LIFELINK INVESTMENTS

Half Year Fund Report

Report and statement of the managers for the period **1 January 2013 to 30 June 2013**

PRUDENTIAL
Always Listening. Always Understanding.

GENERAL DISCLAIMERS:

The contents of this LifeLink Funds Report is strictly for information purposes only and shall not be deemed as any form of other type of advice or recommendation whatsoever, from Prudential Assurance Company Singapore (Pte) Limited.

Investments are subject to investment risks including the possible loss of the principal invested. The value of the units of the LifeLink Funds may fall as well as rise.

Past performances of the LifeLink Funds and any other economic or market predictions, projections or forecasts, are not necessarily indicative of future or likely performances of the LifeLink Funds, underlying funds and/or the respective fund managers.

For more information on LifeLink Funds,
please call 1800 333 0 333 from Monday to Friday, between 9am and 6pm.

LifeLink Funds

Managed by
UOB Asset Management Limited
Registered Address:
80 Raffles Place
UOB Plaza 1
Singapore 048624

Prudential Assurance Company Singapore (Pte) Limited
30 Cecil Street #30-01
Prudential Tower
Singapore 049712
Telephone: 6327 1234
Fax: 6224 3012
Website: www.prudential.com.sg

Prudential Assurance Company Singapore (Pte) Limited Reg No.199002477Z

FUND MANAGER'S REPORT

FOR THE PERIOD ENDED 30 JUNE 2013

PERFORMANCE OF LIFELINK ASIA FUND

The Fund invests into United Asia Fund ("the Underlying Fund").

For the six months ended 30 June 2013, the net asset value of LifeLink Asia Fund fell 1.4%, compared with a 2.1% decrease in the benchmark MSCI AC Asia ex-Japan index in Singapore dollar terms, driven by outperformance of investment in the Underlying Fund.

The Underlying Fund's outperformance was aided by positive sector allocation decisions, namely its overweight exposure in consumer staples and discretionary sectors which outperformed the market; and its underweight positions in energy, material and industrial sectors which performed poorly during the review period.

The Underlying Fund saw negative contribution from securities selection, most notably in the energy and healthcare sectors. This was slightly offset by positive selection effect from key contributors which included *AAC Technologies* (IT), *Thai Beverage* (consumer staples), *SaSa* and *Galaxy Entertainment* (Consumer Discretionary), and *Bank Rakyat Indonesia* (Financial). Key detractors included: *China Coal Energy* (Energy) and *Celltrion* (Healthcare).

The Underlying Fund maintained its underweight exposure in cyclical sectors such as energy, materials and industrial sectors, going into the second half of the year.

As at end June 2013, the Underlying Fund had the following regional asset allocation: China (24.02%), Hong Kong (17.48%), South Korea (13.96%), Indonesia (9.88%), Taiwan (7.62%), India (6.69%), Singapore (6.00%), Thailand (5.31%), Philippines (3.67%), Malaysia (1.41%) and the remainder in cash/net liquidity (3.96%).

Market Review

Asia equity markets ended the first half of the year with negative returns, in a period where emerging market equities underperformed developed markets. After a positive performance in the first part of the year, Asia equity markets took a tumble from May as the US Fed raised the specter of an end to Quantitative Easing (QE), raising fears of a reversal of liquidity flows and a rise in interest rates. Growth concerns in China as well as fresh worries of a liquidity crunch added to Asia market woes.

Global equity markets, including Asia, largely shrugged off the negative impact from the US fiscal cliff early in the year as the US economy continued to heal. Events in Europe ranging from the election chaos in Italy to the credit crunch in Cyprus, continued to serve as reminders of the lingering effects of the credit crisis that had plagued the region. US Fed chairman Bernanke's statements that the Fed will likely scale back its asset purchase programme later this year, triggered profit-taking particularly in the Southeast Asia (ASEAN) markets and yield stocks.

Economic momentum in the Asian economies weakened from the second quarter of the year, particularly in China. Leading indicators such as the purchasing managers' index (PMI) in other key Asian economies of Taiwan, South Korea and India had shown promise in the early part of the year but also started to fall off from April.

In China, the HSBC PMI unexpectedly fell below 50 from May through June, showing contraction for the first time since the economy was thought to have bottomed in October last year. Other activity indicators such as exports, retail sales and disposable income growth also showed a softening trend, casting doubt on China's recovery. At the same time, China's overall debt levels have been rapidly rising since 2009, especially through non-bank financial channels. The spike in key interbank SHIBOR rates in June triggered fresh fears of a tightened liquidity situation. China central bank's deliberate delay in injecting liquidity raised concerns on its hawkish monetary policy stance and a credit crunch to businesses.

The ASEAN markets generally outperformed as the region's economies continued to show strong growth, driven mainly by domestic consumption and structural improvements to their domestic economies. Strong corporate earnings also continue to drive a re-rating of the domestic equity markets.

In terms of sector performance, the cyclical energy, materials and industrials sectors were worst performing; while the more defensive healthcare, utilities telecommunication and consumer staples sectors fared better.

Underlying Fund Strategy and Outlook

Asia markets continue to face headwinds from a weaker external growth environment and increasing signs of a moderation of growth in China. The US Fed's tapering of its asset purchase programme will likely result in heightened market volatility. The Underlying Fund manager expects that the performance of Asian equity markets in the second half of the year will hinge on developments in China where a rebalancing of the economy continues to present key challenges. Growth within Asia, while expected to slow, is still among the fastest in the world with the ASEAN region showing relatively stronger prospects.

The Underlying Fund manager continues to look for opportunities to invest in companies that are benefitting from the rising purchasing power of the region's consumers. The consumer and IT sectors offer leverage into this trend of rising purchasing power, but in both sectors, stock selection remains critical. Asia ex-Japan equity valuations remain attractive, and so long as earnings revisions remain benign, the Underlying Fund manager expects the market to rate higher over time. The Underlying Fund manager continues to adopt a quality growth style approach in the Underlying Fund's stock selection.

In China, the key challenges have been a slowing of economic growth momentum even as debt levels rise. Equity valuations seem to have taken most of these concerns into account as the market is now trading at well below the historical average level. The Underlying Fund manager's strategy within China is to avoid policy-driven sectors which would be hit by economic restructuring, and focus on opportunities that ride on the tailwinds of government initiatives such as in the consumer, 'green energy', technology and internet sectors.

In terms of sector allocation, the Underlying Fund is overweight in the consumer sector and underweight in the industrials, materials, energy and telecommunication sectors. Across markets, the Underlying Fund is overweight in Hong Kong, China and selective ASEAN markets. In the Underlying Fund manager's bottom-up stock selection, the fund manger focuses on opportunities in areas such as the consumer sector, where the rise of the middle income population will benefit casino operators and retailers. The Underlying Fund manager also favours Asia's emerging global brands in technology and automobiles, well-established Asian leaders within the financial and technology/foundries space, as well as the technology supply chain that caters to the increasing penetration of low-cost handsets.

The structural growth opportunities in Asia remain underpinned by rising affluence, a huge population and favourable demographics. The Underlying Fund manager is focused on capturing these opportunities by investing in companies that have sound business models, are positioned in segments offering attractive growth and have demonstrated operational and financial discipline in the way they manage their businesses. The Underlying Fund manager remains optimistic on the long-term growth prospects of Asian economies and believes the region provides attractive investment opportunities for long-term investors.

The above information on the LifeLink Asia Fund and Underlying 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 Underlying 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 makes no representation or warranty (whether express or implied) and accepts no responsibility or liability for its accuracy or completeness.

PERFORMANCE OF LIFELINK GROWTH FUND

The Fund invests into United Singapore Growth Fund ("the Underlying Fund").

For the six months ended 30 June 2013, the net asset value of LifeLink Growth Fund rose 2.1% compared with a 0.2% increase in the benchmark MSCI Singapore Index, driven by outperformance of investment in the Underlying Fund.[1]

The Underlying Fund's outperformance for the period under review was largely attributed to positive stock selection. The Underlying Fund's overweight position in DBS (Financials), Global Logistics Properties (Property) and ST Engineering (Industrials) and the Underlying Fund manager's investments in UOL (Property) and Ezion Holdings (Energy) contributed positively to performance.

Stocks that detracted from performance include *Bumitama Agri* (Commodities), *Capitaland* and *CapitaMalls Asia* (Property).

As at end June 2013, the Underlying Fund was 96.31% invested. In terms of sectors, the Underlying Fund's allocation stood at Financials (52.39%), Industrials (16.28%), Telecommunication Services (11.69%), Consumer Discretionary (8.31%), Energy (4.69%), Consumer Staples (2.95%) and the remainder in cash/net liquidity (3.69%).

Market Review

Asia equity markets in general ended the first half of the year with negative returns, in a period where emerging market equities underperformed developed markets. After a positive performance in the first part of the year, Asia equity markets took a tumble from May as the US Fed raised the specter of an end to Quantitative Easing (QE), raising fears of a reversal of liquidity flows and a rise in interest rates. Growth concerns in China as well as fresh worries of a liquidity crunch added to Asia market woes.

Global equity markets, including Asia, largely shrugged off the negative impact from the US fiscal cliff early in the year as the US economy continued to heal. Events in Europe ranging from the election chaos in Italy to the credit crunch in Cyprus continued to serve as reminders of the lingering effects of the credit crisis that had plagued the region. US Fed chairman Bernanke's statements that the Fed will likely scale back its asset purchase programme later this year triggered profit-taking particularly in the Southeast Asia (ASEAN) markets and yield stocks.

Economic momentum in the Asian economies weakened from the second quarter of the year, particularly in China. An unexpected contraction in China's HSBC PMI and softening of other activity indicators such as exports, retail sales and disposable income growth cast doubt on a recovery. China's rapidly rising debt levels and a spike

[1] *The benchmark was changed to MSCI Singapore Index from Jan 13. Previously (Feb 90 – Dec 12), the benchmark was Straits Times Index.*

in key interbank SHIBOR rates in June also triggered fresh fears of a tightened liquidity situation. The economic woes in China spilled over to other Asian markets where sentiment was negatively impacted.

The ASEAN markets generally outperformed other Asian markets as the region's economies continued to show strong growth, driven mainly by consumption and structural improvements to their domestic economies. Strong corporate earnings also continue to drive a re-rating of the domestic equity markets.

The Singapore market outperformed the broader Asia ex-Japan region as it found favour with investors for its relatively high dividend yield as well as companies with solid, visible earnings growth prospects.

On the economic front, the Singapore economy surprised with a stronger than expected second quarter GDP growth of 3.7%, bringing the overall GDP growth in the first six months to 1.9%. This bodes well for the full year growth prospects, with economists forecasting a range of between 2.5% and 3%. There is a risk however that growth in the second half will be more muted than the first half, which could impact the earnings forecasts of listed companies.

Underlying Fund Strategy and Outlook

Asia markets continue to face headwinds from a weaker external growth environment and increasing signs of a moderation of growth in China. The US Fed's tapering of its asset purchase programme will likely result in heightened market volatility. The Underlying Fund manager expects that the performance of Asian equity markets in the second half of the year will hinge on developments in China where a rebalancing of the economy continues to present key challenges. Growth within Asia, while expected to slow, is still among the fastest in the world with the ASEAN region showing relatively stronger prospects.

The Underlying Fund manager continues to look for opportunities to invest in companies that are benefitting from the rising purchasing power of the region's consumers. Singapore's equity market valuation remains attractive, and so long as earnings revisions remain benign, the Underlying Fund manager expects the market to rate higher over time. The Underlying Fund manager continues to adopt a quality growth style approach in the stock selection.

Given that the global economic outlook continues to be volatile, the Underlying Fund manager is adopting 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, the Underlying Fund manager favours those in the defence aviation sector given its resilient business model and robust order book, conglomerates with a strong Pan Asian scope of business operations and selective property developers with a stable recurring income stream from the hospitality business. The Underlying Fund manager is very selective in investing in real estate investment trusts (REITs) and favours the retail and office REITs. The Underlying Fund also continues to target growth opportunities in the offshore and marine and energy sectors, which are poised to benefit from an upswing in deep water oil exploration, increased capital expenditure spending from oil companies and demand for equipment.

The Underlying Fund manager views that the Asian market trajectory will continue to be influenced by global economic developments both domestically and globally. 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 structural growth opportunities in the region are underpinned by rising affluence, a huge population and favourable demographics. The Underlying Fund manager's strategy is to focus on capturing these opportunities by investing in companies that have sound business models, are positioned in segments offering attractive growth and have demonstrated operational and financial discipline in the way they manage their businesses.

Singapore, given its well established trade links and strategic geographical location, is well positioned to benefit from these Asian long term positive growth drivers. Moreover, being part of ASEAN, will be another plus 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 and Underlying 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 Underlying 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 makes no representation or warranty (whether express or implied) and accepts no responsibility or liability for its accuracy or completeness.

PERFORMANCE OF LIFELINK GLOBAL FUND

The Fund invests into United International Growth Fund ("the Underlying Fund").

For the six months ended 30 June 2013, the net asset value of LifeLink Global Fund rose 8.6%, compared with a 10.1% gain in the benchmark MSCI AC World Free index in Singapore dollar terms, driven by underperformance of investment in the Underlying Fund.

The Underlying Fund lagged the benchmark mainly due to its overweight position in the emerging markets, especially Latin America and Asia ex-Japan. The decision to overweight US and to underweight Europe benefitted the Underlying Fund. However, securities selection in the materials sector in Europe detracted from performance. Meanwhile, adverse securities selection in information technology in the US also impacted performance negatively.

The Underlying Fund was fully invested for the majority of the period under review, with cash levels at 4.3% as at end-June owing to the increased volatility in the market.

Notable contributors to performance include: *Visa Inc* (US), *Home Depot Inc* (US), *State Street* (US), *Omnicom Group Inc* (US), *Gilead Sciences INC* (US), *JPMorgan Chase & Company* (US), *Microsoft* (US), *UnitedHealth Group* (US), *US Bancorp* (US), and *Cisco Systems* (US).

Detractors to the Underlying Fund were: *Apple Inc* (US), *Africa Barrick Gold Ltd* (UK), *Rio Tinto PLC* (UK), *Agnico-Eagle Mines* (UK), *Dialog Semiconductor PLC* (Germany), *Samsung Electronics* (South Korea), *Eli Lily* (US), *Randgold Resources Ltd* (UK), *Compania De Minas Buenaventura* (Peru) and *Tullow Oil PLC* (UK).

As at 30 June 2013, the Underlying Fund was positioned as follows:

<u>By Country</u>

United States (50.46%), Europe (20.41%), Asia ex-Japan (9.61%), Japan (6.84%), Latin America (3.67%), Canada (2.45%), Australia (2.26%) and EMEA (0.40%) and the remainder in cash/net liquidity (3.90%).

<u>By Sector</u>

Financials (20.99%), Consumer Discretionary (15.31%), Healthcare (14.69%), Information Technology (12.71%), Industrials (9.45%), Consumer Staples (8.20%), Energy (7.23%), Telecom Services (3.54%), Utilities (2.30%), Materials (1.68%) and the remainder in cash/net liquidity (3.90%).

Market Review

The year started strongly as US lawmakers managed to avert the fiscal cliff and to postpone the debt ceiling decision. Meanwhile, the European banks were reported to have repaid a larger than expected portion of the crisis loans, which also helped lift sentiment. Despite some slippage due to the uncertain outcome of the Italian election and the Spanish Prime Minister's corruption scandal, the market generally powered ahead on the back of abundant liquidity and low volatility as the US Federal Reserve, European Central Bank (ECB) and Bank of Japan pushed on with accommodative monetary policy actions. The MSCI AC World Index was up 12.8% in Singapore dollar terms by mid-May.

However, mixed economic data emerged by March including weaker purchasing managers' indices (PMIs) in Europe and China as well as mixed data releases in the US. During this period of economic uncertainty, the commodity related sectors including materials and energy underperformed the less non-cyclical sectors , including healthcare and consumer staples. The generally commodity-sensitive emerging equity markets languished while the developed equity markets continued to climb.

The equity market rally was interrupted in the middle of May on talks of a possible reduction in the US Federal Reserve's monthly asset purchase programme of US$85 billion per month. China's tightened credit conditions in June as well as political unrest in Egypt and Turkey, further damaged investor confidence. The sell-off was broad-based with emerging equity markets and Japan suffering steep falls from mid-May to mid-June. The US held up relatively better. Overall, the MSCI AC World Index advanced by 8.7% in Singapore dollar terms for the period under review with the developed markets outperforming the emerging ones. The US and Japan were the top two performing markets.

All the emerging markets delivered negative returns in the period under review, led by Latin America, Europe, Middle East and Africa (EMEA), and Asia Ex-Japan. As mentioned above, the cyclical sectors were among the worst performing, with materials and energy sectors ranked at the bottom. Conversely, consumer discretionary, consumer staples and healthcare sectors outperformed as investors generally preferred to hold quality companies with sustainable rather than volatile earnings amid increasing economic uncertainty.

The US market was among the top performing markets (after Japan) during the first half of the financial year. Despite some initial concerns over the economic impact of the two percentage point increase in the payroll tax and the US$85 billion mandatory US budget cuts that became effective on 1 March, economic indicators and corporate earnings continued to point to a sustainable but slow recovery in the US economy. For example, the US unemployment rate fell to a four-year low of 7.5% in April and stood at 7.6% in June. The housing market also continued to strength. Although global equities corrected sharply on the back of rising US 10-year Treasury yields, the US market fell by less than the global average. The Treasury yields jumped from 1.64% in May to 2.48% by end June, in response to the Fed's liquidity tapering intentions. This partly reflects the economy's better fundamentals as well as the commitment by the US Fed Chairman that any possible future liquidity easing will not derail the US recovery.

Japanese equity market advanced strongly in the first four months of the year, supported mainly by the unprecedented liquidity injection amounting to around ¥7 trillion ($70 billion) every month in a bid to achieve the 2% inflation target in two years. This weakened the Yen considerably and benefited especially the export oriented sectors. The surge in Japanese equities ended in mid-May with the MSCI Japan Index (USD terms) falling by nearly 12% by mid-June. Market sentiment was hit by rising bond yields in Japan in response to increasing US bond yields. In turn, this led to worries that the Bank of Japan's massive monetary stimulus was not working. Markets were also disappointed at Prime Minister Shinzo Abe's structural reforms especially in the areas of corporate tax, labour market reforms and immigration. The market recovered towards end June on tentative signs of an improvement in the Japanese economy such as the retail sales, inflation and wages.

European equities rallied initially on the higher than expected emergency funding repayments of €137 billion by the banks to the ECB, which was misinterpreted by the market as a sign that the sovereign debt crisis had troughed. However, tensions re-emerged as a result of the impasse in the Italian election in February and the Cypriot bailout in March which involved uninsured depositors. The latter had negative implications for future bailouts of peripheral economies. Meanwhile, economic indicators continue to indicate a deepening recession in Europe. For example, Euro zone's PMI reading of 48.7 in June pointed to continued contraction in manufacturing activity. The European equities were also not spared from the negative impact of rising US interest rates. This was somewhat cushioned by ECB's 25 basis point policy rate cut to 0.5% in May. On the whole, the MSCI Europe ended the period up 3.8% in Singapore dollar terms, underperforming the broader market.

Emerging markets equities enjoyed a brief rally but soon lost ground due to the increasingly weak data from both China and Europe. The sell-off accelerated in mid-May on capital outflows as US interest rates went up. It was most pronounced in Latin American, followed by EMEA and Asia ex-Japan. Many of these countries are still not positioned to cope with both rising domestic interest rates and slowing external demand given the structural imbalances in the economy. Thus, countries such as China, Thailand and Hong Kong have seen rapidly dwindling current account surpluses while countries like India, Indonesia, Brazil and Chile are experiencing mounting current account deficits. Such developments erode investor confidence in the region. As these previously high growth economies moderate amid structural imbalances, social tensions arise as in Turkey and Brazil, which further hurt sentiment.

Underlying Fund Strategy and Outlook

Global equities are dominated by two broad developments, namely lower global growth and rising US bond yields, both of which have implications on the Underlying Fund's asset allocation decisions.

Firstly, the risk of a global growth slowdown is spreading with nearly all the major economies decelerating. Apart from the US, the growth prognosis is looking increasingly worrying as we look ahead. Indeed, the US remains a relatively "bright" spot in the global economic landscape. The US budget deficit is projected to fall to around 4% in the current fiscal year, down from 7.0% a year ago and the smallest in five years. The US economic recovery is underpinned by steady progress in credit expansion, housing market recovery and consumer spending. However, the US recovery remains sub-par and below historic trend, hence it cannot be the global growth locomotive as in past recoveries. The risk is that consumption would be affected by rising US bond yields which have raised mortgage rates from 3.4% in May to 4.6% currently. This is well below historic highs but, if not well-managed, would be a headwind to growth.

Europe remains mired in recession and continues to face significant growth headwinds including private and public sector deleveraging. Unemployment rate continues to climb while budget austerity brings little debt relief. Indeed, Europe is trying to move away from putting more austerity pressures and is encouraging more growth and reforms but with little success. The banking union ECB is likely to remain under pressure to do more to support the economies including further lowering interest rates and possibly another long-term refinancing option. But Europe's structural problems remain unresolved which complicates earlier proposed solutions including the banking union. The latter remains in its infancy stage and has implementation risks, including a treaty change which is going to be very difficult. Europe continues to be a growth drag.

China cannot be counted upon to boost global headline economic growth. The no-frills approach adopted by the new government and its intention to curb both the overheated property market and excessive credit growth imply a growth outcome that is likely to be below the 7.5% market consensus growth. According to Standard & Poor's, China's shadow banking credit grew by an annualized 34% over the last few years and Citi Research has estimated its size to be as large as 54% of GDP or 29% of banks' assets. China's total debt as a percentage of GDP is estimated at 219% of GDP, according to Goldman Sachs. These are levels that warrant monitoring as it could pose a credit shock to China's financial system if a sizeable bankruptcy erupts. Additionally, a weaker Chinese growth is not positive for many commodity-dependent emerging markets.

Optimism towards Japan has faded somewhat especially after the sharp correction in mid-May on rising US interest rates when Japan equities gave up nearly all the gains chalked up after BOJ's aggressive stimulus actions. This was a stark reminder that the effectiveness of improving economic competitiveness through exchange rate is limited. Instead, Japan faces structural problems that require deep and often unpopular reforms but these will take time. Such measures would be complicated by the country's weak fiscal balances and ballooning debt levels. Prime Minister Abe's strong win in the July Upper House elections imply that he has more leeway to push through reforms, but risks remain including escalating energy cost from the weak yen and a postponement of the consumption tax hike amid rising deficits.

The aforementioned analysis has important implications for export-oriented emerging economies. Essentially, they will suffer from falling demand from the softening high income countries. Moreover, many of these markets, including China, Brazil and India, suffer from infrastructure bottlenecks, capacity constraints, lower commodity prices and increasingly, financial stability concerns. Emerging economies, unlike their developed peers, also face more cost-push pressures from wages and rental costs, hence increasing downside risks at both top line and operating margin levels.

The second major development is that global equity markets have now entered a phase of interest rate normalization which, in turn, is triggered by increasing US interest rates. The Underlying Fund manager expects that the US is likely to initiate a gradual tapering in its monthly asset purchase towards year end. Notably, this episode of US rising yield is untypical as it is not offset by stronger economic growth. This implies higher volatility ahead and falling risk appetite. But the US is expected to remain most resilient amid rising interest rates as the Fed has indicated that the pace of liquidity tapering would not undermine US recovery.

The resulting widening interest rate differential disfavours emerging markets particularly, which have seen capital outflows. Notably, this will also create pressure points especially in those countries with large external borrowing needs and high loan-deposit ratios. EMEA stacks up poorly in this respect especially in South Africa and Turkey. Countries with weak banking systems, such as China, are also vulnerable to such huge capital outflow.

Central banks would have to stem such outflows resulting in weakening currencies and tighter monetary supply in their domestic economic system. These countries would then have to grapple with the unfavourable trade-off of slower economic activity which has negative political implications. We have already started to see such stresses in Indonesia.

In conclusion, the US continues to stack up well fundamentally and valuations are also not stretched. The US prospective price-to-earnings multiple is in line with its five-year average unlike the other developed markets, including Europe and Japan. Meanwhile, despite compelling valuations, the downside risks for emerging markets have not dissipated.

Therefore, in terms of asset allocation, the Underlying Fund manager has allocated more weights to the US at the expense of the emerging markets namely, Asia ex-Japan, Latin America and EMEA. The Underlying Fund continues to maintain an overweight position in Latin America partly because of the Underlying Fund manager's optimistic assessment of Mexico which is well-positioned to benefit from a US recovery. The Underlying Fund manager has maintained an underweight position in Europe, Australia, Canada and Japan on less attractive valuation relative to the US. Finally, in this slow growth environment, bottom up stock selection remains critical to outperformance of the Underlying Fund. The Underlying Fund's focus remains on high quality growth companies with competitive business models, strong cash generation and proven management team that are able to gain market share at the expense of weaker companies. They are also less vulnerable to cost pressures and have resilient operating margins.

The above information on the LifeLink Global Fund and Underlying 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 Underlying 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 makes no representation or warranty (whether express or implied) and accepts 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	(2.64)	(1.41)	9.81	(0.22)	(0.37)	6.27	7.25
MSCI AC Asia ex-Japan Index+	(3.18)	(2.12)	8.99	3.75	2.30	9.03	5.34

	3 month	6 month	1 year	3 year^	5 year^	10 year^	Since Inception^
LifeLink Growth Fund	(3.93)	2.11	13.94	6.32	4.58	8.80	7.32
MSCI Singapore Index@	(4.24)	0.19	11.89	6.43	4.58	9.99	4.91

	3 month	6 month	1 year	3 year^	5 year^	10 year^	Since Inception^
LifeLink Global Fund	1.34	8.64	11.86	5.39	(2.06)	2.98	3.59
MSCI AC World Free Index#	1.80	10.11	16.70	8.83	0.90	4.11	2.11

^ 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 Morgan Stanley Capital International (MSCI) Singapore Index. Prior to 1 January 2013, the benchmark was the Straits Times Index (STI).

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	892,947	99.66	448,624	99.82	932,165	99.99
Other net assets	3,070	0.34	796	0.18	50	0.01
Total	**896,017**	**100.00**	**449,420**	**100.00**	**932,215**	**100.00**

Investments in Collective Investment Schemes

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		United Singapore Growth Fund		United International Growth Fund	
892,947	99.66	448,624	99.82	932,165	99.99

Top Ten Holdings as at 30 June 2013

At 30 June 2013	United Asia Fund Market Value (S$)	% of NAV
SAMSUNG ELECTRONICS COMPANY LIMITED	6,948,809	6.44
TAIWAN SEMICONDUCTOR MFG CO LTD	4,594,419	4.26
KASIKORNBANK PCL – FOREIGN	3,990,278	3.70
AAC TECHNOLOGIES HOLDINGS LTD	3,297,333	3.06
HUTCHISON WHAMPOA	2,888,343	2.68
AIA GROUP LTD	2,762,213	2.56
ITC LTD	2,548,712	2.36
PT MATAHARI DEPARTMENT STORE TBK	2,535,737	2.35
PT BANK MANDIRI	2,442,956	2.26
MELCO INTERNATIONAL DEVELOPMENT LTD	2,373,674	2.20

At 30 June 2012

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

	United Singapore Growth Fund	
At 30 June 2013	**Market Value (S$)**	**% of NAV**
DBS GROUP HOLDINGS LIMITED	15,345,000	12.55
SINGAPORE TELECOMMUNICATIONS LIMITED	14,288,000	11.69
UNITED OVERSEAS BANK LIMITED	11,518,800	9.42
KEPPEL CORPORATION LIMITED	9,568,000	7.83
OVERSEAS-CHINESE BANKING CORPORATION LIMITED	9,390,600	7.68
EZION HOLDINGS LIMITED	5,733,000	4.69
CAPITALAND LTD	5,526,000	4.52
GLOBAL LOGISTIC PROPERTIES LTD	4,914,000	4.02
GENTING SINGAPORE PLC	4,620,000	3.78
ST ENGINEERING	4,180,000	3.42

At 30 June 2012

SINGAPORE TELECOMMUNICATIONS LIMITED	14,195,528	10.19
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

	United International Growth Fund	
At 30 June 2013	**Market Value (S$)**	**% of NAV**
VISA INC – CLASS A SHARES	3,935,979	2.74
EXXON MOBIL CORPORATION	3,763,921	2.62
COMCAST CORPORATION – CLASS A	3,119,650	2.18
US BANCORP	3,025,200	2.11
APPLE INC	2,662,782	1.86
WELLS FARGO & COMPANY	2,354,853	1.64
HOME DEPOT INC	2,345,949	1.64
COLGATE-PALMOLIVE COMPANY	2,318,249	1.62
NORTHERN TRUST CORPORATION	2,275,685	1.59
UNITEDHEALTH GROUP	2,242,304	1.56

At 30 June 2012

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

Expense Ratios

LifeLink Asia Fund		LifeLink Growth Fund		LifeLink Global Fund	
2013	2012	2013	2012	2013	2012
1.41%	1.60%	1.16%	1.22%	1.22%	1.34%

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	
2013	2012	2013	2012	2013	2012
1.38%	1.60%	1.10%	1.21%	1.18%	1.33%

Note: *The expense ratio does not include (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains or 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	
2013	2012	2013	2012	2013	2012
2.47%	0.60%	2.29%	0.03%	4.91%	0.14%

United Asia Fund		United Singapore Growth Fund		United International Growth Fund	
2013	2012	2013	2012	2013	2012
42.40%	36.19%	41.64%	21.32%	54.13%	50.19%

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	
	2013	2012	2013	2012	2013	2012
Total amount of redemptions	22,649	5,308	10,369	122	45,312	1,209
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 2013

	Note	LifeLink Asia Fund 30 JUNE 2013 $	LifeLink Asia Fund 31 DECEMBER 2012 $
Gross dividends on equities		–	–
Gains from sale of investments		1,735	2,438
Unrealised (depreciation)/appreciation in value of investments		(12,743)	111,709
		(11,008)	114,147
Other charges		1,313	1,029
		(1,313)	(1,029)
(LOSS)/PROFIT BEFORE TAXATION		(12,321)	113,118
TAXATION	3	–	–
NET (LOSS)/PROFIT FOR THE PERIOD/YEAR		(12,321)	113,118

The accompanying notes form part of these financial statements.

	LifeLink Growth Fund		LifeLink Global Fund	
	30 JUNE 2013	31 DECEMBER 2012	30 JUNE 2013	31 DECEMBER 2012
	$	$	$	$
	7,915	16,662	–	–
	3,775	3,715	8,719	7,820
	(107)	68,746	71,717	58,785
	11,583	89,123	80,436	66,605
	1,759	3,115	3,484	6,444
	(1,759)	(3,115)	(3,484)	(6,444)
	9,824	86,008	76,952	60,161
	–	–	–	–
	9,824	86,008	76,952	60,161

BALANCE SHEET

AS AT 30 JUNE 2013

		LifeLink Asia Fund	
CAPITAL ACCOUNT	Note	30 JUNE 2013 $	31 DECEMBER 2012 $
Issues of units		–	–
Cancellations of units		(22,649)	(19,826)
		(22,649)	(19,826)
Net (loss)/profit for the period/year		(12,321)	113,118
Value of Fund at beginning of the period/year		930,987	837,695
Value of Fund at end of the period/year		896,017	930,987
Represented by:			
CURRENT ASSETS			
Investments in funds	4	892,947	928,818
Accounts receivable		583	571
Bank balances		2,487	1,598
		896,017	930,987
Less:			
CURRENT LIABILITIES			
Other liabilities		–	–
NET ASSETS		896,017	930,987

The accompanying notes form part of these financial statements.

LifeLink Growth Fund		LifeLink Global Fund	
30 JUNE 2013	31 DECEMBER 2012	30 JUNE 2013	31 DECEMBER 2012
$	$	$	$
–	–	–	–
(10,369)	(35,100)	(45,312)	(24,044)
(10,369)	(35,100)	(45,312)	(24,044)
9,824	86,008	76,952	60,161
449,965	399,057	900,575	864,458
449,420	449,965	932,215	900,575
448,624	449,857	932,165	900,443
–	40	–	412
11,052	108	50	132
459,676	450,005	932,215	900,987
10,256	40	–	412
449,420	449,965	932,215	900,575

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

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 2013. 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 2013	31 DECEMBER 2012
	$	$
4. Investments in funds		
Unit trusts, at cost	522,931	546,059
Appreciation in value	370,016	382,759
Unit trusts, at market value	892,947	928,818
5. Net assets attributable to unitholders		
The number of units on issue	311,363	319,049
Net asset attributable to unitholders per unit	$2.877	$2.918

LifeLink Growth Fund

30 JUNE 2013	31 DECEMBER 2012
$	$
220,175	221,301
228,449	228,556
448,624	449,857
154,448	157,919
$2.909	$2.849

LifeLink Global Fund

30 JUNE 2013	31 DECEMBER 2012
$	$
805,993	845,988
126,172	54,455
932,165	900,443
561,412	589,173
$1.660	$1.528

This page has been intentionally left blank.

PRUDENTIAL

Always Listening. Always Understanding.