

# **PHILLIP INVESTMENT FUNDS**

## **Annual Report**

Year ended 31 December 2018

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## **PHILLIP INVESTMENT FUNDS**

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### **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  
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 Investment Funds

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### Manager's Investment Reports

#### Phillip Money Market Fund

The fund generated a net return of 1.12% for the year ended 31 December 2018, which is comparable to the average 1-month SGD Singapore Interbank Offered Rate (SIBOR) of 1.42% over the same period.

As at 31 Dec 2018, the portfolio's Weighted Average Maturity ("WAM") stood at 51 days vs 103 days in the previous year. The portfolio is well-diversified across different economic sectors and geographical regions. The fund was primarily invested in fixed-rate issues of the Asian region and bank deposits.

Economic data released by the Ministry of Trade and Industry (MTI) in mid-February 2019 indicated that the Singapore economy grew by 3.2% for the entire 2018, coming in at the upper end of the ministry's GDP growth forecast of between 2.5% and 3.5%. Economic growth for 2018 was a moderation from the 3.9% growth recorded for 2017 mainly driven by manufacturing and services, while the growth drag by the construction sector have since moderated from a year earlier. The manufacturing sector expanded by 7.2% on a full-year basis, supported by the electronics, transport engineering and biomedical manufacturing clusters. The services sector grew 3% on a full-year basis mainly driven by the finance & insurance, business services and wholesale & retail trade sectors. In contrast, the construction industry continued to be the sole growth detractor by contracting 3.4%, as sector output was weighed down by a decline in public sector construction works, despite the respite from marginal growth in private sector construction activities.

According to MTI, the 4Q2018 year-on-year expansion of 1.9% was mainly driven by sectors such as manufacturing, transportation & storage, accommodation & food services, information & communications, finance & insurance and business services. Construction and wholesale & retail trade were the only underperformers over 4Q2018 due to weaker public sector construction activities and lower volume for machinery and automobile sales respectively.

The Monetary Authority of Singapore ("MAS") core inflation measure rose to 1.7% in 2018, up from 1.5% in 2017. Headline consumer price index moderated lower to 0.4% for 2018, down from 0.6% in the year before.

Short-term interest rates climbed over the course of the year. The SGD Singapore Swap Offer Rate ("SOR") for one month and three months reached 1.75% and 1.92% at the end of December 2018, respectively from 0.99% and 1.11% a year ago. The SIBOR for one month and three months over the same period also rose to 1.76% and 1.89%, respectively, from 1.33% and 1.50%.

#### Outlook

According to MTI forecasts, Singapore's economic growth outlook for 2019 will be maintained within 1.5% to 3.5%, with full-year expansion expected to fall slightly below the mid-point of the forecast range. This represents a further moderation of growth from the 3.2% recorded for 2018, as the Singapore government was cognizant of slowing growth prospects in key advanced & regional economies and macroeconomic event risk for 2019. The manufacturing sector is expected to experience significant moderation in growth as the electronics and electrical engineering clusters face external headwinds from softening demand for semiconductors and semiconductor equipment as the global electronics cycle loses momentum. Outward-oriented services sectors such as wholesale trade, transportation & storage, and finance & insurance are expected to face downside risks from softer demand in key advanced and regional economies. In contrast, the information & communications sector and the education, health & social services segments will see growth prospects sustained by both robust corporate demand for IT and digital solutions and operational ramp-up in healthcare facilities respectively. The construction sector is also expected to witness a turnaround following three consecutive years of contractions as pickup in contracts awarded since 2H2017 materialize into higher construction activities.

The International Monetary Fund ("IMF") revised down its global growth forecast for 2019 down to 3.5%, recognizing the softening growth outlook, potential escalation in trade conflicts, slowdown in the Chinese economy and disruptiveness from a "no-deal" Brexit outcome. Higher uncertainty and downside risks surrounding the global economy is expected to be detrimental towards financial market

## Phillip Investment Funds

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stability, as well as denting both global business and consumer confidence.

The Monetary Authority of Singapore (“MAS”) estimates the core inflation measure, which excludes changes in the prices of cars and accommodations to be within the 1% to 2% range for 2019, unchanged from 2018. However, headline inflation outlook has been revised down to 0.5% to 1.5% citing receding external inflationary pressures, as global oil prices declined sharply since 4Q 2018 on oversupply concerns. Domestically, the tight labour market is expected to be supportive of wage growth and rising pricing pressures, although we do recognize the downside risks to inflation posed by softening prices across the telecommunications, electricity and retail segments.

Given Singapore’s softer macro environment, some market participants are expecting the MAS to maintain the slope of the SGD Nominal Effective Exchange Rate (SGD NEER) policy band at 1% per annum following 2 rounds of policy tightening in 2018, culminating in the SGD NEER slope being increased by a total of 100bps.

Our strategy remains to buy and hold high-quality securities to maturity and manage interest rate risk with a portfolio of short duration ranges from 80 days to 100 days. In addition, we maintain prudent management of concentration and liquidity risks with a wide diversification of issuers and banks for the portfolio.

## Phillip Investment Funds

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### Manager's Investment Reports

#### Phillip Income Fund

The global equities market ended the year 2018 on a bad note, where major indices of developed and emerging markets registering a full year negative results. The MSCI World Index which tracks major developed world markets declined 6.4% (SGD terms) in 2018 and Asian peers like MSCI Asia Ex. Japan Index has also underperformed with a downside of 11.8% (SGD terms) over the same period. On the fixed income side, the J.P. Morgan Asia Credit Index has ended the year with a 50 basis point gain attributed by the volatility in the global equity markets which sees recovery of funds flows in the Asian credit space.

Trade tension between US and China took centre-stage in 2H of 2018 whereby talks to resolve the US tariff increase in US\$200billion of Chinese goods failed to conclude before the deadline of 1 January 2019. The uncertainty of concluding a trade dispute has left investor worry about the impact on global growth expectation. Another attribute added to the worries on developed capital market is the Brexit deal with EU, which is still lingering in the air as UK Prime Minister Theresa May failed to get endorsement from the British parliamentary members on the terms of the withdrawal agreement which includes the controversial Irish borders arrangement. According to market consensus, the March 29 deadline for UK to leave the EU will most likely be extended for not more than 3 months.

US economy continues its growth momentum into the 2<sup>nd</sup> half of 2018 where quarterly GDP growth hits 5.5% YoY, the highest since the Global Financial Crisis. The fiscal policy instilled by the Trump administration has started to see fruition in the real economy of United States. As we are entering the 10<sup>th</sup> anniversary of the bull market, investors are starting to be more cautious in their allocation towards risky asset as market stakeholders has reached a consensus view that the US has entered into the late stage of its business cycle. Hence, the next question which ponders in every investors thoughts would be how long this growth will extend and when will the next recession be? As much as everyone's guess, only statistics will provide a more rational view for investors to make their decision. Our house view is that there will not be any imminent recession in the next 18 months given the fact that the growth is still intact in the US and unemployment rate is at the lowest record since 1970. However we are watchful over the US treasury yield curve which has flatten by 25 basis points (10 years UST Vs 5 years UST) over the past 3 years and should it turn negative will be an indication of recession reigning in.

Chinese household debt as a percentage to GDP has risen from 18.6% in 2007 to 49% in 2017 and interestingly the US counterparts are experiencing a deleveraging mode where household debt has declined from 98% to 78% over the same period. This is something every investor should be concern about that should growth rate in the Chinese economy continues to moderate further, this will pose a threat to domestic consumption and a potential black swan is in the work.

Phillip Income Fund has been designed as a balanced mandate with the flexibility to invest a wider range of asset classes other than just purely fixed income and equities. The yield derivation from equities and bonds served as a strong buffer to mitigate downside risk from the market and the non-correlation in other asset classes like gold will also provide a reasonable hedge on the portfolio risk. Our scorecard for 2018 register a decline of 5.5% in total returns for our unit holders and we are glad that strategy is working well as our peers on average has decline 7.1% over the full year. We have started to build up our exposure in the United States selectively by investing into IBM Corp and GLD ETF during the correction in the last quarter of 2018. In the Tech sector, IBM fits our investment view given the fact that the company has been paying regular cash flow back to investors for the last 2 decades. IBM's transformation from a hardware to an artificial intelligence and cloud solutions company attribute to our investment decision to own this company. At the same time, we are starting to build our gold position through GLD ETF as part of the hedge in this uncertain moments.

In conclusion, we have maintained our cash distribution to all unitholders in the 2<sup>nd</sup> half of 2018 by paying our S\$0.02 per unit. Overall, we have distributed S\$0.04 to all unitholders of the fund in 2018 which give a distribution yield of 4.2% base on the NAV price of S\$0.9421 as at 31 Dec 2018

## Phillip Investment Funds

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### Report to Unitholders Year ended 31 December 2018

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

#### 1. Distribution of investments

Please refer to the Statements of Portfolio on pages 22 to 30.

#### 2. Schedule of investments by asset class

##### Phillip Money Market Fund

<b>Asset Class</b>	<b>Fair value at 31 December 2018 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2018 %</b>
Debt securities	194,819,374	28.14
Fixed deposits	414,849,752	59.92
Cash and cash equivalents	83,210,651	12.02
Other net liabilities	(501,216)	(0.08)
Net assets attributable to unitholders	<u>692,378,561</u>	<u>100.00</u>

##### Types of Money Market Instruments and Debt Securities

<b>Asset Class</b>	<b>Fair value at 31 December 2018 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2018 %</b>
Fixed rate notes	193,370,311	27.93
Accrued interest on fixed income securities	1,449,063	0.21
	<u>194,819,374</u>	<u>28.14</u>

##### Phillip Income Fund

<b>Asset Class</b>	<b>Fair value at 31 December 2018 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2018 %</b>
Debt securities	2,681,352	23.52
Quoted equities	5,389,288	47.28
Quoted investment funds	1,323,380	11.61
Real estate investment trusts	517,418	4.54
Cash and cash equivalents	1,626,166	14.27
Other net liabilities	(138,874)	(1.22)
Net assets attributable to unitholders	<u>11,398,730</u>	<u>100.00</u>

## Phillip Investment Funds

Report to Unitholders  
Year ended 31 December 2018

### 3. Credit rating

#### i) Debt securities

##### Phillip Money Market Fund

	Fair value at 31 December 2018 S\$	Percentage of total net assets attributable to unitholders at 31 December 2018 %
Aaa	43,665,481	6.31
Aa2	20,000,000	2.89
A1	59,224,745	8.55
Not Rated	70,480,085	10.18
Accrued interest on debt securities	1,449,063	0.21
<b>Portfolio of investments</b>	<b>194,819,374</b>	<b>28.14</b>

Source of credit rating is from Moody's

##### Phillip Income Fund

	Fair value at 31 December 2018 S\$	Percentage of total net assets attributable to unitholders at 31 December 2018 %
A3	255,083	2.24
Ba3	279,081	2.45
Baa1	588,128	5.16
Baa2	251,291	2.20
A*	278,199	2.44
A+*	269,858	2.37
Not Rated	736,571	6.46
Accrued interest on debt securities	23,141	0.20
<b>Portfolio of investments</b>	<b>2,681,352</b>	<b>23.52</b>

Source of credit rating is from Moody's except for the following:

\* Credit rating is from Fitch



## Phillip Investment Funds

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Report to Unitholders  
Year ended 31 December 2018

ii) Fixed deposits

Phillip Money Market Fund

	Fair value at 31 December 2018 S\$	Percentage of total net assets attributable to unitholders at 31 December 2018 %
P-1	325,297,762	46.98
P-2	88,402,112	12.77
Accrued interest on fixed deposits	1,149,878	0.17
	<u>414,849,752</u>	<u>59.92</u>

Source of credit rating is from Moody's

## Phillip Investment Funds

### Report to Unitholders Year ended 31 December 2018

#### 4. Top 10 holdings

##### Phillip Money Market Fund

10 largest holdings at 31 December 2018	Fair value at	Percentage of
	31 December 2018 S\$	total net assets attributable to unitholders at 31 December 2018 %
CDL Properties Limited 1.98% due 18/04/2019	20,000,000	2.89
Korea Development Bank 1.64% due 10/04/2019	20,000,000	2.89
Industrial & Commercial Bank of China Limited/Sydney 1.9% due 08/05/2019	19,993,859	2.89
China Construction Bank Corporation/Singapore 2.643% due 21/09/2020	15,037,350	2.17
MUFG Bank Limited/Singapore 1.62% due 21/01/2019	15,000,000	2.17
Industrial & Commercial Bank of China Limited/Sydney 1.75% due 27/06/2019	14,971,516	2.16
Mapletree Treasury Services Limited 2.92% due 21/01/2019	13,750,962	1.99
Housing & Development Board 2.223% due 28/05/2019	12,501,625	1.81
Temasek Financial I Limited 3.265% due 19/02/2020	11,886,183	1.71
Singapore Government Bond 2.5% due 01/06/2019	10,023,000	1.45

10 largest holdings at 31 December 2017	Fair value at	Percentage of
	31 December 2017 S\$	total net assets attributable to unitholders at 31 December 2017 %
Joynote Limited 3.408% due 20/07/2018	22,945,195	3.13
Cagamas Global Plc 1.64% due 12/04/2018	19,992,800	2.73
CDL Properties Limited 1.98% due 18/04/2019	19,990,200	2.73
Monetary Authority of Singapore Bill 0% due 26/01/2018	19,972,400	2.72
Industrial and Commercial Bank of China Limited/Sydney 1.5% due 02/11/2018	19,969,800	2.72
Intesa Sanpaolo 0% due 20/02/2018	19,958,243	2.72
Korea Development Bank Singapore 1.64% due 10/04/2019	19,891,400	2.72
Export-Import Bank of Korea 2.04% due 24/07/2018	14,998,200	2.04
Bank of Tokyo-Mitsubishi UFJ Limited/Singapore 1.58% due 29/10/2018	14,986,650	2.04
Bank of Tokyo-Mitsubishi UFJ Limited/Singapore 1.62% due 21/01/2019	14,967,750	2.04

## Phillip Investment Funds

### Report to Unitholders Year ended 31 December 2018

#### 4. Top 10 holdings (continued)

##### Phillip Income Fund

10 largest holdings at 31 December 2018	Fair value at	Percentage of
	31 December 2018 S\$	total net assets attributable to unitholders at 31 December 2018 %
Phillip Singapore Income ETF	1,102,200	9.67
Hyundai Capital Services Incorporation 3% due 29/08/2022	329,545	2.89
Turkey Government International Bond 7% due 05/06/2020	279,081	2.45
Astrea IV Private Limited 5.5% due 14/06/2028	278,199	2.44
Alibaba Group Holding Limited 3.125% due 28/11/2021	269,859	2.37
GAIF Bond Issuer Pty Limited 3.4% due 30/09/2026	258,582	2.27
China Railway Xunjie Company Limited 3.25% due 28/07/2026	255,083	2.24
Incitec Pivot Finance LLC 3.95% due 03/08/2027	251,291	2.20
Well Hope Development Limited 3.875% due 31/12/2049	249,776	2.19
Sembcorp Industries Limited 4.75% due 29/12/2049	249,627	2.19

10 largest holdings at 31 December 2017	Fair value at	Percentage of
	31 December 2017 S\$	total net assets attributable to unitholders at 31 December 2017 %
Hyundai Capital Services Incorporation 3% due 29/08/2022	327,619	2.64
Oversea-Chinese Banking Corporation Limited 0% due 06/06/2018	314,844	2.54
Turkey Government International Bond 7% due 05/06/2020	289,164	2.33
Alibaba Group Holding Limited 3.125% due 28/11/2021	270,910	2.18
Incitec Pivot Finance LLC 3.95% due 03/08/2027	267,984	2.16
China Railway Xunjie Company Limited 3.25% due 28/07/2026	263,647	2.12
Well Hope Development Limited 3.875% due 31/12/2049	263,605	2.12
GAIF Bond Issuer Pty Limited 3.4% due 30/09/2026	262,779	2.12
BHP Billiton Limited	262,723	2.12
Sembcorp Industries Limited 4.75% due 29/12/2049	255,407	2.06

## Phillip Investment Funds

Report to Unitholders  
Year ended 31 December 2018

### 5. Maturity profile of investments

#### Phillip Money Market Fund

Maturity profile of underlying investments	Fair value at	Percentage of
	31 December 2018	total net assets
	S\$	attributable to
		unitholders at
		31 December 2018
		%
Up to 30 days	237,515,574	34.30
31 - 90 days	195,944,596	28.30
91 - 180 days	120,259,058	17.37
181 - 365 days	26,427,424	3.82
366 - 732 days	26,923,533	3.89
Non-interest bearing	2,598,941	0.38
	<u>609,669,126</u>	<u>88.06</u>

### 6. Exposure to financial derivatives as at 31 December 2018

#### Phillip Income Fund

	Fair value at	Percentage of	Unrealised	Realised
	31 December	total net assets		
	2018	attributable to	gains/(losses)	gains/(losses)
	S\$	unitholders	S\$	S\$
		31 December		
		2018		
		%		
Forward foreign				
exchange contracts	-	-	-	(12,417)
Futures contracts	-	-	-	(38,624)

### 7. Global exposure to financial derivatives

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

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

### 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 pages 22 to 30.

## Phillip Investment Funds

### Report to Unitholders Year ended 31 December 2018

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

Nil.

#### 10. Amount of units created and cancelled for the financial year ended 31 December 2018

##### Phillip Money Market Fund

S\$

Total amount of redemptions	(3,018,183,646)
Total amount of subscriptions	2,968,009,247

##### Phillip Income Fund

S\$

Total amount of redemptions	(147,057)
Total amount of subscriptions	223,115

#### 11. Turnover ratio

Please refer to Note 12 of Notes to Financial Statements.

#### 12. Expense ratio

Please refer to Note 12 of Notes to Financial Statements.

#### 13. Performance of Sub-Fund as at 31 December 2018

##### Phillip Money Market Fund

	3 months	6 months	1 year	3 years	5 years	10 years	Inception (on 16 April 2001)
Cumulative returns (%)	0.31	0.61	1.12	2.83	4.00	7.48	20.43
Annualised returns (%)	-	-	1.12	0.94	0.79	0.72	1.05
<b>Benchmark</b>							
Cumulative returns (%)	0.04	0.08	0.17	0.48	0.73	1.40	4.27
Annualised returns (%)	-	-	0.17	0.16	0.15	0.14	0.24

Note: Cumulative returns are calculated in Singapore dollars on a bid to bid basis, with net dividends reinvested.

Benchmark: Bank deposit rate

Source: Bloomberg

## Phillip Investment Funds

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### Report to Unitholders Year ended 31 December 2018

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

##### Phillip Income Fund

	3 months	6 months	1 year	3 years	5 years	10 years	Inception
Class A SGD cumulative (%)	-5.66	-5.35	-5.46	4.2	8.68	39.63	31.45
Class A SGD annualised (%)	-	-	-5.46	1.38	1.68	3.39	1.55
Class I SGD cumulative (%)	-5.54	-5.12	-5.00	-5.72	10.91	-	24.73
Class I SGD annualised (%)	-	-	-5.00	1.87	2.09	-	3.59

Note: Cumulative returns are calculated in Singapore dollars on a bid to bid basis, with net dividends reinvested. Inception dates for Class A SGD and Class I SGD were 16 April 2001 and 28 September 2012 respectively.

Source: Bloomberg

#### 14. Related party transactions

Please refer to Note 11 of Notes to Financial Statements.

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

Nil

#### 16. For schemes which invest more than 30% of their deposited property in another scheme, the following key information on the second-mentioned scheme ("the underlying scheme") should be disclosed as well.

(i) Top 10 holdings at market value and as percentage of NAV as at 31 December 2018 and 31 December 2017.

Not applicable.

(ii) Expense ratios for the period 31 December 2018 and 31 December 2017.

Not applicable.

(iii) Turnover ratios for the period 31 December 2018 and 31 December 2017.

Not applicable

## **Phillip Investment Funds**

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### **Report to Unitholders Year ended 31 December 2018**

#### **17. Soft dollar commissions**

The Manager shall be 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 services 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/arrangements unless such soft-dollar commissions/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/arrangements.

The Manager does not, and is not entitled to retain cash rebates for its own account in respect of rebates earned when transacting in securities for account of clients' funds.

#### **Phillip Money Market Fund**

The Manager did not receive any soft dollar services in respect of the fund during the year.

#### **Phillip Income Fund**

During the year, soft dollar services received from each broker were investment research and publications, data and quotation services. Soft dollars were received from the Manager's panel of brokers which executed transactions for the 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 Investment Funds 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 Investment Funds during the period covered by these financial statements, set out on pages 19 to 45, 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**

26 March 2019



**Statement by the Manager**

In the opinion of the directors of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages 19 to 45, comprising the Statements of Total Return, Statements of Financial Position, Statements of Movements of Unitholders' Funds, Statements 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 Investment Funds as at 31 December 2018, 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. At the date of this statement, there are reasonable grounds to believe that Phillip Investment Funds 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**

**Jeffrey Lee Chay Khiong**  
Director

26 March 2019

## Independent auditors' report

### Unitholders

#### Phillip Investment Funds

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

#### *Opinion*

We have audited the financial statements of Phillip Investment Funds (the "Fund"), which comprise the Statements of Financial Position and Statements of Portfolio as at 31 December 2018, the Statements of Total Return and Statements 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 19 to 45.

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" ("RAP 7") 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 31 December 2018 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. The other information comprises the information included in the annual report, but does not include 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 RAP 7 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 auditor's 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 the Manager.
- Conclude on the appropriateness of the 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 auditor's 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 auditor's 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**

26 March 2019

**Statements of Total Return**  
**Year ended 31 December 2018**

	Note	Phillip Money Market Fund		Phillip Income Fund	
		2018 S\$	2017 S\$	2018 S\$	2017 S\$
<b>Income</b>					
Dividends		-	-	311,150	329,213
Interest		14,176,451	11,069,676	131,621	135,848
		<u>14,176,451</u>	<u>11,069,676</u>	<u>442,771</u>	<u>465,061</u>
Less:					
<b>Expenses</b>					
Management fees		3,530,804	3,494,597	103,790	108,109
Less: Management fee rebates		-	-	(859)	(4,598)
Audit fee		12,871	8,129	13,000	7,978
Custody fees		116,197	94,548	12,454	12,853
Trustee fees		78,601	77,658	5,501	5,512
Transaction costs		-	-	30,424	50,583
Valuation fees		8,500	8,517	25,001	25,051
Other expenses		(11,214)	98,490	19,296	44,603
		<u>3,735,759</u>	<u>3,781,939</u>	<u>208,607</u>	<u>250,091</u>
<b>Net income</b>		<u>10,440,692</u>	<u>7,287,737</u>	<u>234,164</u>	<u>214,970</u>
<b>Net gains or losses on value of investments and financial derivatives</b>					
Net (losses)/gains on investments		(1,397,719)	(1,130,028)	(758,538)	561,845
Net (losses) on financial derivatives		-	-	(51,041)	(11,506)
Net (losses) on foreign exchange		-	-	(20,146)	(32,417)
		<u>(1,397,719)</u>	<u>(1,130,028)</u>	<u>(829,725)</u>	<u>517,922</u>
<b>Total return/(deficit) for the year before income tax</b>		9,042,973	6,157,709	(595,561)	732,892
Less: Income tax	8	-	-	(25,287)	(26,894)
<b>Total return/(deficit) for the year after income tax before distribution</b>		<u>9,042,973</u>	<u>6,157,709</u>	<u>(620,848)</u>	<u>705,998</u>

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

**Statements of Financial Position**  
**As at 31 December 2018**

	Note	Phillip Money Market Fund		Phillip Income Fund	
		2018	2017	2018	2017
		S\$	S\$	S\$	S\$
<b>Assets</b>					
Portfolio of investments		609,669,126	675,196,683	9,911,438	11,645,087
Receivables	3	7,482,438	764,813	15,337	7,270
Cash and cash equivalents	4	83,210,651	59,028,229	1,626,166	836,775
Financial derivatives at fair value	5	-	-	-	4,527
<b>Total assets</b>		<b>700,362,215</b>	<b>734,989,725</b>	<b>11,552,941</b>	<b>12,493,659</b>
<b>Liabilities</b>					
Payables	6	7,983,654	1,479,738	50,723	63,079
Purchases awaiting settlement		-	-	103,488	-
Financial derivatives at fair value	5	-	-	-	18,606
<b>Total liabilities</b>		<b>7,983,654</b>	<b>1,479,738</b>	<b>154,211</b>	<b>81,685</b>
<b>Equity</b>					
Net assets attributable to unitholders	7	<b>692,378,561</b>	<b>733,509,987</b>	<b>11,398,730</b>	<b>12,411,974</b>

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

**Statement of Movements of Unitholders' Funds**  
**Year ended 31 December 2018**

	Note	Phillip Money Market Fund		Phillip Income Fund	
		2018 S\$	2017 S\$	2018 S\$	2017 S\$
<b>Net assets attributable to unitholders at the beginning of financial year</b>		733,509,987	752,996,996	12,411,974	12,577,088
<b>Operations</b>					
Change in net assets attributable to unitholders resulting from operations		9,042,973	6,157,709	(620,848)	705,998
<b>Unitholders' contributions / (withdrawals)</b>					
Creation of units		2,968,078,133	2,785,331,990	223,115	308,752
Cancellation of units		(3,018,252,532)	(2,810,976,708)	(147,057)	(654,589)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(50,174,399)	(25,644,718)	76,058	(345,837)
Distribution	9	-	-	(468,454)	(525,275)
Total decreases in net assets attributable to unitholders		(41,131,426)	(19,487,009)	(1,013,244)	(165,114)
<b>Net assets attributable to unitholders at the end of financial year</b>	7	692,378,561	733,509,987	11,398,730	12,411,974

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

**Statements of Portfolio  
As at 31 December 2018**

	<b>Holdings as at 31/12/2018</b>	<b>Fair value as at 31/12/2018 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 31/12/2018 %</b>
<b>Phillip Money Market Fund By Industry (Primary)</b>			
<b>Quoted Debt Securities</b>			
<b>Banks</b>			
Bank of China Limited Singapore 2.75% due 30/06/2019	4,000,000	4,005,680	0.58
MUFG Bank Limited Singapore 1.62% due 21/01/2019	15,000,000	15,000,000	2.17
China Construction Bank Corporation Singapore 2.643% due 21/09/2020	15,000,000	15,037,350	2.17
Industrial and Commercial Bank of China Limited/Sydney 1.75% due 27/06/2019	15,000,000	14,971,516	2.16
Industrial and Commercial Bank Of China Limited/Sydney 1.9% due 08/05/2019	20,000,000	19,993,859	2.89
Korea Development Bank 1.64% due 10/04/2019	20,000,000	20,000,000	2.89
Mizuho Bank Limited 2.01% due 28/10/2019	750,000	750,000	0.11
Mizuho Bank Limited 2.77% due 15/03/2019	4,500,000	4,503,690	0.65
		<u>94,262,095</u>	<u>13.62</u>
<b>Commercial Services</b>			
National University Of Singapore 1.708% due 13/02/2019	2,250,000	2,247,952	0.32
PSA Corporation Limited 4% due 05/06/2019	2,750,000	2,769,058	0.40
		<u>5,017,010</u>	<u>0.72</u>
<b>Investment Companies</b>			
Mapletree Treasury Services Limited 2.92% due 21/01/2019	13,750,000	13,750,962	1.99
Temasek Financial I Limited 3.265% due 19/02/2020	11,750,000	11,886,183	1.71
		<u>25,637,145</u>	<u>3.70</u>
<b>Lodging</b>			
City Developments Limited 3.38% due 20/03/2019	4,250,000	4,257,692	0.61
Hotel Properties Limited 3.95% due 13/09/2019	2,000,000	2,021,067	0.29
		<u>6,278,759</u>	<u>0.90</u>
<b>Real Estate</b>			
Ascott Capital Private Limited 3.78% due 16/08/2019	8,000,000	8,068,606	1.17
Capitaland Treasury Limited 4.35% due 31/10/2019	4,500,000	4,575,351	0.66
CDL Properties Limited 1.98% due 18/04/2019	20,000,000	20,000,000	2.89
		<u>32,643,957</u>	<u>4.72</u>

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



	Holdings as at 31/12/2018	Fair value as at 31/12/2018 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2018 %
<b>Phillip Money Market Fund</b>			
<b>By Industry (Primary) (continued)</b>			
<b>Quoted Debt Securities (continued)</b>			
<b>Sovereign</b>			
Housing and Development Board 2.223% due 28/05/2019	12,500,000	12,501,625	1.81
Housing and Development Board 2.288% due 19/09/2019	7,000,000	7,006,720	1.01
Singapore Government Bond 2.5% due 01/06/2019	10,000,000	10,023,000	1.45
		<u>29,531,345</u>	<u>4.27</u>
<b>Accrued interest on debt securities</b>		1,449,063	0.21
<b>Total Quoted Debt Securities</b>		<u>194,819,374</u>	<u>28.14</u>
<b>Fixed deposits</b>			
<b>Banks</b>			
China Construction Bank		60,288,377	8.70
Credit Suisse		66,771,703	9.64
Industrial and Commercial Bank of China Singapore Branch		63,750,052	9.21
Malayan Banking Berhad		20,371,526	2.94
Qatar National Bank		15,000,000	2.17
Sumitomo Mitsui Banking Corporation		63,323,882	9.15
The Bank of East Asia Ltd		68,030,586	9.83
United Overseas Bank Limited		56,163,748	8.11
		<u>413,699,874</u>	<u>59.75</u>
<b>Accrued interest on fixed deposits</b>		1,149,878	0.17
<b>Total Fixed deposits</b>		<u>414,849,752</u>	<u>59.92</u>
<b>Portfolio of investments</b>		609,669,126	88.06
<b>Other net assets</b>		82,709,435	11.94
<b>Net assets attributable to unitholders</b>		<u>692,378,561</u>	<u>100.00</u>

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

	Fair value as at 31/12/2018 %	Percentage of total net assets attributable to unitholders as at 31/12/2018 %	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
<b>Phillip Money Market Fund By Industry (Summary)</b>			
Banks & Financials	507,961,969	73.37	70.85
Commercial Services	5,017,010	0.72	-
Holding Companies-Diversified	-	-	1.88
Investment Companies	25,637,145	3.70	2.01
Lodging	6,278,759	0.91	1.78
Real Estate	32,643,957	4.71	7.95
Sovereign	29,531,345	4.27	7.19
Accrued interest on debt securities	1,449,063	0.21	0.26
Accrued interest on fixed deposits	1,149,878	0.17	0.13
<b>Portfolio of investments</b>	<b>609,669,126</b>	<b>88.06</b>	<b>92.05</b>
<b>Other net assets</b>	<b>82,709,435</b>	<b>11.94</b>	<b>7.95</b>
<b>Net assets attributable to unitholders</b>	<b>692,378,561</b>	<b>100.00</b>	<b>100.00</b>

**Phillip Money Market Fund  
By Geography (Secondary)**

Cayman Islands	-	-	1.22
China	54,008,405	7.80	2.76
France	-	-	2.72
Japan	20,253,690	2.93	4.72
Malaysia	-	-	4.29
Singapore	512,808,090	74.06	67.27
South Korea	20,000,000	2.89	8.68
Accrued interest on debt securities	1,449,063	0.21	0.26
Accrued interest on fixed deposits	1,149,878	0.17	0.13
<b>Portfolio of investments</b>	<b>609,669,126</b>	<b>88.06</b>	<b>92.05</b>
<b>Other net assets</b>	<b>82,709,435</b>	<b>11.94</b>	<b>7.95</b>
<b>Net assets attributable to unitholders</b>	<b>692,378,561</b>	<b>100.00</b>	<b>100.00</b>

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

	Holdings as at 31/12/2018	Fair value as at 31/12/2018 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2018 %
<b>Phillip Income Fund By Industry (Primary)</b>			
<b>Quoted Equity Securities</b>			
<b>Airlines</b>			
Singapore Airlines Limited	12,700	119,634	1.05
		<u>119,634</u>	<u>1.05</u>
<b>Auto Manufacturers</b>			
Hyundai Motor Company	1,010	146,204	1.28
		<u>146,204</u>	<u>1.28</u>
<b>Banks</b>			
BNP Paribas SA	2,960	182,064	1.60
HSBC Holdings Public Company limited	14,918	168,292	1.48
Mizuho Financial Group Incorporated	78,000	165,025	1.45
Siam Commercial Bank Public Company limited	22,000	122,949	1.08
Standard Chartered Public Company limited	13,042	134,982	1.18
		<u>773,312</u>	<u>6.79</u>
<b>Commercial Services</b>			
SIA Engineering Company Limited	52,000	118,040	1.04
		<u>118,040</u>	<u>1.04</u>
<b>Computers</b>			
International Business Machines Corporation	1,110	171,888	1.51
		<u>171,888</u>	<u>1.51</u>
<b>Distribution/Wholesale</b>			
Jardine Cycle & Carriage Limited	6,400	226,240	1.98
		<u>226,240</u>	<u>1.98</u>
<b>Diversified Financial Services</b>			
Singapore Exchange Limited	29,000	207,350	1.82
		<u>207,350</u>	<u>1.82</u>
<b>Electric</b>			
Sembcorp Industries Limited	61,000	154,940	1.36
SSE Public Company limited	11,000	206,524	1.81
		<u>361,464</u>	<u>3.17</u>
<b>Engineering And Construction</b>			
CK Infrastructure Holdings Limited	16,000	165,179	1.45
		<u>165,179</u>	<u>1.45</u>
<b>Food &amp; Beverage</b>			
Pepsi-Cola Products Philippines Incorporated	1,291,000	44,841	0.39
		<u>44,841</u>	<u>0.39</u>

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

	Holdings as at 31/12/2018	Fair value as at 31/12/2018 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2018 %
<b>Phillip Income Fund By Industry (Primary) (continued)</b>			
<b>Gas</b>			
National Grid Plc	16,610	220,357	1.93
		<u>220,357</u>	<u>1.93</u>
<b>Holding Companies-Diversified</b>			
CK Hutchison Holdings Limited	16,500	216,013	1.90
Keppel Corporation Limited	15,300	90,423	0.79
YTL Corporation Berhad	360,060	119,947	1.05
		<u>426,383</u>	<u>3.74</u>
<b>Insurance</b>			
China Life Insurance Company Limited	64,000	185,401	1.63
QBE Insurance Group Limited	17,000	164,758	1.44
		<u>350,159</u>	<u>3.07</u>
<b>Miscellaneous Manufacture</b>			
Siemens AG	1,344	204,808	1.80
		<u>204,808</u>	<u>1.80</u>
<b>Oil And Gas</b>			
China Petroleum & Chemical Corporation	210,000	204,367	1.79
		<u>204,367</u>	<u>1.79</u>
<b>Real Estate</b>			
Capitaland Limited	36,300	112,893	0.99
Hongkong Land Holdings Limited	12,400	106,480	0.93
		<u>219,373</u>	<u>1.92</u>
<b>Retail</b>			
Bossini International Holdings Limited	1,112,000	53,237	0.47
Matahari Department Store TBK PT	194,000	102,976	0.90
		<u>156,213</u>	<u>1.37</u>
<b>Software</b>			
Silverlake Axis Limited	408,000	169,320	1.49
		<u>169,320</u>	<u>1.49</u>
<b>Telecommunications</b>			
BT Group Public Company limited	53,120	219,567	1.93
Kddi Corporation	5,000	162,995	1.43
Singapore Telecommunications Limited	72,400	212,132	1.86
Telekomunikasi Indonesia Persero TBK PT	521,400	185,332	1.63
Telstra Corporation Limited	68,000	185,965	1.63
		<u>965,991</u>	<u>8.48</u>
<b>Transportation</b>			
Singapore Post Limited	151,000	138,165	1.21
		<u>138,165</u>	<u>1.21</u>
<b>Total Quoted Equity Securities</b>		<u>5,389,288</u>	<u>47.28</u>

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

	Holdings as at 31/12/2018	Fair value as at 31/12/2018 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2018 %
<b>Phillip Income Fund</b>			
<b>By Industry (Primary) (continued)</b>			
<b>Quoted Debt Securities</b>			
<b>Auto Manufacturers</b>			
Hyundai Capital Services Incorporation 3% due 29/08/2022	250,000	<u>329,545</u> <u>329,545</u>	<u>2.89</u> <u>2.89</u>
<b>Chemicals</b>			
Incitec Pivot Finance LLC 3.95% due 03/08/2027	200,000	<u>251,291</u> <u>251,291</u>	<u>2.20</u> <u>2.20</u>
<b>Diversified Financial Services</b>			
Indonesia Infrastructure Finance PT 8.25% due 19/07/2019	2,500,000,000	<u>237,168</u> <u>237,168</u>	<u>2.08</u> <u>2.08</u>
<b>Electric</b>			
Sembcorp Industries Limited 4.75% due 29/12/2049	250,000	<u>249,627</u> <u>249,627</u>	<u>2.19</u> <u>2.19</u>
<b>Engineering and Construction</b>			
China Railway Xunjie Company Limited 3.25% due 28/07/2026	200,000	<u>255,083</u> <u>255,083</u>	<u>2.24</u> <u>2.24</u>
<b>Home Furnishings</b>			
Well Hope Development Limited 3.875% due 31/12/2049	200,000	<u>249,776</u> <u>249,776</u>	<u>2.19</u> <u>2.19</u>
<b>Internet</b>			
Alibaba Group Holding Limited 3.125% due 28/11/2021	200,000	<u>269,859</u> <u>269,859</u>	<u>2.37</u> <u>2.37</u>
<b>Other Asset Backed Securities</b>			
Astrea IV Private Limited 5.5% due 14/06/2028	200,000	<u>278,199</u> <u>278,199</u>	<u>2.44</u> <u>2.44</u>
<b>Real Estate</b>			
GAIF Bond Issuer Pty Limited 3.4% due 30/09/2026	200,000	<u>258,582</u> <u>258,582</u>	<u>2.27</u> <u>2.27</u>
<b>Sovereign</b>			
Turkey Government International Bond 7% due 05/06/2020	200,000	<u>279,081</u> <u>279,081</u>	<u>2.45</u> <u>2.45</u>
<b>Accrued interest on debt securities</b>		<u>23,141</u>	<u>0.20</u>
<b>Total Quoted Debt Securities</b>		<u>2,681,352</u>	<u>23.52</u>

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

	Holdings as at 31/12/2018	Fair value as at 31/12/2018 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2018 %
<b>Phillip Income Fund</b>			
<b>By Industry (Primary) (continued)</b>			
<b>Quoted Investment Fund</b>			
<b>Commercial Services</b>			
Hutchison Port Holdings Trust	306,000	102,187	0.90
		<u>102,187</u>	<u>0.90</u>
<b>Commodity Fund</b>			
SPDR Gold Shares	720	118,993	1.04
		<u>118,993</u>	<u>1.04</u>
<b>Equity Fund</b>			
Phillip Singapore Income ETF	1,100,000	1,102,200	9.67
		<u>1,102,200</u>	<u>9.67</u>
<b>Total Quoted Investment Fund</b>		<u>1,323,380</u>	<u>11.61</u>
<b>Quoted Real Estate Investment Trusts</b>			
<b>Real Estate Investment Trusts (REITS)</b>			
Capital and Retail China Trust	126,100	171,496	1.50
Keppel – KBS US REIT	200,000	166,290	1.46
Scentre Group	48,000	179,632	1.58
		<u>517,418</u>	<u>4.54</u>
<b>Total Quoted Real Estate Investment Trusts</b>		<u>517,418</u>	<u>4.54</u>
<b>Portfolio of investments</b>		9,911,438	86.95
<b>Other net assets</b>		1,487,292	13.05
<b>Net assets attributable to unitholders</b>		<u>11,398,730</u>	<u>100.00</u>

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

	Fair value as at 31/12/2018 %	Percentage of total net assets attributable to unitholders as at 31/12/2018 %	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
<b>Phillip Income Fund</b>			
<b>By Industry (Summary)</b>			
Airlines	119,634	1.05	1.38
Auto Manufacturers	475,749	4.17	5.72
Banks	773,312	6.78	14.40
Building Materials	-	-	1.38
Chemicals	251,291	2.20	2.16
Commercial Services	220,227	1.94	2.68
Commodity Fund	118,993	1.04	-
Computers	171,888	1.51	-
Distribution/Wholesale	226,240	1.98	1.54
Diversified Financial Services	444,518	3.90	7.56
Electric & Gas	831,448	7.29	4.65
Engineering and Construction	420,262	3.69	2.12
Environmental Control	-	-	2.00
Equity Fund	1,102,200	9.67	-
Exchange Traded Fund	-	-	0.50
Food & Beverage	44,841	0.39	3.18
Holding Companies-Diversified	426,383	3.74	3.49
Home Furnishings	249,776	2.19	2.12
Insurance	350,159	3.08	4.68
Internet	269,859	2.37	2.18
Investment Companies	-	-	1.09
Mining	-	-	2.12
Miscellaneous Manufacture	204,808	1.80	1.50
Multinational	-	-	1.94
Oil and Gas	204,367	1.79	2.94
Other Asset Backed Securities	278,199	2.44	-
Pharmaceuticals	-	-	1.54
Real Estate	477,955	4.19	2.12
Real Estate Investment Trusts (REITS)	517,418	4.54	4.85
Retail	156,213	1.37	2.18
Shipbuilding	-	-	3.55
Software	169,320	1.49	-
Sovereign	279,081	2.45	2.33
Telecommunications	965,991	8.48	4.36
Transportation	138,165	1.21	1.23
Accrued interest on debt securities	23,141	0.20	0.33
<b>Portfolio of investments</b>	<b>9,911,438</b>	<b>86.95</b>	<b>93.82</b>
<b>Other net assets</b>	<b>1,487,292</b>	<b>13.05</b>	<b>6.18</b>
<b>Net assets attributable to unitholders</b>	<b>11,398,730</b>	<b>100.00</b>	<b>100.00</b>

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

	Fair value as at 31/12/2018 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2018 %	Percentage of total net assets attributable to unitholders as at 31/12/2017 %
<b>Phillip Income Fund</b>			
<b>By Geography (Secondary)</b>			
Australia	788,937	6.92	7.20
Britain	949,722	8.33	5.67
British Virgin Islands	255,083	2.24	4.14
Cayman Islands	519,635	4.56	4.30
China/Hong Kong	930,677	8.17	5.07
France	182,064	1.60	3.14
Germany	204,808	1.80	1.50
India	-	-	3.39
Indonesia	525,476	4.61	5.11
Ireland	-	-	1.65
Italy	-	-	1.50
Japan	328,020	2.88	5.84
Malaysia	119,947	1.04	4.20
Philippines	44,841	0.39	0.60
Singapore	3,619,135	31.75	22.92
Supranational	-	-	1.94
South Korea	475,750	4.17	4.22
Taiwan	-	-	3.22
Thailand	122,949	1.08	2.89
Turkey	279,081	2.45	2.33
United States of America	542,172	4.76	2.66
Accrued interest on debt securities	23,141	0.20	0.33
<b>Portfolio of investments</b>	<b>9,911,438</b>	<b>86.95</b>	<b>93.82</b>
<b>Other net assets</b>	<b>1,487,292</b>	<b>23.15</b>	<b>6.18</b>
<b>Net assets attributable to unitholders</b>	<b>11,398,730</b>	<b>100.00</b>	<b>100.00</b>

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 Investment Funds (the "Fund") is an open ended umbrella unit trust constituted pursuant to a Trust Deed dated 26 February 2001 together with its Amending and Restating Deeds and its Supplemental Deed thereon (hereafter referred to as the "Trust Deed") between Phillip Capital Management (S) Ltd (the "Manager") and BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Trust Deed is governed by and construed in accordance with the laws of the Republic of Singapore.

The Fund offers a series of sub-funds (the "Sub-Funds"); these were first offered for sale in Singapore on the following launch dates:

<b>Sub-Fund</b>	<b>Launch date</b>
Phillip Money Market Fund	01 March 2001
Phillip Income Fund	01 March 2001

#### **Phillip Money Market Fund**

The investment objective of the Phillip Money Market Fund is to aim to preserve principal value and maintain a high degree of liquidity while producing returns comparable to that of Singapore dollar savings deposits. The Sub-Fund invests primarily in short term, high quality money market instruments and debt securities. Such investments may include government and corporate bonds, commercial bills and deposits with financial institutions. The Money Market Funds Investment Guidelines in Appendix 2 of the Code on Collective Investment Schemes apply to this Sub-Fund. The Phillip Money Market Fund is relatively low risk and its objective is targeted at achieving absolute returns. The benchmark for the Phillip Money Market Fund is the bank savings deposit rate.

#### **Phillip Income Fund**

The investment objective of the Phillip Income Fund is to aim to achieve medium to long term capital appreciation through investing substantially all of the assets in a diversified portfolio of high quality bonds, high yield stocks and other interest bearing securities across various sectors and regions. The Sub-Fund intends to offer regular dividends through semi-annual distributions. However such distribution is not guaranteed and is subject to all times to the discretion of the Manager.

### **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.

On 1 January 2017, the Fund has adopted the recommendations of revised RAP 7 (revised March 2017) issued by the Institute of Singapore Chartered Accountants effective for the financial year beginning 1 January 2017.

RAP 7 was revised in March 2017 to take into account, amongst others, the changes made to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosures* in relation to the offsetting of financial assets and liabilities; and new standards issued after 2012 including FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interest in Other Entities* and FRS 113 *Fair Value Measurement*. RAP 7 (Revised March 2017) ("Revised RAP 7") is applicable to unit trusts with annual periods beginning on or after 1 July 2016. The adoption of the Revised RAP 7 did not result in any significant changes to the accounting policies of the Trust and had no material effect on the amounts reported for current or prior financial years.

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 last traded prices for equities and bid prices for debt securities at the reporting date. If there is no last bid price, the fair value is determined using valuation techniques that are commonly used by market participants. 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 Statements 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 Statements of Total Return.

Fixed deposits 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.

## *2.3 Financial derivatives*

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the Statements 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 Statements 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 as it accrues in the Statements of Total Return using the effective interest method.

## *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 Statements of Total Return.

## *2.6 Income tax expenses*

The Fund was approved for the Enhanced-Tier Fund Tax Incentive Scheme under Section 13X of the Income Tax Act by the Monetary Authority of Singapore ("MAS") with effect from 12 December 2011. The tax exemption status will be for the life of the Fund, provided the Fund continues to meet all the terms and conditions set out by MAS and the relevant Income Tax legislations.

2.7 *Cash and cash equivalents*

Cash and cash equivalents comprise cash and 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 Money Market Fund		Phillip Income Fund	
	2018 S\$	2017 S\$	2018 S\$	2017 S\$
Receivable from unitholders for creation of units	7,465,769	739,022	-	-
Dividends receivable	-	-	15,337	7,270
Accrued interest receivable	16,669	25,791	-	-
	<u>7,482,438</u>	<u>764,813</u>	<u>15,337</u>	<u>7,270</u>

**4. Cash and cash equivalents**

	Phillip Money Market Fund		Phillip Income Fund	
	2018 S\$	2017 S\$	2018 S\$	2017 S\$
Cash and bank balances	83,210,651	59,028,229	1,607,402	759,922
Amount held with brokers	-	-	18,764	76,853
	<u>83,210,651</u>	<u>59,028,229</u>	<u>1,626,166</u>	<u>836,775</u>

Amounts held with brokers comprise unrestricted amounts held with brokers.

**5. Financial derivatives at fair value**

Financial derivative contracts comprise options and forward foreign exchange contracts due for settlement within 1 year from the reporting date. The contracts or underlying principal amounts of these financial derivatives and their corresponding gross fair values at the reporting date are analysed below.

**Phillip Income Fund**

	Notional amount S\$	2017	
		Fair value assets S\$	Fair value liabilities S\$
Futures contracts	3,314,645	-	18,606
Forward foreign exchange contracts	600,000	4,527	-
	<u>3,914,645</u>	<u>4,527</u>	<u>18,606</u>

**6. Payables**

	<b>Phillip Money Market Fund</b>		<b>Phillip Income Fund</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Payable to unitholders for cancellation of units	7,618,482	789,006	-	-
Accrued expenses	365,172	690,732	50,723	63,079
	<u>7,983,654</u>	<u>1,479,738</u>	<u>50,723</u>	<u>63,079</u>

**7. Units in issue**

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

**Phillip Money Market Fund**

	<b>2018</b>		<b>Total</b>
	<b>Class A SGD</b>	<b>Class I SGD</b>	
Units at beginning of the year	616,165,751	-	616,165,751
Units created	2,471,662,493	10,445,608	2,482,108,101
Units cancelled	(2,520,472,888)	(1,430,221)	(2,521,903,109)
Units at end of the year	<u>567,355,356</u>	<u>9,015,387</u>	<u>576,370,743</u>
<b>Net assets attributable to unitholders – S\$</b>	683,271,662	9,106,899	692,378,561
<b>Net asset value per unit – S\$</b>	<u>1.2043</u>	<u>1.0102</u>	<u>1.2013</u>

	<b>2017</b>
	<b>Class A SGD</b>
Units at beginning of the year	637,553,451
Units created	2,348,337,257
Units cancelled	(2,369,724,957)
Units at end of the year	<u>616,165,751</u>
<b>Net assets attributable to unitholders – S\$</b>	733,509,987
<b>Net asset value per unit – S\$</b>	<u>1.1904</u>

7. **Units in issue** (continued)

**Phillip Income Fund**

	<b>2018</b>		<b>Total</b>
	<b>Class A SGD</b>	<b>Class I SGD</b>	
Units at beginning of the year	1,559,429	10,186,812	11,746,241
Units created	185,536	44,537	230,073
Units cancelled	(144,229)	–	(144,229)
Units at end of the year	<u>1,600,736</u>	<u>10,231,349</u>	<u>11,832,085</u>
<b>Net assets attributable to unitholders – S\$</b>	<b>1,508,172</b>	<b>9,890,558</b>	<b>11,398,730</b>
<b>Net asset value per unit – S\$</b>	<u>0.9422</u>	<u>0.9667</u>	<u>0.9634</u>
	<b>2017</b>		
	<b>Class A SGD</b>	<b>Class I SGD</b>	<b>Total</b>
Units at beginning of the year	1,933,194	10,140,136	12,073,330
Units created	249,327	46,676	296,003
Units cancelled	(623,092)	–	(623,092)
Units at end of the year	<u>1,559,429</u>	<u>10,186,812</u>	<u>11,746,241</u>
<b>Net assets attributable to unitholders – S\$</b>	<b>1,619,459</b>	<b>10,792,515</b>	<b>12,411,974</b>
<b>Net asset value per unit – S\$</b>	<u>1.0385</u>	<u>1.0595</u>	<u>1.0567</u>

Class A SGD Units are offered to investors who invest SGD500 and above. Class I SGD Units are offered to investors who invest SGD500,000 and above. Class I USD Units are offered to investors who invest USD500,000 and above. All classes constitute the Sub-Fund and are not separate sub-funds. Any expense, income and/or gain which is attributable to a particular class is deducted from or added to (as the case may be) the value of the sub-fund which is attributable to that class. A separate net asset value per unit is calculated for each class.

For subscription and redemptions and for various fee calculations, investments are stated at the last traded price/amortised cost 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 last traded or bid market prices as at the reporting date.

The effect of last traded price/amortised cost in the net assets attributable to unitholders is as follows:

**Phillip Money Market Fund**

	<b>2018</b>	
	<b>Class A SGD S\$</b>	<b>Class I SGD S\$</b>
Net assets attributable to unitholders per unit per financial statements	1.2043	1.0102
Effect of adopting amortised cost per unit	–	(0.0001)
Net assets attributable to unitholders per unit for issuing/redeeming	<u>1.2043</u>	<u>1.0101</u>

**7. Units in issue** (continued)

**Phillip Money Market Fund** (continued)

	<b>2017</b>	
	<b>Class A SGD S\$</b>	<b>Class I SGD S\$</b>
Net assets attributable to unitholders per unit per financial statements	1.1904	–
Effect of adopting amortised cost per unit	0.0007	–
Effect for movement in the net asset value between the last dealing date and the end of the reporting period	(0.0001)	–
Net assets attributable to unitholders per unit for issuing/redeeming	1.191	–

**Phillip Income Fund**

	<b>2018</b>	
	<b>Class A SGD S\$</b>	<b>Class I SGD S\$</b>
Net assets attributable to unitholders per unit per financial statements	0.9422	0.9667
Effect of adopting last traded price per unit	(0.0001)	(0.0001)
Net assets attributable to unitholders per unit for issuing/redeeming	0.9421	0.9666

	<b>2017</b>	
	<b>Class A SGD S\$</b>	<b>Class I SGD S\$</b>
Net assets attributable to unitholders per unit per financial statements	1.0385	1.0595
Effect of adopting last traded price per unit	0.0001	–
Net assets attributable to unitholders per unit for issuing/redeeming	1.0386	1.0595

**8. Income tax**

	<b>Phillip Money Market Fund</b>		<b>Phillip Income Fund</b>	
	<b>2018 S\$</b>	<b>2017 S\$</b>	<b>2018 S\$</b>	<b>2017 S\$</b>
Singapore income tax	-	-	2,748	1,926
Overseas income tax	-	-	22,539	24,968
	-	-	25,287	26,894

The income tax charge relates to tax deducted at source and withholding tax suffered on dividend income and interest income.

**9. Distribution**

**Phillip Income Fund**

	<b>2018 S\$</b>
Interim (2.00 cents per unit based on units outstanding as at 21 March 2018)	234,635
Final (2.00 cents per unit based on units outstanding as at 4 September 2018)	233,819
	468,454

**9. Distribution (continued)**

**Phillip Income Fund (continued)**

	<b>2017</b> <b>S\$</b>
Interim (2.00 cents per unit based on units outstanding as at 14 March 2017)	232,379
Final (2.50 cents per unit based on units outstanding as at 31 August 2017)	292,896
	525,275

**10. Financial risk management**

The Sub-Funds' activities expose them to a variety of market risks (including price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Sub-Funds' overall risk management programme seeks to minimise potential adverse effects on the Sub-Funds' financial performance. The Sub-Funds may use futures contracts, options contracts and/or currency forward contracts subject to the terms of the Trust Deed to moderate certain risk exposures. Specific guidelines on exposures to individual securities and certain industries are in place for the Sub-Funds at any time as part of the overall financial risk management to reduce the Sub-Funds' risk exposures.

**(a) Market risks**

Market risk is the risk of potential adverse change to the value of financial instruments because of changes in market conditions such as interest rate movements and volatility in securities' prices. The Manager manages each Sub-Fund's exposure to market risk through the use of risk management strategies and various analytical monitoring techniques.

*i. Price risk*

Price risk is the risk that the fair values of equities 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-Funds 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.

A 10% increase in the market prices of investments at the reporting date would increase the fair value of investments by the following amount:

	<b>Phillip Income Fund</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$</b>	<b>S\$</b>
Equity securities	723,009	747,186

A 10% decrease in the market prices of investments at the reporting date would have an equal but opposite effect on the fair value of investments, on the basis that all other variables remain constant.

*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 table below summarises the Sub-Funds' exposure to interest rate risks. They include the Sub-Funds' assets and trading liabilities at fair value, categorised by interest rate types.

**10. Financial risk management (continued)**

**(a) Market risks (continued)**

**Phillip Money Market Fund**

	← Fixed rate →			Non-interest bearing S\$	Total S\$
	Floating rate S\$	Up to 1 year S\$	1-5 years S\$		
<b>2018</b>					
<b>Assets</b>					
Portfolio of investments	-	580,146,652	26,923,533	2,598,941	609,669,126
Receivables	-	-	-	7,482,438	7,482,438
Cash and cash equivalents	35,275,366	-	-	47,935,285	83,210,651
	<u>35,275,366</u>	<u>580,146,652</u>	<u>26,923,533</u>	<u>58,016,664</u>	<u>700,362,215</u>
<b>Liabilities</b>					
Payables	-	-	-	7,983,654	7,983,654

	← Fixed rate →			Non-interest bearing S\$	Total S\$
	Floating rate S\$	Up to 1 year S\$	1-5 years S\$		
<b>2017</b>					
<b>Assets</b>					
Portfolio of investments	-	604,087,381	68,241,583	2,867,719	675,196,683
Receivables	-	-	-	764,813	764,813
Cash and cash equivalents	43,070,468	-	-	15,957,761	59,028,229
	<u>43,070,468</u>	<u>604,087,381</u>	<u>68,241,583</u>	<u>19,590,293</u>	<u>734,989,725</u>
<b>Liabilities</b>					
Payables	-	-	-	1,479,738	1,479,738

**Phillip Income Fund**



**10. Financial risk management (continued)**

**(a) Market risks (continued)**

	← Fixed rate →				Non-interest bearing S\$	Total S\$
	Floating rate S\$	Up to 1 year S\$	1-5 years S\$	Over 5 years S\$		
<b>2018</b>						
<b>Assets</b>						
Portfolio of investments	499,403	237,168	878,485	1,043,155	7,253,227	9,911,438
Receivables	-	-	-	-	15,337	15,337
Cash and cash equivalents	18,764	-	-	-	1,607,402	1,626,166
	<u>518,167</u>	<u>237,168</u>	<u>878,485</u>	<u>1,043,155</u>	<u>8,875,966</u>	<u>11,552,941</u>
<b>Liabilities</b>						
Payables	-	-	-	-	50,723	50,723
Purchases awaiting settlement	-	-	-	-	103,488	103,488
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,211</u>	<u>154,211</u>
	← Fixed rate →				Non-interest bearing S\$	Total S\$
	Floating rate S\$	Up to 1 year S\$	1-5 years S\$	Over 5 years S\$		
<b>2017</b>						
<b>Assets</b>						
Portfolio of investments	767,705	314,844	2,014,466	1,035,451	7,512,621	11,645,087
Receivables	-	-	-	-	7,270	7,270
Cash and cash equivalents	76,853	-	-	-	759,922	836,775
Financial derivatives at fair value	-	-	-	-	4,527	4,527
	<u>844,558</u>	<u>314,844</u>	<u>2,014,466</u>	<u>1,035,451</u>	<u>8,284,340</u>	<u>12,493,659</u>
<b>Liabilities</b>						
Payables	-	-	-	-	89,821	89,821
Financial derivatives at fair value	-	-	-	-	18,606	18,606
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,427</u>	<u>108,427</u>

The duration, a measure of the sensitivity of the price of a fixed income security to a change in interest for the 12 month period is as disclosed below. As of 31 December 2018, should interest rates rise or lower by 1% with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders would be as follows:

	Interest rates rise/(fall) by 1%	
	(Decrease)/Increase in net assets attributable to unitholders	
	2018 S\$	2017 S\$
Phillip Money Market Fund	940,700	2,012,930
Phillip Income Fund	98,470	153,198

**10. Financial risk management (continued)**

**(a) Market risks (continued)**

*iii. Currency risk*

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

Investments and cash and cash equivalents of Phillip Money Market Fund are denominated in the Sub-Fund's functional currency.

Investments and cash and cash equivalents of Phillip Income Fund denominated in various currencies comprises the following:

**Phillip Income Fund**

	USD	NZD	HKD	EUR	AUD
2018	S\$	S\$	S\$	S\$	S\$
<b>Assets</b>					
Portfolio of investments	2,855,978	–	1,127,471	386,872	530,355
Cash and cash equivalents	12,265	239,275	6,779	–	–
<b>Total assets</b>	<b>2,868,243</b>	<b>239,275</b>	<b>1,134,250</b>	<b>386,872</b>	<b>530,355</b>
<b>Net currency exposure</b>	<b>2,868,243</b>	<b>239,275</b>	<b>1,134,250</b>	<b>386,872</b>	<b>530,355</b>

2017	USD S\$	HKD S\$	EUR S\$	AUD S\$
<b>Assets</b>				
Portfolio of investments		2,436,886	966,867	940,362
Cash and cash equivalents		27,274	57,097	–
<b>Total assets</b>		<b>2,464,160</b>	<b>1,023,964</b>	<b>940,362</b>
<b>Liabilities</b>				
Financial derivatives at fair value		–	18,241	–
<b>Total liabilities</b>		<b>–</b>	<b>18,241</b>	<b>–</b>
<b>Net currency exposure</b>		<b>2,464,160</b>	<b>1,005,723</b>	<b>940,362</b>

**10. Financial risk management (continued)**

**(a) Market risks (continued)**

*iii. Currency risk (continued)*

As at 31 December 2018 and 2017, with respect to the asset and liabilities of the Sub-Fund, had the Singapore Dollar appreciate or depreciate by 2% (2017:2%) against foreign currencies, with all other variables remaining constant, the corresponding decrease or increase in net assets attributable to unitholders would be as follows:

	<b>2018</b>	<b>2017</b>
	<b>S\$</b>	<b>S\$</b>
<b>Phillip Income Fund</b>		
AUD	10,607	12,617
EUR	7,737	18,807
HKD	22,685	20,114
NZD	4,786	-
USD	57,365	49,283
	57,365	49,283

**(b) Liquidity risk**

The Sub-Funds are exposed to daily redemption of units in the Sub-Funds. Therefore the majority of their 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 its perform contractual obligations, either in whole or in part, under a contract.

The main credit risk to which the Sub-Funds are exposed arise from the Sub-Funds' investments in debt securities. The Sub-Funds are also 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.

The Sub-Funds may also enter into derivative contracts to manage exposures to currency risk and price risk, including foreign exchange forward contracts and options. Hence, the Sub-Funds are also exposed to the risk that amounts held with counterparties for derivatives contracts may not be recoverable in the event of any default by the parties concerned.

The table below analyses the credit ratings of banks in which the Sub-Funds' fixed deposits are held.

**Phillip Money Market Fund**

	<b>Percentage of total net assets attributable to unitholders 2018</b>	<b>Percentage of total net assets attributable to unitholders 2017</b>
	%	%
<b><u>Fixed deposits by rating category</u></b>		
P-1	46.98	31.14
P-2	12.77	15.13
<b>Total fixed deposits</b>	59.75	46.27

*Source of the credit rating is from Moody's*

**10. Financial risk management (continued)**

**(c) Credit risk (continued)**

The table below analyses the Sub-Funds' debt investments by credit ratings.

**Phillip Money Market Fund**

<u>Debt securities by rating category</u>	Percentage of total net assets attributable to unitholders	Percentage of total net assets attributable to unitholders
	2018 %	2017 %
A1	8.55	7.01
A3	–	4.29
Aa2	2.89	7.86
Aa3	–	1.22
Aaa	6.31	–
P-1	–	0.47
P-2	–	2.72
Not Rated	10.18	21.82
<b>Total debt securities</b>	<b>27.93</b>	<b>45.39</b>

Source of the credit rating is from Moody's.

**Phillip Income Fund**

<u>Debt securities by rating category</u>	Percentage of total net assets attributable to unitholders	Percentage of total net assets attributable to unitholders
	2018 %	2017 %
A1	–	2.18
A3	2.24	2.12
Ba3	2.45	–
Ba	–	2.33
Baa	–	10.58
Baa1	5.16	–
Baa2	2.20	–
A*	2.44	–
A+*	2.37	–
AAA*	–	1.94
Not Rated	6.46	14.15
<b>Total debt securities</b>	<b>23.32</b>	<b>33.30</b>

Source of the credit rating is from Moody's except for the following:

\* Credit rating is from Fitch

**Derivatives risk**

The Manager may use financial derivative instruments solely for the purposes of hedging existing positions in a portfolio or for efficient portfolio management, and such financial derivative instruments are not used to gear the overall portfolio.

**10. Financial risk management (continued)**

**(d) Fair value estimation**

Except for investments which are measured at fair value, at 31 December 2018 and 2017, the fair values of assets and liabilities approximate their carrying values on the Statements 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-Funds is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Sub-Funds hold 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 price are applied to the net open position, as appropriate.

The Sub-Funds classify 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-Funds' financial assets and liabilities (by class) measured at fair value at 31 December 2018 and 2017:

**Phillip Money Market Fund**

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
<b>2018</b>				
<b>Assets</b>				
Debt securities	- 194,819,374		- 194,819,374	
Fixed deposits	- 414,849,752		- 414,849,752	
	- 609,669,126		- 609,669,126	
<b>2017</b>				
<b>Assets</b>				
Debt securities	- 334,870,472		- 334,870,472	
Fixed deposits	- 340,326,211		- 340,326,211	
	- 675,196,683		- 675,196,683	

**Phillip Income Fund**

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
<b>2018</b>				
<b>Assets</b>				
Equity securities	5,389,288	-	-	5,389,288
Investment funds	1,323,380	-	-	1,323,380
Real estate investment trusts	517,418	-	-	517,418
Debt securities	-	2,681,352	-	2,681,352
	7,230,086	2,681,352	-	9,911,438

**10. Financial risk management (continued)**

**(d) Fair value estimation (continued)**

**Phillip Income Fund (continued)**

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
<b>2017</b>				
<b>Assets</b>				
Equity securities	6,501,997	-	-	6,501,997
Investment funds	367,285			367,285
Real estate investment trusts	602,580			602,580
Debt securities	-	4,173,225	-	4,173,225
Financial derivatives at fair value	-	4,527	-	4,527
	<u>7,471,862</u>	<u>4,177,752</u>	<u>-</u>	<u>11,649,614</u>
<b>Liabilities</b>				
Financial derivatives at fair value	-	18,606	-	18,606

**11. Related parties**

In the normal course of the business of the Sub-Funds, management fees and trustee fees have been paid or are payable to the Manager and the Trustee respectively as noted in the Statements 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-Funds in the normal course of business at terms agreed between the parties and within the provisions of the Trust Deed.

Other than 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 Money Market Fund		Phillip Income Fund	
	2018 S\$	2017 S\$	2018 S\$	2017 S\$
Brokerage fees paid to:				
- a related party of the Manager	-	-	5,620	2,300
- a related party of the Trustee	-	-	6,904	12,899
			<u>12,524</u>	<u>15,199</u>
Cash and bank balances held with a related party of the Trustee	47,900,935	15,948,584	1,607,402	759,922

The Manager may also use the services of related parties to carry out transactions involving the purchase and sale of securities.

**12. Financial ratios**

**Expense Ratio**

		2018	2017
<b>Phillip Money Market Fund</b>			
<b>Class A SGD</b>			
Total operating expenses	S\$	3,727,652	3,781,835
Average daily net asset value	S\$	783,176,802	777,024,901
<b>Total expense ratio</b> <sup>Note 1</sup>	%	<u>0.48</u>	<u>0.49</u>

**12. Financial ratios (continued)**

**Expense Ratio (continued)**

	<b>2018</b>	<b>2017</b>
<b>Phillip Money Market Fund (continued)</b>		
<b>Class I SGD</b>		
Total operating expenses	S\$ 8,107	-
Average daily net asset value	S\$ 4,133,860	-
<b>Total expense ratio</b> <sup>Note 1</sup>	%	0.20
<b>Total expense ratio</b> <sup>Note 1</sup> (annualised)	%	0.26

	<b>2018</b>	<b>2017</b>
<b>Phillip Income Fund</b>		
<b>Class A SGD</b>		
Total operating expenses	S\$ 29,001	34,033
Average daily net asset value	S\$ 1,529,626	1,699,035
<b>Total expense ratio</b> <sup>Note 1</sup>	%	1.90

<b>Class I SGD</b>		
Total operating expenses	S\$ 149,165	165,242
Average net asset value	S\$ 10,581,905	10,855,055
<b>Total expense ratio</b> <sup>Note 1</sup>	%	1.41

**Turnover Ratio**

**Phillip Money Market Fund**

	<b>2018</b>	<b>2017</b>
Lower value of purchase (or sale) of underlying investments	S\$ -	502,625
Average daily net asset value	S\$ 786,260,792	777,024,901
<b>Total turnover ratio</b> <sup>Note 2</sup>	%	0.06

**Phillip Income Fund**

	<b>2018</b>	<b>2017</b>
Lower value of purchase (or sale) of underlying investments	S\$ 6,947,858	14,480,072
Average daily net asset value	S\$ 12,111,531	12,554,090
<b>Total turnover ratio</b> <sup>Note 2</sup>	%	57.37

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, 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 or arising out of income received. The Sub-Funds do not pay performance fee. The average net asset value is based on the daily balances.

Note 2 The portfolio turnover ratio is calculated in accordance with the formula stated in the Code. The calculation of the portfolio 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 purchases (or sales) do not include brokerage and other transaction costs. The total value of bonds matured during the year is not included in the computation of portfolio turnover ratio.

## **PHILLIP INVESTMENT FUNDS**

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### **Important Information**

Phillip Money Market Fund and Phillip Income Fund (the "Sub-Funds") are sub-funds of Phillip Investment Funds (the "Fund"), an open-ended umbrella unit trust authorised under the Securities and Futures Act, Chapter 289, by the Monetary Authority of Singapore.

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