

PHILLIP LEGACY FUNDS

ANNUAL REPORT

For the financial period from 24 September 2018 (date of constitution) to 31 December 2019

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DIRECTORY

MANAGER

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

DIRECTORS OF THE MANAGER

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

TRUSTEE & REGISTRAR

HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay
#13-02 HSBC Building
Singapore 049320
(Company Registration Number: 194900022R)

CUSTODIAN

The Hongkong & Shanghai Banking Corporation Limited
1 Queen's Road
Central
Hong Kong

AUDITORS

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

SOLICITORS TO THE MANAGER

Simmons & Simmons JWS Pte Ltd
168 Robinson Rd
#11-01 Capital Tower
Singapore 068912

SOLICITORS TO THE TRUSTEE

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

PHILLIP LEGACY FUNDS

MANAGER'S INVESTMENT REPORT

1. The Fund

The investment objective of the Fund is to replicate as closely as possible, before fees and expenses, the performance of the Morningstar® Singapore Yield Focus Tilt 30 IndexSM. (the "Index"). The Index tracks the performance of Singapore high dividend securities with a weighting emphasis on quality and financial health. The Manager employs a "passive management" or indexing investment approach designed to track the performance of the Index, by investing substantially all of the Fund's assets in index constituents in substantially the same weightings as reflected in the Index and aims to deliver an investment performance which closely corresponds to the performance of the Index.

Details of the fund

| | |
|---|---|
| | S\$ |
| NAV per share (31 December 2019) | 1.117 |
| Net Assets Attributable to unitholders (31 December 2019) | 49,364,790 |
| Fund Currency | Singapore Dollars |
| Listing Date on SGX-ST | 24 September 2018 |
| Stock code on SGX-ST | OVQ for PHIL SING INC Singapore Dollars |

The Fund is classified as an Excluded Investment Product (EIP).

2. Distribution of Investments

Please refer to Statement of Portfolio on FS4-6.

3. Schedule of Investments by Asset Class

| Asset Class | Fair Value at 31 December 2019 US\$ | Percentage of Total Net Assets Attributable to Unitholders at 31 December 2019 % |
|---|--|---|
| Quoted Equities | 48,943,843 | 99.15 |
| Cash and cash equivalents | 362,516 | 0.73 |
| Other net assets | 58,431 | 0.12 |
| Net assets attributable to unitholders | 49,364,790 | 100.00 |

PHILLIP LEGACY FUNDS

MANAGER'S INVESTMENT REPORT (continued)

4. Top 10 Holdings

10 largest holdings at 31 December 2019

| | Fair Value at 31 December 2019 S\$ | Percentage of Total Net Assets Attributable to Unitholders at 31 December 2019 % |
|--|---|---|
| DBS Group Holdings Limited | 5,016,553 | 10.16 |
| Overseas-Chinese Banking Corporation Limited | 4,842,613 | 9.81 |
| United Overseas Bank Limited | 4,804,558 | 9.73 |
| Singapore Telecommunications Limited | 4,690,359 | 9.50 |
| Capitaland Commercial Trust | 4,510,840 | 9.14 |
| Genting Singapore Limited | 3,995,032 | 8.09 |
| Singapore Exchange Limited | 3,796,705 | 7.69 |
| SATS Limited | 2,650,585 | 5.37 |
| Singapore Technologies Engineering Limited | 2,646,521 | 5.36 |
| CapitaLand Mall Trust REIT | 2,011,011 | 4.07 |

5. (i) Exposure to financial derivatives as at 31 December 2019

Nil.

(ii) Net gain on derivative contracts realised for the period ended 31 December 2019

S\$2,486

(iii) Net gains/(losses) on outstanding derivative contracts marked to market as at 31 December 2019

Nil.

(iv) 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 is calculated as the sum of:

- (a) the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;
- (b) the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements;
- (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) efficient portfolio management techniques relating to securities lending and repurchase transactions,and that are reinvested.

PHILLIP LEGACY FUNDS

MANAGER'S INVESTMENT REPORT (continued)

6. Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 31 December 2019

| | S\$ | % |
|------------------------------|------------|-------|
| Real Estate Investment Trust | 12,634,060 | 25.59 |

7. Amount and percentage of borrowings of total fund size as at 31 December 2019

Nil.

8. Amount of units created and cancelled for the period ended 31 December 2019

| | |
|-------------------------------|----------------|
| Total amount of subscriptions | S\$ 70,713,200 |
| Total amount of redemptions | (27,168,700) |

9. Distribution

| | |
|--|-------------|
| Interim (2 cents per unit based on units outstanding as at 26 June 2019) | S\$ 950,000 |
|--|-------------|

10. Financial ratios

Expense Ratio & Turnover Ratio

Please refer to Note 11 of Notes to the Financial Statements.

11. Performance of the Fund as at 31 December 2019

| Cumulative (%*) | | Benchmark |
|-------------------------------|-------|-----------|
| 3 Months | 3.87 | 4.09 |
| 6 Months | 2.09 | 2.13 |
| 1 Year | 14.43 | 15.50 |
| Since inception (29 Oct 2018) | 14.66 | 16.14 |
| | | |
| Annualised (%*) | | Benchmark |
| 1 Year | 14.43 | 15.50 |
| Since inception (29 Oct 2018) | 12.37 | 13.61 |

*Cumulative returns are calculated on a bid-to-bid basis, with net dividends reinvested. The benchmark for which the Fund is measured against is the Morningstar[®] Singapore Yield Focus IndexSM.

Source: Bloomberg

12. Related party transactions for the period ended 31 December 2019

Please refer to Note 10 of Notes to the Financial Statements.

13. Any other material information that will adversely impact the valuation of the Fund

Nil.

14. Soft dollar commissions/arrangements

The Manager is entitled to and intends to receive or enter into soft-dollar commissions or arrangements in respect of the Fund. 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 analysis, portfolio analysis including valuation and performance measurements, market analysis, data and quotation services, computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis and custodial services in relation to the investments managed for clients. The soft dollar credits utilised are not allocated on a specific client basis. The brokers also execute trades for other funds managed by the Manager.

Soft-dollar commissions or arrangements shall not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employees' salaries or direct money payment.

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, be reasonably expected to assist the Manager in their management of the Fund, provided that the Manager shall ensure at all times that transactions are executed on a "best execution" basis 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 or commission rebates for their own account in respect of rebates earned when transacting in securities for account of the Fund.

Report of the Trustee

The Trustee is under a duty to take into custody and hold the assets of Phillip Legacy Funds in trust for the unitholders. In accordance with the Securities and Futures Act (Chapter 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Phillip Legacy Funds during the period covered by these financial statements, set out on pages FS1 to FS16, 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
HSBC Institutional Trust Services (Singapore) Limited

Authorised signatory

27 March 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 FS1 to FS16, 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 Legacy Funds as at 31 December 2019, and the total return and movements in unitholders' funds for the period from 24 September 2018 (date of constitution) to 31 December 2019 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 Legacy Funds will be able to meet its financial obligations as and when they materialise.

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

Jeffrey Lee Chay Khiong
Director

27 March 2020

Independent auditors' report

Unitholders

Phillip Legacy 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 Legacy Funds (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 31 December 2019, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the period from 24 September 2018 (date of constitution) to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS16.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "*Reporting Framework for Unit Trusts*" ("RAP 7" issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 31 December 2019 and the financial performance and movements in unitholders' funds for the period from 24 September 2018 (date of constitution) to 31 December 2019.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming opinion thereon, and we do not provide a separate opinion on those matters.

We have determined that there are no key audit matters to communicate in our report.

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 Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of the 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 auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by manager.
- Conclude on the appropriateness of Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Phillip Legacy Funds
Independent auditors' report
Period from 24 September 2018 (date of constitution) to 31 December 2019

The engagement partner on the audit resulting in this independent auditor's report is Yap Wee Kee.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

27 March 2020

Statement of Total Return
Period from 24 September 2018 (date of constitution) to 31 December 2019

| | Phillip SING Income ETF Period from 24 September 2018 (date of constitution) to 31 December 2019 |
|--|---|
| Note | S\$ |
| Income | |
| Dividends | 2,822,698 |
| Interest | 120 |
| | <u>2,822,818</u> |
| Less: | |
| Expenses | |
| Management fees | 248,115 |
| Less: Management fee rebate | (10,917) |
| Audit fees | 15,000 |
| Custody fees | 18,794 |
| Preliminary expenses | 138,768 |
| Registration fees | 18,329 |
| Trustee fees | 19,144 |
| Transaction costs | 123,961 |
| Valuation fees | 19,144 |
| Other expenses | 134,198 |
| | <u>724,536</u> |
| Net income | <u>2,098,282</u> |
| Net gains or losses on value of investments and financial derivatives | |
| Net gains on investments | 4,764,084 |
| Net gains on financial derivatives | 2,486 |
| Net losses on foreign exchange | (7,602) |
| | <u>4,758,968</u> |
| Total return for the period before income tax | 6,857,250 |
| Less: Income tax | 7 (86,960) |
| Total return for the period after income tax before distribution | <u>6,770,290</u> |

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

Statement of Financial Position

As at 31 December 2019

| | Note | Phillip SING Income ETF 2019 S\$ |
|--|-------------|---|
| Assets | | |
| Portfolio of investments | | 48,943,843 |
| Receivables | 3 | 105,039 |
| Cash and cash equivalents | 4 | 362,516 |
| Total assets | | <u>49,411,398</u> |
| Liabilities | | |
| Payables | 5 | <u>46,608</u> |
| Total liabilities | | <u>46,608</u> |
| Equity | | |
| Net assets attributable to unitholders | 6 | <u>49,364,790</u> |

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

Statement of Movements of Unitholders' Funds
Period from 24 September 2018 (date of constitution) to 31 December 2019

| | | Phillip SING Income ETF Period from 24 September 2018 (date of constitution) to 31 December 2019 |
|--|-------------|---|
| | Note | S\$ |
| Net assets attributable to unitholders at the date of constitution | | <u>—</u> |
| Operations | | |
| Changes in net assets attributable to unitholders resulting from operations | | 6,770,290 |
| Unitholders' contributions/(withdrawals) | | |
| Creation of units | | 70,713,200 |
| Cancellation of units | | (27,168,700) |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | | 43,544,500 |
| Distribution | 8 | <u>(950,000)</u> |
| Total increase in net assets attributable to unitholders | | <u>49,364,790</u> |
| Net assets attributable to unitholders at the end of financial period | 6 | <u><u>49,364,790</u></u> |

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

**Statement of Portfolio
As at 31 December 2019**

**Percentage of
total net assets
attributable to
unitholders**

| Holdings as at 31 December 2019 | Fair value as at 31 December 2019 S\$ | as at 31 December 2019 % |
|--|--|---|
|--|--|---|

**Phillip SING Income ETF
By Industry (Primary)**

Quoted Equity

Consumer Discretionary

| | | | |
|---------------------------|-----------|------------------|-------------|
| Genting Singapore Limited | 4,342,426 | 3,995,032 | 8.09 |
| | | <u>3,995,032</u> | <u>8.09</u> |

Consumer Staples

| | | | |
|---------------------------|---------|----------------|-------------|
| Sheng Siong Group Limited | 246,610 | 305,796 | 0.62 |
| | | <u>305,796</u> | <u>0.62</u> |

Financials

| | | | |
|--|---------|-------------------|--------------|
| Hong Leong Finance Limited | 109,196 | 290,462 | 0.59 |
| Singapore Exchange Limited | 428,522 | 3,796,705 | 7.69 |
| United Overseas Bank Limited | 182,267 | 4,804,558 | 9.73 |
| DBS Group Holdings Limited | 193,839 | 5,016,553 | 10.16 |
| Overseas-Chinese Banking Corporation Limited | 442,652 | 4,842,613 | 9.81 |
| UOB-Kay Hian Holdings Limited | 21,500 | 26,015 | 0.06 |
| | | <u>18,776,906</u> | <u>38.04</u> |

Health Care

| | | | |
|-----------------------------|--------|----------------|-------------|
| Haw Par Corporation Limited | 22,531 | 287,270 | 0.58 |
| | | <u>287,270</u> | <u>0.58</u> |

Industrials

| | | | |
|--|---------|------------------|--------------|
| SATS Limited | 523,831 | 2,650,585 | 5.37 |
| Singapore Technologies Engineering Limited | 673,415 | 2,646,521 | 5.36 |
| SIA Engineering Company Limited | 138,148 | 389,577 | 0.79 |
| | | <u>5,686,683</u> | <u>11.52</u> |

Information Technology

| | | | |
|-------------------------|---------|----------------|-------------|
| Silverlake Axis Limited | 325,078 | 133,282 | 0.27 |
| | | <u>133,282</u> | <u>0.27</u> |

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

Statement of Portfolio (cont'd)
As at 31 December 2019

| | Holdings as at 31 December 2019 | Fair value as at 31 December 2019 S\$ | Percentage of total net assets attributable to unitholders as at 31 December 2019 % |
|--|--|--|--|
| Phillip SING Income ETF | | | |
| By Industry (Primary) | | | |
| Quoted Equity | | | |
| Real Estate | | | |
| Capitaland Commercial Trust | 2,278,202 | 4,510,840 | 9.14 |
| CapitaLand Mall Trust REIT | 820,821 | 2,011,011 | 4.07 |
| Mapletree Commercial Trust | 605,151 | 1,440,259 | 2.92 |
| Mapletree Industrial Trust | 261,145 | 676,366 | 1.37 |
| Mapletree Logistics Trust | 970,864 | 1,679,595 | 3.40 |
| Starhill Global REIT | 269,036 | 195,051 | 0.39 |
| Frasers Hospitality Trust | 138,800 | 98,548 | 0.20 |
| Cromwell European REIT | 556,749 | 449,442 | 0.91 |
| GL Limited | 85,400 | 68,320 | 0.14 |
| Keppel REIT | 576,900 | 709,587 | 1.44 |
| Manulife US REIT | 296,400 | 396,827 | 0.80 |
| Parkway Life REIT | 119,944 | 398,214 | 0.81 |
| | | <u>12,634,060</u> | <u>25.59</u> |
| Telecommunication Services | | | |
| Netlink NBN Trust | 1,309,260 | 1,230,705 | 2.50 |
| Singapore Telecommunications Limited | 1,391,798 | 4,690,359 | 9.50 |
| Starhub Limited | 144,324 | 203,497 | 0.41 |
| | | <u>6,124,561</u> | <u>12.41</u> |
| Transport | | | |
| Comfortdelgro Corporation Limited | 399,100 | 945,867 | 1.92 |
| SBS Transit Limited | 14,200 | 54,386 | 0.11 |
| | | <u>1,000,253</u> | <u>2.03</u> |
| Portfolio of investments | | 48,943,843 | 99.15 |
| Other net assets | | 420,947 | 0.85 |
| Net assets attributable to unit holders | | <u>49,364,790</u> | <u>100.00</u> |

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

Statement of Portfolio (cont'd)
As at 31 December 2019

| | Fair value as at 31 December 2019 S\$ | Percentage of total net assets attributable to unitholders as at 31 December 2019 % |
|--|--|--|
|--|--|--|

Phillip SING Income ETF

By Geography (Primary)

Quoted Equity

| | | |
|-----------|------------|-------|
| Singapore | 48,943,843 | 99.15 |
|-----------|------------|-------|

| | | |
|---------------------------------|------------|-------|
| Portfolio of investments | 48,943,843 | 99.15 |
|---------------------------------|------------|-------|

| | | |
|-------------------------|---------|------|
| Other net assets | 420,947 | 0.85 |
|-------------------------|---------|------|

| | | |
|---|------------|--------|
| Net assets attributable to unitholders | 49,364,790 | 100.00 |
|---|------------|--------|

By Industry (Secondary)

Quoted Equity

| | | |
|------------------------|-----------|------|
| Consumer Discretionary | 3,995,032 | 8.09 |
|------------------------|-----------|------|

| | | |
|------------------|---------|------|
| Consumer Staples | 305,796 | 0.62 |
|------------------|---------|------|

| | | |
|------------|------------|-------|
| Financials | 18,776,906 | 38.04 |
|------------|------------|-------|

| | | |
|-------------|---------|------|
| Health Care | 287,270 | 0.58 |
|-------------|---------|------|

| | | |
|-------------|-----------|-------|
| Industrials | 5,686,683 | 11.52 |
|-------------|-----------|-------|

| | | |
|------------------------|---------|------|
| Information Technology | 133,282 | 0.27 |
|------------------------|---------|------|

| | | |
|-------------|------------|-------|
| Real Estate | 12,634,060 | 25.59 |
|-------------|------------|-------|

| | | |
|----------------------------|-----------|-------|
| Telecommunication Services | 6,124,561 | 12.41 |
|----------------------------|-----------|-------|

| | | |
|-----------|-----------|------|
| Transport | 1,000,253 | 2.03 |
|-----------|-----------|------|

| | | |
|---------------------------------|------------|-------|
| Portfolio of investments | 48,943,843 | 99.15 |
|---------------------------------|------------|-------|

| | | |
|-------------------------|---------|------|
| Other net assets | 420,947 | 0.85 |
|-------------------------|---------|------|

| | | |
|---|------------|--------|
| Net assets attributable to unitholders | 49,364,790 | 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 Legacy Fund (“the Fund”) is an open-ended umbrella unit trust constituted pursuant to a Trust Deed dated 24 September 2018 (the “Trust Deed”) between Phillip Capital Management (S) Ltd (the “Manager”) and HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”). The Trust Deed is governed in accordance with the laws of the Republic of Singapore.

The Fund offers a sub-fund (the “Sub-Fund”); this was first offered for sale in Singapore on the following launch date:

| Sub-Fund | Launch date |
|-------------------------|-------------------|
| Phillip SING Income ETF | 24 September 2018 |

The investment objective of the Sub-Fund is to replicate as closely as possible, before fees and expenses, the performance of the Morningstar® Singapore Yield Focus Tilt 30 IndexSM (the “Index”).

2 Significant accounting policies

2.1 Basis of preparation

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

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 based on the bid prices 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 in the Statement of Total Return on the date which the Sub-Fund's right to receive payment is established.

Interest income is recognised as it accrues in the Statement of Total Return, using the effective interest method.

2.5 *Distribution policy*

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account, to be paid out on the distribution date. This amount shall not be treated as part of the property of the Sub-Fund. Distributions are accrued for at the point in time when the necessary approvals have been obtained and a legal or constructive obligation has been created.

2.6 *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.

2.7 *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:

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

2.8 *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances. 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.

2.9 *Net assets attributable to unitholders*

Net assets attributable to unitholders are classified as equity.

3 **Receivables**

**Phillip SING
Income
ETF
2019
S\$**

| | |
|----------------------|----------------|
| Dividends receivable | 94,122 |
| Other receivables | 10,917 |
| | <u>105,039</u> |

4 **Cash and cash equivalents**

**Phillip SING
Income
ETF
2019
S\$**

| | |
|------------------------|----------------|
| Cash and bank balances | <u>362,516</u> |
|------------------------|----------------|

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

5 **Payables**

**Phillip SING
Income
ETF
2019
S\$**

| | |
|------------------|---------------|
| Accrued expenses | <u>46,608</u> |
|------------------|---------------|

6 Units in issue

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

| | Phillip SING Income ETF 2019 |
|---|---|
| Units at beginning of the period | — |
| Units created | 70,600,000 |
| Units cancelled | (26,400,000) |
| Units at end of the period | <u>44,200,000</u> |
| Net assets attributable to unitholders – S\$ | 49,364,790 |
| Net asset value per unit – S\$ | <u>1.117</u> |

For subscriptions and redemptions and for various fee calculations, investments are stated at the last traded prices on the valuation day for the purpose of determining net asset value per unit. While for financial reporting purpose, investments held are stated at the relevant bid market prices as at the reporting date.

The effect of bid market prices in the net assets attributable to unitholders per unit is as follows:

| | S\$ |
|--|--------------|
| Net assets attributable to unitholders per unit per the financial statements | 1.117 |
| - Effect of adopting last traded price | 0.004 |
| Net assets attributable to unitholders per unit for issuing/redeeming | <u>1.121</u> |

7 Income tax

| | Phillip SING Income ETF Period from 24 September 2018 (date of constitution) to 31 December 2019 S\$ |
|----------------------|---|
| Singapore income tax | <u>86,960</u> |

8 Distribution

Phillip SING Income ETF

Period from
24 September
2018 (date of
constitution)
to
31 December
2019
S\$

| | |
|--|----------------|
| Interim (2 cents per unit based on units outstanding as at 26 June 2019) | <u>950,000</u> |
|--|----------------|

9 Financial risk management

The Sub-Fund's activities are exposed to a variety of market risks (including price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Manager is responsible for the implementation of overall risk management programme, which seeks to minimise potential adverse effects on the Sub-Fund's financial performance. Specific guidelines on exposures to individual securities and certain industries and/or countries are in place as part of the overall financial risk management to reduce the Sub-Fund's exposure to these risks.

The Sub-Fund's assets principally consist of investments in Index shares in substantially the same weightings as reflected in the Index, and cash. The Manager will rebalance the Sub-Fund's investment from time to time to reflect any changes to the composition of, or the weighting of securities in, the Index with a view to minimise tracking error of the Sub-Fund's overall returns relative to the performance of the Index.

The financial instruments are held in accordance with the published investment policies of the Sub-Fund and managed accordingly to achieve the investment objectives.

a) *Market risk*

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

i. *Price risk*

Price risk is the risk that the fair values of equities or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The investments of the Sub-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:

**Phillip SING
Income ETF
2019
S\$**

| | |
|-------------------|------------------|
| Equity securities | <u>4,894,384</u> |
|-------------------|------------------|

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

| | Phillip SING Income ETF | | |
|------------------------------|--------------------------------|----------------|----------------|
| | EUR | USD | Total |
| | \$ | \$ | \$ |
| 31 December 2019 | | | |
| Portfolio of investments | 449,442 | 396,827 | 846,269 |
| Cash and cash equivalents | 466 | 834 | 1,300 |
| Total assets | <u>449,908</u> | <u>397,661</u> | <u>847,569</u> |
| Net currency exposure | <u>449,908</u> | <u>397,661</u> | <u>847,569</u> |

Portfolio of investments is a non-monetary financial asset and is exposed to both currency risk and price risk. As this financial asset is 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 31 December 2019, with respect to the monetary assets of the Sub-Fund, had the Singapore Dollar appreciated/depreciated by 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-Funds. 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 cash and cash equivalents and other receivable balances.

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal.

The Sub-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) *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 meets 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 2019, the fair values of assets and liabilities approximate their carrying values on the Statement of Financial Position due to their short period to maturity.

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 held by the Sub-Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Sub-Fund holds derivatives with offsetting market risks, mid-market prices are used as a basis for establishing fair values for the offsetting risk positions and bid or asking price are applied to the net open positions, as appropriate.

The Sub-Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the Sub-Funds' financial assets and liabilities (by class) measured at fair value at 31 December 2019:

Phillip SING Income ETF

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|----------------|----------------|----------------|--------------|
| | S\$ | S\$ | S\$ | S\$ |
| 2019 | | | | |
| Assets | | | | |
| Portfolio of investments | 48,943,843 | — | — | 48,943,843 |

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed securities. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently.

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

10 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 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.

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

| | Period from 24 September 2018 (date of constitution) to 31 December 2019 S\$ |
|--|---|
| Phillip SING Income ETF | |
| Brokerage fee paid to: | |
| - a related party of the Manager | 32,095 |
| Interest income received from: a related party of the Trustee | 120 |
| Cash and bank balances held with a related party of the Trustee | <u>362,516</u> |

11 Financial ratios

Period from
24 September
2018 (date of
constitution)
to
31 December
2019

Phillip SING Income ETF

Expense ratio

| | | |
|--|-----|------------|
| Total operating expenses | S\$ | 461,807 |
| Average daily net asset value | S\$ | 52,868,910 |
| Expense ratio (Note 1) (excluding preliminary expenses) (annualised) | % | 0.69 |
| Expense ratio (Note 1) (including preliminary expenses) (annualised) | % | 0.95 |

Turnover ratio

| | | |
|--|-----|---------------|
| Lower of total value of purchases or sales | S\$ | 55,362,612 |
| Average daily net asset value | S\$ | 52,868,910 |
| Turnover ratio (Note 2) | % | <u>104.72</u> |

Note 1 The expense ratio has been computed based on the guidelines laid down by the IMAS. The calculation of the expense ratio is based on total operating expenses divided by the average net asset value for the period. The total operating expenses do not include (where applicable) brokerage and other transaction costs, performance fees, interest expenses, distributions paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Sub-Funds do not pay performance fee. The average net asset value is based on the daily balances.

Note 2 The portfolio turnover ratio is calculated in accordance with the formula stated in the Code. The calculation of the portfolio turnover ratio is based on the total value of purchases (or sales) of the underlying investments divided by the weighted average daily net asset value. Total value of purchases (or sales) does not include brokerage and other transaction costs. The total value of bonds matured during the period is not included in the computation of portfolio turnover ratio.

12 Subsequent event

The spread of the novel coronavirus (COVID-19) has created a high level of uncertainty to the near-term global economic prospects. This has resulted in an adverse impact to the investments of the Sub-Fund of which the Manager has been closely monitoring.

As the situation is rapidly evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects presently unknown.

Important Information

Phillip Legacy Funds is a Singapore standalone unit trust constituted under Singapore law and established by way of a deed of trust dated 24 September 2018 (the “Trust Deed”). The parties to the Trust Deed are Phillip Capital Management (S) Ltd (the “Manager”) and HSBC Institutional Trust Services (Singapore) Limited, as the trustee (the “Trustee”). A copy of the Trust Deed, as amended, is available for inspection by Unitholders and potential investors at the registered office of the Manager. Unless expressly provided for in the Trust Deed or allowed under applicable laws, the assets of the Fund shall at all times belong to the Fund and be segregated from the assets of the Trustee, and shall not be used to discharge the liabilities of or claims against the Trustee or any other Fund for which the Trustee acts as trustee.

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