

# **PHILLIP TREASURY FUND**

## **SEMI-ANNUAL REPORT**

*Period ended 30 September 2015 (unaudited)*

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## **PHILLIP TREASURY FUND**

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### **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  
Loh Hoon Sun  
Jeffrey Lee Chay Khiong  
Linus Lim Wen Sheong  
Lee Ken Hoon

#### **TRUSTEE & REGISTRAR**

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

#### **CUSTODIAN**

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

#### **AUDITORS**

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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**

Rodyk & Davidson LLP  
80 Raffles Place, #33-00, UOB Plaza I  
Singapore 048624

**MANAGER'S INVESTMENT REPORT**  
**Phillip US Dollar Money Market Fund**

**MANAGER'S REPORT**

The US Dollar Money Market Fund returned 0.53% (bid-to-bid basis) over the one year period ended 30 September 2015. The Fund outperformed its benchmark return of 0.14%.

During the period ended 30 September 2015, the portfolio's Weighted Average Maturity ("WAM") remained within 175 days and carried about 25% in monthly liquidity. The Fund's bonds portfolio has an average credit rating of A with its portfolio of high credit quality issues, fixed rate bank certificates and term deposits. The Fund maintained a conservative portfolio and holdings are diversified across countries, sector and issuers.

US economic activity was disappointing in the first quarter of the calendar year due to various factors, such as the winter weather and West-Coast port disruptions. There was a bounce-back in the second quarter, with growth reaccelerating to 3.9% as retail sales rose, vehicle sales hit multi-year highs, housing starts rebounded and business investments picked up. The real goods trade deficit narrowed sharply. State and local government spending recovered, the labour market data remained encouraging and the unemployment rate fell to 5.8%.

US treasury yields rose, driven by the better economic data amidst protracted negotiations over the Greek debt crisis. Shorter-dated yields were underpinned by relatively dovish US Federal Reserve (Fed) comments in the second half of 2015.

While US domestic fundamentals remain solid, growth seems likely to slow from its second quarter pace, especially given the effects of a stronger dollar on exports and manufacturing and the slightly elevated level of inventories. In October, US inflation rose slightly to 0.20% year on year, with core rate of inflation remaining unchanged at a respectable 1.69% year on year. Comments from the Fed pointed to a lower increase in the Fed funds rate target than previously outlined, and its desire to tighten rates in December 2015.

We expect growth to slow to around 2.5% in the second half of this year, and to remain close to that pace in 2016.

Our liquidity strategy will focus on investing in cash deposits with 3-month maturities and debt securities of one year maturities, which have attractive yields relative to 1 year deposit rates. Our strategy is to have a target WAM in the range of 120 days, with overnight and monthly liquidity of 10% and 20% respectively, for the portfolio.

The Fund will continue to invest in high-quality short-term corporate papers with strong balance sheets and robust business models to ensure sufficient liquidity and unit price stability.

**PHILLIP TREASURY FUND**

**REPORT TO UNITHOLDERS  
Phillip USD Money Market Fund**

The following contains additional information relating to the US Dollar Money Market Fund (the "Sub-Fund").

**1. Distribution of investments**

Please refer to the Statement of Portfolio on pages 11 to 14.

**2. Schedule of Investments by Asset Class**

	Fair value at 30 September 2015 US\$	Percentage of total net assets attributable to unitholders at 30 September 2015 %
Fixed Income Securities	51,575,732	52.84
Term Deposits	34,040,962	34.88
Cash & Bank Balances	11,539,420	11.82
Other Net Current Assets	450,546	0.46
	97,606,660	100.00

**3. Types of Money Market Instruments and Debt Securities**

	Fair value at 30 September 2015 US\$	Percentage of total net assets attributable to unitholders at 30 September 2015 %
Fixed Rate Notes	43,205,127	44.26
Floating Rate Notes	8,042,590	8.24
Accrued Interest on fixed income securities	328,015	0.34
	51,575,732	52.84

**4. Credit rating of debt securities**

Credit Ratings	Fair value at 30 September 2015 US\$	Percentage of total net assets attributable to unitholders at 30 September 2015 %
AAA	2,518,550	2.58
AA	5,488,715	5.62
A	42,236,942	43.27
A*	1,003,510	1.03
<b>Total</b>	<b>51,247,717</b>	<b>52.50</b>

Source of the credit rating is from Standard & Poor's

Except the following:

\*Credit rating is from Moody's

5. Top 10 holdings

	Fair value at 30 September 2015 US\$	Percentage of total net assets attributable to unitholders at 30 September 2015 %
<b>10 Largest holdings as at 30 September 2015</b>		
Kookmin Bank 1.536% Due 11/10/2016	7,039,340	7.21
Horsepower Finance Ltd 2.1% Due 03/03/2017	5,015,050	5.14
CNPC General Capital Ltd 1.45% Due 16/04/2016	4,005,960	4.10
Tencent Holdings Ltd 4.625% Due 12/12/2016	3,622,430	3.70
Keb Hana Bank 1.375% Due 05/02/2016	3,502,660	3.59
Shinhan Bank 4.125% Due 04/10/2016	3,083,100	3.16
Swire Pacific MTN Financing Ltd 5.625% Due 30/03/2016	2,553,575	2.62
MTR Corp (CI) Ltd 2% Due 12/04/2017	2,518,550	2.58
Tencent Holdings Ltd 2% Due 02/05/2017	2,118,262	2.17
Kookmin Bank 1.375% Due 15/01/2016	2,051,353	2.10

**10 Largest holdings at 30 September 2014**

Hutchison Whampoa International Ltd 4.625% Due 11/09/2015	4,344,678	4.88
Korea Exchange Bank 1.75% Due 27/09/2015	4,022,120	4.52
Sarawak International 5.5% Due 03/08/2015	4,003,151	4.50
Bank Of China Ltd/HK1.68% Due 16/07/2015	4,001,578	4.50
CMT MTN Pte Ltd 4.321% Due 08/04/2015	3,149,786	3.54
Hana Bank 1.375% Due 05/02/2016	3,004,230	3.38
China Construction Bank Singapore 1.43% Due 07/10/2014	2,800,000	3.15
Kookmin Bank 1.375% Due 15/01/2016	2,054,633	2.31
Woori Bank 7% Due 02/02/2015	2,039,800	2.29
Korea Hydro & Nuclear Power Co Ltd 3.125% Due 16/09/2015	2,038,880	2.28

6. Maturity Profile of Investments

	Fair value at 30 September 2015 US\$	Percentage of total net assets attributable to unitholders at 30 September 2015 %
Up to 30 days	10,337,289	10.59
31 - 90 days	12,390,883	12.70
91 - 180 days	19,380,013	19.86
181 - 365 days	15,679,028	16.06
366 - 732 days	27,829,481	28.51
	85,616,694	87.72

7. (a) **Exposure to derivatives as at 30 September 2015**

Nil

(b) **Gain/Loss on derivative contracts realised for the year ended 30 September 2015**

Nil

(c) **Net gain/loss on outstanding derivative contracts marked to market as at 30 September 2015**

Nil

8. **Global exposure to financial derivatives**

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

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

9. **Investment in unit trusts, mutual funds and collective investment schemes**

Nil

10. **Amount and percentage of borrowings of total fund size as at 30 September 2015**

Nil

11. **Amount of units created and cancelled for the year 30 September 2015**

	<b>US\$</b>
Units created	206,460,091
Units cancelled	(198,982,793)

12. **Turnover ratio**

		<b>2015</b>	<b>2014</b>
Lower of total value of purchases or sales	US\$	1,552,150	11,781,430
Average daily net asset value	US\$	95,325,341	92,553,877
Total turnover ratio <sup>Note</sup>	%	1.63	12.73

Note: The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value. The total value of bonds matured during the period is not included in the computation of turnover ratio.

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**13. Expense ratio**

		<b>2015</b>	<b>2014</b>
Total operating expenses	US\$	496,127	465,186
Average daily net asset value	US\$	95,325,341	92,553,877
Total expense ratio <sup>Note</sup>	%	0.52	0.50

Note: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio was based on total operating expenses divided by the average net asset value for the period. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution 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 Fund does not pay any performance fee. The average net asset value is based on the daily balances.

**14. Performance of the Fund as at 30 September 2015**

	<b>Philip US dollar Money Market Fund</b>	<b>Benchmark</b>
Cumulative return		
3 months	0.11%	0.04%
6 months	0.24%	0.08%
1 year	0.53%	0.14%
3 years	1.72%	0.43%
5 years	3.08%	0.84%
Since inception (6 May 2009)	4.47%	1.20%
Annualised return		
3 years	0.57%	0.14%
5 years	0.61%	0.17%
Since inception (6 May 2009)	0.69%	0.19%

Cumulative returns are in US dollars calculated on a bid to bid basis, with net dividends reinvested  
Benchmark: 1-week US\$ Libor (Source: Bloomberg)

**15. Related party transactions**

In the normal course of the business of the Sub-Fund, trustee fees and management fees have been paid or are payable to the Trustee and the Manager respectively as noted in the Statement 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-Fund in the normal course of business at terms agreed between the parties and within the provisions of the Trust Deed.

The following significant transactions took place between the Fund and its related parties during the year:

	<b>30 September 2015</b>	<b>31 March 2014</b>
	<b>US\$</b>	<b>US\$</b>
Bank balances held with related party of the Trustee	11,539,420	10,495,632



**16. Any other material information that will adversely impact the valuation of the Fund**

Nil

**17. Soft dollar commissions**

The Manager is 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 service 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 or 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.

The Manager did not receive any soft dollar commissions in respect of the Fund during the period.

## PHILLIP TREASURY FUND

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### STATEMENT OF TOTAL RETURN

Period ended 30 September 2015 (unaudited)

#### Phillip USD Money Market Fund

	30 September 2015 US\$	30 September 2014 US\$
<b>Income</b>		
Interest	121,369	149,105
	<u>121,369</u>	<u>149,105</u>
<b>Less: Expenses</b>		
Management fees	197,872	181,707
Custody fees	-	(424)
Audit fee	2,962	4,096
Trustee & administration fees	32,156	29,529
Other expenses	23,575	6,448
	<u>256,565</u>	<u>221,356</u>
<b>Net losses</b>	<u>(135,196)</u>	<u>(72,251)</u>
<b>Net gains or losses on value of investments and financial derivatives</b>		
Net gains on investments	345,774	355,528
Net foreign exchange losses	(1,955)	(398)
	<u>343,819</u>	<u>355,130</u>
<b>Total return for the period before income tax</b>	208,623	282,879
Less: Income tax	-	-
<b>Total return for the period after income tax before distribution</b>	<u>208,623</u>	<u>282,879</u>

**PHILLIP TREASURY FUND**

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**STATEMENT OF FINANCIAL POSITION**

*As at 30 September 2015 (unaudited)*

**Phillip USD Money Market Fund**

	<b>30 September 2015</b>	<b>31 March 2015</b>
	<b>US\$</b>	<b>US\$</b>
<b>Assets</b>		
Portfolio of investments	<b>51,575,732</b>	59,412,007
Receivables	<b>1,306,702</b>	75,734
Cash and cash equivalents	<b>45,580,382</b>	30,540,909
	<b>98,462,816</b>	90,028,650
<b>Liabilities</b>		
Payables	<b>856,156</b>	107,911
	<b>856,156</b>	107,911
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>97,606,660</b>	89,920,739

**PHILLIP TREASURY FUND**

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**STATEMENT OF MOVEMENTS IN UNITHOLDERS' FUNDS**

Period ended 30 September 2015 (unaudited)

**Phillip USD Money Market Fund**

	<b>30 September 2015 US\$</b>	<b>31 March 2015 US\$</b>
<b>Net assets attributable to unitholders at the beginning of financial period</b>	<b>89,920,739</b>	<b>90,831,346</b>
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	208,623	525,183
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	206,460,091	401,134,500
Cancellation of units	(198,982,793)	(402,570,290)
<b>Change in net assets attributable to unitholders resulting from net creation and cancellation of units</b>	<b>7,477,298</b>	<b>(1,435,790)</b>
Total increase/(decrease) in net assets attributable to unitholders	7,685,921	(910,607)
<b>Net assets attributable to unitholders at the end of financial period</b>	<b>97,606,660</b>	<b>89,920,739</b>

## PHILLIP TREASURY FUND

### STATEMENT OF PORTFOLIO

As at 30 September 2015 (unaudited)

#### Phillip USD Money Market Fund

By Geography (Primary)	Holdings at 30 September 2015	Fair value at 30 September 2015	Percentage of total net assets attributable to unitholders at 30 September 2015 %
		US\$	
<b>Quoted Fixed Income Securities</b>			
<b>BRITISH VIRGIN ISLANDS</b>			
Amipeace Ltd 2% Due 06/12/2016	1,000,000	1,003,510	1.03
CNOOC Finance 2013 Ltd 1.125% Due 09/05/2016	1,700,000	1,699,694	1.74
CNPC General Capital Ltd 1.45% Due 16/04/2016	4,000,000	4,005,960	4.10
CNPV HK Overseas Capital Ltd 3.125% Due 28/04/2016	1,950,000	1,970,124	2.02
Horsepower Finance Ltd 2.1% Due 03/03/2017	5,000,000	5,015,050	5.14
		13,694,338	14.03
<b>CAYMAN ISLANDS</b>			
Hutchison Whampoa International Ltd 3.5% Due 13/01/2017	710,000	728,687	0.75
MTR Corp (CI) Ltd 2% Due 12/04/2017	2,500,000	2,518,550	2.58
Swire Pacific MTN Financing Ltd 5.625% Due 30/03/2016	2,500,000	2,553,575	2.62
Tencent Holdings Ltd 2% Due 02/05/2017	2,120,000	2,118,262	2.17
Tencent Holdings Ltd 4.625% Due 12/12/2016	3,500,000	3,622,430	3.70
		11,541,504	11.82
<b>CHINA</b>			
Bank Of Communications Co Ltd/Hong Kong 2.125% Due 15/01/2017	1,000,000	1,005,140	1.03
		1,005,140	1.03
<b>FRANCE</b>			
BNP Paribas SA 3.6% Due 23/02/2016	1,000,000	1,010,920	1.04
		1,010,920	1.04
<b>SOUTH KOREA</b>			
Export-Import Bank Of Korea Due 17/09/2016 FRN	1,000,000	1,003,250	1.03
Keb Hana Bank 1.375% Due 05/02/2016	3,500,000	3,502,660	3.59
Kookmin Bank 1.375% Due 15/01/2016	2,050,000	2,051,353	2.10
Kookmin Bank Due 11/10/2016 FRN	7,000,000	7,039,340	7.21
Korea Land & Housing Corp 1.875% Due 02/08/2017	1,400,000	1,403,052	1.44
Korea National Oil Corp 2.875% Due 09/11/2015	1,380,000	1,382,719	1.42
Korea Western Power Co Ltd 3.125% Due 10/05/2017	286,000	292,361	0.30
Shinhan Bank 4.125% Due 04/10/2016	3,000,000	3,083,100	3.16
Woori Bank 4.75% Due 20/01/2016	1,195,000	1,207,320	1.23
		20,965,155	21.48

PHILLIP TREASURY FUND

IMPORTANT INFORMATION

Phillip USD Money Market Fund

By Geography (Primary) (continued)

	Holdings at 30 September 2015	Fair value at 30 September 2015	Percentage of total net assets attributable to unitholders at 30 September 2015 %
		US\$	
<b>Quoted Fixed Income Securities</b>			
<b>UNITED STATES</b>			
Goldman Sachs Group Inc/The 3.625% Due 07/02/2016	2,000,000	2,019,600	2.06
JPMorgan Chase & Co 3.45% Due 01/03/2016	1,000,000	1,011,060	1.04
		3,030,660	3.10
<b>Total Quoted Fixed Income Securities</b>		51,247,717	52.50
<b>Accrued interest on fixed income securities</b>		328,016	0.34
<b>Portfolio of investments</b>		51,575,732	52.84
<b>Other net assets</b>		46,030,928	47.16
<b>Net assets attributable to unit holders</b>		97,606,660	100.00

By Geography (Summary)

	Fair Value at 30 September 2015	Percentage of total net assets attributable to unitholders at 30 September 2015 %	Percentage of total net assets attributable to unitholders at 31 March 2015 %
	US\$		
<b>Quoted Fixed Income Securities</b>			
Australia	-	-	1.12
British Virgin Islands	13,694,338	14.03	5.55
Cayman Islands	11,541,504	11.82	7.48
China	1,005,140	1.03	12.78
France	1,010,920	1.04	-
Malaysia	-	-	6.60
Singapore	-	-	4.17
South Korea	20,965,155	21.48	26.15
United States	3,030,660	3.10	1.67
	51,247,717	52.50	65.52
<b>Accrued interest on fixed income securities</b>	328,015	0.34	0.55
<b>Portfolio of investments</b>	51,575,732	52.84	66.07
<b>Other net assets</b>	46,030,928	47.16	33.93
<b>Net assets attributable to unit holders</b>	90,606,660	100.00	100.00

## PHILLIP TREASURY FUND

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### IMPORTANT INFORMATION

By Industry (Secondary)	Fair Value at 30 September 2015	Percentage of total net assets attributable to unitholders at 30 September 2015	Percentage of total net assets attributable to unitholders at March 31 2015
	US\$	%	%
Communications	-	-	2.73
Consumer, Non-cyclical	-	-	1.77
Diversified	728,687	0.75	4.74
Energy	9,058,497	9.28	7.36
Financials	30,502,628	31.25	43.32
Government agency	2,406,302	2.47	3.35
Internet	5,740,692	5.87	-
Transportation	2,518,550	2.58	-
Utilities	292,361	0.30	2.25
	51,247,717	52.50	65.52
<b>Accrued Interest on fixed income securities</b>	328,015	0.34	0.55
<b>Portfolio of investments</b>	51,575,732	52.84	66.07
<b>Other net assets</b>	46,030,928	47.16	33.93
<b>Net assets attributable to unitholders</b>	97,606,660	100.00	100.00

**IMPORTANT INFORMATION**

Phillip US Dollar Money Market Fund (the “Sub-Fund”) is a sub-fund of Phillip Treasury Fund (the “Fund”), an open-ended umbrella unit trust authorised under the Securities and Futures Act, Chapter 289, by the Monetary Authority of Singapore.

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