

# SPDR<sup>®</sup> STRAITS TIMES INDEX ETF

(Formerly known as streetTRACKS<sup>®</sup> Straits Times Index Fund)

Stock Code: STTF

Website: [www.spdrs.com.sg](http://www.spdrs.com.sg)

## Semi-Annual Report 2011

1st July 2011 to 31st December 2011

*Precise in a world that isn't.*





Semi-Annual Report 2011

## **SPDR® STRAITS TIMES INDEX ETF**

(Formerly known as streetTRACKS® Straits Times Index Fund)

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**SPDR® STRAITS TIMES INDEX ETF**

(Formerly known as streetTRACKS® Straits Times Index Fund)

**MANAGER'S INVESTMENT REPORT****Manager's Notes***About SPDR® STRAITS TIMES INDEX ETF*

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

*Details of SPDR® STRAITS TIMES INDEX ETF*

NAV per share (31 Dec 2011):	S\$2.716
Total assets (31 Dec 2011):	S\$345 million
Fund Currency:	Singapore dollar
Listing Date on SGX-ST:	17 April 2002
Stock Code on SGX-ST:	STI ETF
Board Lot:	<b>1000 shares</b>
Price:	<b>Approximately 1/1000th of the STI</b>
CPF Usage:	Included in CPF Investment Scheme – Ordinary Account
Annual Costs:	0.3%

*Benefits of investing in SPDR® STRAITS TIMES INDEX ETF*

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

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

*Performance of the Scheme*

	3-month	6-month	1-year	3-Year	5-Year	Annualised Since inception
From	30-Sep-11	30-Jun-11	31-Dec-10	31-Dec-08	31-Dec-06	11-Apr-02
To	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11
Fund*	-1.07	-13.93	-14.90	18.00	0.76	7.61
Fund**	-1.07	-15.12	-16.97	14.57	-2.38	4.45
STI**	-1.08	-15.19	-17.04	14.53	-2.39	4.40

\* Includes dividends

\*\* Excludes dividends

**Notes:**

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



**SPDR® STRAITS TIMES INDEX ETF**

(Formerly known as streetTRACKS® Straits Times Index Fund)

**MANAGER'S INVESTMENT REPORT** *(Continued)*

*Details of Top 10 Holdings of the Fund*

As at 31 December 2011

	Cost SGD	Market Value/ Fair Value SGD	Percentage of total net assets %	Percentage of free-float adjusted share capital owned %	Dividends received SGD	Dividend Cover Ratio
Singapore Telecommunication Limited	31,770,574	34,347,120	9.96	0.0014	987,452	0.94
DBS Group Holdings Limited	31,208,808	28,299,652	8.20	0.0014	1,342,399	1.20
Overseas-Chinese Banking Corporation	29,290,793	28,137,528	8.16	0.0014	518,677	2.18
United Overseas Bank Limited	28,153,703	24,969,672	7.24	0.0014	338,086	2.80
Jardine Matheson Holdings Limited	17,423,196	22,439,104	6.51	0.0014	143,875	4.14
Wilmar International Limited	21,168,307	17,853,945	5.18	0.0014	110,530	5.02
Keppel Corporation Limited	16,042,590	17,388,870	5.04	0.0014	313,386	2.41
Hong Kong Land Holdings Limited	16,555,422	14,389,919	4.17	0.0014	173,576	13.16
Genting International Plc	13,817,669	12,851,213	3.73	0.0014	-	NA
Fraser and Neave Limited	9,490,986	12,216,895	3.54	0.0014	-	3.44
	<b>214,922,048</b>	<b>212,893,918</b>				

As at 31 December 2010

	Cost SGD	Market Value/ Fair Value SGD	Percentage of total net assets %	Percentage of free-float adjusted share capital owned %	Dividends received SGD	Dividend Cover Ratio
DBS Group Holdings Limited	13,530,222	19,113,119	8.50	0.0008	572,467	1.60
Overseas-Chinese Banking Corporation	13,360,984	19,090,413	8.49	0.0008	289,330	2.09
Singapore Telecommunication Limited	17,621,450	18,695,679	8.31	0.0008	507,747	1.73
United Overseas Bank Limited	13,633,263	16,173,521	7.19	0.0008	182,712	1.98
Hong Kong Land Holdings Limited	6,372,118	12,069,440	5.37	0.0008	104,631	4.56
Jardine Matheson Holding Limited	7,264,100	11,265,591	5.01	0.0008	79,986	2.80
Wilmar International Limited	12,981,541	11,070,753	4.92	0.0008	64,702	5.20
Keppel Corporation Limited	6,149,230	10,473,547	4.66	0.0008	153,355	2.68
Genting International Plc	5,350,153	10,216,171	4.54	0.0008	-	NA
CapitalLand Limited	6,497,140	9,067,411	4.03	0.0008	-	2.36
	<b>102,760,201</b>	<b>137,235,645</b>				

The industry in which the above companies conduct their business is shown in the Portfolio Statement in pages 7 to 10.



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## **SPDR® STRAITS TIMES INDEX ETF**

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### **MANAGER'S INVESTMENT REPORT** *(Continued)*

*Amount of Subscription and Redemption*

For the year ending 31 December 2011

Subscription = 5,000,000 units SGD13,940,448

Redemption = 3,500,000 units SGD9,844,723

#### *Other Information*

During the reporting period, the Fund had no exposure to other unit trusts, mutual funds and collective investment schemes (except for certain listed funds that are included in the Straits Times Index) and had no borrowings. There are no other material information that will adversely impact the valuation of the Fund.

#### *Soft Dollar Practices*

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

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

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

#### *Information on the Manager*

The Manager is State Street Global Advisors Singapore Limited, an indirect wholly-owned subsidiary of State Street Corporation. The Manager will remain manager of the Fund until terminated in accordance to the Fund's Trust Deed. The basis of the Manager's remuneration is set down in the Fund's prospectus dated 30 September 2011. As agreed between the Manager and the Trustee, the total combined management fees, trustee fees and other recurring expenses for the Fund are currently set at 0.3% per annum of its net asset value.



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**SPDR® STRAITS TIMES INDEX ETF**

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**STATEMENT OF TOTAL RETURN**

For the six months ended 31 December 2011 (unaudited)

		<b>Six months ended 31 December 2011</b>	Six months ended 31 December 2010
	Notes	<b>S\$</b>	S\$
<b>Investment Income</b>			
Dividends		<b>5,880,149</b>	2,962,886
Interest		—	—
		<b>5,880,149</b>	2,962,886
<b>Less: Expenses</b>	3	<b>(561,550)</b>	(331,155)
<b>Net investment income before income tax</b>		<b>5,318,599</b>	2,631,731
<b>Less: Taxation</b>	4	<b>(30,948)</b>	(14,803)
<b>Net investment income after income tax</b>		<b>5,287,651</b>	2,616,928
<b>Net gain or loss on value of investments</b>			
Net realised gain on investments		<b>2,148,023</b>	1,755,646
Net change in fair value of investments		<b>(61,048,704)</b>	23,885,969
Net realised gain/(loss) on foreign exchange		<b>22,014</b>	(6,698)
Net unrealised gain/(loss) on foreign exchange		<b>3,286</b>	(157)
<b>Net (loss)/gain on value of investments</b>		<b>(58,875,381)</b>	25,634,760
<b>Total return for the financial year</b>		<b>(53,587,730)</b>	28,251,688



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## SPDR® STRAITS TIMES INDEX ETF

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### BALANCE SHEET

For the six months ended 31 December 2011 (unaudited)

		As at <b>31 December 2011</b>	As at 30 June 2011
	Notes	<b>S\$</b>	S\$
<b>ASSETS</b>			
Portfolio of investments		<b>337,517,449</b>	392,078,098
Net dividend receivables		<b>790,729</b>	192,197
Cash and bank balances	5	<b>6,950,312</b>	8,137,867
<b>Total assets</b>		<b>345,258,490</b>	400,408,162
<b>LIABILITIES</b>			
Due to manager		<b>275,477</b>	291,397
Tax withholding liability		<b>5,753</b>	–
Net assets attributable to unitholders	6	<b>344,977,260</b>	400,116,765
<b>Total liabilities</b>		<b>345,258,490</b>	400,408,162



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**SPDR® STRAITS TIMES INDEX ETF**

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**PORTFOLIO STATEMENT**

As at 31 December 2011 (unaudited)

**Primary – by Industry**

	Holdings at 31 December 2011	Fair value at 31 December 2011 S\$	Percentage of total net assets attributable to unitholders at 31 December 2011 %
<b>Quoted</b>			
<b>EQUITIES</b>			
<b>Finance</b>			
DBS Group Holdings Limited	2,456,567	28,299,652	8.20
Oversea-Chinese Banking Corporation Limited	3,593,554	28,137,528	8.16
Singapore Exchange Limited	1,495,300	9,151,236	2.65
United Overseas Bank Limited	1,635,211	24,969,672	7.24
		<hr/>	
		90,558,088	<hr/> 26.25
<b>Manufacturing</b>			
Fraser & Neave Limited	1,970,467	12,216,895	3.54
Golden Agri-Resources Limited	12,319,804	8,808,660	2.55
Golden Agri-Resources Limited WTS Call EXP 23JUL12	1,669,834	272,183	0.08
SembCorp Marine Limited	1,168,913	4,465,248	1.29
Singapore Press Holdings Limited	2,224,726	8,209,239	2.38
		<hr/>	
		33,972,225	<hr/> 9.84
<b>Properties</b>			
CapitaLand Limited	4,437,361	9,762,194	2.83
Capitalmall Trust*	3,486,183	5,926,511	1.72
Capitallands Asia Limited	2,184,008	2,467,929	0.72
City Developments Limited	952,819	8,480,089	2.46
Genting Singapore Plc	8,510,737	12,851,213	3.73
Global Logistic Properties	2,584,179	4,535,234	1.31
Hong Kong Land Holdings Limited	2,439,081	14,389,919	4.17
		<hr/>	
		58,413,089	<hr/> 16.94

\* This is a collective investment scheme



**SPDR® STRAITS TIMES INDEX ETF**

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**PORTFOLIO STATEMENT** *(Continued)*

As at 31 December 2011 (unaudited)

**Primary – by Industry** *(Continued)*

	Holdings at 31 December 2011	Fair value at 31 December 2011 S\$	Percentage of total net assets attributable to unitholders at 31 December 2011 %
<b>Quoted</b>			
<b>EQUITIES</b>			
<b>Multi-Industry</b>			
Jardine Matheson Holdings Limited	367,081	22,439,104	6.51
Keppel Corporation Limited	1,869,771	17,388,870	5.04
SembCorp Industries Limited	1,244,891	5,041,808	1.46
Singapore Technologies Engineering Limited	2,117,522	5,674,959	1.65
		<hr/>	
		50,544,741	14.66
		<hr/>	
<b>Commerce</b>			
Jardine Cycle & Carriage Limited	198,968	9,558,423	2.77
Jardine Strategic Holdings Limited	312,999	11,226,085	3.25
Noble Group Limited	6,719,752	7,593,320	2.20
Olam International Limited	2,557,765	5,422,462	1.57
Wilmar International Limited	3,570,789	17,853,945	5.18
		<hr/>	
		51,654,235	14.97
		<hr/>	
<b>Transportation/storage/communication</b>			
Comfortdelgro Corporation (S) Limited	2,935,961	4,154,385	1.20
Neptune Orient Lines Limited	1,439,486	1,619,422	0.47
SIA Engineering Co	307,662	1,049,127	0.30
Singapore Airlines Limited	828,856	8,412,888	2.44
Singapore Telecommunications Limited	11,115,573	34,347,120	9.96
Starhub Limited	962,803	2,792,129	0.81
		<hr/>	
		52,375,071	15.18
		<hr/>	
<b>Portfolio investments</b>		337,517,449	97.84
<b>Cash and other net assets</b>		7,459,811	2.16
		<hr/>	
<b>Net assets attributable to unitholders</b>		344,977,260	100.00
		<hr/> <hr/>	



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**SPDR® STRAITS TIMES INDEX ETF**

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**PORTFOLIO STATEMENT** *(Continued)*

*As at 31 December 2011 (unaudited)*

**Primary – by Industry** *(Continued)*

**Summary**

	<b>Percentage of total net assets attributable to unitholders at 31 December 2011 %</b>	Percentage of total net assets attributable to unitholders at 30 June 2011 %
<b>QUOTED</b>		
Finance	<b>26.25</b>	27.58
Manufacturing	<b>9.84</b>	8.60
Properties	<b>16.94</b>	18.56
Multi-Industry	<b>14.66</b>	14.58
Commerce	<b>14.97</b>	14.53
Transportation/storage/communication	<b>15.18</b>	14.14
	<hr/>	<hr/>
<b>Portfolio of investments</b>	<b>97.84</b>	97.99
<b>Cash and other net assets</b>	<b>2.16</b>	2.01
	<hr/>	<hr/>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	100.00
	<hr/> <hr/>	<hr/> <hr/>



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## SPDR® STRAITS TIMES INDEX ETF

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### PORTFOLIO STATEMENT *(Continued)*

As at 31 December 2011 (unaudited)

#### Secondary – By Geography

	Fair value at 31 December 2011 S\$	Percentage of total net assets attributable to unitholders at 31 December 2011 %	Percentage of total net assets attributable to unitholders at 30 June 2011 %
<b>By Country of Incorporation</b>			
Singapore	258,887,838	75.05	74.05
Bermuda	56,697,555	16.43	17.74
Mauritius	9,080,843	2.63	2.14
United Kingdom	12,851,213	3.73	4.06
<b>Portfolio of investments</b>	<b>337,517,449</b>	<b>97.84</b>	<b>97.99</b>
<b>Cash and other net assets</b>	<b>7,459,811</b>	<b>2.16</b>	<b>2.01</b>
<b>Net assets attributable to unitholders</b>	<b>344,977,260</b>	<b>100.00</b>	<b>100.00</b>



## SPDR® STRAITS TIMES INDEX ETF

(Formerly known as streetTRACKS® Straits Times Index Fund)

### NOTES TO THE FINANCIAL STATEMENTS

*For the six months ended 31 December 2011 (unaudited)*

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

#### 1. GENERAL

SPDR® STRAITS TIMES INDEX ETF (the "Fund") (formerly known as streetTRACKS® Straits Times Index Fund) is a Singapore-domiciled fund constituted by a Trust Deed dated 26 March 2002 (the "Original Deed"). The Original Deed as modified by subsequent supplemental deeds (the "Deed") is amended and restated by a Sixth Amending and Restating Deed dated 31 March 2011. The Deed is between State Street Global Advisors Singapore Limited and DBS Trustee Limited. The Deed is governed by the laws of the Republic of Singapore. The Fund is also listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and is included under the Central Provident Fund ("CPF") Investment Scheme.

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

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

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES

*(a) Basis of Accounting*

The financial statements, expressed in Singapore dollars, are prepared in accordance with the historical cost convention, modified by the revaluation of investments at fair value, and in accordance with the Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Certified Public Accountants of Singapore ("ICPAS").

*(b) Recognition of income*

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

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

*For the six months ended 31 December 2011 (unaudited)*

### **2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

*(c) Financial assets at fair value through profit or loss*

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

*(i) Initial recognition*

Purchases of investments are recognized on trade date. Investments are recorded at fair value on initial recognition.

*(ii) Subsequent measurement*

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

*(iii) De-recognition*

Investments are de-recognized on the trade date of disposal. The resultant realized gains and losses on the sales of investments are computed on the basis of the difference between the first-in-first-out cost and selling price net of transaction costs, and taken up in the Statement of Total Return.

*(d) Basis of valuation of investments*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for these investments held by the Fund is the current market quoted bid price.

*(e) Foreign currency translation*

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

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the date of the balance sheet date. Transactions in foreign currencies during the period are translated into Singapore dollars at the rates of exchange prevailing at transaction dates. All exchange gains or losses are recognized in the Statement of Total Return.

*(f) Provisions*

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

*(g) Distribution*

The Manager shall have the absolute discretion to determine whether a distribution is to be made. In the event that the Manager determines that a distribution will be made, an amount required to effect such a distribution shall be transferred to a distribution account for payment on distribution date. This amount shall not be treated as part of the property of the Fund. Distributions are accrued on ex-dividend date.

**SPDR® STRAITS TIMES INDEX ETF**

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**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)**For the six months ended 31 December 2011 (unaudited)***3. EXPENSES**

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

**4. TAXATION**

	<b>Six months ended 31 December 2011</b>	Six months ended 31 December 2010
	<b>S\$</b>	S\$
Singapore income tax	<b>30,948</b>	14,803

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

- (i) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (ii) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act);
- (iii) dividends derived from outside Singapore and received in Singapore;
- (iv) gains or profits derived from foreign exchange transactions; and
- (v) distribution from foreign unit trusts derived from outside Singapore and received in Singapore.

(b) The Singapore income tax represents tax deducted at source for Singapore sourced dividends. The foreign income tax represents tax deducted at source on dividends derived from outside Singapore and received in Singapore.

**5. CASH AND BANK BALANCES**

	<b>As at 31 December 2011</b>	As at 30 June 2011
	<b>S\$</b>	S\$
Cash and cash equivalents	<b>6,950,312</b>	8,137.867

The carrying amounts of cash and cash equivalents approximate their fair value.

**SPDR® STRAITS TIMES INDEX ETF**

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**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)**For the six months ended 31 December 2011 (unaudited)***6. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

	<b>Six months ended 31 December 2011</b>	For the Financial Year ended 30 June 2011
	<b>S\$</b>	<b>S\$</b>
<b>At the beginning of the financial year</b>	<b>400,116,765</b>	205,002,260
<b>Operations</b>		
Net investment income after income tax	<b>5,287,651</b>	6,828,065
Net loss/gain on investments	<b>(58,875,381)</b>	18,576,163
Change in net assets attributable to unitholders resulting from operations	<b>(53,587,730)</b>	25,404,228
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>13,940,448</b>	180,494,298
Cancellation of units	<b>(9,844,723)</b>	(6,239,021)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>4,095,725</b>	174,255,277
<b>Distribution to unitholders</b> <i>(note 8)</i>	<b>(5,647,500)</b>	(4,545,000)
<b>Total decrease/increase in net assets attributable to unitholders</b>	<b>(55,139,505)</b>	195,114,505
<b>At the end of the financial year</b>	<b>344,977,260</b>	400,116,765
<b>Units in issue</b> <i>(note 7)</i>	<b>127,000,000</b>	125,500,000
	<b>S\$</b>	<b>S\$</b>
<b>Net assets attributable to unitholders per unit</b>	<b>2.716</b>	3.188

**SPDR® STRAITS TIMES INDEX ETF**

(Formerly known as streetTRACKS® Straits Times Index Fund)

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)**For the six months ended 31 December 2011 (unaudited)***7. UNITS IN ISSUE**

	<b>Six months ended 31 December 2011</b>	Year ended 30 June 2011
	<b>Units</b>	Units
Units at beginning of the year	<b>125,500,000</b>	71,000,000
Units created	<b>5,000,000</b>	56,500,000
Units cancelled	<b>(3,500,000)</b>	(2,000,000)
	<hr/>	<hr/>
Units at end of the year	<b>127,000,000</b>	125,500,000
	<hr/> <hr/>	<hr/> <hr/>

**8. DISTRIBUTION**

On 25 July 2011, the Fund declared a final dividend distribution of S\$0.045 per unit in relation to the income received in the financial year ended 30 June 2011. This dividend distribution is made out of Singapore tax exempt (one tier) dividends. The final dividend totalling S\$5,647,500 was paid on 10 August 2011.

It is anticipated that distributions will be made twice a year and that the amount of the distribution will approximate the yield on the Straits Times Index.



**SPDR® STRAITS TIMES INDEX ETF**

(Formerly known as streetTRACKS® Straits Times Index Fund)

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

*For the six months ended 31 December 2011 (unaudited)*

**9. FINANCIAL RISK MANAGEMENT**

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

*Market risk*

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

As at 31 December 2011, the Fund's market risk is affected by changes in actual market prices of the securities held by the fund. If the Straits Times Index at 31 December 2011 had increased by 5.00% (2010: 6.00%) with all other variables held constant in the next 12 months, this would have increased net assets attributable to unitholders by approximately 5.00% (2010: 6.00%). Conversely, if the Straits Times Index had decreased by 5.00% (2010: 6.00%) during the same period, this would have decreased net assets attributable to unitholders by 5.00% (2010: 6.00%).

If the spot exchange rate of Singapore dollars had appreciated 0.65% (2010: 1.00%) against the US dollar with all other variables held constant in the next 12 months, this would have increased the net asset value of the fund by approximately 0.09% (2010: 0.09%). Conversely, if the spot exchange rate of Singapore dollars had depreciated by 0.60% (2010: 1.00%) against the US dollar, this would have decreased the net asset value of the fund by approximately 0.08% (2010: 0.09%) for the same period.

*Interest rate risk*

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



**SPDR® STRAITS TIMES INDEX ETF**

(Formerly known as streetTRACKS® Straits Times Index Fund)

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

*For the six months ended 31 December 2011 (unaudited)*

**9. FINANCIAL RISK MANAGEMENT** *(Continued)*

*Market price risk*

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

*Liquidity risk*

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

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

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

The Manager may from time to time employ derivatives to implement a portfolio strategy to reduce risk or for the purpose of efficient portfolio management.

*Foreign currency risk*

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

The following table summarises the Fund's exposure to currency risk:



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## SPDR® STRAITS TIMES INDEX ETF

(Formerly known as streetTRACKS® Straits Times Index Fund)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2011 (unaudited)

#### 9. FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2011		
	SGD	USD	Total
<b>Assets</b>			
Portfolio of investments	289,462,341	48,055,108	337,517,449
Cash and bank balances	6,950,312	–	6,950,312
Net dividend receivables	790,729	–	790,729
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>297,203,382</b>	<b>48,055,108</b>	<b>345,258,490</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>			
Due to manager	275,477	–	275,477
Tax Withholding Liability	5,753	–	5,753
Net assets attributable to unitholders	344,977,260	–	344,977,260
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>345,258,490</b>	<b>–</b>	<b>345,258,490</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>31 December 2010</b>			
	SGD	USD	Total
<b>Assets</b>			
Portfolio of investments	191,543,793	29,394,620	220,938,413
Cash and bank balances	3,703,742	–	3,703,742
Net dividend receivables	416,822	–	416,822
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>195,664,357</b>	<b>29,394,620</b>	<b>225,058,977</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>			
Purchases awaiting settlement	–	–	–
Due to manager	174,050	–	174,050
Net assets attributable to unitholders	224,884,927	–	224,884,927
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>225,058,977</b>	<b>–</b>	<b>225,058,977</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**SPDR® STRAITS TIMES INDEX ETF**

(Formerly known as streetTRACKS® Straits Times Index Fund)

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)**For the six months ended 31 December 2011 (unaudited)***9. FINANCIAL RISK MANAGEMENT** *(Continued)**Credit risk*

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

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

Credit risk also arises from cash and cash equivalents held with financial institutions. The table below summarises the credit ratings of banks in which the Fund's assets are held as at 31 December 2011.

	Amount S\$	Credit rating	Source of credit rating
<b>As at 31 December 2011</b>			
<b>Bank</b>			
<b>State Street Bank and Trust Company</b>	<b>6,950,312</b>	<b>B</b>	<b>Moody's</b>
As at 30 June 2011			
Bank			
State Street Bank and Trust Company	8,137,867	B	Moody's

In addition, all investments are held in custody with State Street Bank and Trust Company, whose credit rating assigned by Moody's at 30 June 2011 is B (2010: B). The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

*Capital risk*

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

**SPDR® STRAITS TIMES INDEX ETF**

(Formerly known as streetTRACKS® Straits Times Index Fund)

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)**For the six months ended 31 December 2011 (unaudited)***10. RELATED PARTY DISCLOSURES**

- (a) The Manager and the Trustee of the Fund are State Street Global Advisors Singapore Limited and DBS Trustee Limited, respectively. State Street Global Advisors Singapore Limited is a subsidiary of State Street Corporation. DBS Trustee Limited is a wholly owned subsidiary of DBS Group Holding Ltd. ("DBS"). Management and trustee fees paid or payable by the Fund are shown in the Statement of Total Return and on terms set out in the Trust Deed.

The Manager has appointed State Street Bank and Trust Company ("SSB") as the custodian of the Fund. SSB is a subsidiary of State Street Corporation.

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

	<b>As at</b>	As at
	<b>31 December 2011</b>	30 June 2011
	<b>S\$</b>	S\$
Bank balance held at SSB	<b>6,950,312</b>	8,137,867

**11. FINANCIAL RATIOS**

	<b>As at</b>	As at
	<b>31 December 2011</b>	30 June 2011
Expense ratio <sup>1</sup>	<b>0.30%</b>	0.30%
Portfolio turnover ratio <sup>2</sup>	<b>0.59%</b>	2.65%

<sup>1</sup> The expense ratio is computed in accordance with the revised IMAS' guidelines on disclosure of expense ratios dated 25 May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio.

<sup>2</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes". In accordance with the Fund's Trust Deed, units are issued through a creation of an Index Basket. For each creation Unit (comprising 500,000 units), the Fund receives an Index Basket consisting of constituent shares plus or minus a cash payment as determined by the Manager on a daily basis. For the purpose of computation of the portfolio turnover rate, the value of the Index Baskets received is not considered as part of purchases.

**12. EVENT OCCURRING AFTER BALANCE SHEET DATE**

On 30 January 2012, the Fund announced a final dividend of S\$0.055 per unit totalling SGD7,040,000. The final dividend was paid on 14 February 2012.

**13. CHANGE OF THE NAME OF THE FUND**

With effect from 31 March 2011, the name of the Fund was changed from "streetTRACKS® Straits Times Index Fund" to "SPDR® STRAITS TIMES INDEX ETF".

