

2006

OSK-UOB CAPITAL GUARANTEED FUNDS – SERIES 2
ANNUAL REPORT
TO UNIT HOLDERS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2006

OSK-UOB Unit Trust Management Bhd (355720-P)

GENERAL INFORMATION ABOUT THE FUND

Commencement Date

OSK-UOB Capital Guaranteed Funds – Series 2 (“the Fund”) was established on 31 May 2005. Its units were offered for sale on 8 June 2005 until 22 July 2005 and thereafter no units were available for sale.

Commencement Date, Tenure and Maturity Date

The Commencement Date of the Fund was on 2 August 2005. The tenure of the Fund is for 3 years and as such, the Maturity Date will be 2 August 2008.

Size of Fund

The approved fund size was 450 million Units.

Fund Category and Type

Fund Category - Fixed Income

Fund Type - Capital guaranteed

Investment Objective, Policy and Strategy

Objective of the Fund

This Fund aims to provide capital appreciation over the medium term* whilst guaranteeing investors' capital on the Maturity Date.

Strategy

The Fund invests more than 85% in 3-year Zero Coupon Negotiable Instruments of Deposits (“ZNIDs”) issued at a discount on the Commencement Date to secure the guaranteed value. Balance thereafter will be invested in securities and/or derivatives of companies that have strong underlying growth potential and/or other collective investment schemes.

This asset allocation is only an indication as thereafter the proportion will be rebalanced so as to ensure that the investment in ZNIDs will at all times yield the Capital Guaranteed Value of the Fund.

* Note: “medium term” in this context refers to a period of 3 years.

Investment Philosophy

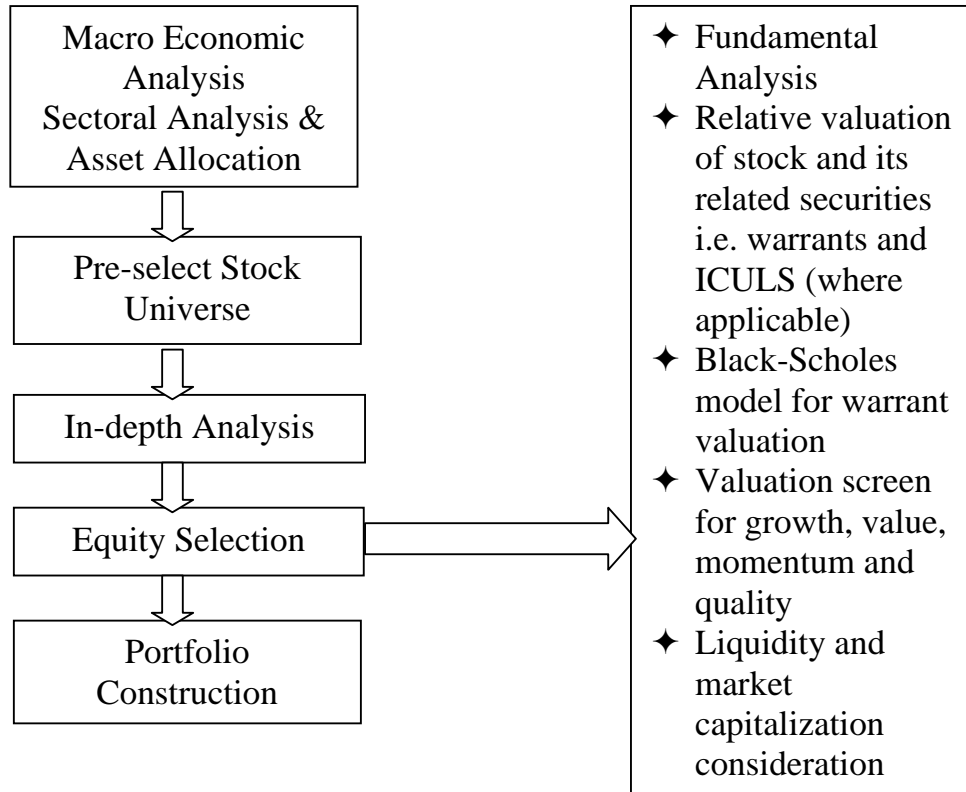
The Manager believes that prices of securities are ultimately determined by fundamental factors, and superior long-term investment performance can be achieved by exploiting inefficiencies in the capital market through rigorous and intensive research.

Investment Approach

The Manager’s investment approach will evolve around the following principles:-

Equities

- a) Combination of “top-down” and “bottom-up” approach - an investment strategy that is not mutually exclusive but closely inter-twined between asset allocation and stock specific selection.
- b) Value driven approach - Stocks are then selected for their value.
- c) Emphasis on growth - Stocks are further selected for their growth potential.



The equity selection will be based on a rigorous process which will appraise the relative value of a company in terms of:-

- 1) Price/Earnings (P.E.)
- 2) P.E. to Growth
- 3) Dividend Growth
- 4) Dividend Yield
- 5) Price-Book Value
- 6) Quality of Earnings (Volatility, Sustainability, Visibility)
- 7) Financial Strength (Strong balance sheet)
- 8) Competitive Risks
- 9) Profit Margin
- 10) Cashflow Analysis
- 11) Quality of Management, Corporate Governance

Investment Policies and Restrictions

This Fund may invest in securities traded on the BMSB or any other market considered as an Eligible Market, securities not listed in or traded under the rules of an Eligible Market, collective investment schemes, securities/instruments in foreign markets, warrants and options, money market instruments, cash and deposits with any licensed financial institutions, participate in future contracts, participate in the lending of securities, and any other investments approved by the Securities Commission from time to time.

MANAGER'S REPORT

MARKET REVIEW

Equity Market

For financial year ending 31 December 2006, Bursa Malaysia performed relatively well with the Kuala Lumpur Composite Index (KLCI) gaining 21.8% while the all-share FTSE Bursa Malaysia EMAS Index was up 25.0%. 2006 also marked the KLCI breaking the psychological 1,000 level - the first time since February 2000. The KL Second Board Index and MESDAQ Index also rose 14.4% and 37.7% respectively, recovering some of the lost ground suffered in the preceding 2 years.

The market started the year on a positive note with the KLCI gaining 7.4% in the first 5 months of the year on the back of the release of the 9 Malaysia Plan (9MP) and the strengthening Ringgit. However, sentiments subsequently reversed on concerns that the US Federal Reserve Bank continued credit tightening could precipitate a sharp global economic downturn. Global equities and commodity markets fell with the KLCI falling from its May high of 966.88 points to a low of 886.48 points on 15 June 2006, -8.3%.

The market rebounded towards end June as new economic data from the US allayed fears of further significant interest rate hike and geopolitical tension in the Middle East began to ebb. Locally, a series of positive newsflows helped support the market. Plantation stocks took centre stage as investors re-rated the sector on the back of expectations of firmer CPO prices as the world searched for alternative renewable energy sources (crude oil prices surging above US\$70/barrel). The announcement of 880 new projects worth RM15bn under the 9MP, unchanged overnight policy rate and stronger-than-expected 2Q real GDP growth were other positive contributors. Towards the latter half of the year, a series of mergers and acquisitions such as IJM's proposed take-over of Road Builder, the creation of the world's largest plantation company via the merger of Sime Darby, Golden Hope and Kumpulan Guthrie demonstrated Malaysia's ability to create "world class" companies. The award of keenly bided Singapore's Sentosa Island Integrated Resort to Malaysia's Genting Group was another testimony of Malaysia's ability to compete with world renowned casino operators aided the KLCI to hit its multi-year high of 1,101.70 points on 11 December 2006.

The 2007 Budget in September also sprang some positive surprises with the announcement of corporate tax cut of 1% each in 2007 and 2008. A 24% increase in allocation for development expenditure reinforced the positive sentiment on the infrastructure sector, alongside other sectors like education, transportation, trade and services sectors, which were expected to benefit from the increased budget allocation.

Bond Market

Towards the end of 2005 Malaysia's interest rates started to rise for the first time since the 1997 Asian financial crisis. Concerns of cost push inflation with higher oil prices and hikes in utility rates kept fixed income investors' weary. Globally, concerns of a liquidity crunch with rising global interest rates did not help either. As a result, both government and corporate bond prices suffered during the 1H of 2006.

Buying interest emerged in the second half of July on the back of a lower-than-expected June CPI number. In addition, comments by BNM governor that local inflation had peaked and the lack of second round price increases coupled with increased expectation of stronger ringgit sparked another round of rally. Market players felt that with inflation largely contained, pressure on BNM to raise interest rate further had abated. At the end of the period, the yield of the most sought after 10-year government bond broke the 4.00% psychological level to reach a new low of 3.77%. In the mean time, 3, 5, and 20-year benchmark closed significantly lower to 3.63%, 3.71%, and 3.99% respectively.

ECONOMIC REVIEW AND OUTLOOK

2006 should see Malaysia's GDP growth averaging 5.5% to 6.0% versus 5.2% in 2005. While export growth moderated in line with the global economic slowdown, domestic demand continued to remain firm aided by relatively loose monetary policy and government pump priming. High commodity prices also helped support growth.

With CPI peaking in March at 4.6%, inflationary pressures subsequently eased with latest December 06 CPI at 3.1% and full year average at 3.6%. In line with lower cost pressures, Bank Negara has kept its over night policy rate at 3.5%.

Going forward, we believe economic growth is likely to decelerate in 2007, from the 5.5%-6.0% GDP growth rate projected for 2006. The slowdown is anticipated to emanate from a slower export growth (on the back of slowing global growth and softening of the global electronic cycle), as well as possible moderation in private consumption demand. However, accelerated pump-priming efforts by the government should spur public spending. We expect 2H07 GDP growth to be stronger than 1H.

In terms of inflation, we expect CPI to moderate to about 3% in 2007 as easing crude oil prices to US\$50/barrel currently should cap cost pressures. Having seen electricity and water rate increases last year, we do not expect further hikes this year. With prospects of a slower economic growth going forward and inflation rate in check, we believe the Overnight Policy Rate (OPR) at 3.5% to remain in the foreseeable future.

STRATEGY DURING THE PERIOD

For the financial year under review (1 January 2006 – 31 December 2006), the Fund's NAV rose 6.0%, beating its benchmark 12-mth Fixed Deposit rate of 3.8%.

During the financial year, the Fund registered a realised equity gains and dividend income of RM3.36mn. In addition to that, the Fund was also sitting on an unrealised equity gain of RM6.14mn (relative to its equity investment size of RM33.2mn or a 18% unrealised return). On the other hand, interest earned on NCD and cash amounted to RM9.66mn, whilst the unrealised gains on NCD stood at RM1.21mn as at 31 December 2006. Expenses amounted to RM2.47mn whilst taxes amounted to RM69,000. Net of these taxes and expenses, total return on the Fund amounted to RM17.84mn, or 6.0% return for the financial year under review.

As at 31 December 2006, 90.0% of the NAV was invested in negotiable instrument of deposits (NIDs) which was in compliance with the Fund's investment mandate to preserve capital via investing in 3-year NIDs. The balance 10% was allocated for equity investments in Bursa-Malaysia-listed stocks. We attribute the Fund's outperformance to its equity investments (10% of NAV), which generated 29% (net realised and unrealised gains) on the equity portion, thanks to good stock selection. The top performers of your Fund's equity investments were KNM, CBIP, Green Packet, Hiap Teck, and Genting.

MARKET OUTLOOK AND STRATEGY GOING FORWARD

We believe 2007 is going to be an exciting year for the Bursa Malaysia. A confluence of positive drivers will likely push the market higher – 1) Government pump priming ahead of the General Elections; 2) more M&As/strategic alliances; 3) GLC restructuring; 4) cyclical upturn in commodity prices; and 5) a spill over from the current liquidity rally seen around the region. Relative to the rest of Asia, the Malaysian stock market has been a laggard.

While investors' maybe concern that the market has run-up too much with the KLCI currently at 1,170 points, we believe that the market is only at a early stage of a liquidity rally. History has shown that in previous liquidity runs, Malaysian market valuations have gone above 30x PE. Looking at the last 7 years alone, the KLCI have traded at/above 20x PE on several occasions. Pegging the KLCI at 20x would place the KLCI at about 1,560 points vs. current Index level of around 1,170 points and PE valuation of 15x. While we are NOT saying that the KLCI will hit 1,560 points this year, we are saying that this level is not inconceivable. Note however equity markets both in Malaysia and globally are expected to be volatile this year, thus the Managers are adopting more of a trading stance. On the back of these, our strategy is to stay invested in growth-oriented stocks with emphasis in sectors that would benefit from the above themes/drivers.

Looking at the bond market, Bank Negara Malaysia (BNM) is likely to keep policy rate steady at 3.5% with inflation at around 3%. We feel it is still premature for BNM to cut policy rate amidst the current low real interest rate environment and wide interest rate differential between Malaysia and the US and other regional countries. BNM governor has also reiterated that current policy rate is appropriate and remained supportive of the economy. We believe bond prices will be supported by more foreign participation especially with expectations of the Ringgit strengthening further.

PERFORMANCE REVIEW

For the financial year under review, the benchmark, 12-month Fixed Deposit Rate, gave depositors a return of 3.81% p.a. Comparatively, the Fund registered a gain of 6.05% in net asset value terms.

Since its launch date, the Fund has registered an annualised gain of 4.59% p.a. in net asset value terms, whilst the benchmark, 12-months Fixed Deposit Rate gave depositors a return of 3.77%. The Fund has until 2 August 2008 to meet its objective of providing investors with potential growth benefits whilst guaranteeing investors a minimum realisation value of 100% of their capital, provided Units are still held by the investors on the Maturity Date.

PERFORMANCE DATA

	As at 31/12/2006	1-month %	3-month %	6-month %	9-month %	12-month %
OSK-UOB Capital Guaranteed Funds – Series 2 Net Asset Value Per Unit (RM)	1.0576	0.35	2.71	5.46	5.27	6.05
12-month Fixed Deposit Rate (%)	3.70	0.30	0.93	1.90	2.87	3.81

	Average Annual Return	
	1 Year 31/12/2005 - 31/12/2006 %	Since launch 2/8/2005* – 31/12/2006 %
OSK-UOB Capital Guaranteed Funds – Series 2 Net Asset Value Per Unit	6.05	4.50
12-month Fixed Deposit Rate	3.81	3.77

* Being the Commencement Date of the Fund.

Note: The performance of the Fund is benchmarked against the 12-month Fixed Deposit Rate offered by Maybank Bhd.

	Year Ended 31/12/2006 %	Since launch 2/8/2005* – 31/12/2006 %
OSK-UOB Capital Guaranteed Funds – Series 2		
- Capital Return	6.05	6.44
- Income Return	-	-
- Total Returns	6.05	6.44
12-month-Fixed Deposit Rate	3.81	5.39

Note: Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

The basis of calculating the Fund's returns is in line with the method used by Mercer Zainal Consulting Sdn Bhd.

Fund Size	As at 31/12/2006	As at 31/12/2005
Net Asset Value (RM million)	302.20	308.26
Units In Circulation (million)	285.74	309.09
Net Asset Value Per Unit (RM)	1.0576	0.9973
Selling Price (RM)	N/A**	N/A**
Buying Price (RM)	1.0576	0.9973

Historical Data	1/1/2006-31/12/2006 RM	8/6/2005-31/12/2005 RM
Unit Prices		
Selling Price - High	N/A**	1.000
- Low	N/A**	N/A**
Buying Price - High	1.0577	0.9973
- Low	0.9962	0.9908
Distribution and Unit Split		
Gross Distribution Per Unit (sen)	-	-
Net Distribution Per Unit (sen)	-	-
Ex Date	-	-
Payment Date	-	-
Unit Split	-	-
Others		
Management Expense Ratio (%) #	0.81	0.52
Portfolio Turnover Ratio (times) ##	0.17	0.62

Note:

** Not applicable as after the Offer Period i.e. 22 July 2005, no Units were offered for sales.

The MER for the financial year is higher compared with the previous financial period as previous financial period covers a duration from 8 June 2005 (date of inception) to 31 December 2005, which reflects a duration of less than one year (refer to Note 16).

The PTR for the financial year is lower compared with the previous financial period as there were less acquisitions/disposals during the financial year under review. The comparative figures reflect the financial period where the Fund's initial portfolio was being constructed resulting a higher PTR in the previous financial period (refer to Note 15).

FINANCIAL REVIEW

For the financial year under review, the Fund reported an income of RM10.40 million comprising of dividends, interest, accretion of discount and other income. Taking into account total net realised gain on sales of investments of RM2.65 million, net realised loss on foreign exchange of RM24,857, unrealised gain attributable to investments held of

RM7.51 million and unrealised loss on foreign exchange of RM0.16 million, the Fund reported a total investment income of RM20.38 million. After taking into consideration the Fund's expenses and taxation, the Fund reported a net income after tax of RM17.84 million. However, with the inclusion of: the undistributed income brought forward from previous financial period of RM3.66 million, the realisation of unrealised gain attributable to investments sold of RM1.12 million and the realisation of unrealised foreign exchange gain attributable to foreign currency monetary items of RM7,409; the transfer of unrealised gain attributable to investments held of RM7.51 million and unrealised loss on foreign exchange of RM0.16 million to unrealised reserve; and the deduction of distribution equalisation of RM0.21 million, the Fund has a surplus income carried forward of RM15.08 million.

DISTRIBUTION

No distribution will be made during the Fund's lifespan. All returns achieved will be reflected in the Net Asset Value of the Units. Distribution will only be made upon the maturity or determination of the Fund.

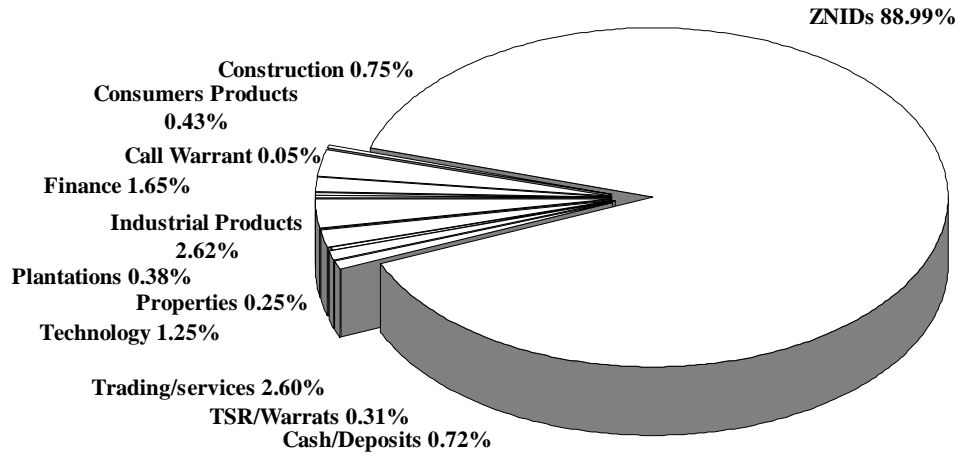
PORTFOLIO STRUCTURE

The Fund was 88.99% invested in Zero Coupon Negotiable Instruments of Deposits ("ZNIDs"), 10.29% invested in equities and the remaining 0.72% in money market instruments.

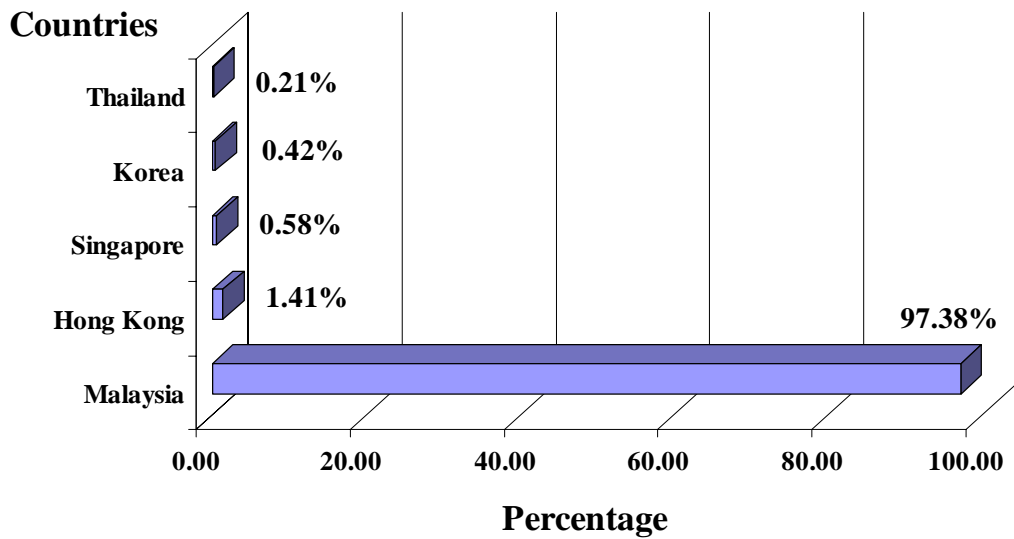
The asset allocation by sectors of the Fund as at 31 December were as follows:

Sectors	2006	2005
	%	%
ZNIDs	88.99	90.87
Construction	0.75	0.14
Consumer Products	0.43	-
Finance	1.65	1.62
Industrial Products	2.62	0.24
Plantations	0.38	0.37
Properties	0.25	-
Real Estate Investment Trust	-	0.32
Technology	1.25	1.32
Trading/Services	2.60	1.56
TSR & Warrants	0.31	-
Call Warrant	0.05	0.09
Cash/Deposits	0.72	3.47
	<u>100.00</u>	<u>100.00</u>

ASSET ALLOCATION BY SECTORS AS AT 31 DECEMBER 2006



ASSET ALLOCATION BY COUNTRIES AS AT 31 DECEMBER 2006



FUND SIZE AND PROFILE OF UNIT HOLDINGS BY SIZE

As at 31 December 2006, the Fund's units in circulation stood at 285.74 million units with a total of 219 accounts.

Size of Holdings	Accounts Holders		No. Of Units Held	
	No.	%	('000)	%
5,000 and below	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 50,000	174	79.45	4,995	1.75
50,001 to 500,000	33	15.07	4,250	1.49
500,001 and above	12	5.48	276,490	96.76
Total	219	100.00	285,735	100.00

SOFT COMMISSIONS

It is the Manager's policy to credit all stockbroking rebates to the account of the Fund.

For the financial year under review, the Manager has not received any soft commissions from brokers/dealers in consideration for directing dealings in the investments of the Fund. However, in the event the Manager were to receive any soft commissions in the future, these will only be retained by the Manager if they are in the form of goods and services which are of demonstrable benefits to the Unit Holders.

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF OSK-UOB CAPITAL GUARANTEED FUNDS – SERIES 2

We have acted as Trustee of OSK-UOB Capital Guaranteed Funds – Series 2 for the financial year ended 31 December 2006. In our opinion, OSK-UOB Unit Trust Management Bhd, the Manager, has managed the Fund in accordance with the limitations imposed on the investment powers of the management company and the trustee under the Deed, other provisions of the Deed, the Securities Commission Act 1993, the applicable Guidelines on Unit Trust Funds and other applicable laws during the financial year then ended.

We have also ensured the following:

- a) the procedures and processes employed by OSK-UOB Unit Trust Management Bhd to value and price the units of the Fund are adequate and that such valuation/pricing is carried out in accordance with the Deed and relevant regulatory requirements; and
- b) the cancellation of units are carried out in accordance with the Deed and the relevant regulatory requirements.

For HSBC (Malaysia) Trustee Bhd (Company No. 001281-T)

Vivian Lam
Co-Head, Unit Trust

Kuala Lumpur
5 February 2007

STATEMENT BY MANAGER

We, Ho Seng Yee and Lim Suet Ling, being two of the directors of OSK-UOB Unit Trust Management Bhd, do hereby state that in the opinion of the Manager, the accompanying balance sheet as at 31 December 2006 and the income statement, statement of changes in net asset value and cash flow statement for the financial year ended 31 December 2006 together with the notes thereto, are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and applicable Guidelines on Unit Trust Funds in Malaysia so as to give a true and fair view of the financial position of OSK-UOB Capital Guaranteed Funds – Series 2 as at 31 December 2006 and of its results, changes in net asset value and cash flows for the financial year then ended.

On behalf of the Manager

Ho Seng Yee

Lim Suet Ling

Kuala Lumpur, Malaysia
5 February 2007

REPORT OF THE AUDITORS TO THE UNIT HOLDERS OF OSK-UOB CAPITAL GUARANTEED FUNDS – SERIES 2

We have audited the financial statements of OSK-UOB Capital Guaranteed Funds – Series 2 comprising the balance sheet as at 31 December 2006 and the income statement, statement of changes in net asset value and cash flow statement for the financial year then ended together with the notes thereto. These financial statements are the responsibility of the directors of the Manager.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with applicable Guidelines on Unit Trust Funds in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements have been properly drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and applicable Guidelines on Unit Trust Funds in Malaysia so as to give a true and fair view of the financial position of OSK-UOB Capital Guaranteed Funds – Series 2 as at 31 December 2006 and of its results, changes in net asset value and cash flows for the financial year then ended.

Ernst & Young
AF: 0039
Chartered Accountants

Gloria Goh Ewe Gim
No. 1685/04/07 (J)
Partner of the Firm

Kuala Lumpur, Malaysia
5 February 2007

**OSK-UOB CAPITAL GUARANTEED FUNDS – SERIES 2
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	Note	1/1/2006 to 31/12/2006 RM	8/6/2005 to 31/12/2005 RM
INVESTMENT INCOME			
Gross dividend income		681,906	168,705
Interest income		162,142	942,210
Net realised gain/(loss) on sale of investments		2,653,095	(72,432)
Accretion of discount, net of amortisation of premium		9,241,611	3,885,306
Other income		312,169	36,820
Net realised loss on foreign exchange		(24,857)	(3,919)
Net unrealised (loss)/gain on foreign exchange		(159,526)	2,962
Net unrealised gain/(loss) on changes in value of investments held		7,509,582	(2,210,300)
		<u>20,376,122</u>	<u>2,749,352</u>
EXPENSES			
Manager's fee	4	(2,285,077)	(1,192,771)
Trustee's fee	5	(152,654)	(79,518)
Auditors' remuneration		(2,000)	(2,000)
Tax agent's fee		(1,700)	(1,700)
Administrative expenses		(27,703)	(5,385)
		<u>(2,469,134)</u>	<u>(1,281,374)</u>
Net income before taxation		17,906,988	1,467,978
Taxation	6	(69,348)	(10,281)
Net income after taxation		17,837,640	1,457,697
Distribution equalisation		(206,479)	(1,264)
Net income attributable to Unit Holders		<u>17,631,161</u>	<u>1,456,433</u>
Net income after taxation is made up of the following:			
Net realised income		10,487,584	3,665,035
Net unrealised gain/(loss)		7,350,056	(2,207,338)
		<u>17,837,640</u>	<u>1,457,697</u>

The accompanying notes are an integral part of the financial statements.

OSK-UOB CAPITAL GUARANTEED FUNDS – SERIES 2
BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	2006 RM	2005 RM
INVESTMENTS			
Quoted investments – In Malaysia	7	23,183,830	12,259,540
Quoted investments – Outside Malaysia	8	7,922,639	5,179,619
Unquoted investments	9	268,936,600	280,117,890
Deposits with licensed financial institutions	10	1,844,094	9,859,748
		<u>301,887,163</u>	<u>307,416,797</u>
OTHER ASSETS			
Tax recoverable		97,473	33,560
Dividends receivable		594	35,432
Interest receivable		658	3,746
Other receivables		420	160
Due from Stockbrokers		383,711	-
Cash at bank – In Malaysia		141,940	57,985
Cash at bank – Outside Malaysia		670,022	1,376,122
		<u>1,294,818</u>	<u>1,507,005</u>
TOTAL ASSETS		<u>303,181,981</u>	<u>308,923,802</u>
LIABILITIES			
Due to Stockbrokers	11	128,950	-
Due to Manager		812,164	621,519
Due to Trustee		38,158	38,818
Other payables and accruals		7,260	6,050
TOTAL LIABILITIES EXCLUDING NET ASSET VALUE (“NAV”) ATTRIBUTABLE TO UNIT HOLDERS		<u>986,532</u>	<u>666,387</u>
NAV AS AT 31 DECEMBER	12	<u>302,195,449</u>	<u>308,257,415</u>
UNITS IN CIRCULATION	12(a)	<u>285,735,000</u>	<u>309,090,000</u>
NAV PER UNIT (RM)		<u>1.0576</u>	<u>0.9973</u>

The accompanying notes are an integral part of the financial statements.

**OSK-UOB CAPITAL GUARANTEED FUNDS – SERIES 2
STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	1/1/2006 to 31/12/2006		8/6/2005 to 31/12/2005	
	RM	RM	RM	RM
Net asset value attributable to Unit Holders as at 1 January 2006/8 June 2005 (date of inception)		308,257,415		-
Net realised income recognised in the income statement	10,487,584		3,665,035	
Distribution equalisation	(206,479)		(1,264)	
Net increase in realised income transferred to realised reserve		10,281,105		3,663,771
Net unrealised gain/(loss) recognised in the income statement		7,350,056		(2,207,338)
Movements due to units created and cancelled during the year/period (Note 12(a)) :				
- creation of units		-	309,343,790	
- cancellation of units	(23,693,127)		(2,542,808)	
		(23,693,127)		306,800,982
Net asset value attributable to Unit Holders as at 31 December 2006/2005		<u>302,195,449</u>		<u>308,257,415</u>

The accompanying notes are an integral part of the financial statements.

**OSK-UOB CAPITAL GUARANTEED FUNDS – SERIES 2
CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	1/1/2006 to 31/12/2006 RM	8/6/2005 to 31/12/2005 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	58,112,994	5,501,359
Purchase of investments	(41,624,937)	(301,453,873)
Dividends received	583,442	89,433
Interest received	165,230	938,464
Other income received	312,169	36,820
Manager's fee paid	(2,294,975)	(610,502)
Trustee's fee paid	(153,314)	(40,700)
Auditors' remuneration paid	(2,000)	-
Tax agent's fee paid	(1,700)	-
Payment for other fees and expenses	(35,645)	(6,114)
Net cash generated from/(used in) operating and investing activities	<u>15,061,264</u>	<u>(295,545,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	-	309,343,790
Cash paid on units cancelled	(23,699,063)	(2,504,822)
Net cash (used in)/generated from financing activities	<u>(23,699,063)</u>	<u>306,838,968</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,637,799)	11,293,855
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	<u>11,293,855</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	<u>2,656,056</u>	<u>11,293,855</u>
Cash and cash equivalents comprise:		
Cash at bank	811,962	1,434,107
Deposits with licensed financial institutions	1,844,094	9,859,748
	<u>2,656,056</u>	<u>11,293,855</u>

The accompanying notes are an integral part of the financial statements.

**OSK-UOB CAPITAL GUARANTEED FUNDS – SERIES 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The Unit Trust (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Deed dated 22 August 2003 and as amended via the First Supplemental Master Deed dated 31 May 2005 and Second Supplemental Deed dated 18 August 2006, each made between the Manager, OSK-UOB Unit Trust Management Bhd and the Trustee, HSBC (Malaysia) Trustee Bhd.

The principal activity of the Fund is to invest in Permitted Investments as defined under Article 7 of the Deed, which includes securities of companies quoted on Bursa Malaysia Securities Bhd and short term money market instruments. The Fund was launched on 8 June 2005 and will continue its operations until the maturity date on 2 August 2008 as provided under Article 13 of the Deed.

The Manager is a 70% owned subsidiary of OSK Securities Bhd. It is principally engaged in the sales of trust units and the management of unit trust funds. The ultimate holding company of the Manager is OSK Holdings Bhd, a company listed on the Main Board of Bursa Malaysia Securities Bhd. All of the above-mentioned companies are incorporated in Malaysia.

The guarantor of the Fund is United Overseas Bank (Malaysia) Bhd. In accordance to the Deed, the guaranteed amount is the amount payable by the guarantor in the event the Net Asset Value of the Fund as at the maturity date is less than the capital guaranteed value as at that date, and is the amount which is the equivalent of the difference between capital guaranteed value and the Net Asset Value per unit on maturity date. The guarantee is valid from the Commencement Date of the Fund to its maturity date.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the directors on 5 February 2007.

2. FINANCIAL RISK MANAGEMENT POLICIES

The Fund is exposed to a variety of risks which include market risk, single issuer risk, interest rate risk, credit risk, liquidity risk, currency risk and country risk.

Financial risk management is carried out through sound internal control systems and adherence to the investment restrictions as stipulated by the Securities Commission’s Guidelines on Unit Trust Funds and Securities Commission Act 1993 in Malaysia.

(a) Market Risk

Market risk arises when the value of the securities fluctuates in response to the activities of individual companies, and general market or economic conditions. Market risk is managed through portfolio diversification across a number of sectors and industries, minimising the risk not only of any single company's securities becoming worthless, but also of all holdings suffering uniformly adverse business conditions.

(b) Single Issuer Risk

The Fund is restricted to invest in securities issued by any issuer of not more than a certain percentage of its net asset value. Under such restriction, the risk exposure to the securities of any issuer is managed.

(c) Interest Rate Risk

Cash, bonds and other fixed income securities are particularly sensitive to movements in interest rates. When interest rates rise, the return on cash will rise while the value of bond and other fixed income securities will fall and vice versa, thus affecting the Net Asset Value of the Fund. When the interest rate trend is anticipated to rise, the exposure to bonds and other fixed income securities will be reduced to an acceptable level.

(d) Credit Risk

Credit risk refers to the ability of an issuer or counterparty to make timely payments of interest, principals and proceeds from realisation of investments. The Manager manages the credit risk by undertaking credit evaluation and close monitoring of any changes to the issuer/counterparty's credit profile to minimise such risk.

(e) Liquidity Risk

The Fund maintains sufficient level of liquid assets to meet anticipated payments and redemption of units by Unit Holders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days. The Manager's policy is to always maintain a prudent level of liquid assets so as to reduce the liquidity risk to the Fund.

(f) Currency Risk

Investments in foreign countries are exposed to currency risk due to the fluctuation of currency exchange rates. The Fund is restricted to invest in foreign securities of not more than a certain percentage of its net asset value. Under such restriction, the exposure on currency risk is thus mitigated to an acceptable level.

(g) Country Risk

In addition to currency risk, the value of the assets of the Fund may also be affected by uncertainties such as currency repatriation restrictions or other developments in the law or regulations of the countries in which the Fund may invest.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of investments and comply with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Securities Commission's Guidelines on Unit Trust Funds.

At the beginning of the current financial year, the Fund had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006. Most of the new and revised FRSs are not relevant to the Fund. Those FRSs that are relevant do not give rise to any significant effects on the financial statements of the Fund.

The Fund has not adopted the following FRSs which have effective dates as follows, and are not expected to have any significant effects on the financial statements of the Fund:

FRS	Effective for financial periods beginning on or after
FRS 117 - Leases	1 October 2006
FRS 124 - Related Party Transactions	1 October 2006
Amendment to FRS 119 ₂₀₀₄ - Employees Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6 - Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 139 - Financial Instruments: Recognition and Measurement	Effective date deferred

The financial statements are presented in Ringgit Malaysia ("RM").

(b) Foreign Currency Translation

(i) Functional and Presentation Currency

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 Ringgit Malaysia (RM), which is also the Fund’s functional currency.

(ii) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia (RM) at rates of exchange ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange rate differences are taken to the income statement.

The principal exchange rates for each respective unit of foreign currency ruling at balance sheet date are as follows:

	2006 RM
Hongkong Dollar	0.453300
Korean Won	0.003791
Singapore Dollar	2.286200
Thai Baht	0.099400

(c) Investments

Quoted investments are valued at the last done market price quoted on respective stock exchanges as at balance sheet date.

Unquoted investments are stated at indicative market value, being the quoted price from the relevant financial institutions issuing the ZNIDs as approved by the Manager and the Trustee.

(d) Income Recognition

Dividend income is recognised on declared basis, when the right to receive the dividend has been established.

Interest income is recognised on an accrual basis. Interest income includes the accretion of discount and amortisation of premium, recognised on an effective yield basis.

The realised gain/(loss) on sale of investments is measured as the difference between the net disposal proceeds and the carrying amount of the investments. The carrying amount for determining the realised gain/(loss) on sale of investments is based on the weighted average cost method and where applicable, adjusted for accretion of discount.

(e) Unrealised Reserve

Unrealised reserve represents net gain or loss arising from carrying investments at their market values or indicative market values and unrealised gains or loss from translating foreign currency monetary items at exchange rates prevailing at the balance sheet date. This reserve is not distributable in nature.

(f) Distribution Equalisation

Distribution equalisation is accounted for at the date of creation and cancellation of units. It represents the average amount of distributable income included in the creation and cancellation prices of units.

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and deposits with licensed financial institutions, which have an insignificant risk of change in value.

(h) Receivables

Receivables are carried at anticipated realisable values.

(i) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(j) Financial Instruments

Financial assets and financial liabilities carried on the balance sheet include cash at bank, quoted and unquoted investments, deposits with licensed financial institutions, receivables and payables. The accounting policies on the recognition and measurement of these items are disclosed in the respective accounting policies.

Financial instruments are classified as assets or liabilities in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to financial instruments classified as assets, are reported as investment income. Distributions to Unit Holders are recognised in NAV attributable to Unit Holders in the financial year in which they are declared.

4. MANAGER'S FEE

The Manager's fee is computed on a daily basis at 0.75% per annum of the net asset value of the Fund before deducting the Manager's and Trustee's fees for that particular day.

5. TRUSTEE'S FEE

The Trustee's fee is computed on a daily basis at 0.05% per annum of the net asset value of the Fund before deducting the Manager's and Trustee's fees for that particular day.

6. TAXATION

	1/1/2006 to 31/12/2006 RM	8/6/2005 to 31/12/2005 RM
Malaysian income tax	59,917	10,281
Foreign income tax	9,431	-
Tax expense for the year/period	<u>69,348</u>	<u>10,281</u>

Income tax is calculated at the Malaysian statutory tax rate of 28% of the estimated assessable income for the financial year. The statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Malaysian tax charge for the financial year is in relation to the gross dividend income earned by the Fund after deducting tax allowable expenses. In accordance with Schedule 6 of the Income Tax Act 1967, interest income earned by the Fund is exempted from tax.

A reconciliation of income tax expense applicable to net income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	1/1/2006 to 31/12/2006 RM	8/6/2005 to 31/12/2005 RM
Net income before taxation	<u>17,906,988</u>	<u>1,467,978</u>
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	5,013,957	411,034
Effect of different tax rates in other countries	(10,038)	-
Investment income not subject to tax	(5,561,695)	(725,978)
Expenses not deductible for tax purposes	49,026	23,185
Restriction on tax deductible expenses for unit trust funds	<u>578,098</u>	<u>302,040</u>
Tax expense for the year/period	<u>69,348</u>	<u>10,281</u>

7. QUOTED INVESTMENTS – IN MALAYSIA

	2006 RM	2005 RM
Quoted investments in Malaysia represent:		
Cost, at 31 December 2006/2005	17,682,151	10,772,428
Unrealised reserve:		
At 1 January 2006/8 June 2005 (date of inception)	1,487,112	-
Changes during the year/period	<u>4,014,567</u>	<u>1,487,112</u>
At 31 December 2006/2005	<u>5,501,679</u>	<u>1,487,112</u>
Market value, at 31 December 2006/2005	<u>23,183,830</u>	<u>12,259,540</u>

Quoted investments in Malaysia as at 31 December 2006 are as detailed below:

Name of Counter	Quantity	Cost RM	Market Value RM	% of Net Asset Value
QUOTED EQUITIES				
Main Board:				
Call Warrant				
Genting Bhd – 24/5/2007	201,000	<u>148,722</u>	<u>164,820</u>	<u>0.05</u>
Construction				
Road Builders (M) Holdings Bhd	390,000	1,164,386	1,326,000	0.44

Name of Counter	Quantity	Cost RM	Market Value RM	% of Net Asset Value
WCT Engineering Bhd	225,000	752,540	936,000	0.31
		<u>1,916,926</u>	<u>2,262,000</u>	<u>0.75</u>
Finance				
AmInvestment Group Bhd	624,000	1,127,723	1,010,880	0.33
RHB Capital Bhd	253,400	694,759	866,628	0.29
Utama Banking Group Bhd	558,000	633,372	820,260	0.27
		<u>2,455,854</u>	<u>2,697,768</u>	<u>0.89</u>
Industrial Products				
CB Industrial Product Holding Bhd	423,000	822,190	1,818,900	0.60
Hiap Teck Venture Bhd	909,200	767,076	1,281,972	0.43
Industrial Concrete Products Bhd	75,000	128,950	134,250	0.04
KNM Group Bhd	250,000	888,887	2,200,000	0.73
WTK Holdings Bhd	155,000	1,139,051	1,178,000	0.39
		<u>3,746,154</u>	<u>6,613,122</u>	<u>2.19</u>
Plantations				
Kuala Lumpur Kepong Bhd	84,900	842,051	1,146,150	0.38
TSR/Warrants				
Kulim (Malaysia) Bhd - Warrant	350,000	965,998	948,500	0.31
Trading/Services				
Astro All Asia Network Plc	163,000	800,217	904,650	0.30
Berjaya Sports Toto Bhd	215,000	763,106	1,032,000	0.34
Malaysian Airline System Bhd	203,900	861,707	954,252	0.32
MMC Corporations Bhd	257,000	966,559	1,038,280	0.34
Resorts World Bhd	75,000	921,432	1,095,000	0.36
		<u>4,313,021</u>	<u>5,024,182</u>	<u>1.66</u>
Second Board:				
Industrial Products				
Scomi Engineering Bhd	425,300	674,984	561,396	0.19
MESDAQ:				
Technology				
Green Packet Bhd	304,700	639,920	1,377,244	0.46

Name of Counter	Quantity	Cost RM	Market Value RM	% of Net Asset Value
mTouche Technology Bhd	361,200	991,455	1,314,768	0.43
Rexit Bhd	599,933	987,066	1,073,880	0.36
		<u>2,618,441</u>	<u>3,765,892</u>	<u>1.25</u>
TOTAL QUOTED INVESTMENTS		<u>17,682,151</u>	<u>23,183,830</u>	<u>7.67</u>

**UNREALISED GAIN ON QUOTED INVESTMENTS –
IN MALAYSIA** **5,501,679**

8. QUOTED INVESTMENTS – OUTSIDE MALAYSIA

	2006 RM	2005 RM
Quoted investments outside Malaysia represent:		
Cost, at 31 December 2006/2005	7,041,930	5,067,329
Unrealised reserve:		
At 1 January 2006/8 June 2005 (date of inception)	112,290	-
Changes during the year/period	768,419	112,290
At 31 December 2006/2005	<u>880,709</u>	<u>112,290</u>
Market value, at 31 December 2006/2005	<u>7,922,639</u>	<u>5,179,619</u>

Quoted investments outside Malaysia as at 31 December 2006 are as detailed below:

Name of Counter	Quantity	Cost RM	Market Value RM	% of Net Asset Value
<u>Quoted in Hong Kong</u>				
Consumers Products				
China Yurun Food Group Ltd	400,000	<u>1,269,480</u>	<u>1,300,064</u>	<u>0.43</u>
Properties				
Sun Hung Kai Properties Limited	19,000	<u>772,721</u>	<u>769,545</u>	<u>0.25</u>

Name of Counter	Quantity	Cost RM	Market Value RM	% of Net Asset Value
Trading/Services				
Beijing Jingkelong Company Ltd - H	183,000	491,504	506,848	0.17
China Mobile Ltd	23,500	594,155	715,851	0.24
China Power International Development Ltd	500,000	629,135	967,796	0.32
		<u>1,714,794</u>	<u>2,190,495</u>	<u>0.73</u>
		<u>3,756,995</u>	<u>4,260,104</u>	<u>1.41</u>
<u>Quoted in Korea</u>				
Trading/Services				
Hana Financial Group Incorporation	6,820	1,065,787	1,264,291	0.42
		<u>1,065,787</u>	<u>1,264,291</u>	<u>0.42</u>
<u>Quoted in Singapore</u>				
Finance				
DBS Group Holdings Ltd	20,000	726,493	1,033,362	0.34
Industrial Products				
MIDAS Holdings Limited	243,000	705,690	722,211	0.24
		<u>1,432,183</u>	<u>1,755,573</u>	<u>0.58</u>
<u>Quoted in Thailand</u>				
Trading/Services				
PTT Exploration & Production Company Ltd- Foreign	67,000	786,965	642,671	0.21
		<u>786,965</u>	<u>642,671</u>	<u>0.21</u>
TOTAL QUOTED INVESTMENTS		<u>7,041,930</u>	<u>7,922,639</u>	<u>2.62</u>
UNREALISED GAIN ON QUOTED INVESTMENTS - OUTSIDE MALAYSIA			<u>880,709</u>	

9. UNQUOTED INVESTMENTS

	2006 RM	2005 RM
Unquoted investments represent:		
Cost, at 31 December 2006/2005	258,892,288	280,059,243
Accretion of discount	12,373,112	3,868,349
	<u>271,265,400</u>	<u>283,927,592</u>
Unrealised reserve:		
At 1 January 2006/8 June 2005 (date of inception)	(3,809,702)	-
Changes during the year/period	1,480,902	(3,809,702)
At 31 December 2006/2005	<u>(2,328,800)</u>	<u>(3,809,702)</u>
Market value, at 31 December 2006/2005	<u>268,936,600</u>	<u>280,117,890</u>

Unquoted investments as at 31 December 2006 are as detailed below:

Name of Issuer	Rating	Nominal Value	Carrying Value RM	Indicative Market Value RM	% of Net Asset Value
ABN-AMRO Bank Bhd – Zero Coupon Negotiable Instruments of Deposit (“ZNID”) 2005/2008	AA2	35,400,000	33,639,805	33,339,720	11.03
AmMerchant Bank Bhd –ZNID 2005/2008	AA3	29,000,000	27,493,715	27,239,700	9.01
CIMB Investment Bank Bhd –ZNID 2005/2008	AA3	52,700,000	50,030,025	49,611,780	16.42
OCBC Bank (Malaysia) Bhd – ZNID 2005/2008	AA1	49,300,000	46,813,235	46,396,230	15.35

Name of Issuer	Rating	Nominal Value	Carrying Value RM	Indicative Market Value RM	% of Net Asset Value
Standard Chartered Bank Malaysia Bhd –ZNID 2005/2008	AAA	59,500,000	56,406,555	56,025,200	18.54
United Overseas Bank (Malaysia) Bhd –ZNID 2005/2008	AA1	59,900,000	56,882,065	56,323,970	18.64
			<u>271,265,400</u>	<u>268,936,600</u>	<u>88.99</u>
UNREALISED LOSS ON UNQUOTED INVESTMENTS				<u>(2,328,800)</u>	

10. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	2006 RM	2005 RM
These are short-term placements with:		
- Licensed discount houses	1,493,676	9,859,748
- Licensed investment banks	350,418	-
	<u>1,844,094</u>	<u>9,859,748</u>

The weighted average effective interest rates and weighted average maturities of deposits remaining as at 31 December were as follows:

	Weighted Average Effective Interest Rate Per annum		Weighted Average Maturities of Deposits Remaining	
	2006 %	2005 %	2006 Days	2005 Days
Short term placements	3.39	2.79	5	4
Repo placements	3.35	-	3	-

11. DUE TO STOCKBROKERS

Included in the amount due to stockbrokers was an amount of RM128,950 (2005: Nil) due to the holding company of the Manager, OSK Securities Bhd, arising from the ordinary course of purchase of quoted investments.

12. NAV ATTRIBUTABLE TO UNIT HOLDERS

NAV attributable to Unit Holders is represented by:

	Note	2006 RM	2005 RM
Unit Holders' contribution	(a)	283,107,855	306,800,982
Realised reserve	(b)	15,075,586	3,663,771
Unrealised reserve	(c)	4,012,008	(2,207,338)
		<u>302,195,449</u>	<u>308,257,415</u>

(a) Unit Holders' Contribution

	2006		2005	
	No. of units	RM	No. of units	RM
As at 1 January 2006/8 June 2005 (date of inception)	309,090,000	306,800,982	-	-
Creation of units	<u>-</u>	<u>-</u>	<u>311,650,000</u>	<u>309,343,790</u>
	309,090,000	306,800,982	311,650,000	309,343,790
Cancellation of units	<u>(23,355,000)</u>	<u>(23,693,127)</u>	<u>(2,560,000)</u>	<u>(2,542,808)</u>
As at 31 December 2006/2005	<u>285,735,000</u>	<u>283,107,855</u>	<u>309,090,000</u>	<u>306,800,982</u>

In accordance with the deed, the maximum number of units that can be issued out for circulation is 450,000,000. Being a closed-end fund, no units will be issued subsequent to the offer period, i.e. after 22 July 2005.

(b) Realised Reserve

	2006		2005	
	RM	RM	RM	RM
Balance as at 1 January 2006/8 June 2005 (date of inception)		3,663,771		-
Net unrealised foreign exchange gain attributable to foreign currency monetary items transferred from unrealised reserve		7,409		-
Net unrealised gain attributable to investments sold transferred from unrealised reserve		1,123,301		-
Net income after taxation	17,837,640		1,457,697	
Distribution equalisation	(206,479)		(1,264)	
Net unrealised foreign exchange loss/(gain) attributable to foreign currency monetary items transferred to unrealised reserve	159,526		(2,962)	
Net unrealised (gain)/loss attributable to investments held transferred to unrealised reserve	(7,509,582)		2,210,300	
		<hr/>		<hr/>
Net increase in realised reserve for the year/period		10,281,105		3,663,771
Balance as at 31 December 2006/2005		<u>15,075,586</u>		<u>3,663,771</u>

(c) **Unrealised Reserve**

	2006 RM	2005 RM
Balance as at 31 December 2006/8 June 2005 (date of inception)	(2,207,338)	-
Net unrealised foreign exchange (loss)/gain attributable to foreign currency monetary items transferred from realised reserve	(159,526)	2,962
Net unrealised gain/(loss) attributable to investments held transferred from realised reserve	7,509,582	(2,210,300)
Net unrealised foreign exchange gain attributable to foreign currency monetary items transferred to realised reserve	(7,409)	-
Net unrealised gain attributable to investments sold transferred to realised reserve	(1,123,301)	-
Balance as at 31 December 2006/2005	<u>4,012,008</u>	<u>(2,207,338)</u>

The unrealised reserve represents the net gain/(loss) arising from stating investments at their fair values and translating foreign currency monetary items at exchange rates prevailing at the balance sheet date. This reserve is not distributable in nature.

13. UNITS HELD BY RELATED PARTIES

There were no units held by related parties as at the end of the financial year.

14. TRANSACTIONS WITH RELATED PARTIES, DEALERS AND OTHER STOCKBROKING COMPANIES

Details of transactions with related parties, dealers and other stockbroking companies for the financial year ended 31 December 2006 are as follows:

	Value of Trade RM	% of Total Trade %	% of Total Brokerage Fee RM	% of Total Brokerage Fees %
OSK Securities Bhd*	30,504,233	31.00	58,549	32.54
OCBC Bank (Malaysia) Bhd #	10,230,010	10.39	-	-

	Value of Trade RM	% of Total Trade %	% of Total Brokerage Fee RM	% of Total Brokerage Fees %
CLSA Singapore Pte Ltd	7,939,998	8.07	26,394	14.67
Macquarie Securities Ltd	5,539,770	5.63	14,320	7.96
Credit Suisse Securities (M) Sdn Bhd	5,308,008	5.39	15,870	8.82
Hwang-DBS Securities Bhd	4,715,865	4.79	6,132	3.41
ABN-AMRO Bank Bhd #	4,287,040	4.36	-	-
CIMB Securities Sdn Bhd	4,199,466	4.27	8,410	4.68
OSK-UOB Unit Trust Management Bhd **	3,928,204	3.99	-	-
OSK Asia Securities Ltd*	3,831,864	3.89	19,169	10.65
Merrill Lynch Pierce Fenner N Smith Incorporation	3,226,896	3.28	13,259	7.37
CIMB Investment Bank Bhd #	3,054,805	3.10	-	-
AmSecurities Sdn Bhd	2,455,241	2.50	4,910	2.73
Standard Chartered Bank Malaysia Bhd #	2,343,545	2.38	-	-
TA Securities Holdings Bhd	1,680,085	1.71	3,360	1.87
United Overseas Bank (Malaysia) Bhd #***	1,642,520	1.67	-	-
Mayban Securities Sdn Bhd	1,498,642	1.52	2,569	1.43
CIMB-GK Securities Pte Ltd	1,380,433	1.40	3,451	1.92
RHB Securities Sdn Bhd	275,000	0.28	550	0.30
DBS Vickers Securities (Singapore) Pte Ltd	244,735	0.25	2,447	1.36
Affin Securities Sdn Bhd	82,500	0.08	62	0.03
Deutsche Securities Asia Ltd	35,461	0.04	355	0.19
UBS Securities Ltd	12,118	0.01	121	0.07
	98,416,439	100.00	179,928	100.00

* OSK Securities Bhd is the holding company of OSK-UOB Unit Trust Management Bhd, the Manager, while OSK Asia Securities Ltd is a related company.

** OSK-UOB Unit Trust Management Bhd is the Manager of OSK-UOB Money Market Fund, a collective investment scheme that the Fund invested in during the financial year under review.

*** United Overseas Bank (M) Bhd is a shareholder of OSK-UOB Unit Trust Management Bhd, the Manager.

There were no brokerage fees charged for ZNIDs transactions.

The directors of the Manager are of the opinion that the transactions with the related stockbroking company of the Manager have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. These dealings with the related parties have been transacted at arm's length basis.

15. PORTFOLIO TURNOVER RATIO (“PTR”)

The PTR of the Fund is the ratio of the average of the acquisitions and disposals of the Fund for the financial year to the average net asset value of the Fund calculated on a daily basis. For the financial year ended 31 December 2006, the PTR of the Fund stood at 0.17 times (2005: 0.62 times).

The PTR of the Fund is calculated as follows:

	RM
Total acquisitions of the Fund	41,976,012
Total disposals of the Fund	58,792,316

$$\begin{aligned}
 \text{PTR} &= \frac{(\text{Total Acquisitions} + \text{Total Disposals}) / 2}{\text{Average Net Asset Value of the Fund}} \\
 &= \frac{(\text{RM}100,768,328) / 2}{\text{RM}305,301,489} \\
 &= \underline{0.17 \text{ times}}
 \end{aligned}$$

The average net asset value of the Fund for the financial year ended 31 December 2006 was RM305,301,489 (2005: RM245,605,668).

16. MANAGEMENT EXPENSE RATIO (“MER”)

The MER of the Fund is the ratio of the sum of fees and expenses incurred by the Fund to the average net asset value of the Fund calculated on a daily basis. The fees and expenses include Manager's fee, Trustee's fee, auditors' remuneration, tax agent's fee and other administrative expenses. For the financial year ended 31 December 2006, the MER of the Fund stood at 0.81 (2005: 0.52%) is calculated as follows:

			RM
A	=	Manager's fee	2,285,077
B	=	Trustee's fee	152,654
C	=	Auditors' remuneration	2,000
D	=	Tax agent's fee	1,700
E	=	Administrative expenses	27,703
F	=	Average net asset value of the Fund	305,301,489
MER	=	$\frac{(A + B + C + D + E)}{F} \times 100$	
	=	$\frac{\text{RM}2,469,134}{\text{RM}305,301,489} \times 100$	
	=	<u>0.81%</u>	

The average net asset value of the Fund for the financial year ended 31 December 2006 was RM305,301,489 (2005: RM245,605,668).

17. SEGMENTAL REPORTING

(a) Business Segment

In accordance with the objective of the Fund, the Fund can have an exposure of more than 85% in long term, zero coupon Negotiable Instruments of Deposits (ZNIDs) and the remaining in securities and/or derivatives of companies that have strong underlying growth potential. The following table provides an analysis of the Fund's revenue, results, assets and liabilities by business segments:

	ZNIDs RM	Quoted Shares RM	Cash and Deposits RM	Total RM
2006				
Revenue				
Segment income representing segment results	10,717,004	9,496,976	162,142	20,376,122
Unallocated expenditure				(2,469,134)
Income before taxation				17,906,988
Taxation				(69,348)
Net income after taxation				<u>17,837,640</u>

	ZNIDs RM	Quoted Shares RM	Cash and Deposits RM	Total RM
Assets				
Investments	268,936,600	31,106,469	1,844,094	301,887,163
Other assets	-	481,778	812,620	1,294,398
Unallocated assets				420
				<u>303,181,981</u>
Liabilities				
Due to stockbrokers	-	128,950	-	128,950
Unallocated liabilities				857,582
				<u>986,532</u>
2005				
Revenue				
Segment income representing segment results	100,341	1,706,801	942,210	2,749,352
Unallocated expenditure				(1,281,374)
Income before taxation				1,467,978
Taxation				(10,281)
Net income after taxation				<u>1,457,697</u>
Assets				
Investments	280,117,890	17,439,159	9,859,748	307,416,797
Other assets	-	68,992	1,437,853	1,506,845
Unallocated assets				160
				<u>308,923,802</u>
Liabilities				
Unallocated liabilities				<u>666,387</u>

(b) Geographical Segment

The following table provides an analysis of the Fund's revenue, results and assets by geographical segments:

	Malaysia RM	Other Countries RM	Total RM
2006			
Revenue			
Segment income representing segment results	18,408,296	1,967,826	20,376,122
Assets			
Investments	292,120,430	7,922,639	300,043,069
Other assets	2,468,470	670,022	3,138,492
Unallocated assets			420
			<u>303,181,981</u>
2005			
Revenue			
Segment income representing segment results	2,608,657	140,695	2,749,352
Assets			
Investments	292,377,430	5,179,619	297,557,049
Other assets	9,990,471	1,376,122	11,366,593
Unallocated assets			160
			<u>308,923,802</u>

18. COMPARATIVE FIGURES

The comparative figures are for the financial period 8 June 2005 (date of inception) to 31 December 2005.

CORPORATE INFORMATION

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SECRETARIES	Ms Tan Mui Lian (MAICSA 7003356) Ms Chew Swee Inn (MAICSA 7008403)
PRINCIPAL BANKER	United Overseas Bank (Malaysia) Bhd
AUDITORS	Ernst & Young
TAX ADVISERS	KPMG Tax Services Sdn Bhd
DISTRIBUTORS	Affin Bank Bhd Tel: 03-2055 9000
	AmMerchant Bank Bhd Tel: 03-2078 2633
	Citibank Bhd Tel: 03-2383 8833
	CIMB Investment Bank Bhd Tel: 03-2723 8688
	Hong Leong Bank Bhd Tel: 1-800-388-888
	HSBC Bank Malaysia Bhd Tel: 03-2050 7878
	OCBC Bank (Malaysia) Bhd Tel: 1300-88-5000
	OSK Securities Bhd Tel: 03-2333 8228
	RHB Bank Bhd Tel: 03-9206 8118
	Standard Chartered Bank Malaysia Bhd Tel: 03-2117 7777
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