

PHILLIP SELECT FUND

SEMI-ANNUAL REPORT

For the period ended 31 March 2018 (Unaudited)

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Phillip Select Fund

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Phillip Select Fund

Manager's Investment Reports

Phillip Singapore Real Estate Income Fund

The Fund achieved a total return of +2.63% (including quarterly distributions) for the half year ending 31 March 2018. For the half year, the Fund increased its dividend distribution by 12% from 3.22 cents same period last year to 3.6 cents.

During the period, the biggest contributors to the Fund performance came from commercial and industrials sub-segments. The major contributors for the Fund's return were from positions in Fraser Centerpoint Trust, Capitaland Commercial Trust, Suntec Reit and Keppel DC Reits, which gained 6.57%, 13%, 9.7% and 11% respectively during the period. The Fund took profits on some of its positions in the beginning of 2018. Cash holdings currently stand at 8.8%. The Fund took a position in Cromwell European REIT, which was listed on the Singapore Exchange on 30th November 2017. As the first pure-play European mixed commercial REIT listed in Singapore, it provides investors with another REIT for diversification.

Singapore REITs performed well in 4th quarter 2017 where the focus was on better economic growth and easing supply pressures in various REIT sub-segments. These trends, along with market momentum, are the reasons for S-REITs' strong performance, delivering over 20% in total returns last year. This is despite the underwhelming performance in distribution growth. In the beginning of 2018, markets eventually took a turn as investors shifted focus towards widely expected US Federal Reserve rate hikes.

Outlook

In recent months, market expectations of at least four rate hikes this year fell as Fed Chairman Powell's comments re-affirmed gradual rate hikes and headline inflation expectations remain unchanged at 1.9% for 2018. Based on the Fed's latest assessment, it should continue to be an accommodative environment for S-REITS with strengthening economic growth and tepid inflation, which would allow the Fed to maintain a gradual pace of rate hike.

The fundamentals of the underlying retail, commercial and industrial properties owned by S-REITs continue to remain healthy, with high occupancy rates (typically well over 90%) and slight positive rental reversions at high base. S-REITs possess robust balance sheets and have begun to take measures to safeguard against interest rate increases, by having fixed interest rates for a significant portion of their debts. On average, 80% of S-REITs across the various sectors have at least 70% of their debts hedged on fixed rates in anticipation of higher interest cost. This helps mitigate the impact of rising interest rates in 2018.

The office and hospitality sub-sectors are likely to benefit the most from the better economic growth, given that they are most leveraged to the external economy and have previously suffered from over-supply in the last few years which seems to be abating. The retail sub-sector remains resilient as the malls held by the key retail REITs are of higher quality than general Singapore retail space. REIT-controlled malls tend to be linked to key transport nodes, such as the MRT, and have strong sponsors. Although the Singapore retail REIT market is similarly affected by e-commerce trends, most retail S-Reits have rejigged their retail mix to provide services that cannot be replicated by e-commerce.

We believe the fundamentals for Singapore REITs remain solid.

Phillip Select Fund

REPORT TO UNITHOLDERS For the period ended 31 March 2018

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

1. Distribution of investments

Please refer to the Statement of Portfolio on page 12.

2. Schedule of investments by asset class

Asset Class	Fair value as at 31 March 2018 S\$	Percentage of total net assets attributable to unitholders as at 31 March 2018 %
Real Estate Investment Trusts	28,475,864	61.74
Exchange Traded Funds	14,038,046	30.43
Cash and cash equivalents	4,089,059	8.86
Other net current liabilities	(475,463)	(1.03)
Net assets attributable to unitholders	<u>46,127,506</u>	<u>100.00</u>

3. Top 10 holdings

10 largest holdings at 31 March 2018

	Fair value as at 31 March 2018 S\$	Percentage of total net assets attributable to unitholders as at 31 March 2018 %
Lion-Phillip S-REIT ETF	13,683,379	29.66
Frasers Centrepoint Trust	2,161,250	4.69
Aims Amp Capital Industrial REIT	2,059,686	4.47
Frasers Hospitality Trust	1,880,350	4.08
Capitaland Mall Trust	1,625,418	3.52
Frasers Commercial Trust	1,557,462	3.38
Starhill Global REIT	1,550,183	3.36
Keppel DC REIT	1,533,735	3.32
Ascendas Hospitality Trust	1,513,723	3.28
Frasers Logistics & Industrial Trust	1,409,345	3.06

Phillip Select Fund

REPORT TO UNITHOLDERS For the period ended 31 March 2018

3. Top 10 holdings (continued)

10 largest holdings at 31 March 2017

	Fair value as at 31 March 2017 S\$	Percentage of total net assets attributable to unitholders as at 31 March 2017 %
Phillip SGX APAC Dividend Leaders REIT ETF	4,022,177	8.85
Frasers Hospitality Trust	3,052,648	6.72
Capitaland Commercial Trust	2,920,050	6.43
Suntec Real Estate Investment Trust	2,774,500	6.11
Capitaland Mall Trust	2,723,919	6.00
Frasers Centrepoint Trust	2,405,400	5.29
Frasers Commercial Trust	2,368,000	5.21
Ascendas Real Estate Investment Trust	2,348,640	5.17
Mapletree Logistics Trust	2,190,000	4.82
Ascendas Hospitality Trust	2,175,443	4.79

4. Exposure to financial derivatives as at 31 March 2018

Nil.

5. Global exposure to financial derivatives

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

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

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

Phillip Select Fund

REPORT TO UNITHOLDERS

For the period ended 31 March 2018

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

Please refer to the Statement of Portfolio on page 12.

9. Amount and percentage of borrowings of total fund size as at 31 March 2018

Nil.

10. Amount of units created and cancelled for the financial period ended 31 March 2018

	Class A SGD S\$	Class A USD S\$	Class I SGD S\$	Class I USD S\$
Total amount of redemptions	2,791,538	221,880	4,985,765	-
Total amount of subscriptions	7,497,159	211,723	2,784,943	4,185

11. Turnover ratio

		31 March 2018	31 March 2017
Lower of total value of purchases or sales	S\$	32,223,639	8,286,738
Average daily net asset value	S\$	45,573,898	45,259,183
Total turnover ratio ^{Note}	%	70.71	18.31

Note: The portfolio 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 lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value for the preceding 6 months at the close of the semi-annual financial statements. The total value of purchases or sales do not include brokerage and other transaction costs.

Phillip Select Fund

REPORT TO UNITHOLDERS For the period ended 31 March 2018

12. Expense ratio

		31 March 2018 S\$	31 March 2017 S\$
Class A SGD Units			
Total operating expenses	S\$	198,227	188,157
Average daily net asset value	S\$	15,203,987	12,591,986
Total expense ratio ^{Note}	%	1.30	1.49
Class A USD Units			
Total operating expenses	S\$	18,097	14,286
Average daily net asset value	S\$	1,395,235	956,082
Total expense ratio ^{Note}	%	1.30	1.49
Class I SGD Units			
Total operating expenses	S\$	237,047	335,508
Average daily net asset value	S\$	28,463,815	33,284,751
Total expense ratio ^{Note}	%	0.83	1.01
Class I USD Units			
Total operating expenses	S\$	1,329	1,431
Average daily net asset value	S\$	161,397	141,464
Total expense ratio ^{Note}	%	0.82	1.01

Note: 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 preceding 12 months at the close of the semi-annual financial statements. The total operating expenses do not include (where applicable) brokerage and other transactions 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 or arising out of income received. The average net asset values are based on the daily balances.

13. Performance of Sub-Fund as at 31 March 2018

	Class I		Class A		Benchmark
	SGD	USD	SGD	USD	
Cumulative (%)*					
3 months	-2.65	-0.80	-2.75	-0.80	-3.15
6 months	2.63	6.28	2.40	6.14	4.54
1 year	11.92	19.26	11.39	19.14	14.50
3 years	16.34	20.11	14.79	18.79	22.27
5 years	27.76	-	25.28	-	34.50
Since inception **	88.25	21.34	83.66	23.12	93.83
Annualised (%)					
3 years	5.17	6.30	4.70	5.91	6.93
5 years	5.02	-	4.61	-	6.11
Since inception **	10.17	5.06	9.76	4.44	10.67

Phillip Select Fund

REPORT TO UNITHOLDERS

For the period ended 31 March 2018

13. Performance of Sub-Funds as at 31 March 2018 (continued)

* Cumulative returns are calculated on a bid to bid basis, with net dividends reinvested. The Benchmark for which the Sub-Fund is measured against is the FTSE Straits Times Real Estate Investment Trust Index.

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

14. Related party transactions

	31 March 2018 S\$	31 March 2017 S\$
Brokerage fees paid to:		
- a related party of the Trustee	15,669	11,645
- a related party of the Manager	5,610	3,833
	31 March 2018 S\$	30 September 2017 S\$
Bank balances held with related party of the Trustee	<u>3,827,052</u>	<u>575,223</u>

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

Nil

16. Soft dollar commissions

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.

Phillip Select Fund

REPORT TO UNITHOLDERS For the period ended 31 March 2018

16. Soft dollar commissions (continued)

The soft dollar credits utilised are not allocated on a specific client basis. The brokers also execute trades for other funds managed by the Manager.

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

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

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

Statement of Total Return
For the period ended 31 March 2018

	Phillip Singapore Real Estate Income Fund	
	31 March 2018	31 March 2017
	S\$	S\$
Income		
Dividends	800,940	1,065,312
Interest	167	-
	<u>801,107</u>	<u>1,065,312</u>
Less:		
Expenses		
Management fees	211,013	200,336
Less: Management fee rebates	(13,012)	-
Trustee fees	9,084	5,974
Custody fees	19,360	16,822
Audit fee	8,732	8,700
Transaction fees	71,840	27,690
Valuation fees	9,084	12,848
Other expenses	(1,478)	16,578
	<u>314,623</u>	<u>288,948</u>
Net income	<u>486,484</u>	<u>776,364</u>
Net gains or losses on value of investments and financial derivatives		
Net gain/(loss) on investments	713,299	(233,240)
Net (loss) on financial derivatives	(34,930)	-
Net (losses) on foreign exchange	(25,149)	(12,081)
	<u>653,220</u>	<u>(245,321)</u>
Total return for the period before income tax	<u>1,139,704</u>	<u>531,043</u>
Less: Income tax	<u>(65,860)</u>	<u>(135,670)</u>
Total return for the period after income tax before distribution	<u>1,073,844</u>	<u>395,373</u>

Statement of Financial Position
As at 31 March 2018

	Phillip Singapore Real Estate Income Fund	
	31 March 2018	30 September 2017
	S\$	S\$
Assets		
Portfolio of investments	42,513,910	42,899,139
Sales awaiting settlement	20,040	5,325
Receivables	205,415	461,515
Cash and cash equivalents	4,089,059	878,553
Financial derivatives at fair value	-	282,211
Total assets	<u>46,828,424</u>	<u>44,526,743</u>
Liabilities		
Payables	700,918	799,970
Total liabilities	<u>700,918</u>	<u>799,970</u>
Equity		
Net assets attributable to unitholders	<u>46,127,506</u>	<u>43,726,773</u>

Statement of Movements of Unitholders' Funds
For the period ended 31 March 2018

	Phillip Singapore Real Estate Income Fund	
	31 March 2018	30 September 2017
	S\$	S\$
Net assets attributable to unitholders at the beginning of financial period	43,726,773	49,295,987
Operations		
Change in net assets attributable to unitholders resulting from operations	1,073,844	4,268,799
Unitholders' contributions / (withdrawals)		
Creation of units	10,498,010	13,654,257
Cancellation of units	(7,999,183)	(21,255,480)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	2,498,827	(7,601,223)
Distributions	(1,171,938)	(2,236,790)
Total increase/(decrease) in net assets attributable to unitholders	2,400,733	(5,569,214)
Net assets attributable to unitholders at the end of financial period	46,127,506	43,726,773
Represented By:		
	31 March 2018	30 September 2017
	S\$	S\$
Net assets attributable to unitholders of Class A SGD Units	18,685,998	14,177,366
Net assets attributable to unitholders of Class A USD Units	1,408,682	1,425,648
Net assets attributable to unitholders of Class I SGD Units	25,869,579	27,964,681
Net assets attributable to unitholders of Class I USD Units	163,246	159,078
Units in issue		
Class A SGD Units	13,970,567	10,572,703
Class A USD Units	1,064,108	1,073,911
Class I SGD Units	18,786,377	20,319,758
Class I USD Units	118,459	115,504
Net assets attributable to unitholders per unit		
Class A SGD Units	1.3375	1.3409
Class A USD Units	1.3238	1.3275
Class I SGD Units	1.3770	1.3762
Class I USD Units	1.3781	1.3773

Statements of Portfolio
As at 31 March 2018

Phillip Singapore Real Estate Income Fund

By Geography (Primary)

	Holdings as at 31 March 2018	Fair value as at 31 March 2018 S\$	Percentage of total net assets attributable to unitholders as at 31 March 2018 %
Quoted Real Estate Investment Trusts			
Australia			
Scentre Group	220,000	847,514	1.84
Stockland	189,236	767,069	1.66
		<u>1,614,583</u>	<u>3.50</u>
Singapore			
Aims Amp Capital Industrial REIT	1,514,475	2,059,686	4.47
Ascendas Hospitality Trust	1,857,329	1,513,723	3.28
Ascendas Real Estate Investment Trust	157,889	415,248	0.90
Ascott Residence Trust	917,646	1,036,940	2.25
Capitaland Commercial Trust	154,145	282,085	0.61
Capitaland Mall Trust	781,451	1,625,418	3.52
Capitaland Retail China Trust	510,468	806,539	1.75
CDL Hospitality Trusts	68,420	115,630	0.25
Cromwell European Real Estate Investment Trust	1,300,000	1,215,976	2.64
First Real Estate Investment Trust	326,670	450,805	0.98
Frasers Centrepoint Trust	986,872	2,161,250	4.69
Frasers Commercial Trust	1,089,134	1,557,462	3.38
Frasers Hospitality Trust	2,442,013	1,880,350	4.08
Frasers Logistics & Industrial Trust	1,292,977	1,409,345	3.06
Keppel DC REIT	1,065,094	1,533,735	3.32
Keppel REIT	550,894	666,582	1.45
Keppel-KBS US REIT	1,180,000	1,361,652	2.95
Lippo Malls Indonesia Retail Trust	17	7	-
Manulife US Real Estate Investment Trust	1,144,000	1,395,116	3.02
Mapletree Commercial Trust	136,215	213,858	0.46
Mapletree Greater China Commercial Trust	985,851	1,133,729	2.46
Mapletree Industrial Trust	89,926	182,550	0.39
Mapletree Logistics Trust	493,429	606,918	1.32
Parkway Life Real Estate Investment Trust	61,212	171,394	0.37
Sasseur Real Estate Investment Trust	675,000	540,000	1.17
SPH REIT	980,000	975,100	2.11
Starhill Global REIT	2,123,538	1,550,183	3.36
		<u>26,861,281</u>	<u>58.24</u>
Quoted Investment Funds			
Singapore			
Lion-Phillip S-REIT ETF	13,534,500	13,683,379	29.66
Phillip SGX APAC Dividend Leaders REIT ETF	277,300	354,667	0.77
		<u>14,038,046</u>	<u>30.43</u>
Portfolio of investments		<u>42,513,910</u>	<u>92.17</u>
Other net assets		<u>3,613,596</u>	<u>7.83</u>
Net assets attributable to unit holders		<u>46,127,506</u>	<u>100.00</u>

Phillip Singapore Real Estate Income Fund

By Geography (Summary)

	Fair value as at 31 March 2018 %	Percentage of total net assets attributable to unitholders as at 31 March 2018 %	Percentage of total net assets attributable to unitholders as at 30 September 2017 %
Quoted Securities			
Australia	1,614,583	3.50	-
Singapore	40,899,327	88.67	98.11
Portfolio of investments	42,513,910	92.17	98.11
Other net assets	3,613,596	7.83	1.89
Net assets attributable to unit holders	46,127,506	100.00	100.00

Phillip Singapore Real Estate Income Fund

By Industry (Secondary)

	Fair value as at 31 March 2018 S\$	Percentage of total net assets attributable to unitholders as at 31 March 2018 %	Percentage of total net assets attributable to unitholders as at 30 September 2017 %
Real Estate Investment trust	28,475,864	61.74	98.11
Exchange Traded Funds	14,038,046	30.43	-
Portfolio of investments	42,513,910	92.17	98.11
Other net assets	3,613,596	7.83	1.89
Net assets attributable to unit holders	46,127,506	100.00	100.00

Phillip Select Fund

Important Information

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

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