

PHILLIP SELECT FUND

Annual Report
Year ended 30 September 2019

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Phillip Select Fund

MANAGER

Phillip Capital Management (S) Ltd
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(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
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(Company Registration No. 200800851W)

CUSTODIAN AND FUND ADMINISTRATOR

BNP Paribas Securities Services operating through its Singapore Branch
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AUDITORS

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16 Raffles Quay #22-00
Hong Leong Building
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SOLICITORS TO THE MANAGER

Chan & Goh LLP
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80 Raffles Place
#33-00 UOB Plaza 1
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Phillip Select Fund

Manager's Investment Report

Phillip Singapore Real Estate Income Fund

The Fund (Class I SGD) achieved a total return of +17.21% for the financial year ended 30 September 2019. S-REITs have generally outperformed the STI broad markets returns -0.49% during the same period.

For the financial year, the Fund paid out a total distribution of 7.55 S\$ cents, which yields at 5.5% on the Fund's Net Asset Value. Its benchmark, the SGX S-REIT Index (Total Return), returns +23%.

During the period under review, Singapore REITs continue to remain resilient. Despite worries of cyclical global economic slowdown affecting the city-state's externally dependent economy, REITs provide a safe harbour in their locked-in leases and predictable cash flows. The larger REITs such as the Capitaland and Mapletree umbrellas of REITs have proven track record of dividend growth over the years; the latest quarterly results continue to corroborate this.

The most significant contributors to the Fund's performance came from the retail and industrial sub-segment. The major contributors for the Fund's return were from positions in Mapletree Commercial Trust, Capitaland Mall Trust, and Ascendas Real Estate Trust, which gained 50%, 25%, and 21%, respectively.

As of end-September, the weighted average dividend yield of the portfolio was 4.57%. The current yield spread between Singapore REITs and 10-year Singapore Government Securities (at 1.74%) trades around the historical average at 283bps.

Outlook

The equities market has continued to present more volatility this year. Most of the market movement was news-driven, beginning with the Federal Reserve cutting rates by 25bps at the end of October, while also hinting at a pause for further rate cuts. Following the news on US Feb's intention on interest rates, the US and China are working on a trade deal, with the possibility of completing Phase One next month, driving optimism in the markets and causing a spike in treasury yields. Subsequently, the Hong Kong democracy bill passed by the US Senate raised concerns that it may cause complications to the deal, once again posing uncertainties to the market. Markets turned higher towards the end of the month as both the US and China indicated an interest in completing Phase One trade deal. Despite all these headlines, Singapore REITs remain resilient with the benchmark iEdge S-REIT Index recording total returns of 26% year-to-date at the end of November against the Straits Times Index's gain of 8%.

Earnings were mostly positive for REITs on the back of contributions from recent acquisitions. Retail and industrial REITs continue to report strong performance and distributions. Hospitality REITs reported stronger performance for their Singapore portfolio supported by increased traffic but were dragged down by overseas collections due to a mix of mediocre operational performance and weaker currencies relative to the Singapore dollar.

Strategy

Our investment theme going forward will gear towards REITs assets, which are catering to new economies in digital, e-commerce, tech, or shared-economy. We think industrials REITs are currently at the sweet spot on a new acquisition of assets for logistics e-commerce industries, business parks, and data centres. Opportunities are for office REITs, which are providing co-working spaces and internet industries. The retail malls at great locations continue to do well, as the expertise they have in operating those malls and the capital they re-invest in the malls have distinguished them from the others in the sectors even the retails REITs may be facing the structural challenges of e-commerce. Hospitality REITs may also see new opportunities in shared or co-living spaces.

Other focus will also be on REITs which have progressively expand overseas buying freeholds properties, which reduces NAV dilution risk from holding Singapore leasehold assets, we think this should also gradually result in re-rating for those REITs.

Phillip Select Fund

Report to Unitholders Year ended 30 September 2019

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 pages 15 to 17.

2. Schedule of investments by asset class

Asset Class	Fair value as at	Percentage of
	30 September 2019	total net assets
	S\$	attributable to
		unitholders as at
		30 September 2019
		%
Real estate investment trusts	39,361,196	70.67
Exchange traded funds	10,015,080	17.98
Financial derivatives at fair value	17,118	0.03
Cash and cash equivalents	6,334,607	11.37
Other net current liabilities	(32,359)	(0.05)
Net assets attributable to unitholders	<u>55,695,642</u>	<u>100.00</u>

3. Top 10 holdings

10 largest holdings at 30 September 2019	Fair value as at	Percentage of
	30 September 2019	total net assets
	S\$	attributable to
		unitholders as at
		30 September 2019
		%
Lion-Phillip S-REIT ETF	9,231,066	16.57
Ascendas Real Estate Investment Trust	3,587,654	6.44
Capitaland Mall Trust	2,975,716	5.34
Suntec Real Estate Investment Trust	2,280,000	4.09
Mapletree Industrial Trust	2,223,270	3.99
Mapletree Logistics Trust	1,722,755	3.09
Mapletree Commercial Trust	1,717,500	3.08
Capitaland Commercial Trust	1,573,293	2.82
Keppel Pacific OAK US REIT	1,452,230	2.61
Keppel DC REIT	1,442,230	2.59

Phillip Select Fund

Report to Unitholders Year ended 30 September 2019

3. Top 10 holdings (continued)

10 largest holdings at 30 September 2018	Fair value as at	Percentage of
	30 September 2018	total net assets
	S\$	attributable to
		unitholders as at
		30 September 2018
		%
Lion-Phillip S-REIT ETF	12,904,155	29.37
Frasers Centrepoint Trust	1,945,099	4.43
Frasers Hospitality Trust	1,709,409	3.89
Manulife US Real Estate Investment Trust	1,624,715	3.70
Frasers Commercial Trust	1,590,136	3.62
Ascendas Hospitality Trusts	1,523,010	3.47
Capitaland Mall Trust	1,512,821	3.44
Starhill Global REIT	1,475,859	3.36
Keppel-KBS US REIT	1,462,641	3.33
Keppel DC REIT	1,459,179	3.32

4. Exposure to financial derivatives as at 30 September 2019

	Fair value	Percentage of	Unrealised	Realised
	as at	total net assets		
	30 September	attributable to	gains/(losses)	gains/(losses)
	2019	unitholders as at	S\$	S\$
	S\$	30 September 2019		
		%		
Share purchase rights	17,118	0.03	(4,886)	-

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 2019

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

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

Please refer to the Statement of Portfolio on page 15 to 17.

9. Amount and percentage of borrowings of total fund size as at 30 September 2019

Nil.

10. Amount of units created and cancelled for the year

	Class A SGD S\$	Class A USD S\$	Class I SGD S\$	Class I USD S\$
Total amount of redemptions	(7,291,241)	(58,764)	(4,664,148)	-
Total amount of subscriptions	15,391,613	127,639	3,369,599	8,363

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 30 September 2019

	Class I		Class A		Benchmark
	SGD	USD	SGD	USD	
Cumulative (%)*					
3 months	2.73%	0.52%	2.60%	0.39%	2.64%
6 months	9.06%	6.82%	8.78%	6.57%	11.12%
1 year	17.21%	16.28%	16.64%	15.73%	23.04%
3 years	32.60%	31.25%	30.69%	29.41%	45.00%
5 years	52.52%	39.46%	49.14%	36.25%	69.08%
Since inception **	121.79%	42.95%	114.72%	36.94%	152.78%
Annualised (%)					
3 years	9.86%	9.49%	9.33%	8.97%	13.19%
5 years	8.81%	6.88%	8.32%	6.38%	11.08%
Since inception **	10.42%	6.81%	9.98%	5.12%	12.23%

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

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

Phillip Select Fund

Report to Unitholders Year ended 30 September 2019

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. Soft dollar commissions

The Manager may receive or enter into soft-dollar commissions or arrangements. The Manager will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions which the Manager may receive include research and advisory services, economic and political analyses, portfolio analyses including valuation and performance measurements, market analyses, data and quotation services, computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis and custodial service in relation to the investments managed for clients. The soft dollar credits utilised are not allocated on a specific client basis. The brokers also execute trades for other funds managed by the Manager.

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

The Manager does not, and is not entitled to retain cash rebates for its own account in respect of rebates earned when transacting in securities for 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 12 to 28, 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

18 December 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 12 to 28, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of Phillip Select Fund as at 30 September 2019, 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 the Phillip Select Fund will be able to meet its financial obligations as and when they materialise.

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

Linus Lim Wen Sheong
Director

18 December 2019

Independent auditors' report

Unitholders

Phillip Select Fund

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

Report on the audit of 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 2019, 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 12 to 28.

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 2019 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 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 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

18 December 2019

Statement of Total Return
Year ended 30 September 2019

		Phillip Singapore Real Estate Income Fund	
	Note	2019 S\$	2018 S\$
Income			
Dividends		2,135,215	1,771,550
Interest		3,704	1,581
		2,138,919	1,773,131
Less:			
Expenses			
Management fees		445,429	424,961
Less: Management fee rebates		(59,091)	(26,293)
Registrar fees		4,694	4,549
Trustee fees		18,776	18,148
Custody fees		54,429	38,677
Audit fee		17,500	15,000
Transaction fees		64,357	95,774
Valuation fees		18,776	18,148
Other expenses		43,179	4,357
		608,049	593,321
Net income		1,530,870	1,179,810
Net gains or (losses) on value of investments and financial derivatives			
Net gains on investments		6,276,403	218,864
Net losses on financial derivatives		(58,869)	(29,283)
Net gains/(losses) on foreign exchange		652	(12,943)
		6,218,186	176,638
Total return for the year before income tax		7,749,056	1,356,448
Less: Income tax	8	(224,792)	(147,204)
Total return for the year after income tax before distribution		7,524,264	1,209,244

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

Statement of Financial Position
As at 30 September 2019

Phillip Singapore Real Estate Income Fund			
	Note	2019 S\$	2018 S\$
Assets			
Portfolio of investments		49,376,276	43,236,597
Sales awaiting settlement		356,953	1,958
Receivables	3	2,401,192	92,941
Cash and cash equivalents	4	6,334,607	1,396,903
Financial derivatives at fair value	5	17,118	-
Total assets		58,486,146	44,728,399
Liabilities			
Payables	6	1,270,433	787,888
Purchases awaiting settlement		1,520,071	-
Total liabilities		2,790,504	787,888
Equity			
Net assets attributable to unitholders		55,695,642	43,940,511

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

Statement of Movements of Unitholders' Funds
Year ended 30 September 2019

		Phillip Singapore Real Estate Income Fund	
	Note	2019 S\$	2018 S\$
Net assets attributable to unitholders at the beginning of financial year		43,940,511	43,726,773
Operations			
Change in net assets attributable to unitholders resulting from operations		7,524,264	1,209,244
Unitholders' contributions / (withdrawals)			
Creation of units		18,897,214	15,016,581
Cancellation of units		(12,014,153)	(13,643,734)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		6,883,061	1,372,847
Distributions	9	(2,652,194)	(2,368,353)
Total increase in net assets attributable to unitholders		11,755,131	213,738
Net assets attributable to unitholders at the end of financial year		55,695,642	43,940,511

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

Statements of Portfolio
As at 30 September 2019

Phillip Singapore Real Estate Income Fund

By Geography (Primary)

	Holdings at 30 September 2019	Fair value at 30 September 2019 S\$	Percentage of total net assets attributable to unitholders at 30 September 2019 %
Quoted			
AUSTRALIA			
Stockland	189,236	803,095	1.44
		803,095	1.44
HONG KONG SAR			
Hui Xian Real Estate Investment Trust	300,000	186,560	0.33
		186,560	0.33
SINGAPORE			
AIMS APAC REIT	497,175	715,932	1.29
Ascendas Hospitality Trust	1,162,629	1,267,266	2.28
Ascendas India Trust	370,000	577,200	1.04
Ascendas Real Estate Investment Trust	1,149,889	3,587,654	6.44
Ascott Residence Trust	817,646	1,079,293	1.94
Capitaland Commercial Trust	760,045	1,573,293	2.82
Capitaland Mall Trust	1,131,451	2,975,716	5.34
Capitaland Retail China Trust	717,928	1,098,430	1.97
CDL Hospitality Trusts	628,420	1,030,609	1.85
Cromwell European Real Estate Investment Trust	850,000	647,159	1.16
ESR-REIT	1,400,000	742,000	1.33
Far East Hospitality Trust	1,180,000	814,200	1.46
First Real Estate Investment Trust	326,670	329,937	0.59
Frasers Centrepoint Trust	373,205	1,022,582	1.84
Frasers Commercial Trust	489,134	787,506	1.42
Frasers Hospitality Trust	942,013	673,539	1.21
Frasers Logistics & Industrial Trust	922,274	1,143,620	2.05
Keppel DC REIT	755,094	1,442,230	2.59
Keppel Pacific OAK US REIT	1,355,000	1,452,230	2.61
Keppel REIT	865,894	1,091,026	1.96
Lendlease Global Commercial REIT	120,000	105,600	0.19
Lion-Phillip S-REIT ETF	8,034,000	9,231,066	16.57
Lippo Malls Indonesia Retail Trust	17	4	0.00
Manulife US Real Estate Investment Trust	945,680	1,163,935	2.09
Mapletree Commercial Trust	750,000	1,717,500	3.08
Mapletree Industrial Trust	914,926	2,223,270	3.99
Mapletree Logistics Trust	1,063,429	1,722,755	3.09
Mapletree North Asia Commercial Trust	755,851	997,723	1.79

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

Statements of Portfolio
As at 30 September 2019

Phillip Singapore Real Estate Income Fund

By Geography (Primary) (continued)

	Holdings at 30 September 2019	Fair value at 30 September 2019 S\$	Percentage of total net assets attributable to unitholders at 30 September 2019 %
Quoted (continued)			
OUE Commercial Real Estate Investment Trust	1,086,640	586,786	1.06
Parkway Life Real Estate Investment Trust	160,512	502,403	0.90
Phillip SGX APAC Dividend Leaders REIT ETF	527,600	784,014	1.41
Prime US REIT	300,000	385,832	0.69
Sasseur Real Estate Investment Trust	675,000	536,625	0.97
Soilbuild Business Space REIT	400,000	214,000	0.39
SPH REIT	680,000	741,200	1.33
Starhill Global REIT	1,533,538	1,142,486	2.05
Suntec Real Estate Investment Trust	1,200,000	2,280,000	4.09
		48,386,621	86.88
Portfolio of investments		49,376,276	88.65
Other net assets		6,319,366	11.35
Net assets attributable to unitholders		55,695,642	100.00

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

**Statements of Portfolio
As at 30 September 2019**

Phillip Singapore Real Estate Income Fund

By Geography (Summary)

	Fair value at 30 September 2019 S\$	Percentage of total net assets attributable to unitholders at 30 September 2019 %	Percentage of total net assets attributable to unitholders at 30 September 2018 %
Quoted			
Australia	803,095	1.44	2.51
Hong Kong SAR	186,560	0.33	-
Singapore	48,386,621	86.88	95.89
Portfolio of investments	49,376,276	88.65	98.40
Other net assets	6,319,366	11.35	1.60
Net assets attributable to unit holders	55,695,642	100.00	100.00

Phillip Singapore Real Estate Income Fund

By Industry (Secondary)

	Fair value at 30 September 2019 S\$	Percentage of total net assets attributable to unitholders at 30 September 2019 %	Percentage of total net assets attributable to unitholders at 30 September 2018 %
Real Estate Investment Trust	49,376,276	88.65	98.40
Portfolio of investments	49,376,276	88.65	98.40
Other net assets	6,319,366	11.35	1.60
Net assets attributable to unitholders	55,695,642	100.00	100.00

Notes to the Financial Statements

These notes form an integral part of the financial statements.

1. Domicile and activities

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

The Fund offers one sub-fund (the "Sub-Fund"), Phillip Singapore Real Estate Income Fund, which was first offered for subscription on 16 August 2011.

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 Real Estate Investment 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.

On 1 October 2017, the Fund 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 October 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 Fund 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) ("Code") 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 therein are recognised in the Statement of Total Return.

2.4 *Recognition of income*

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

Interest income is recognised using the effective interest method accrued over the duration of the contract.

2.5 *Foreign currency translation*

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

2.6 *Income tax expenses*

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

- (i) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (ii) interest (other than interest for which Singapore tax has been withheld); and
- (iii) dividend derived from outside Singapore and received in Singapore.

2.7 *Cash and cash equivalents*

Cash and cash equivalents comprise bank balances and amounts held with brokers. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.8 *Net assets attributable to unitholders*

Net assets attributable to unitholders are classified as equity.

3. Receivables

	Phillip Singapore Real Estate Income Fund	
	2019	2018
	S\$	S\$
Receivable from unitholders for creation of units	2,297,965	67,111
Dividends receivable	62,457	18,680
Other receivables	40,770	7,150
	2,401,192	92,941
	2,401,192	92,941

4. Cash and cash equivalents

	Phillip Singapore Real Estate Income Fund	
	2019	2018
	S\$	S\$
Bank balances	6,161,096	1,396,903
Amount held with brokers	173,511	-
	6,334,607	1,396,903
	6,334,607	1,396,903

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

5. Financial derivatives at fair value

Financial derivative contracts comprise of share purchase rights due for settlement within one month from the year end 30 September 2019. The contract or underlying principal amounts of these financial derivatives and their corresponding gross fair values at the reporting date are analysed below:

2019	Notional amount	Fair value assets
	S\$	S\$
Phillip Singapore Real Estate Income Fund		
2019		
Share purchase rights	207,584	17,118
	207,584	17,118
	207,584	17,118
2018		
Share purchase rights	-	-
	-	-
	-	-

6. Payables

	Phillip Singapore Real Estate Income Fund	
	2019	2018
	S\$	S\$
Payable to unitholders for cancellation of units	184,897	105,140
Distribution payable in respect of final distribution	986,383	595,548
Management fee payable	44,422	36,765
Other payables and accrued expenses	54,731	50,435
	1,270,433	787,888
	1,270,433	787,888

7. Units in issue

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

	Phillip Singapore Real Estate Income Fund	
	2019	2018
Class A SGD Units		
Units at beginning of the year	13,868,449	10,572,703
Units created	10,954,505	7,769,342
Units cancelled	(5,350,557)	(4,473,596)
Units at end of the year	19,472,397	13,868,449
Net assets attributable to unitholders - S\$	28,066,759	18,087,102
Net asset value per unit - S\$	1.4413	1.3042
Class A USD Units		
Units at beginning of the year	616,538	1,073,911
Units created	93,954	182,895
Units cancelled	(42,203)	(640,268)
Units at end of the year	668,289	616,538
Net assets attributable to unitholders - S\$	952,591	795,657
Net asset value per unit - S\$	1.4254	1.2905
Class I SGD Units		
Units at beginning of the year	18,479,448	20,319,758
Units created	2,448,259	2,953,186
Units cancelled	(3,258,180)	(4,793,496)
Units at end of the year	17,669,527	18,479,448
Net assets attributable to unitholders - S\$	26,484,894	24,893,821
Net asset value per unit - S\$	1.4989	1.3471
Phillip Singapore Real Estate Income Fund		
	2019	2018
Class I USD Units		
Units at beginning of the year	121,597	115,504
Units created	5,992	6,093
Units cancelled	-	-
Units at end of the year	127,589	121,597
Net assets attributable to unitholders - S\$	191,398	163,931
Net asset value per unit - S\$	1.5001	1.3482

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:

	Phillip Singapore Real Estate Income Fund	
	2019	2018
	S\$	S\$
Class A SGD Units		
Net assets attributable to unitholders per unit per financial statements	1.4413	1.3042
- Effect of adopting bid price per unit	-	(0.0001)
- Effect of distribution per unit	0.0260	0.0180
Net assets attributable to unitholders per unit for issuing/redeeming units	1.4673	1.3221
Class A USD Units		
Net assets attributable to unitholders per unit per financial statements	1.4254	1.2905
- Effect of adopting bid price per unit	-	-
- Effect of distribution per unit	0.0260	0.0180
Net assets attributable to unitholders per unit for issuing/redeeming units	1.4514	1.3085
Class I SGD Units		
Net assets attributable to unitholders per unit per financial statements	1.4989	1.3471
- Effect of adopting bid price per unit	-	-
- Effect of distribution per unit	0.0260	0.0180
Net assets attributable to unitholders per unit for issuing/redeeming units	1.5249	1.3651
Phillip Singapore Real Estate Income Fund		
	2019	2018
	S\$	S\$
Class I USD Units		
Net assets attributable to unitholders per unit per financial statements	1.5001	1.3482
- Effect of adopting bid price per unit	-	(0.0001)
- Effect of distribution per unit	0.0260	0.0180
Net assets attributable to unitholders per unit for issuing/redeeming units	1.5261	1.3661

8 Income tax

	Phillip Singapore Real Estate Income Fund	
	2019	2018
	S\$	S\$
Singapore income tax	218,514	138,271
Overseas income tax	6,278	8,933
	224,792	147,204
	224,792	147,204

The Singapore income tax represents tax deducted at source for Singapore sourced dividends and tax charge on distribution from Singapore REITs. The overseas income tax represents tax deducted at source on dividends derived from outside Singapore.

9. Distributions

Phillip Singapore Real Estate Income Fund

	2019
	S\$
Interim (1.30 cents per unit based on units outstanding as at 31 December 2018)	442,239
Interim (1.45 cents per unit based on units outstanding as at 28 March 2019)	480,610
Interim (2.20 cents per unit based on units outstanding as at 28 June 2019)	742,962
Final (2.60 cents per unit based on units outstanding as at 30 September 2019)	986,383
	2,652,194
	2,652,194

	2018
	S\$
Interim (1.80 cents per unit based on units outstanding as at 30 December 2017)	561,169
Interim (1.80 cents per unit based on units outstanding as at 30 March 2018)	610,769
Interim (1.80 cents per unit based on units outstanding as at 30 June 2018)	600,867
Final (1.80 cents per unit based on units outstanding as at 28 September 2018)	595,548
	2,368,353
	2,368,353

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. The Manager is therefore not concerned about the short-term price volatility with respect to its investment provided that the underlying business, economic and management characteristics of its investments remain favourable.

Sensitivity analysis

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

	Phillip Singapore Real Estate Income Fund	
	2019	2018
	S\$	S\$
Portfolio of investment	4,937,628	4,323,660

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 Sub-Fund is not subject to significant risk of fluctuations in market interest rates as there are no significant variable interest earning/bearing financial instruments held.

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

2019	USD S\$	AUD S\$	EUR S\$	CNY S\$
Assets				
Portfolio of investments	3,001,997	803,095	647,159	186,560
Cash and cash equivalents	140,667	27	-	-
Receivables	17,917	-	-	-
Financial derivatives at fair value	2,040	-	-	-
	<u>3,162,621</u>	<u>803,122</u>	<u>647,159</u>	<u>186,560</u>
Net currency exposure	<u>3,162,621</u>	<u>803,122</u>	<u>647,159</u>	<u>186,560</u>
2018	USD S\$	AUD S\$	EUR S\$	
Assets				
Portfolio of investments	3,087,356	1,102,650	638,787	
Cash and cash equivalents	491,058	30	-	
	<u>3,578,414</u>	<u>1,102,680</u>	<u>638,787</u>	
Net currency exposure	<u>3,578,414</u>	<u>1,102,680</u>	<u>638,787</u>	

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 2019 and 2018, with respect to the monetary assets of the Sub-Fund, had the Singapore Dollar appreciated/depreciated by 10% (2018: 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.

The tables below analyse the Sub-Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Phillip Singapore Real Estate Income Fund	
	2019	2018
	S\$	S\$
Less than 3 months		
Payables	1,270,433	787,888
Purchases awaiting settlement	1,520,071	–
	2,790,504	787,888

(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

The fair value of financial assets and liabilities traded in active markets (such as 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 and financial liabilities held by the Sub-Fund is last traded price. 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 2019 and 2018:

Phillip Singapore Real Estate Income Fund

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
2019				
Assets				
Portfolio of investments	49,376,276	-	-	49,376,276
Financial derivatives at fair value	-	17,118	-	17,118
	<u>49,376,276</u>	<u>17,118</u>	<u>-</u>	<u>49,393,394</u>
2018				
Assets				
Portfolio of investments	<u>43,236,597</u>	<u>-</u>	<u>-</u>	<u>43,236,597</u>

Investment whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. 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 disclosed 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	
	2019 S\$	2018 S\$
Brokerage fees paid to:		
- a related party of the Manager	15,879	11,614
- a related party of the Trustee	4,973	22,174
Valuation fees paid to a related party of the Trustee	18,776	18,148
Interest income received from/(interest expense paid to):		
- a related party of the Trustee	3,704	1,581
- a related party of the Trustee	(9)	(24)
Bank balances held with related parties of the Trustee	<u>6,161,096</u>	<u>1,396,903</u>

12. Financial ratios

Expense Ratio

		Phillip Singapore Real Estate Income Fund	
		2019	2018
Class A SGD units			
Total operating expenses	S\$	283,219	240,528
Average daily net asset value	S\$	19,873,729	17,495,010
Expense ratio ^(Note 1)	%	1.43	1.37
Class A USD units			
Total operating expenses	S\$	12,337	18,188
Average net asset value	S\$	865,971	1,318,816
Expense ratio ^(Note 1)	%	1.42	1.38
Class I SGD units			
Total operating expenses	S\$	246,463	237,323
Average net asset value	S\$	26,022,556	26,400,481
Expense ratio ^(Note 1)	%	0.95	0.90
Class I USD units			
Total operating expenses	S\$	1,664	1,484
Average daily net asset value	S\$	176,221	165,568
Expense ratio ^(Note 1)	%	0.94	0.90

Turnover Ratio

		Phillip Singapore Real Estate Income Fund	
		2019	2018
Lower of total value of purchases or sales	S\$	13,870,389	38,016,899
Average daily net asset value	S\$	46,938,478	45,379,875
Total turnover ratio ^(Note 2)	%	29.55	83.77

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.

Phillip Select Fund

Important Information

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

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Given the economic and market risks, there can be no assurance that the Sub-Fund will achieve their investment objectives. Investments in the Sub-Fund are not deposits or other obligations of, or guaranteed, or insured by the Manager or the distributors or their affiliates and are subject to investment risks, including the possible loss of the full principal amount invested. Returns may be affected by, among other things, the investment strategies or objectives of the Sub-Fund and material market and economic conditions. The value of the units and the income from them can fall as well as rise. Past performance is not necessarily indicative of the future performance of the Sub-Fund.

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