

Phillip Wealth Funds
- Phillip HKD Money Market Fund

30 June 2025 (unaudited)

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Investment Manager's report

Phillip Wealth Funds

- Phillip HKD Money Market Fund

Fund Performance and Portfolio Positioning

For the half year ended 30 June 2025, the Phillip HKD Money Market Fund generated a net return of 1.32% over the six-month period and 3.24% over the one-year period. The Fund's assets under management nearly tripled compared with end-2024, reaching HKD\$3.40 billion as of 30 June 2025, reflecting growing investor demand for high-quality liquidity solutions.

The Fund's portfolio remained conservatively positioned, with allocations primarily in fixed-rate bonds by reputable corporates in Asia and Europe, complemented by bank deposits with well-capitalized counterparties. As of the reporting date, the Fund's Weighted Average Maturity (WAM) stood at 31.0 days, while its 7-day annualized yield was 0.92% p.a.

Market Review

Hong Kong's economy showed resilience in the first half of 2025, recording solid growth on the back of a global trade recovery and stronger domestic demand. Real GDP expanded by 3.1% year-on-year (YoY) in the second quarter, while seasonally adjusted quarter-to-quarter growth edged up by 0.4% from the previous quarter. This momentum is likely to carry into the second half, underpinned by a buoyant stock market, government-initiatives to attract investment and diversify markets, and policy support across key sectors.

Nonetheless, risks remain. The recently announced US tariffs introduce significant uncertainty with potential ripple effects on global trade flows. At the same time, the path of US inflation and economic performance will be critical in shaping market expectations. Uncertainty over timing of US interest rate cuts may also weigh on domestic investment sentiment. As such, Hong Kong's growth outlook will depend heavily on how these external factors evolve in the coming months.

In the first half of 2025, the Hong Kong dollar (HKD) experienced heightened volatility against US dollar (USD), driven by global rate differentials, shifting capital flows and speculation around US policy adjustments. The currency remained within the established peg band yet trended toward gradual weakening overall.

The HKD began the year at around HK\$7.80 per USD and strengthened to around HK\$7.76 by end-April before reversing course. By May, it tested the strong-side HK\$7.75 multiple times, triggering Hong Kong Monetary Authority (HKMA) interventions. To prevent excessive appreciation, the HKMA injected liquidity by selling HKD and purchasing USD. This intervention contributed to a sharp adjustment in short-terms rates, with the one-month Hong Kong Interbank Offered Rate (HIBOR) falling from 4.07% at the end of April, to 0.57% by late May.

Hong Kong Money Market Fund Landscape

In the first half of 2025, HKD denominated Money Market Funds (MMF) saw declining yields, closely tracking the sharp fall in HIBOR. Early in the year, MMFs benefited from elevated short-term rates, with annualized yields ranging between 3.5% and 4% supported by favourable money market conditions. However, following the HKMA's interventions in May, short-term rates compressed sharply toward zero, leading to a significant decline in MMF yields.

Despite the downward yield trend, MMFs remained attractive to investors as a cash preservation and liquidity management tool. Market data highlighted strong growth; the number of the Securities and Futures Commission (SFC) authorized Hong Kong domiciled MMFs rose to 84 as of June 2025, up from 77 at the start of the year. At the same time, aggregate industry Net Asset Value (NAV) of expanded from HKD\$364.67 billion at end 2024 to HKD\$578.27 billion as of Q2 2025, reflecting continued investor appetite for safe, liquidity instruments.

Interest Rate and Liquidity Outlook

The HKMA is expected to maintain alignment with the US Federal Reserve (Fed), keeping the base rate unchanged unless the Fed begins to implement rate cuts—timing of which remains uncertain given persistent US inflation. Should the HKD weaken due to USD strength or capital outflows, weak-side interventions could tighten liquidity, and push HIBOR higher. In contrast, safe-haven inflows could prolong low rates. For the second half of 2025, a gradual recovery is anticipated, with signs of stabilization already emerging in early July. By November 2025, three-month HIBOR is projected to settle in the range of 2.10%-2.50%, assuming delayed Fed rate cuts and active HKMA liquidity management.

Phillip HKD Money Market Fund Outlook

Against this backdrop, the outlook for Phillip HKD Money Market Fund in H2 2025 is cautiously optimistic. Yields may improve modestly if HIBOR trends upward as expected, supporting a targeted annualized return of 2%-3%. The Fund will continue to maintain a conservative stance, with target weighted average maturity of less than 60 days and liquidity buffers of at least 7.5% in overnight assets and at least 15% in seven-day assets. Investments will remain focused on high-quality short-term corporate papers from issuers with strong balance sheets, resilient business models, and steady operating cash flows. Additionally, deposits and short-term money market securities will be placed with well capitalized bank counterparties backed by sound parentage.

Statement of financial position
as at 30 June 2025 (unaudited)
(Expressed in Hong Kong dollars)

	30 June 2025 HK\$	31 December 2024 HK\$
Assets		
Financial assets at fair value through profit or loss	110,059,678	-
Bank deposits with maturity over three months at acquisition	729,706,097	531,150,178
Interest receivable	7,681,076	6,326,624
Cash and cash equivalents	<u>2,555,483,157</u>	<u>674,457,127</u>
Total assets	<u><u>3,402,930,008</u></u>	<u><u>1,211,933,929</u></u>
Liabilities		
Accrued expenses and other payables	<u>2,434,281</u>	<u>1,472,836</u>
Total liabilities	<u><u>2,434,281</u></u>	<u><u>1,472,836</u></u>
Net assets attributable to unitholders	<u><u>3,400,495,727</u></u>	<u><u>1,210,461,093</u></u>

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are prepared under the historical cost convention as modified by fair valuation of financial assets and financial liabilities (including derivative instruments) held at fair value through profit or loss.

Standards and amendments to existing standards effective 01 January 2025

There are no standards, amendments to standards or interpretations that are effective for annual period beginning 01 January 2025 that have a material impact on the financial statements of the Sub-Fund.

Statement of comprehensive income
for the period from 01 January 2025 to 30 June 2025
(unaudited)
(Expressed in Hong Kong dollars)

	<i>Period from 01 January 2025 to 30 June 2025</i>	<i>Period from 01 January 2024 to 30 June 2024</i>
	HK\$	HK\$
Interest income calculated using the effective interest method	22,456,823	8,197,760
Net gains from financial assets at fair value through profit or loss	273,658	620,546
Net foreign exchange gain/(loss)	411	(25)
Other income	<u>1,251,636</u>	<u>1,606,534</u>
Total revenue	<u>23,982,528</u>	<u>10,424,815</u>
Management fees	(3,216,458)	(914,423)
Trustee's fees	(164,554)	(48,549)
Custodian fees	(203,809)	(93,078)
Auditors' remuneration	(75,699)	(77,135)
Legal and professional fee	(27,048)	(27,221)
Other operating expenses	<u>(309,441)</u>	<u>(96,377)</u>
Total operating expenses	<u>(3,997,009)</u>	<u>(1,256,783)</u>
Increase in net assets attributable to unitholders and total comprehensive income for the period	<u>19,985,519</u>	<u>9,168,032</u>

Statement of changes in net assets attributable to unitholders for the period from 01 January 2025 to 30 June 2025 (unaudited)

(Expressed in Hong Kong dollars)

	01 January 2025 to 30 June 2025 HK\$	01 January 2024 to 30 June 2024 HK\$
Balance at the beginning of the period	1,210,461,093	447,738,179
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the period	19,985,519	9,168,032
Contributions and redemptions by unitholders		
Subscriptions of units	17,809,324,745	2,530,366,068
Redemption of units	(15,639,275,630)	(2,351,340,252)
Total contributions and redemptions by unitholders	2,170,049,115	179,025,816
Balance at the end of the period	3,400,495,727	635,932,027

Statement of changes in net assets attributable to unitholders for the period from 01 January 2025 to 30 June 2025 (unaudited) (continued)
(Expressed in number of units)

	Class A units		Class B units	
	2025	2024	2025	2024
Balance at 01 January	105,648,745.11	36,351,367.94	2,501,453.12	5,294,684.41
Subscription of units during the period	1,509,706,049.67	230,943,361.36	66,496,677.75	355,744.02
Redemption of units during the period	(1,335,494,587.08)	(214,947,002.37)	(48,693,393.16)	-
Balance at 30 June	<u>279,860,207.70</u>	<u>52,347,726.93</u>	<u>20,304,737.71</u>	<u>5,650,428.43</u>
Net asset value per unit	<u>HK\$ 11.3467</u>	<u>HK\$ 10.9918</u>	<u>HK\$ 11.0810</u>	<u>HK\$ 10.7136</u>

Portfolio statement as at 30 June 2025 (unaudited)

(Expressed in Hong Kong dollars)

By Geography (Primary)	<i>Holdings</i>	<i>Market value</i>	<i>% of net</i>
		HK\$	assets value
			%
Debt instruments- Unlisted but quoted			
<i>Certificates of deposit</i>			
CHINA			
Industrial & Commercial Bank of China Limited/Dubai DIFC 0% due 11/08/2025	50,000,000	49,877,061	1.47
GERMANY			
DZ Bank AG Deutsche Zentral-Genossenschaftsbank/Hong Kong 3.75% due 17/09/2025	60,000,000	60,182,617	1.77
Total certificates of deposit		110,059,678	3.24
Debt instruments (total)		110,059,678	3.24
Other net assets		3,290,436,049	96.76
Total net assets		3,400,495,727	100.00
Total investments, at cost		110,031,414	
		Market value	% of net
		HK\$	assets
			%
Daily liquid asset		3,400,495,727	100%
Weekly liquid asset		3,400,495,727	100%

The weighted average maturity and the weighted average life of the portfolio of the Sub-Fund are 31.0 days and 31.0 days respectively.

Statement of movements in portfolio holdings (unaudited)
for the period from 01 January 2025 to 30 June 2025
(unaudited)

	<i>% of net asset value</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2025</i>	<i>2024</i>
Debt instruments - Unlisted but quoted Other net assets	3.24	-
	<u>96.76</u>	<u>100.00</u>
Total net assets	<u><u>100.00</u></u>	<u><u>100.00</u></u>

Administration

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Directors of the Manager

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