

Phillip Universal Funds

Annual Report

Year ended 31 December 2023



Phillip Capital Management

(A member of PhillipCapital)

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PHILLIP UNIVERSAL FUNDS

MANAGER

Phillip Capital Management (S) Ltd
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Singapore 179101
(Company Registration Number: 199905233W)

DIRECTORS OF THE MANAGER

Lim Hua Min
Linus Lim Wen Sheong
Jeffrey Lee Chay Khiong
Lim Wah Sai
Louis Wong Wai Kit

TRUSTEE & REGISTRAR

Citicorp Trustee (Singapore) Limited
5 Changi Business Park Crescent Level 5
Singapore 486027
(Company Registration Number: 199604601H)

CUSTODIAN

Citibank, N.A., Singapore Branch
5 Changi Business Park Crescent Level 5
Singapore 486027

AUDITORS

KPMG LLP
12 Marina View #15-01
Asia Square Tower 2
Singapore 018961

SOLICITORS TO THE MANAGER

Allen & Gledhill LLP
One Marina Boulevard
#28-00
Singapore 018989

SOLICITORS TO THE TRUSTEE

Shook Lin & Bok LLP
1 Robinson Road
#18-00
AIA Tower
Singapore 048542

Manager's Investment Report

The Phillip Global Quality Fund delivered a strong positive performance for the full year ending December 2023. Including distributions, the "SGD Dis" class was up 23.2% while the "SGD Hedged Dis" class was up 23.9%.

The calendar year 2023 started with investors in some trepidation after a market correction in global equities the previous year. The direction of the US Federal Reserve monetary policy continued to be a key focus as inflation remained stubbornly high. Geopolitical tensions also slowly crept into the picture as US-China relations seemed to be turning for the worse. China's economic performance also disappointed some optimists who had predicted a strong rebound after it reversed its zero-Covid policy in early 2023. In March, an unanticipated banking crisis sparked off by Silicon Valley Bank led investors to question the financial integrity of banks, culminating in the forced merger of UBS-Credit Suisse across the Atlantic.

After this volatile start to the year, investor optimism took hold subsequently, leading US, as well as many developed market, stocks to first steady and then embark on a somewhat upward trajectory. This can be attributed to bargain buying after a bad 2022. There was renewed optimism on technology stocks, particularly the biggest ones, as the artificial intelligence theme captured market imagination. After some period of markets agonising over a "higher for longer" interest rate environment and long US Treasury bond yields going as high as over 5% within October, global equity markets finally roared strongly upwards in November and December. The subsequent reversal of sentiment and narrative in late 2023, with the key trigger being an emerging view that rate cuts were on the way, possibly as soon as the first half of 2024, was boosted by data that pointed to signs of cooling inflation. This has led even central bankers seen as more hawkish to sound more dovish.

Markets start calendar year 2024 on an optimistic note, on the back of strong positive market momentum from the last two months of 2023. The US Federal Reserve looks to be ending its rate hiking cycle soon, with a "soft landing" being part of mainstream expectations. 2024 will be a year of major elections globally, including in the United Kingdom, India, Taiwan and most significantly the US.

The Fund is a feeder fund into the GMO Quality Investment Fund domiciled in Ireland, which seeks to invest primarily in quality global stocks. Quality stocks are described as companies with high and stable profitability, and with strong balance sheets. The stocks are also picked with an eye on valuation. We believe this has been a key factor in their strong rebound from a weak 2022 previously.

**Report to Unitholders
Year ended 31 December 2023**

a) **I Investments classified by geography**

	Fair Value at 31/12/2023 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2023 %
Singapore	13,297,948	99.14
Portfolio of investments	13,297,948	99.14
Other net assets	115,697	0.86
Net assets attributable to unitholders	13,413,645	100.00

;

II Investments classified by industry

	Fair Value at 31/12/2023 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2023 %
Equity Funds	13,297,948	99.14
Portfolio of investments	13,297,948	99.14
Other net assets	115,697	0.86
Net assets attributable to unitholders	13,413,645	100.00

i
III Investments classified by asset class

	Fair Value at 31/12/2023 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2023 %
Equity funds	13,297,948	99.14
Portfolio of investments	13,297,948	99.14
Other net assets	115,697	0.86
Net assets attributable to unitholders	<u>13,413,645</u>	<u>100.00</u>

b) **Top Ten Holdings**

<u>10 Largest Holdings at 31 December 2023</u>	Fair Value at 31/12/2023 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2023 %
GMO Quality Investment Fund - Class ZH	11,311,130	84.33
GMO Quality Investment Fund - Class Z	1,986,818	14.81

<u>10 Largest Holdings at 31 December 2022</u>	Fair Value at 31/12/2022 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2022 %
GMO Quality Investment Fund - Class ZH	9,193,113	84.37
GMO Quality Investment Fund - Class Z	1,566,692	14.38

- c) (i) Exposure to Derivatives as at 31 December 2023.
Nil
- c) (ii) Gain on derivative contracts realised for the year ended 31 December 2023
Nil
- c) (iii) Loss on outstanding derivative contracts marked to market as at 31 December 2023
Nil

- d) Description of the method used to calculate the global exposure of financial derivatives

The global exposure relating to derivative instruments is calculated using the commitment approach. The global exposure of the sub-fund is calculated as the sum of:

- (i) the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;
- (ii) the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- (iii) the sum of the values of cash collateral received pursuant to:
 - (a) the reduction of exposure to counterparties of OTC financial derivatives; and
 - (b) efficient portfolio management techniques relating to securities lending and repurchase transactions, and that are reinvested.
- e) Amount and percentage of total fund size invested in other unit trusts, mutual funds and collective investment schemes as at 31 December 2023.

Please refer to Statement of Portfolio on pages FS4 to FS6

- f) Amount and percentage of borrowings of total fund size as at 31 December 2023.
Nil
- g) Amount of redemptions and subscriptions for the year ended 31 December 2023.

Global Quality Fund

S\$

Total amount of redemptions	(2,657,939)
Total amount of subscriptions	2,653,519

- h) Amount of related party transactions for the year ended 31 December 2023.

Bank balances held with a related party of the Trustee	S\$ 388,398
Registrar fees incurred by a related party of the Trustee	S\$ 51,456

i) **Performance of the Fund as at 31 December 2023**

	Class Dis	Class Hedged Dis
	SGD	SGD
Cumulative (%)*		
3 months	6.75	9.97
6 months	1.65	3.45
1 year	22.19	22.81
Since inception	22.29	18.81
Annualised (%)		
1 year	22.19	22.81
Since inception	7.33	6.25

*Returns are in Singapore dollar calculated on a bid-to-bid basis, with net dividends reinvested. Source: Bloomberg

Inception dates for Class SGD Dis and Class SGD Hedged Dis were 24 February 2021.

j) **Expense Ratio**

Please refer to Note 10 of Notes to Financial Statements.

k) **Turnover Ratio**

Please refer to Note 10 of Notes to Financial Statements.

l) Any material information that will adversely impact the valuation of the scheme such as contingent liabilities of open contracts.

Nil

m) 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 31 December 2023 and 31 December 2022.

<u>10 Largest Holdings at 31 December 2023</u>	Fair Value at 31/12/2023 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2023 %
Microsoft Corp	162,362,010	6.6
Unitedhealth Group Inc	122,550,199	5.0
Alphabet Inc-CI A	99,037,456	4.1
Apple Inc	88,353,801	3.6
Johnson & Johnson	86,479,897	3.5
Amazon.com Inc	85,923,051	3.5
Meta Platforms Inc-Class A	81,413,069	3.3
Accenture Plc-CI A	81,096,481	3.3
Safran Sa	79,932,833	3.3
Texas Instruments Inc	76,973,695	3.1

<u>10 Largest Holdings at 31 December 2022</u>	Fair Value at 31/12/2022 S\$	Percentage of Net Assets Attributable to Unitholders at 31/12/2022 %
Microsoft Corp	37,550,296	6.8
Unitedhealth Group Inc	26,184,530	4.8
Johnson & Johnson	23,077,026	4.2
Us Bancorp	18,564,254	3.4
Apple Inc	18,335,722	3.3
Texas Instruments Inc	17,836,821	3.2
Tjx Companies Inc	17,636,733	3.2
Amazon.com Inc	17,321,388	3.1
Safran Sa	17,078,158	3.1
Coca-Cola Co/The	16,841,956	3.1

(ii) Expense ratios for the year ended 31 December 2023 and 31 December 2022.

	2023	2022
Class SGD Z		
Total operating expenses	S\$ 1,177	1,515
Average daily net asset value	S\$ 1,794,386	1,566,692
Expense ratio* (annualised)	% 0.06	0.07
Class SGD SGZH		
Total operating expenses	S\$ 6,660	8,871
Average daily net asset value	S\$ 10,158,161	9,193,113
Expense ratio* (annualised)	% 0.06	0.08

*Please note that the 40bps management fee per the IMA and Fee Schedule is charged outside of the Fund and not included in the above

(iii) Turnover ratios for the year ended 31 December 2023 and 31 December 2022.

		2023	2022
Lower of total value of purchases or sales	S\$	206,898,416	158,663,990
Average daily net asset value	S\$	1,144,127,623	615,846,171
Turnover ratio	%	<u>18.1</u>	<u>25.76</u>

n) Soft dollar 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 does 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.

Report of the Trustee

The Trustee is under a duty to take into custody and hold the assets of Phillip Universal Funds in trust for the unitholders. In accordance with the Securities and Futures Act 2001, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Phillip Universal Funds during the period covered by these financial statements, set out on pages FS1 to FS14, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
Citicorp Trustee (Singapore) Limited

Authorised signatory

27 March 2024

Statement by the Manager

In the opinion of the directors of Phillip Capital Management (S) Ltd, the accompanying financial statements set out on pages FS1 to FS14, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and portfolio holdings of Phillip Universal Funds as at 31 December 2023, and the financial performance and movement in unitholders' funds for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that Phillip Universal Funds will be able to meet its financial obligations as and when they materialise.

For and on behalf of directors of the Manager
Phillip Capital Management (S) Ltd

Jeffrey Lee Chay Khiong
Director

27 March 2024

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Independent auditors' report

Unitholders
Phillip Universal Funds
(Constituted under a Trust Deed in the Republic of Singapore)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Phillip Universal Funds ('the Fund'), which comprise the Statements of Financial Position and Statements of Portfolio as at 31 December 2023, the Statements of Total Return and Statement of Movement of Unitholders' Funds for the year then ended, and notes to the financial statements, including material accounting policies information, as set out on pages FS1 to FS15.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "*Reporting Framework for Investment Funds*" ("RAP 7") issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 31 December 2023 and the financial performance and movements in unitholders' funds for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements*' section of our report. We are independent of the Fund in accordance with the *Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Phillip Capital Management (S) Ltd, the Manager of the Fund (the "Manager") is responsible for the other information contained in the annual report. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair representation of these financial statements in accordance with the recommendations of RAP 7 issued by the Institute of Singapore Chartered Accountants, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Fund's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

27 March 2024

Statement of Total Return
Year ended 31 December 2023

	Global Quality Fund	
Note	Year ended	Year ended
	31/12/2023	31/12/2022
	S\$	S\$
Expenses		
Management fees	181,629	203,983
Trustee fees	21,766	16,399
Custody fees	14,988	12,331
Administration fees	21,766	16,399
Registrar fees	51,456	52,973
Audit fees	16,353	15,147
Other expenses	39,967	30,364
	347,925	347,596
Net loss	(347,925)	(347,596)
Net gains/(losses) on value of investments		
Net gains/(losses) on investments	2,980,143	(2,619,556)
	2,980,143	(2,619,556)
Total return/(deficit) for the year before income tax		
	2,632,218	(2,967,152)
Less: Income tax expense	-	-
Total return/(deficit) for the year after income tax before distribution	2,632,218	(2,967,152)

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

Statement of Financial Position
As at 31 December 2023

	Note	Global Quality Fund	
		2023 S\$	2022 S\$
Assets			
Portfolio of investments		13,297,948	10,759,805
Receivables	3	13,987	-
Cash and cash equivalents	4	388,398	231,602
Total assets		<u>13,700,333</u>	<u>10,991,407</u>
Liability			
Payables	5	286,688	95,285
Total liability		<u>286,688</u>	<u>95,285</u>
Equity			
Net assets attributable to unitholders	6	<u>13,413,645</u>	<u>10,896,122</u>

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

Statement of Movement of Unitholders' Funds
Year ended 31 December 2023

	Note	Global Quality Fund	
		Year ended 31/12/2023 S\$	Year ended 31/12/2022 S\$
Net assets attributable to unitholders at the beginning of financial year		10,896,122	20,211,633
Operations			
Change in net assets attributable to unitholders resulting from operations		2,632,218	(2,967,152)
Unitholders' withdrawals			
Creation of units		2,653,519	10,204,108
Cancellation of units		(2,657,939)	(16,382,537)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(4,420)	(6,178,429)
Distribution	7	(110,275)	(169,930)
Total increase/(decrease) in net assets attributable to unitholders		2,517,523	(9,315,511)
Net assets attributable to unitholders at the end of financial year	6	13,413,645	10,896,122

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

Statement of Portfolio
As at 31 December 2023

	Holdings as at 31/12/2023	Fair value as at 31/12/2023 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2023 %
Global Quality Fund			
By Geography (Primary)			
Investment Funds			
SINGAPORE			
GMO Quality Investment Fund - Class Z	74,080	1,986,818	14.81
GMO Quality Investment Fund - Class ZH	430,736	11,311,130	84.33
		13,297,948	99.14
Portfolio of investments		13,297,948	99.14
Other net assets		115,697	0.86
Net assets attributable to unitholders		13,413,645	100.00

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

Statement of Portfolio
As at 31 December 2023

	Fair value as at 31/12/2023 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2023 %	Percentage of total net assets attributable to unitholders as at 31/12/2022 %
Global Quality Fund			
By Geography (Summary)			
Investment Funds			
Singapore	13,297,948	99.14	98.75
Portfolio of investments	13,297,948	99.14	98.75
Other net assets	115,697	0.86	1.25
Net assets attributable to unitholders	<u>13,413,645</u>	<u>100.00</u>	<u>100.00</u>

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

Statement of Portfolio
As at 31 December 2023

	Fair value as at 31/12/2023 S\$	Percentage of total net assets attributable to unitholders as at 31/12/2023 %	Percentage of total net assets attributable to unitholders as at 31/12/2022 %
Global Quality Fund			
By Industry (Secondary)			
Investment Funds			
Equity Funds	13,297,948	99.14	98.75
Portfolio of investments	13,297,948	99.14	98.75
Other net assets	115,697	0.86	1.25
Net assets attributable to unitholders	13,413,645	100.00	100.00

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

1. Domicile and activities

Phillip Universal Funds (“the Fund”) is an open ended umbrella unit trust constituted pursuant to a Trust Deed dated 23 November 2020 together with its Supplemental Deeds thereon (hereafter referred to as the “Trust Deed”) between Phillip Capital Management (S) Ltd (the “Manager”) and Citicorp Trustee (Singapore) Limited (the “Trustee”). The Trust Deed is governed by and construed in accordance with the laws of the Republic of Singapore.

The Fund comprises one sub-fund, Phillip Global Quality Fund (the “Sub-Fund”), which was launched on 24 February 2021.

The investment objective of the Sub-Fund is to seek medium to long term total return for the investors. The Sub-Fund will invest all or substantially all of its assets in the GMO Underlying Fund.

2. Material accounting policies

Management reviewed the accounting policies and made updates to the information disclosed in Note 2 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

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 Investment Funds”* revised and issued by the Institute of Singapore Chartered Accountants.

The adoption of the Revised RAP 7 did not result in any significant changes to the accounting policies of the Trust and had no material effect on the amounts reported for current financial years.

For the purposes of preparation of these financial statements, the basis used for calculating the expense ratio and turnover ratio are in accordance with the guidelines issued by the Investment Management Association of Singapore (“IMAS”) 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 last traded prices for equities and bid prices for debt securities at the reporting date. If there is no last bid price, the fair value is determined using valuation techniques that are commonly used by market participants. Unrealised gains/losses on investments are represented by the difference between the fair value and the carrying value of investments and 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 the carrying value and the selling price of investments on trade date and are taken to the Statements of Total Return.

2.3 *Recognition of income*

Dividend income is recognised in the Statement of Total Return on the date which the sub-fund's right to receive payment is established.

2.4 *Income tax expense*

The Sub-Fund is a designated unit trust under the Singapore Income Tax Act (Chapter 134). As a result, the following sources of income are not subjected to Singapore tax at the Sub-Fund level:

- (i) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (ii) interest (other than interest for which Singapore tax has been withheld); and
- (iii) dividends derived from outside Singapore and received in Singapore.

2.5 *Cash and cash equivalents*

Cash and cash equivalents comprise bank balances. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.6 *Net assets attributable to unitholders*

Net assets attributable to unitholders are classified as equity.

3. Receivables

	Global Quality Fund	
	2023	2022
	S\$	S\$
Receivable from unitholders for creation of units	13,987	-

4. Cash and cash equivalents

	Global Quality Fund	
	2023	2022
	S\$	S\$
Bank balances	388,398	231,602

The bank balances are placed with a financial institution related to the Trustee.

5. Payables

	Global Quality Fund	
	2023	2022
	S\$	S\$
Payable to unitholders for cancellation of units	84,891	30,111
Accrued operating expenses	201,797	65,174
	286,688	95,285

6. Units in issue

During the year, the number of shares issued, redeemed and outstanding were as follows:

	Global Quality Fund		
	Year ended 31/12/2023		
	Class Dis	Class Hedged	Total
	Dis	Dis	SGD
	SGD	SGD	SGD
2023			
Units at beginning of the financial year	1,626,910	9,571,722	11,198,632
Units created	412,960	2,016,967	2,429,927
Units cancelled	(436,415)	(1,945,853)	(2,382,268)
Units at end of the financial year	1,603,455	9,642,836	11,246,291
Net assets attributable to unitholders – S\$	1,960,335	11,453,310	13,413,645
Net asset value per unit – S\$	1.2226	1.1878	1.1927

Global Quality Fund			
Year ended 31/12/2022			
	Class Dis	Class Hedged	
	SGD	Dis	Total
	SGD	SGD	SGD
2022			
Units at beginning of the financial year	2,935,387	14,058,134	16,993,521
Units created	718,282	8,748,220	9,466,502
Units cancelled	(2,026,759)	(13,234,632)	(15,261,391)
Units at end of the financial year	1,626,910	9,571,722	11,198,632
Net assets attributable to unitholders – S\$	1,629,365	9,266,757	10,896,122
Net asset value per unit – S\$	1.0015	0.9681	0.9730

Class Dis and Hedged Dis SGD Units are offered to investors who invest S\$1,000 and above. All classes constitute the Sub-Fund and are not separate sub-funds. Any expense, income and/or gain which is attributable to a particular class is deducted from or added to (as the case may be) the value of the sub-fund which is attributable to that class. A separate net asset value per unit is calculated for each class.

For subscriptions and redemption and for various fee calculations, investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit. For reporting purpose, the investments are valued at the last traded price as at the reporting date.

7. Distribution

Global Quality Fund

	2023
	S\$
Class Dis	
Final: SGD0.01 per unit based on units outstanding as at 12 July 2023	15,190
Class Hedged Dis	
Final: SGD0.01 per unit based on units outstanding as at 12 July 2023	95,085
	110,275
	2022
	S\$
Class Dis	
Final: SGD0.01 per unit based on units outstanding as at 4 January 2022	29,365
Class Hedged Dis	
Final: SGD0.01 per unit based on units outstanding as at 4 January 2022	140,565
	169,930

8. Financial risk management

The Sub-Fund's activities expose it to a variety of market risks (including price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Sub-Fund's overall risk management programme seeks to minimise potential adverse effects on the Sub-Fund's financial performance. The Sub-Fund may use financial derivative instruments, subject to the terms of the Trust Deed to moderate certain risk exposures. Specific guidelines on exposures to individual securities and certain industries are in place for the Sub-Fund at any time as part of the overall financial risk management to reduce the Sub-Fund's risk exposures.

a) **Market risks**

Market risk is the risk of potential adverse change to the value of financial instruments because of changes in market conditions such as interest rate movements and volatility in securities' prices. The Manager manages the Sub-Fund's exposure to market risk through the use of risk management strategies and various analytical monitoring techniques.

i. *Price risk*

Price risk is the risk that the fair values of equities or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The investments of the Sub-Fund are subject to normal market fluctuations and the risks inherent in investing in securities markets and there can be no assurance that appreciation will occur. It is the policy of the Manager to maintain a diversified portfolio of investments so as to minimise the risk. The Manager's preferred strategy is to hold investments for the medium to long term to mitigate the volatility arising from price risk

A 10% increase in the market prices of investments at the reporting date would increase the fair value of investments by the following amount:

	Global Quality Fund	
	2023	2022
	S\$	S\$
<u>Portfolio of investments:</u>		
Investment funds	1,329,795	1,075,981

ii. *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Sub-Fund is not subject to significant risk of fluctuations in market interest rates as the Sub-Fund's financial assets and liabilities are largely non-interest bearing other than the cash and cash equivalents.

iii. *Currency risk*

The Sub-Fund is denominated in Singapore Dollars. The Sub-Fund is not exposed to currency risk arising from balances and transactions in foreign currencies as its assets and liabilities are denominated in Singapore Dollars, the Sub-Fund's functional and presentation currency.

b) Liquidity risk

The Sub-Fund is exposed to daily redemption of units in the Sub-Fund. Therefore the majority of its assets are invested in investments that are traded in an active market and can be readily disposed of. The table below analyse the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Global Quality Fund	
	Less than 3 months	
	2023	2022
	S\$	S\$
Payables	286,688	95,285

c) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

The Sub-Fund is exposed to counterparty credit risk on trading derivative products, cash and bank balances and other receivable balances.

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Sub-Fund may also enter into derivative contracts to manage exposures to currency risk and price risk, including foreign exchange forward contracts and options. Hence, the Sub-Fund is also exposed to the risk that amounts held with counterparties for derivative contracts may not be recoverable in the event of any default by the parties concerned.

The custodian and bank in which the fund assets are held as at 31 December 2023 has credit rating of A-1 (31 December 2022: A-2) (*source: Standard & Poors*).

d) Capital management

The Sub-Fund's capital is represented by the net assets attributable to unitholders. The Sub-Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Sub-Fund's objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

e) Fair value estimation

Except for investments which are measured at fair value, at 31 December 2023, the fair values of the other assets and liabilities approximate their carrying values on the Statement of Financial Position due to their short period to maturity.

The fair value of the investments traded in active markets (such as publicly traded securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used for investments held by the Sub-fund are the last traded price for equity securities where the last traded price falls within the bid-ask spread.

The Sub-Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2023 and 31 December 2022:

Global Quality Fund	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$
2023				
Assets				
Investment funds	-	13,297,948	-	13,297,948
2022				
Assets				
Investment funds	-	10,759,805	-	10,759,805

9. Related parties

In the normal course of business of the Sub-Fund, management and performance fees and trustee fees have been paid or are payable to the Manager and the Trustee 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, registrar and brokerage services to the Sub-Fund in the normal course of business at terms agreed between the parties and within the provisions of the Trust Deed.

The Manager may also use the services of related parties to carry out transactions involving the purchase and sale of securities.

Other than as disclosed elsewhere in the financial statements, the following significant transactions took place between the Sub-Fund and its related parties during the year:

	Note	Global Quality Fund	
		2023	2022
		S\$	S\$
Bank balances held with a related party of the Trustee	4	388,398	231,602
Registrar fees incurred by a related party of the Trustee		51,456	52,973

10. Financial ratios

		Global Quality Fund	
		2023	2022
Expense ratio			
Class SGD Dis			
Total operating expenses	S\$	53,457	50,575
Average daily net asset value	S\$	1,835,546	1,979,341
Expense ratio (annualised) ^(Note 1)	%	2.97	2.63
Class SGD Hedged Dis			
Total operating expenses	S\$	294,468	297,022
Average daily net asset value	S\$	10,266,949	11,558,450
Expense ratio (annualised) ^(Note 1)	%	2.93	2.65
		Global Quality Fund	
		2023	2022
Turnover ratio			
Lower of total value of purchases or sales	S\$	1,108,000	6,651,854
Average daily net asset value	S\$	12,102,495	13,537,791
Turnover ratio ^(Note 2)	%	9.16	49.14

Note 1: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). Feeder funds typically invest substantially all of their assets in a single fund or a small number of designated funds which are managed by companies affiliated to the Manager.

Annualised expense ratio of the parent-fund should be added to the annualised expense ratio of the Singapore feeder fund less any rebates of management fees and commissions received from the parent-fund during the reporting period, and;

Expense ratio of the feeder funds minus any rebates of management fees and commissions received from the target funds during the reporting period. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

Note 2: The turnover ratio is calculated in accordance with the formula stated in the Code. The calculation of the turnover ratio is based on the lower of purchases (or sales) of the underlying investments expressed as a percentage of average daily net asset value. The total value of purchase (or sales) do not include brokerage and other transaction costs.

Important Information

Phillip Global Quality Fund (the “Sub-Fund”) is a sub-fund of Phillip Universal Funds (the “Fund”), an umbrella unit trust authorised under the Securities and Futures Act, Chapter 289, by the Monetary Authority of Singapore

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