

Phillip Global Opportunities Funds

Annual Report

Year ended 31 March 2017



Phillip Capital Management

(A member of PhillipCapital)

Contents

	Page
Directory	2
Manager's Investment Report	4
Report to Unitholders	5
Report of the Trustee	11
Statement by the Manager	12
Independent auditors' report	13
FINANCIAL STATEMENTS	
Statement of Total Return	FS1
Statement of Financial Position	FS2
Statement of Movement in Unitholders' Funds	FS3
Statement of Portfolio	FS4
Notes to the Financial Statements	FS7
Important Information	FS16

Phillip Global Opportunities Funds

MANAGER

Phillip Capital Management (S) Ltd
250 North Bridge Road
#06-00 Raffles City Tower
Singapore 179101
(Company Registration Number: 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

HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay
#10-02 HSBC Building
Singapore 049320
(Company Registration Number: 194900022R)

CUSTODIAN AND FUND ADMINISTRATOR

The Hong Kong and Shanghai Banking Corporation
1 Queen's Road
Central
Hong Kong

AUDITORS

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

PHILLIP GLOBAL OPPORTUNITIES FUNDS

SOLICITORS TO THE MANAGER

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

SOLICITORS TO THE TRUSTEE

Drew & Napier LLC
10 Collyer Quay
#10-01 Ocean Financial Centre
Singapore 049315

Manager's Investment Report

Global Opportunities Fund

The investment objective of the Global Opportunities Fund is to aim to achieve medium to long term capital appreciation. It is targeted at investors with a moderate risk appetite, with a balanced allocation of equities, commodities, REITs and bonds.

The Fund, as a balanced portfolio of bonds and equities, rose by 6.57% for the full-year period.

Over the same full-year period, the performance of developed and emerging markets went through a strong positive surge. Global markets gained after January 2016's multiple blows of tumbling Chinese equity markets, collapsing oil and commodity prices, bad debt concerns and the uncertainties of negative interest rates in Japan. At the same time, several geopolitical events took centre-stage: UK Brexit event, US elections and this year's French presidential elections. Following Trump's election victory in November 2016, global markets surged while Asian markets got hit as the market was expecting more market-friendly policies from his administration. The US economy seems to be doing well and the willingness of the US Federal Reserve to raise interest rates indicated the robustness of the economy.

For 2017, there is plenty to look forward to: the world's largest economy will switch on hyper-drive, Europe is on the mend and Asia is pushing from an export-led economy to a consumer-led economy. Both the US and Europe are weaning off quantitative easing and this is good news for monetary policy.

As at 31st March 2017, the Fund has an allocation of 26% in US, 33% in Europe and 37% in Asia. We intend to reduce allocation to US equities due to their rich valuations and increase allocations to Asian and European markets. We favour Asia largely due to their underperformance in 2016 and hence a probable rebound this year.

On the fixed income front, the US Fed has indicated their intention to have another interest rate hike in late 2017 as the US underlying economic data continues to show improvement and is thus able to absorb more rate hikes. As interest rates rise, performance from this asset class will be challenging, as such the Fund is overweight on high yield and short term duration bonds.

In summary, the market is on a roll and it will likely to end 2017 in an optimistic note. Should there be a pullback this year, it is unlikely to be a severe correction. Fundamental conditions suggest a positive conclusion. The Fund remains fully invested through disciplined investment approaches of diversification and continuous investment; both will bring rewards over time.

Report to unitholders¹

a) I Investments classified by geography

	Fair Value at 31/03/2017 S\$	Percentage of Net Assets Attributable to Unitholders at 31/03/2017 %
Hong Kong	796,501	7.56
Ireland	1,280,702	12.16
Luxembourg	2,177,414	20.67
Singapore	3,119,568	29.60
United States of America	2,773,671	26.33
Portfolio of investments	10,147,856	96.32
Other net assets	387,934	3.68
Net assets attributable to unitholders	10,535,790	100.00

a) II Investments classified by industry

	Fair Value at 31/03/2017 S\$	Percentage of Net Assets Attributable to Unitholders at 31/03/2017 %
Debt Fund	4,976,184	47.23
Equity Fund	5,171,672	49.09
Portfolio of investments	10,147,856	96.32
Other net assets	387,934	3.68
Net assets attributable to unitholders	10,535,790	100.00

¹ As required by the Code on Collective Investment Schemes

a) **III Investments classified by asset class**

	Fair Value at 31/03/2017 S\$	Percentage of Net Assets Attributable to Unitholders at 31/03/2017 %
Debt Fund	4,976,184	47.23
Equity Fund	5,171,672	49.09
Portfolio of investments	10,147,856	96.32
Other net assets	387,934	3.68
Net assets attributable to unitholders	10,535,790	100.00

b) **Top Ten Holdings**

<u>10 Largest Holdings at 31 March 2017</u>	Fair Value at 31/03/2017 S\$	Percentage of Net Assets Attributable to Unitholders at 31/03/2017 %
ishares Asia High Yield Bond Index ETF	2,798,770	26.56
Aviva Investors SICAV - Global High Yield Bond Fund-AX SGD	2,177,414	20.67
Schwab U.S. Dividend Equity ETF	1,285,768	12.20
ishares MSCI North America UCITS ETF	1,280,702	12.16
Wisdomtree Europe Smallcap Dividend Fund ETF	1,006,799	9.56
ishares Asia Trust - Ishares FTSE/ Xinhua A50 China Index ETF	481,837	4.57
ishares MSCI China ETF	481,104	4.57
One Stoxx Asean Select Dividend Index Fund ETF	320,798	3.04
Vanguard FTSE Asia Ex Japan High Dividend Yield Index ETF	314,664	2.99

<u>10 Largest Holdings at 31 March 2016</u>	Fair Value at 31/03/2016 S\$	Percentage of Net Assets Attributable to Unitholders at 31/03/2016 %
Aviva Investors SICAV - Global High Yield Bond Fund-AX SGD	668,652	13.09
UOB United SGD Fund - Class B	657,104	12.86
iShares Asia High Yield Bond Index ETF	558,128	10.93
iShares Stoxx Global Select Dividend 100 UCITS ETF	521,671	10.21
iShares Europe ETF	521,255	10.20
iShares MSCI World ETF	513,495	10.05
Proshares MSCI Europe Dividend Growers ETF	203,118	3.98
Phillip Money Market Fund	200,239	3.92
iShares Core 1-5 Year USD Bond ETF	196,331	3.84
iShares GNMA Bond ETF	194,232	3.80

- c) (i) Exposure to Derivatives as at 31 March 2017.
Nil
- c) (ii) Gains on derivative contracts realised for the year ended 31 March 2017
S\$69,038
- c) (iii) Gains on outstanding derivative contracts marked to market as at 31 March 2017
Nil

d) Description of the method used to calculate the global exposure of financial derivatives

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

- (i) the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;
 - (ii) the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
 - (iii) the sum of the values of cash collateral received pursuant to:
 - (a) the reduction of exposure to counterparties of OTC financial derivatives; and
 - (b) efficient portfolio management techniques relating to securities lending and repurchase transactions, and that are reinvested.
- e) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 31 March 2017.

	S\$	%
Debt Fund	4,976,184	47.23
Equity Fund	5,171,672	49.09

- f) Amount and percentage of borrowings of total fund size as at 31 March 2017.
Nil
- g) Amount of redemptions and subscriptions for the year ended 31 March 2017.
 Total amount of redemptions S\$ 2,628,063
 Total amount of subscriptions S\$ 7,501,680
- h) Amount of related party transactions for the year ended 31 March 2017.
 Interest income received from a related party of the Trustee S\$8
 Bank balances held with a related party of the Trustee S\$540,604

i) **Performance of the Fund as at 31 March 2017**

	3 months	6 months	1 year	3 years	5 years	Since Inception 1 August 2011
Cumulative return	1.54%	2.34%	6.57%	3.69%	11.14%	8.25%
Annualised return	-	-	6.57%	1.21%	2.13%	1.41%

Returns are in Singapore dollar calculated on a bid-to-bid basis, with net dividends reinvested. Source: Bloomberg

j) **Expense Ratio**

		2017	2016
Total operating expenses	S\$	221,860	189,592
Average daily net asset value	S\$	9,298,872	5,496,932
Prorated expense ratio of the underlying funds ^(Note 1)	%	0.76	0.53
Expense ratio ^(Note 1)	%	3.15	3.97

The expense ratio has been computed based on the guidelines laid down by the IMAS.

The calculation of the expenses ratio is based on total operating expenses divided by average net assets value for the year.

The total operating expenses do not include (where applicable) brokerage and other transaction 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.

In the case of funds of funds, which are generally defined as funds with more than 50% of their total assets in other underlying funds, a summarised expense ratio of the target funds and the fund of funds is calculated as of the closing date of the financial year. This corresponds to the sum of:

- The prorated ratio of the individual target funds, weighted according to the share they represent in the assets of the fund of funds as of the closing date, and the
- Expense ratio of the fund of funds minus any rebates of management fees and commissions received from the target funds during the reporting period.

k) **Turnover Ratio**

		2017	2016
Lower of total value of purchases or sales	S\$	14,990,443	7,324,437
Average daily net asset value	S\$	9,298,872	5,496,932
Turnover ratio	%	161.21	133.25

The turnover ratio is calculated in accordance with the formula stated in the Code. The calculation of the 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. The total value of purchase (or sales) do not include brokerage and other transaction costs.

- l) Any material information that will adversely impact the valuation of the scheme such as contingent liabilities of open contracts.
Nil.
- m) 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 March 2017
Not applicable.
- (ii) Expense ratios for the period ended 31 March 2017.
Not applicable.
- (iii) Turnover ratios for the period ended 31 March 2017.
Not applicable.

n) **Soft dollar arrangements**

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 does 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 account of clients' funds.

During the year, 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 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 Global Opportunities 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 Global Opportunities Funds 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
HSBC Institutional Trust Services (Singapore) Limited

Authorised signatory

27 June 2017

Statement by the Manager

In the opinion of the directors 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 of Phillip Global Opportunities Funds as at 31 March 2017, and the total return and movement 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 Global Opportunities 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

27 June 2017

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Independent auditors' report

Unitholders
Phillip Global Opportunities Funds
(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 Global Opportunities Funds ("the Fund"), which comprise the Statements of Financial Position and Statements of Portfolio as at 31 March 2017, the Statements of Total Return and Statement of Movement 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 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 31 March 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 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 the Manager for the financial statements

The Manager is responsible for the preparation and fair representation of these financial statements in accordance with the recommendations of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal controls 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 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

27 June 2017

Statement of Total Return
Year ended 31 March 2017

	Note	Global Opportunities Fund	
		2017	2016
		S\$	S\$
Income			
Dividends		296,459	100,906
Interest income		8	44
		296,467	100,950
Less:			
Expenses			
Management fees		139,414	82,671
Management fee rebate		(1,112)	(2,042)
Trustee fees		20,400	20,456
Custody fees		2,938	1,399
Valuation fees		20,400	20,456
Transaction costs		38,280	19,515
Audit fees		15,000	13,510
Other expenses		29,792	55,459
		265,112	211,424
Net income		31,355	(110,474)
Net gains/(losses) on value of investments and financial derivatives			
Net gain/(loss) on investments		460,732	(399,012)
Net gain on financial derivatives		69,038	39,956
Net gain/(loss) on foreign exchange		6,811	(13,686)
		536,581	(372,742)
Total return/(deficit) for the year before income tax		567,936	(483,216)
Less: Income tax	8	(13,611)	(10,134)
Total return/(deficit) for the year after income tax before distribution		554,325	(493,350)

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

Statement of Financial Position
As at 31 March 2017

	Note	Global Opportunities Fund	
		2017	2016
		S\$	S\$
Assets			
Portfolio of investments		10,147,856	4,648,908
Sales awaiting settlement		185,656	–
Receivables	3	7,012	635
Cash and cash equivalents	4	640,650	565,541
Financial derivatives, at fair value	5	–	2,695
Total assets		10,981,174	5,217,779
Liabilities			
Payables	6	124,586	109,931
Purchase awaiting settlement		320,798	–
Total liabilities		445,384	109,931
Equity			
Net assets attributable to unitholders	7	10,535,790	5,107,848

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

Statement of Movement of Unitholders' Funds
Year ended 31 March 2017

	Note	Global Opportunities Fund	
		2017	2016
		S\$	S\$
Net assets attributable to unitholders at the beginning of financial year		5,107,848	6,421,450
Operations			
Changes in net assets attributable to unitholders resulting from operations		554,325	(493,350)
Unitholders' contributions/(withdrawals)			
Creation of units		7,501,680	2,168,227
Cancellation of units		(2,628,063)	(2,988,479)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		4,873,617	(820,252)
Total increase/(decrease) in net assets attributable to unitholders		5,427,942	(1,313,602)
Net assets attributable to unitholders at the end of financial year	7	10,535,790	5,107,848

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

Statement of Portfolio
As at 31 March 2017

	Holdings as at 31/3/2017	Fair value as at 31/3/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/3/2017 %
Global Opportunities Fund			
By Geography (Primary)			
Quoted			
Hong Kong			
ishares Asia Trust - Ishares FTSE/ Xinhua A50 China Index ETF	238,000	481,837	4.57
Vanguard FTSE Asia Ex Japan High Dividend Yield Index ETF	86,000	314,664	2.99
		796,501	7.56
Ireland			
ishares MSCI North America UCITS ETF	20,500	1,280,702	12.16
		1,280,702	12.16
Luxembourg			
Aviva Investors SICAV - Global High Yield Bond Fund-AX SGD	209,015	2,177,414	20.67
		2,177,414	20.67
Singapore			
iShares Asia High Yield Bond Index ETF	183,760	2,798,770	26.56
One Stoxx Asean Select Dividend Index Fund ETF	78,600	320,798	3.04
		3,119,568	29.60
United States of America			
ishares MSCI China ETF	6,900	481,104	4.57
Schwab U.S. Dividend Equity ETF	20,655	1,285,768	12.20
Wisdomtree Europe Smallcap Dividend Fund ETF	12,200	1,006,799	9.56
		2,773,671	26.33
Portfolio of investments		10,147,856	96.32
Other net assets		387,934	3.68
Net assets attributable to unitholders		10,535,790	100.00

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

Statement of Portfolio
As at 31 March 2017

	Fair value as at 31/3/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/3/2017 %	Percentage of total net assets attributable to unitholders as at 31/3/2016 %
Global Opportunities Fund			
By Geography (Summary)			
Quoted			
Germany	–	–	10.21
Hong Kong	796,501	7.56	2.34
Ireland	1,280,702	12.16	–
Luxembourg	2,177,414	20.67	13.09
Singapore	3,119,568	29.60	27.71
United States of America	2,773,671	26.33	37.66
Portfolio of investments	10,147,856	96.32	91.01
Other net assets	387,934	3.68	8.99
Net assets attributable to unitholders	10,535,790	100.00	100.00

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

Statement of Portfolio
As at 31 March 2017

	Fair value as at 31/3/2017 S\$	Percentage of total net assets attributable to unitholders as at 31/3/2017 %	Percentage of total net assets attributable to unitholders as at 31/3/2016 %
Global Opportunities Fund By Industry (Secondary)			
Debt Fund	4,976,184	47.23	46.95
Equity Fund	5,171,672	49.09	40.14
Money Market Fund	–	–	3.92
Portfolio of investments	10,147,856	96.32	91.01
Other net assets	387,934	3.68	8.99
Net assets attributable to unitholders	10,535,790	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 Global Opportunities Funds (“the Fund”) is an open ended umbrella unit trust constituted pursuant to a Trust Deed dated 26 May 2011 together with its Supplemental Deeds thereon (hereafter referred to as the “Trust Deed”) between Phillip Capital Management (S) Ltd (the “Manager”) and HSBC Institutional 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 comprises one sub-fund, Global Opportunities Fund (the “Sub-Fund”), which was launched on 13 June 2011.

The investment objective of the Sub-Fund is to aim to achieve medium to long term capital appreciation. The Sub-Fund will invest primarily in collective investment schemes including Exchange Traded Funds (“ETFs”) and Real Estate Investment Trusts (“REITs”). The Sub-Fund may only invest in REITs which are constituted in Singapore and such investment into REITs are capped at 20% of the net asset value of the Sub-Fund. The Sub-Fund may also invest into business trusts and individual securities (including equities and bonds) in accordance with the Sub-Fund’s investment objective.

2. Significant accounting policies

2.1 *Basis of financial statements 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.

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 bid prices 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 in fair value 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.

Interest income is recognised as it accrues in the Statement 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 Statement of Total Return.

2.6 *Income tax expense*

The Sub-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 at the Sub-Fund level:

- (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) dividends derived from outside Singapore and received in Singapore.

2.7 *Cash and cash equivalents*

Cash and cash equivalents comprise 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

	Global Opportunities Fund	
	2017	2016
	S\$	S\$
Receivable from unitholders for creation of units	3,584	–
Dividends receivable	3,428	635
	7,012	635

4. Cash and cash equivalents

	Global Opportunities Fund	
	2017	2016
	S\$	S\$
Bank balances	540,604	402,484
Amounts held with broker	100,046	163,057
	640,650	565,541

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

5. Financial derivatives at fair value

Financial derivative contracts comprise futures contracts due for settlement within 3 months from the reporting date (2016: 3 months). The contract or underlying principal amount of these financial derivatives and their corresponding gross fair value at the reporting date are analysed below.

Global Opportunities Fund	Notional amount	Fair value assets	Fair value liabilities
	S\$	S\$	S\$
2017			
Futures contracts	—	—	—
2016			
Futures contracts	510,152	2,695	—

6. Payables

	Global Opportunities Fund	
	2017	2016
	S\$	S\$
Payable to unitholders for cancellation of units	55,334	27,450
Accrued operating expenses	69,252	82,481
	124,586	109,931

7. Units in issue

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

	Global Opportunities Fund	
	2017	2016
Units at beginning of the year	5,045,843	5,790,790
Units created	7,187,195	2,047,869
Units cancelled	(2,479,956)	(2,792,816)
Units at end of the year	9,753,082	5,045,843

	Global Opportunities Fund	
	2017	2016
Net assets attributable to unitholders – S\$	10,535,790	5,107,848
Net asset value per unit – S\$	1.0803	1.0123

For subscriptions and redemption and for various fee calculations, investments are stated at the last traded price 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 bid market prices as at the reporting date.

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

	Global Opportunities Fund	
	2017	2016
	S\$	S\$
Net assets attributable to unitholders per financial statements	10,535,790	5,107,848
Effect of adopting last traded price	22,753	17,960
Net assets attributable to unitholders for issuing/redeeming	10,558,543	5,125,808

8. Income tax

	Global Opportunities Fund	
	2017	2016
	S\$	S\$
Singapore income tax	–	(1,143)
Overseas income tax	13,611	11,277
	13,611	10,134

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

9. Financial risk management

The Sub-Fund's activities expose it to a variety of market risks (including price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Sub-Fund's overall risk management programme seeks to minimise potential adverse effects on the Sub-Fund's financial performance. The Sub-Fund may use financial derivative instruments, 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-Fund at any time as part of the overall financial risk management to reduce the Sub-Fund's risk exposures.

a) Market risks

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 the 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-Fund 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. The Manager's preferred strategy is to hold investments for the medium to long term. The Manager is therefore not concerned about the short-term price volatility with respect to its investments provided that the underlying business, economic and management characteristics of its investments remain favourable.

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

iii. Currency risk

The Sub-Fund is denominated in Singapore Dollars. The Sub-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 Sub-Fund. The Manager may seek to minimise exposure to foreign currency fluctuation to the extent practicable.

As at 31 March 2017 and 2016, the concentration of the Sub-Fund's investments is set out in the Portfolio Statement.

Investments denominated in currencies other than the Sub-Fund's functional currency comprise the following:

	Global Opportunities Fund	
	2017	2016
	S\$	S\$
Euro	–	521,671
Hong Kong Dollar	796,501	119,399
US Dollar	7,173,941	2,481,843
	7,970,442	2,611,273

Cash and cash equivalents denominated in currencies other than the Sub-Fund's functional currency comprise the following:

	Global Opportunities Fund	
	2017	2016
	S\$	S\$
Hong Kong Dollar	–	27,519
US Dollar	322,832	103,915
	<u>322,832</u>	<u>103,915</u>

The Sub-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 Sub-Fund.

As at 31 March 2017 and 2016, with respect to the monetary assets and monetary liabilities of the Sub-Fund, had the Singapore Dollar increased/decreased by 10% against foreign currencies, with all other variables remaining constant, the decrease/increase in net assets attributable to unitholders would be as follows:

	Global Opportunities Fund	
	Increase/(Decrease) in net assets attributable to unitholders	
	2017	2016
	S\$	S\$
Euro	–	52,167
Hong Kong Dollar	79,650	14,692
US Dollar	749,677	258,576
	<u>749,677</u>	<u>258,576</u>

b) *Liquidity risk*

The Sub-Fund is exposed to daily redemption of units in the Sub-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 Sub-Fund is exposed to counterparty credit risk on trading derivative products, cash and bank balances 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 once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Sub-Fund 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-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 31 March 2017 and 2016, the fair values of assets and liabilities approximate their carrying values on the Statement of Financial Position due to their short period to maturity.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and 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-Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Sub-Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

The Sub-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 Sub-Fund's financial assets and liabilities (by class) measured at fair value at 31 March 2017 and 2016:

Global Opportunities Fund	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
2017				
Assets				
Portfolio of investments	10,147,856	–	–	10,147,856
Financial derivatives, at fair value	–	–	–	–
	10,147,856	–	–	10,147,856
2016				
Assets				
Portfolio of investments	4,648,908	–	–	4,648,908
Financial derivatives, at fair value	–	2,695	–	2,695
	4,648,908	2,695	–	4,651,603

10. Related parties

In the normal course of business of the Sub-Fund, management fees and trustee fees have been paid or are payable to the Manager and the Trustee 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 Manager may also use 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 Sub-Fund and its related parties during the year:

		Global Opportunities Fund	
	Note	2017	2016
		S\$	S\$
Interest income received from a related party of the Trustee		8	44
Bank balances held with a related party of the Trustee	4	540,604	402,484
Amounts held with a related party of the Manager	4	–	163,057

11. Financial ratios

		Global Opportunities Fund	
		2017	2016
Expense ratio			
Total operating expenses	S\$	221,860	189,592
Average daily net asset value	S\$	9,298,872	5,496,932
Prorated expense ratio of the underlying funds ^(Note 1)	%	0.76	0.53
Expense ratio ^(Note 1)	%	3.15	3.97
Turnover ratio			
Lower of total value of purchases or sales	S\$	14,990,443	7,324,437
Average daily net asset value	S\$	9,298,872	5,496,932
Turnover ratio ^(Note 2)	%	161.21	133.25

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 average net asset value for the year.

The total operating expenses do not include (where applicable) brokerage and other transaction 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.

In the case of funds of funds, which are generally defined as funds with more than 50% of their total assets in other underlying funds, a summarised expense ratio of the target funds and the fund of funds is calculated as of the closing date of the financial year. This corresponds to the sum of:

- The prorated ratio of the individual target funds, weighted according to the share they represent in the assets of the fund of funds as of the closing date, and the
- Expense ratio of the fund of funds minus any rebates of management fees and commissions received from the target funds during the reporting period.

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 total value of purchases (or sales) of the underlying investments divided by the weighted average daily net asset value. The total value of purchase (or sales) do not include brokerage and other transaction costs.

Important Information

Global Opportunities Fund (the “Sub-Fund”) is a sub-fund of Phillip Global Opportunities Funds (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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