

Phillip Wealth Funds
- Phillip HKD Money Market fund

30 June 2022 (unaudited)

CONTENTS	Page(s)
Investment Manager's report	1
Statement of financial position (unaudited)	2
Statement of comprehensive income (unaudited)	3
Statement of changes in net assets attributable to unitholders (unaudited)	4
Units in issue (unaudited)	5
Portfolio statement (unaudited)	6 - 7
Statement of movements in portfolio holdings (unaudited)	8
Administration	9 - 10

Investment Manager's report

Phillip Wealth Funds

- Phillip HKD Money Market fund

Review

For the half year ended 30 June 2022, the fund generated a net return of 0.10% and 0.11% for the 6-month and 1-year period respectively.

As at 30 Jun 2022, the fund's Weighted Average Maturity ("WAM") stood at 56.54 days and annualized average 30-days yields at 0.29% p.a.. The fund primarily invested in fixed-rate bonds issues of the Asian region and bank deposits.

The Hong Kong economy contracted in the first half of 2022, with real GDP recorded a year-on-year decline of 1.3% in second quarter but still narrower than the decline of 3.9% in the preceding quarter. Total exports of goods also recorded a year-on-year growth of 0.4% in the first half year. Meanwhile, Hong Kong's unemployment rate dropped to 4.7% for the three-month period ending in June, as the economic impact of the coronavirus pandemic appeared to ease amid increasing vaccination number and the Vaccine Pass regulation. 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 went weak continuously since end of January 2022. In June 2022, HKD depreciated by 0.48% against the USD to 7.8345, compared to 6 months ago. Consequently, Aggregate Balance drops to HKD233 billion and short end Hong Kong interest rate starts rising, lowering liquidity in the system.

Short-term interest rates increase rapidly in the first half year. The Hong Kong interbank offered rate (HIBOR) for one month and three months reached 0.871% and 1.75% at the end of June 2022, compared to 0.099% and 0.17% a year ago, respectively.

Outlook

Interrupted by the coronavirus pandemic and weakened global demand, Hong Kong's external segments deteriorated since 2022, especially in February. The uncertainty of normal traveller clearance between Hong Kong and the Mainland hinders the recovery of tourism and export. With the support from various government relief measures, including the Consumption Voucher Scheme, the domestic demand fares better in the second quarter, but the worsen financial conditions may limit the consumer sentiment and spending.

The government has revised downwards the forecasted 2022 GDP growth of Hong Kong's economy to between -0.5% and 0.5% this year, affected by the uncertain global economic prospects. Higher Hong Kong interest rates are expected in the near future as a result of liquidity shrinkage.

Outlook (continued)

The Russia-Ukraine war gives rise to the increase in international energy and commodities prices in the first half year and hence elevated global inflation. CPI inflation in the US reached 9.5% in June 2022, which is the highest reading in 40 years. However, the inflation risk shall subside with the expected falling commodity prices and the FOMC's commitment of lower inflation.

Under the Linked-Exchange Rate regime, interest rates in Hong Kong tend to follow those in the US. Given that interest rate hike of US Federal Reserve continues, we expect Hong Kong dollar interest rates will follow the rising trend.

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 2022 (unaudited)
(Expressed in Hong Kong dollars)

	30 June 2022 HK\$	31 December 2021 HK\$
Assets		
Financial assets at fair value through profit or loss	191,857,513	155,985,443
Interest receivable	1,796,503	1,159,058
Amount receivable on subscription	5,042,462	-
Cash and cash equivalents	244,019,299	320,225,757
Total assets	442,715,777	477,370,258
Liabilities		
Amount payable on redemption	3,629,041	-
Accrued expenses and other payables	164,485	249,651
Total liabilities	3,793,526	249,651
Net assets attributable to unitholders	438,922,251	477,120,607

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 01 January 2022

There are no standards, amendments to standards or interpretations that are effective for annual period beginning 01 January 2022 that have a material impact on the financial statements of the Sub-Fund.

Statement of comprehensive income
for the period from 01 January 2022 to 30 June 2022
(unaudited)
(Expressed in Hong Kong dollars)

	<i>Period from 01 January 2022 to 30 June 2022</i>	<i>Period from 01 January 2021 to 30 June 2021</i>
	HK\$	HK\$
Interest income calculated using the effective interest method	349,784	224,151
Net losses from financial assets at fair value through profit or loss	(684,013)	(2,151,592)
Other interest income	<u>1,826,582</u>	<u>2,949,285</u>
Total revenue	<u>1,492,353</u>	<u>1,021,844</u>
Management fees	63,424	301,846
Trustee's fees	44,743	55,153
Custodian fees	126,821	136,301
Auditors' remuneration	49,589	49,589
Legal and professional fee	27,164	26,943
Other operating expenses	<u>141,627</u>	<u>149,500</u>
Total operating expenses	<u>453,368</u>	<u>719,332</u>
Increase in net assets attributable to unitholders and total comprehensive income for the period	<u>1,038,985</u>	<u>302,512</u>

Statement of changes in net assets attributable to unitholders for the period from 01 January 2022 to 30 June 2022 (unaudited)
(Expressed in Hong Kong dollars)

	<i>01 January 2022 to 30 June 2022</i>	<i>01 January 2021 to 30 June 2021</i>
	HK\$	HK\$
Balance at the beginning of the period	477,120,607	549,579,578
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the period	<u>1,038,985</u>	<u>302,512</u>
Contributions and redemptions by unitholders		
Subscriptions of units	511,777,043	3,419,953,187
Redemption of units	<u>(551,014,384)</u>	<u>(3,507,111,346)</u>
Total contributions and redemptions by unitholders	<u>(39,237,341)</u>	<u>(87,158,159)</u>
Balance at the end of the period	<u><u>438,922,251</u></u>	<u><u>462,723,931</u></u>

Statement of changes in net assets attributable to
unitholders for the period from 01 January 2022 to 30 June
2022 (unaudited) (continued)
(Expressed in number of units)

	Class A units		Class B units	
	2022	2021	2022	2021
Balance at 01 January	33,800,261.63	48,367,822.35	12,724,859.79	5,000,000.00
Subscription of units during the period	49,507,471.43	323,562,340.06	-	7,724,859.79
Redemption of units during the period	(53,303,959.63)	(339,512,424.47)	-	-
Balance at 30 June	<u>30,003,773.43</u>	<u>32,417,737.94</u>	<u>12,724,859.79</u>	<u>12,724,859.79</u>
Net asset value per unit	<u>HK\$ 10.3586</u>	<u>HK\$ 10.3299</u>	<u>HK\$ 10.0690</u>	<u>HK\$ 10.0474</u>

Portfolio statement as at 30 June 2022 (unaudited)

(Expressed in Hong Kong dollars)

	Holdings	Market value HK\$	% of net assets value %
Debt instruments- Unlisted but quoted			
Certificates of deposit			
JAPAN			
MUFG Bank Limited/Hong Kong 2.33% due 23/09/2022	10,000,000	10,011,100	2.28
SWITZERLAND			
Credit Suisse AG/Sydney 0% due 04/08/2022	10,000,000	9,985,300	2.28
Total certificates of deposit		19,996,400	4.56
Bonds			
AUSTRALIA			
Australia & New Zealand Banking Group Limited 2.065% due 26/09/2022	8,000,000	8,003,783	1.82
Commonwealth Bank Of Australia 2.1% due 25/09/2022	10,000,000	10,010,112	2.28
Commonwealth Bank Of Australia 2.15% due 27/09/2022	5,000,000	5,008,219	1.14
National Australia Bank Limited 2.07% due 20/09/2022	2,000,000	2,001,799	0.46
Toyota Finance Australia Limited 2.13% due 20/10/2022	15,000,000	15,001,812	3.42
Westpac Banking Corporation 2.31% due 13/10/2022	8,000,000	8,011,626	1.83
Westpac Banking Corporation 2.5% due 14/12/2022	6,000,000	6,013,357	1.37
BRITISH VIRGIN ISLANDS			
The Hong Kong Land Notes Company Limited 2.9% due 07/12/2022	5,000,000	5,022,007	1.14
CANADA			
National Bank Of Canada 2.475% due 05/12/2022	5,000,000	4,995,230	1.14
CAYMAN ISLANDS			
CK Property Finance MTN Limited 2.25% due 25/08/2022	12,000,000	12,029,851	2.74
Link Finance Cayman 2009 Limited/The 2.67% due 04/07/2022	15,000,000	15,000,000	3.42
Sun Hung Kai Properties Capital Market Limited 3.45% due 19/09/2022	18,000,000	18,114,068	4.13
Swire Pacific MTN Financing Limited 3.15% due 15/11/2022	1,000,000	1,005,443	0.22

Portfolio statement as at 30 June 2022 (unaudited)
(continued)
(Expressed in Hong Kong dollars)

	Holdings	Market value HK\$	% of net assets value %
Debt instruments- Unlisted but quoted			
(continued)			
Bonds (continued)			
CHINA			
Agricultural Bank Of China Limited/Hong Kong 1% due 22/10/2022	15,500,000	15,483,531	3.53
HONG KONG SAR			
Wharf Finance Limited 3.75% due 24/10/2022	13,000,000	13,386,164	3.05
Wharf Finance Limited 3.8% due 14/09/2022	11,000,000	11,332,361	2.58
MALAYSIA			
Malayan Banking Berhad 2.4% due 03/10/2022	15,000,000	15,372,000	3.50
SOUTH KOREA			
Korea Expressway Corporation 3.02% due 05/03/2023	6,000,000	6,069,750	1.38
Total bonds		171,861,113	39.15
Debt instruments (total)		191,857,513	43.71
Other net assets		247,064,738	56.29
Total net assets		438,922,251	100.00
Total investments, at cost		192,392,798	

	Market value HK\$	% of net assets %
Daily liquid asset	-	-
Weekly liquid asset	-	-

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

Statement of movements in portfolio holdings (unaudited)
for the period from 01 January 2022 to 30 June 2022
(unaudited)

	<i>% of net asset value</i>	
	<i>30 June 2022</i>	<i>31 December 2021</i>
Debt instruments - Unlisted but quoted	43.71	32.69
Other net assets	<u>56.29</u>	<u>67.31</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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Directors of the Manager

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Trustee

Until 30 September 2022 (or such other date as may be determined from time to time):

BNP Paribas Securities Services, operating through its Hong Kong Branch
21/F, PCCW Tower,
Taikoo Place, 979 King's Road,
Quarry Bay, Hong Kong

From 1 October 2022 (or such other date as may be determined from time to time):

BNP Paribas SA, operating through its Hong Kong Branch
21/F, PCCW Tower,
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Quarry Bay, Hong Kong

Registrar and Transfer Agent

Until 30 September 2022 (or such other date as may be determined from time to time):

BNP Paribas Securities Services, operating through its Hong Kong Branch
21/F, PCCW Tower,
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Quarry Bay, Hong Kong

From 1 October 2022 (or such other date as may be determined from time to time):

BNP Paribas SA, operating through its Hong Kong Branch
21/F, PCCW Tower,
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Quarry Bay, Hong Kong

Administration (continued)

Global Custodian and Administrator

Until 30 September 2022 (or such other date as may be determined from time to time):

BNP Paribas Securities Services, operating through its Singapore Branch
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From 1 October 2022 (or such other date as may be determined from time to time):

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