

PHILLIP TREASURY FUND

Annual Report

Year ended 31 March 2016



Phillip Capital Management

(A member of PhillipCapital)

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PHILLIP TREASURY FUND

DIRECTORY

MANAGER

Phillip Capital Management (S) Ltd
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#06-00 Raffles City Tower
Singapore 179101
(Company Registration No. 199905233W)

DIRECTORS OF THE MANAGER

Lim Hua Min
Loh Hoon Sun
Jeffrey Lee Chay Khiong
Linus Lim Wen Sheong
Lee Ken Hoon

TRUSTEE & REGISTRAR

BNP Paribas Trust Services Singapore Limited
20 Collyer Quay, #01-01
Singapore 049319
(Company Registration Number: 200800851W)

CUSTODIAN

BNP Paribas Securities Services, Singapore Branch
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Singapore 049319
(Company Registration Number: T08FC7287D)

AUDITORS

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

SOLICITORS TO THE MANAGER

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

SOLICITORS TO THE TRUSTEE

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

Report to Unitholders

Year ended 31 March 2016

MANAGER'S INVESTMENT REPORT

The US Dollar Money Market Fund returned 0.49% (bid-to-bid basis) over the one year ending 31 March 2016, 12 bps lower than the corresponding period last year. The Fund outperformed its 1 week US\$ Libor benchmark yield of 0.23%.

During the period ended 31 March 2016, the portfolio's Weighted Average Maturity ("WAM") stood at 150 days and carried about 37% in monthly liquidity. The Fund's bond portfolio has an average credit rating of A. The portfolio comprises high credit quality issues, fixed rate bank certificates and term deposits. The portfolio remains well-diversified across sectors and geographies with South Korea accounting for 22% of the fund's allocation.

US economic activity remained robust during 1Q 2016 as real GDP growth defied weak global demand, rising 1.9% year over year, following the Federal Reserve's commencement of monetary policy normalisation towards end 2015, supported by strong labour market data and inflation statistics. Since then, weaker global economic growth sentiments have led the Federal Reserve to scale back on the pace and extent at which it will raise short-term interest rates for 2016. Weaker than expected non-farm payroll increment for April, tepid consumption spending and falling non-residential investments have all induced a rethink on the sustainability of growth momentum within the US economy.

US treasury yields have also declined from a year earlier, as anaemic domestic economic activity and higher uncertainty pertaining to global outlook continue to weigh negatively on growth expectations. Depressed shorter-dated yields continue to reflect the dovishness of the Federal Reserve in keeping interest rates lower for longer.

Going forward, US economic growth is expected to slow to 2.4% for 2016 due to declining corporate investments, lower consumption spending and diminishing exports hampered by a stronger currency.

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

The Fund will continue to invest in high-quality short-term corporate papers with strong balance sheets, robust business models and consistent operating cash flow profiles.

Report to Unitholders

Year ended 31 March 2016

Phillip USD Money Market Fund

The following contains additional information relating to the US Dollar Money market Fund (the “Sub-Fund”),

1. Distribution of investments

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

2. Schedule of Investments by Asset Class

	Fair value at 31 March 2016 US\$	Percentage of total net assets attributable to unitholders at 31 March 2016 %
Fixed Income Securities	77,549,443	49.45
Term Deposits	67,081,538	42.78
Cash & Bank Balances	12,219,166	7.79
Other Net Current Assets/ (Liabilities)	(26,791)	(0.02)
	<u>156,823,356</u>	<u>100.00</u>

Types of Money Market Instruments and Debt Securities

	Fair value at 31 March 2016 US\$	Percentage of total net assets attributable to unitholders at 31 March 2016 %
Floating Rate Notes	12,332,428	7.86
Fixed Rate Notes	64,670,487	41.24
Accrued Interest on fixed income securities	546,528	0.35
	<u>77,549,443</u>	<u>49.45</u>

Report to Unitholders

Year ended 31 March 2016

3. Credit rating of debt securities

	Fair value at 31 March 2016 US\$	Percentage of total net assets attributable to unitholders at 31 March 2016 %
AAA	2,535,547	1.62
AA	14,372,041	9.16
A	51,970,259	33.14
Aa*	7,663,063	4.89
A*	1,008,533	0.64
Total	77,549,443	49.45

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

* Credit rating is from Moody's

4. Top 10 holdings

	Fair value at 31 March 2016 US\$	Percentage of total net assets attributable to unitholders at 31 March 2016 %
10 Largest holdings as at 31 March 2016		
Kookmin Bank Due 11 October 2016 FRN	7,021,910	4.48
Horsepower Finance Ltd 2.1% Due 3 March 2017	5,018,900	3.20
Bank of Tokyo-Mitsubishi UFJ Ltd 1.55% Due 9 September 2016	5,007,650	3.19
CNPC General Capital Ltd 1.45% Due 16 April 2016	4,000,000	2.55
Advance Wisdom Investment Ltd 2.1% Due 16 October 2017	3,867,402	2.47
Tencent Holdings Ltd 4.625% Due 12 December 2016	3,579,740	2.28
Korea Land & Housing Corp 1.875% Due 02 August 2017	3,410,438	2.17
Korea Development Bank 3.5% Due 22 August 2017	3,287,712	2.10
Shinhan Bank 4.125% Due 04 October 2016	3,045,060	1.94
Mitsubishi UFJ Lease & Finance Co Ltd 1.875% Due 17 October 2016	3,005,820	1.92
	41,244,632	26.30

Report to Unitholders

Year ended 31 March 2016

10 Largest holdings at 31 March 2015	Fair value at 31 March 2015 US\$	Percentage of total net assets attributable to unitholders at 31 March 2015 %
Korea Exchange Bank 1.75% Due 27 September 2015	5,017,350	5.58
Hutchison Whampoa International 4.625% Due 11 September 2015	4,267,519	4.75
Bank of China Ltd/Hong Kong 1.68% Due 16 July 2015	4,000,581	4.45
Sarawak International 5.5% Due 03 August 2015	3,926,560	4.37
CMT MTN Pte Ltd 4.321% Due 08 April 2015	3,750,600	4.17
Hana Bank 1.375% Due 05 February 2016	3,505,600	3.89
Shinhan Bank 4.125% Due 04 October 2016	3,120,720	3.47
CNPC General Capital Ltd 1.45% Due 16 April 2016	3,002,670	3.34
Kookmin Bank 1.375% Due 15 January 2016	2,054,448	2.28
Korea Hydro & Nuclear Power Co Ltd 6.25% Due 17 June 2014	2,019,940	2.25
	34,665,988	38.55

5. Maturity Profile of Investments

	Fair value at 31 March 2016 US\$	Percentage of total net assets attributable to unitholders at 31 March 2016 %
Up to 30 days	45,561,279	29.05
31 - 90 days	15,727,579	10.03
91 - 180 days	19,520,005	12.45
181 - 365 days	37,343,964	23.81
366 - 732 days	26,478,153	16.88
	144,630,980	92.22

6. i) Exposure to derivatives as at 31 March 2016

Nil

(ii) Gain/Loss on derivative contracts realised for the year ended 31 Mar 2016

Nil

(iii) Net gain/loss on outstanding derivative contracts marked to market as at 31 Mar 2016

Nil

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

Nil

8. Amount and percentage of borrowings of total fund size as at 31 March 2016

Nil

9. Amount of units created and cancelled for the year

	2016
	US\$
Units created	420,660,844
Units cancelled	(354,369,730)

10. Portfolio turnover ratio

		2016	2015
Lower of total value of purchases or sales	US\$	1,507,690	3,147,940
Average daily net asset value	US\$	118,468,363	91,451,484
Total turnover ratio ^{Note}	%	1.27	3.44

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

11. Expense ratio

		2016	2015
Total operating expenses	US\$	580,125	460,918
Average daily net asset value	US\$	118,468,363	91,451,484
Total expense ratio ^{Note}	%	0.49	0.50

Note: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was 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 transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Sub Fund does not pay any performance fee. The average net asset value is based on the daily balances.

12. Performance

As at 31 March 2016	Performance of the Fund (bid-to-bid)	Benchmark performance
Cumulative (%)*	US\$	US\$
3 months	0.14	0.09
6 months	0.25	0.15
1 year	0.49	0.23
3 years	1.67	0.50
5 years	3.00	0.87
Since inception (6 May 2009)	4.73	1.36
Annualised (%)	US\$	US\$
3 years	0.50	0.17
5 years	0.59	0.17
Since inception (6 May 2009)	0.67	0.20

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)

Report to Unitholders

Year ended 31 March 2016

13. Related party transactions

In the normal course of the business of the Sub-Fund, trustee fees and management fees have been paid or are payable to the Trustee and the Manager respectively as noted in the Statement of Total Return.

In addition, the bank holding company and related parties of the Trustee have also provided custodian, banking, foreign exchange, fund administration and brokerage services to the Sub-Fund in the normal course of business at terms agreed between the parties and within the provisions of the Trust Deed.

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

	2016 US\$	2015 US\$
Bank balances held with related party of the Trustee	12,219,166	10,495,632

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

Nil

15. Soft dollar commissions

The Manager shall be entitled to and intends to receive or enter into soft-dollar commissions or arrangements. The Manager will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions which the Manager may receive include research and advisory services, economic and political analyses, portfolio analyses including valuation and performance measurements, market analyses, data and quotation services, computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis and custodial service in relation to the investments managed for clients. The soft dollar credits utilised are not allocated on a specific client basis. The brokers also execute trades for other funds managed by the Manager.

The Manager will not accept or enter into soft dollar commissions or arrangements unless such soft-dollar commissions/arrangements would, in the opinion of the Manager, assist the Manager in its management of clients' funds, provided that the Manager shall ensure at all times that transactions are executed on the best available terms taking into account the relevant market at the time for transactions of the kind and size concerned, and that no unnecessary trades are entered into in order to qualify for such soft-dollar commissions/arrangements.

The Manager does not, and is not entitled to, retain cash rebates for its own account in respect of rebates earned when transacting in securities for account of clients' funds.

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

REPORT OF THE TRUSTEE

Year ended 31 March 2016

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

Date: 28 June 2016

STATEMENT BY THE MANAGER

Year ended 31 March 2016

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 2016, and the total return and changes 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 the Manager
Phillip Capital Management (S) Ltd

Authorised signatory

Date: 28 June 2016

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF PHILLIP TREASURY FUND

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

We have audited the financial statements of Phillip Treasury Fund (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 31 March 2016, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS17.

Manager's responsibility for the financial statements

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements 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, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 2016 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.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
Date: 28 June 2016

**Statement of Total Return
Year ended 31 March 2016**

	Phillip USD Money Market Fund	
	Note	2015
	2016	2015
	US\$	US\$
Income		
Interest	365,859	281,943
	<u>365,859</u>	<u>281,943</u>
Less:		
Expenses		
Management fees	472,811	365,040
Trustee and administration fees	76,836	59,323
Custody fees	-	(424)
Audit fee	6,739	8,611
Other expenses	23,739	28,368
	<u>580,125</u>	<u>460,918</u>
Net income	<u>(214,266)</u>	<u>(178,975)</u>
Net gains or losses on value of investments		
Net gain on investments	823,966	706,873
Net gain/(loss) on foreign exchange	1,803	(2,715)
	<u>825,769</u>	<u>704,158</u>
Total return for the year before income tax	611,503	525,183
Less: Income tax	7	-
Total return for the year after income tax before distribution	<u>611,503</u>	<u>525,183</u>

Statement of Financial Position
Year ended 31 March 2016

		Phillip USD Money Market Fund	
	Note	2016 US\$	2015 US\$
Assets			
Portfolio of investments		77,549,443	59,412,007
Receivables	3	111,630	75,734
Cash and cash equivalents	4	79,300,704	30,540,909
Total assets		<u>156,961,777</u>	<u>90,028,650</u>
Liabilities			
Payables	5	138,421	107,911
Total liabilities		<u>138,421</u>	<u>107,911</u>
Equity			
Net assets attributable to unitholders	6	<u>156,823,356</u>	<u>89,920,739</u>

Statement of Movements of Unitholders' Funds
Year ended at 31 March 2016

	Phillip USD Money Market Fund	
Note	2016	2015
	US\$	US\$
Net assets attributable to unitholders at the beginning of financial year	89,920,739	90,831,346
Operations		
Change in net assets attributable to unitholders resulting from operations	611,503	525,183
Unitholders' contributions/(withdrawals)		
Creation of units	420,660,844	401,134,500
Cancellation of units	(354,369,730)	(402,570,290)
Change in net assets attributable to unitholders resulting from net creation and cancellations of units	66,291,114	(1,435,790)
Total (decrease)/increase in net assets attributable to unitholders	66,902,617	(910,607)
Net assets attributable to unitholders at the end of financial year	6 156,823,356	89,920,739

**Statement of Portfolio
As at 31 March 2016**

	Holdings as at 31/3/2016	Fair value as at 31/3/2016 US\$	Percentage of total net assets attributable to unitholders as at 31/3/2016 %
Phillip USD Money Market Fund By Geography (Primary)			
Quoted debt securities			
British Virgin Islands			
Advance Wisdom Investments Ltd 2.1% due 16/10/2017	3,850,000	3,867,402	2.47
Amipeace Ltd 2% due 06/12/2016	1,000,000	1,002,140	0.64
CNOOC Finance 2013 Ltd 1.125% due 09/05/2016	1,700,000	1,700,000	1.08
CNPC General Capital Ltd 1.45% due 16/04/2016	4,000,000	4,000,000	2.55
CNPC HK Overseas Capital Ltd 3.125% due 28/04/2016	1,950,000	1,952,299	1.24
Horsepower Finance Ltd 2.1% due 03/03/2017	5,000,000	5,018,900	3.20
Sinopec Group Overseas Development 2014 Ltd 1.75% due 10/04/2017	1,000,000	1,002,300	0.64
		18,543,041	11.82
Cayman Islands			
Alibaba Group Holding Ltd 1.625% due 28/11/2017	674,000	675,409	0.43
Hutchison Whampoa International 11 Ltd 3.5% due 13/01/2017	710,000	721,537	0.46
Hutchison Whampoa International 14 Ltd 1.625% due 31/10/2017	2,800,000	2,804,004	1.79
MTR Corp CI Ltd 2% due 12/04/2017	2,500,000	2,512,050	1.60
Tencent Holdings Ltd 2% due 02/05/2017	2,120,000	2,128,345	1.36
Tencent Holdings Ltd 4.625% due 12/12/2016	3,500,000	3,579,740	2.28
		12,421,085	7.92
China			
Bank Of Communications Co Ltd/Hong Kong 2.125% due 15/01/2017	1,000,000	1,004,680	0.64
		1,004,680	0.64

PHILLIP TREASURY FUND

	Holdings as at 31/3/2016	Fair value as at 31/3/2016 US\$	Percentage of total net assets attributable to unitholders as at 31/3/2016 %
Phillip USD Money Market Fund			
By Geography (Primary)			
Hong Kong			
Bank Of China Hong Kong Ltd 3.75% due 08/11/2016	1,500,000	1,522,230	0.97
		<u>1,522,230</u>	<u>0.97</u>
Japan			
Bank Of Tokyo-Mitsubishi UFJ Ltd/The 1.55% due 09/09/2016	5,000,000	5,007,650	3.19
Mitsubishi UFJ Lease & Finance Co Ltd 1.875% due 17/10/2016	3,000,000	3,005,820	1.92
Tokyo Metropolitan Government 1.875% due 27/01/2017	1,000,000	1,005,810	0.64
		<u>9,019,280</u>	<u>5.75</u>
South Korea			
Export-Import Bank Of Korea due 14/01/2017 FRN	3,000,000	3,004,860	1.92
Export-Import Bank Of Korea due 17/09/2016 FRN	1,000,000	1,001,749	0.64
KEB Hana Bank due 09/11/2016 FRN	1,300,000	1,303,909	0.83
KEB Hana Bank 3.5% due 25/10/2017	2,000,000	2,058,240	1.31
Kookmin Bank 1.625% due 14/07/2017	700,000	700,226	0.45
Kookmin Bank due 11/10/2016 FRN	7,000,000	7,021,910	4.48
Kookmin Bank 3.625% due 14/01/2017	1,700,000	1,728,545	1.10
Korea Development Bank/The 3.5% due 22/08/2017	3,200,000	3,287,712	2.10
Korea International Bond 5.125% due 07/12/2016	2,000,000	2,054,860	1.31
Korea Land & Housing Corp 1.875% due 02/08/2017	3,400,000	3,410,438	2.17
Korea National Oil Corp 3.125% due 03/04/2017	1,500,000	1,524,825	0.97
Korea Western Power Co Ltd 3.125% due 10/05/2017	286,000	290,767	0.19
Carried forward		<u>27,388,041</u>	<u>17.47</u>

PHILLIP TREASURY FUND

	Holdings as at 31/3/2016	Fair value as at 31/3/2016 US\$	Percentage of total net assets attributable to unitholders as at 31/3/2016 %
Phillip USD Money Market Fund			
By Geography (Primary)			
South Korea (continued)			
Brought forward		27,388,041	17.47
KT Corp 3.875% Due 20/01/2017	2,000,000	2,035,860	1.30
Nonghyup Bank 2.25% Due 19/09/2017	2,000,000	2,023,638	1.29
Shinhan Bank 4.125% Due 04/10/2016	3,000,000	3,045,060	1.94
		34,492,599	22.00
Accrued interest on debt securities		546,528	0.35
Portfolio of investments		77,549,443	49.45
Other net assets		79,273,913	50.55
Net assets attributable to unitholders		156,823,356	100.00

PHILLIP TREASURY FUND

	Fair value as at 31/3/2016 US\$	Percentage of total net assets attributable to unitholders as at 31/3/2016 %	Percentage of total net assets attributable to unitholders as at 31/3/2015 %
Phillip USD Money Market Fund By Geography (Summary)			
Australia	–	–	1.12
British Virgin Islands	18,543,041	11.82	5.55
Cayman Islands	12,421,085	7.92	7.48
China	1,004,680	0.64	12.78
Hong Kong	1,522,230	0.97	–
Japan	9,019,280	5.75	–
Malaysia	–	–	6.60
Singapore	–	–	4.17
South Korea	34,492,599	22.00	26.15
United States of America	–	–	1.67
	77,002,915	49.10	65.52
Accrued interest on debt securities	546,528	0.35	0.55
Portfolio of investments	77,549,443	49.45	66.07
Other net assets	79,273,913	50.55	33.93
Net assets attributable to unitholders	156,823,356	100.00	100.00

PHILLIP TREASURY FUND

	Fair value as at 31/3/2016 US\$	Percentage of total net assets attributable to unitholders as at 31/3/2016 %	Percentage of total net assets attributable to unitholders as at 31/3/2015 %
Phillip USD Money Market Fund			
By Industry (Secondary)			
Communications and Internet	8,419,354	5.37	2.73
Consumer, Non-cyclical	–	–	1.77
Diversified	3,525,541	2.25	4.74
Energy	10,179,424	6.48	7.36
Financial	41,598,062	26.53	43.32
Government agency	10,477,717	6.68	3.35
Transportation	2,512,050	1.60	–
Utilities	290,767	0.19	2.25
	77,002,915	49.10	65.52
Accrued interest on debt securities	546,528	0.35	0.55
Portfolio of investments	77,549,443	49.45	66.07
Other net assets	79,273,913	50.55	33.93
Net assets attributable to unitholders	156,823,356	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.

For the purposes of preparation of these financial statements, the basis used for calculating the expense ratio and turnover rate 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 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 term deposits and bank balances. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.6 *Net assets attributable to unitholders*

Net assets attributable to unitholders are classified as equity.

3 Receivables

	Phillip USD Money Market Fund	
	2016	2015
	US\$	US\$
Receivable from unitholders for creation of units	613	36,378
Accrued interest receivable	111,017	39,356
	111,630	75,734
	111,630	75,734

4 Cash and cash equivalents

	Phillip USD Money Market Fund	
	2016	2015
	US\$	US\$
Term deposits	67,081,538	20,045,277
Bank balances	12,219,166	10,495,632
	79,300,704	30,540,909
	79,300,704	30,540,909

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

5 Payables

	Phillip USD Money Market Fund	
	2016	2015
	US\$	US\$
Payable to unitholders for cancellation of units	-	8,011
Accrued expenses	138,421	99,900
	<u>138,421</u>	<u>107,911</u>

6 Units in issue

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

	Phillip USD Money Market Fund	
	2016	2015
	US\$	US\$
Units at beginning of the year	86,276,436	87,654,758
Units created	402,696,341	385,987,827
Units cancelled	(339,264,067)	(387,366,149)
Units at end of the year	<u>149,708,710</u>	<u>86,276,436</u>
Net assets attributable to unitholders – US\$	<u>156,823,356</u>	<u>89,920,739</u>
Net asset value per unit – US\$	<u>1.0475</u>	<u>1.0422</u>

For subscriptions and redemptions 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 bid market prices in the net assets attributable to unitholders is as follows:

	Phillip USD Money Market Fund	
	2016	2015
	US\$	US\$
Net assets attributable to unitholders per financial statements	156,823,356	89,920,739
Effect of adopting bid prices at fair value	(24,168)	3,771
Net assets attributable to unitholders for issuing/redeeming	<u>156,799,188</u>	<u>89,924,510</u>

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.

PHILLIP TREASURY FUND

	Floating rate US\$	Fixed rate		Non-interest bearing US\$	Total US\$
		up to 1 year US\$	1-5 years US\$		
2016					
Assets					
Portfolio of investments	12,374,112	38,697,177	26,478,154	-	77,549,443
Receivables	-	-	-	111,630	111,630
Cash and bank balances	-	67,081,538	-	12,219,166	79,300,704
	<u>12,374,112</u>	<u>105,778,715</u>	<u>26,478,154</u>	<u>12,330,796</u>	<u>156,961,777</u>
Liabilities					
Payables	-	-	-	138,421	138,421
	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,421</u>	<u>138,421</u>
2015					
Assets					
Portfolio of investments	-	48,120,503	11,291,504	-	59,412,007
Receivables	-	-	-	75,734	75,734
Cash and bank balances	-	20,045,277	-	10,495,632	30,540,909
	<u>-</u>	<u>68,165,780</u>	<u>11,291,504</u>	<u>10,571,366</u>	<u>90,028,650</u>
Liabilities					
Payables	-	-	-	107,911	107,911
	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,911</u>	<u>107,911</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	
	2016 US\$	2015 US\$
Increase/Decrease in net assets attributable to unitholders	<u>553,786</u>	<u>307,544</u>

iii. Currency risk

The Sub-Fund's assets and liabilities are held 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.

PHILLIP TREASURY 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 of.

c) Credit risk

Credit risk is the risk that 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 asset, 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 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 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 at 31 March 2016	Percentage of total net assets attributable to unitholders at 31 March 2015
	%	%
AAA	1.62	–
AA	9.16	–
A	33.14	51.15
Aa*	4.89	–
A*	0.64	14.92
Total	<u>49.45</u>	<u>66.07</u>

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

** Credit rating is from Moody's*

d) Fair value estimation

Except for investments which are measured at fair value, at 31 March 2016 and 2015, the fair values of assets and liabilities approximate their carrying values on the Statement of Financial Position.

PHILLIP TREASURY FUND

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 2015 and 2014:

Phillip USD Money Market

Fund	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
2016				
Assets				
Debt securities	77,549,443	–	–	77,549,443
2015				
Assets				
Debt securities	59,412,007	–	–	59,412,007

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:

	Phillip USD Money Market Fund	
	2016	2015
	US\$	US\$
Cash and cash equivalents held with a related party of the Trustee	12,219,166	10,495,632

10 Financial ratios

Expense Ratio		Phillip USD Money Market Fund	
		2016	2015
Total operating expenses	US\$	580,125	460,918
Average daily net asset value	US\$	118,468,363	91,451,484
Expense ratio ¹	%	0.49	0.50
Turnover Ratio			
Lower of total value of purchases or sales	US\$	1,507,690	3,147,940
Average daily net asset value	US\$	118,468,363	91,451,484
Turnover ratio ²	%	1.27	3.44

Note 1: The expense ratio has been computed based on the guidelines laid down by the IMAS. The calculation of the expense ratio was 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 portfolio turnover ratio is calculated in accordance with the formula stated in the Code. The calculation of the portfolio turnover ratio was 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 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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