a result of weak external demand. Exports slowed sharply, and concurrently so too has industrial production.

This shift was most evident in data out of North Asia (Taiwan, S. Korea and China). Market performance reflected this divergence, with Southeast Asia market performing strongly and North Asia markets generally weaker. The Philippines and Thailand gained by 21% and 10% respectively in the first six months of the year. Conversely, Korea and Taiwan rose by only 2% and 1% respectively over the same period.

China was one of the weakest markets after Indonesia. The slowdown of the Chinese economy has been much more abrupt than initially anticipated, with the recovery likely to come more slowly. This shift in growth coupled with inflation pressures has put corporate earnings under intense pressure, weighing on market performance.

The Japanese market was lackluster. The MSCI Japan Index was down by 0.2% in Singapore dollar terms during the first six months of the year. This is despite the fact that Japan showed the most resilient economic growth amid relatively more modest declines in earnings momentum. A large part of this apparent stability is due to a low base due to last year's earthquake.

The Latin America (Latam) market also fell. The MSCI Latin America Index dropped by 4.4% during the first six months of the year, in Singapore dollar terms. The drop was mainly due to the Brazilian index, which fell by 11.5%. In contrast the Mexican market has performed more in-line with the US. The poor showing of Brazil was attributable to weakness in global growth, declines in resources prices (the Brazil market continues to be heavily weighted towards the material and energy sectors), and generally slowing domestic growth amidst ongoing inflation pressure.

The global economy weakened considerably in the first half of the year. Europe's recession both intensified and broadened, engulfing both France and Germany. At the point of writing, the International Monetary Fund has downgraded global GDP growth to 3.5% in 2012 and 3.9% in 2013 from previous estimates (made in April 2012) of 3.6% and 4.1% respectively. Consensus global EPS growth is projected at 8.8% and 12.6% in 2012 and 2013 respectively. The fund manager's view is that the risk to both is to the downside.

Outlook and Strategy

The fund manager continues to expect that operating conditions to remain challenging into 2013, and potentially beyond. A combination of weaker economic growth rates, unresolved fiscal challenges, a lack in effectiveness of monetary policy given current level of real interest rates, and persistent margin pressure for businesses due to rising costs will remain a headwind for corporate profits and exert downward pressure on corporate profitability. Against this backdrop, and until the transition is completed, it is difficult to see equity risk premium returning to normal levels, or conversely equity valuations to return to historic averages. The fund manager anticipates increased divergence between expensive and cheap stocks in the current environment.

Several factors, both cyclical and structural in nature, suggest that the world is transitioning to a slower growth trajectory. With the developed world dealing with a balance sheet induced recession, and the developing world being impacted by global rebalancing and factor market reforms, the cyclical adjustments will most likely limit growth rates for the medium term. Longer term demographic changes, reinforced by the need to adopt sustainable policy will most likely constrain growth. This shift in growth trajectory will have powerful implications on corporate profit trends in the years ahead.

Now more than ever, investors should be rewarded by focusing on high quality businesses that can deliver stable and sustainable growth. The fund manager continues to favour Large Cap growth stocks, and he currently favours more stable regions and sectors. The Fund overweights the US and selective emerging markets. Bottom up stock selection will remain increasingly critical in the period ahead, particularly in emerging markets where companies can be whipsawed due to cost pressures and deteriorating operating margins.

Regional Outlooks

The US market has been the bastion of stability. However, despite the US's greater economic flexibility, it will not be immuned to weakening external conditions. Consumption accounts for 70% of the economy, and is slowing. Weaker job growth (only 90,000 jobs per month in the second quarter down sharply from 225,000 previously) is only reinforcing this softness in consumption. The unemployment rate stood at 8.2% in May, and is likely to remain elevated given firms' reluctance to hire amid deteriorating macro-economic fundamentals. Meanwhile, the US fiscal cliff looms large and is getting closer. If Congress and the White House cannot reach an agreement, come January 1, 2013, a fiscal tightening of up to 5% of GDP will likely tip the broader economy into recession. Public policy uncertainty brings additional problems. Businesses are deferring making investment decisions due to uncertainties.

Worryingly, it appears that increased rigidities are slowly creeping into the economy due to political drift and an unwillingness of politicians to deal with longer term structural problems. If unchecked, this could have adverse implications for both economic growth and corporate profits in the years ahead.

Despite these challenges, the US does have some bright spots. The housing market is gradually recovering (housing inventories are at 5-year low). Monetary policy remains accommodative and the US, because of the reserve currency status of the dollar, should be able to continue to attract external capital to finance its deficits (enabling a more gradual adjustment process). And in general, US corporations remain leaders in terms of innovation, operating efficiency and financial returns. The Fund continues to overweight US, with preference on the Large Cap companies.

The collective challenges faced by Europe (the Euro zone in particular) are daunting. The fund manager believes that European sovereign debt problems will persist for years to come. With peripheral Euro zone countries facing depressionary conditions, even the stronger parts of Europe are flirting with recession. The lack of political resolve to implement reforms, effect monetary transfers, and surrender political independence makes the prospect of a short term fix highly unlikely.

The magnitude of the fiscal problems is equal to the need for reforms to re-align competitiveness and stabilize the periphery. The combined Italian and Spanish debt is about €2.6 trillion. EU's stabilization facility of €500 million pales in comparison. The challenges of these indebted countries to bring down debt to more sustainable levels are complicated by collapsing consumption and investment. Any move to fiscal union will only occur after a significant crisis involving Spain and/or Italy, ie. too late.

Meanwhile, structural inefficiencies in Europe's labour market and a lack of meaningful labour mobility limit the ability of the weaker countries to rebalance their terms of trade and competitiveness. According to the World Bank's Index of Employment Rigidity, Spain's, Greece, France's and Italy's readings stand at 63, 58, 56 and 53 respectively, all of which are much higher than UK's and US's corresponding figures of 14 and 1 respectively.

Growth prospects for Asia have deteriorated, especially in the export-oriented North Asia economies, and while growth trends of Southeast Asia have held up better, they too are slowing. Consensus GDP forecast for growth in non-Japan Asia is forecast to ease to 6.8% in 2012 from 2010's 9.2%. The fund manager believes there could be more downside risk to growth expectations.

Despite the fact that growth will undoubtedly hold up well compared to the developed world, the picture for corporate profits is more mixed. The lingering impact of higher inflation is placing more acute pressure on corporate profits, especially in countries like China and India where wage growth has run ahead of productivity gains. And while the regions' banks and financial institutions are generally both well capitalized and sufficiently liquid, asset quality risk is building, especially in China following a period of significant over-investment in both real estate and infrastructure.

The downward shift in growth rates coupled with ongoing factor market reforms in key countries (China and India) will make investing in the region both more difficult and easier. The shift to eliminate policy distortions should help to underpin the importance of fundamentals in the investment decision process. An increased willingness to allow for stronger market discipline to dictate how capital is allocated is good news over the long term, but will add to uncertainty in the short run. Given the focus on fundamentals, the fund manager continues to find good investment opportunities in Asia and the Fund is overweight the region.

Japan continues to muddle through. In the absence of significant domestic drivers, Japan remains heavily dependent on external demand to drive growth. In spite of reconstruction spending linked to rebuilding efforts following last year earthquake, the broad economy is only expected to grow by 2% in 2012 before slowing to 1.3% in 2013. Profitability for the corporate sector remains challenged. However, beneath some of the weaker outlook, there are some positive signs. Japan's corporate sector is finally embracing the benefits of globalization and is restructuring. Redefining old business models to deal with the new normal will be a key driver of value. In the case of Japan, the new normal is coping with an ageing population and declines in working population. Unfortunately, this process is moving too slowly as reflected by the poor levels of capital productivity in Japan, and the Fund remains underweight.

Latin America has been an area that the fund manager has held a positive view for some time. While the region still faces challenges due to economic rigidities and shortfalls in factor inputs (capital and labour), there has been some significant improvements achieved in recent years. The region has favourable demographic underpinnings, but faces challenges due to poorer levels of education and historical dependencies on social transfers, that has been a constraint on capital formation. The flipside of these constraints is that capital in the region can be deployed in very productive manners, achieving both high returns and high rates of growth. Brazil best epitomized the transition, but Mexico too is experiencing significant transformation, becoming a more critical production base for businesses seeking to supply manufactured goods into North America.

Provided that productivity levels continue to improve and inflation rates come under control, policy makers will be able to continue to ease monetary policy thereby unleashing the potential of these very interesting domestic consumer markets. As the fund manager writes this appears to be taking shape in Brazil, with inflation expected to moderate to 5.3% in 2012. The Brazil Central Bank has lowered its Selic rate by 400 bps since last August to 8.5% currently. The Fund remains overweight Latin America.

The above information on the LifeLink Global Fund is provided by UOB Asset Management Ltd.

Any opinion, forecast or estimate contained in this section is for information only and are not indicative of the future or likely performance of the LifeLink Funds and should not be construed as such. Prudential Assurance Company Singapore (Pte) Limited has relied upon and assumed the accuracy and completeness of all information available from UOB Asset Management Limited. Whilst Prudential Assurance Company Singapore (Pte) Limited has taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, it cannot guarantee its accuracy or completeness and make no representation or warranty (whether express or implied) and accept no responsibility or liability for its accuracy or completeness.

Fund Performance

The performance of the Funds based on the net asset value basis are as follows:

	3 month	6 month	1 year	3 year [^]	5 year [^]	10 year [^]	Since Inception [^]
LifeLink Asia Fund	(6.13)	2.02	(18.94)	1.65	(7.74)	4.56	7.08
MSCI AC Asia ex-Japan Index⁺	(6.12)	3.52	(8.99)	6.12	(2.75)	7.45	5.16

	3 month	6 month	1 year	3 year [^]	5 year [^]	10 year [^]	Since Inception [^]
LifeLink Growth Fund	(3.70)	9.29	(9.82)	9.33	(3.71)	7.06	6.89
Straits Times Index[®]	(3.19)	10.46	(4.81)	10.54	(1.12)	7.99	4.61

	3 month	6 month	1 year	3 year [^]	5 year [^]	10 year [^]	Since Inception [^]
LifeLink Global Fund	(4.01)	3.92	(4.32)	2.52	(8.08)	1.80	3.05
MSCI AC World Free Index[#]	(4.85)	3.22	(3.50)	5.98	(6.29)	2.27	1.32

[^] Annualised.

⁺ The benchmark is the Morgan Stanley Capital International (MSCI) All Countries Asia ex-Japan Index. Prior to 1 January 2012, the benchmark was the MSCI AC Far East Free ex-Japan Index.

[®] The benchmark is the Straits Times Index (STI). Prior to 1 December 2001, the benchmark was the DBS 50 Index.

For the financial year 2001, the benchmark return was computed by summing the return of the DBS 50 Index for the period January to November 2001 and the return of the STI for the month of December 2001.

[#] The benchmark is the Morgan Stanley Capital International (MSCI) AC World Free Index. Prior to 1 January 1998, the benchmark was the MSCI AC Far East Index.

Past performance is not necessarily indicative of future or likely performance of the LifeLink Funds.

Investments Classified by Asset Class

	LifeLink Asia Fund		LifeLink Growth Fund		LifeLink Global Fund	
	Market Value (S\$)	% of NAV	Market Value (S\$)	% of NAV	Market Value (S\$)	% of NAV
Investments in funds in Singapore	845,801	99.83	435,941	99.98	897,248	100.06
Other net assets	1,408	0.17	67	0.02	(533)	(0.06)
Total	847,209	100.00	436,008	100.00	896,715	100.00

Investments in Collective Investment Schemes as at 30 June 2012

LifeLink Asia Fund		LifeLink Growth Fund		LifeLink Global Fund				
Market Value (S\$)	% of NAV	Market Value (S\$)	% of NAV	Market Value (S\$)	% of NAV			
United Asia Fund	845,801	99.83	United Singapore Growth Fund* (formerly known as United Growth Fund)	435,941	99.98	United International Growth Fund	897,248	100.06

* The Investment in Collective Investment Scheme changed its name from United Growth Fund to United Singapore Growth Fund from 1st June 2012.

Top Ten Holdings as at 30 June 2012

United Asia Fund

At 30 June 2012

	Market Value (\$S)	% of NAV
CNOOC LIMITED	5,030,062	4.07
SAMSUNG ELECTRONICS COMPANY LIMITED	4,649,228	3.76
HDFC BANK LIMITED	3,829,668	3.10
HON HAI PRECISION INDUSTRY	3,785,351	3.06
ITC LTD	3,524,397	2.85
HUTCHISON WHAMPOA LTD	3,475,316	2.81
PT BANK MANDIRI	3,471,645	2.81
HYUNDAI MOTOR COMPANY	3,342,998	2.71
PT SEMEN GRESIK (PERSERO) TBK	3,322,947	2.69
KASIKORNBANK PCL – FOREIGN	2,934,660	2.38

At 30 June 2011

SAMSUNG ELECTRONICS COMPANY LIMITED	8,736,581	4.79
ZHONGSHENG GROUP HOLDINGS LTD	7,096,221	3.89
INDUSTRIAL & COMMERCIAL BANK OF CHINA – H	6,702,083	3.67
EMPEROR WATCH & JEWELLERY LTD	6,576,859	3.61
HYUNDAI HEAVY INDUSTRIES	6,533,663	3.58
PT TAMBANG BATUBARA BUKIT ASAM TBK	5,862,782	3.21
HYUNDAI HOME SHOPPING NETWORK CORP	5,716,575	3.13
BANK OF CHINA	5,354,717	2.94
ALLIANCE GLOBAL GROUP INC	5,155,206	2.83
COMBA TELECOM SYSTEMS HOLDINGS LIMITED	5,019,164	2.75

**United Singapore
Growth Fund**

At 30 June 2012

	Market Value (\$S)	% of NAV
SINGAPORE TELECOMMUNICATIONS LIMITED	14,195,528	10.09
DBS GROUP HOLDINGS LIMITED	12,748,999	9.06
OVERSEAS-CHINESE BANKING CORPORATION LIMITED	12,295,249	8.74
UNITED OVERSEAS BANK LIMITED	11,211,357	7.97
KEPPEL CORPORATION LIMITED	9,037,600	6.43
JARDINE MATHESON HOLDINGS LIMITED	8,215,958	5.84
HONGKONG LAND HOLDINGS LIMITED	6,441,678	4.58
GENTING SINGAPORE PLC	4,794,000	3.41
CAPITALAND LIMITED	4,680,600	3.33
JARDINE STRATEGIC HOLDINGS LIMITED	4,250,114	3.02

At 30 June 2011

DBS GROUP HOLDINGS LIMITED	16,205,340	10.73
OVERSEAS-CHINESE BANKING CORPORATION LIMITED	15,178,510	10.05
KEPPEL CORPORATION LIMITED	12,513,284	8.28
UNITED OVERSEAS BANK LIMITED	12,023,587	7.96
JARDINE MATHESON HOLDINGS LIMITED	10,076,141	6.67
NOBLE GROUP LIMITED	6,959,831	4.61
SINGAPORE TELECOMMUNICATIONS LIMITED	6,746,513	4.47
SINGAPORE AIRLINES LIMITED	6,296,913	4.17
HONGKONG LAND HOLDINGS LIMITED	5,926,853	3.92
OVERSEAS UNION ENTERPRISE LTD	5,845,350	3.87

**United International
Growth Fund**

At 30 June 2012

	Market Value (S\$)	% of NAV
US BANCORP	3,258,210	2.50
VISA INC – CLASS A SHARES	3,136,850	2.41
EXXON MOBIL CORPORATION	3,035,912	2.33
OCCIDENTAL PETROLEUM CORPORATION	2,824,660	2.17
APPLE INC	2,811,234	2.16
COCA COLA.	2,674,037	2.06
SOUTHERN COMPANY	2,638,238	2.03
PHILIP MORRIS INTERNATIONAL INC	2,430,229	1.87
MICROSOFT CORPORATION	2,324,325	1.79
INTEL CORP	2,193,591	1.69

At 30 June 2011

OCCIDENTAL PETROLEUM CORPORATION	4,213,933	2.64
VISA INC – CLASS A SHARES	3,413,845	2.14
SCHLUMBERGER	3,180,098	1.99
PHILIP MORRIS INTERNATIONAL INC	2,703,691	1.69
TEVA PHARMACEUTICAL INDUSTRIES LTD-ADR	2,662,664	1.67
COMCAST CORPORATION – CLASS A	2,643,084	1.65
INTERNATIONAL BUSINESS MACHINE	2,525,222	1.58
US BANCORP	2,504,304	1.57
COLGATE-PALMOLIVE COMPANY	2,467,157	1.54
KINROSS GOLD CORPORATION	2,324,583	1.45

Expense Ratios

LifeLink Asia Fund		LifeLink Growth Fund		LifeLink Global Fund	
2012	2011	2012	2011	2012	2011
1.60%	1.74%	1.22%	1.32%	1.34%	1.37%

Note: The expense ratio does not include (where applicable) charges for insurance coverage, brokerage and other transaction costs, performance fee, foreign exchange gains or losses, front or back end loads arising from the purchase or sale of collective investment schemes and tax deducted at source or arising out of income received.

United Asia Fund		United Singapore Growth Fund		United International Growth Fund	
2012	2011	2012	2011	2012	2011
1.60%	1.64%	1.21%	1.24%	1.33%	1.33%

Note: The expense ratio does not include (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains/ losses, front or back end loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received.

Turnover ratios

LifeLink Asia Fund		LifeLink Growth Fund		LifeLink Global Fund	
2012	2011	2012	2011	2012	2011
0.60%	5.33%	0.03%	9.60%	0.14%	3.09%

United Asia Fund		United Singapore Growth Fund		United International Growth Fund	
2012	2011	2012	2011	2012	2011
36.19%	37.78%	21.32%	17.62%	50.19%	61.24%

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

Amount of redemptions and subscriptions

	LifeLink Asia Fund		LifeLink Growth Fund		LifeLink Global Fund	
	2012	2011	2012	2011	2012	2011
Total amount of redemptions	5,308	59,476	122	48,157	1,209	29,705
Total amount of subscriptions	–	–	–	–	–	–

Soft Dollar Comissions/Arrangements

The fund manager, UOB Asset Management, has entered into soft dollars arrangements with selected brokers from whom products and services are received from third parties. The product 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 fund manager confirm that trades were executed on the best available terms and there was no churning of trades. The said brokers have also executed trades for other schemes managed by the Investment Manager.

INCOME STATEMENT

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

LifeLink Asia Fund

Note	LifeLink Asia Fund	
	30 JUNE 2012	31 DECEMBER 2011
	\$	\$
Gross dividends on equities	–	–
Gains from sale of investments	1,350	9,683
Unrealised appreciation / (depreciation) in value of investments	16,080	(330,733)
	17,430	(321,050)
Other charges	2,608	4,576
	(2,608)	(4,576)
PROFIT/(LOSS) BEFORE TAXATION	14,822	(325,626)
TAXATION	3	–
NET PROFIT/(LOSS) FOR THE PERIOD/YEAR	14,822	(325,626)

The accompanying notes form part of these financial statements.

LifeLink Growth Fund

30 JUNE 2012	31 DECEMBER 2011
\$	\$
8,257	2,920
1,458	6,129
28,813	(87,707)
38,528	(78,658)
1,455	3,435
(1,455)	(3,435)
37,073	(82,093)
–	–
37,073	(82,093)

LifeLink Global Fund

30 JUNE 2012	31 DECEMBER 2011
\$	\$
–	–
3,272	8,580
33,365	(97,902)
36,637	(89,322)
3,171	6,489
(3,171)	(6,489)
33,466	(95,811)
–	–
33,466	(95,811)

BALANCE SHEET

AS AT 30 JUNE 2012

		LifeLink Asia Fund	
Note	30 JUNE 2012	31 DECEMBER 2011	
	\$	\$	
CAPITAL ACCOUNT			
Issues of units	–	–	
Cancellations of units	(5,308)	(29,304)	
	(5,308)	(29,304)	
Net profit / (loss) for the period / year	14,822	(325,626)	
Value of Fund at beginning of the period / year	837,695	1,192,625	
Value of Fund at end of the period / year	847,209	837,695	
Represented by:			
CURRENT ASSETS			
Investments in funds	845,801	836,282	
Accounts receivable	919	2,031	
Bank balances	3,151	670	
	849,871	838,983	
Less:			
CURRENT LIABILITIES			
Other liabilities	2,662	1,288	
NET ASSETS	847,209	837,695	

The accompanying notes form part of these financial statements.

LifeLink Growth Fund

30 JUNE 2012	31 DECEMBER 2011
\$	\$
—	—
(122)	(32,475)
(122)	(32,475)
37,073	(82,093)
399,057	513,625
436,008	399,057
435,941	399,068
787	787
291	91
437,019	399,946
1,011	889
436,008	399,057

LifeLink Global Fund

30 JUNE 2012	31 DECEMBER 2011
\$	\$
—	—
(1,209)	(18,598)
(1,209)	(18,598)
33,466	(95,811)
864,458	978,867
896,715	864,458
897,248	865,283
1,809	1,809
1,725	225
900,782	867,317
4,067	2,859
896,715	864,458

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

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

1. General

The LifeLink Funds comprise the following Funds:

- (i) LifeLink Asia Fund;
- (ii) LifeLink Growth Fund; and
- (iii) LifeLink Global Fund.

2. Significant accounting policies

(a) Basis of accounting

The financial statements, expressed in Singapore dollars, are prepared in accordance with the historical cost convention, modified by the valuation of investments at fair value.

(b) Investments

All purchases of investments, which include investments in funds, quoted equities and bonds are recognised on their trade dates, i.e. the date the commitment exists to purchase the investments. The investments are initially recorded at cost, being fair value of the consideration given. The attributable transaction costs are recognised in the Income Statement when incurred. After initial recognition, the investments are subsequently measured at fair value and the unrealised gains or losses on re-measurement to fair value are taken to the Income Statement. The fair value is determined by using open market valuation at the year-end date. All investments of the Funds are valued at the last known transacted prices on 30 June 2012. Unquoted debt securities are valued at the prevailing prices quoted by banks or brokers.

(c) Issue of units

Issue of units comprises the gross premiums received by the Company (after deducting charges which include bid-offer spread) and switches by the policyholders from other funds.

(d) Cancellation of units

Cancellation of units comprise of the sale of units in the Funds for the payment of death claims or surrenders and for switches by the policyholders to the other funds.

(e) Gains/losses from sale of investments

All sales of investments are recognised on their trade date, the date the Fund commits to sell the investments. The cost of disposal of investments is determined on the weighted-average cost basis. Realised gains/losses from the sale of investments are taken to the Income Statement.

(f) Income and expense recognition

Income and expenses are accounted for on an accrual basis. Dividend income is recognised in the Income Statement when the right to receive payment is established. Interest income from investments is recognised on an accrual basis, using the effective interest method.

(g) Foreign currencies

Transactions in foreign currencies are translated into Singapore dollars at the exchange rate at the date of the transaction. Financial assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Singapore dollars at the exchange rate at the reporting date. Foreign currency differences arising on retranslation are recognised in the Income Statement.

3. Taxation

The funds are not subject to Singapore income tax.

Taxation, if any, is in respect of unrecoverable tax deducted at source from foreign-sourced dividends.

LifeLink Asia Fund

	30 JUNE 2012	31 DECEMBER 2011
	\$	\$
4. Investments in funds		
Unit trusts, at cost	558,671	565,232
Appreciation/ (Depreciation) in value	287,130	271,050
Unit trusts, at market value	845,801	836,282
5. Net assets attributable to unitholders		
The number of units on issue	323,333	326,096
Net asset attributable to unitholders per unit	\$2.620	\$2.568

LifeLink Growth Fund

30 JUNE 2012	31 DECEMBER 2011
\$	\$
247,318	239,258
188,623	159,810
435,941	399,068
170,732	170,780
\$2.553	\$2.336

LifeLink Global Fund

30 JUNE 2012	31 DECEMBER 2011
\$	\$
868,213	869,613
29,035	(4,330)
897,248	865,283
604,232	605,047
\$1.484	\$1.428

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Always Listening. Always Understanding.