

PHILLIP SGX APAC DIVIDEND LEADERS REIT ETF

ANNUAL REPORT

For the year ended 30 September 2018

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DIRECTORY

MANAGER

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(Company Registration No. 199905233W)

DIRECTORS OF THE MANAGER

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Jeffrey Lee Chay Khiong
Linus Lim Wen Sheong
Lim Wai Sai
Louis Wong Wai Kit

TRUSTEE & REGISTRAR

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CUSTODIAN

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SOLICITORS TO THE MANAGER

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50 Craig Road #03-01
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SOLICITORS TO THE TRUSTEE

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PHILLIP SGX APAC DIVIDEND LEADERS REIT ETF

MANAGER'S INVESTMENT REPORT

1. The Fund

The investment objective of the Fund is to seek to provide a high level of income and moderate long-term capital appreciation by tracking, as closely as possible, before expenses, the performance of the SGX APAC Ex-Japan Dividend Leaders REIT Index (the "Index"). By tracking the Index which is ranked and weighted by total dividends, the Fund aims to enhance risk-adjusted returns above that of traditional market capitalisation-weighted indices as the 30 REITs comprising the Index will be ranked and weighted according to the highest total dividends paid in the preceding 12 months subject to size, free-float market capitalisation and liquidity constraints.

Details of the fund

	30 September 2018
	US\$
NAV per share	0.998
Net Assets Attributable to unitholders	17,877,685

Fund Currency	US Dollar
Listing Date on SGX-ST	20 October 2016
Stock code on SGX-ST	BYI for PHLP AP DIV REIT US Dollars BYJ for PHLP AP DIV REIT Singapore Dollars

The Fund is classified as an Excluded Investment Product (EIP).

2. Distribution of Investments

Please refer to Statement of Portfolio on pages FS4 – FS6.

3. Schedule of Investments by Asset Class

	Fair value at 30 September 2018 US\$	Percentage of total net assets attributable to unitholders at 30 September 2018 %
Quoted Real Estate Investment Trusts	17,606,089	98.48
Cash and cash equivalents	225,882	1.26
Other net assets	45,714	0.26
Net assets attributable to unitholders	<u>17,877,685</u>	<u>100.00</u>

PHILLIP SGX APAC DIVIDEND LEADERS REIT ETF

MANAGER'S INVESTMENT REPORT

4. Top 10 holdings

10 largest holdings as at 30 September 2018	Fair value at 30 September 2018 US\$	Percentage of total net assets attributable to unitholders at 30 September 2018 %
Link REIT	1,763,863	9.86
Scentre Group	1,726,432	9.66
Stockland Corporation Limited	1,490,176	8.34
Dexus	1,082,390	6.05
Goodman Group Pty Ltd	1,074,220	6.01
The GPT Group	1,052,593	5.89
Vicinity Centres Re Ltd	1,008,905	5.64
Mirvac Group	992,008	5.55
Ascendas Real Estate Investment Trust	846,072	4.73
CapitaLand Mall Trust	641,593	3.59

10 largest holdings as at 30 September 2017	Fair value at 30 September 2017 US\$	Percentage of total net assets attributable to unitholders at 30 September 2017 %
Scentre Group	1,800,752	10.02
The Link REIT	1,755,409	9.77
Westfield Corporation	1,605,139	8.93
Stockland Corporation Ltd	1,422,182	7.92
Vicinity Centres Re Ltd	1,381,600	7.69
The GPT Group	1,038,095	5.77
Goodman Group Pty Ltd	1,000,203	5.57
Mirvac Group	913,963	5.09
Ascendas Real Estate Investment Trust	871,364	4.85
CapitaLand Mall Trust	562,276	3.13

5. Exposure to financial derivatives as at 30 September 2018

Nil

PHILLIP SGX APAC DIVIDEND LEADERS REIT ETF

MANAGER'S INVESTMENT REPORT

6. Global exposure to financial derivatives

The global exposure to financial derivatives is calculated 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 or hedging arrangements;
- (b) the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements;
- (c) the sum of the value 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.

7. Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 30 September 2018

	US\$	%
Real Estate Investment Trusts	17,606,089	98.48

8. Amount and percentage of borrowings of total fund size as at 30 September 2018

Nil

9. Amount of units created and cancelled for the year

Total amount of subscriptions	US\$ 315,300
Total amount of redemptions	(1,210,800)

10. Expense ratio

Please refer to Note 12 of Notes to the Financial Statements.

11. Turnover ratio

Please refer to Note 12 of Notes to the Financial Statements.

PHILLIP SGX APAC DIVIDEND LEADERS REIT ETF

MANAGER'S INVESTMENT REPORT

12. Performance of the Fund

As at 30 September 2018:

Cumulative (%)*	US\$	Benchmark US\$
3 Months	1.84	2.35
6 Months	3.90	4.62
1 year	5.78	7.19
Since inception (20 Oct 2016)	13.07	15.62
Annualised (%)*		
Since inception (20 Oct 2016)	6.54	8.51

* Returns are calculated on a bid-to-bid basis, with net dividends reinvested. The benchmark for which the Fund is measured against is the SGX APAC ex Japan Dividend Leaders REIT Index.

13. Related party transactions

Please refer to Note 11 of Notes to the Financial Statements.

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

Nil.

15. Soft dollar commissions

The Manager may 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 or 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 or 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 the account of the Fund.

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

Report of the Trustee

The Trustee is under a duty to take into custody and hold the assets of Phillip SGX APAC Dividend Leaders REIT ETF 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 (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Phillip SGX APAC Dividend Leaders REIT ETF during the period covered by these financial statements, set out on pages FS1 to FS15, 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
DBS Trustee Limited

Authorised signatory

14 December 2018

Statement by the Manager

In the opinion of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages FS1 to FS15, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of Phillip SGX APAC Dividend Leaders REIT ETF as at 30 September 2018, and the financial performance and movements in unitholders' funds for the year ended 30 September 2018 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 SGX APAC Dividend Leaders REIT ETF will be able to meet its financial obligations as and when they materialise.

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

Linus Lim Wen Sheong
Director

14 December 2018

Independent auditors' report

Unitholders

Phillip SGX APAC Dividend Leaders REIT ETF

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Phillip SGX APAC Dividend Leaders REIT ETF ('the Fund'), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 September 2018, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the year ended 30 September 2018, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS15.

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" 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 30 September 2018 and the financial performance and movements in unitholders' funds for the year ended 30 September 2018.

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 '*Auditors' 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming opinion thereon, and we do not provide a separate opinion on those matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

Phillip Capital Management (S) Ltd, the Manager of the Fund ('the Manager'), is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than 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 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 the Statement of Recommended Accounting Practices 7 "Reporting Framework for Unit Trusts" 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 auditors' 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 manager.
- Conclude on the appropriateness of 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 auditors' 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 auditors' 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.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yap Wee Kee.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
14 December 2018

Statement of Total Return
Year ended 30 September 2018

	Note	30 September 2018 US\$	Period from 29 September 2016 (date of constitution) to 30 September 2017 US\$
Income			
Dividends		945,082	1,289,999
		945,081	1,289,999
Less:			
Expenses			
Management fees		54,096	81,804
Trustee fees		21,252	14,060
Custody fees		16,578	18,324
Audit fee		13,117	12,000
Transaction fees		5,266	63,440
Other expenses		105,283	88,028
		215,592	277,656
Net income		729,489	1,012,343
Net gains or losses on value of investments and financial derivatives			
Net gains on investments		438,185	538,128
Net (losses)/gains on financial derivatives		(15,690)	15,690
Net losses on foreign exchange		(8,304)	(136,086)
		414,191	417,732
Total return for the year/period before income tax		1,143,681	1,430,075
Less: Income tax	8	(74,882)	(120,949)
Total return for the year/period after income tax before distribution		1,068,799	1,309,126

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

Statement of Financial Position
As at 30 September 2018

	Note	30 September 2018 US\$	30 September 2017 US\$
Assets			
Portfolio of investments		17,606,089	17,757,969
Sales awaiting settlement		58	385,363
Receivables	3	95,137	122,838
Cash and cash equivalents	4	225,882	113,626
Financial derivatives at fair value	5	-	15,690
Total assets		17,927,166	18,395,486
Liabilities			
Payables	6	49,481	430,342
Purchases awaiting settlement		-	1,208
Total liabilities		49,481	431,550
Equity			
Net assets attributable to unitholders	7	17,877,685	17,963,936

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

Statement of Movements of Unitholders' Funds
Year ended 30 September 2018

	Note	30 September 2018 US\$	Period from 29 September 2016 (date of constitution) to 30 September 2017 US\$
Net assets attributable to unitholders at the beginning of the year/period		17,963,936	-
Operations			
Change in net assets attributable to unitholders resulting from operations		1,068,799	1,309,126
Unitholders' contributions / (withdrawals)			
Creation of units		315,300	30,882,300
Cancellation of units		(1,210,800)	(13,335,800)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(895,500)	17,546,500
Distributions	9	(259,550)	(891,690)
Total (decrease)/increase in net assets attributable to unitholders		(86,251)	17,963,936
Net assets attributable to unitholders at the end of the year/period	7	17,877,685	17,963,936

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

Statement of Portfolio
As at 30 September 2018

	Holdings as at 30 September 2018	Fair value as at 30 September 2018 US\$	Percentage of total net assets attributable to unitholders as at 30 September 2018 %
By Geography (Primary)			
Quoted			
Australia			
BWP Trust	90,946	217,929	1.22
Charter Hall Group	49,529	255,943	1.43
Charter Hall Retail REIT	74,214	227,103	1.27
Cromwell Property Group	449,471	347,101	1.94
Dexus	142,020	1,082,390	6.05
Goodman Group Pty Ltd	143,669	1,074,220	6.01
Mirvac Group	570,332	992,008	5.55
Scentre Group	602,544	1,726,432	9.66
Shopping Centres Australasia Property Group	145,899	252,716	1.41
Stockland Corporation Limited	497,530	1,490,176	8.34
The GPT Group	279,932	1,052,593	5.89
Vicinity Centres Re Ltd	533,555	1,008,905	5.64
		9,727,516	54.41
China/Hong Kong			
Hui Xian Real Estate Investment Trust	924,826	423,231	2.37
Champion REIT	271,962	190,476	1.07
Fortune REIT	221,000	262,397	1.47
Link REIT	179,119	1,763,863	9.86
		2,639,967	14.77

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

Statement of Portfolio
As at 30 September 2018

	Holdings as at 30 September 2018	Fair value as at 30 September 2018 US\$	Percentage of total net assets attributable to unitholders as at 30 September 2018 %
By Geography (Primary)			
Quoted			
Singapore			
Ascendas Real Estate Investment Trust	438,323	846,072	4.73
Ascott Residence Trust	244,039	196,273	1.10
Cache Logistics Trust	282,458	151,793	0.85
CapitaLand Commercial I Trust	413,926	538,706	3.02
CapitaLand Mall Trust	395,273	641,593	3.59
CDL Hospitality Trusts	155,037	181,370	1.02
Frasers Centrepoint Trust	334,100	261,378	1.46
Kreit CP Asia	280,226	243,817	1.36
Mapletree Commercial Trust	337,767	397,605	2.22
Mapletree Industrial Trust REIT	245,906	355,995	1.99
Mapletree Logistics Trust	417,757	375,697	2.10
Mapletree North Asia Commercial Trust	460,344	383,704	2.15
Starhill Global Real Estate Investment Trust	289,802	147,264	0.82
Suntec Real Estate Investment Trust	366,614	517,339	2.89
		5,238,606	29.30
Portfolio of investments		17,606,089	98.48
Other net assets		271,596	1.52
Net assets attributable to unitholders		17,877,685	100.00

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

Statement of Portfolio
As at 30 September 2018

	Fair value as at 30 September 2018 US\$	Percentage of total net assets attributable to unitholders as at 30 September 2018 %	Percentage of total net assets attributable to unitholders as at 30 September 2017 %
By Geography (Primary)			
Quoted			
Australia	9,727,516	54.41	59.06
China/Hong Kong	2,639,967	14.77	13.23
Singapore	5,238,606	29.30	26.56
Portfolio of investments	<u>17,606,089</u>	<u>98.48</u>	<u>98.85</u>
Other net assets	271,596	1.52	1.15
Net assets attributable to unit holders	<u><u>17,877,685</u></u>	<u><u>100.00</u></u>	<u><u>100.00</u></u>
By Industry (Secondary)			
Real Estate Investments Trusts*	17,606,089	98.48	98.85
Portfolio of investments	<u>17,606,089</u>	<u>98.48</u>	<u>98.85</u>
Other net assets	271,596	1.52	1.15
Net assets attributable to unitholders	<u><u>17,877,685</u></u>	<u><u>100.00</u></u>	<u><u>100.00</u></u>

*A trust or company is defined as a Real Estate Investment Trust, if such trust's or company's business sector is classified as "Residential and Commercial REITs" under the Thomson Reuters Business Classification.

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 SGX APAC Dividend Leaders REIT ETF (the “Fund”) is an open-ended Unit Trust constituted pursuant to the Trust Deed dated 29 September 2016 together with its First Amending and Restating Deed dated 4 October 2016 (collectively referred to as the “Trust Deed”) between Phillip Capital Management (S) Ltd as the Manager and DBS Trustee Limited as the Trustee. The Trust Deed is governed by and construed in accordance with the laws of the Republic of Singapore.

The investment objective of the Fund is to seek to provide a high level of income and moderate long-term capital appreciation by tracking, as closely as possible, before expenses, the performance of the SGX APAC Ex-Japan Dividend Leaders REIT Index (the “Index”). By tracking the Index which is weighted by a fundamental factor such as total dividends, the Fund aims to enhance risk-adjusted returns above that of traditional market capitalisation-weighted indices as the 30 REITs comprising the Index will be ranked and weighted according to the highest total dividends paid in the preceding 12 months subject to size, free float market capitalisation and liquidity constraints.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements, expressed in US Dollars (“US\$”), 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 October 2017, the Fund has adopted the recommendations of revised RAP 7 (revised March 2017) issued by the Institute of Singapore Chartered Accountants effective for the financial year beginning 1 October 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 Fund and had no material effect on the amounts reported for the 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) respectively.

2.2 Basis of valuation of investments

Quoted investments are stated at fair value based on the last traded price 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 Statement 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 Statement of Total Return.

2.3 Financial derivatives

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

2.4 Recognition of income

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

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 Statement of Total Return.

2.6 Income tax expense

The Fund is a designated unit trust under the Singapore Income Tax Act (Chapter 134). As a result, the following sources of income are not subjected to Singapore tax:

- (i) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (ii) interest (other than interest for which Singapore tax has been withheld); and
- (iii) dividend derived from outside Singapore and received in Singapore.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise bank balances. 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

	30 September 2018 US\$	30 September 2017 US\$
Dividends receivable	33,681	42,926
Prepayments	61,456	79,912
	<u>95,137</u>	<u>122,838</u>

4. Cash and cash equivalents

	30 September 2018 US\$	30 September 2017 US\$
Bank balances	<u>225,882</u>	<u>113,626</u>

The bank balances are placed with a financial institution related to the Trustee.

5. Financial derivatives at fair value

Financial derivative contracts comprise of share purchase rights due for settlement within one month from the reporting date. The contract or underlying principal amounts of these financial derivatives and their corresponding gross fair values at the reporting date are analysed below:

	Notional amount US\$	Fair value assets US\$	Fair value liabilities US\$
30 September 2018			
Share purchase rights	-	-	-
30 September 2017			
Share purchase rights	91,586	15,690	-

6. Payables

	30 September 2018 US\$	30 September 2017 US\$
Distribution payable in respect of final distribution	-	385,400
Management fee payable	4,423	9,863
Other payables and accrued expenses	45,058	35,079
	<u>49,481</u>	<u>430,342</u>

7. Units in issue

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

	30 September 2018	Period from 29 September 2016 (date of constitution) to 30 September 2017
Units at beginning of the year/period	18,800,000	-
Units created	300,000	33,100,000
Units cancelled	(1,200,000)	(14,300,000)
Units at end of the year/period	<u>17,900,000</u>	<u>18,800,000</u>
	30 September 2018 US\$	30 September 2017 US\$
Net assets attributable to unitholders – US\$	17,877,683	17,963,936
Net asset value per unit – US\$	<u>0.9980</u>	<u>0.9555</u>

8 Income tax

	30 September 2018 US\$	Period from 29 September 2016 (date of constitution) to 30 September 2017 US\$
Singapore income tax	20,212	48,843
Overseas income tax	54,670	72,106
	<u>74,882</u>	<u>120,949</u>

The overseas income tax charge relates to withholding tax suffered on receipt of distributions from overseas investments.

9. Distributions

	30 September 2018 US\$
Dividend (1.45 cents per unit based on units outstanding as at 18 June 2018)	259,550
30 September 2017 US\$	
Interim (1.97 cents per unit based on units outstanding as at 7 April 2017)	506,290
Final (2.05 cents per unit based on units outstanding as at 3 October 2017)	385,400
	891,690

10. Financial risk management

In the ordinary course of business, the Fund is exposed to a variety of market risks (including price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. The Fund may use financial derivative instruments, subject to the terms of the Trust Deed to moderate certain risk exposures.

(a) Market risks

i. Price risk

Price risk is the risk that the fair values of quoted securities 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 Fund are subjected 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. The Manager's preferred strategy is to hold investments for the medium-to-long term.

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 Fund is not subject to significant risk of fluctuations in market interest rates as their financial assets and liabilities are largely non-interest bearing other than the cash and cash equivalents.

iii. Currency risk

The Fund is denominated in US Dollars. The Fund invests 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 Fund. The Manager may seek to minimise exposure to foreign currency fluctuation to the extent practicable.

Assets and liabilities denominated in currencies other than the Fund's functional currency comprise the following:

30 September 2018	CNY US\$	HKD US\$	AUD US\$	SGD US\$
Assets				
Portfolio of investments	423,231	2,216,736	9,727,517	5,238,606
Receivables	-	4,345	5,880	23,514
Cash and cash equivalents	17,180	33,693	52,535	8,555
	<u>440,411</u>	<u>2,254,774</u>	<u>9,785,932</u>	<u>5,270,675</u>
Net currency exposure	<u>440,411</u>	<u>2,254,774</u>	<u>9,785,932</u>	<u>5,270,675</u>

30 September 2017	CNY US\$	HKD US\$	AUD US\$	SGD US\$
Assets				
Portfolio of investments	435,954	1,939,620	10,609,814	4,772,581
Sales awaiting settlement	9,639	44,362	228,326	103,036
Receivables	28,095	5,519	5,662	3,650
Cash and cash equivalents	-	-	268	51,554
Financial derivative at fair value	-	-	-	15,690
	<u>473,688</u>	<u>1,989,501</u>	<u>10,844,070</u>	<u>4,946,511</u>
Liabilities				
Purchases awaiting settlement	33	15	806	354
	<u>33</u>	<u>15</u>	<u>806</u>	<u>354</u>
Net currency exposure	<u>473,655</u>	<u>1,989,486</u>	<u>10,843,264</u>	<u>4,946,157</u>

Portfolio of investments and financial derivatives are non-monetary financial assets and are exposed to both currency risk and price risk. As these financial assets are non-monetary, no separate sensitivity analysis has been performed to analyse currency risk.

The Fund's monetary assets/liabilities are measured for their sensitivity to exchange rate movements based on the balance of the monetary assets/liabilities, forecasted exchange rate movements and the net asset value of the Fund.

As at 30 September 2018, with respect to the monetary assets and monetary liabilities of the Fund, had the US Dollar appreciated/depreciated by 10% against foreign currencies, with all other variables remaining constant, the decrease/increase in net assets attributable to unitholders would not be significant.

(b) Liquidity risk

The Fund is exposed to daily redemption of units in the Fund. Therefore, the majority of its 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 Fund is exposed to counterparty credit risk on trading financial derivatives, 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, as delivery of securities is only made upon payment by the broker. Payment is made on a purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligation.

The Fund may also enter into derivative contracts for hedging purposes and efficient portfolio management. Hence the Fund is 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.

(d) Fair value estimation

Except for investments which are measured at fair value, at 30 September 2018, the fair values of assets and liabilities approximate their carrying values in the Statement of Financial Position.

The fair value of financial assets and liabilities traded in active markets (such as 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 Fund is the last traded price; the appropriate quoted market price for financial liabilities is the last traded price. When the Fund holds derivatives with offsetting market risks, last traded prices are used as a basis for establishment fair values for the offsetting risk positions and last traded prices are applied to the net open positions, as appropriate.

The Fund classifies 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 Fund's financial assets and liabilities (by class) measured at fair value at 30 September 2018:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
30 September 2018				
Assets				
Portfolio of investments	17,606,089	-	-	17,606,089
	17,606,089	-	-	17,606,089

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
30 September 2017				
Assets				
Portfolio of investments	17,757,969	-	-	17,757,969
Financial derivatives at fair value	-	15,690	-	15,690
	17,757,969	15,690	-	17,773,659

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed securities. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently.

There are no transfers between the levels of the fair value hierarchy during the year/period.

11. Related party transactions

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

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

Other than as disclosed elsewhere in the financial statements, the following significant transactions took place between the Fund and its related parties during the year/period:

	30 September 2018 US\$	30 September 2017 US\$
Brokerage fees paid to a related party of the Manager	-	25,793
Bank balances held with a related party of the Trustee	225,882	113,626

12. Financial ratios

	30 September 2018	30 September 2017
Expense ratio		
Total operating expenses (Annualised)	US\$ 210,190	222,105
Average daily net asset value	US\$ 17,981,906	24,350,591
Expense ratio ^(Note 1) (Annualised)	% 1.17	0.91
Turnover ratio		
Lower of total value of purchases or sales	US\$ 3,993,816	15,741,742
Average daily net asset value	US\$ 17,981,906	24,350,591
Turnover ratio ^(Note 2)	% 22.21	64.65

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, 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 arising out of income received. The Fund does not pay performance fees. The average net asset values are based on the daily balances.

Note 2: The turnover ratio is calculated in accordance with the formula stated in the Code. The calculation of the turnover ratio is based on the lower of the total value of purchases or sales of the underlying investments divided by the weighted average daily net asset value. The total value of purchases or sales do not include brokerage and other transaction costs.

Important Information

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Given the economic and market risks, there can be no assurance that the Fund will achieve its investment objectives. Investments in the Fund are not deposits or other obligations of, or guaranteed, or insured by the Manager or the distributors or their affiliates and are subject to investment risks, including the possible loss of the full principal amount invested. Returns may be affected by, among other things, the investment strategies or objectives of the Fund and material market and economic conditions. The value of the units and the income from them can fall as well as rise. Past performance is not necessarily indicative of the future performance of the Fund.

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