

Phillip Global Opportunities Funds - Global Opportunities Fund

Semi-Annual Report

Period ended 30 September 2017 (Unaudited)



Phillip Capital Management

(A member of PhillipCapital)

**PHILLIP GLOBAL OPPORTUNITIES FUNDS
- GLOBAL OPPORTUNITIES FUND**

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**PHILLIP GLOBAL OPPORTUNITIES FUNDS
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MANAGER

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(Company Registration Number: 199905233W)

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Lim Wai Sai
Louis Wong Wai Kit

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SOLICITORS TO THE MANAGER

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Manager's Investment Report

As a balanced portfolio, the fund performed moderately well (+3.5%) during the 6 months' period from March 2017 – September 2017. Despite the geo-political tension in Asia with North Korea's unending nuclear threat against the United States and its allies, investors in Asian equity continues to ignore this as a non-event. Major indices across Asia edged up higher with the expectation of the spillover effect of global growth recovery into this region. Developed markets have also performed well especially with European equities reacting positively to centrist Emmanuel Macron winning the French Presidential Election in April this year. Macron's pro-European integration policy would mean that uncertainty of rising populism would be played down for the time being ever since Brexit in June 2016.

The manager continues to uphold the strategic asset class allocation with 50% invested into global equities with the balance allocated into fixed income. The manager has taken a view on the premium valuation of major global indices and responded by making a tactical shift in the portfolio's asset class from equities to bonds. As of end September 2017, allocation to fixed income stands at 60% while exposure to equities has been reduced from 50% to 40%.

Macro data from the United States turns out better than expected with Q2 Real GDP growth of 3.1% and better unemployment figures of 4.4% for the month of August 2017 continues to fuel the equities market with better expectation. Given the maturing bull cycle in the US equities, the manager took a prudent approach to be risk off on a tactical note and the portfolio's exposure to US equities has also been reduced from 24% to 15%. Allocation to Asia Pacific ex Japan and China is reduced slightly by 2.2% as part of the overall reduction exercise to equities during the period. In addition, the manager has shifted its gear to more high growth area in the Asian equity space by shifting allocation to Pinebridge Asia Ex Japan Small Cap Fund and Ishare CORE MSCI All Countries Asia Ex Japan ETF (3010 HK). The call to reduce the Asian dividend play is justified with 3010 HK gaining more than 12% (in SGD term) for the 6 months period in review while previous holdings (Vanguard FTSE Asia Ex Japan High Dividend ETF & One Stoxx Asean Select Dividend ETF) only achieved an average return of 6% and 3% in SGD terms respectively for the same period. Views on European equities remain neutral given the downplay of populism in France and delay in QE exit by ECB which is positive for capital markets.

On the fixed income side, the Manager has taken a cautious view on the high yield credit space and improved on the credit quality of the emerging market debts. High yield credit investment has been reduced to 12.4% from 47.2% with much of the funds being shifted to emerging market sovereign debts both in hard and local currencies. Strategically, the allocation to emerging market debts will give the portfolio an alpha edge in the long run given the attractive yield spreads it commands over treasuries. As the valuation in Asian high yield credits get less attractive and pending further rates hikes by US Federal Reserve in Q4 FY2017, allocating funds to emerging sovereigns will reduce the fixed income volatility in the next 6 months.

Our long term view on equities remains positive focusing on Asia Pacific supported by reasonable valuations in Japan and Hong Kong. Conditions in Emerging markets have stabilized and we do not see much downside in the near term. In the fixed income space, Asian Investment grade and high yield will continue to be our focus.

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Report to unitholders¹

a) **I Investments classified by geography**

	Fair Value at 30/09/2017 S\$	Percentage of Net Assets Attributable to Unitholders at 30/09/2017 %
By Geography (Summary)		
Hong Kong	508,508	4.30
Ireland	3,074,477	25.99
Luxembourg	1,461,913	12.36
Singapore	2,805,930	23.72
United States of America	3,765,307	31.84
Portfolio of investments	11,616,135	98.21
Other net assets	211,466	1.79
Net assets attributable to unitholders	11,827,601	100.00

a) **II Investments classified by industry**

	Fair Value at 30/09/2017 S\$	Percentage of Net Assets Attributable to Unitholders at 30/09/2017 %
By Industry (Summary)		
Debt Fund	6,332,326	53.54
Equity Fund	4,780,310	40.42
Debt Security	503,499	4.25
Portfolio of investments	11,616,135	98.21
Other net assets	211,466	1.79
Net assets attributable to unitholders	11,827,601	100.00

¹ As required by the Code on Collective Investment Schemes

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a) **III Investments classified by asset class**

	Fair Value at 30/09/2017	Percentage of Net Assets Attributable to Unitholders at 30/09/2017
	S\$	%
Debt Fund	6,332,326	53.54
Equity Fund	4,780,310	40.42
Debt Security	503,499	4.25
Portfolio of investments	11,616,135	98.21
Other net assets	211,466	1.79
Net assets attributable to unitholders	11,827,601	100.00

b) **Top Ten Holdings**

	Fair Value at 30/09/2017	Percentage of Net Assets Attributable to Unitholders at 30/09/2017
	S\$	%
<u>10 Largest Holdings at 30 September 2017</u>		
UOB United SGD Fund - Class B Accumulation	2,302,431	19.47
Eastspring Investments – Asian High Yield Bond Fund	1,461,913	12.36
Neuberger Berman Emerging Market Debt – Hard Currency Fund	1,455,911	12.31
Wisdomtree Europe Smallcap Dividend Fund ETF	1,446,234	12.23
Neuberger Berman Emerging Market Debt – Local Currency Fund	1,112,071	9.40
SPDR Dow Jones Industrial Average ETF Trust	927,448	7.84
Fidelity Nasdaq Composite Index Tracking Stock	869,019	7.35
iShares MSCI China ETF	552,606	4.42
iShares MSCI AC Asia Ex Japan Index ETF	508,508	4.30
Pinebridge Asia Ex Japan Small Cap Equity Fund	506,495	4.28

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<u>10 Largest Holdings at 30 September 2016</u>	Fair Value at 30/09/2016 S\$	Percentage of Net Assets Attributable to Unitholders at 30/09/2016 %
Neuberger Berman US Strategic Income Fund	1,258,715	12.97
UOB United SGD Fund - Class B	1,171,808	12.07
Aviva Investors SICAV - Global High Yield Bond Fund-AX SGD	1,171,243	12.07
iShares Stoxx Global Select Dividend 100 UCITS ETF	1,040,050	10.72
iShares MSCI North America UCITS ETF	967,246	9.97
Neuberger Berman China Equity Fund SGD A Acc	812,792	8.37
iShares Asia High Yield Bond Index ETF	710,085	7.32
iShares Europe ETF	552,840	5.70
Vanguard FTSE Asia Ex Japan High Dividend Yield Index ETF	508,361	5.24
Schwab U.S. Dividend Equity ETF	499,522	5.15

c) (i) Exposure to Derivatives as at 30 September 2017.
Nil

c) (ii) Gains on derivative contracts realised for the period from 1 April 2017 to 30 September 2017
Nil

c) (iii) Gains on outstanding derivative contracts marked to market as at 30 September 2017
Nil

d) Description of the method used to calculate the global exposure of financial derivatives

The global exposure relating to derivative instruments is calculated using the commitment approach. The global exposure of the sub-fund is calculated as the sum of:

(i) the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;

(ii) the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and

(iii) the sum of the values of cash collateral received pursuant to:

(a) the reduction of exposure to counterparties of OTC financial derivatives; and

(b) efficient portfolio management techniques relating to securities lending and repurchase transactions,

and that are reinvested.

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

	S\$	%
Debt Fund	6,332,326	53.54
Equity Fund	4,780,310	40.42
Debt Security	503,499	4.25

- f) Amount and percentage of borrowings of total fund size as at 30 September 2017.
Nil

- g) Amount of redemptions and subscriptions for the period from 1 April 2017 to 30 September 2017.

Total amount of redemptions	S\$ 1,580,772
Total amount of subscriptions	S\$ 2,455,241

- h) Amount of related party transactions for the period from 1 April 2017 to 30 September 2017

Interest income received from a related party of the Trustee	S\$24
Bank balances held with a related party of the Trustee	S\$247,815

- i) **Performance of the Fund as at 30 September 2017**

	3 months	6 months	1 year	3 years	5 years	Since Inception 1 August 2011
Cumulative return	2.63%	3.49%	5.91%	6.93%	12.37%	12.03%
Annualised return	-	-	5.91%	2.26%	2.36%	1.86%

* Returns are in Singapore dollar calculated on a bid-to-bid basis, with net dividends reinvested.
Source: Bloomberg

- j) **Expense Ratio**

		2017	2016
Total operating expenses	S\$	271,835	187,690
Average daily net asset value	S\$	10,900,876	6,783,398
Prorated expense ratio of the underlying funds ^(*)	%	0.86	0.77
Expense ratio ^(*)	%	3.35	3.53

The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS").

In the case of funds of funds, which are generally defined as funds with more than 50% of their total assets in other underlying funds, a summarised expense ratio of the target funds and the fund of funds is calculated as of the closing date of the financial year. This corresponds to the sum of:

- The prorated ratio of the individual target funds, weighted according to the share they represent in the assets of the fund of funds as of the closing date, and;

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- Expense ratio of the fund of funds minus any rebates of management fees and commissions received from the target funds during the reporting period. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

k) Turnover Ratio

		2017	2016
Lower of total value of purchases or sales	S\$	14,339,878	4,213,973
Average daily net asset value	S\$	11,410,624	8,194,575
Turnover ratio	%	<u>125.67</u>	<u>51.42</u>

The portfolio turnover ratio is calculated based on the lower of purchases or sales of the underlying investments of a scheme expressed as a percentage of average daily net asset value for the preceding 6 months at the close of the semi-annual financial statements. Total value of purchases (or sales) does not include brokerage and other transaction costs.

- l) Any material information that will adversely impact the valuation of the scheme such as contingent liabilities of open contracts.
Nil.
- m) For schemes which invest more than 30% of their deposited property in another scheme, the following key information on the second-mentioned scheme (“the underlying scheme”) should be disclosed as well.
 - (i) Top 10 holdings at market value and as percentage of NAV as at 30 September 2017
Not applicable.
 - (ii) Expense ratios for the period ended 30 September 2017 . A footnote should state (where applicable) that the expense ratio does not include brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from or arising out of income received.
Not applicable.
 - (iii) Turnover ratios for the period ended 30 September 2017
Not applicable.

n) **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.

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.

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Statement of Total Return

Period ended 30 September 2017

	30/09/2017	30/09/2016
	S\$	S\$
Income		
Dividends	159,132	117,343
Interest	24	4
	<u>159,156</u>	<u>117,347</u>
Less:		
Expenses		
Management fees	85,761	61,606
Management fee rebate	(676)	(493)
Trustee fees	10,228	10,228
Custody fees	2,509	969
Valuation fees	10,228	10,228
Transaction fees	15,520	17,185
Audit fees	7,521	(9,990)
Other expenses	24,807	22,105
	<u>155,898</u>	<u>111,838</u>
Net income	<u>3,258</u>	<u>5,509</u>
Net gains or losses on value of investments and financial derivatives		
Net gains on investments	451,159	252,343
Net gains on financial derivatives	-	68,100
Net foreign exchange losses	(23,525)	(1,942)
	<u>427,634</u>	<u>318,501</u>
Total return for the period before income tax	430,892	324,010
Less: Income tax	(13,550)	(4,867)
Total return for the period after income tax before distribution	<u>417,342</u>	<u>319,143</u>

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Statement of Financial Position

As at 30 September 2017

	30/09/2017	31/03/2017
	S\$	S\$
Assets		
Portfolio of investments	11,616,135	10,147,856
Sales awaiting settlement	-	185,656
Receivables	44,227	7,012
Cash and cash equivalents	337,854	640,650
Total assets	<u>11,998,216</u>	<u>10,981,174</u>
Liabilities		
Payables	170,615	124,586
Purchase awaiting settlement	-	320,798
Total liabilities	<u>170,615</u>	<u>445,384</u>
Equity		
Net assets attributable to unitholders	<u>11,827,601</u>	<u>10,535,790</u>

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Statement of Movement in Unitholders' Funds

Period ended 30 September 2017

	30/09/2017	31/03/2017
	S\$	S\$
Net assets attributable to unitholders at the beginning of financial period/year	10,535,790	5,107,848
Operations		
Change in net assets attributable to unitholders resulting from operations	417,342	554,325
Unitholders' Contributions/(withdrawals)		
Creation of units	2,455,241	7,501,680
Cancellation of units	(1,580,772)	(2,628,063)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	874,469	4,873,617
Total increase in net assets attributable to unitholders	1,291,811	5,427,942
Net assets attributable to unitholders at the end of financial period/year	<u>11,827,601</u>	<u>10,535,790</u>
Units in issue	10,555,756	9,753,082
Net asset value per unit	1.1205	1.0803

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Statement of Portfolio

As at 30 September 2017

	Holdings as at 30/09/2017	Fair value as at 30/09/2017 S\$	Percentage of total net assets attributable to unitholders as at 30/09/2017 %
By Geography (Primary)			
Quoted			
Hong Kong			
iShares MSCI AC Asia Ex Japan Index ETF	55,500	508,508	4.30
		<u>508,508</u>	<u>4.30</u>
Ireland			
Neuberger Berman Emerging Market Debt – Hard Currency Fund	68,161	1,455,911	12.31
Neuberger Berman Emerging Market Debt – Local Currency Fund	57,951	1,112,071	9.40
Pinebridge Asia Ex Japan Small Cap Equity Fund	31,887	506,495	4.28
		<u>3,074,477</u>	<u>25.99</u>
Luxembourg			
Eastspring Investments – Asian High Yield Bond Fund	139,735	1,461,913	12.36
		<u>1,461,913</u>	<u>12.36</u>
Singapore			
Oversea-Chinese Banking Corporation Ltd ECP 06/06/2018	500,000	503,499	4.25
UOB United SGD Fund - Class B Accumulation	1,986,567	2,302,431	19.47
		<u>2,805,930</u>	<u>23.72</u>

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	Holdings as at 30/09/2017	Fair value as at 30/09/2017 S\$	Percentage of total net assets attributable to unitholders as at 30/09/2017 %
By Geography (Primary)			
United States of America			
Fidelity Nasdaq Composite Index Tracking Stock	2,510	869,019	7.35
iShares MSCI China ETF	6,100	522,606	4.42
SPDR Dow Jones Industrial Average ETF Trust	3,052	927,448	7.84
Wisdomtree Europe Smallcap Dividend Fund ETF	15,346	1,446,234	12.23
		<u>3,765,307</u>	<u>31.84</u>
Portfolio of investments		11,616,135	98.21
Other net assets		211,466	1.79
Net assets attributable to unitholders		<u>11,827,601</u>	<u>100.00</u>

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	Fair value as at 30/09/2017 S\$	Percentage of total net assets attributable to unitholders as at 30/09/2017 %	Percentage of total net assets attributable to unitholders as at 31/03/2017 %
By Geography (Summary)			
Quoted			
Hong Kong	508,508	4.30	7.56
Ireland	3,074,477	25.99	12.16
Luxembourg	1,461,913	12.36	20.67
Singapore	2,805,930	23.72	29.60
United States of America	3,765,307	31.84	26.33
Portfolio of investments	11,616,135	98.21	96.32
Other net assets	211,466	1.79	3.68
Net assets attributable to unitholders	<u>11,827,601</u>	<u>100.00</u>	<u>100.00</u>

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	Fair value as at 30/09/2017 S\$	Percentage of total net assets attributable to unitholders as at 30/09/2017 %	Percentage of total net assets attributable to unitholders as at 31/03/2017 %
By Industry (Secondary)			
Quoted			
Debt Fund	6,332,326	53.54	47.23
Equity Fund	4,780,310	40.42	49.09
Debt Security	503,499	4.25	-
Portfolio of investments	11,616,135	98.21	96.32
Other net assets	211,466	1.79	3.68
Net assets attributable to unitholders	11,827,601	100.00	100.00

Important Information

Global Opportunities Fund (the “Sub-Fund”) is a sub-fund of Phillip Global Opportunities Funds (the “Fund”), an open ended umbrella unit trust authorised under the Securities and Futures Act, Chapter 289, by the Monetary Authority of Singapore

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Given the economic and market risks, there can be no assurance that the Sub-Fund will achieve its investment objectives. Investments in the Sub-Fund are not deposits or other obligations of, or guaranteed, or insured by the Manager or the distributors or their affiliates and are subject to investment risks, including the possible loss of the full principal amount invested. Returns may be affected by, among other things, the investment strategies or objectives of the Sub-Fund and material market and economic conditions. The value of the units and the income from them can fall as well as rise. Past performance is not necessarily indicative of the future performance of the Sub-Fund.

This document should not be taken as a recommendation to buy or sell since it does not take into account the specific investment objectives, financial situation and the particular needs of any particular recipient of this document. Investors should seek advice from a financial advisor before purchasing units in the Sub-Fund. In any case, investors should read the Prospectus and consider the risks as well as suitability of the Sub-Fund before deciding whether to subscribe for units in the Sub-Fund. Copies of the Prospectus are available and may be obtained from the Manager.