

# **Phillip Asia Pacific Growth Fund**

## **Annual Report**

Year ended 30 June 2017



**Phillip Capital Management**

(A member of PhillipCapital)

## PHILLIP ASIA PACIFIC GROWTH FUND

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## **PHILLIP ASIA PACIFIC GROWTH FUND**

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### **DIRECTORY**

#### **MANAGER**

Phillip Capital Management (S) Ltd  
250 North Bridge Road  
#06-00 Raffles City Tower  
Singapore 179101  
(Company Registration Number: 199905233W)

#### **DIRECTORS OF THE MANAGER**

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

#### **TRUSTEE**

HSBC Institutional Trust Services (Singapore) Limited  
21 Collyer Quay  
#13-02 HSBC Building  
Singapore 049320  
(Company Registration Number: 194900022R)

#### **CUSTODIAN**

The Hongkong & Shanghai Banking Corporation Limited  
1 Queen's Road  
Central  
Hong Kong

#### **REGISTRAR**

HSBC Institutional Trust Services (Singapore) Limited  
21 Collyer Quay  
#13-02 HSBC Building  
Singapore 049320  
(Company Registration Number: 194900022R)

**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**

Allen & Gledhill LLP  
One Marina Boulevard #28-00  
Singapore 018989

## **Manager's Report**

The Fund delivered strong performance of 20.4% for the full year ending 30 June 2017, compared to its benchmark (MSCI AC Asia Pacific Index) which rose 22.4% on a SGD adjusted basis. Since its inception on 23 November 1995, the Fund is up by 130.9%, as compared to the benchmark which is up 29.1%.

The second half of calendar year 2016 was marked by two “black swan” political events around the start and the end of the period. Around end-June, an unexpected “Brexit” majority vote transpired at the referendum in the United Kingdom on whether to leave the European Union. And in early November, there was the surprising election of Donald Trump as President of the United States. Despite this, markets were steady and after initial blips, progressed higher.

Early 2017 continued in the same vein, as Asia-Pacific markets continued rising on the back of optimism around “Trumponomics” and the so-called reflation trade, based on expectations of global economic recovery. Data from various key economies, such as the US and China but also including big exporters such as Japan and Germany, pointed to rebounding global demand and a broad-based economic recovery. The US Federal Reserve resumed its rate hike cycle, with three quarter-point hikes expected for 2017. Asia-Pacific equities were resilient despite fears of market correction, which suggested that such rate hikes had been well-signalled and markets were therefore well-prepared already.

Generally, the full-year period saw strong performances across most Asia-Pacific markets, particularly North Asian markets such as Hong Kong, Taiwan and South Korea, which tend to be well leveraged to the global economic cycle. Emerging ASEAN markets such as Malaysia and the Philippines, which experienced some problems domestically, had weaker performances. The Fund saw strong contributions from its Japan, China (including Hong Kong) and India exposures.

Following a stellar performance by equity markets in the first half of 2017, we expect markets might be slightly more discriminating going forward. The overall economic environment still looks benign. While the “Trump rally” has largely faded and growth and inflation expectations are moderating (as shown by declining long-term bond yields), most economic data continue to indicate broad-based strength. The US Federal Reserve is now in a steady rate hike cycle, and the approach has been measured and gradual, hence soothing markets. We think the mood of cautious optimism in the markets is a positive indicator in itself. Policymakers are likely to tread carefully to avoid derailing the current global recovery, and we think any significant market downturn is unlikely.

Essentially, while the portfolio's core is anchored by structural growth themes such as domestic consumption and infrastructure, as well as fast growth themes such as those related to the Internet and the electric automobile, we are also conscious of positioning the portfolio in sectors that are geared to a strengthening global environment. Hence the portfolio also has an overlay of exposure to cyclical growth sectors such as steel and logistics that we see as significant beneficiaries of the current economic upcycle. We think this will position it well to benefit from both structural and cyclical trends over the next year.

## PHILLIP ASIA PACIFIC GROWTH FUND

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### Disclosures on the Fund<sup>1</sup>

#### a) I Investment Classified by Geography

	Fair value as at 30/06/2017 S\$	Percentage of net assets attributable to unitholders as at 30/06/2017 %
<b>By Geography (Summary)</b>		
Australia	1,416,707	6.75
China	3,968,888	18.93
Great Britain	768,812	3.67
Hong Kong	1,318,285	6.29
India	1,749,856	8.34
Indonesia	921,717	4.39
Japan	3,453,549	16.47
Philippines	230,643	1.10
Singapore	2,903,111	13.84
South Korea	1,469,385	7.01
Sri Lanka	208,000	0.99
Taiwan	950,850	4.53
Thailand	335,600	1.60
Vietnam	35,003	0.17
<b>Portfolio of investments</b>	19,730,406	94.08
<b>Other net assets</b>	1,241,846	5.92
<b>Net assets attributable to unitholders</b>	20,972,252	100.00

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<sup>1</sup> As required by the Code on Collective Investment Schemes

**PHILLIP ASIA PACIFIC GROWTH FUND**

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**a) II Investment Classified by Industry**

	<b>Fair value as at 30/06/2017 S\$</b>	<b>Percentage of net assets attributable to unitholders as at 30/06/2017 %</b>
<b>By Industry (Summary)</b>		
Automotive	703,447	3.35
Autos & Trucks	213,745	1.02
Bank	1,783,655	8.51
Buildings/construction material	335,600	1.60
Chemical	264,028	1.26
Electrical and electronic	2,372,274	11.32
Engineering	1,756,054	8.38
Finance	1,314,676	6.27
Food & Beverage	1,319,740	6.29
Fund	623,787	2.97
Metals	663,603	3.16
Manufacturing	430,803	2.05
Media	776,829	3.70
Miscellaneous	665,730	3.18
Pharmaceutical	528,024	2.52
Real estate	1,296,343	6.18
Semiconductor	950,850	4.53
Telecom service	713,260	3.40
Textiles	679,530	3.24
Transport	2,338,428	11.15
<b>Portfolio of investments</b>	19,730,406	94.08
<b>Other net assets</b>	1,241,846	5.92
<b>Net assets attributable to unitholders</b>	20,972,252	100.00

**PHILLIP ASIA PACIFIC GROWTH FUND**

<b>a) III Asset Class</b>	<b>Fair value 30/06/2017 S\$</b>	<b>Percentage of net assets attributable to unitholders as at 30/06/2017 %</b>
Equities	19,730,406	94.08
Cash & cash equivalents	1,308,682	6.24
Other net current liabilities	(66,836)	(0.32)
	20,972,252	100.00

**b) Top Ten Holdings**

<b><u>10 Largest Holdings as at 30 June 2017</u></b>	<b>Fair value as at 30/06/2017 S\$</b>	<b>Percentage of net assets attributable to unitholders as at 30/06/2017 %</b>
Panasonic Corporation	1,112,663	5.31
Taiwan Semiconductor Manufacturing Company Limited	950,850	4.53
Samsung Electronics Company Limited	832,038	3.97
Netease Inc	776,829	3.70
HSBC Holdings Plc	768,812	3.67
China Merchants Port Holdings Company Limited	737,917	3.52
China Communications Construction Company Limited	720,711	3.44
Seek Limited	713,260	3.40
Carsales.com Limited	703,447	3.35
Seibu Holdings Inc	681,112	3.25

<b><u>10 Largest Holdings as at 30 June 2016</u></b>	<b>Fair value as at 30/06/2016 S\$</b>	<b>Percentage of net assets attributable to unitholders as at 30/06/2016 %</b>
Mitsubishi Heavy Industries Limited	1,352,226	5.75
Mitsubishi UFJ Financial Group Inc	1,269,777	5.40
Kawasaki Heavy Industries Limited	975,873	4.15
Korea Electric Power Corporation	949,441	4.04
Carsales.com Limited	874,940	3.72
Power Grid Corporation of India Limited	867,401	3.69
Panasonic Corporation	858,761	3.65
Kerry Logistics Network Limited	772,202	3.28
China Communications Construction Company Ltd	747,120	3.18
Seek Limited	744,195	3.16

## PHILLIP ASIA PACIFIC GROWTH FUND

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**c) (i) Exposure to Derivatives as at 30 June 2017**

Notional amount	S\$ 325,062
Fair value assets	S\$ 52 (less than 0.01%)
Fair value liabilities	S\$1,731 (0.01%)

**c) (ii) Net losses on derivative contracts realised for the year ended 30 June 2017**

S\$55,070

**c) (iii) Net losses on outstanding derivative contracts marked to market as at 30 June 2017**

S\$1,679

**d) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 30 June 2017.**

S\$1,289,517 (6.15%)

**e) Amount and percentage of borrowings of total fund size as at 30 June 2017.**

Nil

**f) Amount of redemptions and subscriptions for the year ended 30 June 2017.**

Total amount of redemptions S\$ 6,684,129

Total amount of subscriptions S\$ 27,188

**g) Related-Party Transactions for the year ended 30 June 2017**

Brokerage fees paid to a related party of the Manager	S\$ 10,439
Interest income received from a related party of the Trustee	S\$ 77
Bank balances held with related parties of the Trustee	S\$1,017,086
Amounts held with a related party of the Manager	S\$291,596

**h) Performance of the Fund as at 30 June 2017**

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Inception 23 Nov 1995
Cumulative %							
The Fund	2.82	8.79	20.38	9.82	24.28	-11.44	130.87
Benchmark	3.71	8.92	22.37	17.11	43.21	-9.06	29.06
Annualised %							
The Fund	-	-	20.38	3.17	4.44	-1.21	3.95
Benchmark	-	-	22.37	5.41	7.45	-0.95	1.19

Note: Returns are calculated in Singapore dollars on a bid-to-bid basis, with net dividends reinvested.

## PHILLIP ASIA PACIFIC GROWTH FUND

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Source: Bloomberg

Benchmark: MSCI AC Asia Pacific Index (SGD Basis)

<b>i) Expense Ratios</b>	30 June 2017	30 June 2016
	1.86 %	1.81%

The expense ratio has been computed based on the guidelines laid down by the IMAS. The calculation of the expense ratio was based on total operating expenses of S\$399,076 (2016: S\$462,317) divided by the average net asset value of S\$21,503,502 (2016: S\$25,569,250) for the year. The total operating expenses do not include (where applicable) brokerage and other transaction costs, performance fees, interest expenses, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source arising out of income received. The Fund does not pay any performance fees. The average net asset value is based on the daily balances.

<b>j) Turnover Ratios</b>	30 June 2017	30 June 2016
	109.07 %	88.19%

The turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio is based on the lesser of purchases or sales of the underlying investments S\$23,453,460 (2016: S\$22,549,564), divided by the weighted average daily net asset value of S\$21,503,502 (2016: S\$25,569,250). Total value of purchases (or sales) do not include brokerage and other transaction costs.

- k) Any material information that will adversely impact the valuation of the scheme such as contingent liabilities of open contracts.**  
Nil.

**l) Soft dollar arrangements**

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

## PHILLIP ASIA PACIFIC GROWTH FUND

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

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

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 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 Asia Pacific Growth 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 Asia Pacific Growth Fund during the period covered by these financial statements, set out on pages 16 to 32, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee  
**HSBC Institutional Trust Services (Singapore) Limited**

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**Authorised signatory**

26 September 2017

## **Statement by the Manager**

In the opinion of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages 16 to 32, 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 Asia Pacific Growth Fund as at 30 June 2017, 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 Phillip Asia Pacific Growth 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**

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**Jeffrey Lee Chay Khiong**  
*Director*

26 September 2017

## **Independent auditors' report**

### **Unitholders**

### **Phillip Asia Pacific Growth Fund**

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

### **Report on the audit of the financial statements**

#### *Opinion*

We have audited the financial statements of Phillip Asia Pacific Growth Fund (“the Fund”), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 June 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 16 to 32.

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 June 2017 and the financial performance and movements in unitholders’ funds for the year ended on that date.

#### *Basis for opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements*’ section of our report. We are independent of the Fund in accordance with the *Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other information*

Phillip Capital Management (S) Ltd, the Manager of the Fund (the "Manager") is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Manager for the financial statements*

The Manager is responsible for the preparation and fair representation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Fund's financial reporting process.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

**KPMG LLP**  
*Public Accountants and*  
*Chartered Accountants*

**Singapore**

26 September 2017

## Statement of Total Return Year ended 30 June 2017

	Note	2017 S\$	2016 S\$
<b>Income</b>			
Dividends		598,501	623,470
Interest		77	181
		598,578	623,651
Less:			
<b>Expenses</b>			
Management fees		(268,909)	(320,660)
Registration fees		(15,192)	(15,273)
Trustee's fees		(43,025)	(51,306)
Custody fees		(9,236)	(9,327)
Audit fees		(17,280)	(17,048)
Transaction fees		(147,431)	(115,683)
Other expenses		(46,905)	(52,672)
		(547,978)	(581,969)
<b>Net income</b>		50,600	41,682
<b>Net gains or losses on value of investments and financial derivatives</b>			
Net gains/(losses) on investments		4,117,549	(5,149,566)
Net (losses)/gains on financial derivatives		(56,749)	255,068
Net gains/(losses) on foreign exchange		58,625	(9,464)
		4,119,425	(4,903,962)
<b>Total return/(deficit) for the year before income tax</b>		4,170,025	(4,862,280)
Less: Income tax	8	(62,011)	(64,700)
<b>Total return/(deficit) for the year after income tax before distribution</b>		4,108,041	(4,926,980)

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

**Statement of Financial Position**  
**As at 30 June 2017**

	Note	2017 S\$	2016 S\$
<b>Assets</b>			
Portfolio of investments		19,730,406	21,593,714
Sales awaiting settlement		252,120	–
Receivables	3	105,609	75,736
Cash and cash equivalents	4	1,308,682	2,211,090
Financial derivatives at fair value	6	52	–
<b>Total assets</b>		<b>21,396,869</b>	<b>23,880,540</b>
<b>Liabilities</b>			
Payables	5	107,951	112,658
Purchase awaiting settlement		314,935	229,158
Financial derivatives at fair value	6	1,731	17,545
<b>Total liabilities</b>		<b>424,617</b>	<b>359,361</b>
<b>Equity</b>			
Net assets attributable to unitholders	7	20,972,252	23,521,179

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

**Statement of Movements of Unitholders' Funds**  
**Year ended 30 June 2017**

	Note	2017 S\$	2016 S\$
<b>Net assets attributable to unitholders at the beginning of financial year</b>		23,521,179	28,512,836
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		4,108,014	(4,926,980)
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		27,188	561,739
Cancellation of units		(6,684,129)	(626,416)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(6,656,941)	(64,677)
Total decrease in net assets attributable to unitholders		(2,548,927)	(4,991,657)
<b>Net assets attributable to unitholders at the end of financial year</b>	7	20,972,252	23,521,179

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

## Statement of Portfolio As at 30 June 2017

	<b>Holdings as at 30/6/2017</b>	<b>Fair value as at 30/6/2017 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/6/2017 %</b>
<b>By Geography (Primary)</b>			
<b>Quoted</b>			
<b>Australia</b>			
Carsales.com Limited	57,869	703,447	3.35
Seek Limited	39,986	713,260	3.40
		1,416,707	6.75
<b>China</b>			
China Communications Construction Company Limited	407,000	720,711	3.44
China Merchant Port Holdings Company Ltd	193,696	737,917	3.52
Citic Securities Company Limited	200,500	570,049	2.72
CRCC High Tech Equipment Corporation	861,000	498,093	2.38
Netease Inc	1,877	776,829	3.70
Sinopharm Group Company Limited	34,000	211,383	1.01
Sinotrans Limited	645,000	453,906	2.16
		3,968,888	18.93
<b>Great Britain</b>			
HSBC Holdings Plc	60,000	768,812	3.67
<b>Hong Kong</b>			
Hong Kong Holdings Limited	58,100	588,763	2.81
Kerry Logistics Network Limited	229,500	465,494	2.22
Retech Technology Company Limited	500,000	264,028	1.26
		1,318,285	6.29
<b>India</b>			
Care Rating Limited	15,105	513,984	2.45
Greaves Cotton Limited	125,423	430,803	2.05
HDFC Bank Limited	10,723	377,496	1.80
Power Grid Corporation of India Limited	95,403	427,573	2.04
		1,749,856	8.34

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

	<b>Holdings as at 30/6/2017</b>	<b>Fair value as at 30/6/2017 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/6/2017 %</b>
<b>By Geography (Primary)</b>			
<b>Indonesia</b>			
Astra Otoparts Tbk PT	858,500	213,744	1.02
Indofood Sukses Makmur Tbk PT	594,200	527,921	2.52
Surya Semesta Internusa Tbk PT	2,723,200	180,052	0.85
		921,717	4.39
<b>Japan</b>			
JFE Holdings Inc	27,800	663,603	3.16
Panasonic Corporation	59,600	1,112,663	5.31
Santen Pharmaceutical Company	17,000	316,641	1.51
Seibu Holdings Inc	26,800	681,112	3.25
Toray Industries Inc	59,000	679,530	3.24
		3,453,549	16.47
<b>Philippines</b>			
Philippine Stock Exchange Inc	35,220	230,643	1.10
<b>Singapore</b>			
One Stoxx Asean Select Dividend Index Fund	157,600	665,730	3.18
Phillip SGX APAC Dividends Leaders REIT ETF	483,000	623,787	2.97
QAF Limited	459,700	583,819	2.78
Sembcorp Industries Limited	175,000	537,250	2.56
Wing Tai Holdings Limited	247,500	492,525	2.35
		2,903,111	13.84
<b>South Korea</b>			
Samsung Electronics Company Limited	291	832,038	3.97
Shinhan Financial Group Company Limited	10,743	637,347	3.04
		1,469,385	7.01
<b>Sri Lanka</b>			
Melstacorp Plc	345,704	208,000	0.99

	<b>Holdings as at 30/6/2017</b>	<b>Fair value as at 30/6/2017 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/6/2017 %</b>
<b>By Geography (Primary)</b>			
<b>Taiwan</b>			
Taiwan Semiconductor Manufacturing Company Limited	101,000	950,850	4.53
<b>Thailand</b>			
Unique Engineering & Company	450,000	335,600	1.60
<b>Vietnam</b>			
Vingroup JSC	13,597	35,003	0.17
<b>Portfolio of investments</b>		19,730,406	94.08
<b>Other net assets</b>		1,241,846	5.92
<b>Net assets attributable to unitholders</b>		<u>20,972,252</u>	<u>100.00</u>

	<b>Fair value as at 30/6/2017 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/6/2017 %</b>	<b>Percentage of total net assets attributable to unitholders as at 30/6/2016 %</b>
<b>By Geography (Summary)</b>			
<b>Quoted</b>			
Australia	1,416,707	6.75	9.49
China	3,968,888	18.93	11.78
Great Britain	768,812	3.67	–
Hong Kong	1,318,285	6.29	7.27
India	1,749,856	8.34	6.18
Indonesia	921,717	4.39	3.39
Japan	3,453,549	16.47	26.53
Philippines	230,643	1.10	2.05
Singapore	2,903,111	13.84	7.35
South Korea	1,469,385	7.01	7.07
Sri Lanka	208,000	0.99	1.56
Taiwan	950,850	4.53	2.64
Thailand	335,600	1.60	5.37
Vietnam	35,003	0.17	1.13
<b>Portfolio of investments</b>	<b>19,730,406</b>	<b>94.08</b>	<b>91.81</b>
<b>Other net assets</b>	<b>1,241,846</b>	<b>5.92</b>	<b>8.19</b>
<b>Net assets attributable to unitholders</b>	<b>20,972,252</b>	<b>100.00</b>	<b>100.00</b>

	<b>Fair value as at 30/6/2017 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/6/2017 %</b>	<b>Percentage of total net assets attributable to unitholders as at 30/6/2016 %</b>
<b>By Industry (Secondary)</b>			
Airlines	–	–	5.39
Automotive	703,447	3.35	5.18
Autos & trucks	213,745	1.02	0.69
Bank	1,783,655	8.51	6.37
Buildings/construction material	335,600	1.60	3.40
Chemical	264,028	1.26	–
Diversified resource	–	–	6.61
Electrical and electronic	2,372,274	11.32	11.38
Engineering	1,756,054	8.38	4.58
Finance	1,314,676	6.27	12.19
Food & beverage	1,319,740	6.29	4.79
Fund	623,787	2.97	–
Insurance	–	–	2.97
Metals	663,603	3.16	–
Manufacturing	430,803	2.05	–
Media	776,829	3.70	–
Machine tools	–	–	4.15
Mining	–	–	2.49
Miscellaneous	665,730	3.18	–
Pharmaceutical	528,024	2.52	–
Real estate	1,296,343	6.18	4.60
Semiconductor	950,850	4.53	2.64
Telecom service	713,260	3.40	7.13
Textiles	679,530	3.24	–
Transport	2,338,428	11.15	7.25
<b>Portfolio of investments</b>	<b>19,730,406</b>	<b>94.08</b>	<b>91.81</b>
<b>Other net assets</b>	<b>1,241,846</b>	<b>5.92</b>	<b>8.19</b>
<b>Net assets attributable to unitholders</b>	<b>20,972,252</b>	<b>100.00</b>	<b>100.00</b>

## **Notes to the Financial Statements**

These notes form an integral part of the financial statements.

### **1 Domicile and activities**

Phillip Asia Pacific Growth Fund (“the Fund”) is an open-ended Unit Trust constituted pursuant to the Trust Deed dated 24 July 1995 together with its Amending and Restating Deeds and its Supplemental Deeds thereon (collectively referred to as the “Trust Deed”) between Phillip Capital Management (S) Ltd (the “Manager”) and HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”). The Trust Deed is governed by and construed in accordance with the laws of the Republic of Singapore.

The investment objective of the Fund is to achieve medium to long term capital appreciation through investing primarily in investments in or of companies with either assets wholly or partially in, or revenues wholly or partially derived from investment in countries and territories in the Asia Pacific region (including Japan, Australia and New Zealand) selected by the Manager for the purpose of investment. The Fund is benchmarked against the MSCI AC Asia Pacific Index.

### **2 Significant accounting policies**

#### *2.1 Basis of financial statements preparation*

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

The adoption of this revised RAP 7 did not result in substantial changes to the accounting policies of the Fund and had no material effect on the amounts reported for the current or prior 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 (the “IMAS”) and the Code on Collective Investment Schemes under the Securities and Futures Act (Cap 289) (the “Code”) respectively.

#### *2.2 Basis of valuation of investments*

Quoted investments are stated at fair value based on the bid prices at the reporting date. Unrealised gains/losses on investments are represented by the difference between the fair value and the carrying value of investments and are recognised in the Statement of Total Return. Realised gains and losses upon disposal of investments are computed on the basis of the difference between the carrying value and the selling price of investments on trade date and are taken to the Statement of Total Return.

### 2.3 *Financial derivatives*

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

### 2.4 *Recognition of income*

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

Interest income is recognised using the effective interest method.

### 2.5 *Foreign currency translation*

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

### 2.6 *Income tax 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 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**

	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>
Dividends receivable	100,348	75,736
Other receivable	5,261	–
	105,609	75,736

#### 4 Cash and cash equivalents

	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>
Bank balances	1,017,086	1,812,230
Amounts held with brokers	291,596	398,860
	1,308,682	2,211,090

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

#### 5 Payables

	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>
Accrued expenses	107,951	112,658

#### 6 Financial derivatives at fair value

Financial derivative contracts comprise foreign exchange contracts due for settlement within 1 month (2016: futures contracts due within 1 month) from the reporting date. The contract or underlying principal amount of these financial derivatives and their corresponding gross fair value at the reporting date are analysed below.

	<b>Notional amount</b>	<b>Fair Value assets</b>	<b>Fair value liabilities</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
<b>2017</b>			
Foreign exchange contracts	325,062	52	(1,731)
<b>2016</b>			
Futures contracts	489,975	–	(17,545)

#### 7 Units in issue

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

	<b>2017</b>	<b>2016</b>
Units at the beginning of the year	12,943,874	13,012,475
Units created	13,206	260,243
Units cancelled	(3,359,975)	(328,844)
Units at the end of the year	9,597,105	12,943,874

	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>
<b>Net assets attributable to unitholders – S\$</b>	20,972,252	23,521,179
<b>Net asset value per unit – S\$</b>	<u>2.185</u>	<u>1.817</u>

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 date is presented below:

	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>
Net assets attributable to unitholders per unit per the financial statements	2.185	1.817
- Effect of adopting last traded price	0.006	0.003
<b>Net assets attributable to unitholders per unit for issuing/redeeming units</b>	<u>2.191</u>	<u>1.820</u>

## **8 Income tax**

	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>
Overseas income tax	53,991	64,700
Capital gain tax	8,020	–
	<u>62,011</u>	<u>64,700</u>

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

## **9 Financial risk management**

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

*ii. Interest rate risk*

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

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

*iii. Currency risk*

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

As at 30 June 2017 and 2016, the concentration of the Fund's investments is set out in the Statement of Portfolio.

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

	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>
Australian Dollar	1,680,735	2,232,900
Hong Kong Dollar	4,426,364	4,480,626
Indian Rupee	1,749,856	1,453,610
Indonesian Rupiah	921,717	796,801
Japanese Yen	3,453,549	6,238,792
Korean Won	1,469,385	1,662,301
Philippine Peso	230,643	340,222
Sri Lankan Rupee	208,000	367,666
Taiwan Dollar	950,850	621,820

	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>
Thai Baht	335,600	1,261,748
United States Dollar	2,655,110	-
Vietnamese Dong	35,003	266,672

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

	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>
Hong Kong Dollar	191,928	130,988
Indian Rupee	367,036	100,071
Indonesian Rupiah	189,287	452,288
Japanese Yen	17,768	137,345
United States Dollar	1,328	127,758

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

As at 30 June 2017 and 2016, with respect to the monetary assets and monetary liabilities of the Fund, had the Singapore Dollar increased/decreased by 10% against foreign currencies, with all other variables remaining constant, the decrease/increase in net assets attributable to unitholders would be as follows:

	<b>Currency rise by 10%</b>	
	<b>Decrease in net assets</b>	
	<b>attributable to unitholders</b>	
	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>
Australian Dollar	168,074	223,290
Hong Kong Dollar	461,829	461,161
Indian Rupee	211,689	155,368
Indonesian Rupiah	111,100	124,909
Japanese Yen	347,132	637,614
Korean Won	146,939	166,230
Philippine Peso	23,064	34,022
Sri Lankan Rupee	20,800	36,767
Taiwan Dollar	95,085	62,182
Thai Baht	33,560	126,175
United States Dollar	265,644	12,776
Vietnamese Dong	3,500	26,667

***b) Liquidity risk***

The Fund is exposed to daily redemption of units in the Fund. Therefore the majority of its assets are invested in investments that are traded in an active market and can be readily disposed of.

***c) Credit risk***

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

The 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 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 Fund may also enter into derivative contracts to manage exposures to currency risk and price risk. Hence, the 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.

***Fair value estimation***

Except for investments which are measured at fair value, at 30 June 2017 and 2016, the fair values of assets and liabilities approximate their carrying values on the Statement of Financial Position due to their short period to maturity.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

The 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 Fund's financial assets and liabilities (by class) measured at fair value at 30 June 2017 and 2016:

	<b>Level 1</b> <b>S\$</b>	<b>Level 2</b> <b>S\$</b>	<b>Level 3</b> <b>S\$</b>	<b>Total</b> <b>S\$</b>
<b>2017</b>				
<b>Assets</b>				
Portfolio of investments	19,730,406	–	–	19,730,406
Financial derivatives, at fair value	–	52	–	52
	<u>19,730,406</u>	<u>52</u>	<u>–</u>	<u>19,730,458</u>
<b>Liabilities</b>				
Financial derivatives, at fair value	–	1,731	–	1,731
	<u>–</u>	<u>1,731</u>	<u>–</u>	<u>1,731</u>
	<b>Level 1</b> <b>S\$</b>	<b>Level 2</b> <b>S\$</b>	<b>Level 3</b> <b>S\$</b>	<b>Total</b> <b>S\$</b>
<b>2016</b>				
<b>Assets</b>				
Portfolio of investments	21,593,714	–	–	21,593,714
	<u>21,593,714</u>	<u>–</u>	<u>–</u>	<u>21,593,714</u>
<b>Liabilities</b>				
Financial derivatives, at fair value	17,545	–	–	17,545
	<u>17,545</u>	<u>–</u>	<u>–</u>	<u>17,545</u>

## 10 Related parties

In the normal course of business of the 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 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 Fund and its related parties during the year:

	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>
Brokerage fees paid to:		
- a related party of the Manager	10,439	10,234
Interest income received from:		
- a related party of the Trustee	77	181
Bank balances held with related parties of the Trustee	1,017,086	1,812,230
Amounts held with related parties of the Manager	291,596	398,860

## 11 Financial ratios

	<b>2017</b>	<b>2016</b>
<b>Expense ratio</b>		
Total operating expenses	S\$ 399,076	462,317
Average daily net asset value	S\$ 21,503,502	25,569,250
Expense ratio <sup>(Note 1)</sup>	%	1.86
		<u>1.81</u>
 <b>Turnover ratio</b>		
Lower of total value of purchases or sales	S\$ 23,453,460	22,549,564
Average daily net asset value	S\$ 21,503,502	25,569,250
Turnover ratio <sup>(Note 2)</sup>	%	109.07
		<u>88.19</u>

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, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source arising out of income received. The Fund does not pay any performance fees. The average net asset value is based on the daily balances.

Note 2 The portfolio turnover ratio is calculated in accordance with the formula stated in the Code. The calculation of the portfolio turnover ratio is based on the lower of the total value of purchases or sales of the underlying investments divided by the average daily net asset value. Total value of purchases (or sales) do not include brokerage and other transaction costs.

## **Important information**

Phillip Asia Pacific Growth Fund (the "Fund") is 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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