

# streetTRACKS®

## streetTRACKS® Straits Times Index Fund

Stock Code: STI ETF

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

### **Annual Report 2009**

1st July 2008 to 30th June 2009

STATE STREET  
GLOBAL ADVISORS

SSGA®

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**MANAGER'S INVESTMENT REPORT**

**Manager's Notes**

*About streetTRACKS STI*

streetTRACKS STI, Singapore's first locally created exchange traded fund, is designed to track the performance of the Straits Times Index (STI). Shares of streetTRACKS STI were listed and traded on SGX-ST since 17 April 2002.

*Details of streetTRACKS STI*

NAV per share (30 June 2009):	S\$2.38
Total assets (30 June 2009):	S\$624.03 million
Fund Currency:	Singapore dollar
Listing Date on SGX-ST:	17 April 2002
Stock Code on SGX-ST:	STI ETF 100
Board Lot:	<b>1,000 shares</b>
Price:	<b>Approximately 1/1,000<sup>th</sup> of the STI</b>
CPF Usage:	Included in CPF Investment Scheme – Ordinary Account
Annual Costs:	0.3%

*Benefits of investing in streetTRACKS STI*

streetTRACKS STI 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. streetTRACKS STI total annual fees, including management and trustee fees, are also low at 0.3%.

*Performance of the Scheme*

Ending			1-year	3-Year	5-Year	Annualized
30 June 2009	3-month	6-month	(annualised)	(annualised)	(annualised)	since inception
From	31-Mar-09	31-Dec-08	30-Jun-08	30-Jun-06	30-Jun-04	17-Apr-02
To	30-Jun-09	30-Jun-09	30-Jun-09	30-Jun-09	30-Jun-09	30-Jun-09
Fund	37.30%	32.44%	-20.88%	-4.22%	27.73%	34.58%
STI	37.24%	32.45%	-20.84%	-4.20%	26.94%	34.04%

*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.

## MANAGER'S INVESTMENT REPORT (Continued)

Details of Top 10 Holdings of the Fund

As at 30 June 2009

	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 Telecommunications Limited	63,045,936	74,705,826	11.97	0.31	2,904,922	1.73
DBS Group Holdings Limited	57,179,016	63,528,668	10.18	0.31	3,044,585	2.12
United Overseas Bank Limited	48,138,408	53,176,081	8.52	0.31	2,256,902	2.14
Overseas Chinese Banking Corporation	39,427,170	49,025,862	7.86	0.31	2,142,899	1.95
CapitalLand Limited	29,358,786	37,081,865	5.94	0.32	720,530	4.25
Jardine Matheson Holdings Limited	30,265,854	31,752,715	5.09	0.32	608,819	1.43
Hong Kong Land Holdings Limited	24,881,084	27,229,943	4.36	0.32	1,068,869	N/A
Keppel Corporation Limited	15,549,311	25,766,297	4.13	0.32	1,354,216	1.97
Singapore Airlines Limited	22,452,647	24,778,684	3.97	0.31	1,955,199	2.24
Singapore Exchange Limited	10,148,798	23,883,119	3.83	0.31	1,318,475	1.18
	<u>340,447,010</u>	<u>410,929,060</u>				

As at 30 June 2008

	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 Telecommunications Limited	46,629,859	75,805,866	10.61	0.33	5,105,068	1.99
United Overseas Bank Limited	50,001,218	70,669,752	9.89	0.33	2,963,199	2.27
DBS Group Holdings Limited	50,043,708	70,127,006	9.82	0.33	2,736,727	2.17
Overseas Chinese Banking Corporation	40,519,529	62,902,137	8.81	0.33	2,228,058	2.40
Keppel Corporation Limited	14,497,620	42,971,168	6.02	0.33	2,624,820	1.12
Wilmar International Limited	44,740,329	42,431,647	5.94	0.33	117,161	5.00
CapitalLand Limited	24,087,993	39,426,315	5.52	0.33	732,811	6.56
Hong Kong Land Holdings Limited	24,946,782	32,582,688	4.56	0.33	998,678	9.52
Singapore Airlines Limited	23,012,115	28,753,920	4.03	0.33	1,929,332	1.73
City Development Limited	19,496,342	24,387,854	3.41	0.33	604,913	3.92
	<u>337,975,495</u>	<u>490,058,353</u>				

The industry in which the above companies conduct their business is shown in the Portfolio Statement in pages 11 to 14.

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

*Amount of Subscription and Redemption*

For the year ending June 30 2009

Subscription = 30,500,000

Redemption = 4,500,000

*Other Information*

During the reporting period, the fund had no exposure to derivatives, 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 prospectus dated 3 April 2009. As agreed between the Manager and the Trustee, the total combined management fees, trustee fees and other recurring expenses for the Fund are currently set at 0.3% per annum of its net asset value.

## **REPORT OF THE TRUSTEE**

The Trustee is under a duty to take into custody and hold the assets of streetTRACKS® Straits Times Index Fund in trust for the unitholders. In accordance with the Securities and Futures Act (Cap.289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulation as well as the recommendations of the Recommended Accounting Practice 7 “Reporting Framework for Units Trusts” issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed streetTRACKS® Straits Times Index Fund during the period covered by these financial statements, set out on pages 9 to 24, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee  
DBS TRUSTEE LIMITED

**CHANG CHEE SIONG**  
*Director*

1 September 2009

**streetTRACKS® Straits Times Index Fund**  
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**STATEMENT BY THE MANAGER**

In the opinion of the Manager of streetTRACKS® Straits Times Index Fund, the accompanying financial statements set out on pages 9 to 24, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of streetTRACKS® Straits Times Index Fund as at 30 June 2009 and the total deficit for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that streetTRACKS® Straits Times Index Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager  
STATE STREET GLOBAL ADVISORS  
SINGAPORE LIMITED

**HON CHEUNG**

*Director*

1 September 2009

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF  
streetTRACKS® STRAITS TIMES INDEX FUND**

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

We have audited the financial statements of streetTRACKS® Straits Times Index Fund set out on pages 9 to 24, which comprise the Balance Sheet and Portfolio Statement as at 30 June 2009, the Statement of Total Return for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Manager's Responsibility for the Financial Statements**

The Manager of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund's Manager, as well as evaluating the overall presentation of the financial statements.

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

**streetTRACKS® Straits Times Index Fund**  
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**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF  
streetTRACKS® STRAITS TIMES INDEX FUND** *(Continued)*  
*(Constituted under a Trust Deed in the Republic of Singapore)*

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2009 and the total deficit for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

**PricewaterhouseCoopers LLP**

*Public Accountants and Certified Public Accountants*

Singapore, 1 September 2009

## STATEMENT OF TOTAL RETURN

For the financial year ended 30 June 2009

	Notes	2009 S\$	2008 S\$
<b>Investment Income</b>			
Dividends		23,712,930	29,836,908
Interest		2,634	75,652
		<u>23,715,564</u>	<u>29,912,560</u>
<b>Less: Expense</b>	3	<u>(1,601,155)</u>	<u>(2,327,421)</u>
<b>Net investment income before income tax</b>		22,114,409	27,585,139
<b>Less: Taxation</b>	4	<u>(119,872)</u>	<u>(916,066)</u>
<b>Net investment income after income tax</b>		<u>21,994,537</u>	<u>26,669,073</u>
<b>Net gains or loss on value of investment</b>			
Net realised (loss)/gain on investments		(5,644,102)	66,677,640
Net change in fair value of investments		(127,137,398)	(200,735,506)
Net realised loss on foreign exchange		(45,996)	(86,803)
Net unrealised loss on foreign exchange		(678)	(2,938)
		<u>(132,828,174)</u>	<u>(134,147,607)</u>
<b>Net loss on value of investments</b>		<u>(132,828,174)</u>	<u>(134,147,607)</u>
<b>Total deficit for the financial year</b>		<u><u>(110,833,637)</u></u>	<u><u>(107,478,534)</u></u>

The accompanying form an integral part of these financial statements.  
Independent Auditor's Report – Page 7 to 8.

**streetTRACKS® Straits Times Index Fund**  
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**BALANCE SHEET**

*For the financial year ended 30 June 2009*

	Notes	2009 S\$	2008 S\$
<b>ASSETS</b>			
Portfolio of investments		<b>612,963,487</b>	698,863,292
Net dividend receivables		<b>200,788</b>	210,056
Interest receivables		–	245
Cash and bank balances	5	<b>14,235,169</b>	15,710,544
<b>Total assets</b>		<b>627,399,444</b>	714,784,137
<b>LIABILITIES</b>			
Purchases awaiting settlement		<b>2,595,642</b>	–
Due to manager		<b>775,793</b>	565,099
Net assets attributable to unitholders	6	<b>624,028,009</b>	714,219,038
<b>Total liabilities</b>		<b>627,399,444</b>	714,784,137

The accompanying form an integral part of these financial statements.  
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## PORTFOLIO STATEMENT

As at 30 June 2009

### Primary – by Industry

	Holdings at 30 June 2009	Fair value at 30 June 2009 S\$	Percentage of total net assets attributable to unitholders at 30 June 2009 %
<b>Quoted</b>			
<b>EQUITIES</b>			
<b>Finance</b>			
DBS Group Holdings Limited	5,392,926	63,528,668	10.18
Oversea-Chinese Banking Corporation	7,372,310	49,025,862	7.86
Singapore Exchange Limited	3,368,564	23,883,119	3.83
United Overseas Bank Limited	3,632,246	53,176,081	8.52
		<u>189,613,730</u>	<u>30.39</u>
<b>Manufacturing</b>			
Fraser & Neave Limited	4,344,617	16,857,114	2.70
SembCorp Marine Limited	2,598,292	6,989,405	1.12
Singapore Press Holdings Limited	5,015,080	15,847,653	2.54
Golden Agri-Resources Limited	28,730,976	10,774,116	1.73
		<u>50,468,288</u>	<u>8.09</u>
<b>Properties</b>			
City Developments Limited	2,148,376	18,433,066	2.95
CapitaLand Limited	9,995,112	37,081,865	5.94
Capitalmall Trust*	7,469,727	10,382,921	1.66
Genting International Plc	12,154,973	8,265,382	1.32
Hong Kong Land Holdings Limited	5,316,612	27,229,943	4.36
		<u>101,393,177</u>	<u>16.23</u>

\* This is a collective investment scheme.

The accompanying form an integral part of these financial statements.  
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**PORTFOLIO STATEMENT** *(Continued)*

*As at 30 June 2009*

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

	Holdings at 30 June 2009	Fair value at 30 June 2009 S\$	Percentage of total net assets attributable to unitholders at 30 June 2009 %
<b>Quoted</b>			
<b>EQUITIES</b>			
<b>Multi-Industry</b>			
Keppel Corporation Limited	3,734,246	25,766,297	4.13
Jardine Matheson Holdings Limited	800,396	31,752,715	5.09
SembCorp Industries Limited	2,813,372	8,496,383	1.36
Singapore Technologies Engineering Limited	4,723,147	11,524,479	1.85
		<hr/>	
		77,539,874	<hr/> 12.43
<b>Commerce</b>			
Jardine Cycle & Carriage Limited	444,270	8,529,984	1.37
Jardine Strategic Holdings Limited	696,021	14,802,947	2.37
Noble Group Limited	7,835,398	14,103,716	2.26
Olam International Limited	4,047,678	9,795,381	1.57
Wilmar International Limited	4,017,628	20,128,316	3.23
		<hr/>	
		67,360,344	<hr/> 10.80
<b>Transportation/storage/communication</b>			
Comfordtelgro Corporation (S) Limited	6,526,326	8,353,697	1.34
Cosco Corporation (S) Limited	2,819,081	3,523,851	0.56
Neptune Orient Lines Limited	3,231,133	4,782,077	0.77
Singapore Airlines Limited	1,868,679	24,778,684	3.97
Singapore Telecommunications Limited	25,069,069	74,705,826	11.97
SMRT Corporation (S) Limited	2,390,362	4,015,808	0.64
Starhub Limited	2,159,524	4,556,596	0.73
SIA Engineering Company Limited	670,801	1,871,535	0.30
		<hr/>	
		126,588,074	<hr/> 20.28
<b>Portfolio investments</b>		612,963,487	98.22
<b>Cash and other net assets</b>		11,064,522	1.78
		<hr/>	
<b>Net assets attributable to unitholders</b>		<b>624,028,009</b>	<b>100.00</b>

The accompanying form an integral part of these financial statements.  
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**PORTFOLIO STATEMENT** *(Continued)*

*As at 30 June 2009*

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

**Summary**

	<b>Percentage of total net assets attributable to unitholders at 30 June 2009 %</b>	Percentage of total net assets attributable to unitholders at 30 June 2008 %
<b>QUOTED</b>		
Finance	<b>30.39</b>	31.90
Manufacturing	<b>8.09</b>	8.03
Properties	<b>16.23</b>	17.26
Multi-Industry	<b>12.43</b>	9.62
Commerce	<b>10.80</b>	12.95
Transportation/storage/communication	<b>20.28</b>	18.09
<b>Portfolio of investments</b>	<b>98.22</b>	97.85
<b>Cash and other net assets</b>	<b>1.78</b>	2.15
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	100.00

The accompanying form an integral part of these financial statements.  
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**PORTFOLIO STATEMENT** *(Continued)*

*As at 30 June 2009*

**Secondary – By Geography**

	Fair value at 30 June 2009 S\$	Percentage of total net assets attributable to unitholders at 30 June 2009 %	Percentage of total net assets attributable to unitholders at 30 June 2008 %
<b>By Country of Incorporation</b>			
Singapore	506,034,668	81.09	88.03
Bermuda	87,889,321	14.08	7.94
Mauritius	10,774,116	1.73	–
Thailand	–	–	1.11
United Kingdom	8,265,382	1.32	0.77
	<hr/>	<hr/>	<hr/>
<b>Portfolio of investments</b>	<b>612,963, 487</b>	<b>98.22</b>	<b>97.85</b>
<b>Cash and other net assets</b>	<b>11,064,522</b>	<b>1.78</b>	<b>2.15</b>
	<hr/>	<hr/>	<hr/>
<b>Net assets attributable to unitholders</b>	<b>624,028,009</b>	<b>100.00</b>	<b>100.00</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying form an integral part of these financial statements.  
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## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2009*

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

### 1. GENERAL

streetTRACKS® Straits Times Index Fund (the "Fund") is a Singapore-domiciled fund constituted by a Trust Deed dated 26 March 2002 (the "Original Deed"). The Original Deed as modified by subsequent supplemental deeds (the "Supplemental" Deeds") is amended and restated by a Fifth Amending and Restating Deed dated 16 January 2008. 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 Mainboard ranked by market capitalisation that pass the relevant investability screens. The index sponsor of the STI is FTSE International Limited.

Based on the 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 recognised on a time proportion basis using the effective interest method.

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

*For the financial year ended 30 June 2009*

### **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*

Purchase of investments are recognised 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 realised gains and losses on the sales of investments are computed on the basis of the difference between the first-in-first-out cost and selling price 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 recognised in the Statement of Total Return.

*(f) Provisions*

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

*(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.

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

*For the financial year ended 30 June 2009*

### 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

	2009	2008
	S\$	S\$
Singapore income tax	<b>103,269</b>	904,201
Overseas income tax	<b>16,603</b>	11,865
	<b>119,872</b>	916,066
	<b>119,872</b>	916,066

(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) of the Income Tax Act:

- (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); and
- (iii) dividends 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. BANK BALANCE

	2009	2008
	S\$	S\$
Cash at bank and on hand	<b>14,235,169</b>	2,710,210
Short-term bank deposits	–	13,000,334
	<b>14,235,169</b>	15,710,544
	<b>14,235,169</b>	15,710,544

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

Short-term bank deposits at the balance sheet date 30 June 2008 have an average maturity within 1 week from the end of the financial year with weighted average effective interest rates of 0.69%.

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

For the financial year ended 30 June 2009

**6. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

	2009 S\$	2008 S\$
<b>At the beginning of the financial year</b>	<b>714,219,038</b>	818,074,276
<b>Operations</b>		
Net investment income after income tax	21,994,537	26,669,073
Net loss on investments	(132,828,174)	(134,147,607)
Change in net assets attributable to unitholders resulting from operations	(110,833,637)	(107,478,534)
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	57,008,405	28,593,296
Cancellation of units	(9,470,797)	-
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	47,537,608	28,593,296
<b>Distribution to unitholders (note 8)</b>	<b>(26,895,000)</b>	(24,970,000)
<b>Total decrease in net assets attributable to unitholders</b>	<b>(90,191,029)</b>	(103,855,238)
<b>At the end of the financial year</b>	<b>624,028,009</b>	714,219,038
<b>Units in issue (note 7)</b>	<b>262,500,000</b>	236,500,000
	S\$	S\$
<b>Net assets attributable to unitholders per unit</b>	<b>2.38</b>	3.02

**7. UNITS IN ISSUE**

	2009 Units	2008 Units
Units at beginning of the year	236,500,000	22,700,000
Stock-split	-	204,300,000
Unit created	30,500,000	9,500,000
Unit cancelled	(4,500,000)	-
<b>Units at end of the year</b>	<b>262,500,000</b>	236,500,000

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the financial year ended 30 June 2009

### 8. DISTRIBUTION

On 18 July 2008, the Fund declared a final dividend distribution of S\$0.06 per unit in relation to the income received in the financial year ended 30 June 2008. This dividend distribution comprises S\$0.0211 net of 18% tax per unit made out of Singapore taxable dividends, S\$0.0389 per unit made out of Singapore tax exempt one-tier dividends. The final dividend totalling S\$14,220,000 was paid on 4 August 2008.

On 20 January 2009, the Fund declared an interim dividend distribution of S\$0.05 per unit. This interim dividend comprises of S\$0.01 per unit made out of Singapore tax exempt dividends and S\$0.04 per unit made out of Singapore tax exempt (one-tier) dividends. The dividend totalling S\$12,675,000 was paid on 6 February 2009.

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

### 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.

At 30 June 2009, the Fund's market risk is affected by two main components: changes in actual market prices and foreign currency movements. If the Straits Times Index at 30 June 2009 had increased by 5% with all other variables held constant, this would have increased net assets attributable to unitholders by approximately 5% (2008: 5%). Conversely, if the Straits Times Index had decreased by 5%, this would have decreased net assets attributable to unitholders by approximately 5% (2008: 5%). If the spot exchange rate of Singapore dollars had appreciated 1.3% (2008: 3.2%) against the US dollars with all other variables held constant, this would have increased the net asset value of the fund by approximately 0.16% (2008: 0.20%). Conversely, if the spot exchange rate of Singapore dollars had depreciated by 1.3% (2008: 3.2%) against the US dollars, this would have decreased the net asset value of the fund by approximately 0.16% (2008: 0.20%).

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

For the financial year ended 30 June 2009

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

*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 table below summarises the Fund's exposure to currency risks.

	30 June 2009		
	SGD	USD	Total
<b>Assets</b>			
Portfolio of investments	539,177,882	73,785,605	612,963,487
Cash and bank balances	14,235,169	–	14,235,169
Net dividend receivables	–	200,788	200,788
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>553,413,051</b>	<b>73,986,393</b>	<b>627,399,444</b>
<b>Liabilities</b>			
Purchases awaiting settlement	2,595,642	–	2,595,642
Due to manager	775,793	–	775,793
Net assets attributable to unitholders	624,028,009	–	624,028,009
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>627,399,444</b>	<b>–</b>	<b>627,399,444</b>

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

For the financial year ended 30 June 2009

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

Foreign currency risk (Continued)

	30 June 2008		Total
	SGD	USD	
<b>Assets</b>			
Portfolio of investments	649,812,109	49,051,183	698,863,292
Cash and bank balances	15,710,544	–	15,710,544
Net dividend receivables	–	210,056	210,056
Interest receivables	245	–	245
	<u>665,522,898</u>	<u>49,261,239</u>	<u>714,784,137</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Due to manager	565,099	–	565,099
Net assets attributable to unitholders	714,219,038	–	714,219,038
	<u>714,784,137</u>	<u>–</u>	<u>714,784,137</u>
<b>Total liabilities</b>			

*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.

*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.

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

For the financial year ended 30 June 2009

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

*Credit risk (Continued)*

Credit risk also arises from cash and cash equivalents held with financial institutions. The table below summarises the credit rating of banks in which the Fund's assets are held as at 30 June 2009 and 2008.

	Amount \$	Credit rating	Source of credit rating
<b>As at 30 June 2009</b>			
Bank			
State Street Bank & Trust Co.	<b>14,235,169</b>	<b>B</b>	<b>Moody's</b>
<b>As at 30 June 2008</b>			
Bank			
State Street Bank & Trust Co.	15,710,544	B+	Moody's

All investments are held in custody with State Street Bank & Trust Co., whose credit rating assigned by Moody's at 30 June 2009 is B (2008: B+). The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

*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.

*Capital risk*

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

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

*For the financial year ended 30 June 2009*

**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>2009</b>	2008
	<b>S\$</b>	S\$
Bank balance held at SSB	<b>14,235,169</b>	2,710,210
Fixed deposit held at SSB	–	13,000,334
	<b>14,235,169</b>	15,710,544
	<b>14,235,169</b>	15,710,544

- (c) The following significant transaction took place during the financial year between the fund and the following related parties at terms agreed between the parties and within the provisions of the Trust Deed.

	<b>2009</b>	2008
	<b>S\$</b>	S\$
Interest income – SSB	<b>2,634</b>	75,652
	<b>2,634</b>	75,652

**streetTRACKS® Straits Times Index Fund**  
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**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

*For the financial year ended 30 June 2009*

**11. FINANCIAL RATIOS**

	<b>2009</b>	2008
Ratio of expenses to average net assets <sup>1</sup>	<b>0.30%</b>	0.30%
Portfolio turnover rate <sup>2</sup>	<b>13.89%</b>	21.40%

<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 ratio, the value of the Index Baskets received is not considered as part of purchases.

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

On 24 July 2009, the Fund announced a Final Dividend of \$0.04 per unit totalling \$10,620,000. The Final Dividend was paid on 11 August 2009.

The Prospectus in respect of the offer of the units (the "Units") in the streetTRACKS® Straits Times Index Fund (the "Fund") is available and may be obtained upon request, subject to availability, from State Street Global Advisors Singapore Limited ("SSgA"). Investors should read the Prospectus before deciding whether to acquire Units in the Fund. The value of Units and the income from them may fall as well as rise. Units in the Fund are not obligations of, deposits in, or guaranteed by, SSgA or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Past performance figures are not necessarily indicative of future performance of the Fund.

Investors have no right to request SSgA to redeem their Units while the Units are listed. It is intended that holders of Units may only deal in their Units through trading on the Singapore Exchange Securities Trading Limited (SGX-ST). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The streetTRACKS® Straits Times Index Fund (the "Fund") is not in any way sponsored, endorsed, sold or promoted by SPH Data Services Pte Ltd or Singapore Press Holdings Ltd (collectively "SPH") or FTSE International Limited ("FTSE"). SPH and FTSE make no warranties or representations whatsoever, either expressly or impliedly, either as to the results to be obtained from the Straits Times Index ("STI") and/or the figure at which the STI stands at any particular time on any particular day or otherwise. SPH and FTSE do not warrant or represent or guarantee to any broker or holder of any units in the Fund sold or marketed by State Street Global Advisors Singapore Limited or any member of the public as to the accuracy or completeness of the STI and its computation or any related information. No warranties, representations or guarantees of any kind are made in relation to the STI or the Fund by FTSE or SPH. The units in the Fund are not issued, endorsed, sold or promoted by FTSE or SPH and neither FTSE nor SPH bear any liability in connection with the administration, marketing or trading of the units in the Fund. The STI is calculated by FTSE and neither FTSE nor SPH accept any liability (whether in negligence or otherwise) towards any person for any error in the STI and shall not be under any obligation to advise any person of any error therein. The compilation or composition of the STI or the constituent stocks and factors may be altered or changed by FTSE without notice. All intellectual property rights in the STI vest in SPH.

Each of Singapore Exchange Securities Trading Limited, its subsidiaries, related corporations, and holding company, and their respective directors or employees, and any other party involved in, or related to, making or compiling the STI (together, the "Relevant Persons") makes no guarantee, warranty, representation or undertaking, express or implied, as to the accuracy, correctness, timeliness, completeness, originality, satisfactory quality, merchantability or fitness for any particular purpose of any of the values of the STI, the indicative optimum portfolio value of the Units, or any information or data included in or referable to such values. Investing in the Units involves risks, which in any case, are disclaimed by the Relevant Persons and described more fully in the Prospectus. The Units are also subject to the terms and conditions (and disclaimers by the Relevant Persons) set out in the Trust Deed constituting the Units.



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