

PHILLIP SELECT FUND

Annual Report
Year ended 30 September 2018

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Phillip Select Fund

MANAGER

Phillip Capital Management (S) Ltd
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Singapore 179101
(Company Registration No. 199905233W)

DIRECTORS OF THE MANAGER

Lim Hua Min
Jeffrey Lee Chay Khiong
Linus Lim Wen Sheong
Lim Wah Sai
Louis Wong Wai Kit

TRUSTEE & REGISTRAR

BNP Paribas Trust Services Singapore Limited
20 Collyer Quay, #01-01
Singapore 049319
(Company Registration No. 200800851W)

CUSTODIAN AND FUND ADMINISTRATOR

BNP Paribas Securities Services operating through its Singapore Branch
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Singapore 049319
(Company Registration No. T08FC7287D)

AUDITORS

KPMG LLP
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

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80 Raffles Place
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Singapore 048624

Phillip Select Fund

Manager's Investment Report

Phillip Singapore Real Estate Income Fund

The Fund (Class I SGD) achieved a total return of 3.77% (including quarterly distributions) for the financial year ended 30 September 2018. For the financial year, the Fund paid out a total distribution of 7.2 cents, an increase of 8% over the previous year. Its benchmark, the SGX S-REIT Index (Total Return)+6.25%. The new benchmark takes effect from 16 June 2018.

During the financial year, equities markets traded in a generally downbeat fashion, given the expected unrelenting pace of rate hikes by the US Federal Reserve as well as looming trade wars dampening sentiment, especially in emerging markets, in some cases triggering further currency collapse in countries perceived as weak such as Argentina and Turkey. Amidst the volatility in markets worldwide, Asia-Pacific REITs have been a place of refuge in those months. In Singapore, S-REITs have generally outperformed the STI broad markets in 3rd quarter 2018.

For the same period, both the biggest contributor and detractor to the Fund's performance came from the retail sub-segment and commercial Reits respectively. The major contributors for the Fund's return were from positions in Capitaland Mall Trust and Fraser Centrepoint Trust, which gained 17% and 13% respectively during the period. The detractors were Manulife US real estate and Keppel-KBS US Reit, which lost 6.5% and 5.8% respectively.

S-REITs' balance sheets remain robust, as the Reits have begun to take measures to safeguard against interest rate increases, by having fixed interest rates for a significant portion of their debts. On average, 80% of S-REITs across the various sectors have at least 70% of their debts hedged on fixed rates in anticipation of higher interest cost. Overall, sector gearing remains modest at 36%, well below the 45% maximum threshold. In addition, many REITs have diversified their funding options to include instruments such as perpetual securities, retail bonds, medium-term notes and preferential offerings. As of end-September, the weighted average dividend yields of the portfolio was 5.6%.

Economists forecast two rates hikes in 2019 in addition to the expected December rate hike. We believe the S-Reits growth outlook balances the lingering concerns over rising interest rates.

Key reasons include the overall positive demand-supply outlook in various Reits segments, growth potential from recent managers' acquisitions and well hedged balance sheets to mitigate rising borrowing costs.

On a sector basis, limited new supply in office space should support rentals, and the favourable supply dynamics is also the case for hospitality. The industrial segment may also do better going forward as the over-supply in the early 2010s has been progressively absorbed. Retail faces challenges from e-commerce; the key is to go for REITs with best-in-class assets (eg. near transport nodes) as their space will always be in demand.

Currently S-Reits (average yields at 6%) are trading at a 380 basis points yield spread to the Singapore Government 10-year-bond yields (at 2.20%). We believe S-Reits still offer the highest yields among REITS globally and can be defensive plays with investors in the volatile macroeconomic environment.

Phillip Select Fund

Report to Unitholders Year ended 30 September 2018

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

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 15 to 16.

2. Schedule of investments by asset class

Asset Class	Fair value as at	Percentage of
	30 September 2018	total net assets
	S\$	attributable to
		unitholders as at
		30 September 2018
		%
Real estate investment trusts	29,955,314	68.17
Exchange traded funds	13,281,283	30.23
Cash and cash equivalents	1,396,903	3.18
Other net current liabilities	(692,989)	(1.58)
Net assets attributable to unitholders	43,940,511	100.00

3. Top 10 holdings

10 Largest holdings at 30 September 2018	Fair value as at	Percentage of
	30 September 2018	total net assets
	S\$	attributable to
		unitholders as at
		30 September 2018
		%
Lion-Phillip S-Reit ETF	12,904,155	29.37
Frasers Centrepoint Trust	1,945,099	4.43
Frasers Hospitality Trust	1,709,409	3.89
Manulife US Real Estate Investment Trust	1,624,715	3.70
Frasers Commercial Trust	1,590,136	3.62
Ascendas Hospitality Trust	1,523,010	3.47
Capitaland Mall Trust	1,512,821	3.44
Starhill Global REIT	1,475,859	3.36
Keppel-KBS US REIT	1,462,641	3.33
Keppel DC REIT	1,459,179	3.32

Phillip Select Fund

Report to Unitholders Year ended 30 September 2018

3. Top 10 holdings (continued)

10 Largest holdings at 30 September 2017	Fair value as at	Percentage of
	30 September 2017	total net assets
	S\$	attributable to
		unitholders as at
		30 September 2017
		%
Capitaland Mall Trust	3,465,400	7.93
Frasers Centrepoint Trust	2,920,451	6.68
Suntec Real Estate Investment Trust	2,890,750	6.61
Keppel REIT	2,670,222	6.11
Frasers Commercial Trust	2,553,000	5.84
Mapletree Logistics Trust	2,501,080	5.72
Frasers Logistics & Industrial Trust	2,150,700	4.92
AIMS AMP Capital Industrial REIT	2,135,410	4.88
Manulife US Real Estate Investment Trust	2,067,535	4.73
Capitaland Commercial Trust	2,022,410	4.62

4. Exposure to financial derivatives as at 30 September 2018

Nil.

5. Global exposure to financial derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- a. the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangement;
- b. the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c. the sum of the values of cash collateral received pursuant to:
 - i. the reduction of exposure to counterparties of OTC financial derivatives; and
 - ii. EPM techniques relating to securities lending and repurchase transactions, and that are reinvested.

Phillip Select Fund

Report to Unitholders Year ended 30 September 2018

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

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

Please refer to the Statement of Portfolio on pages 15 to 16.

9. Amount and percentage of borrowings of total fund size as at 30 September 2018

Nil.

10. Amount of units created and cancelled for the year

	Class A SGD S\$	Class A USD S\$	Class I SGD S\$	Class I USD S\$
Total amount of redemptions	(6,041,778)	(839,572)	(6,762,384)	-
Total amount of subscriptions	10,600,234	250,851	4,157,018	8,478

11. Turnover ratio

Please refer to Note 12 of Notes to the Financial Statements.

12. Expense ratio

Please refer to Note 12 of Notes to the Financial Statements.

13. Performance of Sub-Fund as at 30 September 2018

	Class I		Class A		Benchmark
	SGD	USD	SGD	USD	
Cumulative (%)*					
3 months	2.43	2.22	2.30	2.10	4.16
6 months	0.48	-3.57	0.23	-3.80	1.59
1 year	3.77	2.62	3.26	2.33	6.25
3 years	32.37	35.30	30.48	33.59	40.17
5 years	41.32	-	38.44	23.96	50.96
Since inception **	89.22	22.94	84.08	18.33	105.44
Annualised (%)					
3 years	9.80	10.60	9.27	10.14	11.92
5 years	7.16	-	6.72	4.39	8.59
Since inception **	9.50	4.78	9.07	3.24	14.60

* Cumulative returns are calculated on a bid to bid basis, with net dividends reinvested. The Benchmark for which the Sub-Fund is measured against is the SGX S-REIT Index (Total Return).

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

Source: Bloomberg

Phillip Select Fund

Report to Unitholders Year ended 30 September 2018

14. Related party transactions

Please refer to Note 11 of Notes to Financial Statements.

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

Nil

16. Soft dollar commissions

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

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

The Manager does not, and is not entitled to retain cash rebates for its own account in respect of rebates earned when transacting in securities for the account of the Sub-Fund.

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

Report of the Trustee

The Trustee is under a duty to take into custody and hold the assets of Phillip Select 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 Select Fund during the period covered by these financial statements, set out on pages 12 to 27, 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

18 December 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 12 to 27, 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 and the portfolio holdings of Phillip Select Fund as at 30 September 2018, and the financial performance 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 the Phillip Select Fund will be able to meet its financial obligations as and when they materialise.

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

Linus Lim Wen Sheong
Director

18 December 2018

Independent auditors' report

Unitholders

Phillip Select Fund

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

Report on the audit of financial statements

Opinion

We have audited the financial statements of Phillip Select Fund (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 September 2018, the Statement of Total Return and Statement of Movements 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 12 to 27.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 30 September 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 presentation of these financial statements in accordance with the recommendations of the Statement of Recommended Accounting Practices 7 “Reporting Framework for Unit Trusts” issued by the Institute of Singapore Chartered Accountants, and for such internal control 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 auditor’s 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

18 December 2018

Statement of Total Return
Year ended 30 September 2018

Phillip Singapore Real Estate Income Fund			
	Note	2018 S\$	2017 S\$
Income			
Dividends		1,771,550	2,169,567
Interest		1,581	-
		1,773,131	2,169,567
Less:			
Expenses			
Management fees		424,961	403,136
Less: Management fee rebates		(26,293)	(9,880)
Registrar fees		4,549	3,744
Trustee fees		18,148	14,978
Custody fees		38,677	34,764
Audit fee		15,000	14,967
Transaction fees		95,774	80,421
Valuation fees		18,148	21,852
Other expenses		4,357	(10,371)
		593,321	553,611
Net income		1,179,810	1,615,956
Net gains or losses on value of investments and financial derivatives			
Net gains on investments		218,864	2,595,332
Net (losses)/gains on financial derivatives		(29,283)	330,005
Net losses on foreign exchange		(12,943)	(25,562)
		176,638	2,899,775
Total return for the year before income tax		1,356,448	4,515,731
Less: Income tax	8	(147,204)	(246,932)
Total return for the year after income tax before distribution		1,209,244	4,268,799

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

Statement of Financial Position
As at 30 September 2018

Phillip Singapore Real Estate Income Fund			
	Note	2018 S\$	2017 S\$
Assets			
Portfolio of investments		43,236,597	42,899,139
Sales awaiting settlement		1,958	5,325
Receivables	3	92,941	461,515
Cash and cash equivalents	4	1,396,903	878,553
Financial derivatives at fair value	5	-	282,211
Total assets		44,728,399	44,526,743
Liabilities			
Payables	6	787,888	799,970
Total liabilities		787,888	799,970
Equity			
Net assets attributable to unitholders		43,940,511	43,726,773

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

Statement of Movements of Unitholders' Funds
Year ended 30 September 2018

		Phillip Singapore Real Estate Income Fund	
	Note	2018 S\$	2017 S\$
Net assets attributable to unitholders at the beginning of financial year		43,726,773	49,295,987
Operations			
Change in net assets attributable to unitholders resulting from operations		1,209,244	4,268,799
Unitholders' contributions / (withdrawals)			
Creation of units		15,016,581	13,654,257
Cancellation of units		(13,643,734)	(21,255,480)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		1,372,847	(7,601,223)
Distributions	9	(2,368,353)	(2,236,790)
Total increase/(decrease) in net assets attributable to unitholders		213,738	(5,569,214)
Net assets attributable to unitholders at the end of financial year		43,940,511	43,726,773

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

Statements of Portfolio
As at 30 September 2018

Phillip Singapore Real Estate Income Fund

By Geography (Primary)

	Holdings as at 30 September 2018	Fair value as at 30 September 2018 S\$	Percentage of total net assets attributable to unitholders as at 30 September 2018 %
Quoted			
AUSTRALIA			
Stockland Corporation Limited	189,236	776,402	1.77
Viva Energy REIT	150,000	326,248	0.74
		1,102,650	2.51
SINGAPORE			
AIMS AMP Capital Industrial REIT	497,175	696,045	1.58
Ascendas Hospitality Trust	1,857,329	1,523,010	3.47
Ascendas Real Estate Investment Trust	157,889	416,827	0.95
Ascott Residence Trust	917,646	1,009,411	2.30
Capitaland Commercial Trust	154,145	274,379	0.62
Capitaland Mall Trust	681,451	1,512,821	3.44
Capitaland Retail China Trust	660,468	957,679	2.18
CDL Hospitality Trusts	628,420	1,005,472	2.29
Cromwell European Real Estate Investment Trust	700,000	638,787	1.45
Dasin Retail Trust	144,200	123,292	0.28
Far East Hospitality Trust	980,000	622,300	1.42
First Real Estate Investment Trust	326,670	411,604	0.94
Frasers Centrepoint Trust	856,872	1,945,099	4.43
Frasers Commercial Trust	1,089,134	1,590,136	3.62
Frasers Hospitality Trust	2,442,013	1,709,409	3.89
Frasers Logistics & Industrial Trust	922,274	986,833	2.25
Keppel DC REIT	1,065,094	1,459,179	3.32
Keppel REIT	930,894	1,107,764	2.52
Keppel-KBS US REIT	1,355,000	1,462,641	3.33
Lion-Phillip S-REIT ETF	13,034,500	12,904,155	29.37
Lippo Malls Indonesia Retail Trust	17	4	-
Manulife US Real Estate Investment Trust	1,495,680	1,624,715	3.70
Mapletree Industrial Trust	389,926	772,053	1.76
Mapletree Logistics Trust	613,429	754,518	1.72
Mapletree North Asia Commercial Trust	1,165,851	1,329,070	3.02
OUE Hospitality Trust	800,000	576,000	1.30
Parkway Life Real Estate Investment Trust	160,512	433,382	0.99
Phillip SGX APAC Dividend Leaders REIT ETF	277,300	377,128	0.86
Sasseur Real Estate Investment Trust	675,000	489,375	1.11
SPH REIT	980,000	980,000	2.22
Starhill Global REIT	2,123,538	1,475,859	3.36
Suntec Real Estate Investment Trust	500,000	965,000	2.20
		42,133,947	95.89
Portfolio of investments		43,236,597	98.40
Other net assets		703,914	1.60
Net assets attributable to unitholders		43,940,511	100.00

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

Statements of Portfolio
As at 30 September 2018

Phillip Singapore Real Estate Income Fund

By Geography (Summary)

	Fair value as at 30 September 2018 S\$	Percentage of total net assets attributable to unitholders as at 30 September 2018 %	Percentage of total net assets attributable to unitholders as at 30 September 2017 %
Quoted			
Australia	1,102,650	2.51	-
Singapore	42,133,947	95.89	98.11
Portfolio of investments	43,236,597	98.40	98.11
Other net assets	703,914	1.60	1.89
Net assets attributable to unit holders	43,940,511	100.00	100.00

Phillip Singapore Real Estate Income Fund

By Industry (Secondary)

	Fair value as at 30 September 2018 S\$	Percentage of total net assets attributable to unitholders as at 30 September 2018 %	Percentage of total net assets attributable to unitholders as at 30 September 2017 %
Real Estate Investment Trust	43,236,597	98.40	98.11
Portfolio of investments	43,236,597	98.40	98.11
Other net assets	703,914	1.60	1.89
Net assets attributable to unitholders	43,940,511	100.00	100.00

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

1. Domicile and activities

Phillip Select Fund (the "Fund") is an open-ended Unit Trust constituted pursuant to the Trust Deed dated 12 July 2011 together with its Amended and Restated Deeds and its Supplemental Deeds thereon (collectively referred to as the "Trust Deed") between Phillip Capital Management (S) Ltd as the Manager and BNP Paribas Trust Services Singapore Ltd as the Trustee. The Trust Deed is governed by and construed in accordance with the laws of the Republic of Singapore.

The Fund offers one sub-fund (the "Sub-Fund"), Phillip Singapore Real Estate Income Fund, which was first offered for subscription on 16 August 2011.

The investment objective of Phillip Singapore Real Estate Income Fund is to achieve medium to long term capital appreciation and a regular stream of income by primarily investing in Real Estate Investment Trusts ("REITs") listed in Singapore, including warrants, bonds and convertible bonds issued by the REITs. The Sub-Fund intends to offer regular dividends through quarterly distributions (or such other frequency as the Managers may determine from time to time). The Sub-Fund is benchmarked against the SGX S-REIT Index (Total Return).

2. Significant accounting policies

2.1 Basis of preparation

The financial statements, expressed in Singapore dollars ("S\$") are 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" revised and issued by the Institute of Singapore Chartered Accountants.

On 1 October 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 October 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 Fund and had no material effect on the amounts reported for the 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 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.

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

2.3 *Financial derivatives*

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the Statement of Total Return when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in the Statement of Total Return.

2.4 *Recognition of income*

Dividend income is recognised when declared and is stated gross of tax credits.

Interest income is recognised using the effective interest method accrued over the duration of the contract.

2.5 *Foreign currency translation*

Transactions in foreign currencies are translated at the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at exchange rates at the reporting date. All exchange differences are recognised in the Statement of Total Return.

2.6 *Income tax expenses*

The Fund is a designated unit trust under the Singapore Income Tax Act (Chapter 134). As a result, the following sources of income are not subjected to Singapore tax at the sub-fund level:

- (i) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (ii) interest (other than interest for which Singapore tax has been withheld); and
- (iii) dividend derived from outside Singapore and received in Singapore.

2.7 *Cash and cash equivalents*

Cash and cash equivalents comprise bank balances and amounts held with brokers. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.8 *Net assets attributable to unitholders*

Net assets attributable to unitholders are classified as equity.

3. Receivables

	Phillip Singapore Real Estate Income Fund	
	2018	2017
	S\$	S\$
Receivable from unitholders for creation of new units	67,111	432,825
Dividends receivable	18,680	26,880
Other receivables	7,150	1,810
	92,941	461,515
	92,941	461,515

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

4. Cash and cash equivalents

	Phillip Singapore Real Estate Income Fund	
	2018	2017
	S\$	S\$
Bank balances	1,396,903	575,223
Amount held with brokers	-	303,330
	1,396,903	878,553
	1,396,903	878,553

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

5. Financial derivatives at fair value

In 2017, financial derivative contracts comprise of share purchase rights due for settlement within one month from the reporting date. The contract or underlying principal amounts of these financial derivatives and their corresponding gross fair values as at the reporting date are analysed below:

2017	Notional amount S\$	Fair value assets S\$	Fair value liabilities S\$
Share purchase rights	1,151,307	282,211	-
	1,151,307	282,211	-

6. Payables

	Phillip Singapore Real Estate Income Fund	
	2018	2017
	S\$	S\$
Payable to unitholders for cancellation of units	105,140	95,210
Distribution payable in respect of final distribution	595,548	576,289
Management fee payable	36,765	71,401
Other payables and accrued expenses	50,435	57,070
	787,888	799,970
	787,888	799,970

7. Units in issue

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

	Phillip Singapore Real Estate Income Fund	
	2018	2017
Class A SGD Units		
Units at beginning of the year	10,572,703	9,949,526
Units created	7,769,342	5,788,186
Units cancelled	(4,473,596)	(5,165,009)
Units at end of the year	13,868,449	10,572,703
Net assets attributable to unitholders - S\$	18,087,102	14,177,366
Net asset value per unit - S\$	1.3042	1.3409
Class A USD Units		
Units at beginning of the year	1,073,911	763,198
Units created	182,895	378,822
Units cancelled	(640,268)	(68,109)
Units at end of the year	616,538	1,073,911
Net assets attributable to unitholders - S\$	795,657	1,425,648
Net asset value per unit - S\$	1.2905	1.3275
Class I SGD Units		
Units at beginning of the year	20,319,758	26,933,660
Units created	2,953,186	4,381,526
Units cancelled	(4,793,496)	(10,995,428)
Units at end of the year	18,479,448	20,319,758
Net assets attributable to unitholders - S\$	24,893,821	27,964,681
Net asset value per unit - S\$	1.3471	1.3762
Class I USD Units		
Units at beginning of the year	115,504	109,963
Units created	6,093	5,541
Units at end of the year	121,597	115,504
Net assets attributable to unitholders - S\$	163,931	159,078
Net asset value per unit - S\$	1.3482	1.3773

Currently, the Manager is offering 4 classes of Units in the Sub-Fund, namely Class A SGD Units, Class A USD Units, Class I SGD Units and Class I USD Units. Class A SGD Units and Class A USD Units are offered to investors who invest a minimum of SGD1,000 or USD1,000, respectively, and Class I SGD Units and Class I USD Units are offered to investors who invest SGD500,000 or USD500,000 and above, respectively. All classes will constitute the Sub-Fund and are not separate sub-funds. Any expense, income and/or gain which is attributable to a particular class shall be deducted from or added to (as the case may be) the value of the Sub-Fund which is attributable to that class.

A reconciliation of the net assets attributable to unitholders per unit per the financial statements and the net assets attributable to unitholders per unit for issuing/redeeming units at the financial year end is presented below:

	Phillip Singapore Real Estate Income Fund	
	2018	2017
	S\$	S\$
Class A SGD Units		
Net assets attributable to unitholders per unit per financial statements	1.3042	1.3409
- Effect of adopting bid price per unit	(0.0001)	-
- Effect of distribution per unit	0.0180	-
Net assets attributable to unitholders per unit for issuing/redeeming units	1.3221	1.3409
Class A USD Units		
Net assets attributable to unitholders per unit per financial statements	1.2905	1.3275
- Effect of distribution per unit	0.0180	-
Net assets attributable to unitholders per unit for issuing/redeeming units	1.3085	1.3275
Class I SGD Units		
Net assets attributable to unitholders per unit per financial statements	1.3471	1.3762
- Effect of distribution per unit	0.0180	-
Net assets attributable to unitholders per unit for issuing/redeeming units	1.3651	1.3762
Class I USD Units		
Net assets attributable to unitholders per unit per financial statements	1.3482	1.3773
- Effect of adopting bid price per unit	(0.0001)	-
- Effect of distribution per unit	0.0180	-
Net assets attributable to unitholders per unit for issuing/redeeming units	1.3661	1.3773

8 Income tax

	Phillip Singapore Real Estate Income Fund	
	2018	2017
	S\$	S\$
Singapore income tax	138,271	246,932
Overseas income tax	8,933	-
	<u>147,204</u>	<u>246,932</u>
	<u>147,204</u>	<u>246,932</u>

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

9. Distributions

Phillip Singapore Real Estate Income Fund

	2018
	S\$
Interim (1.80 cents per unit based on units outstanding as at 30 December 2017)	561,169
Interim (1.80 cents per unit based on units outstanding as at 30 March 2018)	610,769
Interim (1.80 cents per unit based on units outstanding as at 30 June 2018)	600,867
Final (1.80 cents per unit based on units outstanding as at 28 September 2018)	595,548
	<u>2,368,353</u>
	<u>2,368,353</u>

	2017
	S\$
Interim (1.61 cents per unit based on units outstanding as at 30 December 2016)	574,014
Interim (1.61 cents per unit based on units outstanding as at 30 March 2017)	569,054
Interim (1.63 cents per unit based on units outstanding as at 30 June 2017)	517,433
Final (1.80 cents per unit based on units outstanding as at 28 September 2017)	576,289
	<u>2,236,790</u>
	<u>2,236,790</u>

10. Financial risk management

In the ordinary course of business, the Sub-Fund is exposed 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.

(a) Market risks

i. Price risk

Price risk is the risk that the fair values of quoted securities or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The investments of the Sub-Fund are subject to normal market fluctuations and the risks inherent in investing in securities markets and there can be no assurance that appreciation will occur. It is the policy of the Manager to maintain a diversified portfolio of investments so as to minimise the risk. The Manager's preferred strategy is to hold investments for the medium-to-long term. The Manager is therefore not concerned about the short-term price volatility with respect to its investment provided that the underlying business, economic and management characteristics of its investments remain favourable.

Sensitivity analysis

A 10% increase in the market prices of investments at the reporting date would increase the fair value of investments by the following amount:

	Phillip Singapore	
	Real	
	Estate Income Fund	
	2018	2017
	S\$	S\$
Portfolio of investment	4,323,660	4,289,914

A 10% decrease in the market prices of investments at the reporting date would have an equal but opposite effect on the fair value of investments, on the basis that all other variables remain constant.

ii. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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

iii. Currency risk

The Sub-Fund is denominated in Singapore Dollars. The Sub-Fund invests in underlying securities which are denominated in foreign currencies where fluctuations in the relevant exchange rates may have an impact on the income and value of the Sub-Fund. The Manager may seek to minimise exposure to foreign currency fluctuation to the extent practicable.

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

Phillip Singapore Real Estate Income Fund

2018	USD S\$	AUD S\$	EUR S\$
Assets			
Portfolio of investments	3,087,356	1,102,650	638,787
Cash and cash equivalents	491,058	30	-
	3,578,414	1,102,680	638,787
Net currency exposure	3,578,414	1,102,680	638,787

2017	USD S\$	AUD S\$	JPY S\$
Assets			
Portfolio of investments	2,067,535	-	-
Cash and cash equivalents	626,728	30	71,281
Financial derivatives at fair value	203,816	-	-
	2,898,079	30	71,281
Net currency exposure	2,898,079	30	71,281

Portfolio of investments and financial derivatives at fair value are non-monetary financial assets and are exposed to both currency risk and price risk. As these financial assets are non-monetary, no separate sensitivity analysis has been performed to analyse currency risk.

The Sub-Fund's monetary assets are measured for their sensitivity to exchange rate movements based on the balance of the monetary assets, forecasted exchange rate movements and the net asset value of the Sub-Fund.

As at 30 September 2018 and 2017, with respect to the monetary assets of the Sub-Fund, had the Singapore Dollar appreciated/depreciated by 10% (2017: 10%) against foreign currencies, with all other variables remaining constant, the decrease/increase in net assets attributable to unitholders would not be significant.

(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 Sub-Fund is exposed to counterparty credit risk on trading derivative products, cash and cash equivalents and other receivable balances.

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is only made upon payment by the broker. 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 Sub-Fund may also enter into derivative contracts to manage exposures to currency risk and price risk. Hence the Sub-Fund is also exposed to the risk that amounts held with counterparties for derivative contracts may not be recoverable in the event of any default by the parties concerned.

(d) Fair value estimation

Except for investments which are measured at fair value, at 30 September 2018 and 2017, the fair values of assets and liabilities approximate their carrying values in the Statement of Financial Position.

The fair value of financial assets and liabilities traded in active markets (such as trading 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 Fund is the last traded price; the quoted market price for financial liabilities is the last traded price. When the Sub-Fund holds derivatives with offsetting market risks, last traded prices are used as a basis for establishing fair values for the offsetting risk positions and last traded prices are applied to the net open positions, as appropriate.

The Sub-Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets and liabilities (by class) measured at fair value at 30 September 2018 and 2017:

Phillip Singapore Real Estate Income Fund

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
2018				
Assets				
Portfolio of investments	43,236,597	-	-	43,236,597
2017				
Assets				
Portfolio of investments	42,899,139	-	-	42,899,139
Financial derivatives at fair value	-	282,211	-	282,211
	42,899,139	282,211	-	43,181,350

Investment whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently.

There are no transfers between the levels of fair value hierarchy during the year.

11. Related parties

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

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

The Manager may also use the services of related parties to carry out transactions involving the purchase and sale of securities.

Other than as disclosed elsewhere in the financial statements, the following significant transactions took place between the Sub-Fund and its related parties during the year:

	Phillip Singapore Real Estate Income Fund	
	2018	2017
	S\$	S\$
Brokerage fees paid to:		
- a related party of the Manager	11,614	13,330
- a related party of the Trustee	22,174	23,166
Valuation fees paid to a related party of the Trustee	18,148	21,852
Interest income received from/(interest expense paid to):		
- a related party of the Trustee	1,581	-
- a related party of the Trustee	(24)	(22)
Bank balances held with related parties of the Trustee	1,396,903	575,223

12. Financial ratios

Expense Ratio

		Phillip Singapore Real Estate Income Fund	
		2018	2017
Class A SGD units			
Total operating expenses	S\$	240,528	182,352
Average daily net asset value	S\$	17,495,010	13,304,037
Expense ratio ^(Note 1)	%	1.37	1.37
Class A USD units			
Total operating expenses	S\$	18,188	15,390
Average net asset value	S\$	1,318,816	1,139,990
Expense ratio ^(Note 1)	%	1.38	1.35
Class I SGD units			
Total operating expenses	S\$	237,323	274,104
Average net asset value	S\$	26,400,481	30,474,700
Expense ratio ^(Note 1)	%	0.90	0.90
Class I USD units			
Total operating expenses	S\$	1,484	1,322
Average daily net asset value	S\$	165,568	149,254
Expense ratio ^(Note 1)	%	0.90	0.89

Turnover Ratio

		Phillip Singapore Real Estate Income Fund	
		2018	2017
Lower of total value of purchases or sales	S\$	38,016,899	20,314,469
Average daily net asset value	S\$	45,379,875	45,067,981
Total turnover ratio ^(Note 2)	%	83.77	45.08

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 transactions 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 arising out of income received. The Sub-Fund does not pay any performance fees. The average net asset values are 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 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 sales do not include brokerage and other transaction costs.

Phillip Select Fund

Important Information

Phillip Singapore Real Estate Income Fund (the "Sub-Fund") is a sub-fund of Phillip Select Fund (the "Fund"), an open-ended umbrella unit trust authorised under the Securities and Futures Act, Chapter 289, by the Monetary Authority of Singapore.

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