

Phillip Wealth Funds
- Phillip HKD Money Market fund

30 June 2021 (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 2021, the fund generated a net return of 0.05% and 0.13% for the 6-month and 1-year period respectively.

As at 30 Jun 2021, the fund's Weighted Average Maturity ("WAM") stood at 44.75 days and annualized average 30-days yields at 0.06% p.a.. The fund primarily invested in fixed-rate bonds issues of the Asian region and bank deposits.

The Hong Kong economy recovered visibly in the first quarter of 2021, with real GDP resuming appreciable year-on-year growth of 7.9%, led by very strong growth of exports of goods. On the other hand, Hong Kong's unemployment rate dropped to 6% for the three-month period ending in May, as the economic impact of the coronavirus pandemic appeared to ease amid falling case counts and a relaxation of social-distancing rules. Yet the economic recovery was uneven and overall economic activity remained below the pre-pandemic level, as the pandemic, social distancing requirements and travel restrictions continued to weigh on some industries.

Regarding Hong Kong Dollar market, HKD spot rate stayed at the strong end of the band in Q4 2020 but started to depreciate slightly since end of February 2021. In June 2021, HKD depreciated by 0.15% against the USD to 7.7651, compare to 6 months ago. However, Aggregate Balance remains at record high of HKD457 billion and short end Hong Kong interest rate continues to stay low, showing flush liquidity in the system.

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 0.099% and 0.17% at the end of June 2021, compared to 0.44% and 0.78% a year ago, respectively.

Outlook

Looking ahead, the more benign global economic conditions should continue to bode well for Hong Kong's external segments in the near term, though international travel and inbound tourism will likely take time to recover. The improved local business sentiment, coupled with the support from various government relief measures, should help domestic demand to improve in the period ahead. In the 2021/2022 fiscal budget, the government forecasted deficit spending to reach 3.6% of GDP. The budget included an additional fiscal package of around HKD120 billion. Key measures include funding support for pandemic response and vaccine procurement, support for enterprises and for individuals and households.

The Hong Kong's economy is expected to gradually recover this year and the government forecasted the 2021 GDP growth to reach between 3.5% to 5.5% this year, supported by the economy normalization and improved domestic consumption. Liquidity remains abundant which shall keep front end of Hong Kong's rates low in the near future.

Outlook (continued)

The health-related uncertainties brought by coronavirus pandemic present a unique challenge for policymakers, central banks and governments put in place asset buyback programs and economic stimulus on an unprecedented scale.

In late June 2021, U.S. President Joe Biden secured a deal on an infrastructure package worth about \$1 trillion to upgrade roads, bridges and broadband networks over the next eight years. Together with other spending packages, inflationary risk had been raised.

Inflation is picking up globally. CPI inflation in the US surged to 5% in May 2021. It is the highest US CPI reading in 13 years. Many of the FOMC (US Fed policy rate setting) members are openly advocating for reducing the size of asset purchases and pursue rate increases sooner than earlier envisaged. In the June FOMC meeting, the FED acknowledged the risk of inflation picking up. It raised the dot plot (members' expectation of future policy rates) higher, implying at least two rate hikes in 2023.

Under the linked-exchange rate regime, interest rates in Hong Kong tend to follow those in the US. On the backdrop of US Federal Reserve may not raise interest rate until 2023 and liquidity in Hong Kong remains abundant, we expect Hong Kong dollar interest rates will stay low in the near future.

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 2021 (unaudited)
(Expressed in Hong Kong dollars)

	30 June 2021 HK\$	31 December 2020 HK\$
Assets		
Financial assets at fair value through profit or loss	170,221,665	326,440,786
Bank deposits with maturity over three months at acquisition	-	50,060,089
Interest receivable	1,272,289	1,769,438
Amount receivable on subscription	3,168,040	-
Cash and cash equivalents	348,588,700	171,660,406
Total assets	523,250,694	563,786,191
Liabilities		
Amount payable on redemption	60,223,147	-
Accrued expenses and other payables	303,616	351,141
Total liabilities	60,526,763	351,141
Net assets attributable to unitholders	462,723,931	549,579,578

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are prepared under the historical cost convention as modified by 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 2021

There are no standards, amendments to standards or interpretations that are effective for annual period beginning 01 January 2021 that have a material impact on the financial statements of the Sub-Fund.

Statement of comprehensive income
for the period from 01 January 2021 to 30 June 2021
(unaudited)
(Expressed in Hong Kong dollars)

	<i>Period from 01 January 2021 to 30 June 2021</i>	<i>Period from 01 January 2020 to 30 June 2020</i>
	HK\$	HK\$
Interest income calculated using the effective interest method	224,151	1,659,930
Net losses from financial assets at fair value through profit or loss	(2,151,592)	(86,432)
Other interest income	<u>2,949,285</u>	<u>780,778</u>
Total revenue	<u>1,021,844</u>	<u>2,354,276</u>
Management fees	301,846	245,574
Trustee's fees	55,153	36,185
Custodian fees	136,301	74,023
Auditors' remuneration	49,589	51,826
Legal and Professional Fee	26,943	100,116
Other operating expenses	<u>149,500</u>	<u>72,549</u>
Total operating expenses	<u>719,332</u>	<u>580,273</u>
Increase in net assets attributable to unitholders and total comprehensive income for the period	<u>302,512</u>	<u>1,774,003</u>

Statement of changes in net assets attributable to unitholders for the period from 01 January 2021 to 30 June 2021 (unaudited)
(Expressed in Hong Kong dollars)

	<i>01 January 2021 to 30 June 2021 HK\$</i>	<i>01 January 2020 to 30 June 2020 HK\$</i>
Balance at the beginning of the period	549,579,578	379,595,452
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the period	<u>302,512</u>	<u>1,774,003</u>
Contributions and redemptions by unitholders		
Subscriptions of units	3,419,953,187	2,701,437,343
Redemption of units	<u>(3,507,111,346)</u>	<u>(2,646,342,962)</u>
Total contributions and redemptions by unitholders	<u>(87,158,159)</u>	<u>55,094,381</u>
Balance at the end of the period	<u><u>462,723,931</u></u>	<u><u>436,463,836</u></u>

Units in issue
for the period from 01 January 2021 to 30 June 2021
(unaudited)

	Class A units		Class B units	
	2021	2020	2021	2020
Balance at 01 January	48,367,822.35	36,985,121.81	5,000,000.00	-
Subscription of units during the period	323,562,340.06	257,300,704.68	7,724,859.79	5,000,000.00
Redemption of units during the period	(339,512,424.47)	(256,830,745.85)	-	-
Balance at 30 June	<u>32,417,737.94</u>	<u>37,455,080.64</u>	<u>12,724,859.79</u>	<u>5,000,000.00</u>
Net asset value per unit	<u>10.3299</u>	<u>10.3141</u>	<u>10.0474</u>	<u>10.0293</u>

Portfolio statement as at 30 June 2021 (unaudited)

(Expressed in Hong Kong dollars)

	Holdings	Market value HK\$	% of net assets value %
Debt instruments- Unlisted but quoted			
Certificates of deposit			
JAPAN			
Sumitomo Mitsui Banking Corporation/Hong Kong 2.93% due 09/08/2021	20,000,000	20,046,437	4.33
Total certificates of deposit		<u>20,046,437</u>	<u>4.33</u>
Bonds			
BRITAIN			
Hitachi Capital UK Public Listed Company 2.405% due 19/04/2022	3,000,000	3,043,187	0.66
BRITISH VIRGIN ISLANDS			
Henderson Land MTN Limited 2.75% due 24/05/2022	5,500,000	5,605,630	1.20
Henderson Land MTN Limited 4.03% due 23/09/2021	37,000,000	37,823,020	8.06
HLP Finance Limited 4.2% due 06/02/2022	15,000,000	15,305,913	3.31
CAYMAN ISLANDS			
CDBL Funding 2 2.9% due 27/08/2021	1,000,000	1,003,193	0.22
Cheung Kong Finance MTN Limited 3.35% due 24/11/2021	40,000,000	40,483,401	8.75
Cheung Kong Finance MTN Limited 3.45% due 20/10/2021	8,000,000	8,065,028	1.74
Swire Pacific MTN Financing Limited 1.95% due 07/09/2021	2,000,000	2,006,105	0.43
CHINA			
Industrial & Commercial Bank Of China Limited/Hong Kong 3.25% due 11/12/2021	20,000,000	20,254,418	4.38
NEW ZEALAND			
ASB Finance Limited 2.63% due 14/12/2021	11,000,000	11,108,050	2.40
SUPRANATIONAL			
Corp Andina De Fomento 1.81% due 02/08/2021	4,000,000	4,004,196	0.87
SOUTH KOREA			
Kookmin Bank 3.3% due 13/11/2021	1,000,000	1,011,107	0.22
Shinhan Bank Company Limited 3.19% due 26/07/2021	1,000,000	1,001,980	0.22
Total bonds		<u>150,175,228</u>	<u>32.46</u>

	Market value HK\$	% of net assets value %
Debt instruments- Unlisted but quoted		
Debt instruments (total)	170,221,665	36.79
Other net assets	292,502,266	63.21
Total net assets	462,723,931	100.00
Total investments, at cost	171,742,131	

	Market value HK\$	% of net assets %
Daily liquid asset	328,623,613	63.22
Weekly liquid asset	328,623,613	63.22

The weighted average maturity and the weighted average life of the portfolio of the Sub-Fund are 44.75 days and 44.75 days respectively.

Statement of movements in portfolio holdings (unaudited)
for the period from 01 January 2021 to 30 June 2021
(unaudited)

	<i>% of net asset value</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
Debt instruments - unlisted but quoted	36.79	59.40
Other net assets	<u>63.21</u>	<u>40.60</u>
Total net assets	<u><u>100.00</u></u>	<u><u>100.00</u></u>

Administration

Manager

Phillip Capital Management (HK) Limited
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Hong Kong

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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With effect from 30 August 2021, the new Trustee:
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Quarry Bay, Hong Kong

Registrar and Transfer Agent

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Administration (continued)

Global Custodian and Administrator

BNP Paribas Securities Services, operating through its Singapore Branch
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Auditor

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