

PHILLIP INVESTMENT FUNDS

Annual Report

Year ended 31 December 2017

Phillip Investment Funds

Contents

	Page
Directory	1
Manager's Investment Report	2
Report to Unitholders	5
Report of the Trustee	13
Statements by the Manager	14
Independent auditors' report	15
Statement of Total Return	19
Statement of Financial Position	20
Statement of Movements in Unitholders' Funds	21
Statement of Portfolio	22
Notes to the Financial Statements	35

Phillip Investment Funds

Directory

Manager

Phillip Capital Management (S) Ltd
250 North Bridge Road #06-00
Raffles City Tower
Singapore 179101
(Company Registration No. 199905233W)

Directors of the Manager

Lim Hua Min
Jeffrey Lee Chay Khiong
Linus Lim Wen Sheong
Lee Ken Hoon
Lim Wah Sai
Louis Wong Wai Kit

Trustee & Registrar

BNP Paribas Trust Services Singapore Limited
20 Collyer Quay
#01-01
Singapore 049319
(Company Registration No. 200800851W)

Custodian and Fund Administrator

BNP Paribas Securities Services operating through its Singapore Branch
20 Collyer Quay
#01-01
Singapore 049319
(Company Registration No. T08FC7287D)

Auditors

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Solicitors to the Manager

Chan & Goh LLP
50 Craig Road, #03-01
Singapore 089688

Solicitors to the Trustee

Dentons Rodyk & Davidson LLP
80 Raffles Place
#33-00 UOB Plaza 1
Singapore 048624

Phillip Investment Funds

Manager's Investment Reports

Phillip Money Market Fund

The fund generated a net return of 0.82% for the year ended 31 December 2017, which is comparable to the average 1-month SGD Singapore Interbank Offered Rate (SIBOR) of 0.89% over the same period.

As at 31 December 2017, the portfolio's Weighted Average Maturity ("WAM") stood at 103 days vs 80 days in the previous year. The portfolio is well-diversified across different economic sectors and geographical regions. The fund was primarily invested in fixed-rate bond issues and bank deposits.

Economic growth data released by the Ministry of Trade and Industry (MTI) in mid-February 2018 indicated that the Singapore economy grew by 3.6% for the entire 2017, exceeding the ministry's GDP growth forecast of between 3.0% and 3.5%. The economic growth of 2017 exceeded the 2.4% achieved in 2016 on the back of firmer global demand for manufacturing sector outputs particularly from the electronics and precision engineering clusters. This contrasted with contraction observed within the biomedical manufacturing, transport engineering and general manufacturing clusters. The overall manufacturing industry expanded by 10.1% on a full-year basis. The services industry also contributed positively by growing 2.8%, supported by finance & insurance, wholesale & retail trade and transportation & storage sectors. The construction industry was the only growth detractor shrinking 8.4%, as sector output declined due to weaker private sector construction activities.

According to MTI, the 4Q2017 year-on-year expansion of 3.6% was mainly driven by various sectors such as manufacturing, wholesale & retail trade, transportation & storage, accommodation & food services, information & communications, financial services & insurance, and business services. The construction sector was the only underperformer over 4Q2017, contracting by 5.0% year-on-year due to lower private sector construction activities.

The Monetary Authority of Singapore ("MAS") core inflation measure averaged 1.5% in 2017, up from 0.9% in 2016. Headline consumer price index came in at 0.6% for the year of 2017.

Short-term interest rates climbed over the course of the year. The SGD Singapore Swap Offer Rate ("SOR") for one month and three months reached 0.99% and 1.11% at the end of December 2017 respectively, from 0.86% and 1.01% a year ago. The SGD Singapore Interbank Offered Rate ("SIBOR") for one month and three months over the same period also rose to 1.33% and 1.50% respectively, from 0.72% and 0.97%.

Manager's Investment Reports

Phillip Money Market Fund (Continued)

OUTLOOK

Growth in Singapore economy is expected to moderate while remaining firm in 2018, as the MTI forecasted growth to be within the range of 1.5% to 3.5%, with full-year growth expected to fall slightly above the middle of the forecast range. Economic growth is expected to be supported by an expanding manufacturing sector benefiting from robust global demand for semiconductors, and externally-oriented services sectors such as finance & insurance, transportation & storage and wholesale trades, which are beneficiaries of firm external demand. Domestically-oriented services sectors like retail and food services are also expected to benefit from improving consumption sentiments and firming labour markets to contribute positively to overall economic growth. Outlook on the construction and marine & offshore engineering sector is still expected to remain lacklustre.

In the global context, the International Monetary Fund (IMF) forecasted global growth for 2018 to be 3.9%, supported by stronger growth prospects in the US economy in light of tax policy reforms. Moderating or unchanged growth in key export markets, growing protectionist sentiments and upside surprise to inflation data all constitute downside risks that could impose a drag on global growth.

A joint report by the MAS and MTI predicts the core inflation measure, which excludes changes in the prices of cars and accommodation, to be within the 1% to 2% range for 2018. Both the organisations expect cost pressures to remain restrained in the domestic economy given that firmer labour markets have yet to translate to upward wage pressure, while cost-push inflation from non-labour sources such as commercial and retail rentals have remained subdued.

Some market participants are expecting MAS to make a gradual exit from its neutral policy stance for the SGD NEER policy band in the upcoming semi-annual policy review in April 2018. Nonetheless, short-term interest rates in Singapore are expected to rise this year, given that the US Federal Reserve have indicated three rate hikes in 2018. The exchange rate-centred monetary policy of MAS usually brings the local interest rates fairly close to the US Federal Fund rate.

Our strategy remains to hold high-quality securities to maturity while managing interest rate risk by maintaining a portfolio duration of between 80 days to 100 days. In addition, we maintain prudent management of concentration and liquidity risks with a wide diversification of issuers and banks for the portfolio.

Manager's Investment Reports

Phillip Income Fund

The year 2017 has been a good year for the global economy. For the first time in two decades, the world experienced synchronised growth and this helped push global stock markets to record highs. The markets generally saw broad-based strength during the year, boosted by strong corporate earnings and encouraging economic data in all continents, and supported by a strong US market particularly in the technology sector.

The Fund (Class A SGD) generated total returns of 5.14% for the year ended 31 December 2017. Since its inception on 16 April 2001, the Fund has returned 39%. For 2017, the MSCI World index was up 3.6% (in Singapore dollar terms) and the iBoxx ABF Pan-Asia Unhedged Total Return Index was up 1.55%. (in SGD terms).

During the year, the Fund was on average 62% invested in equities, which contributed most of the Fund's return. Fixed income securities (32% of NAV on average) and cash contributed marginally to the results. For equities, financials and REIT sectors performed particularly well, as interest rate hikes were within expectations and Asian REIT markets rebounded strongly. Financials contributed 2% to the performance while REITs and REITS ETFs contributed 1.72%.

The fixed income securities provided stable returns during the year, while USD-denominated investments (16% of NAV on average) dragged down returns. The drag from the USD-denominated investments was due to weakness in the currency; the USD depreciated 7.6% against the SGD for the year. The Fund's bond investments have a weighted portfolio duration of 4 years, which is at the sweet spot of the yield curve.

OUTLOOK

2018 starts with a general mood of complacency, and excessive exposure to momentum-based and yield-seeking strategies among most investors. However, the global economy has begun re-synchronisation. The US is now in the late stage of its economic cycle and European markets are nine years into their bull market, while Japan and Asia still show signs of improving economic and political conditions. We think the global economy is at the end of Goldilocks scenario, as global and domestic inflation conditions have improved quite significantly since 2015; this would lead to a bias towards tightening monetary policies by Central banks around the world. We are now in an environment where likelihood of correction is high across asset classes and money market is the best-performing asset class.

For equities, we expect the US earnings momentum to fade soon now that the tax reform impact is fully reflected in corporates' earnings. Escalating protectionist measures and the US mid-term election in November will probably be adding stress on equity markets. Nevertheless, Asian equities remain positive due to their still reasonable valuations, abundant liquidity and decent earnings growth. We believe Asia is in the early stages of the earnings recovery driven by the weak US dollar, which is positive for earnings growth through lower debt burden, higher commodity prices and accommodative monetary policy. In Asia, we favour Japan and Korea due to cheap valuations, growing earnings and detente in the Peninsula, and emerging ASEAN for its lower sensitivity to US equity market turbulence and improving fundamentals. In terms of sector allocation, we favour financials and REITS. At the same time, we also find value in telecommunication and utilities companies.

For fixed income, we will continue to look for investment opportunities in high quality debt securities where issuers have strong cash flows and balance sheets. We will continue to focus on portfolio protection through our risk off process amid higher yield in bonds and more volatility in equity.

Phillip Investment Funds

Report to Unitholders Year ended 31 December 2017

The following contains additional information relating to the Sub-Funds.

1. Distribution of investments

Please refer to the Statements of Portfolio on pages 22-34.

2. Schedule of investments by asset class

Phillip Money Market Fund

Asset Class	Fair value at	Percentage of
	31 December 2017	total net assets
	S\$	attributable to
		unitholders at
		31 December 2017
		%
Debt securities	334,870,472	45.65
Fixed deposits	339,393,270	46.27
Cash and cash equivalents	59,028,229	8.05
Other net assets	218,016	0.03
Net assets attributable to unitholders	<u>733,509,987</u>	<u>100.00</u>

Types of Money Market Instruments and Debt Securities

Asset Class	Fair value at	Percentage of
	31 December 2017	total net assets
	S\$	attributable to
		unitholders at
		31 December 2017
		%
Fixed rate notes	332,935,694	45.39
Accrued interest on fixed income securities	1,934,778	0.26
	<u>334,870,472</u>	<u>45.65</u>

Phillip Income Fund

Asset Class	Fair value at	Percentage of
	31 December 2017	total net assets
	S\$	attributable to
		unitholders at
		31 December 2017
		%
Debt securities	4,173,225	33.63
Quoted equities	6,501,997	52.38
Quoted investment funds	367,285	2.96
Real estate investment trusts	602,580	4.85
Cash and cash equivalents	836,775	6.74
Other net liabilities	(69,888)	(0.56)
Net assets attributable to unitholders	<u>12,411,974</u>	<u>100.00</u>

Phillip Investment Funds

Report to Unitholders Year ended 31 December 2017

3. Credit rating

i) Debt securities

Phillip Money Market Fund

	Fair value at 31 December 2017 S\$	Percentage of total net assets attributable to unitholders at 31 December 2017 %
A	14,984,220	2.04
A1**	1,514,040	0.21
A3**	31,478,875	4.29
Aa**	57,629,695	7.86
Not Rated	227,328,864	30.99
Accrued interest on debt securities	1,934,778	0.26
Portfolio of investments	334,870,472	45.65

Source of credit rating is from Standard & Poor's except for the following:

** Credit rating is from Moody's

Phillip Income Fund

	Fair value at 31 December 2017 S\$	Percentage of total net assets attributable to unitholders at 31 December 2017 %
A	598,529	4.82
AAA	241,041	1.94
BBB	947,002	7.64
A3**	263,647	2.12
Ba**	289,164	2.33
Baa**	250,250	2.02
Not Rated	1,542,833	12.43
Accrued interest on debt securities	40,759	0.33
Portfolio of investments	4,173,225	33.63

Source of credit rating is from Standard & Poor's except for the following:

** Credit rating is from Moody's

Phillip Investment Funds

Report to Unitholders
Year ended 31 December 2017

II) Fixed deposits

Phillip Money Market Fund

	Fair value at 31 December 2017 S\$	Percentage of total net assets attributable to unitholders at 31 December 2017 %
A	339,393,270	46.27

Source of credit rating is from Standard & Poor's

Phillip Investment Funds

Report to Unitholders Year ended 31 December 2017

4. Top 10 holdings

Phillip Money Market Fund

10 largest holdings at 31 December 2017	Fair value at 31 December 2017 S\$	Percentage of total net assets attributable to unitholders at 31 December 2017 %
Joynote Limited 3.408% due 20/07/2018	22,945,195	3.13
Cagamas Global Plc 1.64% due 12/04/2018	19,992,800	2.73
CDL Properties Limited 1.98% due 18/04/2019	19,990,200	2.73
Monetary Authority of Singapore Bill 0% due 26/01/2018	19,972,400	2.72
Industrial and Commercial Bank of China Limited/Sydney 1.5% due 02/11/2018	19,969,800	2.72
Intesa Sanpaolo 0% due 20/02/2018	19,958,243	2.72
Korea Development Bank Singapore 1.64% due 10/04/2019	19,891,400	2.72
Export-Import Bank of Korea 2.04% due 24/07/2018	14,998,200	2.04
Bank of Tokyo-Mitsubishi UFJ Limited/Singapore 1.58% due 29/10/2018	14,986,650	2.04
Bank of Tokyo-Mitsubishi UFJ Limited/Singapore 1.62% due 21/01/2019	14,967,750	2.04

10 largest holdings at 31 December 2016	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Industrial & Commercial Bank of China Limited/Sydney 1.2% due 08/11/2017	14,985,150	1.99
Industrial & Commercial Bank of China Limited/Sydney 1.74% due 06/06/2017	14,980,200	1.99
Industrial & Commercial Bank of China Limited/Sydney 1.50% due 21/08/2017	14,945,250	1.98
Industrial & Commercial Bank of China Limited/Sydney 0% due 18/05/2017	14,889,150	1.98
Bank of Communications Company Limited/HongKong 2.1% due 24/07/2017	13,012,350	1.73
Capitamalls Asia Treasury Limited 3.95% due 24/08/2017	12,647,250	1.68
CMT MTN Private Limited 3.85% due 15/03/2017	10,054,100	1.34
Export-Import Bank of Korea 2.07% due 06/04/2017	10,010,600	1.33
Malayan Banking Berhad 1.85% due 10/04/2017	9,993,200	1.33
National Bank of Abu Dhabi PJSC/Hong Kong 1.63% due 28/04/2017	9,987,000	1.32

Phillip Investment Funds

Report to Unitholders Year ended 31 December 2017

4. Top 10 holdings (continued)

Phillip Income Fund

10 largest holdings at 31 December 2017	Fair value at 31 December 2017 S\$	Percentage of total net assets attributable to unitholders at 31 December 2017 %
Hyundai Capital Services Incorporation 3% due 29/08/2022	327,619	2.64
Oversea-Chinese Banking Corporation Limited 0% due 06/06/2018	314,844	2.54
Turkey Government International Bond 7% due 05/06/2020	289,164	2.33
Alibaba Group Holding Limited 3.125% due 28/11/2021	270,910	2.18
Incitec Pivot Finance LLC 3.95% due 03/08/2027	267,984	2.16
China Railway Xunjie Company Limited 3.25% due 28/07/2026	263,647	2.12
Well Hope Development Limited 3.875% due 31/12/2049	263,605	2.12
GAIF Bond Issuer Pty Limited 3.4% due 30/09/2026	262,779	2.12
BHP Billiton Limited	262,723	2.12
Sembcorp Industries Limited 4.75% due 29/12/2049	255,407	2.06

10 largest holdings at 31 December 2016	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Phillip SGX Apac Dividend Leaders REIT ETF	1,093,351	8.69
Phillip Singapore Real Estate Income Fund	944,236	7.51
Phillip Investment Funds - Money Market	699,230	5.56
Unilever NV 2.95% due 27/02/2017	410,713	3.27
CSOP FTSE China A50 ETF	335,742	2.67
Turkey Government International Bond 7% due 05/06/2020	310,968	2.47
Perusahaan Gas Negara Persero TBK 5.125% due 16/05/2024	296,887	2.36
Alibaba Group Holding Limited 3.125% due 28/11/2021	289,257	2.30
Pertamina Persero PT 4.3% due 20/05/2023	287,479	2.29
GAIF Bond Issuer Pty Limited 3.4% due 30/09/2026	274,791	2.18

Phillip Investment Funds

Report to Unitholders
Year ended 31 December 2017

5. Maturity profile of investments

Phillip Money Market Fund

Maturity profile of underlying investments	Fair value at	Percentage of
	31 December 2017	total net assets
	S\$	attributable to
		unitholders at
		31 December 2017
		%
Up to 30 days	157,042,332	21.41
31 - 90 days	131,648,730	17.95
91 - 180 days	184,993,671	25.22
181 - 365 days	130,402,648	17.78
366 - 732 days	68,241,583	9.30
Non-interest bearing	1,934,778	0.26
	<u>674,263,742</u>	<u>91.92</u>

6. Exposure to financial derivatives as at 31 December 2017

Phillip Income Fund

	Fair value at	Percentage of	Unrealised	Realised
	2017	31 December		
	S\$	2017	S\$	S\$
		%		
Forward foreign				
exchange contracts	4,527	0.04	4,527	18,713
Futures contracts	<u>(18,606)</u>	<u>(0.15)</u>	<u>(18,606)</u>	<u>(16,140)</u>

7. Global exposure to financial derivatives

The global exposure relating to derivative instruments is calculated using the commitment approach. The global exposure of each sub-fund is calculated as the sum of:

- the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangement;
- the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- the sum of the values of cash collateral received pursuant to:
 - the reduction of exposure to counterparties of OTC financial derivatives; and
 - EPM techniques relating to securities lending and repurchase transactions, and that are reinvested.

Phillip Investment Funds

Report to Unitholders Year ended 31 December 2017

8. Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes

Please refer to the Statements of Portfolio on pages 22-34.

9. Amount and percentage of borrowings of total fund size as at 31 December 2017

Nil.

10. Amount of units created and cancelled for the financial year ended 31 December 2017

Phillip Money Market Fund

S\$

Total amount of redemptions	(2,810,976,708)
Total amount of subscriptions	2,785,331,990

Phillip Income Fund

S\$

Total amount of redemptions	(654,589)
Total amount of subscriptions	308,752

11. Turnover ratio

Please refer to Note 12 of Notes to Financial Statements.

12. Expense ratio

Please refer to Note 12 of Notes to Financial Statements.

13. Performance of Sub-Fund as at 31 December 2017

Phillip Money Market Fund

	3 months	6 months	1 year	3 years	5 years	10 years	Inception (on 16 April 2001)
Cumulative returns (%)	0.22	0.42	0.82	2.40	3.31	7.72	19.10
Annualised returns (%)	-	-	0.82	0.79	0.65	0.75	1.05
Benchmark							
Cumulative returns (%)	0.04	0.08	0.17	0.44	0.67	1.48	4.10
Annualised returns (%)	-	-	0.17	0.15	0.13	0.15	0.24

Note: Cumulative returns are calculated in Singapore dollars on a bid to bid basis, with net dividends if any, reinvested.

Benchmark: Bank deposit rate

Source: Bloomberg

Phillip Investment Funds

Report to Unitholders Year ended 31 December 2017

13. Performance of Sub-Fund as at 31 December 2017 (continued)

Phillip Income Fund

	3 months	6 months	1 year	3 years	5 years	10 years	Inception
Class A SGD cumulative (%)	0.70	0.02	5.14	8.53	18.92	-7.10	39.00
Class A SGD annualised (%)	-	-	5.14	2.77	3.53	-0.73	1.99
Class I SGD cumulative (%)	0.83	0.26	5.65	9.99	20.97	-	31.26
Class I SGD annualised (%)	-	-	5.65	3.22	3.88	-	5.31

Note: Cumulative returns are calculated in Singapore dollars on a bid to bid basis, with net dividends if any, reinvested. Inception dates for Class A SGD and Class I SGD were 16 April 2001 and 28 September 2012 respectively.

Source: Bloomberg

14. Related party transactions

Please refer to Note 11 of Notes to Financial Statements.

15. Any other material information that will adversely impact the valuation of the Sub-Fund.

Nil

16. For schemes which invest more than 30% of their deposited property in another scheme, the following key information on the second-mentioned scheme ("the underlying scheme") should be disclosed as well.

(i) Top 10 holdings at market value and as percentage of NAV as at 31 December 2017 and 31 December 2016.

Not applicable.

(ii) Expense ratios for the period 31 December 2017 and 31 December 2016.

Not applicable.

(iii) Turnover ratios for the period 31 December 2017 and 31 December 2016.

Not applicable.

Report to Unitholders

Year ended 31 December 2017

17. Soft dollar commissions

The Manager shall be entitled to and intends to receive or enter into soft-dollar commissions or arrangements. The Manager will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions which the Manager may receive include 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 services in relation to the investments managed for clients. The soft dollar credits utilised are not allocated on a specific client basis. The brokers also execute trades for other funds managed by the Manager.

The Manager will not accept or enter into soft dollar commissions/arrangements unless such soft-dollar commissions/arrangements would, in the opinion of the Manager, assist the Manager in its management of clients' funds, provided that the Manager shall ensure at all times that transactions are executed on the best available terms taking into account the relevant market at the time for transactions of the kind and size concerned, and that no unnecessary trades are entered into in order to qualify for such soft-dollar commissions/arrangements.

The Manager does not, and is not entitled to retain cash rebates for its own account in respect of rebates earned when transacting in securities for account of clients' funds.

Phillip Money Market Fund

The Manager did not receive any soft dollar services in respect of the fund during the year.

Phillip Income Fund

During the year, soft dollar services received from each broker were investment research and publications, data and quotation services. Soft dollars were received from the Manager's panel of brokers which executed transactions for the fund and other funds managed by the Manager.

Report of the Trustee

The Trustee is under a duty to take into custody and hold the assets of Phillip Investment Funds in trust for the unitholders. In accordance with the Securities and Futures Act (Chapter 289), its subsidiary legislation and the Code on Collective Investment Schemes, 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.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Phillip Investment Funds during the year covered by these financial statements, set out on pages 19 to 51, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
BNP Paribas Trust Services Singapore Limited

Authorised signatory

26 March 2018

Statement by the Manager

In the opinion of the directors of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages 19 to 51, comprising the Statements of Total Return, Statements of Financial Position, Statements of Movements of Unitholders' Funds, Statements of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of Phillip Investment Funds as at 31 December 2017, and the total return and movements in unitholders' funds 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 Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that Phillip Investment Funds will be able to meet its financial obligations as and when they materialise.

For and on behalf of directors of the Manager
Phillip Capital Management (S) Ltd

Jeffrey Lee Chay Khiong
Director

26 March 2018

Independent auditors' report

Unitholders
Phillip Investment Funds
(Constituted under a Trust Deed in the Republic of Singapore)

Opinion

We have audited the financial statements of Phillip Investment Funds (the "Fund"), which comprise the Statements of Financial Position and Statements of Portfolio as at 31 December 2017, the Statements of Total Return and Statements of Movements of Unitholders' Funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 51.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 31 December 2017 and the financial performance and movements in unitholders' funds for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the *Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Phillip Capital Management (S) Ltd, the Manager of the Fund ("the Manager"), is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Fund's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Fund's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore

26 March 2018

Statements of Total Return
Year ended 31 December 2017

	Note	Phillip Money Market Fund		Phillip Income Fund	
		2017 S\$	2016 S\$	2017 S\$	2016 S\$
Income					
Dividends		–	–	329,213	287,527
Interest		11,069,676	9,797,318	135,848	140,003
		<u>11,069,676</u>	<u>9,797,318</u>	465,061	427,530
Less:					
Expenses					
Management fees		3,494,597	2,991,609	108,109	99,626
Less: Management fees rebate		–	–	(4,598)	–
Audit fees		8,129	16,716	7,978	16,740
Custody fees		94,548	78,295	12,853	18,703
Trustee fees		77,658	98,352	5,512	4,916
Transaction costs		–	–	50,583	11,062
Valuation fees		8,517	8,480	25,051	24,832
Other expenses		98,490	83,737	44,603	28,368
		<u>3,781,939</u>	<u>3,277,189</u>	250,091	204,247
Net income		<u>7,287,737</u>	<u>6,520,129</u>	214,970	223,283
Net gains or losses on value of investments and financial derivatives					
Net (losses)/gains on investments		(1,130,028)	(360,109)	561,845	460,291
Net losses on financial derivatives		–	–	(11,506)	(28,363)
Net losses on foreign exchange		–	–	(32,417)	(8,661)
		<u>(1,130,028)</u>	<u>(360,109)</u>	517,922	423,267
Total return for the year before income tax		6,157,709	6,160,020	732,892	646,550
Less: Income tax	8	–	–	(26,894)	(24,700)
Total return for the year after income tax before distribution		<u>6,157,709</u>	<u>6,160,020</u>	705,998	621,850

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position
As at 31 December 2017

	Note	Phillip Money Market Fund		Phillip Income Fund	
		2017 S\$	2016 S\$	2017 S\$	2016 S\$
Assets					
Portfolio of investments		674,263,742	694,486,635	11,645,087	11,623,229
Receivables	3	1,697,754	2,155,880	7,270	637,034
Cash and cash equivalents	4	59,028,229	56,986,469	836,775	1,114,343
Financial derivatives at fair value	6	–	–	4,527	–
Total assets		<u>734,989,725</u>	<u>753,628,984</u>	<u>12,493,659</u>	<u>13,374,606</u>
Liabilities					
Payables	5	1,479,738	631,988	63,079	97,518
Purchases awaiting settlement		–	–	–	700,000
Financial derivatives at fair value	6	–	–	18,606	–
Total liabilities		<u>1,479,738</u>	<u>631,988</u>	<u>81,685</u>	<u>797,518</u>
Equity					
Net assets attributable to unitholders	7	<u>733,509,987</u>	<u>752,996,996</u>	<u>12,411,974</u>	<u>12,577,088</u>

The accompanying notes form an integral part of these financial statements.

Statements of Movements of Unitholders' Funds
Year ended 31 December 2017

	Phillip Money Market Fund		Phillip Income Fund		
	Note	2017 S\$	2016 S\$	2017 S\$	2016 S\$
Net assets attributable to unitholders at the beginning of financial year		752,996,996	649,023,801	12,577,088	11,845,831
Operations					
Changes in net assets attributable to unitholders resulting from operations		6,157,709	6,160,020	705,998	621,850
Unitholders' contributions/(withdrawals)					
Creation of units		2,785,331,990	2,098,865,493	308,752	730,713
Cancellation of units		(2,810,976,708)	(2,001,052,318)	(654,589)	(105,663)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(25,644,718)	97,813,175	(345,837)	625,050
Distribution	9	–	–	(525,275)	(515,643)
Total (decrease)/increase in net assets attributable to unitholders		(19,487,009)	103,973,195	(165,114)	731,257
Net assets attributable to unitholders at the end of financial year	7	733,509,987	752,996,996	12,411,974	12,577,088

The accompanying notes form an integral part of these financial statements.

Statements of Portfolio
As at 31 December 2017

	Holdings as at 31/12/2017	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
Phillip Money Market Fund			
By Industry (Primary)			
Quoted Debt Securities			
Banks & Financials			
Bank of China Limited Singapore 2.75% due 30/06/2019	250,000	252,440	0.03
Bank of Tokyo Mitsubishi UFJ Limited Singapore 1.58% due 29/10/2018	15,000,000	14,986,650	2.04
Bank of Tokyo Mitsubishi UFJ Limited Singapore 1.62% due 21/01/2019	15,000,000	14,967,750	2.04
Cagamas Global Public Company Limited 1.52% due 20/09/2018	8,000,000	7,981,440	1.09
Cagamas Global Public Company Limited 1.64% due 12/04/2018	20,000,000	19,992,800	2.73
Cagamas Global Public Company Limited 2.23% due 30/07/2018	3,000,000	3,004,410	0.41
Industrial and Commercial Bank of China Limited Sydney 1.5% due 02/11/2018	20,000,000	19,969,800	2.72
Intesa Sanpaolo 0% due 20/02/2018	20,000,000	19,958,243	2.72
Korea Development Bank Singapore 1.64% due 10/04/2019	20,000,000	19,891,400	2.72
Korea Development Bank 2.05% due 23/07/2018	9,250,000	9,249,815	1.26
Malayan Banking Berhad 2.08% due 26/06/2018	500,000	500,225	0.07
Mizuho Bank Limited 2.77% due 15/03/2019	1,250,000	1,261,600	0.17
Monetary Authority of Singapore Bill 0% due 05/01/2018	10,000,000	9,998,471	1.36
Monetary Authority of Singapore Bill 0% due 26/01/2018	20,000,000	19,972,400	2.72
Nonghyup Bank 2.25% due 16/07/2018	6,000,000	6,009,780	0.82
QNB Finance Limited 2.5% due 04/05/2018	9,000,000	8,974,440	1.22
Sumitomo Mitsui Banking Corporation/Singapore 2.02% due 30/05/2018	3,400,000	3,393,200	0.46
		180,364,864	24.58

The accompanying notes form an integral part of these financial statements.

	Holdings as at 31/12/2017	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
Phillip Money Market Fund			
By Industry (Primary)			
Holding Companies - Diversified			
Wharf MTN Singapore Private Limited 4.3% due 28/10/2018	13,500,000	13,759,335	1.88
		<u>13,759,335</u>	<u>1.88</u>
Investment Companies			
Mapletree Treasury Services Limited 2.92% due 21/01/2019	2,000,000	2,019,040	0.28
Mapletree Treasury Services Limited 3.88% due 04/10/2018	9,750,000	9,892,643	1.35
Mapletree Treasury Services Limited 4.45% due 07/03/2018	2,750,000	2,760,780	0.38
		<u>14,672,463</u>	<u>2.01</u>
Lodging			
City Developments Limited 2.45% due 14/03/2018	250,000	250,262	0.03
City Developments Limited 3.38% due 20/03/2019	2,750,000	2,795,733	0.38
Hotel Properties Limited 3.5% due 15/01/2018	9,000,000	9,000,900	1.23
Hotel Properties Limited 4.1% due 20/07/2018	1,000,000	1,010,480	0.14
		<u>13,057,375</u>	<u>1.78</u>
Real Estate			
CDL Properties Limited 1.98% due 18/04/2019	20,000,000	19,990,200	2.73
Henderson Land MTN S Private Limited 4% due 19/09/2018	6,500,000	6,594,900	0.90
Joynote Limited 3.408% due 20/07/2018	22,750,000	22,945,195	3.13
UOL Treasury Services Private Limited 2.5% due 20/04/2018	8,750,000	8,757,700	1.19
		<u>58,287,995</u>	<u>7.95</u>

The accompanying notes form an integral part of these financial statements.

	Holdings as at 31/12/2017	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
Phillip Money Market Fund			
By Industry (Primary)			
Sovereign			
Export-Import Bank of Korea 1.75% due 15/06/2018	7,000,000	6,991,320	0.95
Export-Import Bank of Korea 1.95% due 15/06/2018	6,500,000	6,498,960	0.89
Export-Import Bank of Korea 2.04% due 24/07/2018	15,000,000	14,998,200	2.04
Housing and Development Board 1.23% due 30/01/2018	12,500,000	12,496,750	1.70
Housing and Development Board 1.368% due 29/05/2018	4,750,000	4,745,012	0.65
Housing and Development Board 2.288% due 19/09/2019	7,000,000	7,063,420	0.96
		<u>52,793,662</u>	<u>7.19</u>
Accrued interest on debt securities		1,934,778	0.26
Total Quoted Debt Securities		<u>334,870,472</u>	<u>45.65</u>
Fixed deposits			
Banks			
Bank of China		5,027,274	0.69
Credit Suisse AG		53,058,340	7.23
Industrial and Commercial Bank of China Singapore Branch		70,025,754	9.55
Malayan Banking Berhad		70,929,251	9.67
Standard Chartered Bank		15,160,090	2.07
Sumitomo Mitsui Banking Corporation		65,088,503	8.87
The Bank of East Asia Ltd		40,053,280	5.46
United Overseas Bank Limited		20,050,778	2.73
		<u>339,393,270</u>	<u>46.27</u>
Total Fixed deposits		<u>339,393,270</u>	<u>46.27</u>
Portfolio of investments		674,263,742	91.92
Other net assets		59,246,245	8.08
Net assets attributable to unitholders		<u>733,509,987</u>	<u>100.00</u>

The accompanying notes form an integral part of these financial statements.

	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %	Percentage of total net assets attributable to unitholders as at 31/12/2016 %
Phillip Money Market Fund			
By Industry (Primary)			
Banks & Financials	519,758,134	70.85	80.91
Holding Companies-Diversified	13,759,335	1.88	0.45
Investment Companies	14,672,463	2.01	0.27
Lodging	13,057,375	1.78	–
Real Estate	58,287,995	7.95	4.10
Real Estate Investment Trusts	–	–	1.34
Sovereign	52,793,662	7.19	4.45
Transportation	–	–	0.53
Accrued interest on debt securities	1,934,778	0.26	0.18
Portfolio of investments	674,263,742	91.92	92.23
Other net assets	59,246,245	8.08	7.77
Net assets attributable to unitholders	733,509,987	100.00	100.00

The accompanying notes form an integral part of these financial statements.

	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %	Percentage of total net assets attributable to unitholders as at 31/12/2016 %
Phillip Money Market Fund By Geography (Secondary)			
Australia	–	–	0.80
Cayman Islands	8,974,440	1.22	1.20
China	20,222,240	2.76	9.67
France	19,958,243	2.72	–
Japan	34,609,200	4.72	–
Luxembourg	–	–	1.32
Malaysia	31,478,875	4.29	2.66
Singapore	493,446,491	67.27	69.00
South Korea	63,639,475	8.68	4.75
United Arab Emirates	–	–	2.65
Accrued interest on debt securities	1,934,778	0.26	0.18
Portfolio of investments	674,263,742	91.92	92.23
Other net assets	59,246,245	8.08	7.77
Net assets attributable to unitholders	<u>733,509,987</u>	<u>100.00</u>	<u>100.00</u>

The accompanying notes form an integral part of these financial statements.

	Holdings as at 31/12/2017	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
Phillip Income Fund			
By Industry (Primary)			
Quoted Equity Securities			
Airlines			
Singapore Airlines Limited	16,000	170,720	1.38
		<u>170,720</u>	<u>1.38</u>
Auto Manufacturers			
Hyundai Motor Company	1,010	196,057	1.58
Nissan Motor Company Limited	14,000	186,598	1.50
		<u>382,655</u>	<u>3.08</u>
Banks			
Agricultural Bank of China Limited	308,000	191,660	1.54
BNP Paribas SA	1,900	189,802	1.53
HSBC Holdings Public Company Limited	14,918	203,895	1.64
Intesa Sanpaolo Spa	42,000	186,697	1.50
Mizuho Financial Group Incorporated	78,000	189,324	1.53
Siam Commercial Bank Public Company Limited	28,000	172,227	1.39
Standard Chartered Public Company Limited	9,642	133,845	1.08
		<u>1,267,450</u>	<u>10.21</u>
Building Materials			
Taiwan Cement Corporation	105,000	171,875	1.38
		<u>171,875</u>	<u>1.38</u>
Commercial Services			
SIA Engineering Company Limited	52,000	162,760	1.31
		<u>162,760</u>	<u>1.31</u>
Distribution/Wholesale			
Jardine Cycle and Carriage Limited	4,700	191,149	1.54
		<u>191,149</u>	<u>1.54</u>
Diversified Financial Services			
Fubon Financial Holding Company Limited	100,000	227,685	1.83
		<u>227,685</u>	<u>1.83</u>

The accompanying notes form an integral part of these financial statements.

	Holdings as at 31/12/2017	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
Phillip Income Fund			
By Industry (Primary)			
Electric & Gas			
Perusahaan Gas Negara Persero TBK	1,110,000	191,337	1.54
SSE Public Company Limited	7,300	174,206	1.40
		365,543	2.94
Food & Beverage			
Carlsberg Brewery Malaysia Berhad	26,400	133,384	1.07
Charoen Pokphand Foods Public Company Limited	190,000	186,990	1.51
Pepsi Cola Products Philippines Incorporated	1,291,000	74,307	0.60
		394,681	3.18
Holding Companies – Diversified			
Keppel Corporation Limited	33,000	242,550	1.95
YTL Corporation Berhad	421,260	190,580	1.54
		433,130	3.49
Insurance			
China Life Insurance Company Limited	46,000	193,058	1.56
LPI Capital Berhad	33,000	197,896	1.59
QBE Insurance Group Limited	17,000	189,779	1.53
		580,733	4.68
Mining			
BHP Billiton Limited	8,500	262,723	2.12
		262,723	2.12
Miscellaneous Manufacture			
Siemens AG	1,000	186,231	1.50
		186,231	1.50
Oil and Gas			
China Petroleum and Chemical Corporation	168,000	164,567	1.33
Total SA	2,700	199,505	1.61
		364,072	2.94

The accompanying notes form an integral part of these financial statements.

	Holdings as at 31/12/2017	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
Phillip Income Fund			
By Industry (Primary)			
Pharmaceuticals			
Glaxosmithkline Public Company Limited	8,000	191,272	1.54
		<u>191,272</u>	<u>1.54</u>
Retail			
Bossini International Holdings Limited	1,112,000	79,842	0.64
Matahari Department Store TBK PT	194,000	191,090	1.54
		<u>270,932</u>	<u>2.18</u>
Shipbuilding			
Sembcorp Industries Limited	61,000	184,830	1.49
		<u>184,830</u>	<u>1.49</u>
Telecommunications			
KDDI Corporation	5,000	166,353	1.34
Singapore Telecommunications Limited	55,000	196,350	1.58
Telstra Corporation Limited	47,000	178,333	1.44
		<u>541,036</u>	<u>4.36</u>
Transportation			
Singapore Post Limited	123,000	152,520	1.23
		<u>152,520</u>	<u>1.23</u>
Total Quoted Equity Securities		<u>6,501,997</u>	<u>52.38</u>

The accompanying notes form an integral part of these financial statements.

	Holdings as at 31/12/2017	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
Phillip Income Fund			
By Industry (Primary)			
Quoted Debt Securities			
Auto Manufacturers			
Hyundai Capital Services Incorporation 3% due 29/08/2022	250,000	327,619	2.64
		<u>327,619</u>	<u>2.64</u>
Banks			
Intesa Sanpaolo Bank Ireland Public Company Limited 4.5% due 27/02/2019	1,000,000	204,193	1.65
Oversea Chinese Banking Corporation Limited 0% due 06/06/2018	300,000	314,844	2.54
		<u>519,037</u>	<u>4.19</u>
Chemicals			
Incitec Pivot Finance LLC 3.95% due 03/08/2027	200,000	267,984	2.16
		<u>267,984</u>	<u>2.16</u>
Diversified Financial Services			
Housing Development Finance Corporation Limited 6.875% due 30/04/2020	10,000,000	208,801	1.68
Huarong Finance 2017 Company Limited 3.2% due 27/04/2021	250,000	250,250	2.02
Indonesia Infrastructure Finance PT 8.25% due 19/07/2019	2,500,000,000	251,483	2.03
		<u>710,534</u>	<u>5.73</u>
Electric			
NTPC Limited 7.375% due 10/08/2021	10,000,000	212,046	1.71
		<u>212,046</u>	<u>1.71</u>
Engineering and Construction			
China Railway Xunjie Company Limited 3.25% due 28/07/2026	200,000	263,647	2.12
		<u>263,647</u>	<u>2.12</u>

The accompanying notes form an integral part of these financial statements.

	Holdings as at 31/12/2017	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
Phillip Income Fund			
By Industry (Primary)			
Environmental Control			
Citic Envirotech Limited 3.9% due 31/12/2049	250,000	248,693	2.00
		<u>248,693</u>	<u>2.00</u>
Home Furnishings			
Well Hope Development Limited 3.875% due 31/12/2049	200,000	263,605	2.12
		<u>263,605</u>	<u>2.12</u>
Internet			
Alibaba Group Holding Limited 3.125% due 28/11/2021	200,000	270,910	2.18
		<u>270,910</u>	<u>2.18</u>
Multinational			
Inter American Development Bank 3.5% due 26/07/2024	250,000	241,041	1.94
		<u>241,041</u>	<u>1.94</u>
Real Estate			
GAIF Bond Issuer Pty Limited 3.4% due 30/09/2026	200,000	262,779	2.12
		<u>262,779</u>	<u>2.12</u>
Shipbuilding			
Sembcorp Industries Limited 4.75% due 29/12/2049	250,000	255,407	2.06
		<u>255,407</u>	<u>2.06</u>
Sovereign			
Turkey Government International Bond 7% due 05/06/2020	200,000	289,164	2.33
		<u>289,164</u>	<u>2.33</u>
Accrued interest on debt securities		40,759	0.33
Total Quoted Debt Securities		<u>4,173,225</u>	<u>33.63</u>

The accompanying notes form an integral part of these financial statements.

	Holdings as at 31/12/2017	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
Phillip Income Fund			
By Industry (Primary)			
Quoted Investment Fund			
Commercial Services			
Hutchison Port Holdings Trust	306,000	169,710	1.37
		<u>169,710</u>	<u>1.37</u>
Exchange Traded Fund			
Proshares Vix Short Term Futures ETF	2,000	61,875	0.50
		<u>61,875</u>	<u>0.50</u>
Investment Companies			
Asian Pay Television Trust	230,000	135,700	1.09
		<u>135,700</u>	<u>1.09</u>
Total Quoted Investment Fund		<u>367,285</u>	<u>2.96</u>
Quoted Real Estate Investment Trusts			
Cromwell European Real Estate Investment Trust	200,000	178,127	1.43
Keppel-KBS US REIT	200,000	241,889	1.95
Nomura Real Estate Master Fund Incorporated	110	182,564	1.47
		<u>602,580</u>	<u>4.85</u>
Total Quoted Real Estate Investment Trusts		<u>602,580</u>	<u>4.85</u>
Portfolio of investments		11,645,087	93.82
Other net assets		766,887	6.18
Net assets attributable to unit holders		<u>12,411,974</u>	<u>100.00</u>

The accompanying notes form an integral part of these financial statements.

	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %	Percentage of total net assets attributable to unitholders as at 31/12/2016 %
Phillip Income Fund			
By Industry (Primary)			
Airlines	170,720	1.38	1.23
Auto Manufacturers	710,274	5.72	0.84
Banks	1,786,487	14.40	14.47
Building Materials	171,875	1.38	0.75
Chemicals	267,984	2.16	0.97
Commercial Services	332,470	2.68	–
Cosmetics/Personal Care	–	–	3.27
Distribution/Wholesale	191,149	1.54	–
Diversified Financial Services	938,219	7.56	1.26
Electric & Gas	577,589	4.65	–
Engineering and Construction	263,647	2.12	2.17
Environmental Control	248,693	2.00	–
Equity Fund	–	–	7.51
Exchange Traded Fund	61,875	0.50	12.37
Food & Beverage	394,681	3.18	4.35
Holding Companies Diversified	433,130	3.49	2.65
Home Furnishings	263,605	2.12	–
Insurance	580,733	4.68	3.84
Internet	270,910	2.18	2.30
Investment Companies	135,700	1.09	–
Iron/Steel	–	–	1.12
Mining	262,723	2.12	0.69
Miscellaneous Manufacture	186,231	1.50	–
Money Market Fund	–	–	5.56
Multinational	241,041	1.94	–
Oil and Gas	364,072	2.94	4.65
Pharmaceuticals	191,272	1.54	–
Real Estate	262,779	2.12	3.94
Real Estate Investment Trusts	602,580	4.85	6.14
Retail	270,932	2.18	0.69
Shipbuilding	440,237	3.55	0.79
Sovereign	289,164	2.33	6.01
Telecommunications	541,036	4.36	2.66
Transportation	152,520	1.23	1.96
Accrued interest on debt securities	40,759	0.33	0.23
Portfolio of investments	11,645,087	93.82	92.42
Other net assets	766,887	6.18	7.58
Net assets attributable to unit holders	12,411,974	100.00	100.00

The accompanying notes form an integral part of these financial statements.

	Fair value as at 31/12/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2017 %	Percentage of total net assets attributable to unitholders as at 31/12/2016 %
Phillip Income Fund			
By Geography (Secondary)			
Australia	893,614	7.20	7.76
Britain	703,218	5.67	2.26
British Virgin Islands	513,897	4.14	2.17
Cayman Islands	534,515	4.30	2.30
China/Hong Kong	629,127	5.07	10.24
France	389,307	3.14	-
Germany	186,231	1.50	-
India	420,847	3.39	1.12
Indonesia	633,910	5.11	4.65
Ireland	204,193	1.65	1.58
Italy	186,697	1.50	-
Japan	724,839	5.84	-
Malaysia	521,860	4.20	0.96
Netherlands	-	-	4.37
Philippines	74,307	0.60	2.09
Singapore	2,845,249	22.92	38.24
Supranational	241,041	1.94	-
South Korea	523,676	4.22	2.81
Switzerland	-	-	1.33
Taiwan	399,560	3.22	1.51
Thailand	359,217	2.89	2.15
Turkey	289,164	2.33	2.47
United States of America	329,859	2.66	4.18
Accrued interest on debt securities	40,759	0.33	0.23
Portfolio of investments	11,645,087	93.82	92.42
Other net assets	766,887	6.18	7.58
Net assets attributable to unitholders	12,411,974	100.00	100.00

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

1 Domicile and activities

Phillip Investment Funds (the “Fund”) is an open ended umbrella unit trust constituted pursuant to a Trust Deed dated 26 February 2001 together with its Amending and Restating Deeds and its Supplemental Deed thereon (hereafter referred to as the “Trust Deed”) between Phillip Capital Management (S) Ltd (the “Manager”) and BNP Paribas Trust Services Singapore Limited (the “Trustee”). The Trust Deed is governed by and construed in accordance with the laws of the Republic of Singapore.

The Fund offers a series of sub-funds (the “Sub-Funds”); these were first offered for sale in Singapore on the following launch dates:

Sub-Fund	Launch date
Phillip Money Market Fund	1 March 2001
Phillip Income Fund	1 March 2001

Phillip Money Market Fund

The investment objective of Phillip Money Market Fund is to aim to preserve principal value and maintain a high degree of liquidity while producing returns comparable to that of Singapore dollar savings deposits. The Sub-Fund invests primarily in short term, high quality money market instruments and debt securities. Such investments may include government and corporate bonds, commercial bills and deposits with financial institutions. The Money Market Funds Investment Guidelines in Appendix 2 of the Code on Collective Investment Schemes apply to this Sub-Fund. The Phillip Money Market Fund is relatively low risk and its objective is targeted at achieving absolute returns. The benchmark for the Phillip Money Market Fund is the bank savings deposit rate.

Phillip Income Fund

The investment objective of Phillip Income Fund is to aim to achieve medium to long term capital appreciation through investing substantially all of the assets in a diversified portfolio of high quality bonds, high yield stocks and other interest bearing securities across various sectors and regions. The Sub-Fund intends to offer regular dividends through semi-annual distributions. However such distribution is not guaranteed and is subject to all times to the discretion of the Manager.

2 Significant accounting policies

2.1 Basis of preparation

The financial statements, expressed in Singapore dollars, have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the *Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts”* issued by the Institute of Singapore Chartered Accountants.

On 1 January 2017, the Fund has adopted the recommendations of the revised RAP 7 (revised March 2017) issued by the Institute of Singapore Chartered Accountants effective for the financial year beginning 1 January 2017.

RAP 7 was revised in March 2017 to take into account, amongst others, the changes made to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosures* in relation to the offsetting of financial assets and liabilities; and new standards issued after 2012 including FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interest in Other Entities* and FRS 113 *Fair Value Measurement*. RAP 7 (Revised March 2017) (“Revised RAP 7”) is applicable to unit trusts with annual periods beginning on or after 1 July 2016. The adoption of the Revised RAP 7 did not result in any significant changes to the accounting policies of the Trust and had no material effect on the amounts reported for current or prior financial years.

For the purposes of preparation of these financial statements, the basis used for calculating the expense ratio and turnover ratio are in accordance with the guidelines issued by the Investment Management Association of Singapore (“IMAS”) and the Code on Collective Investment Schemes under the Securities and Futures Act (Cap 289) (“Code”) respectively.

2.2 Basis of valuation of investments

Quoted investments are stated at fair value based on the last traded prices for equities and bid prices for debt securities at the reporting date. Unrealised gains/losses on investments are represented by the difference between the fair value and the carrying value of investments and are recognised in the Statements of Total Return. Realised gains and losses upon disposal of investments are computed on the basis of the difference between the carrying value and the selling price of investments on trade date and are taken to the Statements of Total Return.

2.3 Financial derivatives

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the Statements of Total Return when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value therein are recognised in the Statements of Total Return.

2.4 Recognition of income

Dividend income is recognised when declared and is stated gross of tax credits.

Interest income is recognised as it accrues in the Statements of Total Return, using the effective interest method.

2.5 *Foreign currency translation*

Transactions in foreign currencies are translated at the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at exchange rates at the reporting date. All exchange differences are recognised in the Statements of Total Return.

2.6 *Income tax expense*

The Fund was approved for the Enhanced-Tier Fund Tax Incentive Scheme under Section 13X of the Income Tax Act by the Monetary Authority of Singapore (“MAS”) with effect from 12 December 2011. The tax exemption status will be for the life of the Fund, provided the Fund continues to meet all the terms and conditions set out by MAS and the relevant Income Tax legislations.

2.7 *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances and amounts held with brokers. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.8 *Net assets attributable to unitholders*

Net assets attributable to unitholders are classified as equity.

3 Receivables

	Phillip Money Market Fund		Phillip Income Fund	
	2017 S\$	2016 S\$	2017 S\$	2016 S\$
Receivable from unitholders for creation of units	739,022	1,125,712	–	632,715
Dividends receivable	–	–	7,270	4,319
Accrued interest receivable	958,732	1,030,168	–	–
	<u>1,697,754</u>	<u>2,155,880</u>	<u>7,270</u>	<u>637,034</u>

4 Cash and cash equivalents

	Phillip Money Market Fund		Phillip Income Fund	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Cash and bank balances	59,028,229	56,986,469	759,922	1,013,214
Amounts held with brokers	–	–	76,853	101,129
	<u>59,028,229</u>	<u>56,986,469</u>	<u>836,775</u>	<u>1,114,343</u>

Amounts held with brokers comprise unrestricted amounts held with brokers.

5 Payables

	Phillip Money Market Fund		Phillip Income Fund	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Payable to unitholders for cancellation of units	789,006	257,883	–	47,640
Accrued expenses	690,732	374,105	63,079	49,878
	<u>1,479,738</u>	<u>631,988</u>	<u>63,079</u>	<u>97,518</u>

6 Financial derivatives at fair value

Financial derivative contracts comprise futures and forward foreign exchange contracts due for settlement within 1 year from the reporting date. The contracts or underlying principal amounts of these financial derivatives and their corresponding gross fair values at the comparative reporting date are analysed below.

Phillip Income Fund

	Notional amount	2017	
		Fair value assets	Fair value liabilities
	S\$	S\$	S\$
Futures contracts	3,314,645	–	18,606
Forward foreign exchange contracts	600,000	4,527	–
	<u>3,914,645</u>	<u>4,527</u>	<u>18,606</u>

7 Units in issue

During the year the number of units issued, redeemed and outstanding were as follows:

Phillip Money Market Fund

	2017	2016
Units at beginning of the year	637,553,451	554,680,925
Units created	2,348,337,257	1,783,617,992
Units cancelled	(2,369,724,957)	(1,700,745,466)
Units at end of the year	<u>616,165,751</u>	<u>637,553,451</u>
Net assets attributable to unitholders – S\$	733,509,987	752,996,996
Net asset value per unit – S\$	<u>1.1904</u>	<u>1.1811</u>

Phillip Income Fund

	2017			Total
	Class A SGD	Class I SGD	Class I USD	
Units at beginning of the year	1,933,194	10,140,136	–	12,073,330
Units created	249,327	46,676	–	296,003
Units cancelled	(623,092)	–	–	(623,092)
Units at end of the year	<u>1,559,429</u>	<u>10,186,812</u>	–	<u>11,746,241</u>
Net assets attributable to unitholders – S\$	1,619,459	10,792,515	–	12,411,974
Net asset value per unit – S\$	<u>1.0385</u>	<u>1.0595</u>	–	–

	2016			Total
	Class A SGD	Class I SGD	Class I USD	
Units at beginning of the year	1,371,366	10,093,642	–	11,465,008
Units created	666,458	46,494	–	712,952
Units cancelled	(104,630)	–	–	(104,630)
Units at end of the year	<u>1,933,194</u>	<u>10,140,136</u>	–	<u>12,073,330</u>
Net assets attributable to unitholders – S\$	1,989,524	10,587,564	–	12,577,088
Net asset value per unit – S\$	<u>1.0291</u>	<u>1.0441</u>	–	–

Class A SGD Units are offered to investors who invest S\$500 and above. Class I SGD Units are offered to investors who invest S\$500,000 and above. Class I USD Units are offered to investors who invest USD500,000 and above. All classes constitute the Sub-Fund and are not separate sub-funds. Any expense, income and/or gain which is attributable to a particular class is deducted from or added to (as the case may be) the value of the sub-fund which is attributable to that class. A separate net asset value per unit is calculated for each class.

For subscriptions and redemptions and for various fee calculations, investments are stated at the last traded price/amortised cost on the valuation day for the purpose of determining net asset value per unit while for reporting purpose the investments are valued at the relevant last traded or bid market prices as at the reporting date.

The effect of last traded price/amortised cost in the net assets attributable to unitholders is as follows:

Phillip Money Market Fund

	2017	2016
	S\$	S\$
Net assets attributable to unitholders per unit per financial statements	1.1904	1.1811
Effect of adopting amortised cost per unit	0.0007	0.0003
Effect for movement in the net asset value between the last dealing date and the end of the reporting period	(0.0001)	–
Net assets attributable to unitholders per unit for issuing/redeeming	<u>1.1910</u>	<u>1.1814</u>

Phillip Income Fund

	2017		
	Class A SGD	Class I SGD	Class I USD
	S\$	S\$	S\$
Net assets attributable to unitholders per unit per financial statements	1.0385	1.0595	–
Effect of adopting last traded price per unit	0.0001	–	–
Net assets attributable to unitholders per unit for issuing/redeeming	<u>1.0386</u>	<u>1.0595</u>	<u>–</u>
	2016		
	Class A SGD	Class I SGD	Class I USD
	S\$	S\$	S\$
Net assets attributable to unitholders per unit per financial statements	1.0291	1.0441	–
Effect of adopting last traded price per unit	(0.0002)	(0.0002)	–
Net assets attributable to unitholders per unit for issuing/redeeming	<u>1.0289</u>	<u>1.0439</u>	<u>–</u>

8 Income tax

	Phillip Money Market Fund		Phillip Income Fund	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Singapore income tax	–	–	1,926	(607)
Overseas income tax	–	–	24,968	25,307
	–	–	26,894	24,700

The income tax charge/(recoverable) relates to tax deducted at source and withholding tax suffered on dividend income and interest income.

9 Distribution

Phillip Income Fund

	2017
	S\$
Interim (2.00 cents per unit based on units outstanding as at 14 March 2017)	232,379
Final (2.50 cents per unit based on units outstanding as at 31 August 2017)	292,896
	<u>525,275</u>
	2016
	S\$
Interim (2.50 cents per unit based on units outstanding as at 10 March 2016)	285,989
Final (2.00 cents per unit based on units outstanding as at 7 September 2016)	229,654
	<u>515,643</u>

10 Financial risk management

The Sub-Funds' activities expose them to a variety of market risks (including price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Sub-Funds' overall risk management programme seeks to minimise potential adverse effects on the Sub-Funds' financial performance. The Sub-Funds may use futures contracts, options contracts and/or currency forward contracts subject to the terms of the Trust Deed to moderate certain risk exposures. Specific guidelines on exposures to individual securities and certain industries are in place for the Sub-Funds at any time as part of the overall financial risk management to reduce the Sub-Funds' risk exposures.

a) *Market risk*

Market risk is the risk of potential adverse change to the value of financial instruments because of changes in market conditions such as interest rate movements and volatility in securities' prices. The Manager manages each Sub-Fund's exposure to market risk through the use of risk management strategies and various analytical monitoring techniques.

i. Price risk

Price risk is the risk that the fair values of equities or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The investments of the Sub-Funds are subject to normal market fluctuations and the risks inherent in investing in securities markets and there can be no assurance that appreciation will occur. It is the policy of the Manager to maintain a diversified portfolio of investments so as to minimise the risk.

ii. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The table below summarises the Sub-Funds' exposure to interest rate risks. They include the Sub-Funds' assets and trading liabilities at fair value, categorised by interest rate types.

		<----- Fixed rate ----->				
	Floating rate S\$	Up to 1 year S\$	1-5 years S\$	Non-interest bearing S\$	Total S\$	
Phillip Money Market Fund						
2017						
Assets						
Portfolio of investments	–	604,087,381	68,241,583	1,934,778	674,263,742	
Receivables	–	–	–	1,697,754	1,697,754	
Cash and cash equivalents	43,070,468	–	–	15,957,761	59,028,229	
	43,070,468	604,087,381	68,241,583	19,590,293	734,989,725	
Liabilities						
Payables	–	–	–	1,479,738	1,479,738	
2016						
Assets						
Portfolio of investments	–	641,228,423	51,883,445	1,374,767	694,486,635	
Receivables	–	–	–	2,155,880	2,155,880	
Cash and cash equivalents	51,767,932	–	–	5,218,537	56,986,469	
	51,767,932	641,228,423	51,883,445	8,749,184	753,628,984	
Liabilities						
Payables	–	–	–	631,988	631,988	

	Floating rate S\$	<----- Fixed rate ----->			Non-interest bearing S\$	Total S\$
		Up to 1 year S\$	1-5 years S\$	Over 5 years S\$		
Phillip Income Fund						
2017						
Assets						
Portfolio of investments	767,705	314,844	2,014,466	1,035,451	7,512,621	11,645,087
Receivables	–	–	–	–	7,270	7,270
Cash and cash equivalents	76,853	–	–	–	759,922	836,775
Financial derivatives at fair value	–	–	–	–	4,527	4,527
	<u>844,558</u>	<u>314,844</u>	<u>2,014,466</u>	<u>1,035,451</u>	<u>8,284,340</u>	<u>12,493,659</u>
Liabilities						
Payables	–	–	–	–	89,821	89,821
Financial derivatives at fair value	–	–	–	–	18,606	18,606
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>108,427</u>	<u>108,427</u>
2016						
Assets						
Portfolio of investments	419,491	473,088	1,225,212	1,577,500	7,927,938	11,623,229
Receivables	–	–	–	–	637,034	637,034
Cash and cash equivalents	101,129	–	–	–	1,013,214	1,114,343
	<u>520,620</u>	<u>473,088</u>	<u>1,225,212</u>	<u>1,577,500</u>	<u>9,578,186</u>	<u>13,374,606</u>
Liabilities						
Payables	–	–	–	–	97,518	97,518
Purchases awaiting settlement	–	–	–	–	700,000	700,000
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>797,518</u>	<u>797,518</u>

The duration, a measure of the sensitivity of the price of a fixed income security to a change in interest for the 12 month period is as disclosed below. As of 31 December 2017, should interest rates rise or fall by 1% with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders would be as follows:

	Interest rates rise/(fall) by 1%	
	2017 S\$	2016 S\$
Phillip Money Market Fund	<u>2,012,930</u>	<u>1,644,224</u>
Phillip Income Fund	<u>153,198</u>	<u>155,620</u>

iii. Currency risk

The Sub-Funds are denominated in Singapore dollars. The Sub-Funds invest in underlying securities which are denominated in foreign currencies where fluctuations in the relevant exchange rates may have an impact on the income and value of the Sub-Funds. The Manager may seek to minimise exposure to foreign currency fluctuation to the extent practicable.

Investments and cash and cash equivalents of Phillip Money Market Fund are denominated in the Sub-Fund's functional currency.

Investments and cash and cash equivalents of Phillip Income Fund denominated in various currencies include the following:

	USD S\$	HKD S\$	EUR S\$	AUD S\$
Phillip Income Fund				
2017				
Assets				
Portfolio of investments	2,436,886	966,867	940,362	630,835
Cash and cash equivalents	27,274	57,097	–	–
Total assets	2,464,160	1,023,964	940,362	630,835
Liabilities				
Financial derivatives at fair value	–	18,241	–	–
Total liabilities	–	18,241	–	–
Net currency exposure	2,464,160	1,005,723	940,362	630,835
2016				
Assets				
Portfolio of investments	3,722,676	1,417,064	139,466	1,078,846
Receivables	–	–	–	–
Cash and cash equivalents	390,939	15,129	–	12,666
Total assets	4,113,615	1,432,193	139,466	1,091,512
Total liabilities	–	–	–	–
Net currency exposure	4,113,615	1,432,193	139,466	1,091,512

As at 31 December 2017 and 2016, with respect to the asset and liabilities of the Sub-Fund, had the Singapore Dollar appreciate or depreciate by 2% against foreign currencies, with all other variables remaining constant, the corresponding decrease or increase in net assets attributable to unitholders would be as follows:

	2017	2016
	S\$	S\$
Phillip Income Fund		
AUD	12,617	21,830
EUR	18,807	2,789
HKD	20,114	28,644
USD	49,283	82,272
	49,283	82,272

b) *Liquidity risk*

The Sub-Funds are exposed to daily redemption of units in the Sub-Funds. Therefore the majority of their assets are invested in investments that are traded in an active market and can be readily disposed of.

c) *Credit risk*

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

The main credit risk to which the Sub-Funds are exposed arise from the Sub-Funds' investments in debt securities. The Sub-Funds are also exposed to counterparty credit risk on trading derivative products, cash and cash equivalents and other receivable balances.

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal.

The Sub-Funds may also enter into derivative contracts to manage exposures to currency risk and price risk, including foreign exchange forward contracts and options. Hence, the Sub-Funds are also exposed to the risk that amounts held with counterparties for derivative contracts may not be recoverable in the event of any default by the parties concerned.

The table below analyses the credit ratings of banks in which the Sub-Funds' fixed deposits are held.

Phillip Money Market Fund

<u>Fixed deposits by rating category</u>	Percentage of total net assets attributable to unitholders 2017 %	Percentage of total net assets attributable to unitholders 2016 %
A	46.27	56.67
Aa**	–	4.65
Total fixed deposits	46.27	61.32

Source of credit rating is from Standard & Poor's except for the following:

*** Credit rating is from Moody's*

The table below analyses the Sub-Funds' debt investments by credit ratings.

Phillip Money Market Fund

<u>Debt securities by rating category</u>	Percentage of total net assets attributable to unitholders 2017 %	Percentage of total net assets attributable to unitholders 2016 %
A	2.04	1.26
AA	–	0.80
AAA	–	0.33
A**	–	5.71
Aa**	7.86	4.69
A1**	0.21	–
A3**	4.29	–
Not Rated	30.99	17.94
Total debt securities	45.39	30.73

Source of credit rating is from Standard & Poor's except for the following:

*** Credit rating is from Moody's*

Phillip Income Fund

<u>Debt securities by rating category</u>	Percentage of total net assets attributable to unitholders	Percentage of total net assets attributable to unitholders
	2017 %	2016 %
A	4.82	8.91
AA	–	1.65
AAA	1.94	–
BB	–	4.65
BBB	7.64	5.39
A3**	2.12	–
Aaa*	–	1.89
A**	–	2.17
Ba**	2.33	2.47
Baa**	2.02	1.76
Not Rated	12.43	0.50
Total debt securities	33.30	29.39

Source of credit rating is from Standard & Poor's except for the following:

* *Credit rating is from Fitch*

** *Credit rating from Moody's*

Derivatives risk

The Manager may use financial derivative instruments solely for the purposes of hedging existing positions in a portfolio for efficient portfolio management, and such financial derivative instruments are not used to gear the overall portfolio.

d) *Fair value estimation*

Except for investments which are measured at fair value, at 31 December 2017 and 2016, the fair values of assets and liabilities approximate their carrying values on the Statements of Financial Position.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Sub-Funds is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Sub-Funds hold derivatives with offsetting market risks, mid-market prices are used as a basis for establishing fair values for the offsetting risk positions and bid or asking price are applied to the net open position, as appropriate.

The Sub-Funds classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the Sub-Funds' financial assets and liabilities (by class) measured at fair value at 31 December 2017 and 2016:

Phillip Money Market Fund

	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$
2017				
Assets				
Debt securities	–	334,870,472	–	334,870,472
Fixed deposits	–	339,393,270	–	339,393,270
	–	674,263,742	–	674,263,742
2016				
Assets				
Debt securities	–	232,720,070	–	232,720,070
Fixed deposits	–	461,766,565	–	461,766,565
	–	694,486,635	–	694,486,635

Phillip Income Fund

	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$
2017				
Assets				
Equity securities and investment funds	7,471,862	–	–	7,471,862
Debt securities	–	4,173,225	–	4,173,225
Financial derivatives at fair value	–	4,527	–	4,527
	7,471,862	4,177,752	–	11,649,614
Liabilities				
Financial derivatives at fair value	–	18,606	–	18,606
2016				
Assets				
Equity securities and investment funds	7,898,391	–	–	7,898,391
Debt securities	–	3,724,838	–	3,724,838
	7,898,391	3,724,838	–	11,623,229

11 Related parties

In the normal course of the business of the Sub-Funds, management fees and trustee fees have been paid or are payable to the Manager and the Trustee respectively as noted in the Statements of Total Return.

In addition, the bank holding company and related parties of the Trustee have also provided custodian, banking, foreign exchange, fund administration and brokerage services to the Sub-Funds in the normal course of business at terms agreed between the parties and within the provisions of the Trust Deed.

Other than as disclosed elsewhere in the financial statements, the following significant transactions took place between the Sub-Funds and its related parties during the year:

	Phillip Money Market Fund		Phillip Income Fund	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Brokerage fee paid to:				
- a related party of the Manager	–	–	2,300	2,955
- related parties of the Trustee	–	–	12,899	3,469
Cash and bank balances held with a related party of the Trustee	15,948,584	5,218,496	759,922	1,013,214

The Manager may also use the services of related parties to carry out transactions involving the purchase and sale of securities.

12 Financial ratios

Expense Ratio

	2017	2016
	S\$	S\$
Phillip Money Market Fund		
Total operating expenses	S\$ 3,781,835	3,277,185
Average daily net asset value	S\$ 777,024,901	666,381,594
Total expense ratio ^{Note 1}	% 0.49	0.49

	2017	2016
	S\$	S\$
Phillip Income Fund		
Class A SGD		
Total operating expenses	S\$ 34,033	28,508
Average daily net asset value	S\$ 1,699,035	1,374,838
Total expense ratio ^{Note 1}	% 2.00	2.07

Class I SGD		
Total operating expenses	S\$ 165,242	164,439
Average daily net asset value	S\$ 10,855,055	10,313,896
Total expense ratio ^{Note 1}	% 1.52	1.59

Class I USD		
Total operating expenses	S\$ –	–
Average daily net asset value	S\$ –	–
Total expense ratio ^{Note 1}	% –	–

Turnover Ratio

	2017	2016
	S\$	S\$
Phillip Money Market Fund		
Lower value of purchase (or sale) of underlying investments	S\$ 502,625	–
Average daily net asset value	S\$ 777,024,901	666,381,594
Total turnover ratio ^{Note 2}	% 0.06	–

Turnover Ratio

	2017	2016
	S\$	S\$
Phillip Income Fund		
Lower value of purchase (or sale) of underlying investments	S\$ 14,480,072	12,839,115
Average daily net asset value	S\$ 12,554,090	11,688,734
Total turnover ratio ^{Note 2}	%	<u>115.34</u>
		<u>109.84</u>

Note 1 The expense ratio has been computed based on the guidelines laid down by the IMAS. The calculation of the expense ratio is based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include (where applicable) brokerage and other transaction costs, performance fees, interest expenses, distributions paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Sub-Funds do not pay performance fee. The average net asset value is based on the daily balances.

Note 2 The portfolio turnover ratio is calculated in accordance with the formula stated in the Code. The calculation of the portfolio turnover ratio is based on the total value of purchases (or sales) of the underlying investments divided by the weighted average daily net asset value. Total value of purchases (or sales) does not include brokerage and other transaction costs. The total value of bonds matured during the year is not included in the computation of portfolio turnover ratio.

13 Comparative information

Change in classification

During the financial year ended 2017, the Fund changed the classification of fixed deposits to reflect its investment objective of fixed deposits. Comparative amounts in the statement of financial position were restated for consistency. As a result, S\$461,766,565 was reclassified from 'Cash and cash equivalents' to 'Portfolio of investments'.

Since the amounts are classification within total assets in the statement of financial position, this change in classification did not have any effect on the statement of total return.