

Phillip Select Fund

Annual Report

*For the period from 12th July 2011 (date of constitution)
to 30 September 2012*



Phillip Capital Management

(A member of PhillipCapital)

PHILLIP SELECT FUND

ANNUAL REPORT

For the period from 12 July 2011 (date of constitution) to 30 September 2012

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PHILLIP SELECT FUND

DIRECTORY

MANAGER

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TRUSTEE & REGISTRAR

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PHILLIP SELECT FUND

MANAGER'S INVESTMENT REPORT

For the period from 12 July 2011 (date of constitution) to 30 September 2012

PHILLIP SINGAPORE REAL ESTATE INCOME FUND

The Fund rose by 27.9% (Class A) for the period from inception (19 September 2011) to 30 September 2012, outperforming its benchmark (FTSE Straits Times Real Estate Investment Trust Index) which rose 18.6% in the same period.

Equity markets were on a roller coaster over this period. For the local STI index, it plunged as much as -21% from its high in early August 2011 to its low in October, then subsequently rebounded 19% to April 2012. The subsequent months till September saw another down-up market cycle.

The volatility has been due to the European debt crisis accelerating in mid-2011, and spreading beyond Greece to Italy, Spain, even France, as well as European financials. Every time when the European Central Bank and the various governments appeared to have worked out a policy solution, whether through the ESM, LTRO and the latest OMT (Outright Monetary Transactions), the markets rallied strongly, but then corrected when pessimism about the ability of these measures to solve the structural problems set in.

In this environment, our belief is that investor expectations have moderated, and predictability of returns has become more treasured. Investors now look for stocks with attractive and sustainable dividends.

Singapore REITs are attractive in at least three ways. Firstly, they offer stability, because lease terms are typically locked in for at least 2-3 years and hence distributions to unitholders are predictable. Secondly, Singapore REITs at about 5.5% average yield offer one of the most attractive yield spreads in excess of 4%, over corresponding 10-year government bonds which yield less than 1.5%. Thirdly, there are clear catalysts: the abovementioned market focus on dividends, and also property investors moving away from the tightening residential property market towards commercial property.

We believe the Singapore REIT market is emerging as one of the most attractive REIT markets around the world, with its attractive yields, high asset quality and a constructive regulatory framework. This is increasingly being recognized by investors. A Bloomberg report in early September acknowledged Singapore's REITs as being the best performing in the world for 2012.

PHILLIP SELECT FUND

REPORT TO UNITHOLDERS

For the period from 12 July 2011 (date of constitution) to 30 September 2012

Phillip Singapore Real Estate Income Fund

The following contains additional information relating to the Phillip Singapore Real Estate Income Fund.

1. Distribution of investments

Please refer to the Portfolio Statement on page FS3.

2. Schedule of Investment by Asset Class

Asset Class	Fair value as at 2012 S\$	Percentage of net assets attributable to unitholders as at 2012 %
Real Estate Investment Trust	22,294,913	89.19
Cash and bank balances	1,102,964	4.41
Other net current assets	1,601,938	6.40
Net assets attributable to unitholders	24,999,815	100.00

3. Top 10 holdings

10 largest holdings as at 30 September 2012	Fair value as at 2012 S\$	Percentage of net assets attributable to unitholders as at 2012 %
Starhill Global Reit	2,056,320	8.23
Cache Logistics Trust	2,001,960	8.01
Ascendas Real Estate Investment Trust	1,694,230	6.78
Parkway Life Real Estate	1,562,195	6.25
Mapletree Commercial Trust	1,526,850	6.11
Mapletree Logistics Trust	1,524,320	6.10
Cambridge Industrial Trust	1,484,800	5.94
Frasers Centrepoint Trust	1,357,500	5.43
CapitaCommercial Trust	1,295,000	5.18
Suntec Reit	1,271,160	5.08

PHILLIP SELECT FUND

REPORT TO UNITHOLDERS

For the period from 12 July 2011 (date of constitution) to 30 September 2012

4. Exposure to derivatives

(i) fair value of derivative contracts and as a percentage of NAV as at 30 September 2012

	Fair value assets	Fair value liabilities	Net % of NAV
	S\$	S\$	%
Futures contract	-	(2,800)	(0.01)

(ii) net losses on derivative contracts realised during the financial year ended 30 September 2012

S\$67,036

(iii) net losses on outstanding derivative contracts marked to market as at 30 September 2012

S\$2,800

(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 of each sub-fund 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; 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) efficient portfolio management techniques relating to securities lending and repurchase transactions, and that are reinvested.

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

	Fair value at 2012 S\$	total net assets attributable to unitholders at 2012 %
Real Estate Investment Trusts	22,294,913	89.19

6. Amount and percentage of borrowings of total fund size as at 30 September 2012

Nil.

PHILLIP SELECT FUND

REPORT TO UNITHOLDERS

For the period from 12 July 2011 (date of constitution) to 30 September 2012

7. Amount of units created and cancelled for the financial year ended 30 September 2012

	Class A SGD S\$	Class A USD US\$	Class I SGD S\$	Class I USD US\$
Total amount of redemptions	871,387	-	2,663,385	-
Total amount of subscriptions	7,429,003	-	16,871,279	975,477

8. Portfolio turnover ratio

Please refer to Note 12 of Notes to the Financial Statements on page FS11.

9. Expense ratio

Please refer to Note 12 of Notes to the Financial Statements on page FS11.

10. Performance of the Fund

Cummulative (%)*	Class I		Class A	Benchmark
	S\$	US\$	S\$	
3 Months	12.22	15.80	12.13	11.85
6 Months	20.26	-	20.08	18.64
1-year	28.85	-	28.44	25.54
Since inception**	28.41	22.47	27.93	18.55

Note: * Cummulative returns are based on a bid to bid basis, with net dividends reinvested. The Benchmark for which the Fund is measured against is the FTSE Straits Times Real Estate Investment Trust Index.

Source: Bloomberg as at 30 September 2012

Note: ** Date of inception for Class I SGD and Class A SGD is 19 September 2011. Date of inception for Class I USD is 21 May 2012.

11. Related party transactions

Please refer to Note 11 of Notes to the Financial Statements on page FS11.

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

Nil.

REPORT TO UNITHOLDERS

For the period from 12 July 2011 (date of constitution) to 30 September 2012

13. Soft dollar commissions

The Manager shall be entitled to and intends to receive or enter into soft-dollar commissions/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/arrangements unless such soft-dollar commissions/arrangements would, in the opinion of the Manager, assist the Manager in its management of clients' funds, provided that the Manager shall ensure at all times that transactions are executed on the best available terms taking into account the relevant market at the time for transactions of the kind and size concerned, and that no unnecessary trades are entered into in order to qualify for such soft-dollar commissions/ arrangements.

The Manager does not, and is not entitled to retain cash rebates for its own account in respect of rebates earned when transacting in securities for the account of the 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 Fund and other funds managed by the Manager.

Report of the Trustee

The Trustee is under a duty to take into custody and hold the assets of Phillip Select Fund in trust for the unitholders. In accordance with the Securities and Futures Act (Chapter 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the “laws and regulations”), 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 which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

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 FS1 to FS11, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee
BNP Paribas Trust Services Singapore Limited

Authorised signatory

18 December 2012

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 FS11, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement 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 2012, and the total return for the period from 12 July 2011 (date of constitution) to 30 September 2012 in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore. 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 directors of the Manager
Phillip Capital Management (S) Ltd

Authorised signatory

18 December 2012

Independent auditors' report

Auditors' Report to the unitholders of Phillip Select Fund

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

We have audited the accompanying financial statements of Phillip Select Fund (the Fund), which comprise the Balance Sheet and Portfolio Statement as at 30 September 2012, the Statement of Total Return for the period from 12 July 2011 (date of constitution) to 30 September 2012, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS11.

Manager's responsibility for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore, and for such internal controls as the Manager of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of the Fund, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 September 2012 and the total return for the period from 12 July 2011 (date of constitution) to 30 September 2012, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
18 December 2012

Statement of Total Return Period from 12 July 2011 (date of constitution) to 30 September 2012

	Note	Phillip Singapore Real Estate Income Fund S\$
Income		
Dividends		63
Interest		646,106
		646,169
Less:		
Expenses		
Management fees		63,655
Administrative fees		8,600
Trustee fees		10,488
Custody fees		8,196
Audit fees		13,037
Preliminary expenses		24,133
Others		57,730
		185,839
Net income		460,330
Net gains or losses on value of investments		
Net realised gains on investments		97,417
Net change in fair value of investments		3,192,233
Net realised losses on financial derivatives		(67,036)
Net change in fair value of financial derivatives	5	(2,800)
Net foreign exchange losses		(27,731)
Net gains on value of investments		3,192,083
Total return for the period before income tax		3,652,413
Less: Income tax	8	(90,099)
Total return for the year after income tax		3,562,314
Less: Distribution	9	(303,487)
Total return for the period		3,258,827

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

Balance Sheet
As at 30 September 2012

	Note	Phillip Singapore Real Estate Income Fund S\$
Assets		
Portfolio of investments		22,294,913
Receivables	3	1,428,746
Margin account with broker		232,883
Cash and bank balances		1,102,964
Total assets		<u>25,059,506</u>
Liabilities		
Financial derivatives at fair value	5	2,800
Other payables and accruals	4	56,891
Net assets attributable to unitholders	6	24,999,815
Total liabilities		<u>25,059,506</u>

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

Portfolio Statement As at 30 September 2012

	Holdings	Fair value S\$	Percentage of net assets attributable to unitholders %
Phillip Singapore Real Estate Income Fund			
By Geography (Primary)			
Quoted			
Australia			
Charter Hall Retail Reit	92,958	405,545	1.62
Malaysia			
Pavilion Real Estate Investment Trust	683,100	378,339	1.51
Singapore			
Aims Amp Capital Industrial	552,000	772,800	3.09
Ascendas India Trust	738,000	564,570	2.26
Ascendas Real Estate Investment Trust	703,000	1,694,230	6.78
Cache Logistics Trust	1,608,000	2,001,960	8.01
Cambridge Industrial Trust	2,320,000	1,484,800	5.94
Capitacommercial Trust	875,000	1,295,000	5.18
Capitamall Trust	420,000	848,400	3.39
CDL Hospitality Trusts	303,000	615,090	2.46
Far East Hospitality Trust	380,000	391,400	1.57
Fortune Reit	1,143,000	1,065,164	4.26
Frasers Centrepoint Trust	750,000	1,357,500	5.43
Mapletree Commercial Trust	1,305,000	1,526,850	6.11
Mapletree Industrial Trust	695,000	979,950	3.92
Mapletree Logistics Trust	1,361,000	1,524,320	6.10
Parkway Life Real Estate	787,000	1,562,195	6.25
Sabana Shari'ah Compliant Reit	438,000	499,320	2.00
Starhill Global Reit	2,688,000	2,056,320	8.23
Suntec Reit	856,000	1,271,160	5.08
		21,511,029	86.06
Portfolio of investments		22,294,913	89.19
Other net assets		2,704,902	10.81
Net assets attributable to unitholders		24,999,815	100.00

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

	Fair value S\$	Percentage of net assets attributable to unitholders %
By Geography (Summary)		
Australia	405,545	1.62
Malaysia	378,339	1.51
Singapore	21,511,029	86.06
Portfolio of investments	22,294,913	89.19
Other net assets	2,704,902	10.81
Net assets attributable to unitholders	24,999,815	100.00

	Fair value S\$	Percentage of net assets attributable to unitholders %
By Industry (Secondary)		
Real Estate Investment Trusts	22,294,913	89.19
Portfolio of investments	22,294,913	89.19
Other net assets	2,704,902	10.81
Net assets attributable to unitholders	24,999,815	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.

The financial statements were authorised for issue by the directors on 18 December 2012.

1 Domicile and activities

Phillip Select Fund (the Fund) is an open-ended Unit Trust constituted pursuant to the Trust Deed dated 12 July 2011 amended by an Amended and Restated Trust Deed dated 12 July 2012 between Phillip Capital Management (S) Ltd (the Manager) and BNP Paribas Trust Services Singapore Ltd (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: Phillip Singapore Real Estate Income Fund, which was first offered for subscription on 16 August 2011.

The Fund seeks to achieve medium to long term capital appreciation and a regular stream of income by primarily investing in Real Estate Investment Trust (“REITs”) listed in Singapore.

2 Significant accounting policies

2.1 Basis of preparation

The financial statements, expressed in Singapore Dollars, are prepared on 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 Trust” issued by the Institute of certified Public Accountants of Singapore.

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.2 Basis of valuation of investments

Quoted investments are stated at fair value based on the bid prices at the balance sheet date. Unrealised change in the fair value of investments, represented by the difference between the fair value and the carrying value of investments, 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 weighted average cost and the selling price of investments on trade date and are taken to the Statement of Total Return.

The fair value of financial instruments traded in active markets is based on the quoted market price at the balance sheet date. The quoted market price of financial assets held by the Fund is the current bid price. The quoted market price of financial liabilities is the current ask price.

Unquoted investments are stated at their fair values, which are estimated by the Manger based on information available at the balance sheet date, including estimates provided by market makers.

2.3 *Recognition of income*

Dividend income is recognised when declared and is stated gross of tax credits. Interest income is recognised using the effective interest method.

2.4 *Foreign currencies*

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 *Units*

All units issued by the sub-fund provide the investors with the right to redemption for cash the value proportionate to the investor's share in the sub-fund's net assets at redemption date. Such instruments give rise to a financial liability for the present value of the redemption amount.

2.6 *Financial derivatives*

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the Statement of Total Return when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in the Statement of Total Return.

3 **Receivables**

	S\$
Amount receivable for creation of units	<u>1,428,746</u>

4 **Other payables and accruals**

	S\$
Account payable for cancellation of units	9,291
Other payables and accrued expenses	<u>47,600</u>
	<u><u>56,891</u></u>

5 Fair value assets and liabilities on financial derivative contracts

	Notional amount S\$	Fair value assets S\$	Fair value liabilities S\$
Futures contracts	490,000	-	(2,800)

6 Net assets attributable to unitholders

For the purpose of calculation of the net assets attributable to unitholders per unit for the redemption of units, investments in underlying funds are stated at net asset value.

	Total S\$
At the beginning of the period	-
Operations	
Changes in net assets attributable to unitholders resulting from operations	3,258,827
Unitholders' contributions/(withdrawals)	
Creation of units	25,275,760
Cancellation of units	(3,534,772)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	21,740,988
Total increase in net assets attributable to unitholders	24,999,815
At the end of the period	24,999,815
Presented by:	S\$
Net assets attributable to unitholders of Class A SGD Units	7,207,352
Net assets attributable to unitholders of Class A USD Units	-
Net assets attributable to unitholders of Class I SGD Units	16,682,493
Net assets attributable to unitholders of Class I USD Units	1,109,970
Units in issue (note 7)	Units
Class A SGD Units	5,780,359
Class A USD Units	-
Class I SGD Units	13,329,217
Class I USD Units	747,556
Net Asset Attributable to unitholders per unit	S\$
Class A SGD Units	1.2469
Class A USD Units	-
Class I SGD Units	1.2516
Class I USD Units	1.4848

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 for retail and institutional investors. Class A SGD Units and Class A USD Units are offered to retail investors who invest less than SGD500,000 or USD500,000 respectively and Class I SGD Units and Class I USD Units are offered to institutional 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 separate net asset value per unit will be calculated for each class. The Net Asset Value per Unit of each class will be calculated on each dealing day in the currency of the relevant class. It will be calculated by dividing the net asset value attributable to each class, being the proportionate value of its assets less its liabilities, by the number of units of such class then in issue. The resultant amount shall be calculated up to five decimal places and truncated at four decimal places (or such other number of decimal places or by such other truncation or rounding method as the Manager may from time to time determine with the approval of the Trustee).

7 Units in issue

	Class A SGD Units	Class A USD Units	Class I SGD Units	Class I USD Units	Total
At the beginning of the period	-	-	-	-	-
Units created	6,540,982	-	15,851,756	747,556	23,140,294
Units cancelled	(760,623)	-	(2,522,539)	-	(3,283,162)
At the end of the period	<u>5,780,359</u>	<u>-</u>	<u>13,329,217</u>	<u>747,556</u>	<u>19,857,132</u>

8 Income tax

The income tax for the period represents withholding tax on receipts of dividend income and interest income.

	S\$
Singapore income tax	88,322
Overseas income tax	<u>1,777</u>
	<u><u>90,099</u></u>

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) dividend derived from outside Singapore and received in Singapore.

9 Distribution

The following dividends were announced and paid by the sub-fund:

	Entitlement cut off date	Payment date	Distribution amount
Dividend at 1.5 cents per unit	30 March 2012	16 April 2012	132,667
Dividend at 1.5 cents per unit	29 June 2012	16 July 2012	170,820
			<u>303,487</u>

On 1 October 2012, the following dividend was announced by the sub-fund. The dividend has not been recognised at 30 September 2012.

	Entitlement cut off date	Payment date	Distribution amount
Dividend at 1.5 cents per unit	28 September 2012	15 October 2012	<u>297,857</u>

10 Financial risk management

The Manager monitors, on an ongoing basis, compliance to the Fund's investment restrictions as disclosed in the Fund's prospectus, which seek to contain investment risk exposures to an acceptable level:

Risk management objectives and policies

In the ordinary course of business, the Fund is exposed to a variety of risks as stated in the Fund's prospectus. The risks include market risk, credit risk, liquidity risk and foreign currency risk.

Market risk

Market risk is the risk of potential adverse change to the value of financial instruments because of changes in market conditions and volatility in securities prices. The Manager manages its exposure to market risk through the use of risk management strategies and various analytical monitoring techniques.

Credit risk

Credit risk is the risk of loss when a counterparty fails to meet its payment obligation. At the Balance Sheet date, the Fund has no significant concentration of credit risk. Cash and bank balances are placed with financial institutions of recognised credit standing.

Liquidity risk

Liquidity risk arises from not being able to fund redemptions or liquidate positions in a timely manner at a reasonable price. Liquidity risk exists when a particular investment is difficult to purchase or sell. These circumstances could prevent the sub-fund from promptly liquidating unfavourable positions and therefore resulting in losses to the sub-fund. The Manager manages liquidity risk by investing primarily in marketable investments.

Foreign currency risk

The sub-fund has securities denominated in currencies other than the Singapore Dollar and may be affected favourably or unfavourably by exchange rate regulations or changes in the exchange rates between the Singapore Dollar and such other currencies. The Manger may at its discretion, implement a currency risk management strategy including entering into foreign exchange contracts either to reduce currency volatility or to hedge the currency exposure of the sub-fund.

The table below summarises the on-balance sheet exposure to currency risks for the sub-fund as at 30 September 2012.

	HKD S\$	USD S\$	AUD S\$	MYR S\$
Assets				
Portfolio of investments	1,065,164	-	405,545	378,339
Cash and bank balance	-	504,409	27	-
Net currency exposure	<u>1,065,164</u>	<u>504,409</u>	<u>405,572</u>	<u>378,339</u>

The following table shows the sub-fund's sensitivity to foreign currency exposure should the currency rise by 10% against Singapore Dollar with all other variables held constant.

Increase in net assets attributable to unitholders	S\$
HKD	106,516
USD	50,441
AUD	40,557
MYR	<u>37,834</u>

A strengthening of the Singapore Dollar against the above currencies at 30 September would have had the equal but opposite effect, on the basis that all other variables remain constant.

Fair values

At 30 September 2012, the fair values of assets and liabilities not measured at fair value approximate their carrying values on the Balance Sheet.

11 Related parties

In the normal course of the business of the Fund, trustee fees and management fees have been paid or are payable to the Trustee and the Manager 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 Fund in the normal course of business at terms agreed between the parties and within the provisions of the Trust Deed.

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

12 Financial ratios

	%
Ratio of expenses to average net assets (Note 1)	
- Class A SGD Units	1.76
- Class A USD Units	-
- Class I SGD Units	1.56
- Class I USD Units	1.43
Portfolio turnover rate (Note 2)	22.76

Note 1: The expense ratio is calculated in accordance with the revised IMAS guidelines on the disclosure of expense ratios dated 25 May 2005. It does not include (where applicable) brokerage and other transaction costs, performance fees, interest expense, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source arising out of income received. It is calculated by dividing expenses (as defined above by daily average NAV, and multiplied by the appropriate factor to annualise the figure and is disclosed as a percentage.

Note 2: The portfolio turnover ratio is calculated in accordance with the formula stated in the “Code on Collective Investment Schemes” under the Securities and Futures Act (Cap 289). It is calculated based on the lesser of purchase or sales expressed as a percentage over the daily average net asset value.

13 Comparative information

No comparative figures are provided as this is the first set of financial statements prepared for the Fund since the date of constitution.