

PHILLIP SELECT FUND

**SEMI-ANNUAL REPORT**

For the period ended 31 March 2017

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# **PHILLIP SELECT FUND**

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## **DIRECTORY**

### **MANAGER**

Phillip Capital Management (S) Ltd  
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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**

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20 Collyer Quay  
#01-01  
Singapore 049319  
(Company Registration No. 200800851W)

### **CUSTODIAN**

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Singapore 049319  
(Company Registration No. T08FC7287D)

### **AUDITORS**

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Singapore 048581

### **SOLICITORS TO THE MANAGER**

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50 Craig Road, #03-01  
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80 Raffles Place  
#33-00 UOB Plaza 1  
Singapore 048624

## **PHILLIP SELECT FUND**

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### **Manager's Investment Report**

#### **Phillip Singapore Real Estate Income Fund**

The Fund (Class I SGD) achieved a total return of 0.59% (including quarterly distributions) for the half year ending 31 March 2017. Its benchmark, the FTSE Straits Times Real Estate Investment Trust Total Return Index, had a return of 1.23% in the same period.

REIT performance in Singapore was negative over the last quarter of 2016. The key market-moving event of the last quarter of 2016 was the unexpected election of Donald Trump as President of the United States. The immediate impact of his election has been to push up bond yields as the markets believed his planned fiscal spending (example is infrastructure) will cause inflation to rise, and the US Federal Reserve is thus likely to raise rates faster in anticipation of this. Indeed, the latter raised rates in December for the first time in 2016, and guided for another probable three hikes in 2017. The rise in bond yields has caused price weakness in REITs across the world as they are yield-sensitive instruments.

S-REITs showed some signs of recovery in the first quarter of 2017, as investors started to recognise that the market reaction may have gone ahead of itself, as historically US presidential candidates' election promises and their actual policies as President have seen divergences. Also, rate hikes arising from economic rebounds may not be a bad thing. Generally, in past 2 rate hike cycles starting in 1999 and 2004, global REIT markets as well as emerging markets have seen uptrends. The key is that the rate hike cycle is not too aggressive; so long that this is the case, as the US Federal Reserve has taken pains to stress that its approach will be focused on gradualism.

During the period, both the biggest contributor and detractor to the Fund's performance came from the hospitality sub-segment and retail Reits. The major contributors for the Fund's returns were positions in Ascendas Hospitality Trust, Suntec Reit and Manulife US Real Estate Investment, which gained 10.17%, 7.53% and 9.42% respectively during the period. The aforementioned three positions constituted an aggregate 15% of total portfolio assets at the end of the period.

#### **Strategy**

Among the various REIT sub-segments, we note a recovery in office rentals is well underway, while the price correction in retail REITs has also allowed us to buy them at significantly better prices and yields. Therefore, we as long-term investors see current price levels as a buying opportunity to accumulate positions, with dividend yields typically over 6% and yield spreads remain attractive at 4% (vs 10-year government bonds). For industrial REITS sub-sector, we believe rents can bottom in 2017 and we maintain an equal weight to the industrial REITs sub-sector, while being cognisant of the over-supply situation that is likely to persist into 2018. For the various REIT segments, the headwinds we are closely watching for include advent of e-commerce, advanced web-conferencing technology allowing employees to work from home, and the increasing digitalisation of information, which are some trends that can reduce demand for retail or office space.

The key focus of the Fund remains the purchase of Singapore-listed REITs. As we keep emphasizing, the fundamentals of the underlying hotels, commercial and industrial properties owned by these REITs still remain healthy, with high occupancy rates (typically well over 90%), solid tenants and well-controlled new supply. The REITs themselves also possess relatively robust balance sheets.

We believe REITs hold a definite position as a strategic asset class within the prudent long-term investor's portfolio, as a proxy for real estate income exposure.

## PHILLIP SELECT FUND

### REPORT TO UNITHOLDERS

For the period ended 31 March 2017

The following contains additional information relating to the Phillip Singapore Real Estate Income Fund (the "Sub-Fund"):

#### 1. Distribution of investments

Please refer to the Statement of Portfolio on page 11.

#### 2. Schedule of investments by asset class

<b>Asset Class</b>	<b>Fair value at 31 March 2017 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 March 2017 %</b>
Real Estate Investment Trusts	40,416,896	88.96
Exchange Traded Funds	4,022,177	8.85
Cash and cash equivalents	1,515,520	3.34
Other net current liabilities	(521,454)	(1.15)
Net assets attributable to unitholders	<u>45,433,139</u>	<u>100.00</u>

#### 3. Top 10 holdings

<b>10 largest holdings at 31 March 2017</b>	<b>Fair value at 31 March 2017 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 March 2017 %</b>
Phillip SGX APAC Dividend Leaders REIT ETF	4,022,177	8.85
Frasers Hospitality Trust	3,052,648	6.72
Capitaland Commercial Trust	2,920,050	6.43
Suntec Real Estate Investment Trust	2,774,500	6.11
Capitaland Mall Trust	2,723,919	6.00
Frasers Centrepoint Trust	2,405,400	5.29
Frasers Commercial Trust	2,368,000	5.21
Ascendas Real Estate Investment Trust	2,348,640	5.17
Mapletree Logistics Trust	2,190,000	4.82
Ascendas Hospitality Trust	2,175,443	4.79

<b>10 largest holdings at 31 March 2016</b>	<b>Fair value at 31 March 2016 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 March 2016 %</b>
Mapletree Commercial Trust	4,074,500	8.70
Capitaland Mall Trust	3,558,643	7.59
Ascendas Real Estate Investment Trust	3,465,500	7.40
Mapletree Greater China Commercial Trust	3,438,000	7.34
Frasers Centerpoint Trust	3,231,900	6.90
Aims AMP Capital Industrial REIT	3,149,232	6.72
Mapletree Logistics Trust	3,030,000	6.47
Starhill Global REIT	3,015,246	6.43
Suntec Real Estate Investment Trust	2,596,250	5.54
Frasers Commercial Trust	2,405,000	5.13

## PHILLIP SELECT FUND

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### REPORT TO UNITHOLDERS

For the period ended 31 March 2017

**4. (i) Exposure to derivatives as at 31 March 2017**

Nil

**(ii) Gain/Loss on derivative contracts realised for the year ended 31 March 2017**

Nil

**(iii) Net gain/loss on outstanding derivative contracts marked to market as at 31 March 2017**

Nil

**5. 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 or hedging arrangement;
- 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. EPM techniques relating to securities lending and repurchase transactions, and that are reinvested.

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

Please refer to the Statement of Portfolio on page 11.

**7. Amount and percentage of borrowings of total fund size as at 31 March 2017**

Nil.

**8. Amount of units created and cancelled for the financial period ended 31 March 2017**

	<b>Class A SGD S\$</b>	<b>Class A USD S\$</b>	<b>Class I SGD S\$</b>	<b>Class I USD S\$</b>
Total amount of redemptions	2,436,008	1,695	8,690,747	-
Total amount of subscriptions	3,131,138	161,860	4,716,737	3,563

## PHILLIP SELECT FUND

### REPORT TO UNITHOLDERS

For the period ended 31 March 2017

#### 9. Turnover ratio

		31 March 2017	31 March 2016 (restated)
Lower of total value of purchases or sales	S\$	8,286,738	5,717,635
Average daily net asset value	S\$	45,259,183	44,961,498
Total turnover ratio <sup>Note</sup>	%	18.31	12.72

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 is based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value for the preceding 6 months at the close of the semi-annual financial statements. The total value of purchases or sales do not include brokerage and other transaction costs.

#### 10. Expense ratio

		31 March 2017 S\$	31 March 2016 S\$
<b>Class A SGD Units</b>			
Total operating expenses	S\$	188,157	151,626
Average daily net asset value	S\$	12,591,986	12,013,822
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>1.49</b>	<b>1.26</b>
<b>Class A USD Units</b>			
Total operating expenses	S\$	14,286	10,210
Average daily net asset value	S\$	956,082	793,661
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>1.49</b>	<b>1.28</b>
<b>Class I SGD Units</b>			
Total operating expenses	S\$	335,508	268,094
Average daily net asset value	S\$	33,284,751	29,941,274
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>1.01</b>	<b>0.90</b>
<b>Class I USD Units</b>			
Total operating expenses	S\$	1,431	1,186
Average daily net asset value	S\$	141,464	135,634
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>1.01</b>	<b>0.87</b>

Note: 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 preceding 12 months at the close of the semi-annual financial statements. The total operating expenses do not include (where applicable) brokerage and other transactions 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 or arising out of income received. The average net asset values are based on the daily balances.

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## REPORT TO UNITHOLDERS

For the period ended 31 March 2017

### 11. Performance of Sub-Fund as at 31 March 2017

	Class I		Class A		Benchmark
	SGD	USD	SGD	USD	
<b>Cumulative (%)*</b>					
3 months	6.89	10.49	6.77	10.36	8.56
6 months	0.59	-1.86	0.35	-2.08	1.23
1 year	9.88	5.89	9.35	5.37	11.59
3 years	24.02	-	22.56	7.84	26.80
5 years	56.57	-	53.83	-	63.49
Since inception **	67.24	6.81	63.89	3.34	69.21
<b>Annualised (%)</b>					
3 years	7.44	-	7.02	2.55	8.24
5 years	9.38	-	9.00	-	10.33
Since inception **	9.74	2.28	9.34	0.87	9.97

\* Cumulative returns are calculated on a bid to bid basis, with net dividends reinvested. The Benchmark for which the Sub-Fund is measured against is the FTSE Straits Times Real Estate Investment Trust Total Returns Index.

\*\* Inception Date: 19 September 2011 (Class A SGD Units and Class I SGD Units) / 29 April 2014 (Class I USD Units) / 17 July 2013 (Class A USD Units)  
Source: Bloomberg

### 12. Related party transactions

	Phillip Singapore Real Estate Income Fund	
	31 March 2017	31 March 2016
	S\$	S\$
Brokerage fees paid to:		
- a related party of the Trustee	11,645	20,722
- a related party of the Manager	3,833	5,744
Bank balances held with related party of the Trustee	1,202,645	2,427,332
Bank balances held with related party of the Manager	-	52,836

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

Nil



## PHILLIP SELECT FUND

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### REPORT TO UNITHOLDERS

For the period ended 31 March 2017

#### 14. 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 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 Sub-Fund.

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

**STATEMENT OF TOTAL RETURN**  
For the period ended 31 March 2017

**Phillip Singapore Real Estate Income Fund**

	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>S\$</b>	<b>S\$</b>
<b>Income</b>		
Dividends	1,065,312	1,299,937
Interest	-	17
	<u>1,065,312</u>	<u>1,299,954</u>
<b>Less:</b>		
<b>Expenses</b>		
Management fees	200,336	185,691
Registrar fees	1,494	-
Trustee and administration fees	18,822	11,430
Custody fees	16,822	13,875
Audit fee	8,700	6,267
Transaction fees	27,690	43,977
Other expenses	15,084	21,142
	<u>288,948</u>	<u>282,382</u>
<b>Net income</b>	<u>776,364</u>	<u>1,017,572</u>
<b>Net gains or losses on value of investments and financial derivatives</b>		
Net (loss)/gain on investments	(233,240)	2,083,818
Net (loss) on financial derivatives	-	(52,701)
Net (losses) on foreign exchange	(12,081)	(40,371)
	<u>(245,321)</u>	<u>1,990,746</u>
<b>Total return for the period before income tax</b>	531,043	3,008,318
<b>Less: Income tax</b>	<u>(135,670)</u>	<u>(189,033)</u>
<b>Total return for the period after income tax before distribution</b>	<u>395,373</u>	<u>2,819,285</u>

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 March 2017**

**Phillip Singapore Real Estate Income Fund**

	<b>31 March 2017</b>	<b>30 September 2016</b>
	<b>S\$</b>	<b>S\$</b>
<b>Assets</b>		
Portfolio of investments	44,439,073	45,955,895
Sales awaiting settlement	-	2,688
Receivables	206,137	75,520
Cash and cash equivalents	1,515,520	4,010,916
Financial derivatives at fair value	-	83,384
<b>Total assets</b>	<u>46,160,730</u>	<u>50,128,403</u>
<b>Liabilities</b>		
Other payables	158,536	224,539
Distribution payable	569,055	607,877
<b>Total liabilities</b>	<u>727,591</u>	<u>832,416</u>
<b>Equity</b>		
Net assets attributable to unitholders	<u>45,433,139</u>	<u>49,295,987</u>

**STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS**  
For the period ended 31 March 2017

<b>Phillip Singapore Real Estate Income Fund</b>		
	<b>31 March 2017</b>	<b>30 September 2016</b>
	<b>S\$</b>	<b>S\$</b>
<b>Net assets attributable to unitholders at the beginning of financial period</b>	<u>49,295,987</u>	<u>40,893,925</u>
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	395,373	6,952,180
<b>Unitholders' contributions / (withdrawals)</b>		
Creation of units	8,013,298	12,449,342
Cancellation of units	(11,128,450)	(8,566,345)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(3,115,152)	3,882,997
Distributions	<u>(1,143,069)</u>	<u>(2,433,115)</u>
Total increase/(decrease) in net assets attributable to unitholders	<u>(3,862,848)</u>	<u>8,402,062</u>
<b>Net assets attributable to unitholders at the end of financial period</b>	<u><u>45,433,139</u></u>	<u><u>49,295,987</u></u>
<b>Represented by</b>		
	<b>31 March 2017</b>	<b>30 September 2016</b>
	<b>S\$</b>	<b>S\$</b>
Net assets attributable to unitholders of Class A SGD Units	13,291,952	12,808,059
Net assets attributable to unitholders of Class A USD Units	1,117,722	973,155
Net assets attributable to unitholders of Class I SGD Units	30,877,394	35,370,261
Net assets attributable to unitholders of Class I USD Units	146,071	144,512
<b>Units in issue</b>		
Class A SGD Units	10,506,360	9,949,526
Class A USD Units	892,168	763,198
Class I SGD Units	23,853,176	26,933,660
Class I USD Units	112,758	109,963
<b>Net assets attributable to unitholders per unit</b>		
Class A SGD Units	1.2651	1.2873
Class A USD Units	1.2528	1.2751
Class I SGD Units	1.2945	1.3132
Class I USD Units	1.2954	1.3142

**STATEMENT OF PORTFOLIO**  
**As at 31 March 2017**

**Phillip Singapore Real Estate Income Fund**

	<b>Holdings</b>	<b>Fair value at</b>	<b>Percentage of</b>
	<b>31 March 2017</b>	<b>31 March 2017</b>	<b>total net assets</b>
		<b>S\$</b>	<b>attributable to</b>
			<b>unitholders at</b>
			<b>31 March 2017</b>
			<b>%</b>
<b>By Geography (Primary)</b>			
<b>Quoted Real Estate Investment Trusts</b>			
<b>Singapore</b>			
Aims Amp Capital Industrial REIT	1,514,475	2,097,548	4.62
Ascendas Hospitality Trust	2,789,029	2,175,443	4.79
Ascendas Real Estate Investment Trust	932,000	2,348,640	5.17
Ascott Residence Trust	689,118	747,693	1.65
Cache Logistics Trust	712,400	601,978	1.32
Capitaland Commercial Trust	1,890,000	2,920,050	6.43
Capitaland Mall Trust	1,382,700	2,723,919	6.00
Capitaland Retail China Trust	515,600	763,088	1.68
CDL Hospitality Trusts	1,368,000	1,963,080	4.32
Far East Hospitality Trust	2,207,300	1,324,380	2.91
Frasers Centrepoint Trust	1,140,000	2,405,400	5.29
Frasers Commercial Trust	1,850,000	2,368,000	5.21
Frasers Hospitality Trust	4,299,504	3,052,648	6.72
Frasers Logistics & Industrial Trust	1,830,000	1,802,550	3.97
Keppel REIT	1,232,900	1,294,545	2.85
Manulife US Real Estate Investment Trust	1,664,000	1,953,114	4.30
Mapletree Commercial Trust	1,078,600	1,650,258	3.63
Mapletree Greater China Commercial Trust	1,791,100	1,826,922	4.02
Mapletree Logistics Trust	2,000,000	2,190,000	4.82
Starhill Global REIT	1,898,200	1,433,140	3.15
Suntec Real Estate Investment Trust	1,550,000	2,774,500	6.11
		<b>40,416,896</b>	<b>88.96</b>
<b>Quoted Investment Funds</b>			
<b>Singapore</b>			
Philip SGX APAC Dividend Leaders REIT ETF	3,030,000	4,022,177	8.85
		<b>4,022,177</b>	<b>8.85</b>
<b>Portfolio of investments</b>		<b>44,439,073</b>	<b>97.81</b>
<b>Other net assets</b>		<b>994,066</b>	<b>2.19</b>
<b>Net assets attributable to unitholders</b>		<b>45,433,139</b>	<b>100.00</b>

**STATEMENT OF PORTFOLIO**  
**As at 31 March 2017**

**Phillip Singapore Real Estate Income Fund**

**By Geography (Summary)**

	Fair value at 31 March 2017 S\$	Percentage of total net assets attributable to unitholders at 31 March 2017 %	Percentage of total net assets attributable to unitholders at 30 September 2016 %
<b>Quoted securities</b>			
Singapore	44,439,073	97.81	93.22
<b>Portfolio of Investments</b>	44,439,073	97.81	93.22
<b>Other net assets</b>	994,066	2.19	6.78
<b>Net assets attributable to unit holders</b>	45,433,139	100.00	100.00

**Phillip Singapore Real Estate Income Fund**

**By Industry (Secondary)**

	Fair value at 31 March 2017 S\$	Percentage of total net assets attributable to unitholders at 31 March 2017 %	Percentage of total net assets attributable to unitholders at 30 September 2016 %
Real Estate Investment Trusts	40,416,896	88.96	93.22
Exchange Traded Funds	4,022,177	8.85	-
<b>Portfolio of investments</b>	44,439,073	97.81	93.22
<b>Other net assets</b>	994,066	2.19	6.78
<b>Net assets attributable to unitholders</b>	45,433,139	100.00	100.00

## **PHILLIP SELECT FUND**

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### **Important Information**

Phillip Singapore Real Estate Income Fund (the "Sub Fund") is a Sub-Fund of Phillip Select 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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This document should not be taken as a recommendation to buy or sell since it does not take into account the specific investment objectives, financial situation and the particular needs of any particular recipient of this document. Investors should seek advice from a financial advisor before purchasing units in the Sub-Fund. In any case, investors should read the Prospectus and consider the risks as well as suitability of the Sub-Funds before deciding whether to subscribe for units in the Sub-Fund. Copies of the Prospectus are available and may be obtained from the Manager.