

Phillip Global Opportunities Funds - Global Opportunities Fund

Semi-Annual Report

Period ended 30 September 2018 (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's Investment Report

For the 6 months ended 30 Sep 2018, the Fund achieved a total return of 3.91%.

Despite the headwinds in the global trade scene instigated by the US President on imposing tariffs of more than US\$200 billion worth of imports from China, US economic growth accelerated at a pace not seen since the Global Financial Crisis more than a decade ago. President Donald Trump's fiscal stimulus has shown signs of effectiveness as being reflected in the US Q3 2018 economic growth which registered 5.5%, the highest quarterly growth since 2007. Unemployment rate has hit all time low at 3.83% in the quarter ended 30 Sep 2018, a level way below what the Federal Reserve is targeting (4-5%) for a long-run normal unemployment rate. Another sign of optimism is the nominal wage growth of individuals in US which improved from 2.5% to 3.5% year to date. The US Federal Reserve has hiked Fed Fund rate 3 times this year to 2.25% and another round of increase is expected in December 2018 based on market consensus. The series of interest rate hikes this year is in line with FY2017 and the Fed is expected to raise rates 3 times in 2019. However, the variable would still lie in the state of the economy especially the prolonging of the current unemployment rate below FED's long term rates, which would be a worry for excessive price inflation.

In SGD terms, the MSCI World Index and MSCI Asia Pacific Ex-Japan Index raked in total returns of 11.7% and -0.6% respectively. In anticipation of the escalation of trade disputes between the United States and China, and also the upcoming mid-term elections terms in US, we continued to risk off equities allocation in the portfolio and started building up exposure in short term floating rate ETFs. By the end of 30 Sep 2018, the allocation towards equity stood at 30% of the overall portfolio as compared to 60% exposure 6 months ago. The reduction in equity exposure is mainly in the US, Europe and Asia, each accounting for one third of the reduction.

On fixed income, Asia credits continued to suffer from fund outflows from this region. The JP Morgan Asia Credit Index retreated by another 1.6%, continuing the 2 percentage decline in Q1 FY2018. On the whole, the performance of Asia investment grade fixed income remains flat for the 6 months ended 30 Sep 2018. Similarly, global investors steered clear of sovereign issues underpinned by the 4.9% (in USD terms) decline in the FTSE World Government Bond Index during the same period. This can be explained by the rising yield of US treasuries both on the low and high end spectrum. However, something to note is that the treasuries' yield continues to flatten over the 6 months period, which indicates the US economy is at the late stage cycle of growth.

What to expect in 2019? Over the past 6 months, Asian equities has become even more attractive although still plagued by uncertainties cast by the trade dispute between US and China. This has enticed us to switch towards an equity allocation of 70% over the next half year. The main geographical attribution will come from US and Asia. Our view on Europe remains neutral at this point of time.

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Report to unitholders¹

a) **I Investments classified by geography**

	Fair Value at 30/09/2018 S\$	Percentage of Net Assets Attributable to Unitholders at 30/09/2018 %
By Geography (Summary)		
Hong Kong	692,897	4.33
Luxembourg	945,027	5.91
Singapore	2,055,909	12.85
United States of America	11,232,753	70.20
Portfolio of investments	14,926,586	93.29
Other net assets	1,074,340	6.71
Net assets attributable to unitholders	16,000,926	100.00

a) **II Investments classified by industry**

	Fair Value at 30/09/2018 S\$	Percentage of Net Assets Attributable to Unitholders at 30/09/2018 %
By Industry (Summary)		
Debt Fund	7,050,147	44.06
Equity Fund	7,876,439	49.23
Portfolio of investments	14,926,586	93.29
Other net assets	1,074,340	6.71
Net assets attributable to unitholders	16,000,926	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 30/09/2018	Percentage of Net Assets Attributable to Unitholders at 30/09/2018
	S\$	%
Debt Fund	7,050,147	44.06
Equity Fund	7,876,439	49.23
Portfolio of investments	14,926,586	93.29
Other net assets	1,074,340	6.71
Net assets attributable to unitholders	16,000,926	100.00

b) **Top Ten Holdings**

<u>10 Largest Holdings at 30 September 2018</u>	Fair Value at 30/09/2018	Percentage of Net Assets Attributable to Unitholders at 30/09/2018
	S\$	%
Highland/iBoxx Senior Loan ETF	1,479,797	9.25
SPDR Blackstone/GSO Senior Loan ETF	1,478,966	9.24
Invesco Ultra Short Duration ETF	1,478,102	9.24
iShares Floating Rate Bond ETF	1,368,162	8.55
SPDR Bloomberg Barclays Investment Grade Floating Rate ETF	1,363,065	8.52
Vaneck Vectors Investment Grade Floating Rate ETF	1,361,852	8.51
Phillip Money Market Fund	1,050,929	6.57
Cash Fund	1,004,980	6.28
Threadneedle Lux-Pan European Small Cap Opportunitites	945,027	5.91
Fidelity Nasdaq Composite Index Tracking Stock	775,273	4.85

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<u>10 Largest Holdings at 30 September 2017</u>	Fair Value at 30/09/2017 S\$	Percentage of Net Assets Attributable to Unitholders at 30/09/2017 %
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

c) (i) Exposure to Derivatives as at 30 September 2018.
Nil

c) (ii) Losses on derivative contracts realised for the period from 1 April 2018 to 30 September 2018
S\$12,368

c) (iii) Gains on outstanding derivative contracts marked to market as at 30 September 2018
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 2018.

	S\$	%
Debt Fund	7,050,147	44.06
Equity Fund	7,876,439	49.23

- f) Amount and percentage of borrowings of total fund size as at 30 September 2018.
Nil

- g) Amount of redemptions and subscriptions for the period from 1 April 2018 to 30 September 2018.
Total amount of redemptions S\$ 2,445,413
Total amount of subscriptions S\$ 5,865,959

- h) Amount of related party transactions for the period from 1 April 2018 to 30 September 2018
Interest income received from a related party of the Trustee S\$16
Bank balances held with a related party of the Trustee S\$1,986,046

- i) **Performance of the Fund as at 30 September 2018**

	3 months	6 months	1 year	3 years	5 years	Since Inception 1 August 2011
Cumulative return	1.50%	3.91%	3.55%	9.90%	13.67%	16.01%
Annualised return	-	-	3.55%	3.20%	2.60%	2.09%

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

- j) **Expense Ratio**

		2018	2017
Total operating expenses	S\$	293,932	271,835
Average daily net asset value	S\$	13,094,233	10,900,876
Prorated expense ratio of the underlying funds ^(*)	%	0.30	0.86
Expense ratio ^(*)	%	2.55	3.35

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 period. 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

		2018	2017
Lower of total value of purchases or sales	S\$	8,699,185	14,339,878
Average daily net asset value	S\$	13,312,666	11,410,624
Turnover ratio	%	<u>65.35</u>	<u>125.67</u>

The portfolio turnover ratio is calculated based on the lower of purchases or sales of the underlying investments 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 2018
Not applicable.
 - (ii) Expense ratios for the period ended 30 September 2018
Not applicable.
 - (iii) Turnover ratios for the period ended 30 September 2018
Not applicable.

n) **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.

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 2018

	30/09/2018	30/09/2017
	S\$	S\$
Income		
Dividends	42,266	159,132
Interest	16	24
	<u>42,282</u>	<u>159,156</u>
Less:		
Expenses		
Management fees	100,258	85,761
Management fee rebate	(1,203)	(676)
Trustee fees	10,228	10,228
Custody fees	1,530	2,509
Valuation fees	10,228	10,228
Transaction fees	11,359	15,520
Audit fees	7,994	7,521
Other expenses	20,707	24,807
	<u>161,101</u>	<u>155,898</u>
Net income	<u>(118,819)</u>	<u>3,258</u>
Net gains or losses on value of investments and financial derivatives		
Net gains on investments	632,463	451,159
Net losses on financial derivatives	(12,368)	-
Net foreign exchange losses	1,053	(23,525)
	<u>621,148</u>	<u>427,634</u>
Total return for the period before income tax	502,329	430,892
Income tax (expense)	(12,687)	(13,550)
Total return for the period after income tax before distribution	<u>489,642</u>	<u>417,342</u>

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Statement of Financial Position

As at 30 September 2018

	30/09/2018	31/03/2018
	S\$	S\$
Assets		
Portfolio of investments	14,926,586	10,976,954
Receivables	897,930	286,583
Cash and cash equivalents	<u>2,076,049</u>	<u>2,053,828</u>
Total assets	<u><u>17,900,565</u></u>	<u><u>13,317,365</u></u>
Liabilities		
Payables	418,221	1,226,623
Purchase awaiting settlement	1,481,418	-
Financial derivatives, at fair value	-	4
Total liabilities	<u><u>1,899,639</u></u>	<u><u>1,226,627</u></u>
Equity		
Net assets attributable to unitholders	<u><u>16,000,926</u></u>	<u><u>12,090,738</u></u>

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Statement of Movement in Unitholders' Funds

Period ended 30 September 2018

	30/09/2018	31/03/2018
	S\$	S\$
Net assets attributable to unitholders at the beginning of financial period/year	12,090,738	10,535,790
Operations		
Change in net assets attributable to unitholders resulting from operations	489,642	293,583
Unitholders' Contributions/(withdrawals)		
Creation of units	5,865,959	6,938,734
Cancellation of units	(2,445,413)	(5,677,369)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	3,420,546	1,261,365
Total decrease in net assets attributable to unitholders	3,910,188	1,554,948
Net assets attributable to unitholders at the end of financial period/year	16,000,926	12,090,738
Units in issue	13,796,897	10,836,540
Net asset value per unit	1.1597	1.1157

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Statement of Portfolio

As at 30 September 2018

	Holdings as at 30/09/2018	Fair value as at 30/09/2018 S\$	Percentage of total net assets attributable to unitholders as at 30/09/2018 %
By Geography (Primary)			
Quoted			
Hong Kong			
iShares MSCI AC Asia Ex Japan Index ETF	75,800	692,897	4.33
		<u>692,897</u>	<u>4.33</u>
Luxembourg			
Threadneedle Lux-Pan European Small Cap Opportunities	35,919	945,027	5.91
		<u>945,027</u>	<u>5.91</u>
Singapore			
Cash Fund	934,992	1,004,980	6.28
Phillip Money Market Fund	875,336	1,050,929	6.57
		<u>2,055,909</u>	<u>12.85</u>
United States of America			
Fidelity Nasdaq Composite Index Tracking Stock	1,799	775,273	4.85
Highland/iBoxx Senior Loan ETF	59,320	1,479,797	9.25
Invesco Ultra Short Duration ETF	21,541	1,478,102	9.24
iShares Floating Rate Bond ETF	19,630	1,368,162	8.55
iShares India 50 ETF	4,107	191,861	1.20
iShares MSCI China ETF	2,464	201,631	1.26
SPDR Blackstone / GSO Senior Loan ETF	22,860	1,478,966	9.24
SPDR Bloomberg Barclays Investment Grade Floating Rate ETF	32,400	1,363,065	8.52
SPDR Dow Jones Industrial Average ETF Trust	2,125	767,481	4.79
Vaneck Vectors Investment Grade Floating Rate ETF	39,380	1,361,852	8.51
Vanguard S&P 500 ETF	2,101	766,563	4.79
		<u>11,232,753</u>	<u>70.20</u>

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	Holdings as at 30/09/2018	Fair value as at 30/09/2018 S\$	Percentage of total net assets attributable to unitholders as at 30/09/2018 %
By Geography (Primary)			
Portfolio of investments		14,926,586	93.29
Other net assets		1,074,340	6.71
Net assets attributable to unitholders		<u>16,000,926</u>	<u>100.00</u>

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	Fair value as at	Percentage of total net assets attributable to unitholders as at	Percentage of total net assets attributable to unitholders as at
	30/09/2018 S\$	30/09/2018 %	31/03/2018 %
By Geography (Summary)			
Quoted			
Hong Kong	692,897	4.33	13.38
Luxembourg	945,027	5.91	16.86
Singapore	2,055,909	12.85	28.88
United States of America	11,232,753	70.20	31.67
Portfolio of investments	14,926,586	93.29	90.79
Other net assets	1,074,340	6.71	9.21
Net assets attributable to unitholders	16,000,926	100.00	100.00

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	Fair value as at 30/09/2018 S\$	Percentage of total net assets attributable to unitholders as at 30/09/2018 %	Percentage of total net assets attributable to unitholders as at 31/03/2018 %
By Industry (Secondary)			
Quoted			
Debt Fund	7,050,147	44.06	-
Equity Fund	7,876,439	49.23	86.74
Debt Security	-	-	4.05
Portfolio of investments	14,926,586	93.29	90.79
Other net assets	1,074,340	6.71	9.21
Net assets attributable to unitholders	16,000,926	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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