

Phillip Investment Funds

- Phillip Growth Fund
- Phillip Income Fund
- Phillip Money Market Fund

Annual Report

For the year ended 31 December 2010



Phillip Capital Management

(A member of PhillipCapital)

Phillip Investment Funds

MANAGERS

Phillip Capital Management (S) Ltd
250 North Bridge Road #06-00
Raffles City Tower
Singapore 179101

DIRECTORS OF THE MANAGERS

Lim Hua Min
Loh Hoon Sun
Jeffrey Lee Chay Khiong
Linus Lim Wen Sheong

TRUSTEE

Citicorp Trustee (Singapore) Limited
3 Temasek Avenue #12-00
Centennial Tower
Singapore 039190

CUSTODIAN

Citibank N.A. Singapore Branch
3 Temasek Avenue #12-00
Centennial Tower
Singapore 039190

REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
(formerly known as Lim Associates (Pte) Ltd)
3 Church Street #08-01
Samsung Hub
Singapore 049483

AUDITORS

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

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Phillip Money Market Fund

INVESTMENT OBJECTIVES

The Phillip Money Market Fund aims to preserve principal value and maintain a high degree of liquidity while producing returns comparable to that of Singapore Dollar saving deposits. The Fund will invest primarily in short term, high quality money market instruments and debt securities. Such investments may include government and corporate bonds, commercial bills and deposits with financial institutions.

MANAGERS' REPORT

The Fund generated a net return of 0.69% for the 12-month period ending 31 December 2010.

The period under review experienced low interest rates globally and this is reflected in SGD interest rates. Singapore government bond yields throughout the curve fell between December 2009 and mid-August 2010. Yields of two year tenors fell to 0.52% in December 2010. Singapore Interbank Offer rate (SIBOR) has declined from 0.678% in January 2010 to 0.437% in December 2010. In October 2010, Monetary Authority of Singapore adopted a gradual appreciation stance on SGD. The move encouraged more capital inflows and placed further downward pressure on SGD interest rates.

Amidst the low interest rate environment in Singapore, the Fund's return was due to yield carry on corporate bonds' credit and staggered maturity strategy of the bonds.

Singapore's Gross Domestic Product (GDP) grew by 14.5% in 2010 and the economic growth is expected to moderate to 4%-6% in 2011. While manufacturing and services contributed fairly evenly to GDP growth in 2010, we expect services to have an important role this year, supported by strong domestic demand and regional growth.

Singapore's full year consumer price index (CPI) stood at 2.8%, and climbed by 4% year-on-year in the last quarter of 2010. The increase in CPI was due to higher costs of private road transport excluding petrol, as COE premiums for cars doubled from levels a year ago.

CPI is expected to average between 3%-4% in 2011 while the MAS core inflation measure, which excludes the cost of accommodation and private road transport, is forecast to be lower at 2-3%. The recent unrest in the Middle East and the situation in Japan have seen oil prices climbing upwards. MAS has revised upwards the inflation forecast to 3%-4% as the continuing problems at Japan's nuclear power plant may drive up oil prices, as Japan (and elsewhere) may seek other methods of power generation. To contain inflation, various Asian central banks have been forced to tighten monetary policies and we expect MAS to set another one-off appreciation stance on SGD in the coming April 2011 meeting. Meanwhile, domestic inflation, due to flush liquidity conditions, along with stability of corporate balance sheets, have held up asset prices. This is likely to be controlled by government policy, such as the recent slew of administrative measures to cool property prices.

In the near term, we do not expect US interest rates to rise any time soon. Historically, SGD rates have moved in tandem with US rates, hence we expect SGD short-term interest rates to remain low for the next few quarters supported by a strong SGD policy.

Our strategy remains to provide liquidity and manage risk in this low interest rate environment. To manage liquidity, we continue to actively manage deposits by dealing with counterparties with sound balance sheets, and seek to enhance the Fund's returns by investing in high quality corporate issues and by staggering the maturity of the bonds.

Disclosures on the Fund¹

a) I Investment Classified by Geography

| | Fair Value 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders at 31/12/2010 % |
|---|--|---|
| By Geography (Summary) | | |
| Australia | 22,847,000 | 3.43 |
| Europe | 11,061,201 | 1.66 |
| Singapore | 257,414,799 | 38.73 |
| South Korea | 93,859,646 | 14.10 |
| United Kingdom | 2,505,295 | 0.38 |
| United States | 18,859,759 | 2.83 |
| Portfolio of investments | 406,547,700 | 61.13 |
| Other net assets | 258,530,778 | 38.87 |
| Net assets attributable to unitholders | 665,078,478 | 100.00 |

a) II Investment Classified by Industry

| | Fair Value 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders at 31/12/2010 % |
|---|--|---|
| By Industry (Summary) | | |
| Airlines | 10,789,562 | 1.62 |
| Airlines Leasing | 9,013,000 | 1.35 |
| Finance | 109,117,637 | 16.40 |
| Food and Beverage | 1,760,250 | 0.27 |
| Government Agency | 74,933,829 | 11.26 |
| Investment Fund | 40,234,192 | 6.05 |
| Property | 149,707,380 | 22.52 |
| REITS | 10,490,700 | 1.58 |
| Supra-national | 501,150 | 0.08 |
| Portfolio of investments | 406,547,700 | 61.13 |
| Other net assets | 258,530,778 | 38.87 |
| Net assets attributable to unitholders | 665,078,478 | 100.00 |

¹ As required by the Code on Collective Investment Schemes

| a) III Asset Class | Fair Value 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders at 31/12/2010 % |
|---------------------------|--|---|
| Fixed Income Securities | 406,547,700 | 61.13 |
| Cash & bank balances | 256,168,588 | 38.52 |
| Other Net Current Assets | 2,362,190 | 0.35 |
| | 665,078,478 | 100.00 |

| a) IV Credit Rating of Debt Securities | Fair Value 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders at 31/12/2010 % |
|---|--|---|
| A1* | 5,360,699 | 0.81 |
| A-2 | 9,925,000 | 1.49 |
| A | 107,784,813 | 16.19 |
| AA | 9,521,045 | 1.43 |
| AA+ | 17,849,242 | 2.68 |
| AAA | 4,052,801 | 0.61 |
| Unrated | 252,054,100 | 37.92 |
| | 406,547,700 | 61.13 |

Ratings are by Standard & Poors, except for A1, which is by Moodys.

| Type of Money Market Instruments and Debt Securities | Fair Value 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders at 31/12/2010 % |
|---|--|---|
| Fixed Rate Notes | 336,928,108 | 50.66 |
| Floating Rate Notes | 11,969,400 | 1.81 |
| Variable Rate Notes | 7,491,000 | 1.13 |
| Commercial Papers | 9,925,000 | 1.49 |
| Investment Fund | 40,234,192 | 6.05 |
| | 406,547,700 | 61.13 |

Maturity Profile of Fixed Income Securities

| | Fair Value 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders at 31/12/2010 % |
|---------------|--|---|
| Up to 30 days | 60,489,105 | 9.10 |
| 31-60 days | 12,038,259 | 1.81 |
| 61-90 days | 58,393,181 | 8.79 |
| 91-120 Days | 40,390,982 | 6.07 |
| 121-180 days | 30,389,951 | 4.56 |
| 181-365 days | 155,285,566 | 23.34 |
| 366-732 days | 49,560,656 | 7.46 |
| | 406,547,700 | 61.13 |

b) Top Ten Holdings

| | Fair Value 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders at 31/12/2010 % |
|--|--|---|
| <u>10 Largest Holdings as at 31 December 2010</u> | | |
| Phillip Savings Fund | 40,234,192 | 6.05 |
| Hotel Properties Ltd 3.3% Due 7 March 2011 | 15,797,250 | 2.38 |
| Wing Tai Holdings Ltd 4.98% Due 25 April 2011 | 15,636,186 | 2.35 |
| Allgreen Properties Ltd 2.6% Due 28 December 2011 | 15,141,000 | 2.28 |
| Export-Import Bank of Korea 1.35% Due 9 April 2011 | 14,987,400 | 2.25 |
| CDL Properties Ltd 3.85% Due 12 October 2011 | 14,245,000 | 2.14 |
| Kookmin Bank 1.28% Due 16 October 2011 | 13,965,000 | 2.10 |
| Korea Development Bank 1.15% Due 16 August 2011 | 13,930,000 | 2.09 |
| Allgreen Properties Ltd 1.3% Due 25 October 2011 | 13,467,600 | 2.02 |
| Capitaland Treasury Ltd 4.08% Due 15 March 2011 | 13,059,766 | 1.96 |
| | 170,463,394 | 25.62 |

| <u>10 Largest Holdings as at 31 December 2009</u> | Fair Value 31/12/2009 | Percentage of total net assets attributable to unitholders at 31/12/2009 |
|--|----------------------------------|---|
| | S\$ | % |
| Phillip Savings Fund | 35,117,789 | 7.43 |
| Kookmin Bank 2.05% Due 18 October 2010 | 14,006,533 | 2.96 |
| City Developments Ltd 5.5% Due 12 June 2010 | 13,841,438 | 2.91 |
| Export-Import Bank Korea 1.55% Due 9 December 2010 | 12,036,000 | 2.55 |
| Keppel Land Ltd 3% Due 7 May 2010 | 10,841,375 | 2.29 |
| CMT MTN Pte Ltd 3.25% Due April 2010 | 10,532,900 | 2.23 |
| National Agricultural Cooperative Due 1 April 2010 | 10,000,000 | 2.11 |
| Ascendas Pte Ltd 3.66% Due 14 May 2010 | 9,318,912 | 1.97 |
| McDonald's Corporation 3.6275% Due 10 October 2010 | 9,133,200 | 1.94 |
| Ascott Capital Pte Ltd 3.10% Due 5 March 2010 | 8,012,800 | 1.70 |
| | 132,840,947 | 28.09 |

- c) (i) Exposure to Derivatives as at 31 December 2010.
Nil.
- c) (ii) Net gains/losses on derivative contracts realised during the period from 1 January 2010 to 31 December 2010.
Nil.
- c) (iii) Net gains/losses on outstanding derivative contracts marked to market as at 31 December 2010.
Nil.
- d) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 31 December 2010.
\$40,234,192 (6.05%)
- e) Amount and percentage of borrowings of total fund size as at 31 December 2010.
Nil
- f) Amount of redemptions and subscriptions for the period 1 January 2010 to 31 December 2010.
- | | |
|-------------------------------|-------------------|
| Total amount of redemptions | S\$ 2,894,318,659 |
| Total amount of subscriptions | S\$ 3,083,381,511 |
- g) Amount of Related-Party Transactions (for the period 1 January 2010 to 31 December 2010)
Nil

h) Performance of the Fund

| | 3 months | 6 months | 1 year | 3 year* | 5 year* | Inception* (on 16 Apr 2001) |
|----------|-----------------|-----------------|---------------|----------------|----------------|--|
| The Fund | 0.16% | 0.29% | 0.69% | 3.13% | 8.27% | 14.00% |

Note: * Cumulative returns are in Singapore dollars based on a bid to bid basis, with net dividends reinvested.

Source: Bloomberg as at 31 December 2010.

| | | |
|-------------------------|------------------|------------------|
| i) Expense Ratio | 31 December 2010 | 31 December 2009 |
| Without performance fee | 0.54% | 0.55% |
| With performance fee | 0.54% | 0.55% |

The “expenses” used in the calculation of the “Expense Ratio” do not include brokerage and other transaction costs, performance fee (where applicable), foreign exchange gains or losses, front or back end loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received. The expense ratio is computed in accordance with the revised IMAS’ guidelines on disclosure of expense ratios dated 25 May 2005.

| | | |
|-------------------|------------------|------------------|
| j) Turnover Ratio | 31 December 2010 | 31 December 2009 |
| | 86.06% | 119.39% |

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 purchases or sales for the 12 months preceding the reporting date expressed as a percentage of the daily average NAV for the 12 months preceding the reporting date.

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

l) 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 2010 and 31 December 2009.

Not applicable.

(ii) Expense ratios for the period 31 December 2010 and 31 December 2009. A footnote should state (where applicable) that the expense ratio does not include brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from or arising out of income received.

Not applicable.

(iii) Turnover ratios for the period 31 December 2010 and 31 December 2009

Not applicable.

m) Soft dollar arrangements

The Managers shall be entitled to and intend to receive or enter into soft-dollar commissions/arrangements. The Managers will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions which The Managers 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 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 PCM.

The Managers will not accept or enter into soft dollar commissions/arrangements unless such soft-dollar commissions/arrangements would, in the opinion of the Managers, assist the Managers in the management of clients' funds, provided that the Managers 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 Managers 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.

The Managers did not receive any soft dollar services during the year,

Phillip Income Fund

INVESTMENT OBJECTIVES

The Phillip Income Fund aims to achieve medium to long-term capital appreciation through investing substantially all of the assets in a diversified portfolio of high quality bonds, high yield stocks and other interest bearing securities across various sectors and regions. To maximize returns, the Fund may also invest in convertible bonds, growth stocks and other instruments.

MANAGERS' REPORT

The Fund rose by 1.34% (on a bid-to-bid basis) for the 12-month period ending 31 December 2010, outperforming its benchmark which fell 2.42% on a SGD adjusted basis. Since its inception on 16 April 2001, the Fund was up by 12.23%.

In 1H2010, equity markets consolidated as the Fed ended its first quantitative easing program (QE1) in late March. However, there was a broad based market rally in 2H2010 after Fed Chairman Ben Bernanke announced a second round of quantitative easing (QE2) measures which targeted the purchase of US government bonds to keep interest rates low. Emerging markets and Pacific Rim equities outperformed as some of this money found its way there, where potential returns were seen to be higher. Within Asia, Indonesia, Thailand and Malaysia were some of the better performers. US market made modest gains on the back of robust recovery in corporate profits. The notable underperformers in 2010 were the European markets as there were fears that the Ireland and Greece bailouts would have knock-on-effects across the Eurozone. Since November, Japanese stocks have started to outperform other countries' stocks for the first time in quite a while. Japan's strength is indicative of investors seeking discounts in Asia, apart from an overheated China and India story.

Commodities mirrored the equities rally. Oil, which has been a laggard, has started to move higher on news that China has increased its oil imports. The rise in commodity prices has a negative side in the form of inflation. For the highly indebted countries such as the US and some European countries which have a lot of excess capacity, inflation is not an issue since it remains at low levels. However, for other countries in Asia which have grown strongly and are operating at the limits of the economy's operating capacity, inflation is a big challenge. China responded by raising interest rates for the first time in nearly three years and the news took the market by surprise. Meanwhile in Europe, the Ireland crisis, like the Greece crisis months before, receded into the background as European leaders agreed to treaty changes to enact a permanent rescue fund after a two-day summit in Brussels. Nonetheless, the medium-term concerns of the debt sustainability of the more highly indebted countries, as well as the longer-term issues of economic imbalances and governance, remain to be resolved. The markets also did not react with too much alarm on the tensions between North and South Korea. on this; for example, the South Korean government bonds did not drop significantly on the news. This reflects market confidence that the tensions would eventually resolve themselves.

In early 2011, there was a shift in allocation away from emerging market equities towards developed market equities. With a better outlook for developed markets (and US growth, in particular) and higher commodity prices, investors were concerned about inflation in Asia coming into 2011. Consistent attention is paid by the markets on the moves of the Chinese government and central bank, who have been adopting a tightening stance for the last few months, especially on the property sector. We also observe the gradual emergence of a Greater China asset class, comprising the mainland China, Hong Kong and Taiwan markets, which move in unison to the gyrations of the Chinese economy.

The key story in Asia remains its strong long-term macroeconomic fundamentals, but with potentially overheated asset markets on the flip side. Market volatility is expected to increase due to headwinds from rising inflation and unrest in the Middle East. With this in mind, we intend to gradually overweight the Fund in a portfolio of short duration, good quality bonds to provide a steady stream of interest income. For equities, the focus would be on stocks with reasonable dividend yields and strong cashflow potential. Another strategy we continue to undertake is to actively write options to collect attractive premiums and to use index futures for efficient portfolio management or for hedging purposes. With these strategic moves, we hope to position the fund to be less volatile and at the same time able to deliver reasonable returns to investors.

Disclosures on the Fund ²

a) I Investment Classified by Geography

| | Fair Value 31/12/2010 | Percentage of total net assets attributable to unitholders at 31/12/2010 |
|---|----------------------------------|---|
| By Geography (Summary) | S\$ | % |
| Australia | 562,484 | 4.96 |
| China | 1,167,393 | 10.29 |
| Indonesia | 1,080,114 | 9.52 |
| Japan | 524,705 | 4.62 |
| Malaysia | 541,107 | 4.76 |
| Singapore | 2,859,496 | 25.19 |
| Taiwan | 692,143 | 6.10 |
| Thailand | 1,164,675 | 10.27 |
| United States | 917,298 | 8.08 |
| Portfolio of investments | 9,509,415 | 83.79 |
| Other net assets | 1,839,526 | 16.21 |
| Net assets attributable to unitholders | 11,348,941 | 100.00 |

a) II Investment Classified by Industry

| | Fair Value 31/12/2010 | Percentage of total net assets attributable to unitholders at 31/12/2010 |
|---|----------------------------------|---|
| By Industry (Summary) | S\$ | % |
| Consumer Services | 254,488 | 2.24 |
| Energy | 503,245 | 4.43 |
| Finance | 1,181,191 | 10.41 |
| Food and Beverage | 753,934 | 6.64 |
| Government | 883,809 | 7.79 |
| Healthcare | 482,110 | 4.25 |
| Industrials | 2,011,239 | 17.73 |
| Materials | 1,368,905 | 12.05 |
| Property | 502,921 | 4.43 |
| REITs | 785,285 | 6.92 |
| Technology | 121,543 | 1.07 |
| Telecommunications | 660,745 | 5.83 |
| Portfolio of investments | 9,509,415 | 83.79 |
| Other net assets | 1,839,526 | 16.21 |
| Net assets attributable to unitholders | 11,348,941 | 100.00 |

² As required by the Code on Collective Investment Schemes

| a) III Asset Class | Fair Value 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders at 31/12/2010 % |
|-------------------------------|--|---|
| Equity | 7,619,440 | 67.14 |
| Bond | 1,889,975 | 16.65 |
| Cash & other bank balances | 2,174,497 | 19.16 |
| Other net current liabilities | (334,971) | (2.95) |
| | 11,348,941 | 100.00 |

| a) IV Credit Rating of Debt Securities | Fair Value 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders at 31/12/2010 % |
|---|--|---|
| BB+ | 414,098 | 3.65 |
| Unrated | 1,475,877 | 13.00 |
| | 1,889,975 | 16.65 |

Credit rating is by Standard & Poors.

b) Top Ten Holdings

| <u>10 Largest Holdings as at 31 December 2010</u> | Fair Value 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders at 31/12/2010 % |
|---|--|---|
| SMRT Corporation Ltd | 587,820 | 5.18 |
| China Shenhua Energy Co Ltd | 537,205 | 4.73 |
| Swiber Holdings Ltd 5.75% Due 31 August 2012 | 503,245 | 4.43 |
| Hotel Properties Ltd 3.98% Due 27 April 2015 | 502,921 | 4.43 |
| Sertifikat Bank Indonesia | 469,711 | 4.14 |
| Sabana Shariah Compliant Industrial REIT | 465,600 | 4.10 |
| Singapore Airport Terminal Services Ltd | 416,150 | 3.67 |
| Indonesia Recapitalization Bond 13.15% Due 15 January 2012 | 414,098 | 3.65 |
| Cerebos Pacific Ltd | 383,760 | 3.38 |
| Hershey Company | 370,174 | 3.26 |
| | 4,650,684 | 40.97 |

| <u>10 Largest Holdings as at 31 December 2009</u> | Fair Value 31/12/2009 | Percentage of total net assets attributable to unitholders at 31/12/2009 |
|--|----------------------------------|---|
| | S\$ | % |
| Capitamall Trust 1% due 2 July 2013 | 754,469 | 6.87 |
| Westpac Banking 7.03% due 4 December 2010 | 634,796 | 5.78 |
| GPT Re Limited 6.25% due 7 November 2010 | 629,873 | 5.73 |
| SMRT Corporation Ltd | 555,810 | 5.06 |
| Singapore Press Holdings Ltd | 517,470 | 4.71 |
| France Telecom | 515,969 | 4.70 |
| Thai Tap Water Supply Public Co Ltd | 496,990 | 4.52 |
| Industrial Bank of Korea due 21 September 2010 | 417,527 | 3.80 |
| Xinyu Hengdeli Holdings Ltd due 24 August 2012 | 412,173 | 3.75 |
| PB Issuer Ltd 3.3% due 1 February 2013 | 402,214 | 3.66 |
| | 5,337,291 | 48.58 |

- c) (i) Exposure to derivatives as at 31 December 2010:
Nil
- c) (ii) Net gains/(losses) on derivative contracts realized for the period from 1 January 2010 to 31 December 2010.
S\$ 152,299
- c) (iii) Net gains/(losses) on outstanding derivative contracts marked to market as at 31 December 2010.
Nil
- d) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 31 December 2010.
Nil
- e) Amount and percentage of borrowings of total fund size as at 31 December 2010.
\$37,991 (0.33%)
- f) Amount of redemptions and subscriptions for the period 1 January 2010 to 31 December 2010.
- | | |
|-------------------------------|-------------|
| Total amount of redemptions | S\$ 88,675 |
| Total amount of subscriptions | S\$ 318,358 |
- g) Amount of Related-Party Transactions (for the period 1 January 2010 to 31 December 2010)
- | | |
|--|-----------|
| Interest income earned from a related company of the Trustee | S\$ 7,423 |
| Brokerage paid to a related company of the Managers | S\$ 177 |

h) Performance of the Fund

| | 3 months | 6 months | 1 year | 3 year* | 5 year* | Inception* (on 16 Apr 2001) |
|-----------|-----------------|-----------------|---------------|----------------|----------------|--|
| The Fund | -0.64% | 1.64% | 1.34% | -24.75% | -13.91% | 12.23% |
| Benchmark | 2.38% | 5.22% | -2.42% | -6.33% | -0.02% | 19.34% |

Note: * Cummulative returns are in Singapore dollars based on a bid to bid basis, with net dividends reinvested.

Source: Bloomberg as at 31 December 2010

Benchmark: 30% Citigroup World Government Bond Index (SGD Unhedged) + 40% Citigroup World Money Index SGD 3 Mth Euro Deposit (SGD) + 30% MSCI World Free Index (SGD) with effect from 27 February 2005

i) Expense Ratio

| | 31 December 2010 | 31 December 2009 |
|-------------------------|------------------|------------------|
| Without performance fee | 2.21% | 2.51% |
| With performance fee | 2.21% | 2.51% |

The “expenses” used in the calculation of the “Expense Ratio” do not include brokerage and other transaction costs, performance fee (where applicable), foreign exchange gains or losses, front or back end loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received. The expense ratio is computed in accordance with the revised IMAS’ guidelines on disclosure of expense ratios dated 25 May 2005.

j) Turnover Ratio

| | 31 December 2010 | 31 December 2009 |
|--|------------------|------------------|
| | 139.14% | 174.78% |

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 purchases or sales for the 12 months preceding the reporting date expressed as a percentage of the daily average NAV for the 12 months preceding the reporting date.

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

Nil

l) 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 2010 and 31 December 2009.

Not applicable.

- (ii) Expense ratios for the period 31 December 2010 and 31 December 2009. A footnote should state (where applicable) that the expense ratio does not include brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from or arising out of income received.

Not applicable.

- (iii) Turnover ratios for the period 31 December 2010 and 31 December 2009

Not applicable.

m) Soft dollar arrangements

The Managers shall be entitled to and intend to receive or enter into soft-dollar commissions/arrangements. The Managers will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions which the Managers 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 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 PCM.

The Managers will not accept or enter into soft dollar commissions/arrangements unless such soft-dollar commissions/arrangements would, in the opinion of the Managers, assist the Managers in the management of clients' funds, provided that the Managers 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 Managers 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.

During the year, soft dollar services received from each broker were investment research and publications, data and quotation services. Soft dollars were received from the Managers' panel of brokers which executed transactions for the Funds and other funds managed by the Managers.

Phillip Growth Fund

INVESTMENT OBJECTIVES

The Phillip Growth Fund aims to achieve significant medium to long-term capital appreciation through investing all of the assets in a diversified portfolio of global equities. The Fund may also invest in bonds, money market and other instruments to minimize volatility. The investment policy of this Fund is to invest primarily in the securities of the best growth companies that demonstrate significant and sustainable earnings growth potential. The Fund will not emphasize any particular company size but will invest wherever the best capital appreciation opportunities present themselves across various sectors and regions.

MANAGERS' REPORT

The Fund rose by 0.61% (on a bid-to-bid basis) for the 12-month period ending 31 December 2010, outperforming its benchmark, which fell 2.84% on a SGD adjusted basis. Since its inception on 16 April 2001, the Fund was up by 48.75%.

In 1H2010, equity markets consolidated as the Fed ended its first quantitative easing program (QE1) in late March. However, there was a broad based market rally in 2H2010 after Fed Chairman Ben Bernanke announced a second round of quantitative easing (QE2) measures which targeted the purchase of US government bonds to keep interest rates low. Emerging markets and Pacific Rim equities outperformed as some of this money found its way there, where potential returns were seen to be higher. Within Asia, Indonesia, Thailand and Malaysia were some of the better performers. US market made modest gains on the back of robust recovery in corporate profits. The notable underperformers in 2010 were the European markets as there were fears that the Ireland and Greece bailouts would have knock-on effects across the Eurozone. Since November, Japanese stocks have started to outperform other countries' stocks for the first time in quite a while. Japan's strength is indicative of investors seeking discounts in Asia apart from an overheated China and India story.

Commodities mirrored the equities rally. Oil, which has been a laggard, has started to move higher on news that China has increased its oil imports. The rise in commodity prices has a negative side in the form of inflation. For the highly indebted countries such as the US and some European countries which have a lot of excess capacity, inflation is not an issue since it remains at low levels. However, for other countries in Asia which have grown strongly and are operating at the limits of the economy's operating capacity, inflation is a big challenge. China responded by raising interest rates for the first time in nearly three years, in October 2010, and the news took the market by surprise. Meanwhile in Europe, the Ireland crisis, like the Greece crisis months before, receded into the background as European leaders agreed to treaty changes to enact a permanent rescue fund after a two-day summit in Brussels in October 2010. Nonetheless, the medium-term concerns of the debt sustainability of the more highly indebted countries, as well as the longer-term issues of economic imbalances and governance, remain to be resolved. The markets also did not react with too much alarm on the tensions between North and South Korea; for example the South Korean government bonds did not drop significantly on the news. This reflects market confidence that the tensions would eventually resolve themselves.

In early 2011, there was a shift in allocation away from emerging market equities towards developed market equities. With a better outlook for developed markets (and US growth, in particular) and higher commodity prices, investors were concerned about inflation in Asia coming into 2011. Consistent attention is paid by the markets on the moves of the Chinese government and central bank, who have been adopting a tightening stance for the last few months, especially on the property sector. We also observe the gradual emergence of a Greater China asset class, comprising the mainland China, Hong Kong and Taiwan markets, which move in unison to the gyrations of the Chinese economy.

The key story in Asia remains its strong long-term macroeconomic fundamentals, but with potentially overheated asset markets on the flip side. The Chinese authorities remain optimistic that inflation will slow after the Chinese New Year holidays when food prices are expected to ease. We believe that inflation should peak by mid 2011 and the easing of inflationary pressure could be a catalyst for the funds to reverse from the developed into the emerging markets.

The Fund will try to capture the expected upside from the potential recovery of the US economy and strong growth prospects in Asia by investing in Japanese equities. Another strategy we continue to undertake is to actively write options on fundamentally strong companies to collect attractive premiums. We will also participate in index futures to hedge against market volatility or efficient portfolio management.

We also like Taiwan. Benefits from the Economic Cooperation Framework Agreement (ECFA) are expected to bear fruit in 2011 as many bilateral investments have been progressively made across the Straits since the conclusion of agreement this last year. Improving labor market, stronger consumer confidence, still-tight manufacturing capacity, and the enhancement of business operating environment can be expected to drive domestic demand growth in 2011.

Disclosures on the Fund³

a) I Investment Classified by Geography

| | Fair Value | Percentage of |
|---|-------------------|-------------------------|
| | 31/12/2010 | total net assets |
| | S\$ | attributable to |
| By Geography (Summary) | | unitholders at |
| | | 31/12/2010 |
| | | % |
| Australia | 755,594 | 3.85 |
| China | 2,308,309 | 11.77 |
| Europe | 432,067 | 2.20 |
| Hong Kong | 684,167 | 3.48 |
| Indonesia | 1,240,955 | 6.32 |
| Japan | 1,520,200 | 7.75 |
| Malaysia | 1,208,008 | 6.16 |
| Singapore | 1,950,920 | 9.93 |
| South Korea | 432,343 | 2.20 |
| Taiwan | 1,408,748 | 7.17 |
| Thailand | 1,585,082 | 8.08 |
| United Kingdom | 676,289 | 3.45 |
| United States | 2,903,149 | 14.79 |
| Portfolio of investments | 17,105,831 | 87.15 |
| Other net assets | 2,521,254 | 12.85 |
| Net assets attributable to unitholders | 19,627,085 | 100.00 |

a) II Investment Classified by Industry

| | Fair Value | Percentage of |
|---|-------------------|-------------------------|
| | 31/12/2010 | total net assets |
| | S\$ | attributable to |
| By Industry (Summary) | | unitholders at |
| | | 31/12/2010 |
| | | % |
| Consumer Services | 955,600 | 4.87 |
| Energy | 955,914 | 4.87 |
| Finance | 2,506,249 | 12.76 |
| Food and Beverage | 1,368,948 | 6.98 |
| Healthcare | 1,870,302 | 9.54 |
| Industrial | 5,092,629 | 25.95 |
| Materials | 2,157,396 | 10.98 |
| Property | 422,625 | 2.15 |
| REITS | 329,800 | 1.68 |
| Technology | 1,053,866 | 5.37 |
| Telecommunications | 392,502 | 2.00 |
| Portfolio of investments | 17,105,831 | 87.15 |
| Other net assets | 2,521,254 | 12.85 |
| Net assets attributable to unitholders | 19,627,085 | 100.00 |

³ As required by the Code on Collective Investment Schemes

| a) III Asset Class | Percentage of total net assets attributable to unitholders at 31/12/2010 | |
|----------------------------|---|-------------------|
| | Fair Value 31/12/2010 | 31/12/2010 |
| | S\$ | % |
| Equity | 16,581,431 | 84.48 |
| Preference share | 524,800 | 2.67 |
| Cash & other bank balances | 2,576,146 | 13.13 |
| Other Net Current Assets | (54,892) | (0.28) |
| | <u>19,627,085</u> | <u>100.00</u> |

| a) IV Credit Rating of Debt Securities | Percentage of total net assets attributable to unitholders at 31/12/2010 | |
|---|---|-------------------|
| | Fair Value 31/12/2010 | 31/12/2010 |
| | S\$ | % |
| A3 | 524,800 | 2.67 |
| | <u>524,800</u> | <u>2.67</u> |

Credit rating is by Moodys.

| b) Top Ten Holdings | Percentage of total net assets attributable to unitholders at 31/12/2010 | |
|--|---|-------------------|
| | Fair Value 31/12/2010 | 31/12/2010 |
| <u>10 Largest Holdings as at 31 December 2010</u> | S\$ | % |
| First Tractor Co | 936,503 | 4.77 |
| SMRT Corporation Ltd | 840,320 | 4.28 |
| Adobe Systems Inc | 828,799 | 4.22 |
| Genting Berhad | 694,058 | 3.54 |
| Hershey Company | 692,798 | 3.53 |
| Bangkok Dusit Medical Services | 680,633 | 3.47 |
| Gudang Garam TBK | 610,155 | 3.11 |
| Swiber Holdings Ltd | 585,800 | 2.98 |
| E*Trade Financial Corp | 570,030 | 2.90 |
| Yuanta Financial Holding Co Ltd | 538,492 | 2.74 |
| | <u>6,977,588</u> | <u>35.54</u> |

| <u>10 Largest Holdings as at 31 December 2009</u> | Fair Value 31/12/2009 S\$ | Percentage of total net assets attributable to unitholders at 31/12/2009 % |
|--|--|---|
| AAC Acoustic Technology Holdings Inc | 1,024,011 | 4.97 |
| China LongYuan Power Group | 927,514 | 4.50 |
| Mediatek Inc | 804,570 | 3.90 |
| SMRT Corporation Ltd | 794,560 | 3.86 |
| Wilmar International | 758,740 | 3.68 |
| Capitamall Trust 1% due 2 July 2013 | 754,468 | 3.66 |
| China Railway Construction Corporation | 735,138 | 3.57 |
| Petrochina Co Ltd | 727,109 | 3.53 |
| PB Issuer Limited 3.3% due 1 February 2013 | 670,356 | 3.25 |
| France Telecom | 615,589 | 2.99 |
| | 7,812,055 | 37.91 |

c) (i) Exposure to derivatives as at 31 December 2010:
Nil

c) (ii) Net gain/(losses) on derivative contracts realized for the period from 1 January 2010 to 31 December 2010.
S\$285,745

c) (iii) Net gains/losses on outstanding derivative contracts marked to market as at 31 December 2010.
Nil

d) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 31 December 2010
Nil

e) Amount and percentage of borrowings of total fund size as at 31 December 2010
Nil

f) Amount of redemptions and subscriptions for the period 1 January 2010 to 31 December 2010

Total amount of redemptions S\$1,338,918
Total amount of subscriptions S\$ 242,515

g) Amount of related party transactions for the period 1 January 2010 to 31 December 2010

Interest income earned from a related company of the Trustee S\$ 1,713
Interest income earned from a related company of the Managers S\$ 32
Brokerage paid to a related company of the Managers S\$ 418

h) Performance of the Fund

| | 3 months | 6 months | 1 year | 3 year* | 5 year* | Inception* (on 16 April 2001) |
|-----------|-----------------|-----------------|---------------|----------------|----------------|--|
| The Fund | 1.13% | 4.70% | 0.61% | -19.08% | -10.66% | 48.75% |
| Benchmark | 4.06% | 9.74% | -2.84% | -18.90% | -12.35% | 6.06% |

Note: * Cumulative returns are in Singapore dollars based on a bid to bid basis, with net dividends reinvested.

Source: Bloomberg as at 31 December 2010

Benchmark: 30% Citigroup World Government Bond Index (SGD Unhedged) + 70% MSCI World Free Index (SGD) with effect from 27 February 2005

i) Expense Ratio

| | | |
|--|------------------|------------------|
| | 31 December 2010 | 31 December 2009 |
|--|------------------|------------------|

| | | |
|-------------------------|-------|-------|
| Without performance fee | 1.94% | 2.12% |
| With performance fee | 1.94% | 2.12% |

The “expenses” used in the calculation of the “Expense Ratio” do not include brokerage and other transaction costs, performance fee (where applicable), foreign exchange gains or losses, front or back end loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received. The expense ratio is computed in accordance with the revised IMAS’ guidelines on disclosure of expense ratios dated 25 May 2005.

j) Turnover Ratio

| | | |
|--|------------------|------------------|
| | 31 December 2010 | 31 December 2009 |
|--|------------------|------------------|

| | | |
|--|---------|---------|
| | 167.73% | 205.08% |
|--|---------|---------|

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 purchases or sales for the 12 months preceding the reporting date expressed as a percentage of the daily average NAV for the 12 months preceding the reporting date.

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

l) 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 2010 and 31 December 2009.

Not applicable.

- (ii) Expense ratios for the period 31 December 2010 and 31 December 2009. A footnote should state (where applicable) that the expense ratio does not include brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from or arising out of income received.

Not applicable.

- (iii) Turnover ratios for the period 31 December 2010 and 31 December 2009

Not applicable.

m) Soft dollar arrangements

The Managers shall be entitled to and intend to receive or enter into soft-dollar commissions/arrangements. The Managers will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions which the Managers 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 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 PCM.

The Managers will not accept or enter into soft dollar commissions/arrangements unless such soft-dollar commissions/arrangements would, in the opinion of the Managers, assist the Managers in the management of clients' funds, provided that the Managers 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 Managers 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.

During the year, soft dollar services received from each broker were investment research and publications, data and quotation services. Soft dollars were received from the Managers' panel of brokers which executed transactions for the Funds and other funds managed by the Managers.

Financial Statements
For the financial year ended 31 December 2010

Report of the Trustee

The Trustee is under a duty to take into custody and hold the assets of Phillip Investment 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 (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of the Managers 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 Managers has, in all material respects, managed Phillip Investment Funds during the year covered by these financial statements, set out on pages FS1 to FS29, comprising the Statements of Total Return, Balance Sheets, Portfolio Statements 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
Citicorp Trustee (Singapore) Limited

Director

29 March 2011

Statement by the Managers

In the opinion of the directors of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages FS1 to FS29, comprising the Statements of Total Return, Balance Sheets, Portfolio Statements and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of Phillip Investment Funds as at 31 December 2010, and the total return for the year then ended, in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts”* issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that Phillip Investment Funds will be able to meet its financial obligations as and when they materialise.

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

Jeffrey Lee Chay Khiong
Director

29 March 2011

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

Auditors' Report to the Unitholders of Phillip Investment Funds

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

We have audited the financial statements of Phillip Investment Funds (the Funds), which comprise the Statements of Total Return for the year ended 31 December 2010, the Balance Sheets and Portfolio Statements as at 31 December 2010, and Notes to the Financial Statements for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS29.

Managers' responsibility for the financial statements

The Managers of the Funds 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 control as the Managers 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 Funds' 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 Funds' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Managers of the Funds, 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 Funds as at 31 December 2010 and the total return for the year then ended, in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Certified Public Accountants of Singapore.

KPMG LLP
*Public Accountants and
Certified Public Accountants*

Singapore

Statements of Total Return
Year ended 31 December 2010

| | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|------------------------|--------------------------------------|------------------|----------------------------|----------------|----------------------------|----------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ |
| Income | | | | | | |
| Dividends | – | – | 241,563 | 375,237 | 373,769 | 601,276 |
| Interest | 10,438,800 | 8,617,950 | 173,848 | 111,949 | 64,917 | 96,895 |
| | <u>10,438,800</u> | <u>8,617,950</u> | <u>415,411</u> | <u>487,186</u> | <u>438,686</u> | <u>698,171</u> |
| Less: | | | | | | |
| Expenses | | | | | | |
| Management fees | 3,213,816 | 2,338,462 | 171,139 | 160,404 | 306,127 | 294,428 |
| Management fees rebate | (136,758) | (62,764) | – | – | – | – |
| Trustee fees | 195,372 | 142,714 | 6,929 | 7,448 | 9,288 | 8,859 |
| Custodian fees | 63,765 | 47,078 | 16,327 | 18,784 | 15,877 | 22,213 |
| Audit fees | 10,000 | 3,772 | 10,000 | 20,765 | 10,000 | 20,382 |
| Other | 97,793 | 41,143 | 48,321 | 55,167 | 54,705 | 61,191 |
| | <u>3,443,988</u> | <u>2,510,405</u> | <u>252,716</u> | <u>262,568</u> | <u>395,997</u> | <u>407,073</u> |
| Net income | <u>6,994,812</u> | <u>6,107,545</u> | <u>162,695</u> | <u>224,618</u> | <u>42,689</u> | <u>291,098</u> |

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

| | Note | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|--|------|------------------------------|------------------|---------------------|------------------|---------------------|------------------|
| | | 2010 S\$ | 2009 S\$ | 2010 S\$ | 2009 S\$ | 2010 S\$ | 2009 S\$ |
| Net gains/(losses) on value of investments | | | | | | | |
| Net realised gains/(losses) on investments | | (1,913,080) | (1,438,079) | 173,493 | (2,706,731) | 302,137 | (2,514,157) |
| Net change in fair value of investments | | (1,460,199) | 2,916,197 | (325,301) | 4,226,293 | (468,306) | 6,534,362 |
| Net realised gains on financial derivatives | | – | – | 152,299 | 899 | 285,745 | 236,662 |
| Net gains/(losses) on value of investments | | (3,373,279) | 1,478,118 | 491 | 1,520,461 | 119,576 | 4,256,867 |
| Total return for the year before income tax | | | | | | | |
| | | 3,621,533 | 7,585,663 | 163,186 | 1,745,079 | 162,265 | 4,547,965 |
| Less: Income tax | 9 | – | – | (33,688) | (26,662) | (49,579) | (50,250) |
| Total return for the year | | 3,621,533 | 7,585,663 | 129,498 | 1,718,417 | 112,686 | 4,497,715 |

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

Balance Sheets
As at 31 December 2010

| | Note | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|--|------|------------------------------|--------------------|---------------------|-------------------|---------------------|-------------------|
| | | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ |
| Assets | | | | | | | |
| Portfolio of investments | | 406,547,700 | 319,652,067 | 9,509,415 | 10,197,995 | 17,105,831 | 18,767,918 |
| Receivables | 3 | 3,314,190 | 2,538,534 | 31,749 | 229,843 | 10,539 | 1,561,551 |
| Cash and bank balances | 4 | 256,168,588 | 150,589,121 | 2,174,497 | 609,809 | 2,576,146 | 1,180,046 |
| Total assets | | 666,030,478 | 472,779,722 | 11,715,661 | 11,037,647 | 19,692,516 | 21,509,515 |
| Liabilities | | | | | | | |
| Bank overdraft (unsecured) | | – | – | 37,991 | – | – | – |
| Payables | 5 | 952,000 | 385,629 | 46,545 | 47,887 | 65,431 | 65,444 |
| Due to brokers | | – | – | 282,184 | – | – | 833,269 |
| Net assets attributable to unitholders | 6 | 665,078,478 | 472,394,093 | 11,348,941 | 10,989,760 | 19,627,085 | 20,610,802 |
| Total liabilities | | 666,030,478 | 472,779,722 | 11,715,661 | 11,037,647 | 19,692,516 | 21,509,515 |

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

Portfolio Statements
Year ended 31 December 2010

| | Holdings as at 31/12/2010 | Fair value as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|--|--|--|--|
| Phillip Money Market Fund | | | |
| By Industry (Primary) | | | |
| Airlines | | | |
| Fixed Rate Notes – Quoted | | | |
| Singapore Airlines Ltd 4.15% Due 19 December 2011 | 10,500,000 | 10,789,562 | 1.62 |
| Total Airlines | | 10,789,562 | 1.62 |
| Airlines Leasing | | | |
| Fixed Rate Notes - Quoted | | | |
| BOC Aviation 2% Due 13 September 2011 | 8,000,000 | 8,008,000 | 1.20 |
| Solitaire Capital Ltd 4.37% Due 18 July 2011 | 1,000,000 | 1,005,000 | 0.15 |
| Total Airlines Leasing | | 9,013,000 | 1.35 |
| Finance | | | |
| Fixed Rate Notes - Quoted | | | |
| Bank of America Corporation 4% Due 9 March 2011 | 1,000,000 | 1,003,167 | 0.15 |
| Dexia Banque Intl Lux SA 1.8% Due 10 June 2011 | 7,000,000 | 7,008,400 | 1.05 |
| General Electric Capital Corp 3.485% Due 8 March 2012 | 8,100,000 | 8,255,997 | 1.24 |
| General Electric Capital Corp 2.96% Due 18 May 2012 | 2,300,000 | 2,326,922 | 0.35 |
| GE Cap Australia Funding 4.515% Due 12 June 2012 | 250,000 | 257,923 | 0.04 |
| Balance carried forward | | 18,852,409 | 2.83 |

| | Holdings as at 31/12/2010 | Fair value as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|--|--|--|--|
| Phillip Money Market Fund | | | |
| By Industry (Primary) | | | |
| Finance (cont'd) | | | |
| Fixed Rate Notes - Quoted | | | |
| Balance brought forward | | 18,852,409 | 2.83 |
| Jackson National Life Funding LLC 3.92% Due 8 March 2011 | 2,500,000 | 2,505,295 | 0.38 |
| John Hancock Global Funding II 4.28% Due 22 February 2011 | 7,000,000 | 7,015,750 | 1.05 |
| Kim Eng Holdings Ltd 2.2% Due 21 October 2011 | 4,000,000 | 4,004,800 | 0.60 |
| Kim Eng Holdings Ltd 2.3% Due 28 January 2011 | 13,000,000 | 13,004,833 | 1.96 |
| Kim Eng Holdings Ltd 2.4% Due 5 July 2012 | 6,000,000 | 5,993,400 | 0.90 |
| Kookmin Bank 1.28% Due 16 October 2011 | 14,000,000 | 13,965,000 | 2.10 |
| MacQuarie Bank Ltd 1% Due 16 November 2011 | 13,000,000 | 12,922,000 | 1.94 |
| National Agricultural Co 1.5% Due 20 July 2011 | 12,000,000 | 12,016,800 | 1.81 |
| Oversea-Chinese Banking Corp Ltd 5% Due 6 September 2011 | 5,250,000 | 5,360,699 | 0.81 |
| Rabobank Nederland 1% Due 1 June 2011 | 500,000 | 498,000 | 0.07 |
| Rabobank Nederland 2.1% Due 10 September 2012 | 3,000,000 | 3,053,651 | 0.46 |
| | | 99,192,637 | 14.91 |
| Commercial Papers | | | |
| Bank of Queensland Ltd 0% Due 22 July 2011 | 10,000,000 | 9,925,000 | 1.49 |
| Total Finance | | 109,117,637 | 16.40 |

| | Holdings as at 31/12/2010 | Fair value as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|--|--|--|--|
| Phillip Money Market Fund | | | |
| By Industry (Primary) | | | |
| Food and Beverage | | | |
| Fixed Rate Notes – Quoted | | | |
| F&N Treasury Pte Ltd 3.38% Due 15 April 2011 | 1,750,000 | 1,760,250 | 0.27 |
| Total Food and Beverage | | 1,760,250 | 0.27 |
| Government Agency | | | |
| Fixed Rate Notes – Quoted | | | |
| Export-Import Bank of Korea 1.25% Due 18 October 2011 | 12,000,000 | 11,937,600 | 1.79 |
| Export-Import Bank of Korea 1.24% Due 29 April 2011 | 8,000,000 | 8,007,146 | 1.20 |
| Export-Import Bank of Korea 1.35% Due 9 April 2011 | 15,000,000 | 14,987,400 | 2.25 |
| Export-Import Bank of Korea 1.57% Due 24 May 2012 | 5,000,000 | 4,998,500 | 0.75 |
| Export-Import Bank of Korea 2% Due 14 June 2011 | 2,000,000 | 2,006,400 | 0.30 |
| Housing & Development Board 3.455% Due 1 March 2011 | 5,000,000 | 5,022,509 | 0.76 |
| Housing & Development Board 3.805% Due 14 July 2011 | 2,000,000 | 2,033,474 | 0.31 |
| Korea Development Bank 1.15% Due 16 August 2011 | 14,000,000 | 13,930,000 | 2.09 |
| Korea Development Bank 1.18% Due 19 May 2011 | 12,000,000 | 12,010,800 | 1.81 |
| Total Government Agency | | 74,933,829 | 11.26 |

| | Holdings as at 31/12/2010 | Fair value as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|--|--|--|--|
| Phillip Money Market Fund | | | |
| By Industry (Primary) | | | |
| Investment Fund | | | |
| Investment Fund – Quoted | | | |
| Phillip Savings Fund | 39,962,447 | 40,234,192 | 6.05 |
| Total Investment Fund | | <u>40,234,192</u> | <u>6.05</u> |
| Property | | | |
| Fixed Rate Notes - Quoted | | | |
| Allgreen Properties Ltd 2.6% Due 28 December 2011 | 15,000,000 | 15,141,000 | 2.28 |
| Allgreen Properties Ltd 1.3% Due 25 October 2011 | 13,500,000 | 13,467,600 | 2.02 |
| Ascott Capital Pte Ltd 4.38% Due 14 August 2012 | 2,000,000 | 2,070,000 | 0.31 |
| Ascott Capital Pte Ltd 4.7% Due 7 July 2011 | 1,750,000 | 1,778,143 | 0.27 |
| Capitaland Commercial Ltd 4.4% Due 3 March 2011 | 5,000,000 | 5,022,188 | 0.76 |
| Capitaland Treasury Ltd 3.1% Due 17 January 2011 | 3,750,000 | 3,751,970 | 0.56 |
| Capitaland Treasury Ltd 4.08% Due 15 March 2011 | 13,000,000 | 13,059,766 | 1.96 |
| CDL Properties Ltd 3.85% Due 12 October 2011 | 14,000,000 | 14,245,000 | 2.14 |
| City Developments Ltd 4.85% Due 16 April 2012 | 750,000 | 778,125 | 0.12 |
| Frasers Centrepoint Ltd 4.045% Due 14 March 2011 | 4,500,000 | 4,522,965 | 0.68 |
| GLL IHT Pte Ltd 2% Due 4 November 2011 | 4,000,000 | 3,996,400 | 0.60 |
| Hotel Properties Ltd 3.3% Due 7 March 2011 | 15,750,000 | 15,797,250 | 2.38 |
| Hotel Properties Ltd 4.8% Due 29 July 2011 | 250,000 | 254,488 | 0.04 |
| Balance carried forward | | <u>93,884,895</u> | <u>14.12</u> |

| | Holdings as at 31/12/2010 | Fair value as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|--|--|--|--|
| Phillip Money Market Fund | | | |
| By Industry (Primary) | | | |
| Property (cont'd) | | | |
| Fixed Rate Notes - Quoted | | | |
| Balance carried forward | | 93,884,895 | 14.12 |
| Hotel Properties Ltd 4.95% Due 30 May 2011 | 8,750,000 | 8,866,351 | 1.33 |
| Hotel Properties Ltd 5% Due 5 March 2012 | 10,750,000 | 11,082,438 | 1.67 |
| Keppel Land Ltd 3.76% Due 14 March 2011 | 4,000,000 | 4,012,000 | 0.60 |
| Midpoint Properties Ltd 3.75% Due 4 July 2011 | 500,000 | 505,000 | 0.08 |
| Midpoint Properties Ltd 3.88% Due 17 January 2011 | 3,500,000 | 3,498,110 | 0.53 |
| United Overseas Land Ltd 3.34% Due 15 May 2012 | 250,000 | 253,000 | 0.04 |
| Wing Tai Holdings Ltd 4.98% Due 25 April 2011 | 15,500,000 | 15,636,186 | 2.35 |
| | | <u>137,737,980</u> | <u>20.72</u> |
| Floating Rate Notes - Quoted | | | |
| Capitaland Treasury Ltd Due 15 March 2011 | 12,000,000 | 11,969,400 | 1.80 |
| | | <u>149,707,380</u> | <u>22.52</u> |
| Total Property | | | |
| Real Estate Investment Trusts ("REITs") | | | |
| Fixed Rate Notes - Quoted | | | |
| CDLHT MTN Pte Ltd 1.22% Due 19 August 2013 | 3,000,000 | 2,999,700 | 0.45 |
| Floating Rate Notes - Quoted | | | |
| CDLHT MTN Pte Ltd 1.36% Due 19 August 2013 | 7,500,000 | 7,491,000 | 1.13 |
| | | <u>10,490,700</u> | <u>1.58</u> |
| Total REITs | | | |

| | Holdings as at 31/12/2010 | Fair value as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|---|--|--|--|
| Phillip Money Market Fund | | | |
| By Industry (Primary) | | | |
| Supra-national | | | |
| Fixed Rate Notes - Quoted | | | |
| Kreditanstalt fuer Wiederaufbau 1.9% Due 17 March 2011 | 500,000 | 501,150 | 0.08 |
| Total Supra-national | | 501,150 | 0.08 |
| Portfolio of investments | | 406,547,700 | 61.13 |
| Other net assets | | 258,530,778 | 38.87 |
| Net assets attributable to unitholders | | 665,078,478 | 100.00 |

| | Fair value as at 31/12/2010 | Percentage of total net assets attributable to unitholders as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2009 % |
|---|-----------------------------------|---|---|
| Phillip Money Market Fund | | | |
| By Industry (Primary) | | | |
| Airlines | 10,789,562 | 1.62 | – |
| Airlines Leasing | 9,013,000 | 1.35 | – |
| Finance | 109,117,637 | 16.40 | 11.67 |
| Food and Beverage | 1,760,250 | 0.27 | 4.22 |
| Government Agency | 74,933,829 | 11.26 | 7.03 |
| Investment Fund | 40,234,192 | 6.05 | 7.43 |
| Property | 149,707,380 | 22.52 | 26.77 |
| REITs | 10,490,700 | 1.58 | 2.87 |
| Sovereign | – | – | 5.43 |
| Supra-national | 501,150 | 0.08 | – |
| Utilities | – | – | 2.25 |
| Portfolio of investments | 406,547,700 | 61.13 | 67.67 |
| Other net assets | 258,530,778 | 38.87 | 32.33 |
| Net assets attributable to unitholders | 665,078,478 | 100.00 | 100.00 |
| Phillip Money Market Fund | | | |
| By Geography (Secondary) | | | |
| Australia | 22,847,000 | 3.43 | 0.75 |
| Europe | 11,061,201 | 1.66 | 2.12 |
| Hong Kong | – | – | 1.06 |
| New Zealand | – | – | 0.64 |
| Singapore | 257,414,799 | 38.73 | 48.71 |
| South Korea | 93,859,646 | 14.10 | 11.29 |
| United Kingdom | 2,505,295 | 0.38 | 1.17 |
| United States | 18,859,759 | 2.83 | 1.93 |
| Portfolio of investments | 406,547,700 | 61.13 | 67.67 |
| Other net assets | 258,530,778 | 38.87 | 32.33 |
| Net assets attributable to unitholders | 665,078,478 | 100.00 | 100.00 |

| | Holdings as at 31/12/2010 | Fair value as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|---|--|--|--|
| Phillip Income Fund | | | |
| By Industry (Primary) | | | |
| Consumer Services | | | |
| Quoted Equities | | | |
| Genting Berhad | 55,000 | 254,488 | 2.24 |
| Total Consumer Services | | 254,488 | 2.24 |
| Energy | | | |
| Quoted Bond | | | |
| Swiber Holdings Ltd 5.75% Due 31 August 2012 | 500,000 | 503,245 | 4.43 |
| Total Energy | | 503,245 | 4.43 |
| Finance | | | |
| Quoted Equities | | | |
| China Construction Bank | 300,000 | 344,603 | 3.04 |
| NYSE Euronext Inc | 8,244 | 317,112 | 2.79 |
| Tisco Financial Group PLC | 182,000 | 307,204 | 2.71 |
| Yuanta Financial Holding Co Ltd | 231,000 | 212,272 | 1.87 |
| Total Finance | | 1,181,191 | 10.41 |
| Food and Beverage | | | |
| Quoted Equities | | | |
| Cerebos Pacific Ltd | 78,000 | 383,760 | 3.38 |
| Hershey Company | 6,119 | 370,174 | 3.26 |
| Total Food and Beverage | | 753,934 | 6.64 |
| Government | | | |
| Quoted Bond | | | |
| Indonesia Recapitalization Bond 13.15% Due 15 January 2012 | 2,700,000,000 | 414,098 | 3.65 |
| Sertifikat Bank Indonesia | 3,300,000,000 | 469,711 | 4.14 |
| Total Government | | 883,809 | 7.79 |

| | Holdings as at 31/12/2010 S\$ | Fair value as at 31/12/2010 % | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|---|--|--|--|
| Phillip Income Fund | | | |
| By Industry (Primary) | | | |
| Healthcare | | | |
| Quoted Equities | | | |
| Bristol-Myers Squibb Com | 6,770 | 230,012 | 2.03 |
| Takeda Pharmaceutical Company Ltd | 4,000 | 252,098 | 2.22 |
| Total Healthcare | | 482,110 | 4.25 |
| Industrial | | | |
| Quoted Equities | | | |
| China COSCO Holdings | 210,000 | 285,585 | 2.52 |
| Mediatek Inc | 15,000 | 264,271 | 2.33 |
| Richtek Technology Corporation | 21,000 | 215,600 | 1.90 |
| Singapore Airport Terminal Services Ltd | 145,000 | 416,150 | 3.67 |
| SMRT Corporation Ltd | 291,000 | 587,820 | 5.18 |
| Thoresen Thai Agencies | 275,100 | 241,813 | 2.13 |
| Total Industrial | | 2,011,239 | 17.73 |
| Materials | | | |
| Quoted Equities | | | |
| China Shenhua Energy Co Ltd | 100,000 | 537,205 | 4.73 |
| Kingsgate Consolidated Ltd | 14,028 | 197,712 | 1.74 |
| Mitsubishi Gas Chemical Company, Inc. | 30,000 | 272,607 | 2.40 |
| Petronas Chemicals Group Bhd | 72,000 | 165,076 | 1.45 |
| Tambang Batubara Bukit Asam (Persero) TBK | 60,000 | 196,305 | 1.73 |
| Total Materials | | 1,368,905 | 12.05 |
| Property | | | |
| Quoted Bond | | | |
| Hotel Properties Ltd 3.98% Due 27 April 2015 | 500,000 | 502,921 | 4.43 |
| Total Property | | 502,921 | 4.43 |

| | Holdings as at 31/12/2010 | Fair value as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|---|--|--|--|
| Phillip Income Fund | | | |
| By Industry (Primary) | | | |
| Real Estate Investment Trust ("REITS") | | | |
| Quoted Equities | | | |
| CPN Retail Growth Leasehold Property Fund | 638,000 | 319,685 | 2.82 |
| Sabana Shariah Compliant Industrial REIT | 480,000 | 465,600 | 4.10 |
| Total REITS | | 785,285 | 6.92 |
| Technology | | | |
| Quoted Equities | | | |
| YTL E-Solutions Bhd | 230,000 | 121,543 | 1.07 |
| Total Technology | | 121,543 | 1.07 |
| Telecommunications | | | |
| Quoted Equities | | | |
| Telstra Corporation | 100,000 | 364,772 | 3.22 |
| Advanced Info Service | 82,000 | 295,973 | 2.61 |
| Total Telecommunications | | 660,745 | 5.83 |
| Portfolio of investments | | 9,509,415 | 83.79 |
| Other net assets | | 1,839,526 | 16.21 |
| Net assets attributable to unitholders | | 11,348,941 | 100.00 |

| | Fair value as at 31/12/2010 | Percentage of total net assets attributable to unitholders as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2009 % |
|---|-----------------------------------|---|---|
| Phillip Income Fund | | | |
| By Industry (Summary) | | | |
| Consumer Services | 254,488 | 2.24 | 8.46 |
| Energy | 503,245 | 4.43 | 3.22 |
| Finance | 1,181,191 | 10.41 | 33.41 |
| Food and Beverage | 753,934 | 6.64 | 5.68 |
| Government | 883,809 | 7.79 | – |
| Healthcare | 482,110 | 4.25 | – |
| Industrials | 2,011,239 | 17.73 | 7.58 |
| Materials | 1,368,905 | 12.05 | – |
| Property | 502,921 | 4.43 | – |
| REITs | 785,285 | 6.92 | 19.04 |
| Technology | 121,543 | 1.07 | 2.00 |
| Telecommunications | 660,745 | 5.83 | 7.31 |
| Utilities | – | – | 6.10 |
| Portfolio of investments | 9,509,415 | 83.79 | 92.80 |
| Other net assets | 1,839,526 | 16.21 | 7.20 |
| Net assets attributable to unitholders | 11,348,941 | 100.00 | 100.00 |
| Phillip Income Fund | | | |
| By Geography (Secondary) | | | |
| Australia | 562,484 | 4.96 | 13.54 |
| China | 1,167,393 | 10.29 | 6.98 |
| Europe | – | – | 8.16 |
| Hong Kong | 1,080,114 | 9.52 | 6.26 |
| Indonesia | 524,705 | 4.62 | – |
| Malaysia | 541,107 | 4.76 | – |
| Singapore | 2,859,496 | 25.19 | 28.17 |
| South Korea | – | – | 7.50 |
| Taiwan | 692,143 | 6.10 | 2.16 |
| Thailand | 1,164,675 | 10.27 | 10.34 |
| United States | 917,298 | 8.08 | 9.69 |
| Portfolio of investments | 9,509,415 | 83.79 | 92.80 |
| Other net assets | 1,839,526 | 16.21 | 7.20 |
| Net assets attributable to unitholders | 11,348,941 | 100.00 | 100.00 |

| | Holdings as at 31/12/2010 | Fair value as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|---|--|--|--|
| Phillip Growth Fund | | | |
| By Industry (Primary) | | | |
| Consumer Services | | | |
| Quoted Equities | | | |
| Genting Berhad | 150,000 | 694,058 | 3.54 |
| Le Saunda Holdings | 372,000 | 261,542 | 1.33 |
| Total Consumer Services | | 955,600 | 4.87 |
| Energy | | | |
| Quoted Equities | | | |
| BP PLC | 40,000 | 370,114 | 1.89 |
| Swiber Holdings Ltd | 580,000 | 585,800 | 2.98 |
| Total Energy | | 955,914 | 4.87 |
| Finance | | | |
| Quoted Equities | | | |
| China Construction Bank | 300,000 | 344,603 | 1.76 |
| E*Trade Financial Corp | 27,750 | 570,030 | 2.90 |
| Tisco Financial Group PLC | 313,000 | 528,324 | 2.69 |
| Yuanta Financial Holding Co Ltd | 586,000 | 538,492 | 2.74 |
| | | 1,981,449 | 10.09 |
| Preference Shares - Quoted | | | |
| Oversea-Chinese Banking Corp Ltd 5.1% Due 29 December 2049 | 5,000 | 524,800 | 2.67 |
| Total Finance | | 2,506,249 | 12.76 |
| Food and Beverage | | | |
| Quoted Equities | | | |
| Diageo PLC | 13,000 | 306,175 | 1.56 |
| Hershey Company | 11,452 | 692,798 | 3.53 |
| Toyo Suisan Kaisha Ltd | 13,000 | 369,975 | 1.89 |
| Total Food and Beverage | | 1,368,948 | 6.98 |

| | Holdings as at 31/12/2010 | Fair value as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|---|--|--|--|
| Phillip Growth Fund | | | |
| By Industry (Primary) | | | |
| Healthcare | | | |
| Quoted Equities | | | |
| Abbott Laboratories | 6,000 | 368,826 | 1.88 |
| Bangkok Dusit Medical Services | 344,700 | 680,633 | 3.47 |
| Bristol Myers Squibb Com | 13,030 | 442,696 | 2.26 |
| Takeda Pharmaceutical Company Ltd | 6,000 | 378,147 | 1.93 |
| Total Healthcare | | 1,870,302 | 9.54 |
| Industrials | | | |
| Quoted Equities | | | |
| ABB Ltd | 15,000 | 432,067 | 2.20 |
| Boer Power Holdings | 430,000 | 498,190 | 2.54 |
| China COSCO Holdings | 389,000 | 529,013 | 2.70 |
| First Tractor Co | 656,000 | 936,503 | 4.77 |
| Gudang Garam TBK | 107,000 | 610,155 | 3.11 |
| Mediatek Inc | 29,000 | 510,924 | 2.60 |
| Richtek Technology Corporation | 35,000 | 359,332 | 1.83 |
| SMRT Corporation Ltd | 416,000 | 840,320 | 4.28 |
| Thoresen Thai Agencies | 427,900 | 376,125 | 1.92 |
| Total Industrials | | 5,092,629 | 25.95 |
| Materials | | | |
| Quoted Equities | | | |
| Kingsgate Consolidated Ltd | 25,762 | 363,092 | 1.85 |
| Mitsubishi Gas Chemical Company, Inc. | 43,000 | 390,736 | 1.99 |
| Petronas Chemicals Group Bhd | 126,000 | 288,883 | 1.47 |
| POSCO | 786 | 432,343 | 2.20 |
| Shin Etsu Chemical Co Ltd | 5,500 | 381,342 | 1.94 |
| Tambang Batubara Bukit Asam (Persero) TBK | 92,000 | 301,000 | 1.53 |
| Total Materials | | 2,157,396 | 10.98 |

| | Holdings as at 31/12/2010 | Fair value as at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % |
|--|--|--|--|
| Phillip Growth Fund | | | |
| By Industry (Primary) | | | |
| Property | | | |
| Quoted Equities | | | |
| Kosmopolito Hotels | 1,407,000 | 422,625 | 2.15 |
| Japan Land Ltd | 965,800 | — | — |
| Total Property | | 422,625 | 2.15 |
| Real Estate Investment Trusts (“REITs”) | | | |
| Quoted Equities | | | |
| Sabana Shariah Compliant Industrial REIT | 340,000 | 329,800 | 1.68 |
| Total REITS | | 329,800 | 1.68 |
| Technology | | | |
| Quoted Equities | | | |
| Adobe Systems Inc | 21,000 | 828,799 | 4.22 |
| YTL E-Solutions Bhd | 425,900 | 225,067 | 1.15 |
| Total Technology | | 1,053,866 | 5.37 |
| Telecommunications | | | |
| Telstra Corporation | 107,602 | 392,502 | 2.00 |
| Total Telecommunications | | 392,502 | 2.00 |
| Portfolio of investments | | 17,105,831 | 87.15 |
| Other net assets | | 2,521,254 | 12.85 |
| Net assets attributable to unitholders | | 19,627,085 | 100.00 |

| | Fair value As at 31/12/2010 S\$ | Percentage of total net assets attributable to unitholders as at 31/12/2010 % | Percentage of total net assets attributable to unitholders as at 31/12/2009 % |
|---|--|---|---|
| Phillip Growth Fund | | | |
| By Industry (Summary) | | | |
| Consumer Services | 955,600 | 4.87 | 2.00 |
| Energy | 955,914 | 4.87 | 9.10 |
| Finance | 2,506,249 | 12.76 | 18.38 |
| Food and Beverage | 1,368,948 | 6.98 | 12.83 |
| Healthcare | 1,870,302 | 9.54 | 2.08 |
| Industrials | 5,092,629 | 25.95 | 10.76 |
| Materials | 2,157,396 | 10.98 | 2.81 |
| Property | 422,625 | 2.15 | 2.84 |
| REITs | 329,800 | 1.68 | 7.31 |
| Technology | 1,053,866 | 5.37 | 16.66 |
| Telecommunications | 392,502 | 2.00 | 5.16 |
| Utilities | – | – | 1.13 |
| Portfolio of investments | 17,105,831 | 87.15 | 91.06 |
| Other net assets | 2,521,254 | 12.85 | 8.94 |
| Net assets attributable to unitholders | 19,627,085 | 100.00 | 100.00 |
| Phillip Growth Fund | | | |
| By Geography (Secondary) | | | |
| Australia | 755,594 | 3.85 | 1.47 |
| China | 2,308,309 | 11.77 | 19.77 |
| Europe | 432,067 | 2.20 | 4.94 |
| Hong Kong | 684,167 | 3.48 | 6.23 |
| Indonesia | 1,240,955 | 6.32 | 6.74 |
| Japan | 1,520,200 | 7.75 | 2.03 |
| Malaysia | 1,208,008 | 6.16 | 2.87 |
| Singapore | 1,950,920 | 9.93 | 18.95 |
| South Korea | 432,343 | 2.20 | 0.76 |
| Taiwan | 1,408,748 | 7.17 | 6.82 |
| Thailand | 1,585,082 | 8.08 | 2.17 |
| United Kingdom | 676,289 | 3.45 | 8.19 |
| United States | 2,903,149 | 14.79 | 10.12 |
| Portfolio of investments | 17,105,831 | 87.15 | 91.06 |
| Other net assets | 2,521,254 | 12.85 | 8.94 |
| Net assets attributable to unitholders | 19,627,085 | 100.00 | 100.00 |

Notes to the Financial Statements

These notes form an integral part of the financial statements.

1 Domicile and activities

Phillip Investment Funds (the "Funds") is an open ended umbrella unit trust constituted pursuant to a Trust Deed dated 26 February 2001 between Phillip Capital Management (S) Ltd (the "Managers") and Citicorp Trustee (Singapore) Limited (the "Trustee") as amended by a First Supplemental Deed dated 26 February 2002, an Amending & Restating Deed dated 27 February 2003, a Second Amending & Restating Deed dated 30 June 2003, a Third Amending & Restating Deed dated 2 January 2004, a Fourth Amending and Restating Deed dated 21 February 2005, a Fifth Amending and Restating Deed dated 21 February 2006, a Sixth Amending and Restating Deed dated 21 February 2007, a Seventh Amending and Restating Deed dated 20 February 2008, a Eighth Amending and Restating Deed dated 20 February 2009 and a Ninth Amending and Restating Deed dated 19 February 2010 (collectively the "Trust Deed"). The Trust Deed is governed by and construed in accordance with the laws of the Republic of Singapore.

The Funds offers a series of sub-funds; these were first offered for sale in Singapore on the following launch dates:

| Sub-Fund | Launch date |
|---------------------------|--------------------|
| Phillip Money Market Fund | 1 March 2001 |
| Phillip Income Fund | 1 March 2001 |
| Phillip Growth Fund | 1 March 2001 |

2 Summary of 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 Unit Trusts"* issued by the *Institute of Certified Public Accountants of Singapore*.

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 and the Code on Collective Investment Schemes under the Securities and Futures Act (Cap 289) respectively.

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 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 weighted average cost and the selling price of investments on trade date and are taken to the Statement of Total Return.

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

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

Interest income is recognised using the effective interest method.

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

2.5 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.

2.6 Income tax expense

The Funds is a designated unit trust under the Singapore Income Tax Act (Chapter 134). As a result, the following income will not be taxed at the Fund level:

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

2.7 Cash and cash equivalents

Cash and cash equivalents comprise term deposits, cash and bank balances and amounts held with brokers. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3 Receivables

| | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|---|--------------------------------------|------------------|----------------------------|----------------|----------------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ |
| Amount receivable for creation of units | 212,065 | 195,146 | – | – | – | – |
| Sales awaiting settlement | – | – | – | 176,805 | – | 1,525,802 |
| Rebate receivable | 35,479 | 29,621 | – | – | – | – |
| Accrued interest receivable | 3,066,646 | 2,307,201 | 31,749 | 41,600 | – | 20,196 |
| Dividends receivable | – | 6,566 | – | 11,438 | 10,539 | 15,553 |
| | 3,314,190 | 2,538,534 | 31,749 | 229,843 | 10,539 | 1,561,551 |

4 Cash and bank balances

| | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|---------------------------|--------------------------------------|--------------------|----------------------------|----------------|----------------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ |
| Term deposits | 224,229,381 | 143,194,613 | – | – | – | – |
| Cash and bank balances | 31,939,207 | 7,394,508 | 986,231 | 604,084 | 961,848 | 1,179,971 |
| Amounts held with brokers | – | – | 1,188,266 | 5,725 | 1,614,298 | 75 |
| | 256,168,588 | 150,589,121 | 2,174,497 | 609,809 | 2,576,146 | 1,180,046 |

5 Payables

| | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|--|--------------------------------------|----------------|----------------------------|---------------|----------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ |
| Payable to unitholders for cancellation of units | 556,311 | 82,993 | – | – | 7,149 | 2,295 |
| Accrued expenses | 395,689 | 302,636 | 46,545 | 47,887 | 58,282 | 63,149 |
| | <u>952,000</u> | <u>385,629</u> | <u>46,545</u> | <u>47,887</u> | <u>65,431</u> | <u>65,444</u> |

6 Net assets attributable to unitholders

| | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|---|--------------------------------------|--------------------|----------------------------|-------------------|----------------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ |
| At beginning of the financial year | <u>472,394,093</u> | <u>374,424,364</u> | <u>10,989,760</u> | <u>11,355,950</u> | <u>20,610,802</u> | <u>17,663,807</u> |
| Operations | | | | | | |
| Changes in net assets attributable to unitholders resulting from operations | <u>3,621,533</u> | <u>7,585,663</u> | <u>129,498</u> | <u>1,718,417</u> | <u>112,686</u> | <u>4,497,715</u> |

| | Note | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|--|------|------------------------------|-----------------|---------------------|-------------|---------------------|-------------|
| | | 2010 S\$ | 2009 S\$ | 2010 S\$ | 2009 S\$ | 2010 S\$ | 2009 S\$ |
| Unitholders' contributions/ (withdrawals) | | | | | | | |
| Creation of units | | 3,083,381,511 | 2,578,790,908 | 318,358 | 5,500 | 242,515 | 338,715 |
| Cancellation of units | | (2,894,318,659) | (2,488,406,842) | (88,675) | (2,090,107) | (1,338,918) | (1,889,435) |
| Change in net assets attributable to unitholders resulting from net creation and cancellations of units | | 189,062,852 | 90,384,066 | 229,683 | (2,084,607) | (1,096,403) | (1,550,720) |
| Total increase/(decrease) in net assets attributable to unitholders | | 192,684,385 | 97,969,729 | 359,181 | (366,190) | (983,717) | 2,946,995 |
| At end of the financial year | | 665,078,478 | 472,394,093 | 11,348,941 | 10,989,760 | 19,627,085 | 20,610,802 |
| Units in issue (units) | 7 | 583,569,549 | 416,888,489 | 10,673,930 | 10,461,427 | 13,921,543 | 14,708,033 |
| Net assets attributable to unitholders per unit | | 1.1397 | 1.1331 | 1.0632 | 1.0505 | 1.4098 | 1.4013 |

7 Units in issue

| | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|--------------------------|--------------------------------------|--------------------|----------------------------|-------------------|----------------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| At beginning of the year | 416,888,489 | 336,314,355 | 10,461,427 | 12,777,402 | 14,708,033 | 16,010,796 |
| Units created | 2,713,022,772 | 2,289,047,547 | 295,287 | 5,562 | 170,246 | 265,794 |
| Units cancelled | (2,546,341,712) | (2,208,473,413) | (82,784) | (2,321,537) | (956,736) | (1,568,557) |
| At end of the year | <u>583,569,549</u> | <u>416,888,489</u> | <u>10,673,930</u> | <u>10,461,427</u> | <u>13,921,543</u> | <u>14,708,033</u> |

8 Related parties

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

The following significant transactions took place between the Funds and their related parties during the year:

| | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|------------------------------------|------------------------------|-------|------------------------|-------|------------------------|------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ |
| Brokerage fee paid to: | | | | | | |
| - related party of the Managers | - | - | 177 | - | 418 | 31 |
| Interest income received from: | | | | | | |
| - related party of the Managers | - | - | - | - | 32 | - |
| - related party of the Trustee | - | 7,817 | 7,423 | 1,214 | 1,713 | 496 |
| | | | | | | |

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

9 Income tax

| | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|----------------------|------------------------------|------|------------------------|--------|------------------------|--------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ |
| Singapore income tax | - | - | - | 325 | - | - |
| Overseas income tax | - | - | 33,688 | 26,337 | 49,579 | 50,250 |
| Total income tax | - | - | 33,688 | 26,662 | 49,579 | 50,250 |
| | | | | | | |

The income tax charge relates to tax deducted at source and withholding tax suffered on dividend income and interest income.

All the sub-funds have been granted approval as designated unit trusts for the purpose of a tax incentive scheme. As a result, the sub-funds will not be taxed at the Funds level on certain income. Distributions paid out of income not subject to tax at the Funds level to unit holders are subject to withholding tax in certain instances, depending on the tax status of the recipient.

10 Financial risk management

The Managers monitors, on an ongoing basis, compliance with the Funds' investment restrictions (as disclosed in the Funds' prospectus) which seek to contain investment risk exposures to an acceptable level.

Risk management objectives and policies

In the ordinary course of business, the Funds is exposed to a variety of risks as stated in the Funds' 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 such as interest rate movements and volatility in securities' prices. The Managers manages the Funds' 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 Funds have 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 Funds from promptly liquidating unfavourable positions, resulting in losses to the Funds. The Managers manages liquidity risk by investing primarily in marketable securities.

Foreign currency risk

The Funds is denominated in Singapore dollars. The Funds 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 Funds. The Managers may seek to minimise exposure to foreign currency fluctuation to the extent practicable.

As at 31 December 2010 and 2009, the concentration of the Funds' investments is set out in the Portfolio Statements.

Investments denominated in currencies other than the Funds' functional currency comprise the following:

| | Phillip Income Fund | | Phillip Growth Fund | |
|---------------------|----------------------------|-------------|----------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | S\$ | S\$ | S\$ | S\$ |
| Australian dollar | 562,484 | 2,117,875 | 755,594 | 303,285 |
| Chinese yuan | – | 412,173 | – | 412,173 |
| Euro | – | 515,969 | – | 615,589 |
| Great British pound | – | – | 676,289 | 318,268 |
| Hong Kong dollar | 1,167,394 | 640,960 | 2,992,475 | 4,481,782 |
| Indonesian rupiah | 1,080,114 | – | 911,156 | 1,387,810 |
| Japanese yen | 524,705 | – | 1,520,201 | 418,401 |
| Korean Won | – | – | 432,342 | – |
| Ringgit Malaysia | 541,106 | – | 1,208,008 | 594,213 |
| Taiwan dollar | 692,143 | 237,110 | 1,408,748 | 1,406,075 |
| Thai Baht | 1,164,675 | 1,136,608 | 1,585,082 | 447,846 |
| US Dollar | 917,298 | 2,632,093 | 3,335,216 | 4,028,681 |

Cash and cash equivalents denominated in currencies other than the Funds' functional currency comprise the following:

| | Phillip Income Fund | | Phillip Growth Fund | |
|---------------------|----------------------------|-------------|----------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | S\$ | S\$ | S\$ | S\$ |
| Australian dollar | 65 | 45,055 | 2,868 | 11,401 |
| Euro | – | – | 1,359 | 516 |
| Great British pound | – | – | 1,049 | 7,651 |
| Hong Kong dollar | 388,406 | 107,811 | 729,862 | 6,701 |
| Japanese yen | – | 71,638 | 70,586 | 250,212 |
| Korean Won | – | – | 47 | 358 |
| Ringgit Malaysia | 529,803 | 4,488 | 516,621 | – |
| Swiss Franc | – | – | 27 | 27 |
| Taiwan dollar | 26,686 | 13,261 | 22,009 | 131,114 |
| Thai Baht | 91,808 | 19 | 227,850 | 15,925 |
| US Dollar | 170,748 | 125,245 | 551,099 | 249,858 |

Investments and cash and cash equivalents of Phillip Money Market Fund is denominated in the Fund's functional currency.

Derivatives risk

The Managers may use financial derivative instruments solely for the purposes of hedging existing positions in a portfolio or for efficient portfolio management, and such financial derivative instruments are not used to gear the overall portfolio.

Fair values

At 31 December 2010 and 2009, the fair values of assets and liabilities approximate their carrying values on the Balance Sheets.

11 Financial ratios

| | Phillip Money Market Fund | | Phillip Income Fund | | Phillip Growth Fund | |
|--------------------------------|--------------------------------------|-------------|--------------------------------|-------------|--------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | % | % | % | % | % | % |
| Expense ratios (Note 1) | | | | | | |
| Without performance fee | 0.54 | 0.55 | 2.21 | 2.51 | 1.94 | 2.12 |
| With performance fee | 0.54 | 0.55 | 2.21 | 2.51 | 1.94 | 2.12 |
| Turnover ratios | 86.06 | 119.39 | 139.14 | 174.78 | 167.73 | 205.08 |

Note 1 The “expenses” used in the calculation of the “Expense Ratio” do not include brokerage and other transaction costs, performance fee (where applicable), foreign exchange gains or losses, front or back end load arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The expense ratio is computed in accordance with the revised IMAS’ guidelines on disclosure of expense ratios dated 25 May 2005.

12 Reconciliation of quoted net asset value

Units of the Phillip Money Market Fund (“PMMF”) are subscribed and redeemed based on the net asset value of PMMF calculated using the ‘amortised cost’ method.

The difference in Net Asset Value per unit between the amortised cost basis (adopted for subscription and redemption) and fair value basis (adopted for the preparation of financial statements) are as follows:

| PMMF | Fair value basis | Amortised | Difference |
|--------------------------|-------------------------|-------------------|-------------------|
| | S\$ | cost basis | S\$ |
| | S\$ | S\$ | |
| 2010 | | | |
| Net assets | 665,078,478 | 665,313,185 | 234,707 |
| Net Asset Value Per Unit | 1.1397 | 1.1401 | 0.0004 |
| 2009 | | | |
| Net assets | 472,394,093 | 472,037,774 | 356,319 |
| Net Asset Value Per Unit | 1.1331 | 1.1323 | 0.0009 |