

# PHILLIP SELECT BALANCE FUND

## INTERIM REPORT

For the 6 months financial period ended  
31 December 2021

Manager:

**PHILLIP MUTUAL BERHAD**

(200201002746)(570409-K)

Trustee:

**MTRUSTEE BERHAD**

(198701004362)(163032-V)

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**FUND INFORMATION**  
**As At 31 December 2021**

Name Of Fund	: Phillip SELECT Balance Fund
Manager Of Fund	: Phillip Mutual Berhad 200201002746 (570409-K)
External Investment Manager	: Phillip Capital Management Sdn Bhd 199501004372 (333567-D)
Launch Date	: 11 August 2003
Category Of Fund	: Balanced
Type Of Fund	: Growth and income
Investment Objective	: Phillip SELECT Balance Fund aims to provide medium* to long-term* capital growth and some income <sup>□</sup> by actively allocating its assets among a diversified portfolio of equity and fixed income securities according to market conditions.
	<i>* Medium term is defined as a period of one to three years, and long term is a period of more than three years.</i>
	<i>□ Income is in reference to the Fund's distribution, which could be in the form of cash or units.</i>
Performance Benchmark	: Composite benchmark: Since inception until 5 July 2009 60% Kuala Lumpur Composite Index (KLCI) 40% 3-Month Kuala Lumpur Interbank Offer Rate (KLIBOR)  From 6 July 2009 onwards 60% FTSE Bursa Malaysia Top 100 Index (FBM 100) 40% 3-Month Kuala Lumpur Interbank Offer Rate (KLIBOR)
Distribution Policy:	: Income, if any, will be distributed annually.
Fund Size	: 72.89 million units

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**PHILLIP SELECT BALANCE FUND**

<b>Breakdown Of Unitholdings</b>	<b>:</b>	<b>Size Of Holdings</b>	<b>No. Of Unitholders</b>	<b>% Of Unitholders</b>	<b>No. Of Units (million)</b>
		5,000 units & below	370	20.69	0.96
		5,001-10,000 units	468	26.18	2.85
		10,001-50,000 units	710	39.71	15.30
		50,001-500,000 units	230	12.86	25.20
		500,001 units & above	10	0.56	28.58
		Total	1788	100.00	72.89

## FUND PERFORMANCE

## Financial Highlights

Category	As at 31.12.2021	As at 30.6.2021	As at 30.6.2020	As at 30.6.2019
<b>Quoted Equity Securities</b>	%	%	%	%
Automobiles & Components	1.15	-	-	-
Banks	5.76	8.85	8.09	16.01
Capital Goods	1.38	3.68	4.22	6.40
Construction & Engineering	0.65	-	-	-
Consumer Durables & Apparel	-	-	1.50	-
Consumer Services	2.24	-	2.43	2.80
Diversified Financials	0.78	3.37	5.32	4.22
Energy	3.38	2.86	9.50	8.15
Food, Beverage & Tobacco	0.60	2.95	3.31	1.28
Health Care Equipment & Services	1.46	4.94	6.81	1.01
Household & Personal Products	-	-	0.29	-
Industrials	2.31	2.26	-	-
Insurance	1.14	-	-	-
Materials	0.35	2.87	-	0.96
Real Estate	4.65	2.44	1.61	-
Retailing	4.77	1.83	3.23	3.21
Semiconductors & Semi. Equipment	2.96	-	3.33	1.14
Software & Services	4.70	3.13	-	-
Technology Hardware & Equipment	1.05	-	-	0.48
Telecommunication Services	0.72	2.63	3.52	2.66
Transportation	1.06	-	-	-
Utilities	4.26	6.67	4.23	5.42
	45.37	48.48	57.39	53.74
<b>Warrants</b>	-	-	-	0.35
<b>Fixed Income Securities</b>	39.35	20.74	27.81	34.66
<b>Collective Investment Scheme</b>	12.59	8.17	13.65	9.23
<b>Cash And Liquid Assets</b>	2.69	22.61	1.15	2.02
<b>Total</b>	100.00	100.00	100.00	100.00
Net Asset Value (RM'000)	33,518	2,303	3,379	4,033
Number Of Units In Circulation (Units '000)	72,893	4,970	7,901	8,520
Net Asset Value Per Unit (RM)	0.4599	0.4635*	0.4277*	0.4734*
Management Expense Ratio ("MER") <sup>1</sup>	0.79%	2.54%	2.25%	2.27%
Portfolio Turnover Ratio (times)	1.26	0.92	0.70	1.14

The Management Expense Ratio for the current financial period is lower due to a lower percentage of increase in expenses compared with average net asset value. (31 December 2020: 1.35%)

<sup>1</sup> The MER does not include brokerage and other transaction fees.

The Portfolio Turnover Ratio for the current financial period is higher due to transfer of securities from Phillip Income Fund and Phillip SELECT Income Fund under a transfer scheme exercise. (31 December 2020: 0.69 times)

## Notes:

The net asset value per unit of the Fund is largely determined by market factors. Therefore past performance figures shown are only a guide and should not be taken as indicative of future performance. Net asset value per unit and investment returns may go up or down.

\* Price quoted is ex-distribution.

**Performance Data**

	Phillip SELECT Balance Fund		Composite Benchmark	
	Total Return	Average Annual Return	Total Return	Average Annual Return
6 Months' Period Ended 31.12.2021	-0.78%	-	1.17%	-
1 Year's Period Ended 30.6.2021	10.71%	10.71%	3.48%	3.48%
3 Years' Period Ended 30.6.2021	3.37%	1.12%	-1.77%	-0.59%
5 Years' Period Ended 30.6.2021	13.72%	2.74%	3.63%	0.73%

	6 Months to		Financial Year Ended			
	31.12.2021	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
Phillip SELECT Balance Fund						
- Capital Return	-0.78%	8.37%	-8.02%	-4.63%	-2.62%	0.40%
- Income Return	-	2.16%	0.00%	6.45%	6.15%	5.99%
- Total Return	-0.78%	10.71%	-8.02%	1.52%	3.38%	6.42%
Composite Benchmark	1.17%	3.48%	-4.93%	0.89%	-0.89%	6.71%

	6 Months to		Financial Year Ended	
	31.12.2021	30.06.2021	30.06.2020	30.06.2019
<b>Unit Prices</b>				
Highest NAV(RM)	0.4725	0.5041	0.4803	0.5140
Lowest NAV (RM)	0.4514	0.4298	0.3635	0.4709

**Distributions**

Gross Distribution Per Unit (sen)	-	1.00	-	3.00
	(31.12.2021)	(30.06.2021)	(28.6.2020)	(29.6.2019)
Net Distribution Per Unit (sen)	-	1.00	-	2.16
	(31.12.2021)	(30.06.2021)	(28.6.2020)	(29.6.2019)

\* Price quoted is ex-distribution.

**Notes:**

1. All figures pertaining to the Fund's return were extracted from Lipper.
2. The net asset value per unit of the Fund is largely determined by market factors. Therefore past performance figures shown are only a guide and should not be taken as indicative of future performance. Net asset value per unit and investment returns may go up or down.

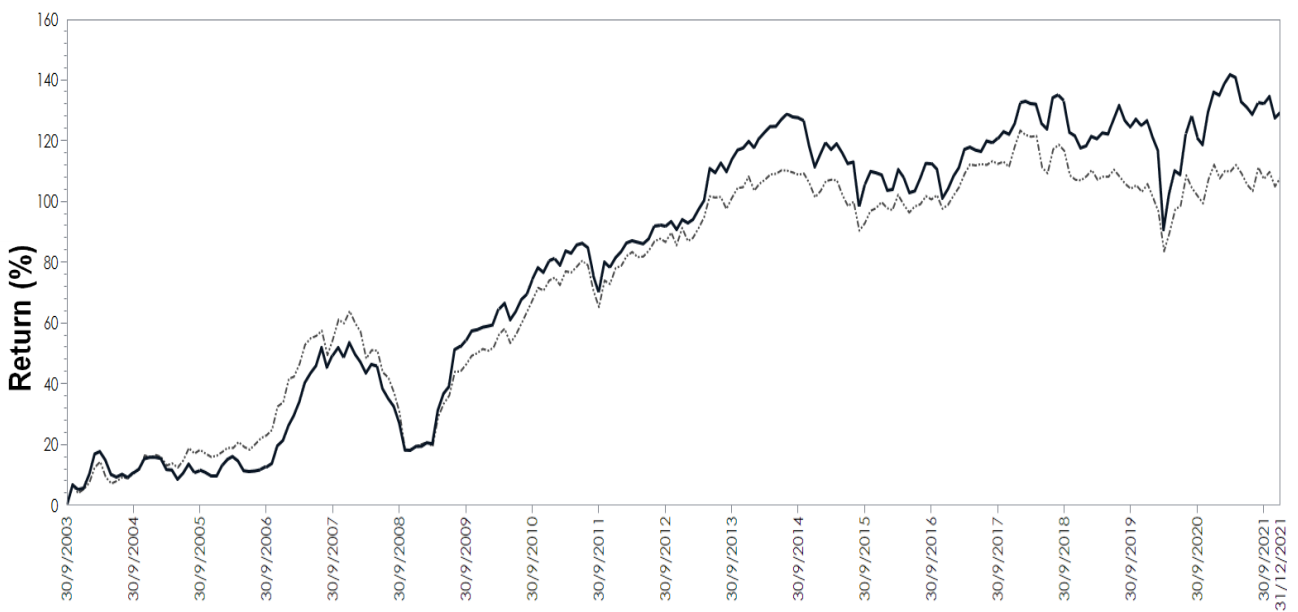
**MANAGER'S REPORT**  
**31 December 2021**

**Performance Review**

From 2 September 2003 (date of launch: 11 August 2003) to 31 December 2021, Phillip SELECT Balance Fund registered a total return of 129.34%, while its composite benchmark (60% FTSE Bursa Malaysia Top 100 Index [FBM 100] and 40% 3-Month Kuala Lumpur Interbank Offer Rate [KLIBOR]), rose 108.08%.

For the period under review (1 July 2021 to 31 December 2021), the Fund registered a total return of -0.78%. In comparison, its benchmark rose 1.17%.

**Comparison Between Fund's Performance And Benchmark Since Inception**



Source: Lipper

—	Phillip Select Balance Fund	+129.34%
- - -	Composite Benchmark (60% FBM100 & 40% 3-M KLIBOR)	+108.08%

## Investment Strategy Review

### Equity Strategy Review

For the period under review, the Fund registered a total return of -0.78% against its benchmark of 1.17%. The underperformance was mainly due to lower return in selected holdings within the Electronic Manufacturing Services providers which were having problem with the force labour accusation and global sell-off in the technology counters.

We are positive that Malaysian economy could recover in 2021 on vaccine rollout, global economy reopens, pickup in corporate earnings as well as potential return of foreign funds. Higher vaccination rate in 3Q21 and introduction of National Recovery Plan will be positive for sectors that have been hampered badly by the pandemic, including the retail, airlines, tourism, and REIT sectors.

Going forward, we intend to keep our equity exposure high on fundamentally strong small-and-mid-cap companies with good growth prospects to generate alpha. At the same time, we will remain meticulous in our approach and continuously lookout for any headwinds that could derail market performance this year.

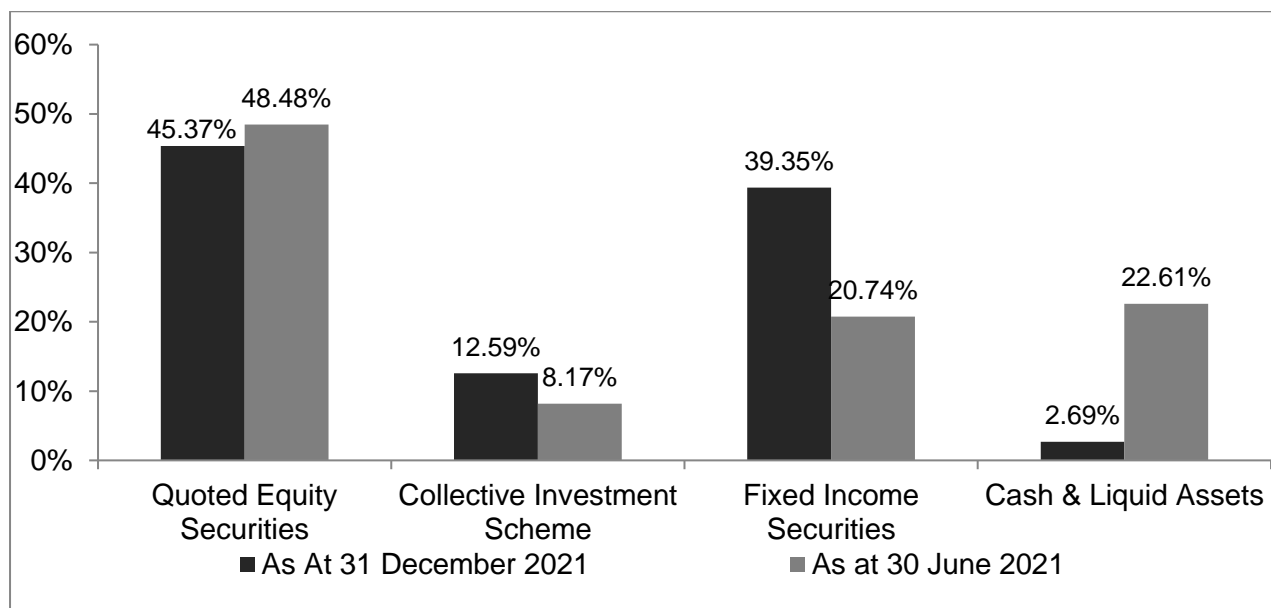
### Fixed Income Strategy Review

During the review period, the Fund made modest additions to AA credits in recognition of the yield enhancements. Fixed income allocation for the Fund increased to 51.94% from 28.91% in June 2021. Higher allocation was mainly due to transfer scheme exercise where the assets of Phillip Income Fund and Phillip SELECT Income Fund which have higher weightages in fixed income securities were transferred to Phillip SELECT Balance Fund.

Fixed income allocation of the portfolio was kept within the range of 40-60% for most of the period while portfolio rebalancing activities were largely focused on liquidity management and maintaining fixed income weightings within its long-term target allocation range.

Bank Negara Malaysia maintained OPR at 1.75% in 2H2021 to support the economic activities. With the view of lower interest rate environment in 2021, the Fund maintained fixed income weightings within its target allocation range of 40-60%. Also, with more primary corporate bond supply coming on stream, we overweight on corporate bonds over MGS/GII for better yield pick-up.

### Asset Allocation





The quoted equity securities allocation of Phillip SELECT Balance Fund decreased to 45.37% as at 31 December 2021 from 48.48% recorded at the beginning of the interim period under review. The changed in allocation were mainly due to the merger of funds from Phillip Income Fund and Phillip Select Income Fund at the end of September 2021.

The fixed income securities allocation (inclusive of collective investment scheme) increased to 51.94% as at 31 December 2021 from 28.91% recorded at the beginning of the interim period under review. Higher allocation was mainly due to transfer scheme exercise where the assets of Phillip Income Fund and Phillip SELECT Income Fund which have higher weightages in fixed income securities were transferred to Phillip SELECT Balance Fund.

The 12.59% in collective investment scheme was an investment in Phillip Dana Murni Fund, a sukuk fund managed by the Manager. Such investment is in line with the objective of Phillip SELECT Balance Fund and is an efficient way to manage the exposure of the Fund in fixed income securities. Management fee on the collective investment scheme managed by the Manager is rebated to the Fund.

### **Analysis Of Net Asset Value**

The net asset value (NAV) per unit of Phillip SELECT Balance Fund decreased from RM0.4635 to RM0.4599 during the interim period under review. Meanwhile, total NAV of the Fund increased from RM2,303,289 to RM33,518,266 mainly due to the transfer scheme exercise where the assets of Phillip Income Fund and Phillip SELECT Income Fund were transferred to Phillip SELECT Balance Fund.

### **Market Review**

#### **Equity Market Review**

The FBMKLCI continued its weak performance into 2H2021 as investors remain concerned of high Covid-19 positive cases and heightened political risk. In August, Dato' Sri Ismail Sabri Bin Yaacob has been appointed as the new Prime Minister following the resignation of Tan Sri Dato Haji Muhyiddin Bin Yassin. Small changes in the new Cabinet line-up gave some assurance to investors on Malaysia's economic policy. FBMKLCI rebounded to close the month higher at 1,602 pts (+7.1% MoM in Aug 2021). However, the surge has been short-lived on negative news flows from China and US markets. Investors were spooked by the series of negative developments in China anti-monopoly on internet companies, Evergrande's bond default, power supply crisis and an increase in US bond yields.

In Q42021, more economic activities were slowly fully opened as Malaysia recorded a higher vaccination rate of more than 90% for the adult population. In December all states reached Stage 4 of the National Recovery Plan. Domestic consumption is expected to recover sharply in Q42021 and into 2022. Budget 2022 which was delivered at the end of Oct 2021 was not well received by the investors as many were concerned over market unfriendly measures such as the "*prosperity tax*" and hike and removal of the maximum cap on stamp duty charges for stock trading. Concerns over the Omicron variant eased with the variant appearing to be more infectious but less severe which helped improve investors' sentiment. The FBMKLCI ended the financial period under review with a 2.28% increase to 1,567.53 points.

## **Bond Market Review**

The Fed initially announced that its decision to raise the interest rate will only happen after there is a clear sign of recovery in the job market and the economy. Fast forward, with a strong gross domestic product (GDP) forecast of 6% in Q4 2021 vs 2.3% in Q3 2021, strong bounce back in economy from pandemic level and all-time high inflation rate at 7% as at end December 2021, the decision to call for interest rate hike seemed imminent.

To recap, back in August 2021 at the annual Jackson Hole Symposium, Fed Chairman Powell's assured investors that the tapering in some of the economic support will not constitute tightening in the coming months. To support the US's economic recovery from the pandemic, the Fed will be making USD120bn monthly asset purchases. US Fed also reinforced its guidance to keep interest rates low until late 2022 to support the economy, which now ceased to be the case as the Fed is now preparing to raise interest rates to curb inflation and has indicated that it may raise rates three times in 2022, perhaps beginning as early as March. The 10-yr UST touched its low at 1.15% (Aug 2021) from its high of 1.68% (Oct 2021) during the Fund period under review. At the close of the Fund period under review, the 10-yr UST was increased by 7 basis points while the 30-yr UST was down by 16 basis points to close at 1.52% and 1.90% respectively.

Malaysian economy declined 4.5% in the third quarter, declining by more than expected after its rebound in the second quarter, but the central bank expects a quick recovery as coronavirus restrictions are eased and economic activities resume. Foreign investors turned net buyers in the Malaysian Debt Securities + MYR6.6bn (Aug 2021) after 2 consecutive months of outflows - MYR0.5bn (Jun 2021) and -MYR3.6bn (July 21) due to political instability and high Covid-19 positive cases. The cumulative inflows of +MYR33.6bn (2020: +MYR18.3bn) inflows for 2021 is the strongest since 2012 despite the US Federal Reserve quantitative easing programme. The Ringgit bond market was well supported during the period under review. As of 31 December 2021, 10-yr MGS was up 29bps to close at 3.57% (Jun 2021: 3.28%) while the 30-yr MGS was down by 8bps to close at 4.22% (Jun 2021: 4.30%).

## **Market Outlook**

### **Equity Market Outlook**

The Malaysian economy is expected to rebound in 2022 and is forecasted to remain strong at 6.0% and 5.8%, according to the IMF and the World Bank, respectively. We will continue to evaluate the prospects of a recovery in the domestic economy and its implications on the domestic market. Uncertainties and volatility are likely to remain with new waves of Covid-19 happening globally caused by the Omicron virus, foreign fund outflows due to the US Federal Reserve bond-buying programme, reversals of fiscal stimulus, tighter monetary policy and China's economic transition. Overall, we will focus on areas that are less exposed to inflation risk and prioritise stock-picking over the market direction as well as focusing on company-specific drivers.

### **Bond Market Outlook**

Looking ahead, while monetary policies are envisaged to remain accommodative to support the economic recovery and rate hike, if any, should happen at a gradual phase, global bond yields may remain volatile in the near term as investors price in expectations of eventual economic recovery and aforementioned rate hike. On the domestic front, the OPR was left unchanged at 1.75% in 2021 and we are anticipating the OPR to increase in 2H2022 following the US Federal Reserve rate hikes in 2022.

We continue to overweight corporate bonds over the sovereign bond as they provide higher yields to buffer against potential mark-to-market losses in the event of a turnaround in sovereign bond yields. We will actively participate in new primary issuances that offer higher yields pick up to deliver the required performance.

**Income Distribution Nil**

**Unit Split Nil**

**Significant Changes In The State Of Affairs Of The Fund**

For the financial period under review, there were no significant changes in the state of affairs of the Fund not otherwise as disclosed in the financial statements.

**Circumstances That Materially Affect Interest Of Unitholders**

Phillip Mutual Berhad, being the Manager of Phillip SELECT Balance Fund, Phillip Income Fund and Phillip SELECT Income Fund, consolidated the funds into one fund under a transfer scheme exercise. Pursuant to the unitholders' meeting of the Phillip SELECT Income Fund held on 30 August 2021 and adjourned meetings of unitholders of Phillip Income Fund and Phillip SELECT Balance Fund held on 22 September 2021 and 23 September 2021 respectively, the special resolutions in relation to the transfer scheme were passed.

On 30 September 2021, Phillip SELECT Balance Fund (transferee fund) received assets from the transferor funds, namely Phillip Income Fund amounting RM31,966,235 and Phillip SELECT Income Fund amounting RM568,398 (transferor funds).

**Soft Commissions**

During the financial period under review, the Fund has received soft commissions from brokers. Soft commissions received from brokers are retained by the external investment manager for purchasing goods and services which are of demonstrable benefit to the unit holders and in the form of research and advisory services that assist in the decision-making process relating to the investment of the Fund such as research materials, data and quotation services, computer software, investment advisory services, and investment related publication.

**REPORT OF THE TRUSTEE**

**TO THE UNITHOLDERS OF PHILLIP SELECT BALANCE FUND**

We, **MTrustee Berhad**, being the Trustee of **Phillip SELECT Balance Fund** ("the Fund"), are of the opinion that in its capacity as Manager of the Fund, **Phillip Mutual Berhad** ("the Manager"), has managed the Fund for the financial period ended 31 December 2021 in accordance with the following:

- (a) limitations imposed on the investment powers of the Manager under the Deeds, the Securities Commission Malaysia's Guidelines on Unit Trusts Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation and pricing for the Fund has been carried out in accordance with the Deeds and relevant regulatory requirements; and
- (c) creation and cancellation of units have been carried out in accordance with the Deeds and relevant regulatory requirements.

For and on behalf of the Trustee  
**MTRUSTEE BERHAD**

**NURIZAN JALIL**  
Chief Executive Officer

Selangor, Malaysia  
25 February 2022

**STATEMENT BY THE MANAGER**

We, **Andy Lim Say Kiat** and **Datin Hajjah Nona Binti Salleh**, being two of the directors of **Phillip Mutual Berhad**, do hereby declare that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 13 to 33 are prepared in accordance with the requirements of the Deeds, Malaysian Financial Reporting Standards, International Financial Reporting Standards and the relevant Securities Commission Malaysia guidelines so as to give a true and fair view of the financial position of **Phillip SELECT Balance Fund** as at 31 December 2021 and of its financial performance, changes in net asset value and cash flows for the financial period then ended.

Signed on behalf of the Manager in accordance with a resolution of the directors.

**ANDY LIM SAY KIAT**  
Chief Executive Officer/ Managing Director

**DATIN HAJJAH NONA BINTI SALLEH**  
Chairperson

Kuala Lumpur, Malaysia  
25 February 2022

**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2021**

	Note	31.12.2021 RM	31.12.2020 RM
<b>Assets</b>			
Investments	3	32,618,275	2,180,075
Tax recoverable		17,138	17,138
Dividend receivable		17,411	2,998
Interest receivable		153,630	5,455
Cash and cash equivalents	5	911,450	218,524
<b>Total Assets</b>		<u>33,717,904</u>	<u>2,424,190</u>
<b>Liabilities</b>			
Amount due to Manager	6	60,490	2,927
Amount due to brokers/dealers	7	129,042	-
Other payables		10,106	12,171
<b>Total Liabilities</b>		<u>199,638</u>	<u>15,098</u>
<b>Net Asset Value (“NAV”) Of The Fund</b>		<u>33,518,266</u>	<u>2,409,092</u>
<b>Equity</b>			
Unitholders' capital		33,365,355	(1,037,963)
Retained earnings		152,911	3,447,055
<b>NAV Attributable To Unitholders</b>	13	<u>33,518,266</u>	<u>2,409,092</u>
<b>Total Equity And Liabilities</b>		<u>33,717,904</u>	<u>2,424,190</u>
<b>Number Of Units In Circulation (Units)</b>	14	<u>72,892,839</u>	<u>4,982,386</u>
<b>NAV Per Unit</b>		<u>0.4599</u>	<u>0.4836</u>

*The accompanying notes form an integral part of the financial statements.*

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**

For the financial period ended 31 December 2021

		1.7.2021 to 31.12.2021 RM	1.7.2020 to 31.12.2020 RM
<b>Investment Income/(Loss)</b>			
Gross dividends from financial assets at fair value through profit or loss ("FVTPL")		64,041	21,336
Interest income		147,262	22,133
Net (loss)/gain from sale of financial assets at FVTPL		(24,289)	33,229
Net unrealised (loss)/gain on changes in value of financial assets at FVTPL		(381,003)	348,416
		<u>(193,989)</u>	<u>425,114</u>
<b>Expenses</b>			
Audit fee		4,033	4,033
Tax agent's fee		1,715	2,118
Manager's fee	<b>8</b>	126,455	21,329
Trustee's fee	<b>9</b>	4,846	4,537
Custodian's fee		259	75
Brokerage and other transaction fees		50,078	15,854
Administration expenses		8,519	8,752
		<u>195,905</u>	<u>56,698</u>
<b>Net (Loss)/Income Before Taxation</b>		(389,894)	368,416
<b>Taxation</b>	<b>12</b>	-	-
<b>Net (Loss)/Income After Taxation</b>		<u>(389,894)</u>	<u>368,416</u>
<b>Total Comprehensive (Loss)/Income</b>		<u>(389,894)</u>	<u>368,416</u>
<b>Total Comprehensive (Loss)/Income Comprises The Following:</b>			
Realised (loss)/gain		(8,891)	20,000
Unrealised (loss)/gain		(381,003)	348,416
		<u>(389,894)</u>	<u>368,416</u>

*The accompanying notes form an integral part of the financial statements.*

**UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE**  
**For the financial period ended 31 December 2021**

	<b>Unitholders' capital RM</b>	<b>Retained earnings RM</b>	<b>NAV attributable to unitholders RM</b>
<b>At 1 July 2020</b>	300,176	3,078,639	3,378,815
Net income after taxation	-	368,416	368,416
Creation of units	1,277	-	1,277
Cancellation of units	(1,339,416)	-	(1,339,416)
<b>At 31 December 2020</b>	<u>(1,037,963)</u>	<u>3,447,055</u>	<u>2,409,092</u>
<b>At 1 July 2021</b>	1,760,484	542,805	2,303,289
Net loss after taxation	-	(389,894)	(389,894)
Creation of units	32,544,272	-	32,544,272
Cancellation of units	(939,401)	-	(939,401)
<b>At 31 December 2021</b>	<u>33,365,355</u>	<u>152,911</u>	<u>33,518,266</u>

*The accompanying notes form an integral part of the financial statements.*



**UNAUDITED STATEMENT OF CASH FLOWS**  
**For the financial period ended 31 December 2021**

	<b>1.7.2021 to 31.12.2021 RM</b>	<b>1.7.2020 to 31.12.2020 RM</b>
<b>Cash Flows From Operating And Investing Activities</b>		
Proceeds from sale of investments	7,400,254	2,866,027
Purchase of investments	(38,590,030)	(1,329,839)
Dividends received	47,480	20,692
Interest received	28,556	31,462
Manager's fee paid	(90,390)	(22,277)
Trustee's fee paid	(4,736)	(4,511)
Custodian's fee paid	(259)	(75)
Payment for other fees and expenses	(18,144)	(20,472)
Net cash (used in)/generated from operating and investing activities	<u>(31,227,269)</u>	<u>1,541,007</u>
<b>Cash Flows From Financing Activities</b>		
Cash proceeds from units created	32,544,272	1,277
Cash paid on units cancelled	(917,726)	(1,340,303)
Distributions paid	(22,569)	-
Net cash from/(used in) financing activities	<u>31,603,977</u>	<u>(1,339,026)</u>
<b>Net Increase In Cash And Cash Equivalents</b>	376,708	201,981
<b>Cash And Cash Equivalents At Beginning Of Financial Period</b>	534,742	16,543
<b>Cash And Cash Equivalents At End Of Financial Period</b>	<u>911,450</u>	<u>218,524</u>
<b>Cash And Cash Equivalents Comprise:</b>		
Cash at banks	11,450	118,524
Deposits with financial institutions	900,000	100,000
	<u>911,450</u>	<u>218,524</u>

*The accompanying notes form an integral part of the financial statements.*

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**For the financial period ended 31 December 2021****1. The Fund, the Manager and their principal activities**

Phillip SELECT Balance Fund, formerly known as Pacific SELECT Balance Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Master Deed dated 4 August 2003 as amended by the First Supplemental Deed dated 23 September 2005, Second Supplemental Deed dated 28 June 2007, Supplemental Master Deed dated 22 May 2009, Second Supplemental Master Deed dated 14 December 2009, Third Supplemental Master Deed dated 26 April 2010, Fourth Supplemental Master Deed dated 8 January 2014, Fifth Supplemental Master Deed dated 7 July 2017, Sixth Supplemental Master Deed dated 22 November 2018, Seventh Supplemental Master Deed dated 22 January 2019, Eighth Supplemental Master Deed dated 17 June 2020 made between the Manager, BOS Wealth Management Malaysia Berhad (the Manager prior to 1 December 2020) and the Trustee of the Fund, MTrustee Berhad, Ninth Supplemental Master Deed dated 6 November 2020, Tenth Supplemental Master Deed dated 25 November 2020, made between the Managers, BOS Wealth Management Malaysia Berhad (the Manager prior to 1 December 2020) and Phillip Mutual Berhad (the new Manager with effect from 1 December 2020) and the Trustee of the Fund, MTrustee Berhad and Eleventh Supplemental Master Deed dated 6 July 2021 made between the Manager, Phillip Mutual Berhad and the Trustee, MTrustee Berhad (the Deed and all its supplemental hereinafter referred to as the “Deeds”). The Fund was launched on 11 August 2003.

The previous Manager has retired as the Manager of the Fund effective from 1 December 2020. With effect from the same date, MTrustee Berhad, as the Trustee of the Fund, has appointed Phillip Mutual Berhad as the new Manager of the Fund.

The principal activity of the Fund is to invest in “Permitted Investments” as defined in the Deeds, which include stocks and shares of companies quoted on Bursa Malaysia Securities Berhad, fixed income securities and money market instruments as approved by the Securities Commission Malaysia.

Phillip Mutual Berhad, is a company incorporated in Malaysia. Phillip Mutual Berhad is licensed by the Securities Commission Malaysia to carry on the regulated activities of dealing in securities restricted to unit trust schemes and dealing in private retirement schemes under the Capital Markets and Services Act 2007 and is a registered Institutional Unit Trust Adviser with the Federation of Investment Managers Malaysia that authorised to market and distribute unit trust schemes of another party. The Company is engaged in the business of establishing and managing unit trust schemes, and marketing and distributing unit trust schemes of another party.

**2. Summary of significant accounting policies****(a) Basis of preparation**

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards and the relevant Securities Commission Malaysia guidelines.

The financial statements of the Fund have been prepared under the historical cost convention, unless otherwise stated in the accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

**(b) Changes in accounting policies**

Adoption of Amendments to MFRSs

The accounting policies adopted are consistent with those of the previous financial year except for the Amendments to MFRSs issued by the MASB that are relevant to the Fund's operation and effective for annual periods beginning on or after 1 July 2021, as follows:

MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform

The adoption of the Amendments to MFRSs did not have any impact on the financial statements of the Fund.

Amendments to MFRSs in issue but not yet effective

As of the date of authorisation of these financial statements, the Amendments to MFRSs that are relevant to the Fund which were in issue but not yet effective and not early adopted by the Fund's operation are as listed below:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7: <i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
Amendments to MFRS 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020 Cycle	1 January 2022
Amendments to MFRS 101: <i>Classification of Liabilities as Current and Non-current</i>	1 January 2023
Amendments to MFS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFS 108: <i>Definition of Accounting Estimates</i>	1 January 2023

The Manager of the Fund anticipates that the abovementioned Amendments to MFRSs will be adopted in the annual financial statements of the Fund when they become effective and that the adoption of these Amendments to MFRSs will have no material impact on the financial statements of the Fund in the year of initial application.

**(c) Functional and presentation currency**

The financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Fund's functional currency.

**(d) Financial instruments**

The Fund recognises financial assets and financial liabilities in the statement of financial position on the date it becomes a party to the contractual provisions of the instruments.

Regular way purchase and sales of all categories of investments in financial instruments are recognised on trade dates i.e. dates on which the Fund commits to purchase or sell the financial instruments.

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss (“FVTPL”) on the basis of both the Fund’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

**(i) Financial assets at amortised cost**

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Receivables are classified as financial assets at amortised cost. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These include dividend receivable, interest receivable and cash and cash equivalents.

**(ii) Financial assets at FVTPL**

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding; or
- (b) It is held within a business model whose objective is to sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category its Permitted Investments. These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

Financial liabilities

Financial liabilities are recognised initially at fair value i.e. the consideration for goods and services received and subsequently stated at amortised cost. These include amount due to Manager, amount due to brokers/dealers and other payables. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

**(e) Derecognition of financial assets and liabilities**Financial assets

A financial asset is derecognised when the asset is disposed and the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liability is derecognised, and through the amortisation process.

**(f) Impairment of financial assets**

Credit losses are recognised based on the expected credit loss (“ECL”) model. The Fund recognises loss allowances for ECL on financial instruments that are not measured at FVTPL, either on a 12-month or lifetime basis based on the significant increase in credit risk since initial recognition. The impairment model does not apply to equity investments.

Given the limited exposure of the Fund to credit risk, there is no material impact on the Fund’s financial statements. For balances which are short-term in nature and with no financing component (e.g. dividend receivable and interest receivable), full impairment will be recognised on uncollected balances after the grace period is exceeded.

**(g) Income recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Dividend income is recognised when the Fund’s right to receive payment is established.

Interest income is recognised using the effective interest rate method on an accrual basis.

**(h) Unrealised reserves/(deficits)**

The unrealised reserves/(deficits) represent the net gain or loss arising from carrying fixed income securities and quoted investments at their fair value and are recognised in the statement of comprehensive income.

**(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and deposits with financial institutions with original maturities of 3 months or less which have an insignificant risk of change in value.

**(j) Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

**(k) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**(l) Unitholders’ capital**

Unitholders’ capital meets the conditions for the definition of puttable instruments classified as equity instruments.

Distribution equalisation is accounted for on the date of creation and cancellation of units. It represents the average distributable amount included in the creation and cancellation prices of units. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

**(m) Significant accounting estimates and judgements**

The preparation of the Fund's financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements made in applying accounting policies

In the process of applying the Fund's accounting policies, the Manager is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The Manager believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next reporting period.

3. Investments

	31.12.2021 RM	31.12.2020 RM
<b>Financial assets at FVTPL</b>		
Fixed income securities	13,189,946	788,296
Quoted investments		
- Equity securities	15,208,845	1,201,624
- Collective investment scheme	4,219,484	190,155
	<u>19,428,329</u>	<u>1,391,779</u>
<b>Total Investments</b>	<u>32,618,275</u>	<u>2,180,075</u>

**Fixed income securities**

The composition of fixed income securities at the reporting date is as detailed below:

Name Of Counter	Credit rating	Nominal value RM	Cost RM	Fair value RM	Fair value as a % of NAV %
<b>2021</b>					
Affin Bank Berhad 5.45% 05/02/2027	A1	4,000,000	4,007,964	4,008,120	11.96
Alpha Circle Sdn Bhd 5.60% 18/11/2022	BB	127,000	127,000	125,453	0.38
Cenergi Sea Berhad 5.30% 23.12.2026	A1	1,500,000	1,506,548	1,513,125	4.51
Jati Cakerawala Sdn Bhd 5.11% 31/01/2023	AA3	1,900,000	1,916,406	1,941,135	5.79
UEM Sunrise Berhad 4.00% 09/06/2023	AA-	3,500,000	3,512,574	3,520,510	10.50
UEM Sunrise Berhad 5.15% 31/10/2025	AA-	1,250,000	1,283,651	1,279,963	3.82
UMWH IMTN 3.880% 24/11/2026	AA+	800,000	801,389	801,640	2.39
		<u>13,077,000</u>	<u>13,155,532</u>	<u>13,189,946</u>	<u>39.35</u>

**Unrealised gain from fixed  
income securities as at  
31 December 2021**

34,414

**Equity securities**

The composition of quoted investments at the reporting date is as detailed below. The industry classifications are based on Morgan Stanley Capital International's ("MSCI") Global Industry Classification Standard.

Quantity	Name of counter	Cost RM	Fair value RM	Fair value as a % of NAV %
<b>Automobiles &amp; Components</b>				
130,000	UMW Holdings Berhad	406,900	386,100	1.15
<b>Banks</b>				
4,500	Hong Leong Financial Group Berhad	86,142	78,030	0.23
133,437	Malayan Banking Berhad	1,085,774	1,107,527	3.30
180,000	Public Bank Berhad	724,600	748,800	2.23
		1,896,516	1,934,357	5.76
<b>Capital Goods</b>				
200,000	Sime Darby Berhad	446,000	464,000	1.38
<b>Construction &amp; Engineering</b>				
114,600	Ame Elite Consortium Berhad	200,352	216,594	0.65
<b>Consumer Services</b>				
148,500	Genting Berhad	753,090	693,495	2.07
20,000	Genting Malaysia Berhad	60,000	57,600	0.17
		813,090	751,095	2.24
<b>Diversified Financials</b>				
39,800	Bursa Malaysia Berhad	290,266	260,690	0.78
<b>Energy</b>				
1,000,000	Bumi Armada Bhd	460,000	470,000	1.40
252,800	Dialog Group Berhad	686,503	662,336	1.98
		1,146,503	1,132,336	3.38
<b>Food, Beverage &amp; Tobacco</b>				
125,700	Able Global Berhad	220,175	202,377	0.60
<b>Health Care Equipment &amp; Services</b>				
243,000	Supercomnet Technologies Berhad	435,614	488,430	1.46

(Forwards)



Quantity	Name of counter	Cost RM	Fair value RM	Fair value as a % of NAV %
<b>Industrials</b>				
423,400	HPP Holdings Berhad	231,235	201,115	0.60
230,000	Kelington Group Bhd	389,380	395,600	1.18
109,900	UEM Edgenta Berhad	200,175	178,038	0.53
		<u>820,790</u>	<u>774,753</u>	<u>2.31</u>
<b>Insurance</b>				
103,457	Syarikat Takaful Malaysia Berhad	401,225	382,791	1.14
<b>Materials</b>				
13,000	Petronas Chemicals Group Berhad	97,978	115,960	0.35
<b>Real Estate Investment Trusts</b>				
262,000	Axis Real Estate Investment Trust	497,800	508,280	1.52
150,000	IGB Real Estate Investment Trust	253,500	247,500	0.74
569,000	Sunway Real Estate Investment Trust	803,915	802,290	2.39
		<u>1,555,215</u>	<u>1,558,070</u>	<u>4.65</u>
<b>Retailing</b>				
327,200	Bermaz Auto Berhad	531,819	516,976	1.54
410,600	Innature Berhad	289,061	277,155	0.83
142,400	MR D.I.Y. Group (M) Bhd	533,160	514,064	1.53
350,000	Mynews Holdings Berhad	322,040	292,250	0.87
		<u>1,676,080</u>	<u>1,600,445</u>	<u>4.77</u>
<b>Semiconductors &amp; Semi. Equipment</b>				
147,500	Greatech Technology Berhad	1,048,725	992,675	2.96
<b>Software &amp; Services</b>				
790,800	Awanbiru Technology Berhad	599,055	553,560	1.65
379,600	CTOS Digital Berhad	712,712	687,076	2.05
817,200	Datasonic Group Bhd	365,046	335,052	1.00
		<u>1,676,813</u>	<u>1,575,688</u>	<u>4.70</u>
<b>Technology Hardware &amp; Equipment</b>				
104,000	Mi Technovation Berhad	392,612	351,520	1.05
<b>Telecommunication Services</b>				
35,100	Telekom Malaysia Berhad	185,770	193,050	0.58
10,000	Time Dotcom Berhad	43,000	46,000	0.14
		<u>228,770</u>	<u>239,050</u>	<u>0.72</u>

PHILLIP SELECT BALANCE FUND

Quantity	Name of counter	Cost RM	Fair value RM	Fair value as a % of NAV %
<b>Transportation</b>				
94,600	Lingkaran Trans Kota Holdings Berhad	353,089	355,696	1.06
<b>Utilities</b>				
152,700	Tenaga Nasional Berhad	1,529,312	1,426,218	4.26
<b>Total equity securities as at 31 December 2021</b>		<b>15,636,025</b>	<b>15,208,845</b>	<b>45.37</b>

**Collective investment scheme**

Quantity	Name of counter	Cost RM	Fair value RM	Fair value as a % of NAV %
7,735,076	Phillip Dana Murni*	4,204,800	4,219,484	12.59

\* Managed by the Manager

**Total quoted investments**

Total quoted investments comprised investments in equity securities and collective investment scheme.

	Cost RM	Fair value RM	Fair value as a % of NAV %
<b>31.12.2021</b>			
<b>Total quoted investments</b>	<b>19,840,825</b>	<b>19,428,329</b>	<b>57.96</b>
<b>Unrealised loss from quoted investments as at 31 December 2021</b>		<b>(412,496)</b>	

#### 4. Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM	Level 2 RM	Total RM
<b>31.12.2021</b>			
<b>Financial assets at FVTPL</b>			
Fixed income securities	-	13,189,946	13,189,946
Quoted investments	<u>19,428,329</u>	<u>-</u>	<u>19,428,329</u>

<b>31.12.2020</b>			
<b>Financial assets at FVTPL</b>			
Fixed income securities	-	788,296	788,296
Quoted investments	<u>1,391,779</u>	<u>-</u>	<u>1,391,779</u>

The carrying amounts of other financial assets and financial liabilities, approximate fair values due to the relatively short term maturities of these financial instruments.

#### 5. Cash and cash equivalents

Cash and cash equivalents include cash at banks and deposits with licensed financial institutions.

	31.12.2021 RM	31.12.2020 RM
Cash at banks	11,450	118,524
Deposits with licensed financial institutions:		
- Commercial bank	-	100,000
- Investment bank	<u>900,000</u>	<u>-</u>
Cash and cash equivalents	<u>911,450</u>	<u>218,524</u>

The weighted average effective interest rate and remaining maturity of deposits with licensed financial institutions at the reporting date were as follows:

	Weighted average effective interest rate (% per annum)		Weighted average remaining maturity (Days)	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	Deposits with licensed financial institutions:			
- Commercial bank	-	1.75		3
- Investment bank	1.70	-	3	-

## 6. Amount due to Manager

The amount due to Manager represents amount payable for units cancelled and amount payable for management fee.

Management fee is payable on a monthly basis and amount payable for units cancelled is paid within 10 days of the transaction dates.

## 7. Amount due from/to brokers/dealers

The amount due from/to brokers/dealers relates to disposal/purchase of investments which remain outstanding at the end of the reporting period. These are normally paid within 2 business days of the transaction dates.

## 8. Manager's fee

The Manager's fee provided in the financial statements is computed at 1.50% (2020: 1.50%) per annum of the net asset value attributable to unitholders of the Fund, calculated on a daily basis net of Manager's fee rebate on the collective investment schemes as agreed by the Trustee and the Manager as follows:-

Name of Fund	Rate p.a.
Phillip Dana Murni	1.00%

## 9. Trustee's fee

The Trustee's fee provided in the financial statements is computed at 0.03% (2020: 0.03%) per annum of the net asset value attributable to unitholders of the Fund, calculated on a daily basis, subject to a minimum fee of RM9,000 per annum.

**10. Portfolio turnover ratio (“PTR”)**

	<b>1.7.2021</b>	<b>1.7.2020</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2021</b>	<b>31.12.2020</b>
Portfolio turnover ratio ("PTR")	<u>1.26 times</u>	<u>0.69 times</u>

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial period over the average net asset value attributable to unitholders of the Fund calculated on a daily basis. The PTR for the current financial period is higher due to transfer of securities from Phillip Income Fund and Phillip SELECT Income Fund under a transfer scheme exercise.

**11. Management expense ratio (“MER”)**

	<b>1.7.2021</b>	<b>1.7.2020</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2021</b>	<b>31.12.2020</b>
Management expense ratio ("MER") <sup>1</sup>	<u>0.79%</u>	<u>1.35%</u>

MER is the ratio of expenses of the Fund expressed as a percentage of the average net asset value attributable to unitholders of the Fund for the financial period calculated on a daily basis. The MER for the current financial period is lower due to a lower percentage of increase in expenses compared with average net asset value.

<sup>1</sup> The MER does not include brokerage and other transaction fees

**12. Taxation**

	<b>1.7.2021</b>	<b>1.7.2020</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>RM</b>	<b>RM</b>
Estimated Malaysian income tax:		
Current period's provision	<u>-</u>	<u>-</u>

Income tax is calculated at the Malaysian statutory rate of taxation of 24% (2020: 24%) of the estimated assessable income for the financial period.

There was no taxation charge for the current and previous financial period due to tax exempt income received.

A reconciliation of income tax expense applicable to net (loss)/income before taxation at the statutory rate of taxation to income tax expense at the effective rate of taxation is as follows:

	<b>1.7.2021 to 31.12.2021 RM</b>	<b>1.7.2020 to 31.12.2020 RM</b>
Net (loss)/income before taxation	<u>(389,894)</u>	<u>368,416</u>
Taxation at Malaysian statutory rate of 24%	(93,574)	88,420
Tax effects of:		
Income not subject to tax	(50,713)	(102,028)
Losses not subject to tax	97,270	-
Expenses not deductible for tax purpose	15,700	5,686
Restriction on tax deductible expenses for unit trust funds	<u>31,317</u>	<u>7,922</u>
Tax expense for the period	<u>-</u>	<u>-</u>

### 13. Net asset value (“NAV”) attributable to unitholders

	<b>31.12.2021 RM</b>	<b>31.12.2020 RM</b>
Unitholders' capital	33,365,355	(1,037,963)
Retained earnings		
- Realised reserves	530,993	3,411,362
- Unrealised deficit/reserve	<u>(378,082)</u>	<u>35,693</u>
NAV attributable to unitholders	<u>33,518,266</u>	<u>2,409,092</u>

The NAV per unit is rounded up to four decimal places.

### 14. Number of units in circulation

	<b>31.12.2021 No. of units</b>	<b>30.12.2020 No. of units</b>
As the beginning of financial period	4,969,698	7,900,841
Creation	69,937,625	2,773
Cancellation	<u>(2,014,484)</u>	<u>(2,921,228)</u>
As the end of financial period	<u>72,892,839</u>	<u>4,982,386</u>

### 15. Units held by the Manager and its related parties

There were no units held by the Manager and its related parties.

**16. Transactions with brokers/dealers**

Details of transactions with the brokers/dealers for the financial period are as follows:

<b>Brokers/dealers</b>	<b>Value of trade# RM</b>	<b>% of total trades</b>	<b>Brokerage fee* RM</b>	<b>% of total brokerage fees</b>
Maybank Investment Bank Bhd	4,698,159	30.62	11,690	36.06
Kenanga Investment Bank Bhd	2,913,605	18.99	8,741	26.96
Credit Suisse Securities (Malaysia) Sdn Bhd	1,995,624	13.01	4,989	15.39
RHB Investment Bank Bhd	1,842,224	12.01	110	0.34
AmInvestment Bank Bhd	1,558,179	10.15	4,675	14.42
CIMB Investment Bank Bhd	2,057,466	13.41	1,441	4.45
Affin Hwang Investment Bank Bhd	257,710	1.68	773	2.38
M & A Securities Sdn Bhd	21,700	0.14	-	-
	<u>15,344,667</u>	<u>100.00</u>	<u>32,419</u>	<u>100.00</u>

# Excludes brokerage and other transaction fees.

\* Only applicable to equity securities.

The transactions above are with non related parties.

**17. Financial risk management objectives and policies**

The Fund is exposed to a variety of risks which include market risk, credit risk, liquidity risk, specific risk and single issuer risk.

Financial risk management is carried out through policy reviews, internal control systems and adherence to the investment restrictions as stipulated in the Securities Commission Malaysia's Guidelines on Unit Trust Funds in Malaysia.

**(i) Market risk**

The Fund's principal exposure to market risk arises primarily due to changes in the market environment, global economic and geo-political developments. The Fund seeks to diversify some of these risks by investing into different sectors to mitigate risk exposure to any single asset class.

The Fund's market risk is affected primarily by the following risks:

**(a) Price risk**

Price risk is the adverse changes in the fair value of securities as a result of changes in the levels of equity indices and the value of individual securities. The price risk exposure arises from the Fund's quoted investments.

The table below summarises the effect on the net income before tax and NAV attributable to the unitholders of the Fund at the end of the reporting period due to possible changes in prices, with all other variables held constant:

Change in price (%)	Effect on net income before tax and NAV attributable to unitholders	
	Increase/(Decrease)	
	31.12.2021	31.12.2020
	RM	RM
+5	971,416	69,589
(5)	(971,416)	(69,589)

(b) Interest rate risk

This risk refers to the effect of interest rate changes on the market value of fixed income securities and returns on deposits with licensed financial institutions. In the event of reduction in interest rates, the returns on deposits with licensed financial institutions will decrease which price of fixed income will increase, thus affecting the NAV of the Fund. This risk will be minimised via the management of the duration structure of the portfolio of fixed income securities and deposits with licensed financial institutions.

The Fund's exposure to interest rate risk with respect to fixed income securities and deposits with a licensed financial institution is not considered to be significant at the end of the reporting period and consequently no sensitivity analysis on interest rate risk has been presented.

(ii) Credit risk

The Fund's principal exposure to credit risk arises primarily due to changes in the financial conditions of an issuer or a counterparty to make payment of principals, interest and proceeds from realisation of investments. Such events can lead to loss of capital or delayed or reduced income for the Fund resulting in a reduction in the Fund's NAV and thus, unit price. This risk is mitigated by setting counterparty limits and vigorous credit analyses.

Credit risk is generally arising from investments, cash and cash equivalents and other receivables. The maximum exposure to credit risk is presented in the statement of financial position. Cash and cash equivalents are placed in financial institutions with strong credit ratings. The Investment Committee of the Fund targeted in a diversified portfolio of equity and fixed income which could provide medium to long-term capital growth.

Fixed income securities are either government-guaranteed or rated by RAM Rating Services Berhad ("RAM") or Malaysian Rating Corporation Berhad ("MARC").



The following table analyses the Fund's portfolio of fixed income securities by rating categories at the reporting date:

	RAM Credit Rating	MARC Credit Rating	As a % of NAV
<b>31.12.2021</b>	-	AA+	2.39
	AA3	AA-	20.11
	A1	-	16.47
	-	BB	0.38
			<u>39.35</u>
<b>31.12.2020</b>	-	AA	9.37
	-	AA-	15.58
			<u>24.95</u>

(iii) Liquidity risk

This risk occurs in thinly traded or illiquid securities. Should the Fund need to sell a relatively large amount of such securities, the act itself may significantly depress the selling price. The risk is minimised by maintaining a prudent level of liquid assets that allows the Fund to meet daily redemption of units without jeopardising potential returns.

The maturity of the Fund's financial liabilities fall due within three months while the NAV attributable to unitholders are repayable on demand.

(iv) Specific risk

The Fund is exposed to the individual risks of the respective companies issuing securities which includes changes to the business performance of the company, consumer tastes and demands, lawsuits and management practices. This risk is minimised through the diversification of the portfolio of investments of the Fund.

(v) Single issuer risk

The Fund's exposure to securities issued by any issuer is limited to not more than a certain percentage of the Fund's net asset value. Under such restriction, the risk exposure to the securities of any issuer is minimised.

## 18. Operating segment

The Fund is organised into one main operating segment for investment management purposes. The Investment Department takes a team approach to the investment process of the Fund. The decision-making process involves input from the entire team, with each team member (inclusive of analysts) contributing their respective expertise and views to yield fully informed conclusions. The Investment Committee is responsible for ensuring adherence to investment guidelines, both internal and external, as well as to assess strategy and implementation effectiveness, and to oversee the entire investment function. Accordingly, significant operating decisions are based upon the analysis of the Fund as one operating segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

## **19. Capital management**

The Fund's capital comprises unitholders' subscription to the Fund. The unitholders' capital fluctuates according to the daily subscription and redemption of units at the discretion of unitholders.

The Fund aims to achieve its investment objective and at the same time maintain sufficient liquidity to meet unitholders' redemptions.

## **CORPORATE INFORMATION**

### **THE MANAGER**

Phillip Mutual Berhad (Registration No: 200201002746)(570409-K)

#### **Registered Office**

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Fax : 603-7981 9912

#### **Business Office**

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Fax : 603-2166 6417

Website : <https://www.phillipmutual.com>

### **TRUSTEE**

MTrustee Berhad (Registration No: 198701004362)(163032-V)

#### **Registered Office**

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### **BOARD OF DIRECTORS**

Prof. Tan Sri Dato' (Dr) Ir. Jamilus Bin Md. Hussin

Datuk Ir. Hamzah Bin Hasan

Datin Hajjah Nona Binti Salleh

Mr. Andy Lim Say Kiat

En. Mohd Fadzli Bin Mohd Anas

Mr. Lim Wen Sheong

Mr. Lee Chay Khiong (Alternate Director to Mr. Lim Wen Sheong)

### **INVESTMENT MANAGER**

Phillip Capital Management Sdn Bhd (Registration No: 199501004372)(333567-D)

### **COMPANY SECRETARY**

Mr. Tan Boon Seng (MAICSA 0749659)

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### **AUDITOR**

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