

PHILLIP SELECT FUND

Annual Report
Year ended 30 September 2017

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Phillip Select Fund

Directory

Manager

Phillip Capital Management (S) Ltd
250 North Bridge Road
#06-00 Raffles City Tower
Singapore 179101
(Company Registration No. 199905233W)

Directors of the Manager

Lim Hua Min
Jeffrey Lee Chay Khiong
Linus Lim Wen Sheong
Lee Ken Hoon
Lim Wah Sai
Louis Wong Wai Kit

Trustee & Registrar

BNP Paribas Trust Services Singapore Limited
20 Collyer Quay, #01-01
Singapore 049319
(Company Registration No. 200800851W)

Custodian and Fund Administrator

BNP Paribas Securities Services operating through its Singapore Branch
20 Collyer Quay, #01-01
Singapore 049319
(Company Registration No. T08FC7287D)

Auditors

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Solicitors to the Manager

Chan & Goh LLP
50 Craig Road, #03-01
Singapore 089688

Solicitors to the Trustee

Dentons Rodyk & Davidson LLP
80 Raffles Place
#33-00 UOB Plaza 1
Singapore 048624

Phillip Select Fund

Manager's Investment Reports

Phillip Singapore Real Estate Income Fund

The Fund (Class A units) achieved a total return of 9.20% (including quarterly distributions) for the financial year ended 30 September 2017. Its benchmark, the FTSE Straits Times Real Estate Investment Trust Total Return Index, has a return of 10.9% in the same period. For the financial year, the Fund paid out a total distribution of 6.65 cents.

The global and domestic economic backdrop improved throughout 2017. Economic growth continues to be driven by recovery in exports and global trade continues to rebound in the region. Singapore enjoyed a solid growth with the electronics sector showing a particularly impressive upswing. GDP rose at a seasonally adjusted annualised rate of 6.3% in the third quarter 2017. S-REITs have showed strong recovery since beginning of the year in line with the strong rally in the equities markets. We believe the well-signalled and measured rate hikes have done well for REITs despite concerns about their sensitivity to interest rates.

During the period, the biggest contributor and detractor to the Fund's performance came from the hospitality sub-segment and retail REITS respectively. The major contributors to the Fund's returns were positions in CDL Hospitality Trust, Mapletree Logistics Trust and Manulife US Real Estate Investment, which gained 28%, 26% and 30% respectively during the period.

As we head into late 2017 and 2018, REIT performance will be influenced more by property fundamentals than it was in 2016, when interest rates were key. As Singapore continues to benefit from the upcycle in the external economy (which boosts tenancy demand for commercial and industrial property), the concerns about oversupply in various property segments have dissipated.

Among the industrial REITS, we are positive on data center REITS where overall fundamentals look promising, supported by strong demand. Most of the REITS have a long weighted average lease expiry of about 9 years and a high retention rate. Industrial REITS sub-sector is currently trading at low price to book, high dividend yield and comfortable gearing while business park fundamentals are slowly improving even as logistics may continue to pose headwinds.

The retail sector will benefit from economic growth through rental hikes and higher sales. We expect retail sales in Singapore to continue to recover as the improvement in consumer confidence was the strongest in South East Asia, with a more positive outlook on all factors including the economy, employment prospects and income. Capitaland Mall Trust as the largest mall owner in Singapore should be a key beneficiary. Additionally, valuations are undemanding. The recent pullback in Capitaland Mall Trust presents another buying opportunity for investors.

For the hospitality sector, the risks remain: weakness in corporate/ tourist arrivals and strong supply, foreign exchange movements and rising interest rates.

Subsequent to year end, the Fund participated in the recent new office sector listing - Keppel_KBS US office REIT, a REIT that invests in diversified commercial properties in the key growth markets of the US. Key segments of the US office markets are driven by tenant demand from job growth in the technology and media sectors, and are seeing strong rent growth. US office values will remain elevated for now as institutional investors continue to be interested in the asset class.

Phillip Select Fund

We believe REITs hold a definite position as a strategic asset class within the prudent long-term investor's portfolio, as a proxy for real estate income exposure. Relatively low interest rates continue to support asset prices, which help determine valuations. Down side risks are the condition of the rental market, new acquisitions through rights issues and dilution with cash calls.

Phillip Select Fund

Report to Unitholders Year ended 30 September 2017

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 16.

2. Schedule of investments by asset class

Asset Class	Fair value as at 30 September 2017 S\$	Percentage of total net assets attributable to unitholders as at 30 September 2017 %
Real Estate Investment Trusts	42,899,139	98.11
Financial derivatives at fair value	282,211	0.64
Cash and cash equivalents	878,553	2.01
Other net current liabilities	(333,130)	(0.76)
Net assets attributable to unitholders	<u>43,726,773</u>	<u>100.00</u>

3. Top 10 holdings

10 largest holdings at 30 September 2017	Fair value as at 30 September 2017 S\$	Percentage of total net assets attributable to unitholders as at 30 September 2017 %
Capitaland Mall Trust	3,465,400	7.93
Frasers Centrepont Trust	2,920,451	6.68
Suntec Real Estate Investment Trust	2,890,750	6.61
Keppel REIT	2,670,222	6.11
Frasers Commercial Trust	2,553,000	5.84
Mapletree Logistics Trust	2,501,080	5.72
Frasers Logistics & Industrial Trust	2,150,700	4.92
AIMS AMP Capital Industrial REIT	2,135,410	4.88
Manulife US Real Estate Investment Trust	2,067,535	4.73
Capitaland Commercial Trust	2,022,410	4.62

Phillip Select Fund

Report to Unitholders Year ended 30 September 2017

10 largest holdings at 30 September 2016	Fair value as at 30 September 2016 S\$	Percentage of total net assets attributable to unitholders as 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 REIT	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

4. Exposure to financial derivatives as at 30 September 2017

	Fair value as at 30 September 2017 S\$	Percentage of total net assets attributable to unitholders as at 30 September 2017 %	Unrealised gains/(losses) S\$	Realised gains/(losses) S\$
Share purchase rights	282,211	0.65	282,210	47,795

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 2017

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 as at 30 September 2017 S\$	Percentage of total net assets attributable to unitholders as at 30 September 2017 %
Real Estate Investment Trusts	42,899,139	98.11

7. Amount and percentage of borrowings of total fund size as at 30 September 2017

Nil.

8. Amount of units created and cancelled for the financial year ended 30 September 2017

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	(6,731,122)	(89,668)	(14,434,690)	-
Total amount of subscriptions	7,513,068	488,461	5,645,489	7,239

9. Turnover ratio

Please refer to Note 12 of Notes to the Financial Statements.

10. Expense ratio

Please refer to Note 12 of Notes to the Financial Statements.

11. Performance of Sub-Fund as at 30 September 2017

	Class I		Class A		Benchmark
	SGD	USD	SGD	USD	
Cumulative (%)*					
3 months	1.93	3.33	1.81	3.21	2.24
6 months	9.03	12.17	8.77	11.90	9.50
1 year	9.67	10.08	9.15	9.57	10.85
3 years	25.90	16.82	24.32	15.21	29.61
5 years	41.61	-	38.99	-	46.13
Since inception **	82.34	19.81	78.26	15.64	85.28
Annualised (%)					
3 years	7.98	5.32	7.53	4.83	9.03
5 years	7.21	-	6.81	-	7.88
Since inception **	10.47	5.42	10.06	3.45	15.47

Phillip Select Fund

Report to Unitholders Year ended 30 September 2017

* 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 total returns of 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 June 2013 (Class A USD Units)

Source: Bloomberg

12. Related party transactions

Please refer to Note 11 of Notes to the 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, 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 13 to 29, 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

15 December 2017

Statement by the Manager

In the opinion of the directors of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages 13 to 29, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of Phillip Select Fund as at 30 September 2017, and the financial performance and movements in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Phillip Select Fund will be able to meet its financial obligations as and when they materialise.

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

Jeffrey Lee Chay Khiong
Director

15 December 2017

Independent auditors' report

Unitholders

Phillip Select Fund

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Phillip Select Fund ('the Fund'), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 September 2017, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 29.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 30 September 2017 and the financial performance and movements in unitholders' funds for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' Responsibilities for the Audit of the Financial Statements*' section of our report. We are independent of the Fund in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Phillip Capital Management (S) Ltd, the Manager of the Fund ('the Manager'), is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of the Statement of Recommended Accounting Practices 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.

In preparing the financial statements, the Manager is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Fund or to cease the Fund’s operations, or has no realistic alternative but to do so.

The Manager’s responsibilities include overseeing the Fund’s financial reporting process.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Manager.
- Conclude on the appropriateness of Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
15 December 2017

Statement of Total Return
Year ended 30 September 2017

		Phillip Singapore Real Estate Income Fund	
	Note	2017 S\$	2016 S\$
Income			
Dividends		2,169,567	2,604,363
Interest		-	26
		2,169,567	2,604,389
Less:			
Expenses			
Management fees		403,136	398,144
Less: Management fee rebates		(9,880)	-
Trustee fees		14,978	14,820
Custody fees		34,764	34,064
Audit fee		14,967	12,535
Transaction fees		80,421	118,556
Other expenses		15,225	57,113
		553,611	635,232
Net income		1,615,956	1,969,157
Net gains or losses on value of investments and financial derivatives			
Net gains on investments		2,595,332	5,437,121
Net gains/(losses) on financial derivatives		330,005	(75,847)
Net losses on foreign exchange		(25,562)	(59,383)
		2,899,775	5,301,891
Total return for the year before income tax		4,515,731	7,271,048
Less: Income tax	8	(246,932)	(318,868)
Total return for the year after income tax before distribution		4,268,799	6,952,180

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

Statement of Financial Position
As at 30 September 2017

		Phillip Singapore Real Estate Income Fund	
	Note	2017 S\$	2016 S\$
Assets			
Portfolio of investments		42,899,139	45,955,895
Sales awaiting settlement		5,325	2,688
Receivables	3	461,515	75,520
Cash and cash equivalents	4	878,553	4,010,916
Financial derivatives at fair value	5	282,211	83,384
Total assets		44,526,743	50,128,403
Liabilities			
Payables	6	799,970	832,416
Total liabilities		799,970	832,416
Equity			
Net assets attributable to unitholders		43,726,773	49,295,987

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

Statement of Movements of Unitholders' Funds
Year ended 30 September 2017

		Phillip Singapore Real Estate Income Fund	
	Note	2017 S\$	2016 S\$
Net assets attributable to unitholders at the beginning of financial year		49,295,987	40,893,925
Operations			
Change in net assets attributable to unitholders resulting from operations		4,268,799	6,952,180
Unitholders' contributions/(withdrawals)			
Creation of units		13,654,257	12,449,342
Cancellation of units		(21,255,480)	(8,566,345)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(7,601,223)	3,882,997
Distributions	9	(2,236,790)	(2,433,115)
Total (decrease)/increase in net assets attributable to unitholders		(5,569,214)	8,402,062
Net assets attributable to unitholders at the end of financial year		43,726,773	49,295,987

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

Statements of Portfolio As at 30 September 2017

Phillip Singapore Real Estate Income Fund

By Geography (Primary)

	Holdings as at 30 September 2017	Fair value as at 30 September 2017 S\$	Percentage of total net assets attributable to unitholders as at 30 September 2017 %
AIMS AMP Capital Industrial REIT	1,514,475	2,135,410	4.88
Ascendas Hospitality Trust	1,857,329	1,550,870	3.55
Ascendas Real Estate Investment Trust	650,000	1,729,000	3.95
Ascott Residence Trust	1,659,118	1,949,464	4.46
Capitaland Commercial Trust	1,222,000	2,022,410	4.62
Capitaland Mall Trust	1,732,700	3,465,400	7.93
Capitaland Retail China Trust	162,000	260,010	0.59
CDL Hospitality Trusts	480,000	777,600	1.78
Far East Hospitality Trust	248,000	166,160	0.38
First Real Estate Investment Trust	150,000	200,250	0.46
Frasers Centrepont Trust	1,384,100	2,920,451	6.68
Frasers Commercial Trust	1,850,000	2,553,000	5.84
Frasers Hospitality Trust	2,621,804	1,966,353	4.50
Frasers Logistics & Industrial Trust	2,010,000	2,150,700	4.92
Keppel DC REIT	540,000	715,500	1.64
Keppel REIT	2,262,900	2,670,222	6.11
Lippo Malls Indonesia Retail Trust	550,000	236,500	0.54
Manulife US Real Estate Investment Trust	1,664,000	2,067,535	4.73
Mapletree Commercial Trust	1,228,600	1,867,472	4.27
Mapletree Greater China Commercial Trust	1,591,100	1,837,720	4.20
Mapletree Industrial Trust	850,000	1,593,750	3.64
Mapletree Logistics Trust	2,017,000	2,501,080	5.72
OUE Hospitality Trust	370,000	292,300	0.67
Parkway Life Real Estate Investment Trust	178,000	480,600	1.10
Starhill Global REIT	2,498,200	1,898,632	4.34
Suntec Real Estate Investment Trust	1,550,000	2,890,750	6.61
		42,899,139	98.11
Portfolio of investments		42,899,139	98.11
Other net assets		827,634	1.89
Net assets attributable to unit holders		43,726,773	100.00

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

Phillip Singapore Real Estate Income Fund

By Geography (Summary)

	Fair value as at 30 September 2017 S\$	Percentage of total net assets attributable to unitholders as at 30 September 2017 %	Percentage of total net assets attributable to unitholders as at 30 September 2016 %
Quoted			
Singapore	42,899,139	98.11	93.22
Portfolio of investments	42,899,139	98.11	93.22
Other net assets	827,634	1.89	6.78
Net assets attributable to unit holders	43,726,773	100.00	100.00

By Industry (Secondary)

Real Estate Investment Trusts	42,899,139	98.11	93.22
Portfolio of investments	42,899,139	98.11	93.22
Other net assets	827,634	1.89	6.78
Net assets attributable to unit holders	43,726,773	100.00	100.00

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

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 one sub-fund (the "Sub-Fund"): 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 was 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 ("S\$") are prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" revised and issued by the Institute of Singapore Chartered Accountants.

The adoption of this revised RAP 7 did not result in substantial changes to the accounting policies of the Fund and had no material effect on the amounts reported for the current year or prior year.

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 at the reporting date. Unrealised gains/losses on investments are represented by the difference between the fair value and the carrying value of investments and are recognised in the Statement of Total Return. Realised gains and losses upon disposal of investments are computed on the basis of the difference between the carrying value and the selling price of investments on trade date and are taken to the Statement of Total Return.

2.3 Financial derivatives

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the Statement of Total Return when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value therein are recognised in the Statement of Total Return.

2.4 Recognition of income

Dividend income is recognised when declared and is stated gross of tax credits.

Interest income is recognised using the effective interest method 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) dividends 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	
	2017	2016
	S\$	S\$
Receivable from unitholders for creation of units	432,825	34,525
Dividends receivable	26,880	15,348
Other receivables	1,810	25,647
	461,515	75,520
	461,515	75,520

4. Cash and cash equivalents

	Phillip Singapore Real Estate Income Fund	
	2017	2016
	S\$	S\$
Bank balances	575,223	3,889,250
Amount held with brokers	303,330	121,666
	878,553	4,010,916
	878,553	4,010,916

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

5. Financial derivatives at fair value

Financial derivative contracts comprise share purchase rights due for settlement within one month (2016: one month) 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 S\$	Fair value assets S\$	Fair value liabilities S\$
Phillip Singapore Real Estate Income Fund			
2017			
Share purchase rights	1,151,307	282,211	-
2016			
Share purchase rights	133,264	83,384	-

6. Payables

	Phillip Singapore Real Estate Income Fund	
	2017 S\$	2016 S\$
Payable to unitholders for cancellation of units	95,210	50,717
Distribution payable in respect of final distribution	576,289	607,877
Management fee payable	71,401	78,467
Other payables and accrued expenses	57,070	95,355
	<u>799,970</u>	<u>832,416</u>

7. Units in issue

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

Phillip Singapore Real Estate Income Fund	2017	2016
Class A SGD Units		
Units at beginning of the year	9,949,526	9,134,037
Units created	5,788,186	5,072,706
Units cancelled	(5,165,009)	(4,257,217)
Units at end of the year	<u>10,572,703</u>	<u>9,949,526</u>
Net assets attributable to unitholders - S\$	14,177,366	12,808,059
Net asset value per unit - S\$	<u>1.3409</u>	<u>1.2873</u>
Class A USD Units		
Units at beginning of the year	763,198	714,496
Units created	378,822	49,951
Units cancelled	(68,109)	(1,249)
Units at end of the year	<u>1,073,911</u>	<u>763,198</u>
Net assets attributable to unitholders - S\$	1,425,648	973,155
Net asset value per unit - S\$	<u>1.3275</u>	<u>1.2751</u>
Class I SGD Units		
Units at beginning of the year	26,933,660	24,602,330
Units created	4,381,526	4,888,523
Units cancelled	(10,995,428)	(2,557,193)
Units at end of the year	<u>20,319,758</u>	<u>26,933,660</u>
Net assets attributable to unitholders - S\$	27,964,681	35,370,261
Net asset value per unit - S\$	<u>1.3762</u>	<u>1.3132</u>
Class I USD Units		
Units at beginning of the year	109,963	104,444
Units created	5,541	5,519
Units cancelled	—	—
Units at end of the year	<u>115,504</u>	<u>109,963</u>
Net assets attributable to unitholders - S\$	159,078	144,512
Net asset value per unit - S\$	<u>1.3772</u>	<u>1.3142</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.

A reconciliation of the net assets attributable to unitholders per unit per the financial statements and the net assets attributable to unitholders per unit for issuing/redeeming units at the financial year end is presented below:

	2017	2016
	S\$	S\$
Phillip Singapore Real Estate Income Fund		
Class A SGD Units		
Net assets attributable to unitholders per unit per financial statements	1.3409	1.2873
- Effect of adopting bid price per unit	–	0.0057
- Effect of distribution per unit	–	0.0161
Net assets attributable to unitholders per unit for issuing/redeeming units	1.3409	1.3091
Class A USD Units		
Net assets attributable to unitholders per unit per financial statements	1.3275	1.2751
- Effect of adopting bid price per unit	–	0.0057
- Effect of distribution per unit	–	0.0161
Net assets attributable to unitholders per unit for issuing/redeeming units	1.3275	1.2969
Class I SGD Units		
Net assets attributable to unitholders per unit per financial statements	1.3762	1.3132
- Effect of adopting bid price per unit	–	0.0059
- Effect of distribution per unit	–	0.0161
Net assets attributable to unitholders per unit for issuing/redeeming units	1.3762	1.3352
Class I USD Units		
Net assets attributable to unitholders per unit per financial statements	1.3773	1.3142
- Effect of adopting bid price per unit	–	0.0059
- Effect of distribution per unit	–	0.0161
Net assets attributable to unitholders per unit for issuing/redeeming units	1.3773	1.3362

8 Income tax

	Phillip Singapore Real Estate Income Fund	
	2017	2016
	S\$	S\$
Singapore income tax	246,932	301,000
Overseas income tax	-	17,868
	246,932	318,868
	246,932	318,868

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	2017
	S\$
Interim (1.61 cents per unit based on units outstanding as at 30 December 2016)	574,014
Interim (1.61 cents per unit based on units outstanding as at 30 March 2017)	569,054
Interim (1.63 cents per unit based on units outstanding as at 30 June 2017)	517,433
Final (1.8 cents per unit based on units outstanding as at 28 September 2017)	576,289
	2,236,790
	2,236,790
	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
	2,433,115

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 subject to normal market fluctuations and the risks inherent in investing in securities markets and there can be no assurance that appreciation will occur. It is the policy of the Manager to maintain a diversified portfolio of investments so as to 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 subject to significant risk of fluctuations in market interest rates as its 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.

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

Phillip Singapore Real Estate Income Fund

2017	USD S\$	AUD S\$	JPY S\$
Assets			
Portfolio of investments	2,067,535	-	-
Cash and cash equivalents	626,728	30	71,281
Financial derivatives at fair value	203,816	-	-
	<u>2,898,079</u>	<u>30</u>	<u>71,281</u>
Net currency exposure	<u>2,898,079</u>	<u>30</u>	<u>71,281</u>

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
	2,007,420	30	97,594
Net currency exposure	2,007,420	30	97,594

Portfolio of investments and financial derivatives at fair value are non-monetary financial assets and are exposed to both currency risk and price risk. As these financial assets are non-monetary, no separate sensitivity analysis has been performed to analyse currency risk.

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 2017 and 2016, with respect to the monetary assets of the Sub-Fund, had the Singapore Dollar appreciated/depreciated by 10% (2016: 10%) against foreign currencies, with all other variables remaining constant, the decrease/increase in net assets attributable to unitholders would not be significant.

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 2017 and 2016, 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 traded securities) are based on quoted market prices at the close of trading on the reporting date. During the year, the quoted market price used for financial assets held by the Fund has been changed from bid price to last traded price; the quoted market price for financial liabilities has been changed from ask price to last traded price. The change in the valuation policy does not have material impact on the amounts reported. When the Sub-Fund holds derivatives with offsetting market risks, last traded prices are used as a basis for establishing fair values for the offsetting risk positions and last traded 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 2017 and 2016:

Phillip Singapore Real Estate Income Fund

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
2017				
Assets				
Portfolio of investments	42,899,139	-	-	42,899,139
Financial derivatives at fair value	-	282,211	-	282,211
	42,899,139	282,211	-	43,181,350
2016				
Assets				
Portfolio of investments	45,955,895	-	-	45,955,895
Financial derivatives at fair value	-	83,384	-	83,384
	45,955,895	83,384	-	46,039,279

Investments whose values are based on quoted market prices in active markets and therefore classified within level 1, include active listed securities. 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.

There are no transfers between the levels of fair value hierarchy during the year.

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 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.

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

	Phillip Singapore Real Estate Income Fund	
	2017	2016
	S\$	S\$
Brokerage fees paid to:		
- a related party of the Manager	13,330	21,640
- a related party of the Trustee	23,166	48,628
Interest income received from/(interest expense paid to):		
- a related party of the Manager	-	26
- a related party of the Trustee	(22)	(133)
	575,223	3,889,250
Bank balances held with related parties of the Trustee		

12. Financial ratios

Expense Ratio	Phillip Singapore Real Estate Income Fund		
		2017	2016
Class A SGD units			
Total operating expenses	S\$	182,352	169,480
Average daily net asset value	S\$	13,304,037	11,711,756
Total expense ratio ^{Note 1}	%	1.37	1.45
Class A USD units			
Total operating expenses	S\$	15,390	13,012
Average daily net asset value	S\$	1,139,990	898,942
Total expense ratio ^{Note 1}	%	1.35	1.45
Class I SGD units			
Total operating expenses	S\$	274,104	332,732
Average daily net asset value	S\$	30,474,700	34,094,400
Total expense ratio ^{Note 1}	%	0.90	0.98
Class I USD units			
Total operating expenses	S\$	1,322	1,319
Average daily net asset value	S\$	149,254	135,136
Total expense ratio ^{Note 1}	%	0.89	0.98
Turnover Ratio			
		2017	2016
Lower of total value of purchases or sales	S\$	20,314,469	20,732,641
Average daily net asset value	S\$	45,067,981	46,840,234
Total turnover ratio ^{Note 2}	%	45.08	44.26

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 transactions costs, performance fees, interest expenses, distributions paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source arising out of income received. The 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 lower of the total value of purchases or sales of the underlying investments divided by the weighted average daily net asset value. The total value of sales do not include brokerage and other transaction costs.

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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