

# **Phillip Investment Funds**

## **Semi-Annual Report**

*For the period ending 30 June 2012*



**Phillip Capital Management**

(A member of PhillipCapital)

## PHILLIP INVESTMENT FUNDS

---

<b>CONTENTS</b>	<b>Page</b>
Directory	2
Manager's Investment Reports & Reports to Unitholders	3
<b>FINANCIAL STATEMENTS</b>	
Statements of Total Return	24
Balance Sheets	26
Portfolio Statements	27
Notes to the Financial Statements	43

## **PHILLIP INVESTMENT FUNDS**

---

### **MANAGER**

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

### **DIRECTORS OF THE MANAGER**

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

### **TRUSTEE**

Citicorp Trustee (Singapore) Limited  
8 Marina View #21-00  
Asia Square Tower 1  
Singapore 018960

### **CUSTODIAN**

Citibank N.A. Singapore Branch  
8 Marina View #21-00  
Asia Square Tower 1  
Singapore 018960

### **REGISTRAR**

Boardroom Corporate & Advisory Services Pte Ltd  
50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623

### **AUDITORS**

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

## PHILLIP INVESTMENT FUNDS

---

### PHILLIP MONEY MARKET FUND

#### MANAGER'S REPORT

For the half year ended 30 June 2012, the Fund generated a net return of 0.29% and 0.54% for the 6-month and 1-year period respectively. These returns have outperformed the corresponding 3-month SGD Interbank Bid rate return of 0.195% and 0.38% respectively.

For the period under review, investors' sentiment picked up following improved macroeconomic data from the US and indications of some stabilisation in the Eurozone. The domestic three-month interbank rate fell from 0.50% in November 2011 to 0.38% in December and has remained since then. The Fund's yield has not suffered too much compared to a year ago as the interest rollover risks were managed by staggering portfolio maturities through the year.

The Fund is managed to provide liquidity requirements to units-holders. Its portfolio Weighted Average Maturity ("WAM") was at 102 days as at 30 June 2012.

The Fund kept a well-diversified number of issues from various industries, while focused on Singapore corporate issuers and counterparties, which accounted for 75.23% of the portfolio.

#### OUTLOOK

For the first seven months of 2012, Singapore's industrial output moderately grew by 1.9% yoy. This was driven mostly by the biomedical sector, particularly the pharmaceutical industry. Excluding the biomedical sector, production contracted by 0.4% yoy. Given the recent contraction of Purchasing Managers Index readings from the Eurozone and China, the outlook for global demand remains sub-par. The slower global growth is expected to lead to much slower growth in Singapore in 2012.

MAS is forecasting GDP growth of 1.5%-2.5% for 2012 and core inflation of 2.5-3.0% for the whole year. Given the generally sluggish economic environment, the pass-through of wages and other business costs to consumer prices will continue at a more moderate pace than that seen earlier this year. If core inflation eases faster than what the MAS currently expects, they may reduce the slope of the S\$NEER path in October's policy meeting on leaving the monetary policy unchanged. The Singapore dollar appreciation pressure is expected to moderate and consequently, we would expect a rising trend in domestic short term rates.

We will continue to keep a strong liquidity position for the Fund in the coming months. We are keeping a close watch on the markets to manage the many credit and interest rate challenges from the global macro risk outlook.

## PHILLIP INVESTMENT FUNDS

---

### REPORT TO UNITHOLDERS<sup>1</sup>

#### PHILLIP MONEY MARKET FUND

##### a) I Investment Classified by Geography

	Fair Value 30/06/2012 S\$	Percentage of total net assets attributable to unitholders at 30/06/2012 %
<b>By Geography (Summary)</b>		
Australia	3,002,400	0.37
China/Hong Kong	36,204,904	4.50
Germany	10,758,690	1.33
Netherlands	20,535,982	2.55
Singapore	227,513,458	28.25
South Korea	110,660,600	13.72
Supranational	3,753,975	0.47
United Kingdom	2,762,650	0.34
United States	12,074,655	1.49
<b>Portfolio of investments</b>	<b>427,267,314</b>	<b>53.02</b>
<b>Other net assets</b>	<b>378,904,202</b>	<b>46.98</b>
<b>Net assets attributable to unitholders</b>	<b>806,171,516</b>	<b>100.00</b>

##### a) II Investment Classified by Industry

	Fair Value 30/06/2012 S\$	Percentage of total net assets attributable to unitholders at 30/06/2012 %
<b>By Industry (Summary)</b>		
Airlines Leasing	10,494,609	1.31
Financials	147,715,664	18.31
Food and Beverages	23,163,125	2.87
Government Agency	76,475,590	9.49
Hotels and Properties	106,240,280	13.18
Industrials	27,258,611	3.38
Investment Fund	22,456,636	2.79
REITS	8,349,216	1.05
Supranational	3,753,975	0.47
Utilities	1,359,608	0.17
<b>Portfolio of investments</b>	<b>427,267,314</b>	<b>53.02</b>
<b>Other net assets</b>	<b>378,904,202</b>	<b>46.98</b>
<b>Net assets attributable to unitholders</b>	<b>806,171,516</b>	<b>100.00</b>

---

<sup>1</sup> As required by the Code on Collective Investment Schemes

**PHILLIP INVESTMENT FUNDS**

---

**a) III Asset Class**

	<b>Fair Value 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 30/06/2012 %</b>
Debt Securities	404,810,678	50.23
Investment Fund	22,456,636	2.79
Cash and bank balances	377,696,920	46.83
Other net current assets	1,207,282	0.15
<b>Net assets attributable to unitholders</b>	<b>806,171,516</b>	<b>100.00</b>

**a) IV Credit Rating of Non-Deposit Investments**

	<b>Fair Value 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 30/06/2012 %</b>
A	71,964,950	8.92
A-	5,519,886	0.68
A+	3,002,100	0.37
A1*	41,713,550	5.17
A3*	8,097,315	1.01
AA	20,535,982	2.55
AA-	12,474,191	1.55
AA+	6,299,519	0.78
AA2*	7,258,700	0.90
AAA	11,510,565	1.43
F1**	28,946,204	3.60
Unrated	209,944,352	26.06
	<b>427,267,314</b>	<b>53.02</b>

Source of credit rating is from Standard & Poor's except for the following:

\* Credit rating is from Moody's.

\*\* Credit rating is from Fitch.

## PHILLIP INVESTMENT FUNDS

### Type of Non-Deposit Investments

	Fair Value 30/06/2012 S\$	Percentage of total net assets attributable to unitholders at 30/06/2012 %
Certificate of Deposits	38,936,204	4.84
Commercial Paper	6,950,300	0.86
Fixed Rate Notes	355,532,674	44.11
Investment Fund	22,456,636	2.79
Convertible Bonds	3,391,500	0.42
	427,267,314	53.02

### Maturity Profile of Non-Deposit Investments

	Fair Value 30/06/2012 S\$	Percentage of total net assets attributable to unitholders at 30/06/2012 %
Up to 30 Days	49,907,328	6.19
31 to 60 Days	43,856,599	5.45
61 to 90 Days	48,898,919	6.07
91 to 120 Days	44,569,837	5.52
121 to 180 Days	44,485,169	5.53
181 to 365 Days	142,421,165	17.68
366 to 732 Days	53,128,297	6.58
	427,267,314	53.02

### b) Top Ten Holdings

<u>10 Largest Holdings as at 30 June 2012</u>	Fair Value 30/06/2012 S\$	Percentage of total net assets attributable to unitholders at 30/06/2012 %
Phillip Savings Fund	22,456,636	2.79
Rabobank 2.1% Due 10 September 2012	20,535,982	2.55
Ascott Capital Pte Limited 4.38% Due 14 August 2012	20,095,968	2.49
City Development Limited 3.45% Due 10 September 2012	20,078,314	2.49
MapleTree Treasury 4.6% Due 20 August 2013	17,235,925	2.14
Export-Import Bank of Korea 1.45% Due 24 October 2012	16,017,600	1.99
Maybank Kim Eng 1.7% Due 21 June 2013	15,000,000	1.86
Bank of China 1.55% Due 23 November 2012	12,000,000	1.49
Bank of China 1.35% Due 14 February 2013	11,949,204	1.49
Korea Development Bank 1.53% Due 05 November 2012	10,000,000	1.24
	165,369,629	20.53

## PHILLIP INVESTMENT FUNDS

---

<u>10 Largest Holdings as at 30 June 2011</u>	<b>Fair Value 30/06/2011</b>	<b>Percentage of total net assets attributable to unitholders at 30/06/2011</b>
	<b>S\$</b>	<b>%</b>
Phillip Savings Fund	50,317,024	6.87
Singapore Airlines 4.15% Due 19 December 2011	21,584,618	2.95
Oversea-Chinese Banking Corporation 5% Due 06 September 2011	16,858,113	2.30
National Agricultural Cooperative 1.5% Due 20 July 2011	16,000,000	2.19
CDL Properties Limited 3.85% Due 12 October 2011	15,881,066	2.17
Allgreen Properties Limited 2.6% Due 28 December 2011	15,081,000	2.06
Korea Development Bank 1.15% Due 16 August 2011	14,004,480	1.91
Kookmin Bank 1.28% Due 16 October 2011	13,994,960	1.91
Allgreen Properties Limited 1.3% Due 25 October 2011	13,501,350	1.84
MacQuarie Bank Ltd 1% 16 Nov 2011	13,009,100	1.78
	<u>190,231,711</u>	<u>25.98</u>

- c) (i) Exposure to Derivatives as at 30 June 2012:  
Nil
- c) (ii) Net gains/losses on derivative contracts realised for the period from 1 January 2012 to 30 June 2012:  
Nil
- c) (iii) Net gains/losses on outstanding derivative contracts marked to market as at 30 June 2012:  
Nil
- d) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 30 June 2012:  
\$22,456,636 (2.79%)
- e) Amount and percentage of borrowings of total fund size as at 30 June 2012:  
Nil
- f) Amount of redemptions and subscriptions for the period 1 January 2012 to 30 June 2012:  
Total amount of redemptions \$1,107,311,342  
Total amount of subscriptions \$1,117,738,502
- g) Amount of Related-Party Transactions for the period 1 January 2012 to 30 June 2012:  
Nil

## PHILLIP INVESTMENT FUNDS

### h) Performance of the Fund

	3 months	6 months	1 year	3 years*	5 years*	10 years*	Inception* (on 16 April 2001)
The Fund	0.15%	0.29%	0.54%	2.11%	5.03%	12.84%	14.94%

Note: \* Cumulative returns are in Singapore dollar calculated on a bid to bid basis, with net dividends reinvested

Source: Bloomberg as at 30 June 2012.

i) Expense Ratios	30 June 2012	30 June 2011
Without performance fee	0.50%	0.52%
With performance fee	0.50%	0.52%

The "expenses" used in the calculation of the "Expense Ratio" do not include interest, 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 Ratios	30 June 2012	30 June 2011
	57.88%	59.29%

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 30 June 2012 and 30 June 2011:  
Not applicable
  - (ii) Expense ratios for the period 30 June 2012 and 30 June 2011. 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 30 June 2012 and 30 June 2011:  
Not applicable

## PHILLIP INVESTMENT FUNDS

---

### m) Soft Dollar Arrangements

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 in relation to the investments managed for clients. The soft dollar credits utilised are not allocated on a specific client basis. The brokers also execute trades for other funds managed by the Manager.

The Manager will not accept or enter into soft dollar commissions or arrangements unless such soft-dollar commissions or arrangements would, in the opinion of the Manager, assist the Manager in its management of clients' funds, provided that the Manager shall ensure at all times that transactions are executed on the best available terms taking into account the relevant market at the time for transactions of the kind and size concerned, and that no unnecessary trades are entered into in order to qualify for such soft-dollar commissions or arrangements.

The Manager does not, and is not entitled to retain cash rebates for its own account in respect of rebates earned when transacting in securities for account of clients' funds.

The Manager did not receive any soft dollar services in respect of the Fund during the period.

## PHILLIP INVESTMENT FUNDS

---

### PHILLIP INCOME FUND

#### MANAGER'S REPORT

For the half year ended 30 June 2012, the Fund achieved a return of 2.65% and 3.35% (on a bid-to-bid basis) for the 6-month and 1-year period respectively. The Fund has outperformed its benchmark which registered 1.62% and -0.61% respectively. Since its inception on 16 April 2001, the Fund was up by 12.01%.

During the period under review, the asset allocation for the Fund was 76.47% in bonds, 16.39% in equities and 7.14% in cash and receivables. The increase in bond investments of 25% to 76.47% was mainly into US dollars denominated Asian investment-grade corporate bonds and of which 7% was in non-investment grade government agency and corporate bonds. Within the corporate bond space, we find better values in Asian issues which offered higher pick-up compared to US or European issues.

In recent years, Asian bond markets have gone through significant structural improvement, both in terms of their overall size and the breadth of bond offered. Together with Asia's relatively strong economic fundamentals, interest rate differentials, and the potential appreciation of regional currencies, we saw healthy capital flows into emerging East Asian bond markets as investors chase yields.

In term of equities, the Fund was positive on developed markets equities such as Australia and Singapore and the bias was towards quality companies with sustainability of dividends and growth prospects of the dividend streams. This had provided a less volatile way to gain exposure to equities.

#### OUTLOOK

On the macro front, the markets are still awaiting for more stimulus measures globally, while political tensions between Israel and Iran may add more uncertainty over oil price movement. With the mixed economic data in the US, we expect a lower likelihood that the Fed will take significant action in September, though it will likely take further steps to stimulate aggregate demand before its current Maturity Extension Program (Operation Twist) ends in January 2013. However, there is potential disappointment if there is no announcement of QE3. Credit spreads could widen, especially on Investment Grade bonds given their absolute tight yield levels. Recent contracting Purchasing Managers Index readings from Eurozone and China have also reflected a sub-par global demand.

In the near term, there is limited upside in Asian bonds reflecting slower fund inflows, a potential US Treasuries rally, weaker macro data, lower corporate earnings and new bond supply from the Asian region.

The Fund will maintain diversification in issuers and look for risk/ return characteristics in issues that are compelling for its fixed income portion. In this region, Philippines is showing promising signs of a turnaround story. The central bank of Philippines is forecasting GDP growth of 6.4% for 2012 and reported structurally low inflation of 3.1% as well as strong growth in foreign direct investments in 1st half of 2012. We expect more issues supply in the coming months from the Philippines agencies due to new infrastructure projects in the country and pending ratings upgrade.

The manager generally will underweight Indian banks given our negative views on India's macro backdrop such as its fiscal deficit, widening current account and high inflation and a potential ratings downgrade.

## PHILLIP INVESTMENT FUNDS

---

For the equities portion of the portfolio, the manager will overweight quality companies that can deliver sustainable and growing dividends.

With these strategic moves, we aim to position the Fund to provide attractive returns with moderate volatility and consistent distribution of income to unitholders.

## PHILLIP INVESTMENT FUNDS

### REPORT TO UNITHOLDERS<sup>2</sup>

#### PHILLIP INCOME FUND

##### a) I Investment Classified by Geography

	Fair Value 30/06/2012	Percentage of total net assets attributable to unitholders at 30/06/2012
	S\$	%
<b>By Geography (Summary)</b>		
Australia	570,025	5.20
Cayman Islands	512,010	4.68
China/Hong Kong	2,286,542	20.88
Indonesia	502,844	4.59
New Zealand	191,161	1.75
Singapore	4,394,285	40.13
South Korea	392,464	3.58
Sri Lanka	254,010	2.32
United States	1,065,362	9.73
<b>Portfolio of investments</b>	10,168,703	92.86
<b>Other net assets</b>	781,657	7.14
<b>Net assets attributable to unitholders</b>	10,950,360	100.00

##### a) II Investment Classified by Industry

	Fair Value 30/06/2012	Percentage of total net assets attributable to unitholders at 30/06/2012
	S\$	%
<b>By Industry (Summary)</b>		
Financials	3,107,218	28.38
Food and Beverages	804,018	7.35
Government Agency	392,464	3.58
Hotels and Properties	1,659,399	15.15
Industrials	262,633	2.40
Logistics	754,350	6.89
Materials	1,159,770	10.59
Port Operator	76,698	0.70
REITS	504,463	4.61
Technology	285,693	2.61
Telecommunications	400,240	3.65
Transportation	222,900	2.03
Utilities	538,857	4.92
<b>Portfolio of investments</b>	10,168,703	92.86
<b>Other net assets</b>	781,657	7.14
<b>Net assets attributable to unitholders</b>	10,950,360	100.00

<sup>2</sup> As required by the Code on Collective Investment Schemes

## PHILLIP INVESTMENT FUNDS

---

### a) III Asset Class

	Fair Value 30/06/2012 S\$	Percentage of total net assets attributable to unitholders at 30/06/2012 %
Equities	1,795,781	16.39
Debt Securities	8,372,922	76.47
Cash and bank balances	1,460,082	13.33
Other net current liabilities	(678,425)	(6.19)
<b>Net assets attributable to unitholders</b>	<b>10,950,360</b>	<b>100.00</b>

### a) IV Credit Rating of Debt Securities

	Fair Value 30/06/2012 S\$	Percentage of total net assets attributable to unitholders at 30/06/2012 %
A-	511,660	4.67
A+	696,536	6.37
A1*	931,303	8.50
A3*	903,648	8.25
Aa2*	517,501	4.73
B1*	502,933	4.59
Baa1*	616,297	5.63
Baa3*	758,895	6.93
BB-	254,793	2.33
Unrated (Singapore – Incorporated debt securities)	2,679,356	24.47
	<b>8,372,922</b>	<b>76.47</b>

Source of credit rating is from Standard & Poor's except for the following:

\* Source of credit rating is from Moody's.

## PHILLIP INVESTMENT FUNDS

### b) Top Ten Holdings

<b><u>10 Largest Holdings as at 30 June 2012</u></b>	<b>Fair Value 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 30/06/2012 %</b>
HSBC Ltd 0% Due 6 March 2015	517,501	4.73
Citigroup Inc 3.83% Due 18 March 2014	511,660	4.67
Goodpack Limited 4% Due 19 July 2013	504,615	4.61
Keppel Land Ltd 2.5% Due 23 June 2013	402,084	3.67
Baosteel Group 3.5% Due 1 December 2014	400,003	3.65
Korea Finance Co 0% Due 17 February 2016	392,464	3.58
Wing Hang Bank 6% Due 29 April 2049	359,080	3.28
Cerebos Pacific Limited	355,640	3.25
Cisco System Inc	285,693	2.61
Telstra Corp Ltd	285,090	2.60
	4,013,830	36.65

<b><u>10 Largest Holdings as at 30 June 2011</u></b>	<b>Fair Value 30/06/2011 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 30/06/2011 %</b>
SMRT Corporation Limited	558,720	5.21
Advanced Info Service	540,922	5.05
Citigroup Inc 3.83% Due 18 March 2014	521,895	4.87
Hotel Properties 3.98% Due 27 April 2015	512,242	4.78
Swiber Holdings 5.75%	510,704	4.77
Goodpack Limited 4% Due 19 July 2013	508,240	4.74
GLL IHT Pte Ltd 4% Due 17 January 2014	507,415	4.73
BOC Aviation 2.4% Due 8 February 2013	499,675	4.66
Sabana Shariah Comp Industrial	448,800	4.19
Hershey Foods Corporation	427,769	3.99
	5,036,382	46.99

c) (i) Exposure to derivatives as at 30 June 2012:  
Nil

c) (ii) Net losses on derivative contracts realized for the period from 1 January 2012 to 30 June 2012:  
\$11,367

c) (iii) Net gains/losses on outstanding derivative contracts marked to market as at 30 June 2012:  
Nil

## PHILLIP INVESTMENT FUNDS

- d) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 30 June 2012:  
Nil
- e) Amount and percentage of borrowings of total fund size as at 30 June 2012:  
Nil
- f) Amount of redemptions and subscriptions for the period 1 January 2012 to 30 June 2012:  
Total amount of redemptions \$15,846  
Total amount of subscriptions \$198
- g) Amount of Related-Party Transactions for the period 1 January 2012 to 30 June 2012:  
Brokerage paid to related party of the Manager \$2,090  
Interest income earned from a related party of the Manager \$5  
Interest income earned from a related party of the Trustee \$1,031
- h) Performance of the Fund

	3 months	6 months	1 year	3 years*	5 years*	10 years*	Inception* (on 16 Apr 2001)
The Fund	0.20 %	2.65%	3.35%	8.09%	-28.77%	13.36%	12.01%
Benchmark	1.65%	1.62%	-0.61%	-1.25%	-0.53%	19.82%	25.64%

Note: \* Cumulative returns are in Singapore dollar calculated on a bid to bid basis, with net dividends reinvested.

Source: Bloomberg as at 30 June 2012

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 Ratios       | 30 June 2012 | 30 June 2011 |
| Without performance fee | 2.26%        | 2.21%        |
| With performance fee    | 2.26%        | 2.21%        |

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 Ratios | 30 June 2012 | 30 June 2011 |
|                    | 143.01%      | 143.14%      |

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.

## PHILLIP INVESTMENT FUNDS

---

- 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 30 June 2012 and 30 June 2011:  
Not applicable
  - (ii) Expense ratios for the period 30 June 2012 and 30 June 2011. 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 30 June 2012 and 30 June 2011:  
Not applicable
- m) Soft Dollar Arrangements

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 account of clients' funds.

During the period, soft dollars received from each broker were investment research and publications, data and quotation services. Soft dollars were received from the Manager's panel of brokers which executed transactions for the Fund and other funds managed by the Manager.

## PHILLIP INVESTMENT FUNDS

---

### PHILLIP GROWTH FUND

#### MANAGER'S REPORT

The Fund dropped by -0.7% (on a bid-to-bid basis) for the 6-month period ending 30 June 2012. Over the same period, the MSCI World Index was up 2.2% while the Citi World Government Bond Index was down -1.8%. Since its inception on 16 April 2001, the Fund was up by 34.8%.

The year started well. After consolidating in the last quarter of 2011, global markets, led by emerging markets, rebounded in the first three months of 2012 as worries about Europe faded temporarily. The buzzword in Europe was "LTRO", short for Long-Term Refinancing Operation. Under new chief Mario Draghi the European Central Bank (ECB) appeared to become more willing to tolerate inflation in the name of economic growth, compared to the previous regime under Jean-Claude Trichet. Banks were urged to take advantage of the LTRO for their financing operations rather than the other option of deleveraging and contracting balance sheets. Also, a final agreement on Greek fiscal restructuring was reached and a bullet was dodged. Market upward momentum was further reinforced by signs that in Asia, the one country that mattered most - China - appeared to be reversing its policy tightening stance as it repeatedly cut reserve requirement ratios and even started lowering interest rates.

However, starting from late April, the markets' nervousness and uncertainty over Europe's grip on its debt crisis intensified again. Concerns were now concentrated on Spain, with Spanish government bond CDS spreads rising again (the higher it is, the lower the market confidence in their government credit). Market attention also focused on the election results in France and Greece in May - a sign of the times that politics have become at least as important as economics per se in a topsy-turvy world where rational fundamental analysis could be trumped by political whims and U-turns.

#### OUTLOOK

Emerging markets such as Asia continued to be driven by developments in Europe, given that in a "risk-off" scenario emerging market equities are, in our experience, seen as risky assets to be liquidated. The impact to emerging markets from the European crisis in our view is greater from the funds flow perspective, given their relative fiscal stability (compared to Western economies). Portfolio flows in emerging markets tend to reverse in times of stress; for example the Indonesian market was hit in May with talk of massive fund withdrawal leading to the rupiah dropping to nearly 9,500 to one US dollar (it started May at about 9200) and the benchmark JCI index dropping -8.3% within the month

The key focus of the Fund remains on a bottom-up approach of buying quality stocks with strong fundamentals and good growth potential. As mentioned in past commentaries, we continue to maintain that the investment theme for the next few years lie in companies that can deliver 'certainty', in the form of sustainable and preferably growing dividends. The company's business model should give us confidence that it will be able to at least maintain its dividend level even over volatile market cycles. So far in 2012, our thesis appears to have borne true, with the top-performing sectors (in Singapore) at time of writing being the telecommunications and REIT sectors, both of which offer high dividend yields.

## PHILLIP INVESTMENT FUNDS

---

We also believe that a secular hand-over of economic power from West to East is happening, and will happen over the next few years or even decades. Asia in particular will likely be a centre of global growth. Our selections for the fund places emphasis on companies that have positioned themselves to be winners by expanding in international markets such as Asia decades ago. Among our key holdings are “Western” companies such as IBM, Tesco, Abbott Laboratories and Diageo, which are global leaders respectively in technology services, retail, nutritional products and beer. Such multi-national corporations executed their emerging markets strategy long before the investment concept became popular. The global mandate of the Fund releases us to source the best of breed companies across global markets for fund investors.

## PHILLIP INVESTMENT FUNDS

### REPORT TO UNITHOLDERS<sup>3</sup>

#### a) I Investment Classified by Geography

	Fair Value 30/06/2012	Percentage of total net assets attributable to unitholders at 30/06/2012
	S\$	%
<b>By Geography (Summary)</b>		
Australia	908,586	5.60
China/Hong Kong	1,402,064	8.64
Europe	1,507,273	9.29
Indonesia	1,333,307	8.22
Japan	819,109	5.05
Singapore	933,723	5.75
South Korea	1,393,130	8.59
Switzerland	310,926	1.92
Thailand	927,098	5.72
United Kingdom	2,046,158	12.62
United States	3,847,917	23.72
<b>Portfolio of investments</b>	15,429,291	95.12
<b>Other net assets</b>	787,489	4.88
<b>Net assets attributable to unitholders</b>	16,216,780	100.00

#### a) II Investment Classified by Industry

	Fair Value 30/06/2012	Percentage of total net assets attributable to unitholders at 30/06/2012
	S\$	%
<b>By Industry (Summary)</b>		
Consumer Services	583,236	3.60
Customer Services	180,718	1.11
Energy	1,365,357	8.42
Financials	782,224	4.82
Food and Beverages	1,158,839	7.14
Healthcare	2,018,252	12.44
Industrials	1,444,441	8.91
Investment Fund	548,813	3.38
Materials	795,384	4.90
Properties	403,645	2.49
Technology	3,655,197	22.54
Telecommunications	2,493,185	15.37
<b>Portfolio of investments</b>	15,429,291	95.12
<b>Other net assets</b>	787,489	4.88
<b>Net assets attributable to unitholders</b>	16,216,780	100.00

<sup>3</sup> As required by the Code on Collective Investment Schemes

## PHILLIP INVESTMENT FUNDS

---

### a) III Asset Class

	Fair Value 30/06/2012 S\$	Percentage of total net assets attributable to unitholders at 30/06/2012 %
Equity	14,880,478	91.74
Investment Fund	548,813	3.38
Cash and bank balances	1,513,417	9.35
Other net current liabilities	(725,928)	(4.47)
<b>Net assets attributable to unitholders</b>	<b>16,216,780</b>	<b>100.00</b>

### a) IV Credit Rating of Debt Security

Not Applicable

### b) Top Ten Holdings

<u>10 Largest Holdings as at 30 June 2012</u>	Fair Value 30/06/2012 S\$	Percentage of total net assets attributable to unitholders at 30/06/2012 %
Abbot Laboratories	867,831	5.35
International Business Machines Corporation	814,329	5.02
Cisco System Inc	697,877	4.30
China Mobile (HK) Ltd	687,412	4.24
Samsung Electronics	652,971	4.03
Mitsubishi Corp Ord	619,170	3.82
Tesco PLC Ord	583,236	3.60
Advanced Info Service – NVDR	554,159	3.42
Phillip Singapore Real Estate Income Fund	548,813	3.38
Telstra Corp Ltd	511,272	3.15
	<b>6,537,070</b>	<b>40.31</b>

## PHILLIP INVESTMENT FUNDS

<b><u>10 Largest Holdings as at 30 June 2011</u></b>	<b>Fair Value 30/06/2011</b>	<b>Percentage of total net assets attributable to unitholders at 30/06/2011</b>
	S\$	%
Adobe Systems Inc	811,468	4.58
Hershey Foods Corporation	800,590	4.52
SMRT Corporation Limited	798,720	4.51
All Nippon Airways Co Ltd	638,491	3.60
Cisco System Inc	613,541	3.46
Toyo Suisan Kaisha Ltd	579,779	3.27
Oversea-Chinese Banking Corporation 5.1%	529,400	2.99
Ascendas Real Estate Investment Trust	495,720	2.80
ABB Ltd	478,039	2.70
E*Trade Financial Corp	470,664	2.66
	<b>6,216,412</b>	<b>35.09</b>

- c) (i) Exposure to derivatives as at 30 June 2012:  
Nil
- c) (ii) Net gains/losses on derivative contracts realized for the period from 01 January 2012 to 30 June 2012:  
Nil
- c) (iii) Net gains/losses on outstanding derivative contracts marked to market as at 30 June 2012:  
Nil
- d) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 30 June 2012:  
\$548,813 (3.38%)
- e) Amount and percentage of borrowings of total fund size as at 30 June 2012:  
Nil
- f) Amount of redemptions and subscriptions for the period 01 January 2012 to 30 June 2012:
- |                               |           |
|-------------------------------|-----------|
| Total amount of redemptions   | \$541,793 |
| Total amount of subscriptions | \$12,807  |
- g) Amount of Related-Party Transactions for the period 1 January 12 to 30 June 2012:
- |  |         |
|--|---------|
| Brokerage fee paid to a related party of the Trustee       | \$341   |
| Interest income received from related party of the Manager | \$944   |
| Interest income received from related party of the Trustee | \$1,162 |

## PHILLIP INVESTMENT FUNDS

### h) Performance of the Fund

	3 months	6 months	1 year	3 years*	5 years*	10 years*	Inception* (on 16 Apr 2001)
The Fund	-6.66%	-0.70%	2.09%	-0.05%	-32.09%	40.50%	34.82%
Benchmark	1.91%	11.12%	5.63%	9.24%	-3.29%	15.99%	12.25%

Note: \* Cumulative returns are in Singapore dollar calculated on a bid to bid basis, with net dividends reinvested.

Source: Bloomberg as at 30 June 2012

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

i) Expense Ratios	30 June 2012	30 June 2011
Without performance fee	2.03%	1.96%
With performance fee	2.03%	1.96%

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 Ratios	30 June 2012	30 June 2011
	74.69%	153.32%

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 30 June 2012 and 30 June 2011:  
Not applicable
  - (ii) Expense ratios for the period 30 June 2012 and 30 June 2011. 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 30 June 2012 and 30 June 2011:  
Not applicable

## PHILLIP INVESTMENT FUNDS

---

### m) Soft Dollar Arrangements

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 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 Manager does not, and is not entitled to retain cash rebates for its own account in respect of rebates earned when transacting in securities for account of clients' funds.

During the period, soft dollars received from each broker were investment research and publications, data and quotation services. Soft dollars were received from the Manager's panel of brokers which executed transactions for the Fund and other funds managed by the Manager.

**Statements of Total Return**  
**For the six-months ended 30 June 2012 (unaudited)**

	<b>Phillip Money Market Fund</b>		<b>Phillip Income Fund</b>		<b>Phillip Growth Fund</b>	
	<b>Financial Period from 01/01/2012 to 30/06/2012 S\$</b>	<b>Financial Period from 01/01/2011 to 30/06/2011 S\$</b>	<b>Financial Period from 01/01/2012 to 30/06/2012 S\$</b>	<b>Financial Period From 01/01/2011 to 30/06/2011 S\$</b>	<b>Financial Period from 01/01/2012 to 30/06/2012 S\$</b>	<b>Financial Period from 01/01/2011 to 30/06/2011 S\$</b>
<b>Income</b>						
Dividends	-	-	56,066	143,734	286,019	228,241
Interest	6,738,679	5,382,645	173,396	75,748	8,883	990
	<u>6,738,679</u>	<u>5,382,645</u>	<u>229,462</u>	<u>219,482</u>	<u>294,902</u>	<u>229,231</u>
Less:						
<b>Expenses</b>						
Management fees	1,877,902	1,715,383	80,436	82,227	124,970	143,569
Management fees rebate	(48,265)	(86,104)	-	-	-	-
Trustee fees	115,669	101,647	3,149	3,114	3,793	4,143
Custodian fees	36,717	31,162	7,810	7,442	7,724	7,838
Audit fees	5,023	5,749	4,739	5,748	4,739	5,748
Other	107,270	(25,895)	26,866	30,262	30,277	36,284
	<u>2,094,316</u>	<u>1,741,942</u>	<u>123,000</u>	<u>128,793</u>	<u>171,503</u>	<u>197,582</u>
<b>Net income</b>	<u>4,644,363</u>	<u>3,640,703</u>	<u>106,462</u>	<u>90,689</u>	<u>123,399</u>	<u>31,649</u>

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

Note	Phillip Money Market Fund		Phillip Income Fund		Phillip Growth Fund	
	Financial Period from 01/01/2012 to 30/06/2012	Financial Period from 01/01/2011 to 30/06/2011	Financial Period from 01/01/2012 to 30/06/2012	Financial Period From 01/01/2011 to 30/06/2011	Financial Period from 01/01/2012 to 30/06/2012	Financial Period from 01/01/2011 to 30/06/2011
	S\$	S\$	S\$	S\$	S\$	S\$
<b>Net gains/(losses) on value of investments</b>						
Net realised gains/(losses) on investments	(1,625,017)	(1,602,196)	81,240	(458,650)	(319,148)	(707,108)
Net change in fair value of investments	(243,179)	267,446	101,085	(17,490)	153,193	(796,465)
Net realised gains/(losses) on financial derivatives	-	-	(11,367)	14,857	-	69,278
Net gains/(losses) in value of investments	(1,868,196)	(1,334,750)	170,958	(461,283)	(165,955)	(1,434,295)
<b>Total return for the year before income tax</b>						
	2,776,167	2,305,953	277,420	(370,594)	(42,556)	(1,402,646)
Less: Income tax	-	-	(3,544)	(18,105)	(38,307)	(23,961)
<b>Total return for the year</b>	<b>2,776,167</b>	<b>2,305,953</b>	<b>273,876</b>	<b>(388,699)</b>	<b>(80,863)</b>	<b>(1,426,607)</b>

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

**Balance Sheets**  
**As at 30 June 2012(unaudited)**

	Note	Phillip Money Market Fund		Phillip Income Fund		Phillip Growth Fund	
		As at 30/06/2012	As at 31/12/2011	As at 30/06/2012	As at 31/12/2011	As at 30/06/2012	As at 31/12/2011
		S\$	S\$	S\$	S\$	S\$	S\$
<b>Assets</b>							
Portfolio of investments		427,267,314	479,657,745	10,168,703	8,969,841	15,429,291	13,434,563
Receivables	3	3,591,038	3,780,478	330,988	110,530	38,591	5,118
Cash and bank balances	4	377,696,920	322,054,637	1,460,082	1,676,417	1,513,417	3,480,565
<b>Total assets</b>		<b>808,555,272</b>	<b>805,492,860</b>	<b>11,959,773</b>	<b>10,756,788</b>	<b>16,981,299</b>	<b>16,920,246</b>
<b>Liabilities</b>							
Payables	5	2,383,756	12,524,671	45,129	64,656	61,698	93,617
Due to brokers		-	-	964,284	-	702,821	-
Net assets attributable to unitholders	6	806,171,516	792,968,189	10,950,360	10,692,132	16,216,780	16,826,629
<b>Total liabilities</b>		<b>808,555,272</b>	<b>805,492,860</b>	<b>11,959,773</b>	<b>10,756,788</b>	<b>16,981,299</b>	<b>16,920,246</b>

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

**Portfolio Statements**  
**As at 30 June 2012**

	Holdings as at 30/06/2012	Fair value as at 30/06/2012 S\$	Percentage of total net assets attributable to unitholders as at 30/06/2012 %
<b>Phillip Money Market Fund</b>			
<b>By Industry (Primary)</b>			
<b>Airlines Leasing</b>			
<b>Fixed Rate Notes – Quoted</b>			
BOC Aviation 2.4%			
Due 8 February 2013	9,500,000	9,496,200	1.18
BOC Aviation 2.7%			
Due 5 June 2013	1,000,000	998,409	0.13
<b>Total Airlines Leasing</b>		10,494,609	1.31
<b>Financials</b>			
<b>Commercial Paper</b>			
National Agricultural Cooperative 0%			
Due 6 July 2012	7,000,000	6,950,300	0.86
		6,950,300	0.86
<b>Certificate of Deposits</b>			
Oversea-Chinese Banking Corp Ltd 0%			
Due 17 August 2012	10,000,000	9,990,000	1.24
Bank of China 1.35%			
Due 14 February 2013	12,000,000	11,949,204	1.49
Bank of China 1.55%			
Due 23 November 2012	12,000,000	12,000,000	1.49
Bank of China 1.2%			
Due 20 May 2013	5,000,000	4,997,000	0.62
		38,936,204	4.84

<b>Phillip Money Market Fund By Industry (Primary)</b>	<b>Holdings as at 30/06/2012</b>	<b>Fair value as at 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/06/2012 %</b>
<b>Financials</b>			
<b>Fixed Rate Notes – Quoted</b>			
Deutsche Bank AG DB 3.25% Due 10 October 2012	3,000,000	3,002,100	0.37
HSBC Fin 221013 4.5% Due 22 October 2013	250,000	255,250	0.03
HSBC Singapore 1.6% Due 7 October 2013	7,250,000	7,258,700	0.90
Kim Eng Holdings Limited 2.4% Due 5 July 2012	9,500,000	9,500,892	1.18
Kookmin Bank Citnat 1.3% Due 27 March 2013	6,000,000	5,989,800	0.74
Kookmin Bank Citnat 1.38% Due 19 April 2013	10,000,000	9,990,000	1.24
Kookmin Bank Citnat 1.7% Due 15 October 2012	8,000,000	8,012,000	0.99
Maybank Kim Eng 1.7% Due 21 June 2013	15,000,000	15,000,000	1.86
Morgan Stanley 3.585% Due 23 October 2012	5,500,000	5,519,886	0.68
National Agricultural Cooperative 1.1% Due 5 July 2012	6,000,000	6,000,000	0.74
Rabobank 2.1% Due 10 September 2012	20,500,000	20,535,982	2.55
Shinhan Bank 1.05% Due 26 July 2012	5,000,000	4,999,500	0.62
Standard Chartered 2.22% Due 5 July 2013	2,750,000	2,762,650	0.34
Westpac Banking 1.955% Due 22 January 2013	3,000,000	3,002,400	0.37
		<hr/>	
		101,829,160	12.61
		<hr/>	
<b>Total Financials</b>		147,715,664	18.31
		<hr/>	

<b>Phillip Money Market Fund By Industry (Primary)</b>	<b>Holdings as at 30/06/2012</b>	<b>Fair value as at 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/06/2012 %</b>
<b>Food &amp; Beverages</b>			
<b>Fixed Rate Notes - Quoted</b>			
F&N Treasury Pte 4.55%			
Due 5 August 2012	5,500,000	5,657,735	0.70
Olam International Ltd 3%			
Due 25 February 2013	8,750,000	8,714,125	1.08
Olam International Ltd 4.07%			
Due 12 February 2013	8,750,000	8,791,265	1.09
<b>Total Food &amp; beverages</b>		23,163,125	2.87
<b>Government Agency</b>			
<b>Fixed Rate Notes – Quoted</b>			
Export-Import Bank of Korea 1.45%			
Due 24 October 2012	16,000,000	16,017,600	1.99
Export-Import Bank of Korea 1.51%			
Due 16 November 2012	5,000,000	4,992,500	0.62
Export-Import Bank of Korea 2.07%			
Due 7 May 2013	250,000	250,925	0.03
Industrial Bank of Korea 1.15%			
Due 29 May 2013	5,000,000	4,983,000	0.62
Kreditants Fur Wie 1.86%			
Due 13 August 2012	7,750,000	7,756,590	0.96
Korea Development Bank 1.12%			
Due 24 April 2013	5,000,000	5,000,000	0.62
Korea Development Bank 1.45%			
Due 19 October 2012	9,000,000	9,008,100	1.12
Korea Development Bank 1.53%			
Due 5 November 2012	10,000,000	10,000,000	1.24
Korea Development bank 1.62%			
Due 31 October 2012	7,250,000	7,253,625	0.90
Korea Finance Co 1.6%			
Due 28 December 2012	5,250,000	5,213,250	0.65
Korea Gas Corp 1.1%			
Due 27 June 2013	6,000,000	6,000,000	0.74
<b>Total Government Agency</b>		76,475,590	9.49

	<b>Holdings as at 30/06/2012</b>	<b>Fair value as at 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/06/2012 %</b>
<b>Phillip Money Market Fund</b>			
<b>By Industry (Primary)</b>			
<b>Hotels and Properties</b>			
<b>Fixed Rate Notes - Quoted</b>			
Allgreen Properties Limited 2.66%			
Due 15 April 2013	6,000,000	6,019,200	0.75
Ascott Capital Pte Limited 3.58%			
Due 28 September 2012	7,750,000	7,784,224	0.98
Ascott Capital Pte Limited 4.38%			
Due 14 August 2012	20,000,000	20,095,968	2.49
Capitamalls Asia 2.15%			
Due 21 January 2013	2,250,000	2,264,625	0.28
City Development Limited 2.565%			
Due 4 February 2013	2,500,000	2,504,481	0.31
City Development Limited 3.45%			
Due 10 September 2012	20,000,000	20,078,314	2.49
City Development Nahdah Pte Ltd 2.343%			
Due 11 May 2013	5,000,000	5,012,500	0.62
City Development Nahdah Pte Ltd 3.565%			
Due 15 December 2013	7,000,000	7,098,000	0.88
GLL IHT Pte Ltd 3%			
Due 30 November 2012	8,750,000	8,729,875	1.08
Hotel Properties 4%			
Due 6 November 2013	2,250,000	2,261,250	0.28
Hotel Properties 4.05%			
Due 6 March 2013	500,000	503,800	0.06
Hotel Properties 4.75%			
Due 8 October 2012	3,000,000	3,010,151	0.37
Hotel Properties 5.3%			
Due 31 July 2012	250,000	250,467	0.03
MapleTree Treasury 4.6%			
Due 20 August 2013	16,750,000	17,235,925	2.14
		<hr/> 102,848,780 <hr/>	<hr/> 12.76 <hr/>
<b>Convertible Bond</b>			
Keppel Land Ltd 2.5%			
Due 23 June 2013	3,400,000	3,391,500	0.42
		<hr/> 3,391,500 <hr/>	<hr/> 0.42 <hr/>
<b>Total Hotels and Properties</b>		<hr/> 106,240,280 <hr/>	<hr/> 13.18 <hr/>

	<b>Holdings as at 30/06/2012</b>	<b>Fair value as at 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/06/2012 %</b>
<b>Phillip Money Market Fund By Industry (Primary)</b>			
<b>Industrials</b>			
<b>Fixed Rate Notes – Quoted</b>			
General Electric Capital Corp 3.03% Due 11 February 2013	6,000,000	6,037,643	0.75
General Electric Cap Corp 3.93% Due 7 May 2014	250,000	261,876	0.03
Hyflux Ltd 5% Due 28 August 2012	2,500,000	2,510,000	0.31
Singapore Post 3.13% Due 11 April 2013	8,000,000	8,112,182	1.01
ST Treasury Services 3.98% Due 2 April 2014	6,750,000	7,084,297	0.88
WBL Corporation Ltd 3.173% Due 29 July 2013	3,250,000	3,252,613	0.40
<b>Total Industrials</b>		<u>27,258,611</u>	<u>3.38</u>
<b>Investment Fund</b>			
<b>Investment Fund – Quoted</b>			
Phillip Savings Fund	22,194,738	22,456,636	2.79
<b>Total Investment Fund</b>		<u>22,456,636</u>	<u>2.79</u>

	<b>Holdings as at 30/06/2012</b>	<b>Fair value as at 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/06/2012 %</b>
<b>Phillip Money Market Fund By Industry (Primary)</b>			
<b>REITS</b>			
<b>Fixed Rate Notes – Quoted</b>			
Ascendas India 5.255% Due 9 November 2012	250,000	251,900	0.04
Capitalmall Trust 2% Due 25 February 2013	8,100,000	8,097,316	1.01
<b>Total REITS</b>		<u>8,349,216</u>	<u>1.05</u>
<b>Supranational</b>			
<b>Fixed Rates Notes – Quoted</b>			
African Development Bank 1.72% Due 21 August 2012	2,000,000	2,002,200	0.25
International Bank for Reconstruction and Development 1.57% Due 21 August 2012	1,250,000	1,251,375	0.16
International Finance Corp 1.1% Due 25 September 2012	500,000	500,400	0.06
<b>Total Supranational</b>		<u>3,753,975</u>	<u>0.47</u>
<b>Utilities</b>			
<b>Fixed Rate Notes – Quoted</b>			
SP PowerAssets Limited 2.8% Due 30 October 2012	1,250,000	1,257,269	0.16
Singapore Power 4.05% Due 4 May 2013	100,000	102,339	0.01
<b>Total Utilities</b>		<u>1,359,608</u>	<u>0.17</u>
<b>Portfolio of investments</b>		427,267,314	53.02
<b>Other net assets</b>		378,904,202	46.98
<b>Net assets attributable to unitholders</b>		<u>806,171,516</u>	<u>100.00</u>

	Fair value as at 30/06/2012 S\$	Percentage of total net assets attributable to unitholders as at 30/06/2012 %	Percentage of total net assets attributable to unitholders as at 31/12/2011 %
<b>Phillip Money Market Fund By Industry (Summary)</b>			
Airlines Leasing	10,494,609	1.31	2.58
Financials	147,715,664	18.31	14.77
Food & Beverages	23,163,125	2.87	4.60
Government Agency	76,475,590	9.49	12.30
Hotels and Properties	106,240,280	13.18	12.64
Industrials	27,258,611	3.38	5.42
Investment Fund	22,456,636	2.79	6.35
REITS	8,349,216	1.05	1.05
Supranational	3,753,975	0.47	0.48
Utilities	1,359,608	0.17	0.30
<b>Portfolio of investments</b>	427,267,314	53.02	60.49
<b>Other net assets</b>	378,904,202	46.98	39.51
<b>Net assets attributable to unitholders</b>	806,171,516	100.00	100.00

<b>Phillip Money Market Fund By Geography (Secondary)</b>			
Australia	3,002,400	0.37	0.83
China/Hong Kong	36,204,904	4.50	2.77
Germany	10,758,690	1.33	1.27
Netherlands	20,535,982	2.55	2.12
Singapore	227,513,458	28.25	35.73
South Korea	110,660,600	13.72	12.07
Supranational	3,753,975	0.47	0.47
United Kingdom	2,762,650	0.34	0.85
United States	12,074,655	1.49	4.38
<b>Portfolio of investments</b>	427,267,314	53.02	60.49
<b>Other net assets</b>	378,904,202	46.98	39.51
<b>Net assets attributable to unitholders</b>	806,171,516	100.00	100.00

	Holdings as at 30/06/2012	Fair value as at 30/06/2012 S\$	Percentage of total net assets attributable to unitholders as at 30/06/2012 %
<b>Phillip Income Fund</b>			
<b>By Industry (Primary)</b>			
<b>Financials</b>			
<b>Quoted Equities</b>			
NYSE Euronext	8,244	268,009	2.45
United Overseas Bank Limited	10,000	186,600	1.70
		<u>454,609</u>	<u>4.15</u>
<b>Floating Rate Notes – Quoted</b>			
HSBC Ltd 0%			
Due 6 March 2015	400,000	517,501	4.73
		<u>517,501</u>	<u>4.73</u>
<b>Fixed Rate Notes – Quoted</b>			
Bank of Ceylon 6.875%			
Due 3 May 2017	200,000	254,010	2.32
Bank of East Asia Ltd 4.25%			
Due 13 September 2022	250,000	251,080	2.29
Citigroup Inc 3.83%			
Due 18 Mar 2014	500,000	511,660	4.67
DBS Bank Ltd 3.3%			
Due 21 February 2022	250,000	250,458	2.29
DBS Bank Ltd 3.625%			
Due 21 September 2022	200,000	254,917	2.33
Industrial and Commercial Bank of China 2.75%			
Due 12 September 2017	200,000	253,903	2.32
Wing Hang Bank 6%			
Due 29 April 2049	300,000	359,080	3.28
		<u>2,135,108</u>	<u>19.50</u>
<b>Total Financials</b>		<u>3,107,218</u>	<u>28.38</u>
<b>Food &amp; Beverages</b>			
<b>Quoted Equities</b>			
Cerebos Pacific Limited	68,000	355,640	3.25
		<u>355,640</u>	<u>3.25</u>
<b>Fixed Rate Notes - Quoted</b>			
Fonterra 1.1%			
Due 27 June 2014	1,000,000	191,161	1.75
Tingy (CI) Holding 3.875%			
Due 20 June 2017	200,000	257,217	2.35
		<u>448,378</u>	<u>4.10</u>
<b>Total Food &amp; Beverages</b>		<u>804,018</u>	<u>7.35</u>

	<b>Holdings as at 30/06/2012</b>	<b>Fair value as at 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/06/2012 %</b>
<b>Phillip Income Fund</b>			
<b>By Industry (Primary)</b>			
<b>Government Agency</b>			
<b>Floating Rate Notes – Quoted</b>			
Korea Finance Co 0%			
Due 17 February 2016	300,000	392,464	3.58
<b>Total Government Agency</b>		<u>392,464</u>	<u>3.58</u>
<b>Hotels and Properties</b>			
<b>Fixed Rate Notes – Quoted</b>			
Theta Capital 7%			
Due 16 May 2019	200,000	248,923	2.27
Wheelock Finance 4.5%			
Due 2 September 2021	250,000	246,668	2.25
Ascendas 4.75%			
Due 18 October 2049	250,000	248,788	2.27
Ascendas 5.15%			
Due 29 April 2014	250,000	262,273	2.40
GLL IHT Pte Ltd 4%			
Due 17 January 2014	250,000	250,663	2.29
Keppel Land Ltd 2.5%			
Due 23 June 2013	400,000	402,084	3.67
<b>Total Hotels and Properties</b>		<u>1,659,399</u>	<u>15.15</u>
<b>Industrials</b>			
<b>Fixed Rate Notes – Quoted</b>			
Sembcorp Fin 5%			
Due 21 April 2014	250,000	262,633	2.40
<b>Total Industrials</b>		<u>262,633</u>	<u>2.40</u>

	Holdings as at 30/06/2012	Fair value as at 30/06/2012 S\$	Percentage of total net assets attributable to unitholders as at 30/06/2012 %
<b>Phillip Income Fund</b>			
<b>By Industry (Primary)</b>			
<b>Logistics</b>			
<b>Fixed Rate Notes - Quoted</b>			
Goodpack Limited 4% Due 19 July 2013	500,000	504,615	4.61
Neptune Orient Lines Ltd 4.25% Due 26 April 2017	250,000	249,735	2.28
<b>Total Logistics</b>		<u>754,350</u>	<u>6.89</u>
<b>Materials</b>			
<b>Fixed Rate Notes – Quoted</b>			
Baosteel Group 3.5% Due 1 December 2014	2,000,000	400,003	3.65
China Shanshui 10.5% Due 27 April 2017	200,000	254,793	2.33
Yancoal International 4.461% Due 16 May 2017	200,000	253,311	2.31
Yancoal International 5.73% Due 16 May 2022	200,000	251,663	2.30
<b>Total Materials</b>		<u>1,159,770</u>	<u>10.59</u>
<b>Port Operator</b>			
<b>Quoted Equities</b>			
Hutchison Port Holdings Trust	85,000	76,698	0.70
<b>Total Port Operator</b>		<u>76,698</u>	<u>0.70</u>
<b>REITS</b>			
<b>Fixed Rate Notes - Quoted</b>			
Ascendas India 5.255% Due 9 November 2012	250,000	251,898	2.30
CapitaMall Trust MTN Pte Ltd 2.85% Due 1 September 2014	250,000	252,565	2.31
<b>Total REITS</b>		<u>504,463</u>	<u>4.61</u>

	<b>Holdings as at 30/06/2012</b>	<b>Fair value as at 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/06/2012 %</b>
<b>Phillip Income Fund</b>			
<b>By Industry (Primary)</b>			
<b>Technology</b>			
<b>Quoted Equities</b>			
Cisco Systems, Inc	13,100	285,693	2.61
<b>Total Technology</b>		<u>285,693</u>	<u>2.61</u>
<b>Telecommunications</b>			
<b>Quoted Equities</b>			
Singapore Telecom Ltd	35,000	115,150	1.05
Telstra Corporation Ltd	60,000	285,090	2.60
<b>Total Telecommunications</b>		<u>400,240</u>	<u>3.65</u>
<b>Transportation</b>			
<b>Quoted Equities</b>			
Comfortdelgro Corporation Ltd	35,000	53,900	0.49
SMRT Corporation Limited	100,000	169,000	1.54
<b>Total Transportation</b>		<u>222,900</u>	<u>2.03</u>
<b>Utilities</b>			
<b>Fixed Rate Notes – Quoted</b>			
SPI Electric & Gas 7.5% Due 25 September 2017	200,000	284,936	2.60
Pertamina 4.875% Due 3 May 2022	200,000	253,921	2.32
<b>Total Utilities</b>		<u>538,857</u>	<u>4.92</u>
<b>Portfolio of investments</b>		10,168,703	92.86
<b>Other net assets</b>		<u>781,657</u>	<u>7.14</u>
<b>Net assets attributable to unitholders</b>		<u><u>10,950,360</u></u>	<u><u>100.00</u></u>

	Fair value As at 30/06/2012 S\$	Percentage of total net assets attributable to unitholders as at 30/06/2012 %	Percentage of total net assets attributable to unitholders as at 31/12/2011 %
<b>Phillip Income Fund</b>			
<b>By Industry (Summary)</b>			
Financials	3,107,218	28.38	11.09
Food & Beverages	804,018	7.35	5.90
Government Agency	392,464	3.58	1.23
Healthcare	-	-	5.01
Hotels and Properties	1,659,399	15.15	17.88
Industrials	262,633	2.40	2.49
Insurance	-	-	5.46
Investment Fund	-	-	4.57
Logistics	754,350	6.89	4.67
Materials	1,159,770	10.59	5.75
Port Operator	76,698	0.70	2.22
REITS	504,463	4.61	4.72
Technology	285,693	2.61	4.97
Telecommunications	400,240	3.65	5.12
Transportation	222,900	2.03	2.81
Utilities	538,857	4.92	-
<b>Portfolio of investments</b>	10,168,703	92.86	83.89
<b>Other net assets</b>	781,657	7.14	16.11
<b>Net assets attributable to unitholders</b>	10,950,360	100.00	100.00

<b>Phillip Income Fund</b>			
<b>By Geography (Secondary)</b>			
Australia	570,025	5.20	5.87
Cayman Islands	512,010	4.68	-
China/Hong Kong	2,286,542	20.88	7.55
Indonesia	502,844	4.59	-
Japan	-	-	2.11
New Zealand	191,161	1.75	-
Singapore	4,394,285	40.13	51.47
South Korea	392,464	3.58	1.23
Sri Lanka	254,010	2.32	-
United Kingdom	-	-	1.90
United States	1,065,362	9.73	13.76
<b>Portfolio of investments</b>	10,168,703	92.86	83.89
<b>Other net assets</b>	781,657	7.14	16.11
<b>Net assets attributable to unitholders</b>	10,950,360	100.00	100.00

	<b>Holdings as at 30/06/2012</b>	<b>Fair value as at 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/06/2012 %</b>
<b>Phillip Growth Fund By Industry (Primary)</b>			
<b>Consumer Services</b>			
<b>Quoted Equities</b>			
Tesco PLC Ord	94,759	583,236	3.60
<b>Total Consumer Services</b>		583,236	3.60
<b>Customer Services</b>			
<b>Quoted Equities</b>			
Hengdeli Holdings Ltd	452,000	180,718	1.11
<b>Total Customer Services</b>		180,718	1.11
<b>Energy</b>			
<b>Quoted Equities</b>			
BP Plc SHS	40,000	335,067	2.07
China Shenhua Energy Co Ltd	50,000	221,211	1.36
Petrochina Co Ltd	192,000	312,723	1.93
Ptt Exploration & Production PCL	44,600	299,686	1.85
Total SA	3,474	196,670	1.21
<b>Total Energy</b>		1,365,357	8.42
<b>Financials</b>			
<b>Quoted Equities</b>			
Australian Stock Exchange	6,026	228,827	1.41
QBE Insurance Group Ltd	9,804	168,487	1.04
Singapore Exchange Limited	61,000	384,910	2.37
<b>Total Financials</b>		782,224	4.82
<b>Food &amp; Beverages</b>			
<b>Quoted Equities</b>			
Diageo Public Limited Company	13,000	423,559	2.61
Indofood Sukses Makmur Tbk	460,000	298,493	1.84
Thai Vegetable Oil PCL	84,400	73,253	0.45
Unilever PLC	8,540	363,534	2.24
<b>Total Food &amp; Beverages</b>		1,158,839	7.14

	<b>Holdings as at 30/06/2012</b>	<b>Fair value as at 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/06/2012 %</b>
<b>Phillip Growth Fund</b>			
<b>By Industry (Primary)</b>			
<b>Healthcare</b>			
<b>Quoted Equities</b>			
Abbott Laboratories	110,595	867,831	5.35
Essilor International	3,255	380,806	2.35
Glaxosmithkline PLC Ord	11,861	340,762	2.10
Sanofi Synthelabo	4,500	428,853	2.64
<b>Total Healthcare</b>		<b>2,018,252</b>	<b>12.44</b>
<b>Industrials</b>			
<b>Quoted Equities</b>			
ABB Ltd	15,000	310,926	1.92
Bridgestone Corporation	6,900	199,939	1.23
Mitsubishi Corporation	24,300	619,170	3.82
United Tractors TBK	109,500	314,406	1.94
<b>Total Industrials</b>		<b>1,444,441</b>	<b>8.91</b>
<b>Investment Fund</b>			
<b>Investment Fund - Quoted</b>			
Phillip Singapore Real Estate Income Fund	431,830	548,813	3.38
<b>Total Investment Fund</b>		<b>548,813</b>	<b>3.38</b>
<b>Materials</b>			
<b>Quoted Equities</b>			
POSCO	786	316,580	1.95
Potash Corp of Saskatchewan Inc	8,633	478,804	2.95
<b>Total Materials</b>		<b>795,384</b>	<b>4.90</b>
<b>Properties</b>			
<b>Quoted Equities</b>			
Ciputra Development TBK PT	4,617,500	403,645	2.49
Japan Land Ltd	965,800	-	-
<b>Total Properties</b>		<b>403,645</b>	<b>2.49</b>

	<b>Holdings as at 30/06/2012</b>	<b>Fair value as at 30/06/2012 S\$</b>	<b>Percentage of total net assets attributable to unitholders as at 30/06/2012 %</b>
<b>Phillip Growth Fund</b>			
<b>By Industry (Primary)</b>			
<b>Technology</b>			
<b>Quoted Equities</b>			
Adobe Systems Inc	8,214	337,916	2.08
Applied Materials Inc	29,403	427,867	2.64
Cisco Systems Inc	32,000	697,877	4.30
International Business Machines Corporation	3,278	814,329	5.02
Samsung Electronics	490	652,971	4.03
SAP AG	6,638	500,944	3.09
Symantec Corporation	12,034	223,293	1.38
<b>Total Technology</b>		3,655,197	22.54
<b>Telecommunications</b>			
<b>Quoted Equities</b>			
Advanced Info Service-NVDR	75,300	554,159	3.42
China Mobile (HK) Ltd	49,500	687,412	4.24
SK Telecom Co Ltd	3,054	423,579	2.61
Telekomunikasi TBK PT	289,000	316,763	1.95
Telstra Corp Ltd	107,602	511,272	3.15
<b>Total Telecommunications</b>		2,493,185	15.37
<b>Portfolio of investments</b>		15,429,291	95.12
<b>Other net assets</b>		787,489	4.88
<b>Net assets attributable to unitholders</b>		16,216,780	100.00

	Fair value as at 30/06/2012 S\$	Percentage of total net assets attributable to unitholders as at 30/06/2012 %	Percentage of total net assets attributable to unitholders as at 31/12/2011 %
<b>Phillip Growth Fund</b>			
<b>By Industry (Summary)</b>			
Consumer Services	583,236	3.60	-
Customer Services	180,718	1.11	0.97
Energy	1,365,357	8.42	7.29
Financials	782,224	4.82	5.96
Food & Beverages	1,158,839	7.14	8.36
Healthcare	2,018,252	12.44	14.55
Industrials	1,444,441	8.91	8.00
Insurance	-	-	2.03
Investment Fund	548,813	3.38	2.90
Materials	795,384	4.90	2.01
Properties	403,645	2.49	4.21
Technology	3,655,197	22.54	11.08
Telecommunications	2,493,185	15.37	12.48
<b>Portfolio of investments</b>	15,429,291	95.12	79.84
<b>Other net assets</b>	787,489	4.88	20.16
<b>Net assets attributable to unitholders</b>	16,216,780	100.00	100.00

<b>Phillip Growth Fund</b>			
<b>By Geography (Secondary)</b>			
Australia	908,586	5.60	6.28
China/Hong Kong	1,402,064	8.64	7.71
Europe	1,507,273	9.29	8.34
Indonesia	1,333,307	8.22	7.04
Japan	819,109	5.05	7.06
Malaysia	-	-	3.40
Singapore	933,723	5.75	7.42
South Korea	1,393,130	8.59	2.01
Switzerland	310,926	1.92	-
Thailand	927,098	5.72	5.29
United Kingdom	2,046,158	12.62	8.65
United States	3,847,917	23.72	16.64
<b>Portfolio of investments</b>	15,429,291	95.12	79.84
<b>Other net assets</b>	787,489	4.88	20.16
<b>Net assets attributable to unitholders</b>	16,216,780	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 "Fund") is an open ended umbrella unit trust constituted pursuant to a Trust Deed dated 26 February 2001 between Phillip Capital Management (S) Ltd (the "Manager") 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, an Eight Amending & Restating Deed dated 20 February 2009, a Ninth Amending & Restating Deed dated 19 February 2010, a Tenth Amending and Restating Deed dated 18 February 2011, and a Eleventh Amending and Restating Deed dated 30 September 2011 (collectively the "Trust Deed"). The Trust Deed is governed by and construed in accordance with the laws of the Republic of Singapore.

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

<b>Sub-Fund</b>	<b>Launch date</b>
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 ratio of expenses and portfolio turnover rate 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 gain/loss on investments represented by the difference between the fair value and the carrying value of investments are recognised in the Statements of Total Return. Realised gains and losses upon disposal of investments are computed on the basis of the difference between weighted average cost and selling price of investments on trade date and are taken to the Statements of Total Return.

Unquoted investments are stated at their fair values estimated by the Managers based on information available at 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 Statements of Total Return when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in the Statements of Total Return.

2.4 *Recognition of income*

Interest income on deposits is recognised on a time proportion basis 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 Statements of Total Return.

2.6 *Income tax expense*

The fund was approved for the Enhanced-Tier Fund Tax Incentive Scheme under Section 13X of the Income Tax Act by the Monetary Authority of Singapore (MAS) with effect from 12 December 2011. The tax exemption status will be for the life of the Fund, provided the Fund continues to meet all the terms and conditions set out by MAS and the relevant Income Tax legislations.

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	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011
	S\$	S\$	S\$	S\$	S\$	S\$
Amount receivable for creation of units	34,929	239,825	-	-	-	-
Sales awaiting settlement	-	-	-	40,624	-	-
Rebate receivable	19,217	34,273	-	-	-	-
Accrued interest receivable	3,536,892	3,506,380	77,363	65,276	-	-
Dividends receivable	-	-	-	4,630	38,591	5,118
Other receivable	-	-	253,625	-	-	-
	<u>3,591,038</u>	<u>3,780,478</u>	<u>330,988</u>	<u>110,530</u>	<u>38,591</u>	<u>5,118</u>

**4 Cash and bank balances**

	Phillip Money Market Fund		Phillip Income Fund		Phillip Growth Fund	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011
	S\$	S\$	S\$	S\$	S\$	S\$
Term deposits	335,186,522	289,485,372	-	-	-	-
Cash and bank balances	42,510,398	32,569,265	1,307,568	1,626,349	1,164,867	2,023,881
Amount held with brokers	-	-	152,514	50,068	348,550	1,456,684
	<u>377,696,920</u>	<u>322,054,637</u>	<u>1,460,082</u>	<u>1,676,417</u>	<u>1,513,417</u>	<u>3,480,565</u>

**5 Payables**

	<b>Phillip Money Market Fund</b>		<b>Phillip Income Fund</b>		<b>Phillip Growth Fund</b>	
	<b>30/06/2012</b>	<b>31/12/2011</b>	<b>30/06/2012</b>	<b>31/12/2011</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Payable to unitholders for cancellation of units	1,960,460	11,744,159	2,395	3,970	10,746	15,172
Accrued expenses	423,296	780,512	42,734	60,686	50,952	78,445
	<u>2,383,756</u>	<u>12,524,671</u>	<u>45,129</u>	<u>64,656</u>	<u>61,698</u>	<u>93,617</u>

6 **Net assets attributable to unitholders**

	<b>Phillip Money Market Fund</b>		<b>Phillip Income Fund</b>		<b>Phillip Growth Fund</b>	
	<b>Financial Period From 01/01/2012 to 30/06/2012 S\$</b>	<b>Financial Period From 01/01/2011 to 31/12/2011 S\$</b>	<b>Financial Period From 01/01/2012 to 30/06/2012 S\$</b>	<b>Financial Period From 01/01/2011 to 31/12/2011 S\$</b>	<b>Financial Period From 01/01/2012 to 30/06/2012 S\$</b>	<b>Financial Period From 01/01/2011 to 31/12/2011 S\$</b>
<b>At beginning of the financial year</b>	792,968,189	665,078,478	10,692,132	11,348,941	16,826,629	19,627,085
<b>Operations</b>						
Changes in net assets attributable to unitholders resulting from operations	2,776,167	3,062,723	273,876	(309,508)	(80,863)	(1,674,430)
<b>Unitholders' contributions/ (withdrawals)</b>						
Creation of units	1,117,738,502	2,840,876,236	198	2,695	12,807	223,828
Cancellation of units	(1,107,311,342)	(2,716,049,248)	(15,846)	(349,996)	(541,793)	(1,349,854)
Change in net assets attributable to unitholders resulting from net creation and cancellations of units	10,427,160	124,826,988	(15,648)	(347,301)	(528,986)	(1,126,026)
Total increase/(decrease) in net assets attributable to unitholders	13,203,327	127,889,711	258,228	(656,809)	(609,849)	(2,800,456)
<b>At end of the financial year</b>	806,171,516	792,968,189	10,950,360	10,692,132	16,216,780	16,826,629
<b>Units in issue (units)</b>	702,036,513	692,831,131	10,322,507	10,337,352	12,672,336	13,063,915
<b>Net assets attributable to unitholders per unit</b>	1.1483	1.1445	1.0608	1.0343	1.2797	1.2880

**7 Units in issue**

	<b>Phillip Money Market Fund</b>		<b>Phillip Income Fund</b>		<b>Phillip Growth Fund</b>	
	<b>30/06/2012</b>	<b>31/12/2011</b>	<b>30/06/2012</b>	<b>31/12/2011</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
At beginning of the period/year	692,831,131	583,569,549	10,337,352	10,673,930	13,063,915	13,921,543
Units created	973,973,570	2,485,575,900	187	2,600	9,737	167,401
Units cancelled	(964,768,188)	(2,376,314,318)	(15,032)	(339,178)	(401,316)	(1,025,029)
At end of the period/year	<u>702,036,513</u>	<u>692,831,131</u>	<u>10,322,507</u>	<u>10,337,352</u>	<u>12,672,336</u>	<u>13,063,915</u>

**8 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 Sub-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 sub-funds and their related parties during the period:

	Phillip Money Market Fund		Phillip Income Fund		Phillip Growth Fund	
	01/01/2012 to 30/06/2012	01/01/2011 to 30/06/2011	01/01/2012 to 30/06/2012	01/01/2011 to 30/06/2011	01/01/2012 to 30/06/2012	01/01/2011 to 30/06/2011
	S\$	S\$	S\$ <sup>2</sup>	S\$	S\$	S\$ <sup>1</sup>
Brokerage fee paid to:						
- related party of the fund manager	-	-	2,090	-	-	8,139
- related party of the trustee	-	-	-	-	341	-
Interest income received from:						
- related party of the fund manager	-	-	5	-	944	-
- related party of the trustee	-	-	1,031	4,322	1,162	-

The Manager 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	
	01/01/2012 to 30/06/2012	01/01/2011 to 30/06/2011	01/01/2012 to 30/06/2012	01/01/2011 to 30/06/2011	01/01/2012 to 30/06/2012	01/01/2011 to 30/06/2011
	S\$	S\$	S\$	S\$	S\$	S\$
Singapore income tax	-	-	-	-	1	-
Overseas income tax	-	-	3,544	18,105	38,306	23,961
Total income tax	-	-	3,544	18,105	38,307	23,961

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

**10 Financial Risk management**

The Manager monitors on an ongoing basis, compliance with the Sub-funds' 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 like interest rate movements and volatility in securities prices. The Manager manages the Sub-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 Sub-funds have no significant concentrations of credit risk. Cash and bank balances are placed with financial institutions of recognized 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-funds from promptly liquidating unfavourable positions, resulting in losses to the Sub-funds. The Manager manages liquidity risk by investing primarily in marketable securities.

*Foreign currency risk*

The Sub-Funds are denominated in Singapore dollars. The Sub-Funds invest in underlying securities which are denominated in foreign currencies where fluctuations in the relevant exchange rates may have an impact on the income and value of the Sub-Funds. The Manager may seek to minimise exposure to foreign currency fluctuation to the extent practicable.

As at 30 June 2012 and 31 December 2011, the concentration of the Sub-Funds' investments are set out in the Portfolio Statements.

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

	<b>Phillip Income Fund</b>		<b>Phillip Growth Fund</b>	
	<b>30/06/2012</b>	<b>31/12/2011</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Australian Dollar	1,479,990	759,145	908,586	1,056,135
Chinese Yuan	591,164	614,370	-	-
Euro	-	-	1,006,331	1,038,004
Great British Pound	-	-	2,046,157	1,455,576
Hong Kong Dollar	-	-	1,402,063	1,296,871
Indonesian Rupiah	-	-	1,333,307	1,183,603
Japanese Yen	-	225,790	819,109	1,187,403
Korean Won	-	-	1,393,132	337,439
Malaysian Ringgit	-	-	-	572,846
Thai Baht	-	-	927,098	888,690
US Dollar	3,272,138	1,754,423	5,208,599	3,169,263

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

	<b>Phillip Income Fund</b>		<b>Phillip Growth Fund</b>	
	<b>30/06/2012</b>	<b>31/12/2011</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Australian Dollar	7,359	65,180	19	209,525
Chinese Yuan	7,876	-	-	-
Euro	-	-	296,074	-
Great British Pound	-	-	939	397
Hong Kong Dollar	-	-	44,719	710,063
Japanese Yen	-	-	49,730	66,258
Korean Won	-	-	12	47
Malaysian Ringgit	-	-	-	148,014
Swiss Franc	-	-	26	27
Taiwan Dollar	-	-	112,324	113,347
Thai Baht	46	607,741	345,914	394,720
US Dollar	671,652	68,153	301,215	1,426,521

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

*Derivatives risk*

The Manager may use financial derivative instruments solely for 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 30 June 2012 and 31 December 2011, the fair values of assets and liabilities approximate their carrying values on the Balance Sheets.

11

**Financial ratios**

	<b>Phillip Money Market Fund</b>		<b>Phillip Income Fund</b>		<b>Phillip Growth Fund</b>	
	<b>30/06/2012</b>	<b>30/06/2011</b>	<b>30/06/2012</b>	<b>30/06/2011</b>	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Expense ratios</b> (Note 1)						
Without performance fee	0.50	0.52	2.26	2.21	2.03	1.96
With performance fee	0.50	0.52	2.26	2.21	2.03	1.96
<b>Turnover ratios</b> (Note 2)	57.88	59.29	143.01	143.14	74.69	153.32

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.

Note 2 The turnover ratio is calculated in accordance with the formula stated in the Code of 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. Sales include redemptions of the bonds on maturity.

**12 Reconciliation of quoted net asset value**

Units of 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:

<b>PMMF</b>	<b>Fair value basis S\$</b>	<b>Amortised cost basis S\$</b>	<b>Difference S\$</b>
<b>As at 30 June 2012</b>			
Net assets	806,171,516	809,255,915	3,084,399
Net Asset Value Per Unit	1.1483	1.1494	0.0011
<b>As at 31 December 2011</b>			
Net assets	792,968,189	794,048,767	1,080,578
Net Asset Value Per Unit	1.1445	1.1461	0.0016

**13 Comparatives**

Certain comparative figures in the Portfolio Statements have been reclassified to conform with the current period’s presentation.