

Phillip Wealth Funds  
- Phillip HKD Money Market fund

30 June 2020 (unaudited)

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# Investment Manager's report

## Phillip Wealth Funds

### - Phillip HKD Money Market fund

#### **Review**

For the half year ended 30 June 2020, the fund generated a net return of 0.48% and 1.21% for the 6-month and 1-year period respectively.

As at 30 Jun 2020, the fund's Weighted Average Maturity ("WAM") stood at 31 days and annualized average 30-days yields at 0.57% p.a.. The fund primarily invested in fixed-rate bonds issues of the Asian region and bank deposits.

Hong Kong's economy remained very weak in the first half of 2020. Real GDP continued to fall by 9.0% in the second quarter of 2020 mainly driven by the COVID-19 pandemic, following the 9.1% contraction recorded in the preceding quarter.

Hong Kong's economy continued to remain in the contraction region. Total exports of goods saw a quarterly year-on year decline of 2.4%, much narrower than the decline of 9.7% in the preceding quarter. The narrower decline of the total exports of goods was due to the resumption of production and economic activities in China, partly offsetting the global headwinds. Domestic demand contracted 14.2% in the second quarter, after declining by 10.6% in the preceding quarter, as the social distancing measures have been rollout by the government. Labour market deteriorated further as the seasonally adjusted unemployment rate soared from 4.2% in the first quarter to 6.2% in the second quarter of 2020, as the difficult business situation in the consumption and tourism sector. Consumer price inflation went down from 2.9% in the first quarter to 1.8% in the second quarter, reflecting the impact of the soaring pork price continued to fade out.

Short-term interest rates generally stayed low in the second quarter. The Hong Kong interbank offered rate (HIBOR) for one month and three months reached 0.44% and 0.78% at the end of June 2020, compared to 2.53% and 2.46% a year ago, respectively.

#### **Outlook**

Under the threat of COVID-19, growth of HK's economy is expected to remain under pressure in the second half of 2020. According to the First Quarter Economic Report 2020, the forecasted economic growth was revised down to -4% to -7% for the whole year of 2020 amid the uncertainties of the pandemic and the global economic situation. HK's economy will escape from the trough if the local pandemic could be well contained and the major trading partners could speed up the process of reopening. On Global scale, IMF forecasted HK's economic growth to be -4.8% in 2020.

Recently, HK is confronting the third wave of COVID-19. Yet, the number of new daily infections is decreasing. Local economic activities will take time to recover. The retail and service sectors are expected to remain in the doldrums, with the projected decreased in volume of retail sales and total restaurant receipts, against the backdrop of social distancing measures and a weak labour market.

## Investment Manager's report Phillip Wealth Funds - Phillip HKD Money Market fund (continued)

### **Outlook (continued)**

In accordance with the executive order on “Hong Kong Normalization” signed by President Trump, goods exported to the U.S. from HK must be relabelled “Made in China” after 25 September. The move will see HK companies subjected to the same tariffs levied on Chinese exporters. Under the background of tense trade and political relations between the U.S. and China, global financial market volatility, and third wave of COVID-19, HK's export sectors will remain under pressure.

Inflation rate is likely to stay broadly moderate in the rest of 2020. Under the backdrop of serious economic recession, domestic cost pressures should continue to remain moderate. Imported goods are expected to become more inexpensive amid the plunging global demand and recent strengthening of HKD against the USD. Rent level of commercial units is deteriorating. Domestic demand is also weak. Official forecast of headline inflation for 2020 is revised down from 1.7% to 1.4%.

Under the linked-exchange rate regime, interest rates in HK tend to follow those in the US. Following the unprecedented decisions by the US Federal Reserve to cut Fed Fund rates to 0-0.25% in 2020, we expect this to contribute towards downside to both Hong Kong market rates and the HKD.

The fund has always reflected a target weighted average maturity of less than 60 days and weighted average life of less than 120 days, with overnight and 7 days liquidity of 7.5% and 15% respectively. The fund will continue to focus its investments in high-quality short-term corporate papers of issuers with strong balance sheets, robust business models and steady operating cash flows, deposits and short terms money market securities in high quality bank counterparties and issuers with strong balance sheet and capital.

**Statement of financial position  
as at 30 June 2020 (unaudited)**  
*(Expressed in Hong Kong dollars)*

	30 June 2020 HK\$	31 December 2019 HK\$
<b>Assets</b>		
Financial assets at fair value through profit or loss	76,051,349	39,037,397
Interest receivable	285,915	597,044
Amount receivable on subscription	11,238,180	-
Cash and cash equivalents	<u>379,436,903</u>	<u>340,478,139</u>
<b>Total assets</b>	<u>467,012,347</u>	<u>380,112,580</u>
<b>Liabilities</b>		
Amount payable on redemption	30,316,569	-
Accrued expenses and other payables	<u>231,942</u>	<u>517,128</u>
<b>Total liabilities</b>	<u>30,548,511</u>	<u>517,128</u>
<b>Net assets attributable to unitholders</b>	<u>436,463,836</u>	<u>379,595,452</u>
<b>Number of units in issue</b>		
- Class A units	37,455,080.64	36,985,121.81
- Class B units	5,000,000.00	-
<b>Net asset value per unit</b>		
- Class A units	10.3141	10.2635
- Class B units	10.0293	-

The financial statements of the Sub-Funds have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements are prepared under the historical cost convention as modified by the fair valuation of financial assets and financial liabilities (including derivative instruments) held at fair value through profit or loss.

Standards and amendments to existing standards effective 1 January 2020

There are no standards, amendments to standards or interpretations that are effective for annual period beginning 1 January 2020 that have a material impact on the financial statements of the Sub-Funds.

Statement of comprehensive income  
for the period from 01 January 2020 to 30 June 2020  
(unaudited)  
(Expressed in Hong Kong dollars)

	<i>Period from 01 January 2020 to 30 June 2020</i>	<i>Period from 01 January 2019 to 30 June 2019</i>
	HK\$	HK\$
Interest income calculated using the effective interest method	1,659,930	1,283,383
Other interest income	780,778	1,603,302
Net losses from financial assets at fair value through profit or loss	<u>(86,432)</u>	<u>(297,618)</u>
<b>Total revenue</b>	<b><u>2,354,276</u></b>	<b><u>2,589,067</u></b>
Management fees	245,574	203,845
Trustee's fees	36,185	29,121
Custodian fees	74,023	77,489
Auditors' remuneration	51,826	49,589
Legal and professional fee	100,116	-
Other operating expenses	<u>72,549</u>	<u>70,978</u>
<b>Total operating expenses</b>	<b><u>580,273</u></b>	<b><u>431,022</u></b>
<b>Increase in net assets attributable to unitholders and total comprehensive income for the period</b>	<b><u>1,774,003</u></b>	<b><u>2,158,045</u></b>

## Statement of changes in net assets attributable to unitholders for the period from 01 January 2020 to 30 June 2020 (unaudited)

*(Expressed in Hong Kong dollars)*

	01 January 2020 to 30 June 2020 HK\$	01 January 2019 to 30 June 2019 HK\$
<b>Balance at the beginning of the period</b>	379,595,452	251,945,516
<b>Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the period</b>	1,774,003	2,158,045
<b>Contributions and redemptions by unitholders</b>		
Subscriptions of units	2,701,437,343	920,316,827
Redemption of units	(2,646,342,962)	(792,802,748)
<b>Total contributions and redemptions by unitholders</b>	55,094,381	127,514,079
<b>Balance at the end of the period</b>	436,463,836	381,617,640

Units in issue  
 for the period from 01 January 2020 to 30 June 2020  
 (unaudited)

	Class A units		Class B units	
	2020	2019	2020	2019
<b>Balance at 01 January</b>	36,985,121.81	24,924,154.78	-	-
Subscription of units during the period	257,300,704.68	90,527,076.46	5,000,000.00	-
Redemption of units during the period	(256,830,745.85)	(77,993,003.10)	-	-
<b>Balance at 30 June</b>	<u>37,455,080.64</u>	<u>37,458,228.14</u>	<u>5,000,000.00</u>	<u>-</u>



## Portfolio statement as at 30 June 2020 (unaudited)

(Expressed in Hong Kong dollars)

	Holdings	Market value HK\$	% of net assets value %
<b>Debt instruments- Unlisted but quoted</b>			
<b>Certificates of deposit</b>			
<b>CHINA</b>			
Bank Of China Limited/Macau 2.34% due 15/10/2020	30,000,000	30,096,307	6.89
China Development Bank Corporation/Hong Kong 1% due 26/02/2021	25,000,000	24,988,585	5.73
<b>HONG KONG SAR</b>			
DBS Bank Hong Kong Limited 0% due 30/09/2020	20,000,000	19,965,157	4.57
<b>Total certificates of deposit</b>		<u>75,050,049</u>	<u>17.19</u>
<b>Bonds</b>			
<b>CAYMAN ISLANDS</b>			
Sun Hung Kai Properties Capital Market Limited 3.65% due 20/07/2020	1,000,000	1,001,300	0.23
<b>Total bonds</b>		<u>1,001,300</u>	<u>0.23</u>
<b>Debt instruments (total)</b>		76,051,349	17.42
<b>Other net assets</b>		360,412,487	82.58
<b>Total net assets</b>		<u>436,463,836</u>	<u>100.00</u>
<b>Total investments, at cost</b>		<u>76,065,783</u>	

	Market value HK\$	% of net assets %
Daily liquid asset	379,436,903	86.93
Weekly liquid asset	379,436,903	86.93

The weighted average maturity and the weighted average life of the portfolio of the Sub-Fund are 31.07 days and 31.07 days respectively.

Statement of movements in portfolio holdings  
for the period from 01 January 2020 to 30 June 2020  
(unaudited)

	<i>% of net asset value</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2020</i>	<i>2019</i>
<b>Debt instruments - unlisted but quoted</b>	17.42	10.28
<b>Other net assets</b>	<u>82.58</u>	<u>89.72</u>
<b>Total net assets</b>	<u><u>100.00</u></u>	<u><u>100.00</u></u>

## Administration

### Manager

Phillip Capital Management (HK) Limited  
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### Directors of the Manager

Mr. Lim Wah Sai  
Mr. Wong Wai Kit, Louis  
Mr. Lim Wen Sheong, Linus  
Ms. Loh Yang Nee, Sabrina

### Trustee

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### Registrar and Transfer Agent

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## Administration (continued)

### **Global Custodian and Administrator**

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