

Phillip Universal Funds

Annual Report

Period from 24 February 2021 (inception date) to
31 December 2021



Phillip Capital Management

(A member of PhillipCapital)

Contents

	Page
Directory	2
Manager's Investment Report	3
Report to Unitholders	4
Report of the Trustee	10
Statement by the Manager	11
Independent auditors' report	12
FINANCIAL STATEMENTS	
Statement of Total Return	FS1
Statement of Financial Position	FS2
Statement of Movement in Unitholders' Funds	FS3
Statement of Portfolio	FS4
Notes to the Financial Statements	FS7
Important Information	FS14

PHILLIP UNIVERSAL FUNDS

MANAGER

Phillip Capital Management (S) Ltd
250 North Bridge Road
#06-00 Raffles City Tower
Singapore 179101
(Company Registration Number: 199905233W)

DIRECTORS OF THE MANAGER

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

TRUSTEE

Citicorp Trustee (Singapore) Limited
5 Changi Business Park Crescent Level 5
Singapore 486027
(Company Registration Number: 199604601H)

CUSTODIAN

Citibank, N.A., Singapore Branch
5 Changi Business Park Crescent Level 5
Singapore 486027

AUDITORS

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

SOLICITORS TO THE MANAGER

Allen & Gledhill LLP
One Marina Boulevard
#28-00
Singapore 018989

SOLICITORS TO THE TRUSTEE

Shook Lin & Bok LLP
1 Robinson Road
#18-00
AIA Tower
Singapore 048542

Manager's Investment Report

The Phillip Global Quality Fund delivered a positive performance as at End-December 2021, since its inception in late February 2021. The "SGD Dis" class was up 20.8% while the "SGD Hedged Dis" class was up 17.5%.

2021 has seen a strong global economic recovery, albeit from a low base the previous year due to Covid-19 lockdowns. Global vaccination programs have enabled phased reopening, even though the emergence of new variants – first the Delta variant from India in early 2021, and then the Omicron variant from southern Africa in late 2021. It is also worth noting though, that this recovery has been uneven in several ways, for example in the relative performance of more developed and developing countries. The second half of 2021 has also seen inflation becoming a significant concern globally. Today's inflation is partly driven by supply-side factors, and the Omicron variant has further disrupted supply chains and contributed to labour shortages.

Looking forward, the tide of accommodative monetary policy has likely changed with the rise of persistent inflation and a strong US economy, with the US Federal Reserve looking to taper its quantitative easing program and to start raising interest rates. We believe we are looking at a year of transition in terms of Fed monetary policy, on whether inflation would prove persistent, and on signs of a mid-cycle correction in the stock markets.

The Fund is a feeder fund into the GMO Quality Investment Fund domiciled in Ireland, which seeks to invest primarily in quality global stocks. Quality stocks are described as companies with high and stable profitability, and with strong balance sheets. The stocks are also picked with an eye on valuation. Currently, with valuations at high levels while the US Federal Reserve looks to be embarked on a rate hike cycle, some are concerned about the prospective returns for equities. We are confident that prudence and staying invested in quality stocks will position us well to ride out the volatility in 2022, given that based on their track record they have an ability to keep profit margins intact and also a capacity for riding out economic volatility.

Report to Unitholders
 Period ended 31 December 2021

a) I Investments classified by geography

	Fair Value at 31/12/2021 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2021 %
Singapore	19,743,507	97.68
Portfolio of investments	19,743,507	97.68
Other net assets	468,126	2.32
Net assets attributable to unitholders	20,211,633	100.00

i
 II Investments classified by industry

	Fair Value at 31/12/2021 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2021 %
Funds	19,743,507	97.68
Portfolio of investments	19,743,507	97.68
Other net assets	468,126	2.32
Net assets attributable to unitholders	20,211,633	100.00

i
III Investments classified by asset class

	Fair Value at 31/12/2021 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2021 %
Investment funds	19,743,507	97.68
Portfolio of investments	19,743,507	97.68
Other net assets	468,126	2.32
Net assets attributable to unitholders	<u>20,211,633</u>	<u>100.00</u>

b) **Top Ten Holdings**

<u>10 Largest Holdings at 31 December 2021</u>	Fair Value at 31/12/2021 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2021 %
GMO Quality Investment Fund - Class ZH	16,234,745	80.32
GMO Quality Investment Fund - Class Z	3,508,762	17.36

- c) (i) Exposure to Derivatives as at 31 December 2021.
Nil
- c) (ii) Gain on derivative contracts realised for the year ended 31 December 2021
Nil
- c) (iii) Loss on outstanding derivative contracts marked to market as at 31 December 2021
Nil

- d) Description of the method used to calculate the global exposure of financial derivatives

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

- (i) the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;
 - (ii) the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
 - (iii) the sum of the values of cash collateral received pursuant to:
 - (a) the reduction of exposure to counterparties of OTC financial derivatives; and
 - (b) efficient portfolio management techniques relating to securities lending and repurchase transactions, and that are reinvested.
- e) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 31 December 2021.

Please refer to Statement of Portfolio on pages FS4 to FS6

- f) Amount and percentage of borrowings of total fund size as at 31 December 2021.
Nil
- g) Amount of redemptions and subscriptions for the period from 24 February 2021 (inception date) to 31 December 2021.

Total amount of redemptions	S\$ 2,988,879
Total amount of subscriptions	S\$ 20,786,572
- h) Amount of related party transactions for the period from 24 February 2021 (inception date) to 31 December 2021.

Bank balances held with a related party of the Trustee	S\$ 552,616
--	-------------

i) **Performance of the Fund as at 31 December 2021**

	Class Dis	Class Hedged Dis
	SGD	SGD
Cumulative (%)*		
3 months	7.73	7.57
6 months	8.26	7.03
Since inception	21.84	18.52
Annualised (%)		
Since inception	26.28	22.23

*Returns are in Singapore dollar calculated on a bid-to-bid basis, with net dividends reinvested. Source: Bloomberg

Inception dates for Class SGD Dis and Class SGD Hedged Dis were 24 February 2021.

j) **Expense Ratio**

Please refer to Note 8 of Notes to Financial Statements.

k) **Turnover Ratio**

Please refer to Note 8 of Notes to Financial Statements.

l) Any material information that will adversely impact the valuation of the scheme such as contingent liabilities of open contracts.

Nil

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

(i) Top 10 holdings at market value and as percentage of NAV as at 31 December 2021

<u>10 Largest Holdings at 31 December 2021</u>	Fair Value at 31/12/2021 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2021 %
Microsoft Corp	35,787,183	6.5
UnitedHealth Group Inc	28,627,286	5.2
Apple Inc	26,462,999	4.8
Coca-Cola Co/The	21,303,419	3.9
Alphabet Inc	21,181,499	3.8
Accenture PLC	19,689,187	3.6
Lam Research Corp	19,492,242	3.5
US Bancorp	19,207,113	3.5

<u>10 Largest Holdings at 31 December 2021</u>	Fair Value at 31/12/2021 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2021 %
Oracle Corp	18,717,253	3.4
Taiwan Semiconductor Manufacturing Co Ltd	18,469,541	3.4

- (ii) Expense ratios for the period ended 31 December 2021.

		2021
Class SGD Z		
Total operating expenses	S\$	7,083
Average daily net asset value	S\$	3,303,874
Expense ratio* (annualised)	%	0.07
Class SGD SGZH		
Total operating expenses	S\$	1,933
Average daily net asset value	S\$	12,295,449
Expense ratio* (annualised)	%	0.07

*Please note that the 40bps management fee per the IMA and Fee Schedule is charged outside of the Fund and not included in the above

- (iii) Turnover ratios for the period ended 31 December 2021.

		2021
Lower of total value of purchases or sales	S\$	115,582,244
Average daily net asset value	S\$	483,358,818
Turnover ratio	%	<u>23.90</u>

- n) Soft dollar 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.

PHILLIP UNIVERSAL FUNDS

The Manager does 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 account of clients' funds.

Report of the Trustee

The Trustee is under a duty to take into custody and hold the assets of Phillip Universal Funds in trust for the unitholders. In accordance with the Securities and Futures Act 2001, 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 Universal Funds during the period covered by these financial statements, set out on pages FS1 to FS13, 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
Citicorp Trustee (Singapore) Limited

Authorised signatory

30 March 2022

Statement by the Manager

In the opinion of the directors of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages FS1 to FS13, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and portfolio holdings of Phillip Universal Funds as at 31 December 2021, and the financial performance and movement in unitholders' funds for the period from 24 February 2021 (date of inception) to 31 December 2021 in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "*Reporting Framework for Investment Funds*" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that Phillip Universal Funds will be able to meet its financial obligations as and when they materialise.

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

Jeffrey Lee Chay Khiong
Director

30 March 2022

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

Independent auditors' report

Unitholders
Phillip Universal Funds
(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 Universal Funds ('the Fund'), which comprise the Statements of Financial Position and Statements of Portfolio as at 31 December 2021, the Statements of Total Return and Statement of Movement of Unitholders' Funds for the period from 24 February 2021 (date of inception) to 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS13.

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 Investment Funds*" ("RAP 7") issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 31 December 2021 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 *Auditor's 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 representation of these financial statements in accordance with the recommendations of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" issued by the Institute of Singapore Chartered Accountants, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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

30 March 2022

Statement of Total Return
Period from 24 February 2021 (inception date) to 31 December 2021

	Global Quality Fund 2021 S\$
Expenses	
Management fees	204,903
Trustee fees	5,236
Custody fees	4,607
Administration fees	5,236
Registrar fees	30,180
Audit fees	15,000
Establishment costs	36,000
Other expenses	47,214
	348,376
Net loss	(348,376)
Net gains or losses on value of investments and financial derivatives	
Net gains on investments	2,762,316
	2,762,316
Total return for the period before income tax	2,413,940
Income tax expense	-
Total return for the period after income tax before distribution	2,413,940

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

Statement of Financial Position
As at 31 December 2021

	Note	Global Quality Fund 2021 S\$
Assets		
Portfolio of investments		19,743,507
Cash and cash equivalents	3	<u>552,616</u>
Total assets		<u><u>20,296,123</u></u>
Liability		
Payables	4	<u>84,490</u>
Total liability		<u><u>84,490</u></u>
Equity		
Net assets attributable to unitholders	5	<u><u>20,211,633</u></u>

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

Statement of Movement of Unitholders' Funds
Period from 24 February 2021 (inception date) to 31 December 2021

	Note	Global Quality Fund 2021 S\$
Net assets attributable to unitholders at the beginning of financial period		-
Operations		
Change in net assets attributable to unitholders resulting from operations		2,413,940
Unitholders' contributions/(withdrawals)		
Creation of units		20,786,572
Cancellation of units		(2,988,879)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		17,797,693
Total increase in net assets attributable to unitholders		20,211,633
Net assets attributable to unitholders at the end of financial period	5	20,211,633

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

Statement of Portfolio
As at 31 December 2021

	Holdings as at 31/12/2021	Fair value as at 31/12/2021 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2021 %
Global Quality Fund			
By Geography (Primary)			
Investment Funds			
SINGAPORE			
GMO Quality Investment Fund - Class Z	140,858	3,508,762	17.36
GMO Quality Investment Fund - Class ZH	665,904	16,234,745	80.32
		19,743,507	97.68
Portfolio of investments		19,743,507	97.68
Other net assets		468,126	2.32
Net assets attributable to unitholders		20,211,633	100.00

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

Statement of Portfolio
As at 31 December 2021

	Fair value as at 31/12/2021 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2021 %
Global Quality Fund		
By Geography (Summary)		
Investment Funds		
Singapore	19,743,507	97.68
Portfolio of investments	19,743,507	97.68
Other net assets	468,126	2.32
Net assets attributable to unitholders	20,211,633	100.00

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

Statement of Portfolio
As at 31 December 2021

	Fair value as at 31/12/2021 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2021 %
Global Quality Fund		
By Industry (Secondary)		
Investment Funds		
Equity Funds	19,743,507	97.68
Portfolio of investments	19,743,507	97.68
Other net assets	468,126	2.32
Net assets attributable to unitholders	20,211,633	100.00

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

1. Domicile and activities

Phillip Universal Funds (“the Fund”) is an open ended umbrella unit trust constituted pursuant to a Trust Deed dated 23 November 2020 together with its Supplemental Deeds thereon (hereafter referred to as the “Trust Deed”) between Phillip Capital Management (S) Ltd (the “Manager”) and Citicorp Trustee (Singapore) Limited (the “Trustee”). The Trust Deed is governed by and construed in accordance with the laws of the Republic of Singapore.

The Fund comprises one sub-fund, Phillip Global Quality Fund (the “Sub-Fund”), which was launched on 24 February 2021.

The investment objective of the Sub-Fund is to seek medium to long term total return for the investors. The Sub-Fund will invest all or substantially all of its assets in the GMO Underlying Fund.

2. Significant accounting policies

2.1 Basis of financial statements preparation

The financial statements, expressed in Singapore Dollars, have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the *Statement of Recommended Accounting Practice 7 “Reporting Framework for Investment Funds”* revised and issued by the Institute of Singapore Chartered Accountants.

The Fund has adopted the recommendations of revised RAP 7 (revised July 2020) issued by the Institute of Singapore Chartered Accountants effective for the financial year beginning 1 July 2020. The adoption of the Revised RAP 7 did not result in any significant changes to the accounting policies of the Trust and had no material effect on the amounts reported for current 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 2001 (“Code”) respectively.

2.2 *Basis of valuation of investments*

Quoted investments are stated at fair value based on the last traded prices for equities and bid prices for debt securities at the reporting date. If there is no last bid price, the fair value is determined using valuation techniques that are commonly used by market participants. Unrealised gains/losses on investments are represented by the difference between the fair value and the carrying value of investments and are recognised in the Statements of Total Return. Realised gains and losses upon disposal of investments are computed on the basis of the difference between the carrying value and the selling price of investments on trade date and are taken to the Statements of Total Return.

2.3 *Recognition of income*

Dividend income is recognised in the Statement of Total Return on the date which the sub-fund's right to receive payment is established.

2.4 *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.

2.5 *Income tax expense*

The Sub-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.

2.6 *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.

2.7 *Net assets attributable to unitholders*

Net assets attributable to unitholders are classified as equity.

3. Cash and cash equivalents

	Global Quality Fund 2021 S\$
Bank balances	552,616

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

4. Payables

	Global Quality Fund 2021 S\$
Payable to unitholders for cancellation of units	22,764
Accrued operating expenses	61,726
	84,490

5. Units in issue

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

	Global Quality Fund 2021		
	Class Dis	Class Hedged Dis	Total
	SGD	SGD	SGD
Units at beginning of the financial period	-	-	-
Units created	3,796,206	15,819,343	19,615,549
Units cancelled	(860,819)	(1,761,209)	(2,622,028)
Units at end of the financial period	2,935,387	14,058,134	16,993,521
Net assets attributable to unitholders – S\$	3,571,780	16,639,853	20,211,633
Net asset value per unit – S\$	1.2168	1.1836	1.1894

Class Dis and Hedged Dis SGD Units are offered to investors who invest S\$1,000 and above. All classes constitute the Sub-Fund and are not separate sub-funds. Any expense, income and/or gain which is attributable to a particular class is deducted from or added to (as the case may be) the value of the sub-fund which is attributable to that class. A separate net asset value per unit is calculated for each class.

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

6. Financial risk management

The Sub-Fund's activities expose it 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. Specific guidelines on exposures to individual securities and certain industries are in place for the Sub-Fund at any time as part of the overall financial risk management to reduce the Sub-Fund's 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 equities or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The investments of the Sub-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 to mitigate the volatility arising from price risk

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

	Global Quality Fund 2021 S\$
<u>Portfolio of investments:</u>	
Investment funds	<u>1,974,351</u>

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 the Sub-Fund's financial assets and liabilities are largely non-interest bearing other than the cash and cash equivalents.

iii. Currency risk

The Sub-Fund is denominated in Singapore Dollars. The Sub-Fund is not exposed to currency risk arising from balances and transactions in foreign currencies as its assets and liabilities are denominated in Singapore Dollars, the Sub-Fund's functional and presentation currency.

b) *Liquidity risk*

The Sub-Fund is exposed to daily redemption of units in the Sub-Fund. Therefore the majority of its assets are invested in investments that are traded in an active market and can be readily disposed of.

c) *Credit risk*

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

The Sub-Fund is exposed to counterparty credit risk on trading derivative products, cash and bank balances 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 once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. 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, including foreign exchange forward contracts and options. 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) *Capital management*

The Sub-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Sub-Fund's objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

e) *Fair value estimation*

Except for investments which are measured at fair value, at 31 December 2021, the fair values of the other assets and liabilities approximate their carrying values on the Statement of Financial Position due to their short period to maturity.

The fair value of the investments 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 investments held by the Sub-fund are the last traded price for equity securities where the last traded price falls within the bid-ask spread.

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 31 December 2021:

Global Quality Fund	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
2021				
Assets				
Investment funds	19,743,507	-	-	19,743,507

7. Related parties

In the normal course of business of the Sub-Fund, management and performance fees and trustee fees have been paid or are payable to the Manager and the Trustee respectively as noted in the Statement of Total Return.

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

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

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:

	Note	Global Quality Fund 2021 S\$
Bank balances held with a related party of the Trustee	3	552,616

8. Financial ratios

	Global Quality Fund 2021
Expense ratio	
Class SGD Dis	
Total operating expenses	S\$ 72,852
Average daily net asset value	S\$ 3,365,829
Expense ratio (annualised) ^(Note 1)	% 2.61
Class SGD Hedged Dis	
Total operating expenses	S\$ 275,524
Average daily net asset value	S\$ 12,661,616
Expense ratio (annualised) ^(Note 1)	% 2.62

		Global Quality Fund 2021
Turnover ratio		
Lower of total value of purchases or sales	S\$	5,061,800
Average daily net asset value	S\$	16,027,444
Turnover ratio ^(Note 2)	%	31.58

Note 1: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). Feeder funds typically invest substantially all of their assets in a single fund or a small number of designated funds which are managed by companies affiliated to the Manager.

Annualised expense ratio of the parent-fund should be added to the annualised expense ratio of the Singapore feeder fund less any rebates of management fees and commissions received from the parent-fund during the reporting period, and;

Expense ratio of the feeder funds minus any rebates of management fees and commissions received from the target funds during the reporting period. 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.

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 purchases (or sales) of the underlying investments expressed as a percentage of average daily net asset value. The total value of purchase (or sales) do not include brokerage and other transaction costs.

9. Comparative Information

No comparative figures are presented as this is the first set of financial statements prepared by the Fund since its launch.

Important Information

Phillip Global Quality Fund (the “Sub-Fund”) is a sub-fund of Phillip Universal Funds (the “Fund”), an 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 its 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.

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