

PHILLIP SELECT FUND

ANNUAL REPORT

Year ended 30 September 2016

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DIRECTORY

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CUSTODIAN

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PHILLIP SELECT FUND

MANAGER'S INVESTMENT REPORT

PHILLIP SINGAPORE REAL ESTATE INCOME FUND

The Fund achieved a total return of 15.76% (retail class, including quarterly distributions) for the full year ending 30 September 2016. Its benchmark, the FTSE Straits Times Real Estate Investment Trust Index, has a return of 11.13% in the same period.

For the same period, the performance of the Straits Times Index was 6.85%, which indicates that S-REITs outperformed the broader Singapore equities market. The resilience of the REITs' asset class can be attributed to the market expectation that interest rates remain low, against a backdrop of negative interest rates in Japan and the UK's vote in June to leave the European Union stoking historic levels of volatility in financial markets. The flight to safety and yield chase has continued to drive outperformance of S-Reits.

As of 30 September 2016, the Fund's over-weighted sectors in industrials (including business parks) and retails accounted for 24% and 23% respectively followed by 17% in hotels & residential, 12% in mixed retails and offices and 2% in healthcare REITs. Total net asset value of the Fund stood at \$49.3 million. The dividend yield for the Fund was 5.12% per annum.

Outlook

Going forward, the main market mover would be Donald Trump's surprise victory in the US presidential election and the impact of his eventual policies. Donald Trump has been cast as an unpredictable character whose policies may be detrimental to stability. Many of the key issues from his election platform were on control of illegal immigration and anti-globalisation, with proposals such as raising of trade barriers. A withdrawal of the US military presence from Asia, a possibility based on his remarks, is also widely feared as it will bring a power vacuum to the region.

Having said that we are optimistic about his victory for a few reasons. Mr Trump has inherited a much stronger US economy. In his campaign, he promised to cut taxes and regulations on US businesses, as well as fiscal spending on infrastructure. This in turn, has implications on the inflation and the Federal Reserve's decision on whether to hike rates in its December meeting, which now seems highly likely. We believe these policies will add a medium term boost to the momentum of the global economy.

Strategy

REITs are likely to do better than the general market in the immediate aftermath of the Trump's shock win. They are seen as defensive investments because of high and sustainable yield as the majority of REITs continue to grind out a stable incremental rise in Dividends Per Unit (DPU). The steady growth of distributions plays a very significant part in the total return of REITs. Yield spreads are still wide despite the post-Brexit rally, of 4.7% as of end September 2016, which is close to its 1 standard deviation historical trading range and is above the historical yield spread of 3.6% since 2011. We forecast a 40-50 bps potential rise in 10-year bond yields subsequent to Fed rate hikes in next 6-12 months, pushing Singapore's 10 year bond yields to 2.2-2.3 %. Hence, the rich yield spread of 100 basis points currently provides an ample cushion for REIT price risks resulting from spread compression. REIT prices would have to rise by nearly 17% for the yield spread to return to that average level.

In term of sector selection, we will selectively shift towards the unloved office/industrials REITs, away from REITs where investors are seeking refuge, which has resulted in rich valuations for the retail sector. We favour REITs with large business park exposure in Singapore. For example, AREIT is well-positioned to benefit from the tight upcoming supply of business park space over the next three years.

Dividend yield is just one factor. We also consider markets with well-established REIT frameworks, good asset quality and good sponsor quality with deep markets (i.e. high liquidity). By considering all these, we think Australia, Hong Kong and Japan are attractive REIT markets. With the recent strong Singapore dollar, it is timely to diversify into markets where their currencies are poised to recover, such as the Australian dollar, Sterling Pound, US dollar and Hong Kong dollar.

PHILLIP SELECT FUND

REPORT TO UNITHOLDERS

Year ended 30 September 2016

The following contains additional information relating to the Sub-Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages FS4 to FS5.

2. Schedule of investments by asset class

Phillip Singapore Real Estate Income Fund

Asset Class	Fair value at 30 September 2016 S\$	Percentage of total net assets attributable to unitholders at 30 September 2016 %
Real Estate Investment Trusts	45,955,895	93.22
Cash and cash equivalents	4,010,916	8.14
Other net current liabilities	(670,824)	(1.36)
Net assets attributable to unitholders	<u>49,295,987</u>	<u>100.00</u>

3. Top 10 holdings

Phillip Singapore Real Estate Income Fund

10 largest holdings at 30 September 2016	Fair value at 30 September 2016 S\$	Percentage of total net assets attributable to unitholders at 30 September 2016 %
Frasers Centrepoint Trust	3,547,800	7.20
Mapletree Greater China Commercial Trust	3,472,354	7.04
Ascendas Real Estate Investment Trust	3,343,320	6.78
Mapletree Logistics Trust	3,195,000	6.48
Suntec Real Estate Investment Trust	2,650,500	5.38
Aims AMP Capital Industrial Real Estate Investment Trust	2,607,926	5.28
Frasers Commercial Trust	2,571,500	5.22
Mapletree Commercial Trust	2,349,594	4.76
CapitaMall Trust	2,338,632	4.74
Starhill Global Real Estate Investment Trust	2,294,796	4.66

PHILLIP SELECT FUND

REPORT TO UNITHOLDERS

Year ended 30 September 2016

3. Top 10 holdings (continued)

10 largest holdings at 30 September 2015	Fair value at 30 September 2015 S\$	Percentage of total net assets attributable to unitholders at 30 September 2015 %
Mapletree Commercial Trust	3,388,500	8.29
Ascendas Real Estate Investment Trust	3,378,500	8.26
CapitaMall Trust	3,346,380	8.18
Mapletree Greater China Commercial Trust	2,980,800	7.29
Mapletree Logistics Trust	2,940,000	7.19
Digital Realty Trust Incorporation	2,320,828	5.68
Aims AMP Capital Industrial Real Estate Investment Trust	2,304,624	5.64
Starhill Global Real Estate Investment Trust	2,280,100	5.58
Suntec Real Estate Investment Trust	2,250,000	5.50
Frasers Commercial Trust	2,112,000	5.16

4. Exposure to financial derivatives as at 30 September 2016

	Phillip Singapore Real Estate Income Fund	
	Fair value assets S\$	Percentage of net assets %
Share purchase rights	83,384	0.17

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.

PHILLIP SELECT FUND

REPORT TO UNITHOLDERS

Year ended 30 September 2016

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

Phillip Singapore Real Estate Income Fund

	Fair value at 30 September 2016 S\$	Percentage of total net assets attributable to unitholders at 30 September 2016 %
Real Estate Investment Trusts	45,955,895	93.22

7. Amount and percentage of borrowings of total fund size as at 30 September 2016

Nil.

8. Amount of units created and cancelled for the financial year ended 30 September 2016

Phillip Singapore Real Estate Income Fund

	Class A SGD S\$	Class A USD S\$	Class I SGD S\$	Class I USD S\$
Total amount of redemptions	(5,280,414)	(1,608)	(3,284,323)	-
Total amount of subscriptions	6,287,359	61,755	6,093,368	6,860

9. Turnover ratio

Please refer to Note 12 of Notes to Financial Statements.

10. Expense ratio

Please refer to Note 12 of Notes to Financial Statements.

11. Performance of Sub-Fund as at 30 September 2016

Phillip Singapore Real Estate Income Fund

	Class I		Class A		Benchmark
	SGD	USD	SGD	USD	
Cumulative (%)*					
3 months	4.71%	3.38%	4.59%	3.24%	3.98%
6 months	9.23%	7.89%	8.97%	7.61%	6.72%
1 year	16.31%	19.77%	15.76%	19.15%	11.13%
3 years	24.18%	-	22.82%	10.56%	5.42%
5 years	66.78%	-	63.98%	-	29.41%
Since inception **	66.26%	8.83%	63.32%	5.54%	22.21%
Annualised (%)					
3 years	7.48%	-	7.09%	3.40%	1.78%
5 years	10.77%	-	10.40%	-	5.29%
Since inception **	10.62%	3.55%	10.23%	1.65%	4.06%

* 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. A total returns index version is currently not available.

PHILLIP SELECT FUND

REPORT TO UNITHOLDERS

Year ended 30 September 2016

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

12. Related party transactions

Please refer to Note 11 of Notes to Financial Statements.

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

Nil

14. 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. 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.

Report of the Trustee

The Trustee is under a duty to take into custody and hold the assets of Phillip Select 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 (collectively referred to as the “laws and regulations”), 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 Select Fund during the period covered by these financial statements, set out on pages FS1 to FS16, 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
BNP Paribas Trust Services Singapore Limited

Authorised signatory

13 December 2016

Statement by the Manager

In the opinion of the directors of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages FS1 to FS16, 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 of Phillip Select Fund (the "Fund") as at 30 September 2016, and the total return and changes 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 the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager
Phillip Capital Management (S) Ltd

Linus Lim Wen Sheong
Director

13 December 2016

Independent auditors' report

Auditor's Report to the unitholders of Phillip Select Fund

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

We have audited the financial statements of Phillip Select Fund (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 September 2016, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS16.

Manager's Responsibility for the Financial Statements

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation 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 control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 September 2016 and the total return 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.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

13 December 2016

Statement of Total Return
Year ended 30 September 2016

		Phillip Singapore Real Estate Income Fund	
	Note	2016 S\$	2015 S\$
Income			
Dividends		2,604,363	2,189,816
Interest		26	61
		<u>2,604,389</u>	<u>2,189,877</u>
Less:			
Expenses			
Management fees		398,144	246,406
Trustee and administration fees		33,344	36,934
Custody fees		34,064	41,532
Audit fee		12,535	12,500
Transaction fees		118,556	85,330
Other expenses		38,589	34,193
		<u>635,232</u>	<u>456,895</u>
Net income		1,969,157	1,732,982
Net gains or losses on value of investments and financial derivatives			
Net gains/(losses) on investments		5,437,121	(2,213,011)
Net (losses)/gains on financial derivatives		(75,847)	84,464
Net (losses)/gains on foreign exchange		(59,383)	66,866
		<u>5,301,891</u>	<u>(2,061,681)</u>
Total return/(deficit) for the year before income tax		7,271,048	(328,699)
Less: Income tax	7	<u>(318,868)</u>	<u>(273,528)</u>
Total return/(deficit) for the year after income tax before distribution		<u>6,952,180</u>	<u>(602,227)</u>

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

Statement of Financial Position
As at 30 September 2016

		Phillip Singapore Real Estate Income Fund	
	Note	2016 S\$	2015 S\$
Assets			
Portfolio of investments		45,955,895	35,705,588
Sales awaiting settlement		2,688	-
Receivables	3	75,520	3,780,632
Cash and cash equivalents	4	4,010,916	2,299,221
Financial derivatives at fair value	5	83,384	-
Total assets		50,128,403	41,785,441
Liabilities			
Payables	6	832,416	765,327
Purchases awaiting settlement		-	126,189
Total liabilities		832,416	891,516
Equity			
Net assets attributable to unitholders	7	49,295,987	40,893,925

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

Statement of Movements of Unitholders' Funds
Year ended 30 September 2016

	Note	Phillip Singapore Real	
		Estate Income Fund	
		2016	2015
		S\$	S\$
Net assets attributable to unitholders at the beginning of financial year		40,893,925	39,206,769
Operations			
Change in net assets attributable to unitholders resulting from operations		6,952,180	(602,227)
Unitholders' contributions/ (withdrawals)			
Creation of units		12,449,342	18,325,976
Cancellation of units		(8,566,345)	(13,998,468)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		3,882,997	4,327,508
Distributions	9	(2,433,115)	(2,038,125)
Total increase in net assets attributable to unitholders		<u>8,402,062</u>	<u>1,687,156</u>
Net assets attributable to unitholders at the end of financial year	7	<u><u>49,295,987</u></u>	<u><u>40,893,925</u></u>

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

Statements of Portfolio
As at 30 September 2016

Phillip Singapore Real Estate Income Fund

	Holdings at 30 September 2016	Fair value at 30 September 2016 S\$	Percentage of total net assets attributable to unitholders at 30 September 2016 %
Phillip Singapore Real Estate Income Fund			
By Geography (Primary)			
Aims Amp Capital Industrial Real Estate Investment Trust	1,856,175	2,607,926	5.28
Ascendas Hospitality Trust	2,789,029	2,035,991	4.13
Ascendas Real Estate Investment Trust	1,332,000	3,343,320	6.78
Ascott Residence Trust	934,200	1,060,317	2.15
Cache Logistics Trust	1,256,400	1,118,196	2.27
Capitaland Commercial Trust	1,440,000	2,289,600	4.64
Capitaland Mall Trust	1,082,700	2,338,632	4.74
Capitaland Retail China Trust	515,600	827,538	1.68
CDL Hospitality Trusts	1,368,000	1,901,520	3.86
Far East Hospitality Trust	2,207,300	1,324,380	2.69
Frasers Centrepont Trust	1,620,000	3,547,800	7.20
Frasers Commercial Trust	1,850,000	2,571,500	5.22
Frasers Hospitality Trust	3,257,200	2,247,468	4.56
Frasers Logistics & Industrial Trust	1,830,000	1,811,700	3.68
Manulife US Real Estate Investment Trust	1,778,000	1,963,620	3.98
Mapletree Commercial Trust	1,473,100	2,349,594	4.76
Mapletree Greater China Commercial Trust	3,171,100	3,472,354	7.04
Mapletree Logistics Trust	3,000,000	3,195,000	6.48
Parkway Life Real Estate Investment Trust	387,700	1,004,143	2.04
Starhill Global Real Estate Investment Trust	2,815,700	2,294,796	4.66
Suntec Real Estate Investment Trust	1,550,000	2,650,500	5.38
		45,955,895	93.22
Portfolio of investments		45,955,895	93.22
Other net assets		3,340,092	6.78
Net assets attributable to unitholders		49,295,987	100.00

Phillip Singapore Real Estate Income Fund

By Geography (Summary)

	Fair value at 30 September 2016 %	Percentage of total net assets attributable to unitholders at 30 September 2016 %	Percentage of total net assets attributable to unitholders at 30 September 2015 %
Quoted			
Singapore	45,955,895	93.22	81.63
United States	-	-	5.68
Portfolio of Investments	45,955,895	93.22	87.31
Other net assets	3,340,092	6.78	12.69
Net assets attributable to unit holders	49,295,987	100.00	100.00

Phillip Singapore Real Estate Income Fund

By Industry (Secondary)

	Fair value at 30 September 2016 S\$	Percentage of total net assets attributable to unitholders at 30 September 2016 %	Percentage of total net assets attributable to unitholders at 30 September 2015 %
Real Estate Investment Trusts	45,955,895	93.22	87.31
Portfolio of investments	45,955,895	93.22	87.31
Other net assets	3,340,092	6.78	12.69
Net assets attributable to unitholders	49,295,987	100.00	100.00

Notes to the Financial Statements

These notes form an integral part of the financial statements

1. Domicile and activities

Phillip Select Fund (the "Fund") is an open-ended Unit Trust constituted pursuant to the Trust Deed dated 12 July 2011 together with its Amended and Restated Deeds and its Supplemental Deeds thereon (collectively referred to as the "Trust Deed") between Phillip Capital Management (S) Ltd as the Manager and BNP Paribas Trust Services Singapore Ltd as the Trustee. The Trust Deed is governed by and construed in accordance with the laws of the Republic of Singapore.

The Fund offers two sub-funds (the "Sub-Funds"): Phillip Singapore Real Estate Income Fund, which was first offered for subscription on 16 August 2011, and Lighthouse Strategic Balanced Growth Fund, which was first offered for subscription on 5 November 2012.

Pursuant to the Termination Notice to the unitholders dated 23 September 2016, Lighthouse Strategic Balanced Growth Fund will be terminated on 28 December 2016. In accordance with the Code on Collective Investment Schemes under the Securities and Futures Act (Cap 289) ("Code"), Lighthouse Strategic Balanced Growth Fund's financial statements need not be prepared and audited, hence these financial statements only present Phillip Singapore Real Estate Income Fund.

The investment objective of Phillip Singapore Real Estate Income Fund is to achieve medium to long term capital appreciation and a regular stream of income by primarily investing in Real Estate Investment Trusts ("REITs") listed in Singapore, including warrants, bonds and convertible bonds issued by the REITs. The Sub-Fund intends to offer regular dividends through quarterly distributions (or such other frequency as the Managers may determine from time to time). The Sub-Fund is benchmarked against the FTSE Straits Times RE Invest Trust Index.

2. Significant accounting policies

2.1 Basis of 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" issued by the Institute of Singapore Chartered Accountants.

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 ("IMAS") and the Code on Collective Investment Schemes under the Securities and Futures Act (Cap 289) 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 in fair value incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes 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 accrued over the duration of the contract.

2.5 Foreign currency translation

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

2.6 Income tax expenses

The Fund is a designated unit trust under the Singapore Income Tax Act (Chapter 134). As a result, the following sources of income are not subjected to Singapore tax at the sub-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

	Phillip Singapore Real Estate Income Fund	
	2016	2015
	S\$	S\$
Receivable from unitholders for creation of units	34,525	3,749,211
Dividends receivable	15,348	31,421
Other receivables	25,647	-
	<u>75,520</u>	<u>3,780,632</u>

4. Cash and cash equivalents

	Phillip Singapore Real Estate Income Fund	
	2016	2015
	S\$	S\$
Bank balances	3,889,250	2,213,216
Amounts held with brokers	121,666	86,005
	<u>4,010,916</u>	<u>2,299,221</u>

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

5. Financial derivatives at fair value

Financial derivative contracts comprise of share purchase rights due for settlement within one month (2015: Nil) from the reporting date. The contract or underlying principal amounts of these financial derivatives and their corresponding gross fair values at the reporting date are analysed below:

	Notional amount	Fair value assets	Fair value liabilities
	S\$	S\$	S\$
Phillip Singapore Real Estate Income Fund			
Share purchase rights	133,264	83,384	-
	<u>133,264</u>	<u>83,384</u>	<u>-</u>

6. Payables

	Phillip Singapore Real Estate Income Fund	
	2016	2015
	S\$	S\$
Payable to unitholders for cancellation of units	50,717	67,186
Distribution payable	607,877	556,340
Management fee payable	78,467	39,882
Other payables and accrued expenses	95,355	101,919
	832,416	765,327

7. Units in issue

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

	2016	2015
Phillip Singapore Real Estate Income Fund		
Class A SGD Units		
Units at beginning of the year	9,134,037	10,354,143
Units created	5,072,706	5,076,652
Units cancelled	(4,257,217)	(6,296,758)
Units at end of the financial year	9,949,526	9,134,037
Net assets attributable to unitholders - S\$	12,808,059	10,700,950
Net asset value per unit - S\$	1.2873	1.1715
Class A USD Units		
Units at beginning of the year	714,496	156,489
Units created	49,951	676,681
Units cancelled	(1,249)	(118,674)
Units at end of the financial year	763,198	714,496
Net assets attributable to unitholders - S\$	973,155	829,542
Net asset value per unit - S\$	1.2751	1.1610
Class I SGD Units		
Units at beginning of the year	24,602,330	19,977,412
Units created	4,888,523	7,978,944
Units cancelled	(2,557,193)	(3,354,026)
Units at end of the financial year	26,933,660	24,602,330
Net assets attributable to unitholders - S\$	35,370,261	29,239,211
Net asset value per unit - S\$	1.3132	1.1885

7. Units in issue (continued)

	2016	2015
Phillip Singapore Real Estate Income Fund		
Class I USD Units		
Units at beginning of the year	104,444	592,995
Units created	5,519	368,560
Units cancelled	-	(857,111)
Units at end of the financial year	<u>109,963</u>	<u>104,444</u>
Net assets attributable to unitholders - S\$	144,512	124,222
Net asset value per unit - S\$	<u>1.3142</u>	<u>1.1894</u>

Currently, the Manager is offering 4 classes of Units in the Sub-Fund, namely Class A SGD Units, Class A USD Units, Class I SGD Units and Class I USD Units. Class A SGD Units and Class A USD Units are offered to investors who invest a minimum of SGD1,000 or USD1,000, respectively, and Class I SGD Units and Class I USD Units are offered to investors who invest SGD500,000 or USD500,000 and above, respectively. All classes will constitute the Sub-Fund and are not separate sub-funds. Any expense, income and/or gain which is attributable to a particular class shall be deducted from or added to (as the case may be) the value of the Sub-Fund which is attributable to that class.

For subscriptions and redemptions and for various fee calculations, investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit while for reporting purposes the investments are valued at the relevant bid market prices as at the reporting date.

The effect of bid market prices in the net assets attributable to unitholders is as follows:

	2016	2015
	S\$	S\$
Phillip Singapore Real Estate Income Fund		
Net asset attributable to unitholders per financial statements	49,295,987	40,893,925
Effect of adopting bid prices at fair value	222,271	115,236
Net assets attributable to unitholders for issuing/redeeming	<u>49,518,258</u>	<u>41,009,161</u>

8 Income tax

	Phillip Singapore Real Estate Income Fund	
	2016	2015
	S\$	S\$
Singapore income tax	301,000	253,490
Overseas income tax	17,868	20,038
	<u>318,868</u>	<u>273,528</u>

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

9. Distributions

Phillip Singapore Real Estate Income Fund

	2016 S\$
Interim (1.61 cents per unit based on units outstanding as at 31 December 2015)	594,826
Interim (1.61 cents per unit based on units outstanding as at 31 March 2016)	613,716
Interim (1.61 cents per unit based on units outstanding as at 30 June 2016)	616,696
Final (1.61 cents per unit based on units outstanding as at 30 September 2016)	607,877
	2,433,115
	2015 S\$
Interim (1.58 cents per unit based on units outstanding as at 31 December 2014)	491,726
Interim (1.61 cents per unit based on units outstanding as at 31 March 2015)	479,729
Interim (1.61 cents per unit based on units outstanding as at 30 June 2015)	510,330
Final (1.61 cents per unit based on units outstanding as at 30 September 2015)	556,340
	2,038,125

10. Financial risk management

In the ordinary course of business, the Sub-Fund is exposed to a variety of market risks (including price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Sub-Fund's overall risk management programme seeks to minimise potential adverse effects on the Sub-Fund's financial performance. The Sub-Fund may use financial derivative instruments, subject to the terms of the Trust Deed to moderate certain risk exposures.

(a) *Market risks*

i. Price risk

Price risk is the risk that the fair values of quoted securities 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 Sub-Fund are subjected to normal market fluctuations and the risks inherent in investing in securities markets and there can be no assurance that appreciation will occur. It is the policy of the Manager to maintain a diversified portfolio of investments so as to minimise the risk. The Manager's preferred strategy is to hold investments for the medium-to-long term.

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

iii. Currency risk

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

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

30 September 2016	USD S\$	AUD S\$	JPY S\$
Assets			
Portfolio of investments	1,963,620	-	-
Sales awaiting settlement	-	-	2,688
Receivables	-	-	15,348
Cash and cash equivalents	43,800	30	79,558
	<u>2,007,420</u>	<u>30</u>	<u>97,594</u>
Net currency exposure	<u>2,007,420</u>	<u>30</u>	<u>97,594</u>

30 September 2015	USD S\$	AUD S\$
Assets		
Portfolio of investments	2,320,828	-
Receivables	21,150	-
Cash and cash equivalents	676,629	28
	<u>3,018,607</u>	<u>28</u>
Net currency exposure	<u>3,018,607</u>	<u>28</u>

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

As at 30 September 2016 and 2015, with respect to the monetary assets of the Sub-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:

Phillip Singapore Real Estate Income Fund
SGD appreciate/depreciate by 10%
Decrease/Increase in net assets attributable to
unitholders

	2016	2015
	S\$	S\$
USD	200,742	301,861
AUD	3	3
JPY	9,759	-
	9,759	-

(b) *Liquidity risk*

The Sub-Fund is exposed to daily redemption of units in the Sub-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 Sub-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 upon payment by the broker. Payment is made on a purchase once the securities have been received by the Sub-Fund. The trade will fail if either party fails to meet its obligation.

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

(d) *Fair value estimation*

Except for investments which are measured at fair value, at 30 September 2016 and 2015, the fair values of assets and liabilities approximate their carrying values in the Statement of Financial Position.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading 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 Sub-Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Sub-Fund holds derivatives with offsetting market risks, mid-market prices are used as a basis for establishing fair values for the offsetting risk positions and bid or asking prices are applied to the net open positions, as appropriate.

The Sub-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 Sub-Fund's financial assets and liabilities (by class) measured at fair value at 30 September 2016 and 2015:

Phillip Singapore Real Estate Income Fund

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
2016				
Assets				
Portfolio of investments	45,955,895	-	-	45,955,895
Financial derivatives at fair value	83,384	-	-	83,384
	<u>46,039,279</u>	<u>-</u>	<u>-</u>	<u>46,039,279</u>
2015				
Assets				
Portfolio of investments	35,705,588	-	-	35,705,588

Investments whose values are based on quoted market prices in active markets and therefore classified within level 1, include active listed equities and exchange traded derivatives. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently.

11. Related parties

In the normal course of the business of the Sub-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 Sub-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.

Except as disclosed elsewhere in the financial statements, the following significant transactions took place between the Sub-Fund and their related parties during the year:

Phillip Singapore Real Estate Income Fund

	2016	2015
	S\$	S\$
Brokerage fees paid to:		
- a related party of the Manager	21,640	29,307
- a related party of the Trustee	48,628	9,598
Interest income received from/(interest expense paid to):		
- a related party of the Manager	26	61
Bank balances held with a related party of the Trustee	3,889,250	2,213,216
Amounts held with a related party of the Manager	-	86,005

12. Financial ratios

	Phillip Singapore Real Estate Income Fund	
	2016	2015
	%	%
Expense ratio ^(Note 1)		
- Class A SGD units	1.45	1.12
- Class A USD units	1.45	1.12
- Class I SGD units	0.98	0.80
- Class I USD units	0.98	0.79
Turnover ratio ^(Note 2)	44.26	48.94

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 Sub-Fund does not pay any performance fees. The average net asset values are based on the daily balances.

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

Total operating expenses, average daily net asset values and total values of purchases or sales of underlying investments used in the calculation of the expense and turnover ratios are disclosed below.

	Phillip Singapore Real Estate Income Fund	
	2016	2015
	S\$	S\$
Class A SGD units		
Total operating expenses	169,480	148,594
Average daily net asset value	11,711,756	13,284,151
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Class A USD units		
Total operating expenses	13,012	5,169
Average daily net asset value	898,942	463,577
<hr/>		
Class I SGD units		
Total operating expenses	332,732	214,229
Average daily net asset value	34,094,400	26,880,917
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Class I USD units		
Total operating expenses	1,319	3,467
Average daily net asset value	135,136	437,121
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Lower of total value of purchases or sales	20,732,641	20,098,268
Average daily net asset value	46,840,234	41,065,766
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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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