

PHILLIP TREASURY FUND

Annual Report

Year ended 31 March 2017

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MANAGER

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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

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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 0.67% (bid-to-bid basis) over the one year ended 31 March 2017. The Fund outperformed the average 1-week US\$ Libor benchmark rate of 0.53% over the same period.

As at 31 March 2017, the portfolio's Weighted Average Maturity ("WAM") stood at 133 days. Cash, bonds and deposits maturing within one month accounted for approximately 22% of the portfolio value. The Fund's bond portfolio has credit ratings of A or above with its portfolio of high credit quality issues, and a breakdown of the Fund's debt investments by credit ratings is set out in note 8 (c) to the financial statements. The portfolio remains well-diversified across countries, sectors and issuers with debt issues in South Korea constituting the largest portfolio allocation (non-deposit investments) at 20%.

10-year US treasury yields ended at 2.39% on 31 March 2017, representing a 62 bps increase from the 1.77% a year ago, as the US Federal Reserve implemented two quarter-point increases to bring the overnight funds rate to a target range of 0.75% to 1%. The rate hikes had been generally expected by market participants since early 2016, although the central bank waited until December to raise rates for only the second time since 2006, due to persistent concerns about slowing growth, weak inflation, hiring and geopolitical turbulence overseas.

The United States Department of Commerce reported in late May that GDP grew at a 1.2% annual rate during the first quarter of 2017, stronger than previously reported (0.7%). The revision showed a firmer growth profile, mostly due to stronger consumer spending as well as a further increase in business investment since the advance estimates in April, partly offset by a downward revision to private inventory investment. The latest report is favourable news as it eases concerns that the predominant growth driver over the last several quarters has stalled, and most forecasters expect it to rise significantly in the second quarter.

Although the Fed commented in early May that Q1's economic growth slowdown was "transitory", and suggested that the pace of rate hikes will not be affected, the central bank's meeting minutes released towards the end of that month had a more cautious tone, with its plans to unwind its balance sheet being perceived as more dovish than expected. Market participants mostly expect a gradual pace of Fed rate hikes – two additional increases in 2017, and perhaps another two in 2018. Macro risks to consider for the second half of 2017 include monetary policy normalization in the US and Europe, simmering geopolitical tensions in Middle East and the Korean peninsula, US trade protectionism and risks that the recent deleveraging efforts in China could destabilize growth.

Our strategy is to have a target WAM in the range of 120 days, with overnight and monthly liquidity of 10% and 20% respectively, for the portfolio. The Fund will continue to focus its investments in high-quality short-term corporate papers of issuers with strong balance sheets, robust business models and steady operating cash flows.

Phillip Treasury Fund

Report to Unitholders

Year ended 31 March 2017

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 2017 US\$	Percentage of total net assets attributable to unitholders at 31 March 2017 %
Fixed Income Securities	103,630,777	56.28
Term Deposits	65,257,119	35.44
Cash and Bank Balances	15,249,865	8.29
Other net Liabilities	(19,101)	(0.01)
	<u>184,118,660</u>	<u>100.00</u>

Types of Money Market Instruments and Debt Securities

Asset Class	Fair value at 31 March 2017 US\$	Percentage of total net assets attributable to unitholders at 31 March 2017 %
Floating rate notes	3,000,000	1.63
Fixed rate notes	100,086,347	54.35
Accrued interest on fixed income securities	544,430	0.30
	<u>103,630,777</u>	<u>56.28</u>

3. Credit rating of debt securities

Credit Ratings	Fair value at 31 March 2017 US\$	Percentage of total net assets attributable to unitholders at 31 March 2017 %
AAA	2,523,614	1.37
AA	33,172,726	18.02
A	39,743,397	21.58
Aaa*	400,050	0.22
Aa*	8,043,173	4.37
A*	9,564,486	5.19
NR	10,183,331	5.53
Total	<u>103,630,777</u>	<u>56.28</u>

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

* Credit rating is from Moody's

Phillip Treasury Fund

Report to Unitholders

Year ended 31 March 2017

4. Top 10 holdings

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

10 largest holdings at 31 March 2016	Fair value at 31 March 2016 US\$	Percentage of total net assets attributable to unitholders at 31 March 2016 %
Kookmin Bank Due 11 Oct 2016 FRN	7,021,910	4.48
Horsepower Finance Ltd 2.1% Due 03 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 Investments 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

Phillip Treasury Fund

Report to Unitholders

Year ended 31 March 2017

5. Maturity Profile of Investments

	Fair value at 31 March 2017 US\$	Percentage of total net assets attributable to unitholders at 31 March 2017 %
Up to 30 days	24,293,445	13.19
31 - 90 days	36,103,208	19.61
91 - 180 days	50,340,048	27.34
181 - 365 days	35,189,394	19.11
366 - 732 days	22,961,801	12.47
	168,887,896	91.72

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

Nil

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

Nil

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

Nil

7. Global exposure to financial derivatives

The global exposure relating to derivative instruments is calculated using the commitment approach. The global exposure of each 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. Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment

Nil

Phillip Treasury Fund

Report to Unitholders

Year ended 31 March 2017

9. Amount of units created and cancelled for the year

	2017
	US\$
Units created	459,968,369
Units cancelled	(433,704,272)

10. Turnover ratio

Please refer to Note 10 of Notes to Financial Statements.

11. Expense ratio

Please refer to Note 10 of Notes to Financial Statements.

12. Performance of the Fund

As at 31 March 2017	Performance of the Fund (bid-to-bid)	Benchmark performance
Cumulative (%)*	US\$	US\$
3 months	0.20%	0.20%
6 months	0.36%	0.33%
1 year	0.67%	0.54%
3 years	1.78%	0.90%
5 years	3.05%	1.23%
Since inception (6 May 2009)	5.43%	1.91%
Annualised (%)	US\$	US\$
1 year	0.67%	0.54%
3 years	0.59%	0.30%
5 years	0.60%	0.24%
Since inception (6 May 2009)	0.67%	0.24%

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)

13. Related party transactions

Please refer to Note 9 of Notes to Financial Statements.

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

Nil

Phillip Treasury Fund

Report to Unitholders

Year ended 31 March 2017

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

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 FS16, 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

29 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 FS16, 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 2017, 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

29 June 2017

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 2017, 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 FS16.

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 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 *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.

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- 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

29 June 2017

Statement of Total Return
Year ended 31 March 2017

	Note	Phillip USD Money Market Fund	
		2017 US\$	2016 US\$
Income			
Interest income		570,740	365,859
		570,740	365,859
Less:			
Expenses			
Management fees		691,054	472,811
Trustee and administration fees		112,303	76,836
Audit fee		8,244	6,739
Other expenses		48,979	23,739
		860,580	580,125
Net losses		(289,840)	(214,266)
Net gains or losses on value of investments			
Net gain on investments		1,323,765	823,966
Net (loss)/gain on foreign exchange		(2,718)	1,803
		1,321,047	825,769
Total return for the year before income tax		1,031,207	611,503
Less: Income tax	7	–	–
Total return for the year after income tax before distribution		1,031,207	611,503

Statement of Financial Position
As at 31 March 2017

	Note	Phillip USD Money Market Fund	
		2017 US\$	2016 US\$
Assets			
Portfolio of investments		103,630,777	77,549,443
Receivables	3	2,268,319	111,630
Cash and cash equivalents	4	80,506,984	79,300,704
Total assets		186,406,080	156,961,777
Liabilities			
Payables	5	1,369,814	138,421
Purchases awaiting settlement		917,606	–
Total liabilities		2,287,420	138,421
Equity			
Net assets attributable to unitholders	6	184,118,660	156,823,356

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

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

	Note	Phillip USD Money Market Fund	
		2017 US\$	2016 US\$
Net assets attributable to unitholders at the beginning of financial year		156,823,356	89,920,739
Operations			
Change in net assets attributable to unitholders resulting from operations		1,031,207	611,503
Unitholders' contributions/(withdrawals)			
Creation of units		459,968,369	420,660,844
Cancellation of units		(433,704,272)	(354,369,730)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		26,264,097	66,291,114
Total increase in net assets attributable to unitholders		27,295,304	66,902,617
Net assets attributable to unitholders at the end of financial year	6	184,118,660	156,823,356

Statement of Portfolio As at 31 March 2017

	Holdings as at 31/3/2017	Fair value as at 31/3/2017 US\$	Percentage of total net assets attributable to unitholders as at 31/3/2017 %
Phillip USD Money Market Fund By Geography (Primary)			
Quoted Debt Securities			
Australia			
Westpac Banking Corporation 2% due 14/08/2017	5,000,000	5,010,150	2.72
		5,010,150	2.72
Bahamas			
Competition Team Technologies Limited 2.125% due 13/12/2017	3,000,000	2,999,490	1.63
		2,999,490	1.63
British Virgin Islands			
Advance Wisdom Investments Limited 2.1% due 16/10/2017	3,850,000	3,852,233	2.09
State Grid Overseas Investment 2013 Limited 1.75% due 22/05/2018	5,500,000	5,482,235	2.98
		9,334,468	5.07
Canada			
Harvest Operations Corporation 2.125% due 14/05/2018	6,254,000	6,260,817	3.40
		6,260,817	3.40
Cayman Islands			
Alibaba Group Holding Limited 1.625% due 28/11/2017	674,000	673,232	0.37
Hutchison Whampoa International 12 II Limited 2% due 08/11/2017	2,100,000	2,102,772	1.14
Hutchison Whampoa International 14 Limited 1.625% due 31/10/2017	4,300,000	4,296,517	2.33
MTR Corporation Ci Limited 2% due 12/04/2017	2,500,000	2,500,125	1.36
Tencent Holdings Limited 2% due 02/05/2017	2,120,000	2,120,191	1.15
		11,692,837	6.35

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 US\$	Percentage of total net assets attributable to unitholders as at 31/3/2017 %
Phillip USD Money Market Fund			
By Geography (Primary)			
China			
Bank Of Communications Company Limited 0% 08/09/2017	5,000,000	4,962,766	2.70
Bank Of China Limited 0% 18/04/2017	3,700,000	3,697,250	2.01
Industrial & Commercial Bank Of China Limited/New York 2.351% due 13/11/2017	800,000	801,352	0.43
		9,461,368	5.14
Japan			
Mizuho Bank Limited 1.55% due 17/10/2017	6,650,000	6,645,544	3.61
NTT Finance Corporation 1.5% due 25/07/2017	2,000,000	1,999,880	1.09
		8,645,424	4.70
Singapore			
CMT MTN Private Limited 3.731% due 21/03/2018	9,400,000	9,555,006	5.19
DBS Bank Limited 1.625% due 06/08/2018	400,000	399,080	0.21
Singtel Group Treasury Private Limited 2.375% due 08/09/2017	2,500,000	2,506,850	1.36
		12,460,936	6.76
South Korea			
Export-Import Bank Of Korea 1.414% due 01/11/2018	3,000,000	3,000,000	1.63
Export-Import Bank Of Korea 1.7% due 25/09/2017	3,000,000	3,005,701	1.63
KEB Hana Bank 3.5% due 25/10/2017	4,000,000	4,032,840	2.19
Kookmin Bank 1.625% due 14/07/2017	2,600,000	2,598,570	1.41
Korea Development Bank 3.5% due 22/08/2017	5,500,000	5,536,080	3.01
Korea Development Bank 2.25% due 07/08/2017	2,000,000	2,003,140	1.09
Korea East-West Power Company Limited 2.5% due 16/07/2017	1,500,000	1,502,370	0.81
Korea Expressway Corporation 1.625% due 28/04/2017	500,000	499,930	0.27
Korea Gas Corporation 2.25% due 25/07/2017	200,000	200,308	0.11
Carried forward		22,378,939	12.15

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 US\$	Percentage of total net assets attributable to unitholders as at 31/3/2017 %
Phillip USD Money Market Fund			
By Geography (Primary)			
South Korea			
Brought forward		22,378,939	12.15
Korea Housing Finance Corporation 1.625% due 15/09/2018	1,750,000	1,738,327	0.94
Korea Hydro & Nuclear Power Company Limited 2.875% due 02/10/2018	1,100,000	1,111,660	0.60
Korea Land & Housing Corporation 1.875% due 02/08/2017	3,400,000	3,397,892	1.85
Korea National Oil Corporation 3.125% due 03/04/2017	1,500,000	1,500,135	0.81
Korea Western Power Company Limited 3.125% due 10/05/2017	286,000	286,326	0.16
Nonghyup Bank 2.25% due 19/09/2017	2,000,000	2,001,500	1.09
SK Telecom Company Limited 2.125% due 01/05/2018	2,782,000	2,784,698	1.51
Woori Bank 2.875% due 02/10/2018	2,000,000	2,021,380	1.10
		37,220,857	20.21
Accrued interest on debt securities		544,430	0.30
Portfolio of investments		103,630,777	56.28
Other net assets		80,487,883	43.72
Net assets attributable to unitholders		184,118,660	100.00

Statement of Portfolio
As at 31 March 2017

	Fair value as at 31/3/2017 US\$	Percentage of total net assets attributable to unitholders at 31/3/2017 %	Percentage of total net assets attributable to unitholders at 31/3/2016 %
Phillip USD Money Market Fund By Geography (Summary)			
Australia	5,010,150	2.72	–
Bahamas	2,999,490	1.63	–
British Virgin Islands	9,334,468	5.07	11.82
Canada	6,260,817	3.40	–
Cayman Islands	11,692,837	6.35	7.92
China	9,461,368	5.14	0.64
Hong Kong	–	–	0.97
Japan	8,645,424	4.70	5.75
Singapore	12,460,936	6.76	–
South Korea	37,220,857	20.21	22.00
	<hr/> 103,086,347	<hr/> 55.98	<hr/> 49.10
Accrued interest on debt securities	544,430	0.30	0.35
	<hr/>		
Portfolio of investments	103,630,777	56.28	49.45
Other net assets	80,487,883	43.72	50.55
Net assets attributable to unitholders	<hr/> 184,118,660	<hr/> 100.00	<hr/> 100.00

Statement of Portfolio
As at 31 March 2017

	Fair value as at 31/3/2017 US\$	Percentage of total net assets attributable to unitholders at 31/3/2017 %	Percentage of total net assets attributable to unitholders at 31/3/2016 %
Phillip USD Money Market Fund			
By Industry (Secondary)			
Communications	8,084,971	4.39	5.37
Consumer, Non-cyclical	499,930	0.27	–
Diversified	6,399,289	3.47	2.25
Energy	7,760,952	4.21	6.48
Financial services	55,116,771	29.94	26.53
Government agency	11,141,920	6.05	6.68
Industrial	5,499,615	2.99	–
Transportation	–	–	1.60
Utilities	8,582,899	4.66	0.19
	<hr/> 103,086,347	<hr/> 55.98	<hr/> 49.10
Accrued interest on debt securities	<hr/> 544,430	<hr/> 0.30	<hr/> 0.35
Portfolio of investments	103,630,777	56.28	49.45
Other net assets	80,487,883	43.72	50.55
Net assets attributable to unitholders	<hr/> <hr/> 184,118,660	<hr/> <hr/> 100.00	<hr/> <hr/> 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 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 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	
	2017	2016
	US\$	US\$
Receivable from unitholders for creation of units	2,103,019	613
Accrued interest receivable	165,300	111,017
	2,268,319	111,630

4. Cash and cash equivalents

	Phillip USD Money	
	Market Fund	
	2017	2016
	US\$	US\$
Term deposits	65,257,119	67,081,538
Bank balances	11,240,572	12,219,166
Amount held with broker	4,009,293	–
	80,506,984	79,300,704

5. Payables

	Phillip USD Money Market Fund	
	2017	2016
	US\$	US\$
Payable to unitholders for cancellation of units	1,192,701	–
Accrued expenses	177,113	138,421
	1,369,814	138,421
	1,369,814	138,421

6. Units in issue

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

	Phillip USD Money Market Fund	
	2017	2016
	US\$	US\$
Units at beginning of the year	149,708,710	86,276,436
Units created	437,729,610	402,696,341
Units cancelled	(412,716,691)	(339,264,067)
Units at end of the year	174,721,629	149,708,710
	174,721,629	149,708,710
Net assets attributable to unitholders – US\$	184,118,660	156,823,356
Net asset value per unit – US\$	1.0538	1.0475

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	
	2017	2016
	US\$	US\$
Net assets attributable to unitholders per financial statements	184,118,660	156,823,356
Effect of adopting last traded price/amortised cost	99,470	(24,168)
Net assets attributable to unitholders for issuing/redeeming	184,218,130	156,799,188
	184,218,130	156,799,188

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 up to 1 year US\$	1-5 years US\$	Non-interest bearing US\$	Total US\$
2017					
Assets					
Portfolio of investments	3,007,029	80,668,976	19,954,772	–	103,630,777
Receivables	–	–	–	2,268,319	2,268,319
Cash and bank balances	4,009,293	65,257,119	–	11,240,572	80,506,984
	<u>7,016,322</u>	<u>145,926,095</u>	<u>19,954,772</u>	<u>13,508,891</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>
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

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	
	2017 US\$	2016 US\$
Increase in net assets attributable to unitholders	<u>614,955</u>	<u>553,786</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 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 as at 31 March 2017 %	Percentage of total net assets attributable to unitholders as at 31 March 2016 %
AAA	1.37	1.62
AA	18.02	9.16
A	21.58	33.14
Aaa*	0.22	–
Aa*	4.37	4.89
A*	5.19	0.64
NR	5.53	–
Total	56.28	49.45

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 2017 and 2016, 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 2017 and 2016:

Phillip USD Money Market Fund	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
2017				
Assets				
Debt securities	103,630,777	–	–	103,630,777
2016				
Assets				
Debt securities	77,549,443	–	–	77,549,443

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	
		2017 US\$	2016 US\$
Cash and cash equivalents held with a related party of the Trustee	4	11,240,572	12,219,166

10. Financial ratios

		Phillip USD Money Market Fund	
		2017	2016
Expense Ratio			
Total operating expenses	US\$	860,580	580,125
Average daily net asset value	US\$	172,862,954	118,468,363
Expense ratio ^(Note 1)	%	0.50	0.49
Turnover Ratio			
Lower of total value of purchases or sales	US\$	1,007,759	1,507,690
Average daily net asset value	US\$	172,862,954	118,468,363
Turnover ratio ^(Note 2)	%	0.58	1.27

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.

Phillip Treasury Fund

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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