

Phillip Asia Pacific Growth Fund

Annual Report
Year ended 30 June 2018



Phillip Capital Management

(A member of PhillipCapital)

PHILLIP ASIA PACIFIC GROWTH FUND

CONTENTS	Page
DIRECTORY	2
MANAGER'S REPORT	4
REPORT OF THE TRUSTEE	12
STATEMENT BY THE MANAGER	13
AUDITORS' REPORT	14
FINANCIAL STATEMENTS	
Statement of Total Return	17
Statement of Financial Position	18
Statement of Movements in Unitholders' Funds	19
Statement of Portfolio	20
Notes to the Financial Statements	26
IMPORTANT INFORMATION	36

PHILLIP ASIA PACIFIC GROWTH FUND

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 was down 4.2% for the full year ending 30 June 2018, compared to its benchmark (MSCI AC Asia Pacific Index) which rose 6.3% on a SGD adjusted basis.

The later part of 2017 saw Asia Pacific markets climb a wall of worry, from concerns about slowdown in the growth recovery (after a frenetic pace in the first calendar half year of 2017), to concerns about warlike rhetoric from North Korea. Ultimately, strong corporate earnings and encouraging economic data, as well as positive developments such as the proposed US tax reform, provided a favourable backdrop for continued inflows into Asia Pacific markets.

2018 was a different story altogether. January saw a continuation of the positive momentum from 2017, but markets saw a dramatic reversal in February, with concerns raised about rising inflation which might necessitate a more aggressive rate tightening by various countries, in particular the US Federal Reserve. The worries then shifted to trade tensions, with the US firing the first salvo through a unilateral declaration of tariffs on various imported products from various countries, in particular China. A rising US dollar allied with rising US interest rates would lead to fund outflows and dramatically weakening currencies in certain emerging markets (Argentina, Turkey) in the later months of 2018, further exacerbating the risk aversion in Asia Pacific equity markets on fears of contagion.

What this meant was an unravelling of the strong 2017 share price performance of many sectors. For example, the technology related sectors related to the Internet, semiconductors and electronics manufacturing were among the strongest performing in 2017, but they would see significant profit-taking in 2018, consequently recording just average performance for the full year (of the Fund). The energy sector maintained its strength, to end up as the top performing sector within this period. On the other hand, more defensive sectors such as healthcare and consumer staples would rally strongly during the uncertain environment to emerge among the top sectoral performers for the Fund's full year.

While our Fund lagged the benchmark significantly during the later half of 2017 due to laggard performance by a number of our portfolio stocks (such as those in the infrastructure-related and transportation segments), we were generally in line with market performance for 2018. Consequently we lagged the benchmark for the Fund's full year performance.

We believe that current market valuations are attractive, but we are increasingly concerned that a trade war could do considerable damage to global economic confidence and derail the cyclical recovery. The current US Federal Reserve under new head Jerome Powell also seems more hawkish than predecessor Janet Yellen.

From a positioning perspective, we have added for the Fund, and continue to be on the lookout, for those stocks that will nonetheless benefit from long-term consumption and urbanisation trends in Asia, particularly those with a domestic consumption bent, which we expect to be more resilient in the face of a trade war which could cripple trade and investments. The Fund is tilted towards developed Asia-Pacific markets (Japan, Australia, Singapore for example) which have solid macros able to withstand rate hike "tantrums" that have hit emerging markets and sparked risk of contagion. We think that identifying segments to avoid are also equally important. Within these, we shun companies with excessively high debt that could be hit by

PHILLIP ASIA PACIFIC GROWTH FUND

higher servicing burdens, as well as those that have already re-rated previously due to cyclical peaks in their particular business.

In view of the volatile markets, we have also been more active in taking profit where opportunities present themselves. The market correction has presented more investment opportunities than we can capture within the Fund at any one point, hence where there are good profits on a stock we are happy to take them and switch to other quality stocks that have become attractive.

PHILLIP ASIA PACIFIC GROWTH FUND

Disclosures on the Fund¹

a) I Investment Classified by Geography

	Fair value as at 30/06/2018 S\$	Percentage of net assets attributable to unitholders as at 30/06/2018 %
By Geography (Summary)		
Australia	1,190,169	6.14
China	4,328,464	22.32
Great Britain	674,922	3.48
Hong Kong	507,983	2.62
India	834,934	4.31
Indonesia	323,918	1.67
Japan	6,953,677	35.87
Philippines	10,977	0.06
Singapore	1,134,437	5.85
South Korea	665,015	3.43
Taiwan	582,760	3.00
Thailand	533,497	2.75
Vietnam	265,734	1.37
Portfolio of investments	18,006,487	92.87
Other net assets	1,381,981	7.13
Net assets attributable to unitholders	19,388,468	100.00

¹ As required by the Code on Collective Investment Schemes

PHILLIP ASIA PACIFIC GROWTH FUND

a) II Investment Classified by Industry

	Fair value as at 30/06/2018 S\$	Percentage of net assets attributable to unitholders as at 30/06/2018 %
By Industry (Summary)		
Automotive	483,168	2.49
Banks and Finance	3,321,213	17.14
Chemical	505,380	2.61
Computer/Software	1,058,506	5.45
Diversified Resource	419,187	2.16
E-Commerce	516,709	2.67
Electrical and Electronic	2,033,359	10.49
Engineering	598,454	3.09
Food and Beverage	716,253	3.69
Fund	272,847	1.41
Healthcare and Pharmaceutical	1,012,016	5.21
Insurance	1,613,520	8.32
Machine tools	518,695	2.68
Manufacturing	861,190	4.44
Metals and Mining	977,417	5.04
Oil and Gas	677,174	3.49
Real estate	1,170,196	6.04
Telecom service	425,276	2.19
Textiles	322,321	1.66
Wholesale	503,606	2.60
Portfolio of investments	18,006,487	92.87
Other net assets	1,381,981	7.13
Net assets attributable to unitholders	19,388,468	100.00

PHILLIP ASIA PACIFIC GROWTH FUND

a) III Asset Class	Fair value 30/06/2018	Percentage of net assets attributable to unitholders as at 30/06/2018
	S\$	%
Equities	18,006,487	92.87
Cash & cash equivalents	1,187,818	6.13
Other net current assets	194,163	1.00
	19,388,468	100.00

b) Top Ten Holdings

10 Largest Holdings as at 30 June 2018	Fair value as at 30/06/2018	Percentage of net assets attributable to unitholders as at 30/06/2018
	S\$	%
Sony Corporation	724,863	3.74
HSBC Holdings Plc	674,922	3.48
Tencent Holdings Limited	601,970	3.10
China Construction Bank Corporation H Shares	556,158	2.87
HDFC Bank Limited	554,024	2.86
Alibaba Group Holding Limited	516,709	2.67
China Life Insurance Company Limited	516,067	2.66
Kao Corporation	509,689	2.63
Mitsubishi Corporation	503,606	2.60
Panasonic Corporation	503,068	2.59

10 Largest Holdings as at 30 June 2017	Fair value as at 30/06/2017	Percentage of net assets attributable to unitholders as at 30/06/2017
	S\$	%
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

PHILLIP ASIA PACIFIC GROWTH FUND

c) (i) Exposure to Derivatives as at 30 June 2018

Notional amount	S\$ 20,052
Fair value assets	S\$ Nil
Fair value liabilities	S\$ 31 (less than 0.01%)

c) (ii) Net losses on derivative contracts realised for the year ended 30 June 2018

S\$32,607

c) (iii) Net losses on outstanding derivative contracts marked to market as at 30 June 2018

S\$31

d) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 30 June 2018.

S\$272,847 (1.41%)

e) Amount and percentage of borrowings of total fund size as at 30 June 2018.

Nil

f) Amount of redemptions and subscriptions for the year ended 30 June 2018.

Total amount of redemptions S\$ 810,101

Total amount of subscriptions S\$ 71,024

g) Related-Party Transactions for the year ended 30 June 2018

Brokerage fees paid to a related party of the Manager S\$ 7,903

Interest income received from a related party of the Trustee S\$ 123

Bank balances held with related parties of the Trustee S\$998,696

Amounts held with related parties of the Manager S\$189,122

h) Performance of the Fund as at 30 June 2018

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Inception 23 Nov 1995
Cumulative %							
The Fund	1.50	-3.76	-4.20	-4.42	4.01	6.12	120.95
Benchmark	-0.04	-2.59	6.34	14.80	36.66	21.57	37.25
Annualised %							
The Fund	-	-	-4.20	-1.49	0.79	0.60	3.57
Benchmark	-	-	6.34	4.71	6.45	1.97	1.41

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

PHILLIP ASIA PACIFIC GROWTH FUND

Source: Bloomberg

Benchmark: MSCI AC Asia Pacific Index (SGD Basis)

i) Expense Ratios	30 June 2018	30 June 2017
	1.67 %	1.86%

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\$343,262 (2017: S\$399,076) divided by the average net asset value of S\$20,520,415 (2017: S\$21,503,502) for the year. The total operating expenses do not include (where applicable) brokerage and other transaction costs, performance fees, interest expenses, distributions paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source arising out of income received. The Fund does not pay any performance fees. The average net asset value is based on the daily balances.

j) Turnover Ratios	30 June 2018	30 June 2017
	113.13 %	109.07%

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\$23,214,728 (2017: S\$23,453,460), divided by the weighted average daily net asset value of S\$20,520,415 (2017: S\$21,503,502). 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 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.

PHILLIP ASIA PACIFIC GROWTH FUND

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 17 to 35, 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

Authorised signatory

20 September 2018

Statement by the Manager

In the opinion of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages 17 to 35, 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 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 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

Jeffrey Lee Chay Khiong
Director

20 September 2018

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 2018, the Statement of Total Return and Statement of Movement of Unitholders’ Funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 35.

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 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 *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

20 September 2018

Statement of Total Return Year ended 30 June 2018

	Note	2018 S\$	2017 S\$
Income			
Dividends		565,513	598,501
Interest		123	77
		565,636	598,578
 Less:			
Expenses			
Management fees		(256,468)	(268,909)
Management fee rebates		3,617	-
Registration fees		(15,329)	(15,192)
Trustee's fees		(41,035)	(43,025)
Custody fees		(8,189)	(9,236)
Audit fees		(17,220)	(17,280)
Transaction fees		(131,272)	(147,431)
Other expenses		(8,773)	(46,905)
		(474,669)	(547,978)
Net income		90,967	50,600
 Net gains or losses on value of investments and financial derivatives			
Net (losses)/gains on investments		(797,017)	4,117,549
Net (losses) on financial derivatives		(32,638)	(56,749)
Net (losses)/gains on foreign exchange		(51,031)	58,625
		(880,686)	4,119,425
 Total return for the year before income tax		(789,719)	4,170,025
Less: Tax	8	(54,988)	(62,011)
Total return for the year after income tax before distribution		(844,707)	4,108,014

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

Statement of Financial Position
As at 30 June 2018

	Note	2018 S\$	2017 S\$
Assets			
Portfolio of investments		18,006,487	19,730,406
Sales awaiting settlement		175,393	252,120
Receivables	3	98,471	105,609
Cash and cash equivalents	4	1,187,818	1,308,682
Financial derivatives at fair value	6	–	52
Total assets		19,468,169	21,396,869
Liabilities			
Payables	5	79,670	107,951
Purchase awaiting settlement		–	314,935
Financial derivatives at fair value	6	31	1,731
Total liabilities		79,701	424,617
Equity			
Net assets attributable to unitholders	7	19,388,468	20,972,252

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

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

	Note	2018 S\$	2017 S\$
Net assets attributable to unitholders at the beginning of financial year		20,972,252	23,521,179
Operations			
Change in net assets attributable to unitholders resulting from operations		(844,707)	4,108,014
Unitholders' contributions/(withdrawals)			
Creation of units		71,024	27,188
Cancellation of units		(810,101)	(6,684,129)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(739,077)	(6,656,941)
Total decrease in net assets attributable to unitholders		(1,583,784)	(2,548,927)
Net assets attributable to unitholders at the end of financial year	7	19,388,468	20,972,252

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

Statement of Portfolio As at 30 June 2018

	Holdings as at 30/6/2018	Fair value as at 30/6/2018 S\$	Percentage of total net assets attributable to unitholders as at 30/6/2018 %
By Geography (Primary)			
Quoted			
Australia			
BHP Billiton Limited	7,698	262,977	1.36
Insurance Australia Group Limited	35,000	300,061	1.55
Sonic Healthcare Limited	8,425	207,944	1.07
Wesfarmers Limited	8,435	419,187	2.16
		1,190,169	6.14
China			
Alibaba Group Holding Limited	2,044	516,709	2.67
China Communications Construction Company Limited	277,000	364,429	1.88
China Construction Bank Corporation H Shares	442,000	556,158	2.87
China Life Insurance Company Limited	147,000	516,067	2.66
China Overseas Land & Investment Limited	50,000	224,195	1.16
China Petroleum & Chemical Corporation H Shares	146,000	177,618	0.92
China Resources Gas Group Limited	32,000	188,811	0.97
China Shenhua Energy Company Limited H Shares	60,000	194,164	1.00
China Telecom Corporation Limited H Shares	332,000	211,759	1.09
Citic Securities Company Limited	108,000	293,561	1.51
Netease Inc	500	172,278	0.89
Petrochina Company Limited H Shares	300,000	310,745	1.60
Tencent Holdings Limited	8,800	601,970	3.10
		4,328,464	22.32
Great Britain			
HSBC Holdings Plc	52,800	674,922	3.48
Hong Kong			
AIA Group Limited	35,400	422,051	2.18
Retech Technology Company Limited	284,331	85,932	0.44
		507,983	2.62

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

	Holdings as at 30/6/2018	Fair value as at 30/6/2018 S\$	Percentage of total net assets attributable to unitholders as at 30/6/2018 %
By Geography (Primary)			
India			
Care Rating Limited	11,292	280,910	1.45
HDFC Bank Limited	13,199	554,024	2.86
		834,934	4.31
Indonesia			
PT Astra Otoparts Tbk	800,200	110,401	0.57
PT Telekomunikasi Indonesia Tbk	600,000	213,517	1.10
		323,918	1.67
Japan			
Alps Electric Company Limited	10,800	377,966	1.95
Astellas Pharma Inc	10,000	207,667	1.07
Bridgestone Corporation	7,000	372,767	1.92
Fanuc Corp	1,300	351,501	1.81
Fujitsu Limited	24,000	198,326	1.02
JFE Holdings Inc	6,500	167,429	0.86
Kao Corporation	4,900	509,689	2.63
Komatsu Limited	6,900	268,744	1.39
Mitsubishi Corporation	13,300	503,606	2.60
Mitsubishi Electric Corporation	13,500	244,538	1.26
Mitsui Fudosan Company Limited	9,200	302,379	1.56
Murata Manufacturing Company Limited	800	182,924	0.95
Nippon Steel & Sumitomo Metal Corporation	13,200	352,847	1.82
Nitto Denko Corporation	2,300	237,317	1.23
Orix Corporation	9,000	193,769	1.00
Panasonic Corporation	27,400	503,068	2.59
SMC Corporation	500	249,951	1.29
Sony Corporation	10,400	724,863	3.74
Sumitomo Mitsui Financial Group Inc	6,800	359,940	1.86
Takeda Pharmaceutical Company Limited	5,600	322,065	1.66
Toray Industries Inc	30,000	322,321	1.66
		6,953,677	35.87
The Philippines			
Philippine Stock Exchange Inc	2,240	10,977	0.06

	Holdings as at 30/6/2018	Fair value as at 30/6/2018 S\$	Percentage of total net assets attributable to unitholders as at 30/6/2018 %
By Geography (Primary)			
Singapore			
Hyphens Pharma International Limited	1,247,000	274,340	1.41
Phillip SGX APAC Dividends Leaders REIT ETF	204,400	272,847	1.41
Sembcorp Industries Limited	85,100	234,025	1.21
Wing Tai Holdings Limited	177,500	353,225	1.82
		1,134,437	5.85
South Korea			
LG Chem Limited	657	268,063	1.38
Shinhan Financial Group Company Limited	7,502	396,952	2.05
		665,015	3.43
Taiwan			
Cathay Financial Holding Company Limited	156,000	375,341	1.93
Uni-President Enterprises Corporation	60,000	207,419	1.07
		582,760	3.00
Thailand			
Land & Houses Public Company Limited NVDR	630,000	290,397	1.50
Thai Beverage Public Company Limited	340,000	243,100	1.25
		533,497	2.75
Vietnam			
Vietnam Dairy Products Joint Stock Company	26,320	265,734	1.37
		265,734	1.37

	Fair value as at 30/6/2018 S\$	Percentage of total net assets attributable to unitholders as at 30/6/2018 %
Portfolio of investments	18,006,487	92.87
Other net assets	1,381,981	7.13
Net assets attributable to unitholders	19,388,468	100.00

	Fair value as at 30/6/2018 S\$	Percentage of total net assets attributable to unitholders as at 30/6/2018 %	Percentage of total net assets attributable to unitholders as at 30/6/2017 %
By Geography (Summary)			
Quoted			
Australia	1,190,169	6.14	6.75
China	4,328,464	22.32	18.93
Great Britain	674,922	3.48	3.67
Hong Kong	507,983	2.62	6.29
India	834,934	4.31	8.34
Indonesia	323,918	1.67	4.39
Japan	6,953,677	35.87	16.47
Philippines	10,977	0.06	1.10
Singapore	1,134,437	5.85	13.84
South Korea	665,015	3.43	7.01
Sri Lanka	–	–	0.99
Taiwan	582,760	3.00	4.53
Thailand	533,497	2.75	1.60
Vietnam	265,734	1.37	0.17
Portfolio of investments	18,006,487	92.87	94.08
Other net assets	1,381,981	7.13	5.92
Net assets attributable to unitholders	19,388,468	100.00	100.00

	Fair value as at 30/6/2018 S\$	Percentage of total net assets attributable to unitholders as at 30/6/2018 %	Percentage of total net assets attributable to unitholders as at 30/6/2017 %
By Industry (Secondary)			
Automotive	483,168	2.49	4.37
Banks and Finance	3,321,213	17.14	14.78
Buildings/construction material	–	–	1.60
Chemical	505,380	2.61	1.26
Computer/Software	1,058,506	5.45	–
Diversified resource	419,187	2.16	–
E-Commerce	516,709	2.67	–
Electrical and Electronic	2,033,359	10.49	11.32
Engineering	598,454	3.09	8.38
Food and Beverage	716,253	3.69	6.29
Fund	272,847	1.41	2.97
Healthcare and Pharmaceutical	1,012,016	5.21	2.52
Insurance	1,613,520	8.32	–
Machine tools	518,695	2.68	–
Manufacturing	861,190	4.44	2.05
Media	–	–	3.70
Metals and Mining	977,417	5.04	3.16
Miscellaneous	–	–	3.18
Oil and Gas	677,174	3.49	–
Real estate	1,170,196	6.04	6.18
Semiconductor	–	–	4.53
Telecom service	425,276	2.19	3.40
Textiles	322,321	1.66	3.24
Transport	–	–	11.15
Wholesale	503,606	2.60	–
Portfolio of investments	18,006,487	92.87	94.08
Other net assets	1,381,981	7.13	5.92
Net assets attributable to unitholders	19,388,468	100.00	100.00

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.

On 1 April 2017, the Fund has adopted the recommendations of revised RAP7 (revised March 2017) issued by the Institute of Singapore Chartered Accountants effective for the financial year beginning 1 July 2017.

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

For the purposes of preparation of these financial statements, the basis used for calculating the expense ratio and turnover ratio are in accordance with the guidelines issued by the Investment Management Association of Singapore (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 *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

	2018	2017
	S\$	S\$
Dividends receivable	91,880	100,348
Other receivable	6,591	5,261
	<u>98,471</u>	<u>105,609</u>

4 Cash and cash equivalents

	2018	2017
	S\$	S\$
Bank balances	998,696	1,017,086
Amounts held with brokers	189,122	291,596
	<u>1,187,818</u>	<u>1,308,682</u>

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

5 Payables

	2018	2017
	S\$	S\$
Accrued expenses	79,670	107,951
	<u>79,670</u>	<u>107,951</u>

6 Financial derivatives at fair value

Financial derivative contracts comprise foreign exchange contracts due for settlement within 1 month (2017: 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.

	Notional amount S\$	Fair value assets S\$	Fair value liabilities S\$
2018			
Foreign exchange contracts	20,052	–	(31)
	<u>20,052</u>	<u>–</u>	<u>(31)</u>
2017			
Futures contracts	325,062	52	(1,731)
	<u>325,062</u>	<u>52</u>	<u>(1,731)</u>

7 Units in issue

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

	2018	2017
Units at the beginning of the year	9,597,105	12,943,874
Units created	32,327	13,206
Units cancelled	(374,525)	(3,359,975)
Units at the end of the year	<u>9,254,907</u>	<u>9,597,105</u>
Net assets attributable to unitholders – S\$	19,388,468	20,972,252
Net asset value per unit – S\$	<u>2.095</u>	<u>2.185</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:

	2018	2017
	S\$	S\$
Net assets attributable to unitholders per unit per the financial statements	2.095	2.185
- Effect of adopting last traded price	0.004	0.006
Net assets attributable to unitholders per unit for issuing/redeeming units	<u>2.099</u>	<u>2.191</u>

8 Tax

	2018	2017
	S\$	S\$
Overseas income tax	46,585	53,991
Capital gain tax	8,403	8,020
	<u>54,988</u>	<u>62,011</u>

The overseas income tax charge relates to withholding tax suffered on receipt of distributions from overseas investments and the capital gain tax relates to disposal of the investments in overseas.

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 minimize 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.

Sensitivity analysis

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

	2018	2017
	\$	\$
Portfolio of investments	<u>1,800,649</u>	<u>1,973,041</u>

A 10% decrease in the market prices of securities 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 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 2018 and 2017, 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:

	2018	2017
	S\$	S\$
Australian Dollar	1,276,101	1,680,735
Hong Kong Dollar	4,736,450	4,426,364
Indian Rupee	834,934	1,749,856
Indonesian Rupiah	323,918	921,717
Japanese Yen	6,953,677	3,453,549
Korean Won	665,015	1,469,385
Philippine Peso	10,977	230,643
Sri Lankan Rupee	–	208,000
Taiwan Dollar	582,760	950,850
Thai Baht	290,397	335,600
United States Dollar	961,834	2,655,110
Vietnamese Dong	265,734	35,003

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

	2018	2017
	S\$	S\$
Hong Kong Dollar	189,117	191,928
Indian Rupee	–	367,036
Indonesian Rupiah	18,878	189,287
Japanese Yen	20,083	17,768
United States Dollar	29,743	1,328
Taiwan Dollar	218,960	–
Others	23	–

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 2018 and 2017, with respect to the monetary assets and monetary liabilities of the Fund, had the Singapore Dollar appreciated/depreciated by 10% against foreign currencies, with all other variables remaining constant, the decrease/increase in net assets attributable to unitholders would be as follows:

	Currency rise by 10%	
	Decrease in net assets	
	attributable to unitholders	
	2018	2017
	S\$	S\$
Australian Dollar	127,610	168,074
Hong Kong Dollar	492,557	461,829
Indian Rupee	83,493	211,689
Indonesian Rupiah	34,280	111,100
Japanese Yen	697,376	347,132
Korean Won	66,504	146,939
Philippine Peso	1,098	23,064
Sri Lankan Rupee	–	20,800
Taiwan Dollar	80,172	95,085
Thai Baht	29,040	33,560
United States Dollar	99,158	265,644
Vietnamese Dong	26,573	3,500

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 Fund has received payment. Payment is made on a purchase once the securities have been received by the Fund. 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 2018 and 2017:

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
2018				
Assets				
Portfolio of investments	18,006,487	–	–	18,006,487
Liabilities				
Financial derivatives, at fair value	–	31	–	31
	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
2017				
Assets				
Portfolio of investments	19,730,406	–	–	19,730,406
Financial derivatives, at fair value	–	52	–	52
	19,730,406	52	–	19,730,458
Liabilities				
Financial derivatives, at fair value	–	1,731	–	1,731

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:

	2018	2017
	S\$	S\$
Brokerage fees paid to:		
- a related party of the Manager	7,903	10,439
Interest income received from:		
- a related party of the Trustee	123	77
	998,696	1,017,086
Bank balances held with related parties of the Trustee		
Amounts held with related parties of the Manager	189,122	291,596

11 Financial ratios

		2018	2017
Expense ratio			
Total operating expenses	S\$	343,262	399,076
Average daily net asset value	S\$	20,520,415	21,503,502
Expense ratio ^(Note 1)	%	1.67	1.86
Turnover ratio			
Lower of total value of purchases or sales	S\$	23,214,728	23,453,460
Average daily net asset value	S\$	20,520,415	21,503,502
Turnover ratio ^(Note 2)	%	109.07	109.07

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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