

Phillip Wealth Funds
- Phillip HKD Money Market fund

30 June 2023 (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 2023, the fund generated a net return of 1.47% and 2.23% for the 6-month and 1-year period respectively.

As at 30 Jun 2023, the fund's Weighted Average Maturity "WAM" stood at 45.29 days and annualized average 30-days yields at 3.20% p.a. The fund primarily invested in fixed-rate bonds issues of the Asian region and bank deposits.

The Hong Kong economy was in a clear state of recovery in the first half of 2023, with real GDP recorded a year-on-year expansion of 2.7% after suffering a 3.5% contraction last year. Recent GDP recorded a 1.5% year-on-year increase in the second quarter and a more robust 2.9% in the preceding quarter. However, the total value of exports recorded a year-on-year decline of 15.5% in the first half of 2023. Meanwhile, Hong Kong's unemployment rate fell to the lowest since September 2019 with 2.9% in the three months ending June 2023 due to the termination of the Pandemic, social distancing, and travel restrictions. Yet the tightening cycle continues after Fed rate hikes, economic performance, and important social indicators such as unemployment generally rebounded to a positive trend in Hong Kong.

Regarding the Hong Kong Dollar Market, HKD spot rate experienced fluctuation in the first four months of 2023 and remained strong with an appreciation by 0.14% against the USD to 7.8388 from May to June 2023. Consequently, Aggregate Balance dropped to HKD46 billion, and the short-end Hong Kong interest rate jumped significantly, lowering the liquidity in the system.

Short-term interest rates experienced a significant increase in the first half year of 2023. The Hong Kong Interbank Offered Rate (HIBOR) for one month and three months reached 4.93% and 4.97% at the end of June 2023, compared to 0.871% and 1.75% a year ago, respectively.

Outlook

To revive the economy, the Hong Kong Government has implemented a raft of measures, including offering cash handouts to residents, and cutting salaries tax to boost spending. It's also stepping up a drive to attract workers and investments. We expect the domestic economy to be able to further stabilize and attract more fixed asset investment. Although Hong Kong's exports of goods will still face challenges this year due to waning global demand and China's slowing economy, the number of tourists arriving in Hong Kong is expected to see a continual rebound as transport capacity continues to recover. Fiscal spending plus tourism recovery will be the main driver of economic growth in the post-pandemic era. The government projects GDP to reach 3.5% and 5.5% in 2023, as the improvement of the labor market will consistently provide economic stimulus.

Outlook (continued)

The fund aims for a target weighted average maturity of less than 60 days and weighted average life of less than 120 days, with overnight and seven days liquidity of no less than 7.5% and 15%, respectively. The fund will continue to focus its investments on high-quality short-term corporate papers of issuers with solid balance sheets, robust business models, and steady operating cash flows. Similarly, the fund will place deposits and short terms money market securities in high quality bank counterparties of solid balance sheet and parentage.

Statement of financial position
as at 30 June 2023 (unaudited)
(Expressed in Hong Kong dollars)

	30 June 2023 HK\$	31 December 2022 HK\$
Assets		
Financial assets at fair value through profit or loss	79,808,336	18,995,457
Bank deposits with maturity over three months at acquisition	95,006,630	85,122,053
Interest receivable	1,501,631	1,859,575
Cash and cash equivalents	179,708,610	198,017,994
Total assets	356,025,207	303,995,079
Liabilities		
Accrued expenses and other payables	499,138	486,865
Total liabilities	499,138	486,865
Net assets attributable to unitholders	355,526,069	303,508,214

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 2023

There are no standards, amendments to standards or interpretations that are effective for annual period beginning 01 January 2023 that have a material impact on the financial statements of the Sub-Fund.

Statement of comprehensive income
for the period from 01 January 2023 to 30 June 2023
(unaudited)
(Expressed in Hong Kong dollars)

	<i>Period from 01 January 2023 to 30 June 2023</i>	<i>Period from 01 January 2022 to 30 June 2022</i>
	HK\$	HK\$
Interest income calculated using the effective interest method	3,523,226	349,784
Net gains/(losses) from financial assets at fair value through profit or loss	138,382	(684,013)
Net foreign exchange gain/(loss)	159	-
Other income	<u>2,074,050</u>	<u>1,826,582</u>
Total revenue	----- 5,735,817	----- 1,492,353
Management fees	(353,098)	(63,424)
Trustee's fees	(34,527)	(44,743)
Custodian fees	(93,486)	(126,821)
Auditors' remuneration	(63,474)	(49,589)
Legal and professional fee	(27,210)	(27,164)
Other operating expenses	<u>(76,179)</u>	<u>(141,627)</u>
Total operating expenses	----- (647,974)	----- (453,368)
Increase in net assets attributable to unitholders and total comprehensive income for the period	===== 5,087,843	===== 1,038,985

Statement of changes in net assets attributable to unitholders for the period from 01 January 2023 to 30 June 2023 (unaudited)

(Expressed in Hong Kong dollars)

	01 January 2023 to 30 June 2023 HK\$	01 January 2022 to 30 June 2022 HK\$
Balance at the beginning of the period	303,508,214	477,120,607
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the period	5,087,843	1,038,985
Contributions and redemptions by unitholders		
Subscriptions of units	761,256,834	511,777,043
Redemption of units	(714,326,822)	(551,014,384)
Total contributions and redemptions by unitholders	46,930,012	(39,237,341)
Balance at the end of the period	355,526,069	438,922,251

Statement of changes in net assets attributable to unitholders for the period from 01 January 2023 to 30 June 2023 (unaudited) (continued)
(Expressed in number of units)

	Class A units		Class B units	
	2023	2022	2023	2022
Balance at 01 January	20,602,827.37	33,800,261.63	8,762,619.94	12,724,859.79
Subscription of units during the period	72,043,494.13	49,507,471.43	490,720.47	-
Redemption of units during the period	(64,177,483.00)	(53,303,959.63)	(3,958,658.16)	-
Balance at 30 June	<u>28,468,838.50</u>	<u>30,003,773.43</u>	<u>5,294,682.25</u>	<u>12,724,859.79</u>
Net asset value per unit	<u>HK\$ 10.5751</u>	<u>HK\$ 10.3586</u>	<u>HK\$ 10.2867</u>	<u>HK\$ 10.0690</u>

Portfolio statement as at 30 June 2023 (unaudited)

(Expressed in Hong Kong dollars)

	Holdings	Market value HK\$	% of net assets value %
Debt instruments- Unlisted but quoted			
Bonds			
AUSTRALIA			
Westpac Banking Corporation 3.52% due 11/10/2023	3,000,000	2,997,997	0.84
BRITISH VIRGIN ISLANDS			
CLP Power Hong Kong Financing Limited 4.75% due 18/08/2023	5,000,000	5,006,499	1.41
Hongkong Electric Finance Limited 3.4% due 19/12/2023	5,000,000	4,979,815	1.40
Hongkong Land Notes Company Limited/The 3.95% due 06/11/2023	6,000,000	5,992,238	1.68
Wharf Finance BVI Limited 3.3% due 07/09/2023	15,000,000	14,989,007	4.22
CANADA			
Royal Bank Of Canada 3.08% due 19/07/2023	5,000,000	4,998,283	1.41
CAYMAN ISLANDS			
ADCB Finance Cayman Limited 2.84% due 21/11/2023	3,000,000	2,986,529	0.84
ADCB Finance Cayman Limited 2.87% due 08/04/2024	3,000,000	2,955,713	0.83
CDBL Funding 2 4.7% due 08/02/2024	20,000,000	19,998,116	5.62
HONG KONG SAR			
Hong Kong Mortgage Corporation Limited/The 0.65% due 25/10/2023	10,000,000	9,903,978	2.79
SOUTH KOREA			
Export-Import Bank Of Korea 3.182% due 18/07/2023	5,000,000	5,000,161	1.41
Total bonds		79,808,336	22.45
Debt instruments (total)		79,808,336	22.45
Other net assets		275,717,733	77.55
Total net assets		355,526,069	100.00
Total investments, at cost		79,713,744	

Portfolio statement as at 30 June 2023 (unaudited)
(continued)
(Expressed in Hong Kong dollars)

	Market value HK\$	% of net assets %
Daily liquid asset	355,125,172.48 -	100%
Weekly liquid asset	355,125,172.48 -	100%

The weighted average maturity of the portfolio of the Sub-Fund is 45.29 days.

Statement of movements in portfolio holdings (unaudited)
for the period from 01 January 2023 to 30 June 2023
(unaudited)

	<i>% of net asset value</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
Debt instruments - unlisted but quoted	22.45	6.26
Other net assets	<u>77.55</u>	<u>93.74</u>
Total net assets	<u><u>100.00</u></u>	<u><u>100.00</u></u>

Administration

Manager

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