

PHILLIP SELECT FUND

ANNUAL REPORT

Year ended 30 September 2020

Contents

| | Page |
|--|------|
| Directory | 1 |
| Manager's Investment Reports | 2 |
| Report to Unitholders | 4 |
| Report of the Trustee | 9 |
| Statement by the Manager | 10 |
| Independent Auditor's Report | 11 |
| Statement of Total Return | 14 |
| Statement of Financial Position | 15 |
| Statement of Movements of Unitholders' Funds | 16 |
| Statement of Portfolio | 17 |
| Notes to the Financial Statements | 20 |
| Important information | 32 |

Phillip Select Fund

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 Select Fund

Manager's Investment Report

Phillip Singapore Real Estate Income Fund

The Fund (Class I SGD) recorded a -6.09% return for the financial year ended 30 September 2020. S-Reits have generally outperformed the STI broad markets returns -17.59% during the same period. The Fund has underperformed compared to its benchmark, the SGX S-REIT Index -4.39% return. The underperformance can be attributed to underweight towards the industrial REITS segment and dragged by the Lion-SREITs ETF weakness over the same period.

For the financial year, the Fund paid out a total distribution of S\$7.35 cents, which provide a yield of 5.44% on the Fund's Net Asset Value.

As of end-September 2020, the weighted average dividend yield of the portfolio was 4.46%. The yield spread between Singapore REITs and 10-year Singapore Government Securities (at 0.89%) trades above the historical average at 357bps.

Review

In the 1st half of the financial year period, the Fund hits new highs in February 2020. After that new highs, global markets had a spike of volatility that emerged as fears of the novel coronavirus originating from China hit sentiment. In early to the middle of March 2020, Global stock markets went into the bear market territory. Volatility spiked to its highest since 2008, volatility Index which hit a high of 82.7 in March, while treasury yields hit record lows. This rout in markets was due to the fears of the spreading COVID-19 as Italy, Iran, and Korea reported a sharp spike in confirmed cases over the weekend of 22 – 23 February 2020; COVID-19 was declared a global pandemic by the World Health Organization (WHO) and the US banned travel from Europe. The oil price war between Saudi Arabia and Russia due to OPEC failing to strike a deal with its allies, led by Russia, about oil production cuts, caused oil prices to crash by more than 24% and hit multi-year lows. This double whammy of COVID-19 and depressed oil prices shook risk sentiment and the outlook for the economy. COVID-19 disrupted global supply chains and affect consumer spending, while depressed oil prices put energy and financial companies under pressure. Markets were also disappointed by the lack of concrete fiscal stimulus and insufficient monetary stimulus. Global growth and a slew of corporate earnings guidance were released, shown growth and earning cut by more than half in 1Q 2020 due to this virus.

After the knee-jerk reaction by markets, it rallied back up as fears eased, with US markets hitting record highs again on reliable economic data and better than expected earnings reports. China's move to cut tariffs on US imports by half to stimulate the economy also improved risk sentiment. Governments and central banks continue to be accommodative, with the fiscal and monetary stimulus packages running at full speed. The Fed will continue to hold rates at zero through 2022, while the European Central Bank (ECB) recently scaled up its bond-buying program by EUR600 billion to EUR1.35 trillion.

During the same period, Singapore REITs managers' portfolios continue growing. YTD REITs have raised around \$3.7 billion in equity and quasi-equity, such as perpetual securities, to finance the acquisition and secured financing at current low-interest rates. The new asset acquisitions could expect yield accretive, diversified asset classes and geographical benefits of improving their portfolio's earning resiliency. A significant merger had taken place for Capital Mall Trust and Capital Commercial Trust to form a larger Capitaland Integrated Commercial Trust.

Post Covid-19

To combat the repercussions of Covid-19, governments and central banks will continue to be accommodative, with fiscal and monetary stimulus packages running full steam, with stimulus a far more significant percentage of GDP as compared to the GFC in 2007. Covid-19 will bring considerable disruptions to the mining/ oil and gas, transportation, employment services, travel arrangements, and the leisure and hospitality sector. The key beneficiaries of a post-Covid-19 world are the technology and the healthcare sector and themes equipped for this new world. The Fund has been optimized to include allocating these beneficiaries due to their yields expected to be more sustainable than others in the new normal. These would consist of industrial and logistics REITs and healthcare REITs.

Phillip Select Fund

Singapore's official growth expectations from 2020 remain unchanged with a contraction of -5% to -7% from 2019 levels even as the economy gradually recovers from its record lows in economic activity in Q2 attributed to stringent circuit-breaker measures to contain the COVID-19 infections. The three key sectors that continue to be impacted the most are travel-related, consumer-facing domestic services, and construction.

The recovery pace mainly leads to the robust PMI data and export momentum reported in Asia in China, South Korea, and Taiwan. Despite the challenges faced this year, the outlook for S-REITS remains positive. Predicated on a continued gradual recovery in Singapore, signs of tenant demand returning to retail/ office sectors, and some positive resolution in the global control/ management of COVID-19 by early 2021. Meanwhile, valuations remain relatively cheap, and international investor positioning in Asia equity is minimal. We believe a sustained market rebound on Asia equity (including S-Reits) once uncertainty factors exhibit sustained incremental improvements.

Phillip Select Fund

Report to the Unitholders Year ended 30 September 2020

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 17 to 19.

2. Schedule of investments by asset class

| Asset Class | Fair value at 30 September 2020 S\$ | Percentage of total net assets attributable to unitholders at 30 September 2020 % |
|--|--|--|
| Real estate investment trusts | 47,239,809 | 72.78 |
| Exchange traded funds | 2,721,428 | 4.19 |
| Cash and cash equivalents | 11,941,181 | 18.40 |
| Other net assets | 3,006,398 | 4.63 |
| Net assets attributable to unitholders | <u>64,908,816</u> | <u>100.00</u> |

3. Top 10 holdings

| 10 largest holdings at 30 September 2020 | Fair value at 30 September 2020 S\$ | Percentage of total net assets attributable to unitholders at 30 September 2020 % |
|---|--|--|
| Ascendas Real Estate Investment Trust | 5,284,022 | 8.14 |
| Capitaland Mall Trust | 4,257,292 | 6.56 |
| Mapletree Logistics Trust | 4,107,395 | 6.33 |
| Mapletree Commercial Trust | 3,855,944 | 5.94 |
| Capitaland Commercial Trust | 3,247,274 | 5.00 |
| Mapletree Industrial Trust | 2,727,299 | 4.20 |
| Keppel DC REIT | 2,149,844 | 3.31 |
| Frasers Logistics & Commercial Trust | 2,097,921 | 3.23 |
| Suntec Real Estate Investment Trust | 1,821,200 | 2.81 |
| Mapletree North Asia Commercial Trust | 1,716,521 | 2.64 |

Phillip Select Fund

Report to the Unitholders Year ended 30 September 2020

3. Top 10 holdings (continued)

| 10 largest holdings at 30 September 2019 | Fair value at | Percentage of total |
|--|--------------------------|---|
| | 30 September 2019 S\$ | net assets attributable to unitholders 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 |

4. Exposure to financial derivatives as at 30 September 2020

| | Fair value as at 30 September 2020 S\$ | Percentage of total net assets attributable to unitholders as at 30 September 2020 % | Unrealised gains/(losses) S\$ | Realised gains/(losses) S\$ |
|--------------------------|--|---|-------------------------------------|-----------------------------------|
| Share purchase rights | - | - | - | 4,886 |
| Futures contracts | - | - | - | 122,925 |

**Report to the Unitholders
Year ended 30 September 2020**

5. Global exposure to financial derivatives

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

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

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

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

Please refer to Statement of Portfolio on page 17 to 19.

9. Amount and percentage of borrowings of total fund size as at 30 September 2020

Nil.

10. Amount of units created and cancelled for the financial year

| | Class A SGD S\$ | Class A USD S\$ | Class I SGD S\$ | Class I USD S\$ |
|-------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total amount of redemptions | (24,367,343) | (473,910) | (3,588,877) | - |
| Total amount of subscriptions | 37,234,132 | 360,766 | 6,277,298 | 10,620 |

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.

Phillip Select Fund

Report to the Unitholders Year ended 30 September 2020

13. Performance of Sub-Fund as at 30 September 2020

| | Class A | | Class I | | Benchmark |
|-------------------------|---------|-------|---------|-------|-----------|
| | SGD | USD | SGD | USD | |
| Cumulative (%) * | | | | | |
| 3 months | 3.49 | 7.40 | 3.62 | 7.45 | 4.22 |
| 6 months | 17.63 | 24.61 | 17.92 | 24.80 | 19.59 |
| 1 year | -6.55 | -1.60 | -6.09 | -1.32 | -4.39 |
| 3 years | 11.88 | 16.17 | 13.52 | 17.60 | 25.00 |
| 5 years | 41.59 | 51.86 | 45.03 | 55.24 | 64.90 |
| Since inception ** | 100.66 | 34.76 | 108.21 | 41.06 | 141.69 |
| | | | | | |
| Annualised (%) | | | | | |
| 1 year | -6.55 | -1.60 | -6.09 | -1.32 | -4.39 |
| 3 years | 3.81 | 5.12 | 4.32 | 5.55 | 7.72 |
| 5 years | 7.20 | 8.71 | 7.72 | 9.19 | 10.52 |
| Since inception ** | 8.01 | 4.17 | 8.45 | 5.50 | 10.26 |

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

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

14. Related party transactions

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.

**Report to the Unitholders
Year ended 30 September 2020**

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 (Cap. 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 year 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 14 to 31, 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

23 December 2020

Statement by the Manager

In the opinion of the directors of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages 14 to 31, 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 2020, 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 Select Fund will be able to meet its financial obligations as and when they materialise.

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

Jeffrey Lee Chay Khiong
Director

23 December 2020

Independent auditors' report

Unitholders

Phillip Select Fund

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Phillip Select Fund (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 September 2020, 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 14 to 31.

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 30 September 2020 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.

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

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

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.

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

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

- 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

23 December 2020

Statement of Total Return
Year ended 30 September 2020

| | Phillip Singapore Real Estate Income Fund | |
|--|--|-------------|
| Note | 2020 | 2019 |
| | S\$ | S\$ |
| Income | | |
| Dividends | 1,960,801 | 2,135,215 |
| Interest on cash and bank balances | 129 | 3,704 |
| | 1,960,930 | 2,138,919 |
| Less: | | |
| Expenses | | |
| Management fees | 527,612 | 445,429 |
| Less: Management fee rebates | (65,332) | (59,091) |
| Registrar fees | 5,394 | 4,694 |
| Trustee fees | 21,576 | 18,776 |
| Custody fees | 66,623 | 54,429 |
| Audit fee | 15,041 | 17,500 |
| Transaction fees | 177,876 | 64,357 |
| Valuation fees | 21,576 | 18,776 |
| Other expenses | 2,169 | 43,179 |
| | 772,535 | 608,049 |
| Net income | 1,188,395 | 1,530,870 |
| Net gains or losses on value of investments, financial derivatives and foreign exchange | | |
| Net (losses)/gains on investments | (4,132,583) | 6,276,403 |
| Net gains/(losses) on financial derivatives | 127,811 | (58,869) |
| Net (losses)/gains on foreign exchange | (7,949) | 652 |
| | (4,012,721) | 6,218,186 |
| Total (deficit)/return for the financial year before income tax | (2,824,326) | 7,749,056 |
| Less: Income tax | 8 (227,178) | (224,792) |
| Total (deficit)/return for the financial year after income tax before distribution | (3,051,504) | 7,524,264 |

The accompanying notes form an integral part of these financial statements

Statement of Financial Position
As at 30 September 2020

| | | Phillip Singapore Real Estate Income Fund | |
|--|-------------|--|---------------------|
| | Note | 2020 S\$ | 2019 S\$ |
| Assets | | | |
| Portfolio of investments | | 49,961,237 | 49,376,276 |
| Sales awaiting settlement | | - | 356,953 |
| Receivables | 3 | 4,172,492 | 2,401,192 |
| Cash and cash equivalents | 4 | 11,941,181 | 6,334,607 |
| Financial derivatives at fair value | 5 | - | 17,118 |
| Total assets | | 66,074,910 | 58,486,146 |
| Liabilities | | | |
| Payables | 6 | 1,166,094 | 1,270,433 |
| Purchases awaiting settlement | | - | 1,520,071 |
| Total liabilities | | 1,166,094 | 2,790,504 |
| Equity | | | |
| Net assets attributable to unitholders | | 64,908,816 | 55,695,642 |

The accompanying notes form an integral part of these financial statements

Statement of Movements of Unitholders' Funds
Year ended 30 September 2020

| | Note | Phillip Singapore Real Estate Income Fund | |
|--|-------------|--|-------------------|
| | | 2020 | 2019 |
| | | S\$ | S\$ |
| Net assets attributable to unitholders at the beginning of the financial year | | 55,695,642 | 43,940,511 |
| Operations | | | |
| Change in net assets attributable to unitholders resulting from operations | | (3,051,504) | 7,524,264 |
| Unitholders' contributions/(withdrawals) | | | |
| Creation of units | | 43,882,816 | 18,897,214 |
| Cancellation of units | | (28,430,130) | (12,014,153) |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | | 15,452,686 | 6,883,061 |
| Distributions | 9 | (3,188,008) | (2,652,194) |
| Total increases in net assets attributable to unitholders | | 9,213,174 | 11,755,131 |
| Net assets attributable to unitholders at the end of the financial year | | 64,908,816 | 55,695,642 |

The accompanying notes form an integral part of these financial statements

Statement of Portfolio
As at 30 September 2020

Phillip Singapore Real Estate Income Fund

By Geography (Primary) (continued)

| | Holdings at 30 September 2020 | Fair value at 30 September 2020 S\$ | Percentage of total net assets attributable to unitholders at 30 September 2020 % |
|--|--|---|---|
| Quoted | | | |
| AUSTRALIA | | | |
| Stockland | 189,236 | 699,878 | 1.08 |
| | | <u>699,878</u> | <u>1.08</u> |
| HONG KONG SAR | | | |
| Hui Xian Real Estate Investment Trust | 300,000 | 88,992 | 0.14 |
| Link REIT | 38,000 | 421,676 | 0.65 |
| | | <u>510,668</u> | <u>0.79</u> |
| SINGAPORE | | | |
| AIMS APAC REIT | 597,175 | 716,610 | 1.10 |
| ARA LOGOS Logistics Trust | 804,600 | 498,852 | 0.77 |
| Ascendas India Trust | 230,000 | 315,100 | 0.49 |
| Ascendas Real Estate Investment Trust | 1,630,871 | 5,284,022 | 8.14 |
| Ascott Residence Trust | 1,135,061 | 1,010,204 | 1.56 |
| Capitaland Commercial Trust | 1,980,045 | 3,247,274 | 5.00 |
| Capitaland Mall Trust | 2,205,851 | 4,257,292 | 6.56 |
| Capitaland Retail China Trust | 725,628 | 805,447 | 1.24 |
| CDL Hospitality Trusts | 728,420 | 764,841 | 1.18 |
| Cromwell European Real Estate Investment Trust | 850,000 | 659,909 | 1.02 |
| EC World Real Estate Investment Trust | 350,700 | 238,476 | 0.36 |
| ESR-REIT | 1,680,000 | 646,800 | 1.00 |
| Far East Hospitality Trust | 646,100 | 355,355 | 0.55 |
| First Real Estate Investment Trust | 326,670 | 142,101 | 0.22 |
| Frasers Centrepoint Trust | 252,905 | 604,443 | 0.93 |
| Frasers Hospitality Trust | 393,013 | 168,996 | 0.26 |
| Frasers Logistics & Commercial Trust | 1,509,296 | 2,097,921 | 3.23 |
| Keppel DC REIT | 738,778 | 2,149,844 | 3.31 |
| Keppel Pacific OAK US REIT | 1,355,000 | 1,341,011 | 2.07 |
| Keppel REIT | 1,464,694 | 1,567,223 | 2.41 |
| Lendlease Global Commercial REIT | 620,000 | 421,600 | 0.65 |
| Lion-Phillip S-REIT ETF | 919,800 | 986,945 | 1.52 |
| Lippo Malls Indonesia Retail Trust | 17 | 1 | - |
| Manulife US Real Estate Investment Trust | 935,680 | 945,179 | 1.46 |
| Mapletree Commercial Trust | 1,987,600 | 3,855,944 | 5.94 |
| Mapletree Industrial Trust | 849,626 | 2,727,299 | 4.20 |
| Mapletree Logistics Trust | 2,013,429 | 4,107,395 | 6.33 |
| Mapletree North Asia Commercial Trust | 1,835,851 | 1,716,521 | 2.64 |
| OUE Commercial Real Estate Investment Trust | 1,086,640 | 385,757 | 0.59 |
| Parkway Life Real Estate Investment Trust | 320,512 | 1,330,125 | 2.05 |
| Phillip SGX APAC Dividend Leaders REIT ETF | 1,127,600 | 1,372,289 | 2.11 |
| Prime US REIT | 350,000 | 394,164 | 0.61 |
| Soilbuild Business Space REIT | 600,000 | 300,000 | 0.46 |
| SPH REIT | 480,000 | 424,800 | 0.65 |
| Starhill Global REIT | 1,653,538 | 727,557 | 1.12 |
| Suntec Real Estate Investment Trust | 1,256,000 | 1,821,200 | 2.81 |
| | | <u>48,388,497</u> | <u>74.54</u> |

The accompanying notes form an integral part of these financial statements

Statement of Portfolio
As at 30 September 2020

Phillip Singapore Real Estate Income Fund

By Geography (Primary) (continued)

| | Holdings at 30 September 2020 | Fair value at 30 September 2020 S\$ | Percentage of total net assets attributable to unitholders at 30 September 2020 % |
|---|--|--|--|
| Quoted (continued) | | | |
| UNITED STATES OF AMERICA | | | |
| Proshares VIX Short-Term Futures ETF | 13,000 | 362,194 | 0.56 |
| | | 362,194 | 0.56 |
| Portfolio of investments | | 49,961,237 | 76.97 |
| Other net assets | | 14,947,579 | 23.03 |
| Net assets attributable to unitholders | | 64,908,816 | 100.00 |

The accompanying notes form an integral part of these financial statements

Statement of Portfolio
As at 30 September 2020

Phillip Singapore Real Estate Income Fund

By Geography (Summary)

| | Fair value at 30 September 2020 S\$ | Percentage of total net assets attributable to unitholders at 30 September 2020 % | Percentage of total net assets attributable to unitholders at 30 September 2019 % |
|--|--|---|---|
| Quoted | | | |
| Australia | 699,878 | 1.08 | 1.44 |
| Hong Kong SAR | 510,668 | 0.79 | 0.33 |
| Singapore | 48,388,497 | 74.54 | 86.88 |
| United States of America | 362,194 | 0.56 | - |
| Portfolio of investments | 49,961,237 | 76.97 | 88.65 |
| Other net assets | 14,947,579 | 23.03 | 11.35 |
| Net assets attributable to unit holders | <u>64,908,816</u> | <u>100.00</u> | <u>100.00</u> |

Phillip Singapore Real Estate Income Fund

By Industry (Secondary)

| | Fair value at 30 September 2020 S\$ | Percentage of total net assets attributable to unitholders at 30 September 2020 % | Percentage of total net assets attributable to unitholders at 30 September 2019 % |
|--|--|---|---|
| Real Estate Investment Trust* | 49,599,043 | 76.41 | 88.65 |
| Financial | 362,194 | 0.56 | - |
| Portfolio of investments | 49,961,237 | 76.97 | 88.65 |
| Other net assets | 14,947,579 | 23.03 | 11.35 |
| Net assets attributable to unit holders | <u>64,908,816</u> | <u>100.00</u> | <u>100.00</u> |

* A trust or company is defined as a Real Estate Investments Trusts, if such trust's or company's business sector is classified as "Residential and Commercial REITs" under the Thomson Reuters Business Classification.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

1 General

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 SGX S-REIT Index.

2 Significant accounting policies

2.1 Basis of preparation

The financial statements, expressed in Singapore Dollars ("S\$"), 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 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 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 the 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 in fair value therein are recognised in the Statement of Total Return.

2.4 *Recognition of income*

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

Interest income is recognised as it accrues in the Statement 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. The exchange differences pertaining to investments and other monetary assets and liabilities denominated in foreign currencies are recognized in “net (losses)/gains on investments” and “net (losses)/gains on foreign exchange” respectively in the Statement of Total Return.

2.6 *Income tax expense*

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

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

2.7 *Cash and cash equivalents*

Cash and cash equivalents comprise 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 Singapore Real Estate Income Fund | |
|---|--|------------------|
| | 2020 | 2019 |
| | S\$ | S\$ |
| Receivable from unitholders for creation of units | 4,170,765 | 2,297,965 |
| Dividends receivable | - | 62,457 |
| Other receivables | 1,727 | 40,770 |
| | 4,172,492 | 2,401,192 |

4 Cash and cash equivalents

| | Phillip Singapore Real Estate Income Fund | |
|--------------------------|--|------------------|
| | 2020 | 2019 |
| | S\$ | S\$ |
| Cash and bank balances | 11,421,726 | 6,161,096 |
| Amount held with brokers | 519,455 | 173,511 |
| | 11,941,181 | 6,334,607 |

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 and there was no open position for year end 30 September 2020. The contract or underlying principal amounts of these financial derivatives and their corresponding gross fair values at the reporting date are analysed below:

| | Notional amount | Fair value assets |
|--|------------------------|--------------------------|
| Phillip Singapore Real Estate Income Fund | S\$ | S\$ |
| 2020 | | |
| Share purchase rights | - | - |
| | - | - |
| 2019 | | |
| Share purchase rights | 207,584 | 17,118 |
| | 207,584 | 17,118 |

6 Payables

| | Phillip Singapore Real Estate Income Fund | |
|---|--|------------------|
| | 2020 | 2019 |
| | S\$ | S\$ |
| Payable to unitholders for cancellation of units | 154,866 | 184,897 |
| Distribution payable in respect of final distribution | 901,732 | 986,383 |
| Management fee payable | 50,830 | 44,422 |
| Other payables and accrued expenses | 58,666 | 54,731 |
| | <u>1,166,094</u> | <u>1,270,433</u> |

7 Units in issue

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

| | Phillip Singapore Real Estate Income Fund | |
|--|--|-------------------|
| | 2020 | 2019 |
| Class A SGD Units | | |
| Units at beginning of the year | 19,472,397 | 13,868,449 |
| Units created | 29,059,863 | 10,954,505 |
| Units cancelled | (18,791,153) | (5,350,557) |
| Units at end of the year | <u>29,741,107</u> | <u>19,472,397</u> |
| Net assets attributable to unitholders - S\$ | 37,830,075 | 28,066,759 |
| Net asset value per unit - S\$ | <u>1.2719</u> | <u>1.4413</u> |
| Class A USD Units | | |
| Units at beginning of the year | 668,289 | 616,538 |
| Units created | 272,719 | 93,954 |
| Units cancelled | (374,846) | (42,203) |
| Units at end of the year | <u>566,162</u> | <u>668,289</u> |
| Net assets attributable to unitholders - S\$ | 711,737 | 952,591 |
| Net asset value per unit - S\$ | <u>1.2571</u> | <u>1.4254</u> |
| Class I SGD Units | | |
| Units at beginning of the year | 17,669,527 | 18,479,448 |
| Units created | 4,558,145 | 2,448,259 |
| Units cancelled | (2,573,887) | (3,258,180) |
| Units at end of the year | <u>19,653,785</u> | <u>17,669,527</u> |
| Net assets attributable to unitholders - S\$ | 26,186,785 | 26,484,894 |
| Net asset value per unit - S\$ | <u>1.3324</u> | <u>1.4989</u> |

| | Phillip Singapore Real Estate Income Fund | |
|--|--|-------------|
| | 2020 | 2019 |
| Class I USD Units | | |
| Units at beginning of the year | 127,589 | 121,597 |
| Units created | 7,555 | 5,992 |
| Units cancelled | - | - |
| Units at end of the year | 135,144 | 127,589 |
| Net assets attributable to unitholders - S\$ | 180,219 | 191,398 |
| Net asset value per unit - S\$ | 1.3335 | 1.5001 |

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 | |
|--|--|-------------|
| | 2020 | 2019 |
| | S\$ | S\$ |
| Class A SGD Units | | |
| Net assets attributable to unitholders per unit per the financial statements | 1.2719 | 1.4413 |
| Effects of distribution per unit | 0.0180 | 0.0260 |
| Net assets attributable to unitholders per unit for issuing/redeeming units | 1.2899 | 1.4673 |
| Class A USD Units | | |
| Net assets attributable to unitholders per unit per the financial statements | 1.2571 | 1.4254 |
| Effects of distribution per unit | 0.0180 | 0.0260 |
| Net assets attributable to unitholders per unit for issuing/redeeming units | 1.2751 | 1.4514 |
| Class I SGD Units | | |
| Net assets attributable to unitholders per unit per the financial statements | 1.3324 | 1.4989 |
| Effects of distribution per unit | 0.0180 | 0.0260 |
| Net assets attributable to unitholders per unit for issuing/redeeming units | 1.3504 | 1.5249 |

| | Phillip Singapore Real Estate Income Fund | |
|--|--|-------------|
| | 2020 | 2019 |
| | S\$ | S\$ |
| Class I USD Units | | |
| Net assets attributable to unitholders per unit per the financial statements | 1.3335 | 1.5001 |
| Effects of distribution per unit | 0.0180 | 0.0260 |
| Net assets attributable to unitholders per unit for issuing/redeeming units | 1.3515 | 1.5261 |

8 Income tax

| | Phillip Singapore Real Estate Income Fund | |
|----------------------|--|-------------|
| | 2020 | 2019 |
| | S\$ | S\$ |
| Singapore income tax | 219,286 | 218,514 |
| Overseas income tax | 7,892 | 6,278 |
| | 227,178 | 224,792 |

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

9 Distributions

Phillip Singapore Real Estate Income Fund

| | 2020 |
|--|-------------|
| | S\$ |
| Interim (2.00 cents per unit based on units outstanding as at 31 December 2019) | 765,767 |
| Interim (1.45 cents per unit based on units outstanding as at 30 March 2020) | 597,360 |
| Interim (2.10 cents per unit based on units outstanding as at 30 June 2020) | 923,149 |
| Interim (1.80 cents per unit based on units outstanding as at 30 September 2020) | 901,732 |
| | 3,188,008 |
| | 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 |

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

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 the 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 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 | |
|-------------------------|--|-------------|
| | 2020 | 2019 |
| | S\$ | S\$ |
| Portfolio of investment | 4,996,124 | 4,937,628 |

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:

| 2020 | USD S\$ | AUD S\$ | EUR S\$ | CNY S\$ | HKD S\$ |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Assets | | | | | |
| Portfolio of investments | 3,042,548 | 699,878 | 659,909 | 88,992 | 421,676 |
| Cash and cash equivalents | 197,429 | 29 | - | - | - |
| Receivables | 683 | - | - | - | - |
| | <u>3,240,660</u> | <u>699,907</u> | <u>659,909</u> | <u>88,992</u> | <u>421,676</u> |
| Net currency exposure | <u>3,240,660</u> | <u>699,907</u> | <u>659,909</u> | <u>88,992</u> | <u>421,676</u> |
| | | | | | |
| 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> | |

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 2020 and 2019, with respect to the monetary assets of the Sub-Fund, had the Singapore Dollar appreciated/depreciated by 10% (2019: 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 their 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 | |
|-------------------------------|--|-------------|
| | 2020 | 2019 |
| | S\$ | S\$ |
| Less than 3 months | | |
| Payables | 1,166,094 | 1,270,433 |
| Purchases awaiting settlement | - | 1,520,071 |
| | 1,166,094 | 2,790,504 |

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 publicly traded 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 the last traded price; the appropriate quoted market price for financial liabilities is the 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 position, 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 2020 and 2019:

**Phillip Singapore Real Estate
Income Fund**

| | Level 1 S\$ | Level 2 S\$ | Level 3 S\$ | Total S\$ |
|-------------------------------------|-------------------|----------------|----------------|-------------------|
| 2020 | | | | |
| Assets | | | | |
| Portfolio of investments | | | | |
| - Quoted equities | 49,961,237 | - | - | 49,961,237 |
| | 49,961,237 | - | - | 49,961,237 |
| 2019 | | | | |
| Assets | | | | |
| Portfolio of investments | | | | |
| - Quoted equities | 49,376,276 | - | - | 49,376,276 |
| Financial derivatives at fair value | - | 17,118 | - | 17,118 |
| | 49,376,276 | 17,118 | - | 49,393,394 |

Investments 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.

Except for cash and bank balances which are classified as level 1, the Fund's assets and liabilities not measured at fair value at 30 September 2019 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the Statement of Financial Position date.

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

11 Related party transactions

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 also provided custodian, banking, foreign exchange, fund administration and brokerage services to the Sub-Fund in the normal course of business at terms agreed between the parties and within the provisions of the Trust Deed.

The Manager may also use the services of related parties to carry out transactions involving the purchase and sales 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 | |
|---|--|-------------|
| | 2020 | 2019 |
| | S\$ | S\$ |
| Brokerage fees paid to: | | |
| - a related party of the Manager | 23,765 | 15,879 |
| - a related party of the Trustee | 832 | 4,973 |
| Valuation fees paid to a related party of the Trustee | 21,576 | 18,776 |
| Interest income received from/(interest expense paid to): | | |
| - a related party of the Trustee | 129 | 3,704 |
| - a related party of the Trustee | (784) | (9) |
| Bank balances held with related parties of the Trustee | 11,421,726 | 6,161,096 |

12 Financial ratios

| | | Phillip Singapore Real Estate Income Fund | |
|--|-----|--|-------------|
| | | 2020 | 2019 |
| Expense ratio | | | |
| Class A SGD units | | | |
| Total operating expenses | S\$ | 354,250 | 283,219 |
| Average daily net asset value | S\$ | 26,452,897 | 19,873,729 |
| Expense ratio ^(Note 1) | % | 1.34 | 1.43 |
| Class A USD units | | | |
| Total operating expenses | S\$ | 12,564 | 12,337 |
| Average daily net asset value | S\$ | 949,429 | 865,971 |
| Expense ratio ¹ | % | 1.32 | 1.42 |
| Class I SGD units | | | |
| Total operating expenses | S\$ | 225,488 | 246,463 |
| Average daily net asset value | S\$ | 26,451,774 | 26,022,556 |
| Expense ratio ¹ | % | 0.85 | 0.95 |
| Class I USD units | | | |
| Total operating expenses | S\$ | 1,573 | 1,664 |
| Average daily net asset value | S\$ | 184,496 | 176,221 |
| Expense ratio ¹ | % | 0.85 | 0.94 |
| Turnover ratio | | | |
| Lower total value of purchase or sales | S\$ | 26,819,990 | 13,870,389 |
| Average daily net asset value | S\$ | 54,038,596 | 46,938,478 |
| Turnover ratio ² | % | 49.63 | 29.55 |

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was 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 fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio is based on the lower of the total value of purchases or sales of the underlying investments divided by the average daily net asset value.

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.

This document is published by Phillip Capital Management (S) Ltd, the manager of the Fund (the "Manager"), for information only and it does not constitute a prospectus nor form part of any offer or invitation to subscribe for or to purchase, or solicitation of any offer to subscribe for or to purchase, any units in the Sub-Fund. All applications for units in the Sub-Fund must be made on the application forms accompanying the latest prospectus of the Fund (the "Prospectus").

The information and opinions contained in this document have been obtained from public sources which the Manager believes to be reliable and accurate. However, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information and it should not be relied upon as such. Opinions included herein constitute the judgement of the Manager at the time specified and may be subject to change without notice, they are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient and are not intended to provide the sole basis of evaluation of any investment. Neither the Manager nor the Fund, nor any of their respective associates, directors, officers or employees, accepts any liability whatsoever for any loss arising directly or indirectly from any use of this document or any information contained herein.

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.

This document should not be taken as a recommendation to buy or sell since it does not take into account the specific investment objectives, financial situation and the particular needs of any particular recipient of this document. Investors should seek advice from a financial advisor before purchasing units in the Sub-Fund. In any case, investors should read the Prospectus and consider the risks as well as suitability of the Sub-Fund before deciding whether to subscribe for units in the Sub-Fund. Copies of the Prospectus are available and may be obtained from the Manager.