

PHILLIP TREASURY FUND

Annual Report

Year ended 31 March 2018

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Phillip Treasury Fund

MANAGER

Phillip Capital Management (S) Ltd
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(Company Registration No. 199905233W)

DIRECTORS OF THE MANAGER

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

TRUSTEE & REGISTRAR

BNP Paribas Trust Services Singapore Limited
20 Collyer Quay, #01-01
Singapore 049319
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CUSTODIAN AND FUND ADMINISTRATOR

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AUDITORS

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SOLICITORS TO THE MANAGER

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Phillip Treasury Fund

MANAGER'S INVESTMENT REPORT

The US Dollar Money Market Fund returned 1.11% (bid-to-bid basis) over the one year ended 31 March 2018, 44 basis points (“bps”) higher than the corresponding period last year. The Fund underperformed the average 1-week US\$ Libor benchmark rate of 1.25% over the same period.

As at 31 March 2018 the portfolio’s Weighted Average Maturity (“WAM”) stood at 55 days. Cash, bonds and deposits maturing within one month accounted for approximately 13% of the portfolio value. The portfolio remains well-diversified across countries, sectors and issuers, with debt issues in financial services constituting the largest portfolio allocation (non-deposit investments) at 25%.

10-year US treasury yields ended at 2.74% on 29 March 2018, representing a 35 bps increase from the 2.39% a year ago, as the US Federal Reserve implemented three quarter-point increases to bring the overnight funds rate to a target range of 1% to 1.75%. The 25bps increment in March 2018 represents the sixth rate hike since the Federal Open Market Committee first started raising Federal Fund rates in December 2015. Strengthening economic conditions, solid hiring data and firmer inflation have reinforced the case for the Federal Reserve to tighten monetary policy further although the Federal Reserve maintained that the hiking trajectory will be gradual.

The United States Department of Commerce reported in late May that GDP grew at an annual rate of 2.2% during the first quarter of 2018, slightly lower than previously reported (2.3%). The revision was due to downward revisions to inventory investment and consumer spending. However, the growth outlook remains favourable against the backdrop of a tightening labour market and fiscal stimulus in the form of the US\$1.5 trillion income tax cut package that came into effect as of January 2018. The effects of lower corporate and individual tax rates and higher government spending will be bring annual GDP growth closer to the Trump administration’s 3% target. Optimism surrounding GDP growth momentum was supported by April’s economic data which saw solid consumer spending, business capital investments and industrial production.

Although the meeting minutes for the Federal Open Market Committee in May acknowledged the strong economic conditions, the central bank also recognised the possibility of rising global trade and geopolitical tension. The Federal Reserve indicated tolerance for inflation rates to temporarily exceed its 2% target, believing that it will aid in anchoring longer-run inflation expectations. Market participants mostly expect a gradual pace of Fed rate hikes – two additional increases in 2018, while not ruling out the possibility of a fourth for the calendar year. Macro risks to consider for the second half of 2018 include monetary policy normalisation in the US and Europe, US trade protectionism and rising global energy prices.

Our strategy remains to buy and hold high-quality securities to maturity and manage interest rate risk with a portfolio of target WAM at 90 days. Our liquidity strategy is to have overnight and weekly liquidity of 10% and 20% respectively, for the portfolio. We will continue with prudent management of concentration and liquidity risks with a wide diversification of issuers and banks for the portfolio.

Phillip Treasury Fund

Report to Unitholders Year ended 31 March 2018

The following contains additional information relating to the US Dollar Money market Fund (the "Sub Fund"):

1. Distribution of investments

Please refer to the Statement of Portfolio on pages FS4 to FS8.

2. Schedule of investments by asset class

Asset class	Fair value at 31 March 2018 US\$	Percentage of total net assets attributable to unitholders at 31 March 2018 %
Fixed Income Securities	125,279,790	59.09
Term Deposits	72,225,650	34.06
Cash and cash equivalents	22,974,532	10.84
Other net liabilities	(8,459,291)	(3.99)
	<u>212,020,681</u>	<u>100.00</u>

Types of money market instruments and debt securities

Asset class	Fair value at 31 March 2018 US\$	Percentage of total net assets attributable to unitholders at 31 March 2018 %
Floating rate notes	14,452,137	6.82
Fixed rate notes	110,077,963	51.92
Accrued interest on debt securities	749,690	0.35
	<u>125,279,790</u>	<u>59.09</u>

3. Credit rating

i) Debt securities

Credit Ratings	Fair value at 31 March 2018 US\$	Percentage of total net assets attributable to unitholders at 31 March 2018 %
AA	9,996,947	4.71
A	61,233,988	28.89
Aaa*	398,724	0.19
Aa*	8,623,717	4.06
A3*	9,419,171	4.44
NR	34,857,553	16.45
Accrued interest on debt securities	749,690	0.35
Total	<u>125,279,790</u>	<u>59.09</u>

Phillip Treasury Fund

Report to Unitholders Year ended 31 March 2018

3. Credit rating (continued)

ii) Fixed deposits

Credit Ratings	Fair value at 31 March 2018 US\$	Percentage of total net assets attributable to unitholders at 31 March 2018 %
A	33,065,867	15.60
A-#	21,113,990	9.96
AA-	18,045,793	8.50
Total	72,225,650	34.06

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

* Credit rating is from Moody's

Credit rating is from Fitch

4. Top 10 holdings

10 largest holdings at 31 March 2018	Fair value at 31 March 2018 US\$	Percentage of total net assets attributable to unitholders at 31 March 2018 %
Sinopec Capital 2013 Limited 1.875% due 24/04/2018	11,658,351	5.50
Agricultural Bank Of China Limited/Singapore 0% due 10/05/2018	9,977,594	4.71
Intesa Sanpaolo 0% due 13/06/2018	9,953,032	4.69
Cooperative Rabobank UA/Hong Kong 0% due 13/08/2018	9,927,756	4.68
Harvest Operations Corporation 2.125% due 14/05/2018	8,397,277	3.96
Want Want China Finance Limited 1.875% due 14/05/2018	7,989,280	3.77
Japan Bank For International Cooperation 1.75% due 13/11/2018	7,968,800	3.76
Woori Bank 2.875% due 02/10/2018	6,344,603	2.99
Macquarie Bank Limited 2.63557% due 26/03/2019	6,000,000	2.83
State Grid Overseas Investment 2013 Limited 1.75% due 22/05/2018	5,491,530	2.59
	83,708,223	39.48

Phillip Treasury Fund

Report to Unitholders

Year ended 31 March 2018

4. Top 10 holdings (continued)

10 largest holdings at 31 March 2017	Fair value at 31 March 2017 US\$	Percentage of total net assets attributable to unitholders at 31 March 2017 %
CMT MTN Private Limited 3.731% due 21/03/2018	9,555,006	5.19
Mizuho Bank Limited 1.55% due 17/10/2017	6,645,544	3.61
Harvest Operations Corporation 2.125% due 14/05/2018	6,260,817	3.40
Korea Development Bank 3.5% due 22/08/2017	5,536,080	3.01
State Grid Overseas Investment 2013 Limited 1.75% due 22/05/2018	5,482,235	2.98
Westpac Banking Corporation 2% due 14/08/2017	5,010,150	2.72
Bank Of Communications Company Limited 0% 08/09/2017	4,962,766	2.70
Hutchison Whampoa International 14 Limited 1.625% due 31/10/2017	4,296,517	2.33
KEB Hana Bank 3.5% due 25/10/2017	4,032,840	2.19
Advance Wisdom Investments Limited 2.1% due 16/10/2017	3,852,233	2.09
	55,634,188	30.22
	55,634,188	30.22

5. Maturity Profile of Investments

	Fair value at 31 March 2018 US\$	Percentage of total net assets attributable to unitholders at 31 March 2018 %
Up to 30 days	26,763,268	12.62
31 - 90 days	72,708,280	34.31
91 - 180 days	59,990,272	28.29
181 - 365 days	30,661,937	14.46
366 - 732 days	6,631,993	3.12
Non-interest bearing	749,690	0.35
	197,505,440	93.15
	197,505,440	93.15

6. (i) Exposure to derivatives as at 31 March 2018

Nil

(ii) Gain/Loss on derivative contracts realised for the year ended 31 March 2018

Nil

(iii) Net gain/loss on outstanding derivative contracts marked to market as at 31 March 2018

Nil

Phillip Treasury Fund

Report to Unitholders

Year ended 31 March 2018

7. Global exposure to 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:

- 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.

8. Collateral

Nil.

9. Securities lending or repurchase transactions

Nil.

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

Nil

11. Amount of units created and cancelled for the year

2018

US\$

Units created	630,632,588
Units cancelled	(604,918,991)

12. Turnover ratio

Please refer to Note 10 of Notes to Financial Statements.

13. Expense ratio

Please refer to Note 10 of Notes to Financial Statements.

Phillip Treasury Fund

Report to Unitholders

Year ended 31 March 2018

14. Performance of the Fund

As at 31 March 2018	Performance of the Fund	Benchmark performance
Cumulative (%)*	US\$	US\$
3 months	0.33%	0.38%
6 months	0.61%	0.70%
1 year	1.11%	1.25%
3 years	2.28%	2.04%
5 years	3.49%	2.30%
Since inception (6 May 2009)	6.60%	3.18%
Annualised (%)	US\$	US\$
1 year	1.11%	1.25%
3 years	0.76%	0.67%
5 years	0.69%	0.46%
Since inception (6 May 2009)	0.72%	0.35%

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

15. Related party transactions

Please refer to Note 9 of Notes to Financial Statements.

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

Nil

17. Soft dollar commissions

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 account of clients' funds.

The Manager did not receive any soft dollar commissions during the year.

Report of the Trustee

The Trustee is under a duty to take into custody and hold the assets of Phillip Treasury Fund 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 Treasury Fund during the period covered by these financial statements, set out on pages FS1 to FS17, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

Authorised signatory

26 June 2018

Statement by the Manager

In the opinion of the directors of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages FS1 to FS17, 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 Treasury Fund as at 31 March 2018, and the total return and movements in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that Phillip Treasury Fund will be able to meet its financial obligations as and when they materialise.

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

Jeffrey Lee Chay Khiong
Director

26 June 2018

Independent auditors' report

Unitholders
Phillip Treasury Fund
(Constituted under a Trust Deed registered in the Republic of Singapore)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Phillip Treasury Fund (the “Fund”), which comprise the Statement of Financial Position and Statement of Portfolios as at 31 March 2018, the Statement 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 FS17.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the recommendation 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 2018 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 ‘*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.

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 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.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore

26 June 2018

Statement of Total Return
Year ended 31 March 2018

	Note	Phillip USD Money Market Fund	
		2018 US\$	2017 US\$
Income			
Interest income		1,021,268	570,740
Less:			
Expenses			
Management fees		799,698	691,054
Trustee fee		49,985	43,193
Administration fee		69,980	60,471
Custody fee		9,997	8,639
Audit fee		8,268	8,244
Other expenses		22,679	48,979
		<u>960,607</u>	<u>860,580</u>
Net gains/(losses)		<u>60,661</u>	<u>(289,840)</u>
Net gains or losses on value of investments			
Net gain on investments		2,119,483	1,323,765
Net gain/(loss) on foreign exchange		8,280	(2,718)
		<u>2,127,763</u>	<u>1,321,047</u>
Total return for the year before income tax		2,188,424	1,031,207
Less: Income tax	7	-	-
Total return for the year after income tax before distribution		<u>2,188,424</u>	<u>1,031,207</u>

Statement of Financial Position
As at 31 March 2018

	Note	Phillip USD Money Market Fund	
		2018 US\$	2017 US\$
Assets			
Portfolio of investments		197,505,440	168,887,896
Receivables	3	2,305,911	2,268,319
Cash and cash equivalents	4	22,974,532	15,249,865
Total assets		222,785,883	186,406,080
Liabilities			
Payables	5	3,375,859	1,369,814
Purchases awaiting settlement		7,389,343	917,606
Total liabilities		10,765,202	2,287,420
Equity			
Net assets attributable to unitholders	6	212,020,681	184,118,660

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

Statement of Movements of Unitholders' Funds
Year ended 31 March 2018

	Note	Phillip USD Money Market Fund	
		2018 US\$	2017 US\$
Net assets attributable to unitholders at the beginning of financial year		184,118,660	156,823,356
Operations			
Change in net assets attributable to unitholders resulting from operations		2,188,424	1,031,207
Unitholders' contributions/(withdrawals)			
Creation of units		630,632,588	459,968,369
Cancellation of units		(604,918,991)	(433,704,272)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		25,713,597	26,264,097
Total increase in net assets attributable to unitholders		27,902,021	27,295,304
Net assets attributable to unitholders at the end of financial year	6	212,020,681	184,118,660

Statement of Portfolio As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 US\$	Percentage of total net assets attributable to unitholders as at 31/3/2018 %
Phillip USD Money Market Fund			
By Geography (Primary)			
Quoted Debt Securities			
Australia			
Macquarie Bank Limited 2.63557% due 26/03/2019	6,000,000	6,000,000	2.83
		6,000,000	2.83
British Virgin Islands			
CNPC General Capital Limited 1.95% due 16/04/2018	4,850,000	4,848,448	2.29
Sinopec Capital 2013 Limited 1.875% due 24/04/2018	11,665,000	11,658,351	5.50
State Grid Overseas Investment 2013 Limited 1.75% due 22/05/2018	5,500,000	5,491,530	2.59
Want Want China Finance Limited 1.875% due 14/05/2018	8,000,000	7,989,280	3.77
		29,987,609	14.15
Canada			
Harvest Operations Corporation 2.125% due 14/05/2018	8,404,000	8,397,277	3.96
		8,397,277	3.96
Cayman Islands			
Baidu Incorporation 2.75% due 09/06/2019	1,435,000	1,429,891	0.67
Swire Pacific MTN Financing Limited 6.25% due 18/04/2018	5,250,000	5,257,298	2.48
		6,687,189	3.15

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

Statement of Portfolio
As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 US\$	Percentage of total net assets attributable to unitholders as at 31/3/2018 %
Phillip USD Money Market Fund			
By Geography (Primary)			
China			
Agricultural Bank Of China Limited/Hong Kong 2.875% due 10/12/2018	800,000	799,488	0.38
Agricultural Bank Of China Limited/New York 2.80213% due 21/05/2018	250,000	250,035	0.12
Agricultural Bank Of China Limited/Singapore 0% due 10/05/2018	10,000,000	9,977,594	4.71
Bank Of China Limited/Hong Kong 2.43457% due 11/07/2019	5,000,000	5,001,850	2.36
Bank Of China Limited/Sydney 1.88% 19/04/2017	5,000,000	4,999,171	2.36
		21,028,138	9.93
France			
Intesa Sanpaolo 0% due 13/06/2018	10,000,000	9,953,032	4.69
		9,953,032	4.69
Hong Kong			
HKCG Finance Limited 6.25% due 07/08/2018	3,000,000	3,034,380	1.43
		3,034,380	1.43
Japan			
Japan Bank For International Cooperation 1.75% due 13/11/2018	8,000,000	7,968,800	3.76
		7,968,800	3.76
Netherlands			
Cooperative Rabobank UA/Hong Kong 0% due 13/08/2018	10,000,000	9,927,756	4.68
		9,927,756	4.68
Singapore			
DBS Bank Limited 1.625% due 06/08/2018	400,000	398,724	0.19
		398,724	0.19

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

Statement of Portfolio
As at 31 March 2018

	Holdings as at 31/3/2018	Fair value as at 31/3/2018 US\$	Percentage of total net assets attributable to unitholders as at 31/3/2018 %
Phillip USD Money Market Fund			
By Geography (Primary)			
South Korea			
Export-Import Bank Of Korea 2.1534% due 01/11/2018	3,000,000	3,000,000	1.42
Export-Import Bank Of Korea 2.64363% due 26/05/2019	200,000	200,252	0.09
Korea Housing Finance Corporation 1.625% due 15/09/2018	5,205,000	5,173,978	2.44
Korea Development Bank 2.875% due 22/08/2017	300,000	300,111	0.14
Korea Hydro & Nuclear Power Company Limited 2.875% due 02/10/2018	1,100,000	1,099,307	0.52
Korea Western Power Company Limited 2.875% due 10/10/2018	450,000	449,739	0.21
SK Telecom Company Limited 2.125% due 01/05/2018	4,582,000	4,579,205	2.16
Woori Bank 2.875% due 02/10/2018	6,350,000	6,344,603	2.99
		21,147,195	9.97
Accrued interest on debt securities		749,690	0.35
Total Debt Securities		125,279,790	59.09
Fixed deposits			
Singapore			
China Construction Bank		20,000,000	9.43
Credit Suisse AG		21,113,990	9.96
First Abu Dhabi Bank		5,000,000	2.36
Industrial and Commercial Bank of China Singapore Branch		8,065,867	3.80
Sumitomo Mitsui Banking Corporation		5,000,000	2.36
Westpac Banking Corporation, Singapore Branch		13,045,793	6.15
		72,225,650	34.06
Total Fixed deposits		72,225,650	34.06
Portfolio of investments		197,505,440	93.15
Other net assets		14,515,241	6.85
Net assets attributable to unitholders		212,020,681	100.00

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

Statement of Portfolio
As at 31 March 2018

Phillip USD Money Market Fund By Geography (Summary)	Fair value as at 31/3/2018 US\$	Percentage of total net assets attributable to unitholders at 31/3/2018 %	Percentage of total net assets attributable to unitholders at 31/3/2017 %
Australia	6,000,000	2.83	2.72
Bahamas	–	–	1.63
British Virgin Islands	29,987,609	14.15	5.07
Canada	8,397,277	3.96	3.40
Cayman Islands	6,687,189	3.15	6.35
China	21,028,138	9.93	5.14
France	9,953,032	4.69	–
Hong Kong	3,034,380	1.43	–
Japan	7,968,800	3.76	4.70
Netherlands	9,927,756	4.68	–
Singapore	72,624,374	34.25	42.21
South Korea	21,147,195	9.97	20.21
	<hr/> 196,755,750	<hr/> 92.80	<hr/> 91.43
Accrued interest on debt securities	749,690	0.35	0.30
	<hr/>		
Portfolio of investments	197,505,440	93.15	91.73
Other net assets	14,515,241	6.85	8.27
Net assets attributable to unitholders	<hr/> <hr/> 212,020,681	<hr/> <hr/> 100.00	<hr/> <hr/> 100.00

Statement of Portfolio
As at 31 March 2018

Phillip USD Money Market Fund By Industry (Secondary)	Fair value as at 31/3/2018 US\$	Percentage of total net assets attributable to unitholders at 31/3/2018 %	Percentage of total net assets attributable to unitholders at 31/3/2017 %
Communications	6,009,096	2.83	4.39
Consumer, Non-cyclical	7,989,280	3.77	0.27
Diversified	5,257,298	2.48	3.47
Energy	24,904,076	11.75	4.21
Financial services	126,178,014	59.51	65.39
Government agency	16,343,030	7.71	6.05
Industrial	—	—	2.99
Utilities	10,074,956	4.75	4.66
	196,755,250	92.80	91.43
Accrued interest on debt securities	749,690	0.35	0.30
Portfolio of investments	197,505,440	93.15	91.73
Other net assets	14,515,241	6.85	8.27
Net assets attributable to unitholders	212,020,681	100.00	100.00

Notes to the Financial Statements

These notes form an integral part of the financial statements.

1. Domicile and activities

Phillip Treasury Fund (the “Fund”) is an open ended umbrella unit trust constituted pursuant to a Trust Deed dated 17 February 2009 together with its Amended and Restated Deeds thereon (hereafter referred to as the “Trust Deed”) between Phillip Capital Management (S) Ltd (the “Manager”) and BNP Paribas Trust Services Singapore Limited (the “Trustee”). The Trust Deed is governed by and construed in accordance with the laws of the Republic of Singapore.

The Fund currently comprises one sub-fund, Phillip USD Money Market Fund (the “Sub-Fund”), which was launched on 4 May 2009.

The investment objective of the Sub-Fund is to provide liquidity and manage risk while looking to provide a return which is comparable to that of USD short-term deposits.

The Sub-Fund invests in high quality short-term money market instruments and debt securities. Some of the investments may include government and corporate bonds, commercial bills and deposits with financial institutions.

2. Significant accounting policies

2.1 Basis of financial statements preparation

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

On 1 April 2017, the Fund 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 April 2017.

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

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

2.2 *Basis of valuation of investments*

Quoted investments are stated at fair value based on the 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 *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.

2.4 *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.

2.5 *Cash and cash equivalents*

Cash and cash equivalents comprise bank balances and amount held with broker. 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.

2.6 *Net assets attributable to unitholders*

Net assets attributable to unitholders are classified as equity.

3. **Receivables**

	Phillip USD Money Market Fund	
	2018	2017
	US\$	US\$
Receivable from unitholders for creation of units	2,111,465	2,103,019
Accrued interest receivable	194,446	165,300
	2,305,911	2,268,319

4. Cash and cash equivalents

	Phillip USD Money Market Fund	
	2018	2017
	US\$	US\$
Cash and bank balances	8,921,190	11,240,572
Amount held with broker	14,053,342	4,009,293
	22,974,532	15,249,865

5. Payables

	Phillip USD Money Market Fund	
	2018	2017
	US\$	US\$
Payable to unitholders for cancellation of units	3,235,686	1,192,701
Accrued expenses	140,173	177,113
	3,375,859	1,369,814

6. Units in issue

During the year the numbers of share issued, redeemed and outstanding are as follows:

	Phillip USD Money Market Fund	
	2018	2017
	US\$	US\$
Units at beginning of the year	174,721,629	149,708,710
Units created	594,742,022	437,729,610
Units cancelled	(570,459,433)	(412,716,691)
Units at end of the year	199,004,218	174,721,629
Net assets attributable to unitholders – US\$	212,020,681	184,118,660
Net asset value per unit – US\$	1.0654	1.0538

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

The effect of bid market prices/amortised cost in the net assets attributable to unitholders is as follows:

	Phillip USD Money Market Fund	
	2018	2017
	US\$	US\$
Net assets attributable to unitholders per unit per financial statements	1.0654	1.0538
Effect of adopting amortised cost per unit	0.0007	0.0005
Net assets attributable to unitholders per unit for issuing/redeeming	1.0661	1.0543

7. Income tax

The Fund was approved for the Enhanced-Tier Fund Tax Incentive Scheme under Section 13X of the Income Tax Act by the Monetary Authority of Singapore (“MAS”) with effect from 16 August 2010. The tax exemption status will be for the life of the Fund, provided the Fund continues to meet all the terms and conditions set out by MAS and the relevant Income Tax legislations.

8. 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.

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 tables below summarise the Sub-Fund's exposure to interest rate risks. They include the Sub-Fund's assets and trading liabilities at fair value, categorised by interest rate types.

	Floating rate US\$	Fixed rate		Non-interest bearing US\$	Total US\$
		up to 1 year US\$	1-5 years US\$		
2018					
Assets					
Portfolio of investments	14,452,137	180,873,722	1,429,891	749,690	197,505,440
Receivables	–	–	–	2,305,911	2,305,911
Cash and bank balances	14,053,342	–	–	8,921,190	22,974,532
	<u>28,505,479</u>	<u>180,873,722</u>	<u>1,429,891</u>	<u>11,976,791</u>	<u>222,785,883</u>
Liabilities					
Payables	–	–	–	3,375,859	3,375,859
Purchases awaiting settlement	–	–	–	7,389,343	7,389,343
	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,765,202</u>	<u>10,765,202</u>
2017					
Assets					
Portfolio of investments	3,000,000	145,545,269	19,798,197	544,430	168,887,896
Receivables	–	–	–	2,268,319	2,268,319
Cash and bank balances	4,009,293	–	–	11,240,572	15,249,865
	<u>7,009,293</u>	<u>145,545,269</u>	<u>19,798,197</u>	<u>14,053,321</u>	<u>186,406,080</u>
Liabilities					
Payables	–	–	–	1,369,814	1,369,814
Purchases awaiting settlement	–	–	–	917,606	917,606
	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,287,420</u>	<u>2,287,420</u>

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

	Interest rates rise/lower by 1%	
	Increase/(Decrease) in net assets attributable to unitholders	
	2018 US\$	2017 US\$
Increase in net assets attributable to unitholders	<u>266,345</u>	<u>614,955</u>

iii Currency risk

The Sub-Fund's assets and liabilities are held mainly in United States Dollars, which is also its functional currency, therefore no sensitivity analysis and currency exposure table are presented. In addition, the Sub-Fund invests in underlying securities which are denominated in its functional currency where the fluctuations in the relevant exchange rates would not have an impact on the income and value of the Sub-Fund.

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 off.

c) Credit risk

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

The main credit risk to which the Sub-Fund is exposed arises from the Sub-Fund's investments in debt securities. The Sub-Fund is also exposed to counterparty credit risk on cash and bank balances and other receivable balances.

The Sub-Fund invests mostly in financial assets, which have an investment grade as rated by international credit rating agencies.

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 Sub-Fund has received payment. Payment is made on a purchase once the securities have been received by the Sub-Fund. The trade will fail if either party fails to meet its obligation.

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

Debt securities by rating category	Percentage of total net assets attributable to unitholders as at 31 March 2018 %	Percentage of total net assets attributable to unitholders as at 31 March 2017 %
AAA	–	1.37
AA	4.71	18.02
A	28.89	21.58
Aaa*	0.19	0.22
Aa*	4.06	4.37
A3*	4.44	5.19
NR	16.45	5.53
Total	58.74	56.28

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

** Credit rating is from Moody's*

Fixed deposits by rating category	Percentage of total net assets attributable to unitholders as at 31 March 2018 %	Percentage of total net assets attributable to unitholders as at 31 March 2017 %
A	15.60	11.44
AA-	8.50	6.01
A-	–	1.09
A- #	9.96	–
Aa3*	–	7.60
NR	–	9.30
Total	34.06	35.44

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

** Credit rating is from Moody's*

Credit rating is from Fitch

d) Fair value estimation

Except for investments which are measured at fair value, at 31 March 2018 and 2017, the fair values of assets and liabilities approximate their carrying values on the Statement of Financial Position due to the short period to maturity.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded 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.

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 2018 and 2017:

Phillip USD Money Market Fund	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
2018				
Assets				
Debt securities	–	125,279,790	–	125,279,790
Fixed deposits	–	72,225,650	–	72,225,650
	–	197,505,440	–	197,505,440

2017

Assets

Debt securities	–	103,630,777	–	103,630,777
Fixed deposits	–	65,257,119	–	65,257,119
	–	168,887,896	–	168,887,896

9. Related party transactions

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 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 Sub-Fund and its related parties during the year:

	Note	Phillip USD Money Market Fund	
		2018 US\$	2017 US\$
Cash and cash equivalents held with a related party of the Trustee	4	8,921,190	11,240,572

10. Financial ratios

		Phillip USD Money Market Fund	
		2018	2017
Expense Ratio			
Total operating expenses	US\$	960,607	860,580
Average daily net asset value	US\$	199,934,924	172,862,954
Expense ratio ^(Note 1)	%	0.48	0.50
Turnover Ratio			
Lower of total value of purchases or sales	US\$	–	1,007,759
Average daily net asset value	US\$	199,934,924	172,862,954
Turnover ratio ^(Note 2)	%	–	0.58

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

IMPORTANT INFORMATION

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

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