

ANNUAL REPORT

For the financial year ended 30 June 2017

POSB InvestSteady Fund

MANAGERS

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Singapore 018961
Company Registration No. 198202562H

DIRECTORS

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TRUSTEE & REGISTRAR

BNP Paribas Trust Services Singapore Limited
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AUDITORS

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CUSTODIAN

BNP Paribas Securities Services, operating through its Singapore branch
20 Collyer Quay, #01-01
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This report is also available on our website (www.nikkoam.com.sg)

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ¹	1.57	5.11	10.11	5.61	5.35	4.09	4.14
POSB InvestSteady Fund	0.88	2.80	5.87	3.52	3.14	0.15	0.74

Source: © 2017 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 30 June 2017. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

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Benchmark ¹	1.57	5.11	10.11	5.61	5.35	4.09	4.14
POSB InvestSteady Fund	-4.17	-2.34	0.57	1.77	2.09	-0.36	0.25

Source: © 2017 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 30 June 2017. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Inception date: 7 December 2006

Note:

- (1) Prior to 2 July 2012, the Benchmark was the 3-month Singapore Interbank Offered Rate + 2% p.a. With effect from 2 July 2012, the Benchmark was changed to a composite benchmark made up of 70% HSBC Asian Local Bond (ALBI) Index and 30% MSCI AC Asia Pacific ex Japan Index (Net Total Return). With effect from 20 April 2016, the calculation and publication of the HSBC Asian Local Bond Index (ALBI) has ceased and the composite benchmark was replaced with 70% Markit iBoxx Asian Local Bond (ALBI) Index and 30% MSCI AC Asia Pacific ex Japan Index (Net Total Return).

Portfolio Review

Fund returned 5.87% over the review period

For the twelve months ended 30 June 2017, the POSB InvestSteady Fund (the "Fund") returned 5.87% (SGD terms, on NAV-NAV basis), underperforming the benchmark which returned 10.11% over the same period.

The Fund benefited from an underweight position on Telecommunication Services and Real Estate while overweights to Healthcare and Consumer Staples sectors detracted from relative performance. At the country level, the overweight to Chinese and Hong Kong listed stocks positively contributed to relative performance. Conversely, an overweight to Korea and Indonesia dragged down relative performance.

In Asia Rates & FX, the Fund benefited from the overweight on Indian and Indonesian bonds, as both spaces rallied on the back of interest rate cuts by the countries' respective central banks. In terms of asset allocation and security selection, our overweight stance on some SGD and INR corporates benefited the fund's performance in the year. Meanwhile, gains were moderated by negative contribution from yield curve positioning, as the Fund was underweight the illiquid long dated CNH and INR bonds.

Market Review

Asian Equities

Asia Pacific ex Japan Markets ended higher over the review period

The MSCI Asia Pacific ex Japan (APXJ) index closed up 27.5% in SGD terms for the review period. Donald Trump's victory in the US presidential election in November inspired a global reflation trade following optimism about the administration's economic and tax reform plans. However, subsequent escalation of political tensions in Washington as well as elections in Europe dampened sentiment. Despite concerns about rising populism in Europe, Geert Wilders's defeat in the Dutch elections and Emmanuel Macron's win in the French Presidential election soothed fears. Overall, a broad based economic and earnings recovery within APXJ offset geopolitical uncertainties and attracted sizable inflows into the region.

North Asian markets led gains over the period

South Korea outperformed peers, returning 37.6% in SGD terms. The market suffered setbacks from the Presidential corruption scandal, GDP growth concerns and deteriorating ties with China, but sentiment rebounded following President Park's impeachment and a recovery of export-led industries. The election of President Moon Jae-In in May also brought about promise of Chaebol reform and domestic stimulus. Taiwan was the second best performer, returning 35.6% in SGD terms over the period, buoyed by benchmark heavyweight tech names. China returned 34.9% in SGD terms largely on the back of steady improvements in macroeconomic data and better-than-expected 1H2017 results. Although some concerns remained over capital outflows, sentiment was boosted from events such as the launch of the Shenzhen-Hong Kong Stock Connect, deleveraging campaign to curb financial risks and reaffirmation of full year GDP growth targets of 6.5%. Additionally, the market shrugged off Moody's rating downgrade and MSCI added China A-shares to its emerging markets index. Elsewhere, Hong Kong markets rose 26.4% in SGD terms.

India was up 19.9% in SGD terms over the review period

At the beginning of the period, market performance in India was muted by the unexpected demonetisation move and delays on the rollout of the GST bill. However a credible FY18E Union Budget and receding concerns about demonetisation boosted sentiment. Subsequently, President Modi's Bharatiya Janata Party's victory in the state elections bolstered the case for further economic reforms. Towards the end of the review period, macroeconomic data points printed weak and 1Q2017 earnings season showed mixed performance across sectors. The market also remained focused on impending GST implementation as well as the central bank's crackdown on corporate defaulters.

ASEAN markets mostly ended the period higher; Australia returned 20.7% in SGD terms

ASEAN also registered positive returns over the period, with the exception of the Philippines which declined 4.3% in SGD terms. Indonesia outperformed peers with a return of 19.6% in SGD terms as concerns over bank asset quality eased and were offset by a successful tax amnesty programme and S&P's rating upgrade. Thailand's economy remained relatively resilient despite mourning the passing of King Bhumibol Adulyadej, but disappointing first-quarter earnings, profit taking and a slowdown in fiscal spending weighed on market performance. MSCI Thailand returned 19.5% in SGD terms over the period. Meanwhile, the Singapore market was buoyed by higher US interest rates and positive economic data. The Philippines was the biggest laggard as strong second quarter GDP growth was overshadowed by controversial rhetoric from President Duterte and a deteriorating trade balance.

Australia ended the review period in positive territory, as the domestic economy showed signs of an upturn. Data for May came in stronger than expected, with unemployment rate hitting the lowest level since February 2013.

Asian Bonds

Yields of US Treasuries (USTs) surged in the year

The Markit iBoxx Asian Local Bond Index (ALBI) returned 3.21% for the review period. There was an overall decline in risk appetite in the last quarter of 2016, prompted by uncertainties leading up to the US presidential election and hawkish undertones by major central banks. In November, Donald Trump's upset win triggered a myriad of uncertainties. As markets started pricing in upside inflation and a larger fiscal deficit risk from a Trump administration, risk-free rates surged. However, subsequent optimism about President Trump's economic and reform plans provided some sense of calm to markets.

Growth in the US continued to show steady recovery, with the unemployment rate falling to a 16-year low in June. Despite this, inflationary pressures have remained low. The Federal Open Market Committee (FOMC) raised the Fed Funds rate by a total of 75 basis points (bps) over the period, and provided details of its balance sheet normalisation programme. The central bank also signalled one further hike this year, providing a floor to front-end yields of the UST curve. Overall, 10-year UST yields ended about 83bps higher compared to end-June 2016 levels.

Asian government bonds and regional currencies registered mixed performance

Asian government bonds registered mixed performance in the year. Indonesian and Indian bonds significantly outperformed, as interest rate cuts by the countries' respective central banks encouraged demand. The passage of the GST bill in India and slower economic growth, provided a positive backdrop for Indian bonds. Meanwhile, demand for Indonesian bonds further rose following the rating upgrade by Standard & Poor's. In contrast, South Korean bonds underperformed. Relatively low yields, a high correlation to USTs, coupled with an escalation of political risk, deterred investment into the space. Regional currencies similarly registered mixed performance. The INR outperformed, on the back of increased flows into Indian equities, while the underperformance of the PHP was fuelled by concerns about a narrowing current account surplus.

Central banks in Malaysia, India and Indonesia loosened monetary policies

Monetary authorities in Malaysia, India and Indonesia lowered their respective policy rates. Bank Negara Malaysia cut its overnight policy rate by 25bps to 3.0%, while Bank Indonesia announced two quarter-point cuts in the period. Similarly, the Reserve Bank of India, under new Governor Urjit Patel, lowered interest rates by 25bps in October.

China set a lower growth target for 2017; Chinese PPI turned positive in September

Chinese Premier Li Keqiang announced, at the National People's Congress, that the government targets GDP growth at 'around 6.5%' for 2017, down from last year's range of 6.5-7.0%. To support this, the fiscal deficit target was set at 3% of GDP, unchanged from last year. Notably, the government will be increasing local revenue bond issuance by RMB 400bn to RMB 800bn this year, and is looking at simplifying the country's Value-added tax regime. Meanwhile, following more than four years of being in the negative, Chinese PPI inflation registered positive in September. The gauge of factory-gate prices strengthened further in the succeeding months, registering 5.5% year-on-year (YoY) in June. The recovery in PPI over the period was led mainly by gains in the mining sector as well as improvement in raw material prices.

Indian parliament passed GST constitutional bill; government announced demonetisation exercise

During the period, Indian policymakers passed the constitutional amendment for a Goods and Services Tax (GST) to be implemented. The standard GST rate will unify all indirect taxes into one - a move which the government hopes will bring significant efficiency gains. Meanwhile, in an unexpected major crackdown on the stock of undeclared money, Indian Prime Minister Narendra Modi announced in November, that the government will replace its largest-denomination bank notes with new ones. Indian Rupee (INR) 500 and INR 1000 banknotes - estimated to account for more than 80% of currency in circulation by value - ceased being legal tender on 8 November. Meanwhile, fresh notes with better security features were introduced.

A new president for South Korea; Thai King Bhumibol Adulyadej passed away

South Koreans elected Moon Jae-in, a liberal from The Minjoo Party of Korea, as their new president. Mr. Moon saw a sweeping victory in snap elections called after the Constitutional Court upheld the National Assembly's decision to impeach Park Geun-hye. Meanwhile, King Bhumibol Adulyadej, a unifying figure in a deeply polarised Thailand, passed away after a seven-decade reign. News of the revered king's failing health had initially weighed on investor sentiment. The uncertainty of how his death would affect Thailand's political situation led investors to be skeptical of holding Thai assets. However, investor confidence was restored after early signs that a peaceful succession plan will be in place and also after Prime Minister Prayuth Chan-Ocha reiterated that the timetable for democratic elections will remain.

Moody's cut China's credit rating

Moody's Investors Service cut its rating on China's debt to 'A1' from 'Aa3', changing the outlook to 'stable' from 'negative'. The credit rating agency cited the likelihood of a "material-rise" in economy-wide debt and the burden that will place on the state's finances, as reasons for the downgrade. It further highlighted that it believes the Chinese economy would be increasingly dependent on government stimulus to achieve official growth targets. China's Ministry of Finance rebutted Moody's decision, stating that the credit rating agency has underestimated the Chinese government's ability to implement structural reform and expand aggregate demand.

Indonesia raised to 'Investment Grade' by Standard & Poor's

Credit rating agency S&P Global Ratings raised Indonesia's credit rating to 'investment grade' with a 'stable' outlook. According to S&P, "the government's new focus on realistic budgeting has lowered the risks that budget deficit will widen significantly when government revenue disappoints." The upgrade means Indonesia now enjoys investment grade ratings from the top three rating agencies, although both Moody's Investors Service and Fitch Ratings have a 'positive' outlook on their assessments of the country's debt.

Market Outlook

Asian Equities

We continue to see long-term value in Asian equities despite broad-based rally

The sustained rally across Asian equities year-to-date has pushed valuations back towards long term averages at 14x forward price-to-earnings and 1.6x forward price-to-book. The rally has been broad-based and well-supported by earnings upgrades, particularly within the technology sector. This has benefited Asian markets versus other emerging and developed markets. We continue to see value from a long term perspective, but are mindful of some pockets of excessive optimism. MSCI World still trades at 17.5x forward price-to-earnings and 2.3x forward price-to-book and we feel the valuation dispersion is not justified.

Maintain overweight to China and India

China's economic growth has been resilient despite bearish expectations following concerted efforts to address areas of excessive risk-taking in the financial sector. We will continue to monitor news flow and events surrounding the 19th National Congress later this year and remain overweight Chinese stocks, with a preference for the new economy – Internet, Tourism and Healthcare. In Hong Kong, loan growth has started to surprise on the upside driven by broad-based recovery in trade finance, manufacturing and consumer demand. This, together with the prospect of higher interest rates, has led to steep upgrades for banks. We maintain our overweight to the sector.

India also remains a key overweight although near term market sentiment is likely to be tested with the roll-out of nationwide GST. We are likely to see disruption for some companies but longer term this should reduce costs, boost internal trade and result in some consolidation in unorganised industries.

Inflationary pressures continue to surprise on the downside which should lead to further monetary policy easing. This should be supportive for equity markets but we note that broader reforms at public sector banks is required to stimulate new credit formation and help spur new investment – this has so far remained elusive. We are mindful that some segments of the Indian market have seen valuations continue to re-rate despite earnings downgrades, which we believe is not sustainable.

Favour technology stocks in Korea and Taiwan but underweight ASEAN

Korea and Taiwan continue to be beneficiaries of a resurgence of their respective technology sectors. In Korea, chaebol reform complemented by strong balance sheets continues to be a positive driver, with the prospect that corporate governance standards could improve, in turn leading to increased dividend pay-outs and a potential re-rating of equities within the market. In Taiwan, we continue to hold various companies in the technology sector with strong niche competencies. The upcoming Apple iPhone 8 launch will be a key event in the coming months.

We maintain our underweight stance in ASEAN retaining only a few stocks we believe are able to deliver superior returns despite soft economic conditions. We have a favourable view towards Singapore property developers, where we see signs of improvement following several years of domestic price corrections and limited activity. As noted previously we have added to Indonesia but maintain a zero weight towards Malaysia and Thailand given muted domestic conditions and political uncertainty.

Maintain underweight to Australia

We continue to remain underweight Australia, driven by limited positions in index heavy bank stocks and an underweight to materials. We are of the view that there are more attractive options in other Asian markets and that the country's currency now looks overvalued. Australia's main export commodities of iron ore and coal experienced price increases throughout July but we remain sceptical that this will continue over the long term. We continue to focus on a wide range of bottom up ideas within the Australia domestic market.

Asian Bonds

Prefer India, Indonesia and Malaysia bonds

Markets are likely to experience higher rate volatility for the rest of the year, prompted by a rise in financial markets' sensitivity to well flagged market events (i.e. US Fed rate hike and balance sheet reduction, and European Central Bank's (ECB's) tapering of its quantitative easing (QE) programme). Having said that, the recent dovish rhetoric from the Fed and ECB means that markets are likely to range-trade in the near-term. Indonesian government bonds experienced some profit taking in the month, having significantly outperformed peers since the start of the year. We view this month's underperformance as a tactical correction, and maintain our positive view on the space, noting that real yields remain attractive compared to regional peers. Moreover, we reiterate that the upgrade on Indonesia by S&P gives it a full-investment grade rating. This allows for a wider pool of investor interest, and may potentially translate to lower funding costs for Indonesia in the longer run. We expect demand for Indian bonds to remain supported in the near-term, also due to the relatively higher carry. Nonetheless, we are cognizant that expectation of Reserve Bank of India (RBI) easing in August is already high. Meanwhile, Malaysia bonds have recently caught up to regional peers in terms of year-to-date returns, although offshore investor positioning continued to be relatively light. We foresee inflows into Malaysian assets persisting for a while. Economic activity has picked up, and inflation seems to have peaked out. Recent liberalisation in hedging regulations has helped improve sentiment towards Malaysian bonds. In addition, political risk in Malaysia has fallen, a further positive for capital inflows into Malaysian assets.

Prefer INR, IDR and MYR

We expect the INR and Indonesian Rupiah (IDR) to outperform amongst Asian currencies. Both countries have attracted greater foreign direct investment, resulting to marked improvement in their basic balances. For India, further monetary easing by the RBI is likely to support asset markets and flows, further encouraging demand for the INR. We also hold a positive view on the Malaysian Ringgit (MYR). We are cognizant that the currency has had a rapid catch-up in the past months. Nonetheless, our view that inflows into Malaysian assets will persist, coupled with robust economic activity, should continue to support demand for the currency.

The Fund may use or invest in financial derivatives. Where the Fund feeds into the underlying funds which use or invest in financial derivatives, there is a possibility that the Fund's NAV may be subject to volatility due to usage or investment in financial derivatives.

This document is for information only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. Any securities mentioned herein are for illustration purposes only and should not be construed as a recommendation for investment. You should seek advice from a financial adviser before making any investment. In the event that you choose not to do so, you should consider whether the investment selected is suitable for you. Investments in unit trusts are not deposits in, obligations of, or guaranteed or insured by Nikko Asset Management Asia Limited ("**Nikko AM Asia**").

Past performance or any prediction, projection or forecast is not indicative of future performance. The funds may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the funds are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus and product highlights sheet obtainable from appointed distributors of Nikko AM Asia or our website (www.nikkoam.com.sg) before investing.

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The fund is only offered to professional investors and is not authorized by the Securities and Futures Commission in Hong Kong. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents, you should obtain independent professional advice.

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

The Managers will only appoint soft dollar brokers onto their broker panel after they have ensured that:

- a) full disclosure of the practice of accepting soft dollars is made;
- b) the commission rates charged are comparable with the market rates;
- c) there is no conflict of interest;
- d) the soft dollar credits are used only for clearly defined services;
- e) at all times trades are executed through the respective brokers only on the basis of best execution regardless whether soft dollar benefits will accrue. Best execution shall include competitive prices with smooth execution ability; and
- f) relevant regulations and guidelines are complied with.

The procedures for the appointment of the brokers shall be no different from that of normal full service brokers.

Execution and allocation

If the Trustee objects to the use of the soft dollar brokers, the trades of the POSB InvestSteady Fund (the "Fund") shall be segregated from the rest of the trades that are executed through the relevant soft dollar broker(s). The Managers will execute trades for such accounts only with authorised full service brokers.

It is the responsibility of the Managers to ensure that the allocation quotas are adhered to. In addition, the Managers will monitor the execution ability of the soft dollar brokers and assign the business strictly on a "best execution" basis.

Subject to the provisions of the Code*, in their management of the Fund and the Nikko AM Shenton Asia Bond Fund ("SABF"), the Managers may receive soft dollar commissions from, or may enter into soft dollar arrangements with, stockbrokers who execute trades on behalf of the Fund or the SABF and the soft dollars received would be restricted to the following kinds of services:

- a) specific advice as to the advisability of dealing in, or of the value of any investments;
- b) research and advisory services;
- c) economic and political analysis;
- d) portfolio analysis including valuation and portfolio measurements;
- e) market analysis;
- f) data and quotation services;
- g) computer hardware or software that are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis; and
- h) custodial services in relation to the investments managed for clients.

The following are, however, prohibited:

- a) travel, accommodation and entertainment expenses;
- b) general administrative goods and services including office equipment and premises;
- c) membership fees;
- d) employee salaries;
- e) direct money payments / rebates.

The Managers will retain the records of the payments made using soft dollar commissions.

The Managers of the POSB InvestSteady Fund (the "Fund") will not accept or enter into soft-dollar commissions / arrangements unless:

- such soft-dollar commissions / arrangements would in the opinion of the Managers, assist the Managers in their management of the Fund;
- the Managers shall ensure at all times that best execution is carried out for the transactions; and
- no unnecessary trades are entered into in order to qualify for such soft-dollar commissions / arrangements.

Nikko Asset Management Luxembourg S.A. ("NAM Luxembourg") currently does not receive any soft-dollar commission from, or enter into any soft dollar arrangements with, stockbrokers who execute trades on behalf of the Nikko AM Global Umbrella Fund - Nikko AM Asia-Pacific ex-Japan Fund.

*The "**Code**" means the Code on Collective Investment Schemes issued by the Authority pursuant to the Securities and Futures Act, as may be amended, modified, or supplemented from time to time by the Authority.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT OF THE TRUSTEE

For the financial year ended 30 June 2017

The Trustee is under a duty to take into custody and hold the assets of POSB InvestSteady Fund (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), 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 year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 15 to 34, 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
BNP Paribas Trust Services Singapore Limited

Authorised signatory
29 September 2017

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT BY THE MANAGER

For the financial year ended 30 June 2017

In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 15 to 34, 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 the portfolio holdings of POSB InvestSteady Fund (the "Fund") as at 30 June 2017, and the financial performance and movements in unitholders' funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager
Nikko Asset Management Asia Limited

Authorised signatory
29 September 2017

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF POSB INVESTSTEADY FUND**
(Constituted under a Trust Deed registered in the Republic of Singapore)

Our Opinion

In our opinion, the accompanying financial statements of POSB InvestSteady Fund (the "Fund"), are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" 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 30 June 2017, and of the financial performance and movements of unitholders' funds for the financial year ended on that date.

What we have audited

The financial statements of the Fund comprise:

- the Statement of Total Return for the financial year ended 30 June 2017;
- the Statement of Financial Position as at 30 June 2017;
- the Statement of Movements of Unitholders' Funds for the financial year ended 30 June 2017;
- the Statement of Portfolio as at 30 June 2017; and
- the notes to the financial statements, including a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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.

Other Information

The Fund's Manager (the "Manager") is responsible for the other information. The other information comprises all sections of the annual report but does not include the financial statements and our auditor's report thereon.

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

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 on the other information, 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF POSB INVESTSTEADY FUND**
(Constituted under a Trust Deed registered in the Republic of Singapore)

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and for such internal control 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 management 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.

Auditor's 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 auditor's 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 control.
- Obtain an understanding of internal control 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 control.
- 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.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF POSB INVESTSTEADY FUND
(Constituted under a Trust Deed registered in the Republic of Singapore)

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 control that we identify during our audit.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 29 September 2017

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 30 June 2017*

	Note	2017 S\$	2016 S\$
Income			
Dividends		436,745	532,901
Interest on cash and bank balances		2	-
		<u>436,747</u>	<u>532,901</u>
Less: Expenses			
Management fee		234,403	273,161
Management fee rebate		(144,122)	(168,666)
Registrar fee		5,858	5,622
Trustee fee		9,376	10,926
Custody fee		1,924	2,259
Audit fee		13,070	12,705
Valuation fee		10,000	10,183
Transaction costs		5,355	7,035
Other expenses		24,835	16,989
		<u>160,699</u>	<u>170,214</u>
Net income		<u>276,048</u>	<u>362,687</u>
Net gains or losses on value of investments			
Net gains/(losses) on investments		786,983	(1,184,305)
Net foreign exchange gains		516	1,968
		<u>787,499</u>	<u>(1,182,337)</u>
Total return/(deficit) for the financial year before income tax		<u>1,063,547</u>	<u>(819,650)</u>
Less: Income tax	3	-	1,714
Total return/(deficit) for the financial year after income tax		<u>1,063,547</u>	<u>(817,936)</u>

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

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	2017 S\$	2016 S\$
ASSETS			
Portfolio of investments		16,895,369	19,279,636
Cash and bank balances		433,202	517,557
Total assets		17,328,571	19,836,231
LIABILITIES			
Payables	4	107,361	88,516
Distribution payable		235,584	277,016
Total liabilities		342,945	365,532
EQUITY			
Net assets attributable to unitholders	5	16,985,626	19,431,661

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

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 30 June 2017*

	Note	2017 S\$	2016 S\$
Net assets attributable to unitholders at the beginning of the financial year		19,431,661	24,077,225
Operations			
Change in net assets attributable to unitholders resulting from operations		1,063,547	(817,936)
Unitholders' contributions/(withdrawals)			
Creation of units		439,298	488,857
Cancellation of units		(3,457,944)	(3,738,139)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(3,018,646)	(3,249,282)
Distributions	6	(490,936)	(578,346)
Total decrease in net assets attributable to unitholders		(2,446,035)	(4,645,564)
Net assets attributable to unitholders at the end of the financial year	5	16,985,626	19,431,661

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

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2017*

By Geography (Primary)	Holdings at 30 June 2017	Fair value at 30 June 2017 S\$	Percentage of total net assets attributable to unitholders at 30 June 2017 %
Quoted Investment Funds			
LUXEMBOURG			
Nikko AM Global Umbrella Fund - Nikko AM Asia-Pacific ex-Japan Fund	87,104	5,014,346	29.52
Total LUXEMBOURG		5,014,346	29.52
SINGAPORE			
Nikko AM Shenton Asia Bond Fund	13,379,530	11,881,023	69.95
Total SINGAPORE		11,881,023	69.95
Total Quoted Investment Funds		16,895,369	99.47
Portfolio of investments		16,895,369	99.47
Other net assets		90,257	0.53
Net assets attributable to unitholders		16,985,626	100.00
By Geography (Summary)			
Quoted Investment Funds		Percentage of total net assets attributable to unitholders at 30 June 2017 %	Percentage of total net assets attributable to unitholders at 30 June 2016 %
LUXEMBOURG		29.52	29.59
SINGAPORE		69.95	69.63
Total Quoted Investment Funds		99.47	99.22
Portfolio of investments		99.47	99.22
Other net assets		0.53	0.78
Net assets attributable to unitholders		100.00	100.00
By Industry (Secondary)			
	Fair value at 30 June 2017 S\$	Percentage of total net assets attributable to unitholders at 30 June 2017 %	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Debt Fund	11,881,023	69.95	69.63
Equity Fund	5,014,346	29.52	29.59
Portfolio of investments	16,895,369	99.47	99.22
Other net assets	90,257	0.53	0.78
Net assets attributable to unitholders	16,985,626	100.00	100.00

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

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

POSB InvestSteady Fund (the "Fund") is a Singapore domiciled fund, constituted as a sub-fund of the Nikko AM Asia Investment Funds, pursuant to the Trust Deed dated 8 March 2000 as amended by Supplemental Deeds and Amended and Restated Deeds (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Manager of the Fund is Nikko Asset Management Asia Limited (the "Manager").

As of 30 June 2017, Nikko AM Asia Investment Funds comprise seven separate and distinct sub-funds, namely Nikko AM Shenton Asia Dividend Equity Fund, Nikko AM Shenton Global Property Securities Fund, Nikko AM Shenton Asia Bond Fund, POSB InvestSteady Fund, MyHome Fund – HomeSteady, MyHome Fund – HomeBalanced and MyHome Fund – HomeGrowth.

Only the financial statements of POSB InvestSteady Fund are presented in this report.

There are currently three classes of units established within the Fund, namely SGD Class, USD Class and RMB Class.

The Classes within each Scheme differ in terms of their Class Currency and the minimum subscription amounts applicable.

The Deposited Property of each Scheme will be valued in SGD. However, the NAV of each Class within each Scheme will be valued in its respective Class Currency.

As of 30 June 2017, only units in SGD Class have been issued.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in June 2016 for the financial year beginning on or after 1 July 2016.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

The Fund has adopted the following Singapore Financial Reporting Standards ("FRS") and related amendments in accordance with the recommendations of the RAP7:

(i) Consolidation and disclosure of interests in other entities

FRS 110 "Consolidated financial statements"

FRS 112 "Disclosure of interests in other entities"

Amendments to FRS 110, FRS 112 and FRS 27 "Investment entities"

FRS 110 and the amendments define an investment entity and introduce an exception from the consolidation requirements for investment entities.

FRS 112 and the amendments require entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some interests in other entities. Entities are also required to provide disclosure around certain "structured entities". The amendments to FRS 112 introduce new disclosure requirements related to investment entities.

(ii) Offsetting financial assets and liabilities disclosures

Amendments to FRS 32 "Financial instruments: Presentation – Offsetting financial assets and financial liabilities"

Amendments to FRS 107 "Disclosures – Offsetting financial assets and financial liabilities"

The amendments to FRS 32 provide clarification on the offsetting criteria in FRS 32 and address inconsistencies in their application.

The amendments to FRS 107 require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The adoption of these new or amended FRS impacted the Fund's level of disclosures in certain of the above noted areas, but did not result in substantial changes to the accounting policies of the Fund, and had no material effect on the amounts reporting for the current or prior financial years.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. Significant accounting policies (continued)

(b) Recognition of income

Dividend income from investments is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

(c) Distributions

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid on the distribution date. The amount shall not be treated as part of the property of the Fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal constructive obligation has been created.

(d) Investments

Investments are classified as financial assets at fair value through profit or loss.

(i) Initial recognition

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

(ii) Subsequent measurement

Investments are subsequently carried at fair value. Net changes in fair value on investments are included in the Statement of Total Return in the year in which they arise.

(iii) Derecognition

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statement of Total Return.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. Significant accounting policies (continued)

(e) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for investments held by the Fund is last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value. The fair value of investments held in underlying funds is the quoted net asset value of the underlying fund as determined by the underlying fund's administrator.

(f) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

(g) Foreign currency translation

(i) *Functional and presentation currency*

The Fund qualifies as an authorised scheme under the Securities and Futures Act ("SFA") of Singapore and is offered to retail investors in Singapore. The Fund's activities are substantially based in Singapore, with subscriptions and redemptions of the units of the Fund denominated in Singapore dollars ("S\$").

The performance of the Fund is measured and reported to the investors in Singapore dollars. The Manager considers the Singapore Dollar as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are expressed in Singapore dollars, which is the Fund's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the date of the Statement of Financial Position. The net unrealised gain or loss is taken to the Statement of Total Return. Transactions during the year are recorded in Singapore dollars at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. Significant accounting policies (continued)

(h) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Fund considers all of their investments in other fund ("Investee Fund") to be investments in unconsolidated structured entities. The Fund invest in Investee Fund whose objectives range from achieving short to long term capital growth and whose investment strategy does not include the use of leverage. The Investee Fund is managed by the Manager and apply various investment strategies to accomplish their respective investment objectives. The Investee Fund finance their operations by issuing redeemable units which are puttable at the unitholder's option and entitles the unitholder to a proportional stake in the respective fund's net assets. The Fund holds redeemable units in the Investee Fund.

The change in fair value of the Investee Fund are included in the Statement of Total Return in "Net gains/(losses) on investments".

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

3. Income Tax

The Fund was granted the status of a Designated Unit Trust (DUT) in Singapore. The Manager and Trustee of the Fund will ensure that the Fund fulfills its reporting obligations under the DUT Scheme.

Under the DUT Scheme, subject to certain conditions and reporting obligations being met, certain income of the DUT fund is not taxable in accordance to Section 35(12) and (12A) of the Income Tax Act. Such income includes:

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under Section 45 of the Income Tax Act).
- (c) dividends derived from outside Singapore and received in Singapore.
- (d) gains or profits derived from foreign exchange transactions, transactions in future contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index; and
- (e) discount prepayment fee, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (f) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

Income tax for the financial year ended 30 June 2017 and 2016 comprises:

	2017	2016
	S\$	S\$
Overprovision of income tax in prior years	-	1,714
	<u>-</u>	<u>1,714</u>

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2017*

4. Payables

	2017	2016
	S\$	S\$
Payable to unitholders for cancellation of units	62,365	39,899
Amount due to the Manager	25,040	28,789
Valuation fee payable	2,668	2,667
Trustee fee payable	2,357	2,714
Registrar fee payable	1,200	1,200
Custody fee payable	355	406
Provision for audit fees	13,376	12,841
	107,361	88,516

Amount due to the Manager comprises of management fee and is payable to Nikko Asset Management Asia Limited. Trustee fee and registrar fee are payable to BNP Paribas Trust Services Singapore Limited. Valuation fee and custody fee are payable to BNP Paribas Securities Services Singapore Branch.

5. Units in issue

During the year ended 30 June 2017 and 30 June 2016, the numbers of units issued, redeemed and outstanding were as follows:

	2017	2016
Units at beginning of the financial year	25,183,261	29,274,548
Units created	556,424	611,849
Units cancelled	(4,322,976)	(4,703,136)
Units at end of the financial year	21,416,709	25,183,261
Net assets attributable to unitholders - S\$	16,985,626	19,431,661
Net assets attributable to unitholders per unit - S\$	0.793	0.772

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

5. Units in issue (continued)

As described in Note 2, in preparing the Statement of Movements of Unitholders' funds at 30 June 2017 and 2016, the Fund's distributions should be accrued for at the point in time when the necessary approval have been obtained and legal constructive obligation has been created. The difference in recognising distributions as prescribed in Note 2 and the methodology indicated in the Fund's regulations, results in a change in the net asset value of S\$235,584 (2016: S\$277,016) for the purpose of calculating the net asset value per unit for processing subscriptions and redemptions in the Fund.

For subscription and redemptions and for various fee calculations, investments are stated at the last traded prices on the valuation day for the purpose of determining net asset value per unit. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value for reporting purpose.

A reconciliation of the net asset as reported in the Statement of Financial Position to the net asset value as determined for the purpose of processing unit subscription and redemption is provided below:

	2017 S\$	2016 S\$
Net assets attributable to unitholders as per financial statements per unit	0.793	0.772
Effect of movement in the NAV between last dealing date and the end of the reporting period	0.002	-
Effect of distribution per unit	0.011	0.011
Net assets attributable to unitholders for issuing/redeeming per unit	<u>0.806</u>	<u>0.783</u>

6. Distributions

	2017 S\$	2016 S\$
Final distribution of S\$1.10 per 100 units in respect of the financial year ended 30 June 2017	235,584	-
Interim distribution of S\$1.10 per 100 units in respect of the financial year ended 30 June 2017	255,352	-
Final distribution of S\$1.10 per 100 units in respect of the financial year ended 30 June 2016	-	277,016
Interim distribution of S\$1.10 per 100 units in respect of the financial year ended 30 June 2016	-	301,330
	<u>490,936</u>	<u>578,346</u>

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

7. Financial risk management

The Fund's activities expose it to a variety of risk, including but not limited to market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk. The Manager is responsible for the implementation of the overall risk management programme, which seeks to minimise potential adverse effects on the Fund's financial performance. Specific guidelines on exposures to individual securities and certain industries and/or countries are in place as part of the overall financial risk management to reduce the Fund's exposures to these risks.

The Fund's objective is to achieve medium to long term capital appreciation by investing its assets into the Nikko AM Asia-Pacific ex-Japan Fund, a sub-fund of Nikko AM Global Umbrella Trust and Nikko AM Shenton Asia Bond Fund (collectively the "underlying funds"). The underlying funds invest primarily in Asia Pacific equities and transferrable debt securities issued by issuers based in the Asia Pacific region respectively.

These financial instruments are held in accordance with the published investment policies of the Fund and managed accordingly to achieve the investment objectives.

(a) Market risk - Price risk

Price risk is the risk that arises from uncertainties about future prices of financial instruments.

The Fund's investment is substantially dependent on the changes of market prices. The Fund's overall market positions are monitored regularly so as to assess any deviations from the Fund's investment objective. However, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the net asset value of the Fund.

As the Fund invests in underlying funds which in turn invest in both equities and fixed income securities, the Manager is of the view that the price risk of the Fund is best reflected by movements in its composite benchmark which is made up of 70% Markit iBoxx Asian Local Bond Index (ALBI) and 30% MSCI AC Asia Pacific ex-Japan Index ("the Index").

As at 30 June 2017 an increase/decrease of Index components within the 30% MSCI AC Asia Pacific ex-Japan Index and 70% ALBI by 7% (2016: 7%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 7% (2016: 7%). The analysis was based on the assumptions that the Index components within the benchmark increase/decrease by a reasonable possible shift, with all other variables held constant and the fair value of Fund's investments moved according to the beta. Reasonable possible changes in market are revised annually depending on management's current view on market volatility and other relevant factors.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

7. Financial risk management (continued)

(b) Market risk - 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 (fair value risk).

The Manager will regularly access the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of the interest rate risk. The Fund's overall market positions are monitored frequently and are reviewed formally on a quarterly basis by the manager.

As at 30 June 2017 and 2016, except for cash and bank balances with maturity period of less than 3 months, all other assets and liabilities are non-interest bearing. Changes in interest rate may also have an impact on the value of investment portfolios that consist of fixed income components within the underlying funds. The impact of a change in interest rates on the net assets attributable to unitholders is analysed in Note 7(a), where such a change has an impact on the benchmarked bond indices used in the price risk sensitivity analysis. Hence, no separate interest rate risk sensitivity analysis is presented.

(c) Market risk - Currency risk

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates.

To minimise currency risk, the Fund mainly holds its excess cash in its functional currency. For hedging purposes, the Fund may also enter into forward foreign exchange contracts.

The tables below summarise the Fund's exposure to currency risk.

As at 30 June 2017	SGD S\$	USD S\$	Total S\$
Assets			
Portfolio of investments	11,881,023	5,014,346	16,895,369
Cash and bank balances	430,810	2,392	433,202
Total assets	12,311,833	5,016,738	17,328,571
Liabilities			
Payables	107,361	-	107,361
Distribution payable	235,584	-	235,584
Total liabilities	342,945	-	342,945
Net currency exposure	11,968,888	5,016,738	

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

7. Financial risk management (continued)**(c) Market risk - Currency risk (continued)**

As at 30 June 2016	SGD S\$	USD S\$	Total S\$
Assets			
Portfolio of investments	13,529,565	5,750,071	19,279,636
Cash and bank balances	515,220	2,337	517,557
Total assets	14,044,785	5,752,408	19,797,193
Liabilities			
Payables	88,516	-	88,516
Distribution payable	277,016	-	277,016
Total liabilities	365,532	-	365,532
Net currency exposure	13,679,253	5,752,408	

Portfolio of investments, which is a significant item in the Statement of Financial Position is exposed to currency risk and other price risk. The Manager has considered the impact of currency risk sensitivity on non-monetary assets as part of the price risk sensitivity analysis.

As of 30 June 2017 and 30 June 2016, the Fund does not hold substantial monetary assets/liabilities. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

(d) Liquidity risk

Liquidity risk is the risk of loss arising from the inability of the Fund to meet its obligations as and when they fall due without incurring unacceptable cost or losses.

The Fund is exposed to daily cash redemptions from unitholders. However, in accordance with the Fund's prospectus, minimum holdings and minimum redemption size are set.

To manage the liquidity risk, a cash buffer is maintained in the Fund and monitored for minimum cash balances to prevent any extensive disposition of assets which may occur at lower prices and overdraft situations to meet trade settlements and obligations.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

7. Financial risk management (continued)**(d) Liquidity risk** (continued)

The Fund's financial liabilities and net settled derivatives financial liabilities are analysed using contracted undiscounted cash flows for maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. At the financial year end, all liabilities are either payable on demand or due in less than 3 months. The impact of discounting is not significant.

	<u>Less than 3 months</u>	
	As at	As at
	30 June 2017	30 June 2016
	S\$	S\$
Liabilities		
Payables	107,361	88,516
Distribution payable	235,584	277,016
Contractual cash outflows	342,945	365,532

(e) Credit risk

Credit risk is the risk that a counterparty will be unable to fulfil its obligations to the Fund in part or in full as and when they fall due.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties as well as the respective credit limits are approved;
- ensuring there are controls in place to identify and assess the creditworthiness of counterparties and review such controls on a semi-annual basis; and
- ensuring that transactions are undertaken with a large number of counterparties.

All trade settlement with approved counterparties are on Delivery versus Payment and/or Receipt versus Payment basis, with the exception of initial public offerings, new issues and placement transactions.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

7. Financial risk management (continued)

(e) Credit risk (continued)

Credit risk arises from cash and bank balances and outstanding and committed transactions with brokers. The table below summarises the credit rating of bank and custodian in which the Fund's assets are held as at 30 June 2017 and 30 June 2016.

	Credit rating as at 30 June 2017	Credit rating as at 30 June 2016	Source of credit rating
Bank balance			
- BNP Paribas Securities Services Singapore Branch	A	A	Standard & Poor's
Custodian			
- BNP Paribas Securities Services Singapore Branch	A	A	Standard & Poor's

The credit ratings are based on Long-Term Local Issuer Ratings published by the rating agency.

The custodians of the underlying funds are Brown Brothers Harriman & Co. (for the Luxembourg domiciled Fund) and BNP Paribas Securities Services Singapore Branch (for the Singapore domiciled Fund). As at 30 June 2017, Brown Brothers Harriman & Co. is rated A+ (2016: A+) based on the Long Term Issuer Default rating by Fitch.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(f) Capital management

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

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

7. Financial risk management (continued)

(g) Fair value estimation

The 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 Fund's financial assets and liabilities (by class) measured at fair value at 30 June 2017 and 2016:

As at 30 June 2017	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$

Assets

Financial assets designated at fair value through profit or loss at inception:

- Quoted investment funds	16,895,369	-	-	16,895,369
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As at 30 June 2016	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$

Assets

Financial assets designated at fair value through profit or loss at inception:

- Quoted investment funds	19,279,636	-	-	19,279,636
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Investments in open-ended investment funds whose net asset value is struck daily, price information is published and readily available and units are subscribed and redeemable on demand at the published price, are classified within level 1. The Fund does not adjust the quoted prices for these instruments.

Except for cash and bank balances which are classified as level 1, the Fund's assets and liabilities not measured at fair value at 30 June 2017 and 2016 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the Statement of Financial Position date.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

7. Financial risk management (continued)

(h) Interests in unconsolidated structured entities

The Fund's investments in Investee Funds are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Fund. The Manager makes investment decisions after extensive due diligence of the underlying funds, its strategy and the overall quality of the underlying funds' manager. The Investee Funds in the investment portfolio are managed by the Manager who are compensated by the respective Investee Fund for their services. Such compensation generally consists of an asset based fee and is reflected in the valuation of the Fund's investments in each of the Investee Fund.

The Fund has right to request redemption of its investments in Investee Funds on a daily basis.

The exposure to investments in Investee Funds at fair value is disclosed under the Statement of Portfolio. These investments are included in "Portfolio of investments" in the Statement of Financial Position.

The Fund's holding in related Investee Funds, as a percentage of the Investee Funds' total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the Investee Funds' level. It is possible that the Fund may, at any point in time, hold a majority of an Investee Funds' total units in issue.

The Fund's maximum exposure to loss from its interests in Investee Funds is equal to the total fair value of its investments in Investee Funds.

Once the Fund has disposed of its shares in an Investee Funds, the Fund ceases to be exposed to any risk from that Investee Funds.

8. Related party transactions

In addition to related party information shown elsewhere in the financial statements, the following significant transactions took place during the financial year between the Fund and a related party at terms agreed between the parties and within the provisions of the Deeds:

	2017 S\$	2016 S\$
Bank balances held with related party of the Trustee	<u>433,202</u>	<u>517,557</u>

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

9. Financial ratios

Expense ratio

		2017	2016
Total operating expenses	S\$	155,344	163,179
Average daily net asset value	S\$	18,753,463	21,771,637
Total expense ratio¹ (including Underlying Funds' expense ratio)	%	1.83	1.72
Weighted average of the underlying funds' unaudited expense ratio	%	1.00	0.97

Turnover ratio

		2017	2016
Lower of total value of purchases or sales ³	S\$	3,171,251	409,384
Average daily net asset value	S\$	18,753,463	21,771,637
Total turnover ratio²	%	16.91	1.88

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses divided by the average net asset value for the year. 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.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value.

³ There were no purchases during the financial year ended 30 June 2017. Therefore, the total value of sales is used in the calculation of portfolio turnover ratio.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT TO UNITHOLDERS

For the financial year ended 30 June 2017

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on page 18.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

Largest holdings at 30 June 2017

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Nikko AM Shenton Asia Bond Fund	11,881,023	69.95
Nikko AM Global Umbrella Fund - Nikko AM Asia-Pacific ex-Japan Fund	5,014,346	29.52

Largest holdings at 30 June 2016

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Nikko AM Shenton Asia Bond Fund	13,529,565	69.63
Nikko AM Global Umbrella Fund - Nikko AM Asia-Pacific ex-Japan Fund	5,750,071	29.59

4. Exposure to financial derivatives

Nil.

5. Global exposure to financial derivatives

Nil.

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT TO UNITHOLDERS

For the financial year ended 30 June 2017

8. Investment in unit trusts, mutual funds and collective investment schemes

Please refer to the Statement of Portfolio on page 18.

9. Borrowings

Nil.

10. Amount of units created and cancelled for the financial year ended 30 June 2017

	S\$
Units created	439,298
Units cancelled	(3,457,944)

11. Turnover ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 34.

12. Expense ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 34.

13. Related party transactions

Please refer to Note 8 of the Notes to the Financial Statements on page 33.

14. Any other material information that will adversely impact the valuation of the fund

Nil.

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***REPORT TO UNITHOLDERS***For the financial year ended 30 June 2017*

The details which follow make reference to the investments within the Nikko AM Shenton Asia Bond Fund, unless stated otherwise.

1. Top 10 Holdings**10 Largest holdings as at 30 June 2017**

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Indonesia Treasury Bond 8.25% due 15/05/2036	4,217,317	7.00
Singapore Government Bond 3.375% due 01/09/2033	3,178,000	5.28
Korea Treasury Bond 1.875% due 10/06/2026	2,939,875	4.88
Korea Treasury Bond 4% due 10/12/2031	2,915,498	4.84
Hong Kong Government Bond 2.07% due 26/08/2026	2,796,513	4.64
Nikko AM China Onshore Bond Fund	2,312,754	3.84
India Government Bond 7.59% due 11/01/2026	2,231,869	3.71
National Bank for Agriculture and Rural Development 7.69% due 31/03/2032	2,186,980	3.63
National Highways Authority of India 7.6% due 18/03/2022	2,173,237	3.61
NTPC Limited 7.25% due 03/05/2022	2,153,448	3.57

10 Largest holdings as at 30 June 2016

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Indonesia Treasury Bond 8.25% due 15/05/2036	4,743,667	6.56
Nikko AM China Onshore Bond Fund	4,312,663	5.96
Malaysia Government Investment Issue 4.07% due 30/09/2026	3,374,061	4.66
Hong Kong Government Bond 1.34% due 24/06/2019	3,019,621	4.18
Hong Kong Government Bond 2.07% due 26/08/2026	2,875,909	3.98
Korea Treasury Bond 3.50% due 10/03/2024	2,695,604	3.73
Philippine Government Bond 3.625% due 09/09/2025	2,341,366	3.24
Singapore Government Bond 2.75% due 01/04/2042	2,168,000	3.00
Food Corporation of India 9.95% due 07/03/2022	2,156,719	2.98
Korea Treasury Bond 2.25% due 10/06/2025	2,125,819	2.94

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT TO UNITHOLDERS

For the financial year ended 30 June 2017

2. Financial Ratios

	2017	2016
	%	%
Expense Ratio ^(a)	1.00	0.96
Turnover Ratio ^(b)	196.59	219.48

- (a) The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses divided by the average net asset value for the year. 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.
- (b) The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value.

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Intermediaries Hotline: 1800 535 8025 / 65 6535 8025
Website: www.nikkoam.com.sg

Company registration number 198202562H

SEMI-ANNUAL REPORT

For the financial period ending 31 December 2016

POSB InvestSteady Fund

MANAGERS

Nikko Asset Management Asia Limited
12 Marina View, #18-02, Asia Square Tower 2,
Singapore 018961
Company Registration No. 198202562H

DIRECTORS

Lim Say Boon
Lim Soon Chong
Seet Oon Hui Eleanor
David Jonathan Semaya
Yu-Ming Wang

TRUSTEE & REGISTRAR

BNP Paribas Trust Services Singapore Limited
20 Collyer Quay, #01-01
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AUDITORS

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Singapore 048424

CUSTODIAN

BNP Paribas Securities Services, Singapore Branch
20 Collyer Quay, #01-01
Singapore 049319

This report is also available on our website (www.nikkoam.com.sg)

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ¹	-1.06	4.75	5.26	5.34	4.55	3.82	3.83
POSB InvestSteady Fund	-1.97	2.98	1.30	3.50	3.26	0.43	0.50

Source: © 2016 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 31 December 2016. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ¹	-1.06	4.75	5.26	5.34	4.55	3.82	3.83
POSB InvestSteady Fund	-6.87	-2.17	-3.76	1.75	2.20	-0.08	-0.01

Source: © 2016 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 31 December 2016. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Inception date: 7 December 2006

Note:

(1) Prior to 2 July 2012, the Benchmark was the 3-month Singapore Interbank Offered Rate + 2% p.a. With effect from 2 July 2012, the Benchmark was changed to a composite benchmark made up of 70% HSBC Asian Local Bond (ALBI) Index and 30% MSCI AC Asia Pacific ex Japan Index (Net Total Return). With effect from 20 April 2016, the calculation and publication of the HSBC Asian Local Bond Index (ALBI) has ceased and the composite benchmark was replaced with 70% Markit iBoxx Asian Local Bond (ALBI) Index and 30% MSCI AC Asia Pacific ex Japan Index (Net Total Return).

Portfolio Review

Fund returned 2.98% over the review period

The POSB InvestSteady Fund (the "Fund") delivered a return of 2.98% (SGD terms, NAV-NAV basis) during the 6-month period ended 31 December 2016, underperforming the benchmark which returned 4.75% over the same period.

Asia Pacific ex Japan equity markets ended the period higher, despite significant volatility. Faced with the prospect of higher US interest rates, structural growth markets came under selling pressure towards the end of the year. The Philippines was a notable laggard, while North Asia was relatively resilient.

Asian government bonds exhibited mixed performance in the period. South Korea, Philippine and Thai bonds weakened, given their relatively high correlation to US Treasuries (USTs), while Indian bonds gained, helped by the surge in bank liquidity following the government's demonetisation move.

Market Review

Asian Equities

Asian markets rose amid significant volatility

Asian markets ended the period under review in positive territory, despite significant volatility. In the beginning of the period, sentiment was buoyed by the US Federal Reserve (Fed)'s decision to maintain interest rates at its September meeting. Meanwhile, oil prices rose after OPEC members reached a deal to curb output, further underpinning risk appetite. However, Donald Trump's victory in the US presidential election in November drove markets initially lower on the back of risks regarding the president-elect's stance on the Trans-Pacific Partnership (TPP) and US trade protectionism. Gains were further eroded by the Fed's decision to raise its rate by 25 basis points (bps) in mid-December, with Asian currencies generally weakening against the US dollar.

Markets came under pressure towards the period-end

Faced with the prospect of a stronger USD, Asian markets came under selling pressure as fund flows turned negative. The Philippine stock market was a notable laggard. Robust GDP growth was overshadowed by investors' unease surrounding controversial rhetoric from President Duterte, as well as his pivot towards China and Russia. In India, an ill-timed move by the government to force the exchange of the two largest currency notes of issuance (500 and 1000 Rupee) led to significant uncertainty over short-term growth in the economy.

Thailand and Australia bucked the trend. The passing of King Bhumibol Adulyadej in October initially sparked uncertainty about Thailand's political situation and weighed on sentiment. However, investor confidence was restored after early signs that a peaceful succession plan would be in place and also after Prime Minister Prayuth Chan-Ocha reiterated that the timetable for democratic elections in 2017 would remain. Australia also ended the period in positive territory, buoyed by a recovery in commodity prices. Materials and financials outperformed while traditionally defensive sectors such as healthcare and real estate investment trusts underperformed.

North Asia was relatively resilient

Chinese stocks outperformed in the beginning of the period, buoyed by a broad improvement in economic indicators such as manufacturing sector expansion, retail sales and industrial output. Better-than-expected first half results and strong southbound buying through the Hong Kong-Shanghai connect scheme also lifted sentiment. In December, China announced an adjustment to the composition of the trade-weighted Yuan Renminbi (CNY) index to reduce USD/G3 currency weights and better manage yuan stability versus the basket. Elsewhere, Hong Kong and Taiwanese financials were beneficiaries of higher US interest rates. This was offset in Hong Kong by property stocks which were sold down following the authorities' move to hike stamp duties on second properties in the territory. The much-anticipated Hong Kong-Shenzhen connect exchange link commenced on 5th December.

Asian Bonds

US Treasuries (USTs) ended lower

The UST yield curve shifted higher in the six months ended 31 December 2016, as volatility spiked. Expectations of further global monetary and fiscal easing following the surprise vote by Britain to leave the European Union resulted in the persistent decline in yields. This prompted a massive allocation of funds into Emerging Markets (EM), including Asia. In November, Donald Trump's upset win in the US presidential election triggered a myriad of uncertainties. As markets priced in further upside inflation risk from a Trump administration, US bond yields surged, the US Dollar strengthened against most currencies, and a broad-based unwinding of EM positions followed. In December, the US Fed raised interest rates by 25 basis points (bps), and revised its projection for rate hikes in 2017 to three-quarter point rises from the previous forecast of two. Overall, 5-year and 10-year UST yields jumped about 93 and 98 bps respectively in the period.

Asian government bonds exhibited mixed performance; regional currencies weakened against USD

The start of the period saw Asian local government bonds recording strong returns. High yielders –with few idiosyncratic exceptions – were favoured. But the unexpected US election outcome disrupted the strong flow into the region, erasing much of the gains recorded earlier. South Korea, Philippine and Thai bonds underperformed. Losses were attributed mainly to their relatively high correlation to USTs. Meanwhile, in contrast to most regional bonds, Indian bonds rallied. The government's announcement that it will replace its largest-denomination bank notes with new ones led to a surge in banking system liquidity. This pushed Indian bonds to rally despite the sell-off in global bonds following the US elections. On currencies, the US Dollar (USD) enjoyed broad-based strength against regional currencies, following the result of the US elections. The Malaysian Ringgit succumbed to significant depreciation against the USD, on the back of unease regarding low foreign exchange reserves, exacerbated by fears of re-imposition of capital controls towards the end of the year.

Central banks in Malaysia, India and Indonesia loosened monetary policies

Monetary authorities in Malaysia, India and Indonesia lowered their respective policy rates. Bank Negara Malaysia cut its overnight policy rate by 25bps to 3.0%, while Bank Indonesia announced two quarter-point cuts in the period. Similarly, the Reserve Bank of India, under new Governor Urjit Patel, lowered interest rates by 25bps in October.

China PPI turned positive in September

Following more than four years of being in the negative, PPI inflation turned positive in September. The gauge of factory-gate prices strengthened further in the succeeding months, registering 5.5% y/y in December. The recovery in PPI over the period was led mainly by gains in the mining sector as well as improvement in raw material prices.

Indian parliament passed GST constitutional bill; government announced demonetisation exercise

During the six-month period, Indian policymakers passed the constitutional amendment for a Goods and Services Tax (GST) to be implemented. The standard GST rate will unify all indirect taxes into one - a move which the government hopes will bring significant efficiency gains. Meanwhile, in an unexpected major crackdown on the stock of undeclared money, Indian Prime Minister Narendra Modi announced in November, that the government will replace its largest-denomination bank notes with new ones. Indian Rupee (INR) 500 and INR 1000 banknotes - estimated to account for more than 80% of currency in circulation by value - ceased being legal tender on 8 November. Meanwhile, fresh notes with better security features were introduced. According to the government, this exercise will eventually extend to other denominations.

Market Outlook

Asian Equities

Asian markets now offer more attractive valuations and fundamentals

Notwithstanding the headwinds posed by a stronger USD, Asian emerging markets offer better growth than developed markets, and at more attractive valuations. MSCI Asia ex-Japan trades on 1.4x forward P/B multiple compared to 2.2x P/B multiple for MSCI World, implying that developed markets are trading at even higher multiples. Fundamentally, Asia is also in better shape than the period leading up to the taper tantrum in late 2013. This is primarily due to the significant adjustments that Asian countries have made. Notably, China has indicated a willingness to adopt a more flexible stance vis-à-vis the Chinese Yuan (CNY), India has introduced the GST bill and demonetisation in a bid to combat corruption and increase electronic transactions, while Indonesia has also strengthened its fiscal position by cutting oil subsidies and implementing the tax amnesty programme.

Favour India while selectively overweight in ASEAN

Despite near term headwinds posed by Modi's demonetisation exercise, India remains one of our favoured equity markets as we believe it still offers the best structural growth profile in Asia over the medium and long term. Ultimately, the demonetisation initiative can also be viewed as the government's willingness to introduce non-populist reforms. Furthermore, the monetary policy committee's decision to leave rates unchanged suggests that the new Reserve Bank chief is not easily swayed by external pressures. Meanwhile we remain selectively overweight in ASEAN, favouring underappreciated and strong franchises in Indonesia and Thailand which are focused on domestic demand and infrastructure. Conversely, we continue to avoid the Malaysian equity market altogether.

Remain cautious on developed Asia and Australia

We remain selective in Taiwan, preferring companies in niche sectors with sustainable earnings. The outlook is mixed, with policy makers mulling a potential increase in business tax. Technology stocks could continue to do well with 3 new iPhone models due for launch by September 2017. In Korea, Sino-Korean trade could remain affected by the country's commitment to deploy the Terminal High Altitude Area Defense system in conjunction with the US, at least in the near future. The debacle that has plagued Park's government has led to investigations into the government's dealings with multiple companies, suggesting that we have not seen the last of this development. Hence, we remain cautious in Korea.

Elsewhere, Singapore and Hong Kong face multiple headwinds in the form of higher US interest rates, anemic or potentially negative growth and a possible correction in property prices. Furthermore, Hong Kong also faces political uncertainty as the Hong Kong Chief Executive election is scheduled to be held in mid-2017. Nonetheless, there remain resilient businesses with significant regional exposure, particularly in Singapore. We are mostly positive on the Australian market but maintain a slight underweight stance owing to limited positions in index-heavy bank stocks.

Asian Bonds

Overweight Indian and Indonesian bonds; cautious on Philippine bonds

The slowdown in economic activity in India against a low inflationary environment leads us to believe that the Reserve Bank of India (RBI) will stay accommodative. We think that there is still room for RBI to cut rates if needed, given benign inflation. Our preference for Indian bonds is further supported by the higher yields offered by the space. Similarly, our preference for Indonesian bonds is grounded on relatively higher carry against a backdrop of a more credible fiscal outlook and still benign inflationary pressures. Meanwhile, we have a cautious view on Philippine bonds. Against a backdrop of strong growth and rising inflation, we expect Philippines bonds to underperform. Also, we expect political noise from President Duterte's rhetoric to continue to weigh on investor sentiment towards Philippine assets.

Prefer IDR and INR; underweight KRW and SGD

We think high carry currencies such as the Indonesian Rupiah (IDR) and Indian Rupee (INR) will continue to outperform their Asian counterparts. Stable external balances, improved fiscal outlooks and political stability have all contributed to the resilience of the IDR and INR. In contrast, we are cautious on the Korean Won (KRW) and Singapore dollar (SGD) as we believe these countries will be vulnerable to any potential protectionist trade policies by the new US administration, given the open and export-oriented nature of these economies. Also, we expect business sentiment in Korea to be plagued by ongoing political uncertainty.

IMPORTANT INFORMATION

This document is for information only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. Any securities mentioned herein are for illustration purposes only and should not be construed as a recommendation for investment. You should seek advice from a financial adviser before making any investment. In the event that you choose not to do so, you should consider whether the investment selected is suitable for you. Investments in unit trusts are not deposits in, obligations of, or guaranteed or insured by Nikko Asset Management Asia Limited ("**Nikko AM Asia**").

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For Hong Kong Investors

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Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

The Managers will only appoint soft dollar brokers onto their broker panel after they have ensured that:

- a) full disclosure of the practice of accepting soft dollars is made;
- b) the commission rates charged are comparable with the market rates;
- c) there is no conflict of interest;
- d) the soft dollar credits are used only for clearly defined services;
- e) at all times trades are executed through the respective brokers only on the basis of best execution regardless whether soft dollar benefits will accrue. Best execution shall include competitive prices with smooth execution ability; and
- f) relevant regulations and guidelines are complied with.

The procedures for the appointment of the brokers shall be no different from that of normal full service brokers.

Execution and allocation

If the Trustee objects to the use of the soft dollar brokers, the trades of the POSB InvestSteady Fund (the "Fund") shall be segregated from the rest of the trades that are executed through the relevant soft dollar broker(s). The Managers will execute trades for such accounts only with authorised full service brokers.

It is the responsibility of the Managers to ensure that the allocation quotas are adhered to. In addition, the Managers will monitor the execution ability of the soft dollar brokers and assign the business strictly on a "best execution" basis.

Subject to the provisions of the Code*, in their management of the Fund and the Nikko AM Shenton Asia Bond Fund ("SABF"), the Managers may receive soft dollar commissions from, or may enter into soft dollar arrangements with, stockbrokers who execute trades on behalf of the Fund or the SABF and the soft dollars received would be restricted to the following kinds of services:

- a) specific advice as to the advisability of dealing in, or of the value of any investments;
- b) research and advisory services;
- c) economic and political analysis;
- d) portfolio analysis including valuation and portfolio measurements;
- e) market analysis;
- f) data and quotation services;
- g) computer hardware or software that are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis; and
- h) custodial services in relation to the investments managed for clients.

The following are, however, prohibited:

- a) travel, accommodation and entertainment expenses;
- b) general administrative goods and services including office equipment and premises;
- c) membership fees;
- d) employee salaries;
- e) direct money payments / rebates.

The Managers will retain the records of the payments made using soft dollar commissions.

The Managers of the POSB InvestSteady Fund (the "Fund") will not accept or enter into soft-dollar commissions / arrangements unless:

- such soft-dollar commissions / arrangements would in the opinion of the Managers, assist the Managers in their management of the Fund;
- the Managers shall ensure at all times that best execution is carried out for the transactions; and
- no unnecessary trades are entered into in order to qualify for such soft-dollar commissions / arrangements.

Nikko Asset Management Luxembourg S.A. ("NAM Luxembourg") currently does not receive any soft dollar commission from, or enter into any soft dollar arrangements with, stockbrokers who execute trades on behalf of the Nikko AM Global Umbrella Fund - Nikko AM Asia-Pacific ex-Japan Fund.

*The "**Code**" means the Code on Collective Investment Schemes issued by the Authority pursuant to the Securities and Futures Act, as may be amended, modified, or supplemented from time to time by the Authority.

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial period from 01 July 2016 to 31 December 2016 (unaudited)*

	31 December 2016	31 December 2015
	S\$	S\$
Income		
Dividends	223,752	278,916
	223,752	278,916
Less: Expenses		
Management fee	122,920	144,062
Management fee rebate	(75,661)	(89,168)
Registrar fee	2,898	2,827
Trustee fee	4,917	5,762
Custody fee	1,003	1,185
Audit fee	6,620	6,680
Valuation fee	5,041	5,196
Transaction costs	3,825	4,245
Other expenses	18,914	10,823
	90,477	91,612
Net income	133,275	187,304
Net gains or losses on value of investments		
Net gains/(losses) on investments	434,317	(608,954)
Net foreign exchange gains/(losses)	1,599	(123)
	435,916	(609,077)
Total return/(deficit) for the financial period before income tax	569,191	(421,773)
Less: Income tax	-	(2,076)
Total return/(deficit) for the financial period after income tax	569,191	(423,849)

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 31 December 2016 (unaudited)*

	31 December 2016	30 June 2016
	S\$	S\$
ASSETS		
Portfolio of investments	18,203,214	19,279,636
Receivables	22	-
Cash and bank balances	397,587	517,557
Total assets	18,600,823	19,797,193
LIABILITIES		
Payables	177,416	88,516
Distribution payable	255,352	277,016
Total liabilities	432,768	365,532
EQUITY		
Net assets attributable to unitholders	18,168,055	19,431,661

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial period from 01 July 2016 to 31 December 2016 (unaudited)*

	31 December 2016	30 June 2016
	S\$	S\$
Net assets attributable to unitholders at the beginning of the financial period/year	19,431,661	24,077,225
Operations		
Change in net assets attributable to unitholders resulting from operations	569,191	(817,936)
Unitholders' contributions/(withdrawals)		
Creation of units	225,235	488,857
Cancellation of units	(1,802,680)	(3,738,139)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(1,577,445)	(3,249,282)
Distributions	(255,352)	(578,346)
Total decrease in net assets attributable to unitholders	(1,263,606)	(4,645,564)
Net assets attributable to unitholders at the end of the financial period/year	18,168,055	19,431,661

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2016 (unaudited)***By Geography (Primary)**

	Holdings at 31 December 2016	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Quoted Investment Funds			
LUXEMBOURG			
Nikko AM Global Umbrella Fund - Nikko AM Asia-Pacific ex-Japan Fund	103,914	5,338,440	29.38
Total LUXEMBOURG		5,338,440	29.38
SINGAPORE			
Nikko AM Shenton Asia Bond Fund	14,199,530	12,864,774	70.81
Total SINGAPORE		12,864,774	70.81
Total Quoted Investment Fund		18,203,214	100.19
Portfolio of investments		18,203,214	100.19
Other net liabilities		(35,159)	(0.19)
Net assets attributable to unitholders		18,168,055	100.00

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2016 (unaudited)***By Geography (Summary)**

	Percentage of total net assets attributable to unitholders at 31 December 2016 %	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Investment Fund		
Luxembourg	29.38	29.59
Singapore	70.81	69.63
Total Quoted Investment Fund	100.19	99.22
Portfolio of investments	100.19	99.22
Other net (liabilities)/assets	(0.19)	0.78
Net assets attributable to unitholders	100.00	100.00

By Industry (Secondary)

	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Debt Fund	12,864,774	70.81	69.63
Equity Fund	5,338,440	29.38	29.59
Portfolio of investments	18,203,214	100.19	99.22
Other net (liabilities)/assets	(35,159)	(0.19)	0.78
Net assets attributable to unitholders	18,168,055	100.00	100.00

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***REPORT TO UNITHOLDERS***For the financial period from 01 July 2016 to 31 December 2016 (unaudited)*

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 11 to 12.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings**Largest holdings at 31 December 2016**

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Nikko AM Shenton Asia Bond Fund	12,864,774	70.81
Nikko AM Global Umbrella Fund - Nikko AM Asia-Pacific ex-Japan Fund	5,338,440	29.38

Largest holdings at 31 December 2015

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Nikko AM Shenton Asia Bond Fund	15,628,578	71.61
Nikko AM Global Umbrella Fund - Nikko AM Asia-Pacific ex-Japan Fund	6,299,186	28.86

4. Exposure to financial derivatives

Nil.

5. Global exposure to financial derivatives

Nil.

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT TO UNITHOLDERS

For the financial period from 01 July 2016 to 31 December 2016 (unaudited)

8. Investment in unit trusts, mutual funds and collective investment schemes

Please refer to the Statement of Portfolio on pages 11 to 12.

9. Borrowings

Nil.

10. Amount of units created and cancelled for the financial period ended 31 December 2016

	S\$
Units created	225,235
Units cancelled	(1,802,680)

11. Turnover ratio

		31 December 2016	31 December 2015
Lower of total value of purchases or sales ¹	S\$	1,510,739	1,614,456
Average daily net asset value	S\$	19,499,147	22,847,803
Total turnover ratio ^{Note}	%	7.75	7.07

Note: The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value. In line with Statement of Recommended Accounting Practice 7 "Reporting framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in June 2012, total value of purchases or sales for the current year do not include brokerage and other transaction costs.

¹ There was no purchase during the financial period ended 31 December 2016 and 31 December 2015. Therefore, the total value of sales are used in the calculation of portfolio turnover ratios.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT TO UNITHOLDERS

For the financial period from 01 July 2016 to 31 December 2016 (unaudited)

12. Expense ratio

		31 December 2016	31 December 2015
Total operating expenses	S\$	158,311	180,149
Average daily net asset value	S\$	20,090,217	23,269,428
Total expense ratio^{Note} (including Underlying Fund's expense ratio)	%	1.77	1.77
Weighted average of the underlying fund's unaudited expense ratio	%	0.98	1.00

^{Note:} The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses divided by the average net asset value for the year. 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.

13. Related party transactions

The Manager of the Fund is Nikko Asset Management Asia Limited, a subsidiary of Nikko Asset Management International Limited. The Trustee of the Fund is BNP Paribas Trust Services Singapore Limited (the "Trustee").

Management fee is payable to the Manager. Registrar fee and trustee fee are payable to the Trustee. Custody fee and valuation fee are payable to a related company of the Trustee, BNP Paribas Securities Services Singapore Branch.

In addition to related party information shown elsewhere in the financial statements (including the statement of portfolio), the following significant transactions took place during the financial period between the Fund and a related party at terms agreed between the parties and within the provisions of the Deeds:

	31 December 2016	30 June 2016
	S\$	S\$
Bank balances held with related party of the Trustee	397,587	517,557

14. Any other material information that will adversely impact the valuation of the fund

Nil.

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***REPORT TO UNITHOLDERS***For the financial period from 01 July 2016 to 31 December 2016 (unaudited)*

The details which follow make reference to the investments within the Nikko AM Shenton Asia Bond Fund, unless stated otherwise.

1. Top 10 Holdings**10 Largest holdings as at 31 December 2016**

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Korea Treasury Bond 1.815% due 10/06/2026	5,297,148	7.33
Nikko AM China Onshore Bond Fund	4,383,851	6.07
Korea Treasury Bond 3.5% due 10/03/2024	3,953,564	5.47
Thailand Government Bond 2.125% due 17/12/2026	2,697,426	3.73
Indonesia Treasury Bond 9% due 15/03/2029	2,615,671	3.62
India Government Bond 8.24% due 15/02/2027	2,330,920	3.23
Power Finance Corporation Limited 8.39% due 19/04/2025	2,248,495	3.11
Malaysia Government Investment Issue 4.07% due 30/09/2026	2,199,078	3.04
Hong Kong Government Bond 0.97% due 20/06/2022	2,166,756	3.00
HDFC Bank Limited 7.95% due 21/09/2026	2,161,203	2.99

10 Largest holdings as at 31 December 2015

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Nikko AM China Onshore Bond Fund	4,501,617	6.03
Hong Kong Government Bond 2.39% due 20/08/2025	4,046,176	5.42
Korea Treasury Bond 3.25% due 10/09/2018	3,782,311	5.07
Indonesia Treasury Bond 8.25% due 15/05/2036	3,091,206	4.14
Korea Treasury Bond 3.5% due 10/03/2024	2,690,954	3.60
Philippine Government Bond 3.625% due 09/09/2025	2,466,205	3.30
Indonesia Treasury Bond 8.25% due 15/06/2032	2,381,377	3.19
Food Corporation of India 9.95% due 07/03/2022	2,310,856	3.10
Thailand Government Bond 3.85% due 12/12/2025	2,202,846	2.95
India Government Bond 8.24% due 15/02/2027	2,172,139	2.91

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT TO UNITHOLDERS

For the financial period from 01 July 2016 to 31 December 2016 (unaudited)

2. Financial Ratios

	31 December 2016 %	31 December 2015 %
Expense Ratio ^(a)	0.98	0.99
Turnover Ratio ^(b)	87.60	113.09

(a) The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses divided by the average net asset value for the year. 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.

(b) The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value. In line with Statement of Recommended Accounting Practice 7 "Reporting framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in June 2012, total value of purchases or sales for the current year do not include brokerage and other transaction costs.

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Intermediaries Hotline: 1800 535 8025 / 65 6535 8025
Website: www.nikkoam.com.sg

Company registration number 198202562H

ANNUAL REPORT

For the financial year ended 30 June 2016

POSB InvestSteady Fund

MANAGERS

Nikko Asset Management Asia Limited
12 Marina View, #18-02, Asia Square Tower 2,
Singapore 018961
Company Registration No. 198202562H

DIRECTORS

Lim Say Boon
Lim Soon Chong
Andrew Ross Long
Seet Oon Hui Eleanor
David Jonathan Semaya
Yu-Ming Wang

TRUSTEE & REGISTRAR

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CUSTODIAN

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Singapore 049319

This report is also available on our website (www.nikkoam.com.sg)

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	Since Inception
Benchmark ¹	0.68	0.48	-0.10	4.16	3.83	3.53
POSB InvestSteady Fund	0.51	-1.63	-3.43	2.98	1.58	0.22

Source: © 2016 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 30 June 2016. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	Since Inception
Benchmark ¹	0.68	0.48	-0.10	4.16	3.83	3.53
POSB InvestSteady Fund	-4.51	-6.54	-8.26	1.23	0.54	-0.32

Source: © 2016 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 30 June 2016. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Inception date: 7 December 2006

Note:

(1) Prior to 2 July 2012, the Benchmark was the 3-month Singapore Interbank Offered Rate + 2% p.a. With effect from 2 July 2012, the Benchmark was changed to a composite benchmark made up of 70% HSBC Asian Local Bond (ALBI) Index and 30% MSCI AC Asia Pacific ex Japan Index (Net Total Return). With effect from 20 April 2016, the calculation and publication of the HSBC Asian Local Bond Index (ALBI) has ceased and the composite benchmark was replaced with 70% Markit iBoxx Asian Local Bond (ALBI) Index and 30% MSCI AC Asia Pacific ex Japan Index (Net Total Return).

Portfolio Review

Fund returned -3.43% over the review period

For the twelve months ended 30 June 2016, the POSB InvestSteady Fund (the "Fund") returned -3.43% (SGD terms, on NAV-NAV basis), underperforming the benchmark which returned -0.10% over the same period.

Asia ex-Japan markets experienced a roller-coaster ride over the review period. It was an eventful twelve months, with Asia contributing its fair share to the volatility, further compounded by the macro events which took place elsewhere globally. Over the review period, it was a period of two halves with first half performance contributing the lion share to the relative underperformance. Meanwhile, Asian currencies depreciated markedly against the US dollar led by the weakening of Chinese Yuan (CNY), triggered by the surprise announcement by the People Bank of China (PBoC) on 11th August on the change of its methodology in setting the daily USD/CNY FX spot fixing which resulted in the weakening of its currency.

Asian government bonds ended the period higher, with Indonesian and Indian bonds notably outperforming, following interest rate cuts by the countries' monetary authorities. Meanwhile, most Asian currencies depreciated against the USD in the period, with the underperformance of the Malaysian Ringgit driven mainly by falling commodity prices.

Market Review

Asian Equities

Roller-coaster ride for Asia ex Japan Markets over the review period

Asian equity markets experienced a roller-coaster ride over the review period. It was an eventful twelve months, with Asia contributing its fair share to the volatility, further compounded by the macro events which took place elsewhere globally. Over the review period, it was a period of two halves with first half performance contributing the lion share to the relative underperformance. Commodities and oil prices tumbled and hit fresh lows in January this year, a level not witnessed since 2003 due to the double whammy of tepid demand and oversupply, before bouncing strongly in recent months, albeit at current level it is still a distance away from its highs. Meanwhile, Asian currencies depreciated markedly against the US dollar led by the weakening of CNY, triggered by the surprise announcement by the People Bank of China (PBoC) on 11th August on the change of its methodology in setting the daily USD/CNY FX spot fixing which resulted in the weakening of its currency. Other major global events which happened over the review period included the first interest rate lift-off by the US Federal Reserves (Fed) on 16 December 2015 the adoption of the negative interest rate policy by the Bank of Japan (BoJ) in January this year and last but not least, Britain's decision to leave the Eurozone on 23 June this year.

Indonesia and Philippines were top performers

Indonesian equities began the review period on a weak note due to deteriorating terms of trade as Indonesia is a net commodity exporter given the backdrop of the market rout in commodities and oil. Valuations hit the bottom as of end September 2015, down 12.4% in SGD terms, in the month alone, before making a sharp V-shape recovery for the rest of the review. The sharp recovery in Indonesia equities could largely be attributed to the multiple domestic stimulus packages and large balance-of-payment adjustments. The passage of the tax amnesty law and interest rate cut in June 2016 provided further fillip. Philippines walked a similar path as it experienced a V-shape recovery as it emerged from the election uncertainty earlier after the country moved forward post the May election on the back of an optimistic outlook for the newly inaugurated Duterte administration with high hopes set on his ability to execute, particularly on infrastructure.

ASEAN strengthened in the latter half

ASEAN markets, shrugged off the veil of pessimism which plagued the region due to unstable political landscapes, poor or deteriorating terms of trade and political inaction, strengthened in the second half of the review period, to turn in a positive return due to strong performance from Indonesia and Philippines. Sentiment in Malaysia, notwithstanding the ongoing 1MDB inquiry, stabilized over the review period. The ruling alliance Barisan Nasional's two by-election wins prompted market speculation of earlier elections. Thai equities experienced an annus horribilis in 2015, as one of the worst performing countries on heightened competition within the Telecommunications space and a deteriorating banking sector which saw slowing growth and rising credit costs. The underperformance moderated towards the end of the review period as the military government's series of stimulus measures began to bear fruit and led to an improvement of the balance-of-payment. Singapore was the second worst performing country over the review period, dragged lower by concerns in the oil and gas industry which adversely affected the quality of the heavyweight banks loan books. ASEAN currencies, with the exception of the Indonesian Rupiah, depreciated relative to the US dollar, compounding the weak local equity prices albeit a moderation of the weakness was seen in the second half of the review period.

India remained fairly resilient

India offers the best structural growth profile in Asia over the medium term. Notwithstanding that, Indian equities gyrated alongside its peers and bottomed in February as the Reserve Bank of India (RBI) clamped down on outstanding bad debts in the system forcing banks to recognize losses which led to widespread selling of financial and cyclical stocks. Subsequently, market sentiment was boosted by RBI's continued pursuit of its monetary easing policy, a number of positive earnings surprises and Bharatiya Janata Party's (BJP) wins in 5 key state elections which strengthened the ruling party's position in the upper house, benefitting the government's continued liberalization efforts. RBI Governor Dr. Raghuram Rajan had indicated he will not continue for a second term and will return to academia when his term ends on September 4. Whilst his steady hand at the helm of RBI will be missed, the groundwork laid in terms of monetary policy framework should ensure continued stability.

Korea and Taiwan a mixed bag

Korea has been a market with wide divergence in valuations across quality growth versus deep cyclical stocks and the outperformance of the former had wavered coming into the year. Currency valuation played a significant role in the performance of the benchmark-heavy export sectors such as technology, industrials and autos. Taiwan had elected their first female president in January this year and investors' concerns on the cross-strait ties with China were allayed by her constructive inaugural speech. The benchmark-heavy technology came under selling pressure during the first half of the year on slowing growth at major technology companies and rising competition emanating from China.

China was the weakest link; Hong Kong a performance laggard

Chinese markets began the review period on a weak note with the unfolding of a liquidity crunch in domestic securities markets which persisted and was further compounded by a resurgence of the growth concerns, ill-timed policy measures and fears of a weakening CNY. The majority of the underperformance was due to the precipitous fall which began in April as China's attempt to transition to a consumption-led economy was fraught with pitfalls with no abatement of the growth concerns. The gloom from China had also cast a shadow on Hong Kong equities as it came under selling pressure on several headwinds, particularly across the financial sector where asset quality issues and currency concerns remained elevated.

A volatile ride in Australia

Australian equities were subjected to a spike in volatility as the commodity companies, which are a benchmark heavyweight sector, gyrated in lock-step with the underlying weak commodities and oil prices which was further compounded by the slowing Chinese economy. The weakness in commodities and oil prices continued to weigh on AUD over the review period. Notwithstanding, with Australia's "two-speed" economy, the overall market held up relatively well in local currency terms over the review period, despite the heightened volatility felt in Asian markets and elsewhere, with support from the more defensive sectors, offshore earners, non-commodity exporters, tourism and specific insurers.

Asian Bonds

US Treasuries (USTs) registered gains in the year

The UST curve flattened in the 12 months ended 30 June 2016. Short-term USTs underperformed long duration bonds, on expectations that the US Federal Reserve (Fed) is unlikely to further raise interest rates, and US inflation will be anchored at relatively low levels. During the first half of the period, the uncertainty with regards to the timing of the first rate hike by the Fed permeated investor concerns. The collapse of global commodity prices caused in part by lower expected demand from China, and fears of

competitive devaluation in local emerging market currencies after China unexpectedly weakened the value of the renminbi (RMB) against the USD in August 2015 also caused volatility across asset classes. The Fed raised the US Fed Funds rate by 25 basis points (bps) at its last meeting for 2015, and signalled to the market that the pace of rate hikes going forward will be gradual. As expectations increased that global interest rates would be kept lower for longer – with the view strengthened in part by the Bank of Japan’s adoption of negative interest rates and the European Central Bank’s decision to lower its main interest rates - USTs staged a marked rally in the second half of the period. On 24 June, when the results of the BREXIT referendum became known, 10-year UST yields dropped to an intra-day low of 1.40%. 2-year and 10-year UST yields ended the period at 0.58% and 1.47%, respectively, about 6 and 88 bps lower compared to end-June 2015 levels.

Asian government bonds ended higher; regional currencies ended weaker against the USD

Asian government bonds ended higher, following the general direction of USTs. Indonesian bonds outperformed, as a confluence of positive factors ranging from a constructive inflation outlook, monetary easing by Bank Indonesia, as well as the approval of the tax amnesty program, supported positive sentiment towards the space. On currencies, the US Dollar enjoyed broad-based strength against regional currencies. Marked weakness in the Malaysian Ringgit was prompted by market anxiety over falling commodity prices and increased negative political headlines surrounding state-owned investment firm 1Malaysia Development Bhd (1MDB).

Central banks in the region loosened monetary policies

Central banks in the region eased monetary conditions in the period. The Monetary Authority of Singapore (MAS) tempered the Singapore Dollar’s pace of appreciation in October 2015, following its “softened” outlook for the global economy. Six months later, it removed the appreciation bias for the Singapore dollar nominal effective exchange rate (SGDNEER), a move driven by its expectation of a more modest pace of economic growth as well as a milder pick-up in core inflation. In Indonesia, the central bank eased its policy rate by a total of 100bps, and lowered banks’ reserve requirement ratio (RRR). On top of this, it announced macro-prudential easing measures that took effect from August 2016. The slowing economic momentum in China similarly prompted the country’s central bank to lower interest rates and banks’ RRR. Meanwhile, as downside risks to external growth persisted, monetary authorities in Malaysia, Korea and India also eased their respective policy rates in the period.

RMB to join International Monetary Fund’s (IMF) Special Drawing Rights (SDR) basket

The IMF announced that the Chinese Yuan will be included in the SDR basket, and be given a weighting of 10.92% in a revised basket that will come into effect on 1 October 2016. Following the announcement, the People’s Bank of China (PBoC) assured that China will continue its reforms and open up its financial markets to consolidate the RMB’s role in the SDR basket.

PBoC announced change in pricing mechanism for CNY fixing; China Foreign Exchange Trade System (CFETS) released the RMB FX Index

In August 2015, the PBoC announced a change in its manner of setting the CNY fixing midpoint, which effectively weakened the currency against the USD. This resulted in a wild gyrations of both the CNY and CNH, which only stabilised after repeated intervention by the Chinese central bank. Towards the end of 2015, the PBoC moved another step closer towards establishing a more market-determined regime for its currency. The China Foreign Exchange Trade System (CFETS) unveiled a CNY trade-weighted index in December 2015, with the objective of redirecting the focus away from the RMB’s move against the USD, to its performance against a basket of currencies. The basket comprises 13 currencies of China’s major trading partners.

Philippines held peaceful elections; South Korea's ruling partly suffered a political defeat

Filipinos headed to the polls on 9 May 2016 to elect, among others, a new president. Rodrigo Duterte, mayor of the southern Philippine city of Davao, emerged as the clear winner with a strong mandate. He was inaugurated as the Philippines' president on 30 June 2016, for a six-year term. Meanwhile, South Korea's conservative Saenuri Party failed to win the expected majority in the latest parliamentary elections, as it secured only 122 seats out of 300.

Indonesian parliament approved the tax amnesty bill

In June 2016, Indonesia's parliament voted in favour of the tax amnesty bill. The central bank estimates that this tax plan will lead to about IDR 560trillions of funds being repatriated back to Indonesia, generating about IDR 53trillions of revenue for the government.

Market Outlook

Asian Equities

Asia Pacific ex-Japan markets should outperform global emerging market peers, led by India

We continue to see good value in Asia Pacific ex-Japan equities for long-term investors. We continue to advocate that Asia is ultimately a net beneficiary of lower-for-longer commodity prices and offers significant growth opportunities led by infrastructure development, albeit contingent on positive government action. India remains our biggest overweight stance as we believe it offers the best structural growth profile in Asia over the medium term. Victories by the BJP in recent state elections have bolstered its position in the Upper house, and should lead to a more productive legislative environment. While Rajan's steady hand at the helm of the RBI will be missed, the groundwork laid in terms of the monetary policy framework should ensure continued stability on this front. We continue to favour domestic demand oriented consumer, healthcare and private banks within the country.

Remain selective in China; favour Thailand, Indonesian and Philippines equities but mindful of valuations

China's attempt to transition to a consumption led economy has been fraught with pitfalls. Resorting to long-favoured fixed asset investment to maintain economic growth has led to financial leverage rising from already alarming levels. We note moves by regulators to further tighten up the wealth management space, something that is long overdue. We continue to favour stocks in "new economy" sectors of healthcare, environment and internet.

The majority of ASEAN markets have performed well coming into the year, rebounding from heavily oversold levels as fears over US rate hikes have subsided and domestic stimulus efforts have supported activity. We continue to favour Thailand, Indonesian and Philippine equities but are cognizant that some stock prices have increased significantly ahead of earnings and this has implications for our stock selection. The Philippines economy continues to witness strong growth and we see good credit availability driving investment and earnings, hence we have continued to add to our positions there. We continue to avoid Malaysian equities.

Two-speed economy a major theme for Australia

Looking forward, the transitioning of Australia's "two-speed economy" will continue to be a major theme for the market. Resurgent commodity prices will provide much the needed headroom to facilitate this transition. We will continue to focus on companies that will benefit from this transition while maintaining our underweight position at the country level.

Asian Bonds

Overweight India, Indonesia and Malaysia bonds

We expect the impact of Britain's exit from the EU on Asia's economic activity to be relatively muted, as the latter has comparatively low trade links with the UK. Another Brexit implication is a prolonged period of slow global economic growth, which prompts us to expect the US Federal Reserve to leave interest rates lower for longer, while other monetary authorities may gravitate towards further rate cuts to spur domestic economic growth.

We believe that the global search for yield will sustain demand for Indian, Indonesian and Malaysian government bonds, as they offer relatively higher yields compared to regional peers. Central banks in Indonesia and Malaysia have kept doors open for further monetary easing should there be need to spur domestic growth, encouraging us to hold an overweight view on the bonds. In India, the passage of the GST bill, coupled with expectations that the incoming Reserve Bank of India Governor is likely to be dovish on inflation, should be positive for bonds.

Overweight IDR and INR; Underweight KRW and SGD

We continued to prefer currencies such as IDR, INR and PHP where their countries enjoy resilient domestic demand, insulating them from the weak external environment. We expect growth in these domestic driven economies to outperform countries that are heavily reliant on exports such as Korea and Singapore. As such, we prefer to underweight SGD and KRW given that their countries will likely be more vulnerable to the weak global environment.

IMPORTANT INFORMATION

The Fund may use or invest in financial derivatives. Where the Fund feeds into the underlying funds which use or invest in financial derivatives, there is a possibility that the Fund's NAV may be subject to volatility due to usage or investment in financial derivatives.

This document is for information only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. Any securities mentioned herein are for illustration purposes only and should not be construed as a recommendation for investment. You should seek advice from a financial adviser before making any investment. In the event that you choose not to do so, you should consider whether the investment selected is suitable for you. Investments in unit trusts are not deposits in, obligations of, or guaranteed or insured by Nikko Asset Management Asia Limited ("**Nikko AM Asia**").

Past performance or any prediction, projection or forecast is not indicative of future performance. The funds may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the funds are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus and product highlights sheet obtainable from appointed distributors of Nikko AM Asia or our website (www.nikkoam.com.sg) before investing.

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For Hong Kong Investors

The Fund is only offered professional investors and is not authorized by the Securities and Futures Commission in Hong Kong. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents, you should obtain independent professional advice.

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

The Managers will only appoint soft dollar brokers onto their broker panel after they have ensured that:

- a) full disclosure of the practice of accepting soft dollars is made;
- b) the commission rates charged are comparable with the market rates;
- c) there is no conflict of interest;
- d) the soft dollar credits are used only for clearly defined services;
- e) at all times trades are executed through the respective brokers only on the basis of best execution regardless whether soft dollar benefits will accrue. Best execution shall include competitive prices with smooth execution ability; and
- f) relevant regulations and guidelines are complied with.

The procedures for the appointment of the brokers shall be no different from that of normal full service brokers.

Execution and allocation

If the Trustee objects to the use of the soft dollar brokers, the trades of the POSB InvestSteady Fund (the "Fund") shall be segregated from the rest of the trades that are executed through the relevant soft dollar broker(s). The Managers will execute trades for such accounts only with authorised full service brokers.

It is the responsibility of the Managers to ensure that the allocation quotas are adhered to. In addition, the Managers will monitor the execution ability of the soft dollar brokers and assign the business strictly on a "best execution" basis.

Subject to the provisions of the Code*, in its management of the Fund and the Nikko AM Shenton Asia Bond Fund ("SABF"), the Managers may receive soft dollar commissions from, or may enter into soft dollar arrangements with, stockbrokers who execute trades on behalf of the Fund or the SABF and the soft dollars received would be restricted to the following kinds of services:

- a) specific advice as to the advisability of dealing in, or of the value of any investments;
- b) research and advisory services;
- c) economic and political analysis;
- d) portfolio analysis including valuation and portfolio measurements;
- e) market analysis;
- f) data and quotation services;
- g) computer hardware or software that are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis; and
- h) custodial services in relation to the investments managed for clients.

The following are, however, prohibited:

- a) travel, accommodation and entertainment expenses;
- b) general administrative goods and services including office equipment and premises;
- c) membership fees;
- d) employee salaries;
- e) direct money payments / rebates.

The Managers will retain the records of the payments made using soft dollar commissions.

The Managers of the POSB InvestSteady Fund (the "Fund") will not accept or enter into soft-dollar commissions / arrangements unless:

- such soft-dollar commissions / arrangements would in the opinion of the Managers, assist the Managers in their management of the Fund;
- the Managers shall ensure at all times that best execution is carried out for the transactions; and
- no unnecessary trades are entered into in order to qualify for such soft-dollar commissions / arrangements.

Nikko Asset Management Luxembourg S.A. ("NAM Luxembourg") currently does not receive any soft-dollar commission from, or enter into any soft dollar arrangements with, stockbrokers who execute trades on behalf of the Nikko AM Asia-Pacific ex-Japan Fund ("NAPF").

*The "Code" means the Code on Collective Investment Schemes issued by the Authority pursuant to the Securities and Futures Act, as may be amended, modified, or supplemented from time to time by the Authority.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT OF THE TRUSTEE

For the financial year ended 30 June 2016

The Trustee is under a duty to take into custody and hold the assets of POSB InvestSteady Fund (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), 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 year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 13 to 29, 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
BNP Paribas Trust Services Singapore Limited

Authorised signatory

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT BY THE MANAGER

For the financial year ended 30 June 2016

In the opinion of the directors of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 13 to 29, 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 of POSB InvestSteady Fund (the "Fund") as at 30 June 2016, and the total deficit and changes in unitholders' funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager
Nikko Asset Management Asia Limited

Authorised signatory

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

We have audited the accompanying financial statements of POSB InvestSteady Fund (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 June 2016, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 29.

Manager's Responsibility for the Financial Statements

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2016 and the total deficit for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 30 June 2016*

	Note	2016 S\$	2015 S\$
Income			
Dividends		532,901	553,385
		<u>532,901</u>	<u>553,385</u>
Less: Expenses			
Management fee		273,161	296,612
Management fee rebate		(168,666)	(183,694)
Registrar fee		5,622	5,758
Trustee fee		10,926	11,859
Custody fee		2,259	2,369
Audit fee		12,705	12,094
Valuation fee		10,183	10,770
Transaction costs		7,035	7,493
Other expenses		16,989	19,078
		<u>170,214</u>	<u>182,339</u>
Net income		<u>362,687</u>	<u>371,046</u>
Net gains or losses on value of investments			
Net (losses)/gains on investments		(1,184,305)	1,463,039
Net foreign exchange gains		1,968	9,274
		<u>(1,182,337)</u>	<u>1,472,313</u>
Total (deficit)/return for the financial year before income tax		<u>(819,650)</u>	<u>1,843,359</u>
Add: Income tax credit	3	1,714	-
Total (deficit)/return for the financial year after income tax		<u>(817,936)</u>	<u>1,843,359</u>

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

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 S\$	2015 S\$
ASSETS			
Portfolio of investments		19,279,636	24,151,174
Cash and bank balances		517,557	516,696
Total assets		19,797,193	24,667,870
LIABILITIES			
Payables	4	88,516	268,625
Distribution payable		277,016	322,020
Total liabilities		365,532	590,645
EQUITY			
Net assets attributable to unitholders	5	19,431,661	24,077,225

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

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 30 June 2016*

	Note	2016 S\$	2015 S\$
Net assets attributable to unitholders at the beginning of the financial year		24,077,225	24,500,634
Operations			
Change in net assets attributable to unitholders resulting from operations		(817,936)	1,843,359
Unitholders' contributions/(withdrawals)			
Creation of units		488,857	5,336,543
Cancellation of units		(3,738,139)	(6,972,605)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(3,249,282)	(1,636,062)
Distributions	6	(578,346)	(630,706)
Total decrease in net assets attributable to unitholders		(4,645,564)	(423,409)
Net assets attributable to unitholders at the end of the financial year	5	19,431,661	24,077,225

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

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016***By Geography (Primary)**

	Holdings at 30 June 2016	Fair value at 30 June 2016 S\$	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Investment Fund			
LUXEMBOURG			
Nikko AM Global Umbrella Fund - Nikko AM Asia-Pacific ex-Japan Fund	120,514	5,750,071	29.59
Total LUXEMBOURG		5,750,071	29.59
SINGAPORE			
Nikko AM Shenton Asia Bond Fund	14,916,830	13,529,565	69.63
Total SINGAPORE		13,529,565	69.63
Total Quoted Investment Fund		19,279,636	99.22
Portfolio of investments		19,279,636	99.22
Other net assets		152,025	0.78
Net assets attributable to unitholders		19,431,661	100.00

By Geography (Summary)

	Percentage of total net assets attributable to unitholders at 30 June 2016 %	Percentage of total net assets attributable to unitholders at 30 June 2015 %
Quoted Investment Fund		
Luxembourg	29.59	29.18
Singapore	69.63	71.13
Total Quoted Investment Fund	99.22	100.31
Portfolio of investments	99.22	100.31
Other net assets/liabilities	0.78	(0.31)
Net assets attributable to unitholders	100.00	100.00

By Industry (Secondary)

	Fair value at 30 June 2016 S\$	Percentage of total net assets attributable to unitholders at 30 June 2016 %	Percentage of total net assets attributable to unitholders at 30 June, 2015 %
Debt Fund	13,529,565	69.63	71.13
Equity Fund	5,750,071	29.59	29.18
Portfolio of investments	19,279,636	99.22	100.31
Other net assets/liabilities	152,025	0.78	(0.31)
Net assets attributable to unitholders	19,431,661	100.00	100.00

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

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

POSB InvestSteady Fund (the "Fund") is a Singapore domiciled fund, constituted as a sub-fund of the Nikko AM Asia Investment Funds, pursuant to the Trust Deed dated 8 March 2000 as amended by Supplemental Deeds and Amended and Restated Deeds (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Manager of the Fund is Nikko Asset Management Asia Limited (the "Manager").

As of 30 June 2016, Nikko AM Asia Investment Funds comprise seven separate and distinct sub-funds, namely Nikko AM Shenton Asia Dividend Equity Fund, Nikko AM Shenton Global Property Securities Fund, Nikko AM Shenton Asia Bond Fund, POSB InvestSteady Fund, MyHome Fund – HomeSteady, MyHome Fund – HomeBalanced and MyHome Fund – HomeGrowth.

Only the financial statements of POSB InvestSteady Fund are presented in this report.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

(b) Recognition of income

Dividend income from investments is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

(c) Distributions

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid on the distribution date. The amount shall not be treated as part of the property of the Fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal constructive obligation has been created.

(d) Investments

Investments are classified as financial assets at fair value through profit or loss.

(i) *Initial recognition*

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net changes in fair value on investments are included in the Statement of Total Return in the year in which they arise.

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statement of Total Return.

(e) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for investments held by the Fund is last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value. The fair value of investments held in underlying funds is the quoted net asset value of the underlying fund as determined by the underlying fund's administrator.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

(f) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

(g) Foreign currency translation

(i) Functional and presentation currency

The Fund qualifies as an authorised scheme under the Securities and Futures Act ("SFA") of Singapore and is offered to retail investors in Singapore. The Fund's activities are substantially based in Singapore, with subscriptions and redemptions of the units of the Fund denominated in Singapore dollars ("S\$").

The performance of the Fund is measured and reported to the investors in Singapore dollars. The Manager considers the Singapore Dollar as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are expressed in Singapore dollars, which is the Fund's functional and presentation currency.

(ii) Transactions and balances

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the date of the Statement of Financial Position. The net unrealised gain or loss is taken to the Statement of Total Return. Transactions during the year are recorded in Singapore dollars at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

3. Income Tax

The Fund was granted the status of a Designated Unit Trust (DUT) by the Inland Revenue Authority of Singapore. Under the DUT Scheme, subject to certain conditions and reporting obligations being met, certain income of the DUT fund is not taxable in accordance to section 35(12) and (12A) of the Income Tax Act. Such income includes:

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under Section 45 of the Income Tax Act);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions, transactions in future contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index;
- (e) discount prepayment fee, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (f) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

Income tax for the financial year ended 30 June 2016 and 2015 comprises:

	2016	2015
	S\$	S\$
Overprovision of income tax in prior years	1,714	-

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

4. Payables

	2016 S\$	2015 S\$
Payable to unitholders for cancellation of units	39,899	-
Amount due to the Manager	28,789	34,716
Valuation fee payable	2,667	2,948
Trustee fee payable	2,714	3,275
Registrar fee payable	1,200	1,200
Custody fee payable	406	716
Provision for audit fees	12,841	12,088
Income tax payable	-	213,682
	88,516	268,625

Management fee is payable to Nikko Asset Management Asia Limited. Trustee fee and registrar fee are payable to BNP Paribas Trust Services Singapore Limited. Valuation fee and custody fee are payable to BNP Paribas Securities Services Singapore Branch.

5. Units in issue

During the year ended 30 June 2016 and 30 June 2015, the numbers of units issued, redeemed and outstanding were as follows:

	2016	2015
Units at beginning of the financial year	29,274,548	31,477,916
Units created	611,849	6,236,532
Units cancelled	(4,703,136)	(8,439,900)
Units at end of the financial year	25,183,261	29,274,548

As described in Note 2, in preparing the Statement of Movements of Unitholders' funds at 30 June 2016 and 2015, the Fund's distributions should be accrued for at the point in time when the necessary approval have been obtained and legal constructive obligation has been created. The difference in recognising distributions as prescribed in Note 2 and the methodology indicated in the Fund's regulations, results in a change in the net asset value of S\$277,016 (2015: S\$322,020) for the purpose of calculating the net asset value per unit for processing subscriptions and redemptions in the Fund.

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2016***5. Units in issue (continued)**

	2016	2015
Net assets attributable to unitholders - S\$	19,431,661	24,077,225
Net asset value per unit - S\$	0.772	0.822

A reconciliation of the net asset as reported in the Statement of Financial Position to the net asset value as determined for the purpose of processing unit subscription and redemption is provided below:

	2016 S\$	2015 S\$
Net assets attributable to unitholders as per financial statements per unit	0.772	0.822
Effect of distribution per unit	0.011	0.011
Net assets attributable to unitholders for issuing/redeeming per unit	0.783	0.833

6. Distributions

	2016 S\$	2015 S\$
Final distribution of S\$1.10 per 100 units in respect of the financial year ended 30 June 2016	277,016	-
Interim distribution of S\$1.10 per 100 units in respect of the financial year ended 30 June 2016	301,330	-
Final distribution of S\$1.10 per 100 units in respect of the financial year ended 30 June 2015	-	322,020
Interim distribution of S\$1.10 per 100 units in respect of the financial year ended 30 June 2015	-	308,686
	578,346	630,706

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management

The Fund's activities expose it to a variety of risk, including but not limited to market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk. The Manager is responsible for the implementation of the overall risk management programme, which seeks to minimise potential adverse effects on the Fund's financial performance. Specific guidelines on exposures to individual securities and certain industries and/or countries are in place as part of the overall financial risk management to reduce the Fund's exposures to these risks.

The Fund's objective is to achieve medium to long term capital appreciation by investing its assets into the Nikko AM Asia-Pacific Ex Japan Fund, a sub-fund of Nikko AM Global Umbrella Trust and Nikko AM Shenton Asia Bond Fund (collectively the "underlying funds"). The underlying funds invest primarily in Asia Pacific equities and transferrable debt securities issued by issuers based in the Asia Pacific region respectively.

These financial instruments are held in accordance with the published investment policies of the Fund and managed accordingly to achieve the investment objectives.

(a) Market risk - Price risk

Price risk is the risk that arises from uncertainties about future prices of financial instruments.

The Fund's investment is substantially dependent on the changes of market prices. The Fund's overall market positions are monitored regularly so as to assess any deviations from the Fund's investment objective. However, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the net asset value of the Fund.

As the Fund invests in underlying funds which in turn invest in both equities and fixed income securities, the Manager is of the view that the price risk the Fund is best reflected by movements in its composite benchmark which is made up of 70% HSBC Asian Local Bond Index (ALBI) and 30% MSCI AC Daily TR Net Asia-Pacific ex-Japan Index ("the Index").

As at 30 June 2016 an increase/decrease of Index components within the 30% MSCI AC Daily TR Net Asia Pacific ex-Japan Index and 70% ALBI by 7% (2015: 10%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 7% (2015: 10%). The analysis was based on the assumptions that the Index components within the benchmark increase/decrease by a reasonable possible shift, with all other variables held constant and the fair value of Fund's investments moved according to the beta. Reasonable possible changes in market are revised annually depending on management's current view on market volatility and other relevant factors.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management (continued)

(b) Market risk - 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 (fair value risk).

The Manager will regularly assess the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of the interest rate risk. The Fund's overall market positions are monitored frequently and are reviewed formally on a quarterly basis by the manager.

As at 30 June 2016 and 2015, except for cash and bank balances with maturity period of less than 3 months, all other assets and liabilities are non-interest bearing. Changes in interest rate may also have an impact on the value of investment portfolios that consist of fixed income components within the underlying funds. The impact of a change in interest rates on the net assets attributable to unitholders is analysed in Note 7(a), where such a change has an impact on the benchmarked bond indices used in the price risk sensitivity analysis. Hence, no separate interest rate risk sensitivity analysis is presented.

(c) Market risk - Currency risk

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates.

To minimise currency risk, the Fund mainly holds its excess cash in its functional currency. For hedging purposes, the Fund may also enter into forward foreign exchange contracts.

The tables below summarise the Fund's exposure to currency risk.

As at 30 June 2016	SGD S\$	USD S\$	Total S\$
Assets			
Portfolio of investments	13,529,565	5,750,071	19,279,636
Cash and bank balances	515,220	2,337	517,557
Total assets	14,044,785	5,752,408	19,797,193
Liabilities			
Payables	88,516	-	88,516
Distribution payable	277,016	-	277,016
Total liabilities	365,532	-	365,532
Net currency exposure	13,679,253	5,752,408	

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management (continued)**(c) Market risk - Currency risk (continued)**

As at 30 June 2015	SGD S\$	USD S\$	Total S\$
Assets			
Portfolio of investments	17,125,415	7,025,759	24,151,174
Cash and bank balances	514,358	2,338	516,696
Total assets	17,639,773	7,028,097	24,667,870
Liabilities			
Payables	268,625	-	268,625
Distribution payable	322,020	-	322,020
Total liabilities	590,645	-	590,645
Net currency exposure	17,049,128	7,028,097	

Portfolio of investments, which is a significant item in the Statement of Financial Position is exposed to currency risk and other price risk. The Manager has considered the impact of currency risk sensitivity on non-monetary assets as part of the price risk sensitivity analysis.

As of 30 June 2016 and 30 June 2015, the Fund does not hold substantial monetary assets/liabilities. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

(d) Liquidity risk

Liquidity risk is the risk of loss arising from the inability of the Fund to meet its obligations as and when they fall due without incurring unacceptable cost or losses.

The Fund is exposed to daily cash redemptions from unitholders. However, in accordance with the Fund's prospectus, minimum holdings and minimum redemption size are set.

To manage the liquidity risk, a cash buffer is maintained in the Fund and monitored for minimum cash balances to prevent any extensive disposition of assets which may occur at lower prices and overdraft situations to meet trade settlements and obligations.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management (continued)

(d) Liquidity risk (continued)

The Fund's financial liabilities and net settled derivatives financial liabilities are analysed using contracted undiscounted cash flows for maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. At the financial year end, all liabilities are either payable on demand or due in less than 3 months. The impact of discounting is not significant.

	<u>Less than 3 months</u>	
	As at 30 June 2016 S\$	As at 30 June 2015 S\$
Liabilities		
Payables	88,516	268,625
Distribution payable	277,016	322,020
Contractual cash outflows	365,532	590,645

(e) Credit risk

Credit risk is the risk that a counterparty will be unable to fulfil its obligations to the Fund in part or in full as and when they fall due.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties as well as the respective credit limits are approved;
- ensuring there are controls in place to identify and assess the creditworthiness of counterparties and review such controls on a semi-annual basis; and
- ensuring that transactions are undertaken with a large number of counterparties.

All trade settlement with approved counterparties are on Delivery versus Payment and/or Receipt versus Payment basis, with the exception of initial public offerings, new issues and placement transactions.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management (continued)

(e) Credit risk (continued)

Credit risk arises from cash and bank balances and outstanding and committed transactions with brokers. The table below summarises the credit rating of bank and custodian in which the Fund's assets are held as at 30 June 2016 and 30 June 2015.

	Credit rating as at 30 June 2016	Credit rating as at 30 June 2015	Source of credit rating
Bank balance			
- BNP Paribas Securities Services Singapore Branch	A	A+	Standard & Poor's
Custodian			
- BNP Paribas Securities Services Singapore Branch	A	A+	Standard & Poor's

The credit ratings are based on Long-Term Local Issuer Ratings published by the rating agency.

The custodians of the underlying funds are Brown Brothers Harriman & Co. (for the Luxembourg domiciled Fund) and BNP Paribas Securities Services Singapore Branch (for the Singapore domiciled Fund). As at 30 June 2016, Brown Brothers Harriman & Co. is rated A+ (2015: A+) based on the Long Term Issuer Default rating by Fitch.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(f) Capital management

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

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management (continued)

(g) Fair value estimation

The 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 Fund's financial assets and liabilities (by class) measured at fair value at 30 June 2016 and 2015:

As at 30 June 2016	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted investment funds	19,279,636	-	-	19,279,636
As at 30 June 2015	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted investment funds	24,151,174	-	-	24,151,174

Investments in open-ended investment funds whose net asset value is struck daily, price information is published and readily available and units are subscribed and redeemable on demand at the published price, are classified within level 1. The Fund does not adjust the quoted prices for these instruments.

Except for cash and bank balances which are classified as level 1, the Fund's assets and liabilities not measured at fair value at 30 June 2016 and 2015 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the Statement of Financial Position date.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

8. Related party transactions

In addition to related party information shown elsewhere in the financial statements, the following significant transactions took place during the financial year between the Fund and a related party at terms agreed between the parties and within the provisions of the Deeds:

	2016 S\$	2015 S\$
Bank balances held with related party of the Trustee	<u>515,557</u>	<u>516,696</u>

9. Financial ratios

Expense ratio

		2016	2015
Total operating expenses	S\$	163,179	174,846
Average daily net asset value	S\$	21,771,637	23,743,905
Total expense ratio¹ (including underlying funds' expense ratio)	%	1.72	1.79
Weighted average of the underlying funds' unaudited expense ratio	%	<u>0.97</u>	<u>1.05</u>

Turnover ratio

		2016	2015
Lower of total value of purchases or sales	S\$	409,384	4,599,532
Average daily net asset value	S\$	21,771,637	23,743,905
Total turnover ratio²	%	<u>1.88</u>	<u>19.37</u>

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses divided by the average net asset value for the year. 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.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value. In line with Statement of Recommended Accounting Practice 7 "Reporting framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in June 2012, total value of purchases or sales for the current year do not include brokerage and other transaction costs.

POSB INVESTSTEADY FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT TO UNITHOLDERS

For the financial year ended 30 June 2016

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on page 16.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

Largest holdings at 30 June 2016

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Nikko AM Shenton Asia Bond Fund	13,529,565	69.63
Nikko AM Global Umbrella Fund - Nikko AM Asia-Pacific ex-Japan Fund	5,750,071	29.59

Largest holdings at 30 June 2015

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Nikko AM Shenton Asia Bond Fund	17,125,415	71.13
Nikko AM Global Umbrella Fund - Nikko AM Asia-Pacific ex-Japan Fund	7,025,759	29.18

4. Exposure to financial derivatives

Nil.

5. Global exposure to financial derivatives

Nil.

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

POSB INVESTSTEADY FUND

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REPORT TO UNITHOLDERS

For the financial year ended 30 June 2016

8. Investment in unit trusts, mutual funds and collective investment schemes

Please refer to the Statement of Portfolio on page 16.

9. Borrowings

Nil.

10. Amount of units created and cancelled for the financial year ended 30 June 2016

S\$

Units created	488,857
Units cancelled	(3,738,139)

11. Turnover ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 29.

12. Expense ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 29.

13. Related party transactions

Please refer to Note 8 of the Notes to the Financial Statements on page 29.

14. Any other material information that will adversely impact the valuation of the fund

Nil.

POSB INVESTSTEADY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***REPORT TO UNITHOLDERS***For the financial year ended 30 June 2016*

The details which follow make reference to the investments within the Nikko AM Shenton Asia Bond Fund, unless stated otherwise.

1. Top 10 Holdings**10 Largest holdings as at 30 June 2016**

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Indonesia Treasury Bond 8.25% due 15/05/2036	4,743,667	6.56
Nikko AM China Onshore Bond Fund	4,312,663	5.96
Malaysia Government Investment Issue 4.07% due 30/09/2026	3,374,061	4.66
Hong Kong Government Bond 1.34% due 24/06/2019	3,019,621	4.18
Hong Kong Government Bond 2.07% due 26/08/2026	2,875,909	3.98
Korea Treasury Bond 3.50% due 10/03/2024	2,695,604	3.73
Philippine Government Bond 3.625% due 09/09/2025	2,341,366	3.24
Singapore Government Bond 2.75% due 01/04/2042	2,168,000	3.00
Food Corporation Of India 9.95% due 07/03/2022	2,156,719	2.98
Korea Treasury Bond 2.25% due 10/06/2025	2,125,819	2.94

10 Largest holdings as at 30 June 2015

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Nikko AM China Onshore Bond Fund	4,363,592	5.79
Korea Treasury Bond 3.25% due 10/06/2025	4,150,235	5.50
Thailand Government Bond 3.625% due 16/06/2023	3,202,428	4.25
Singapore Government Bond 2.75% due 01/07/2023	3,048,000	4.04
Singapore Government Bond 2.375% due 01/06/2025	3,016,300	4.00
China Government Bond 3.39% due 21/05/2025	2,822,361	3.74
Hong Kong Government Bond 1.84% due 09/12/2024	2,638,515	3.50
Korea Treasury Bond 3.25% due 10/09/2018	2,157,203	3.34
India Government Bond 8.12% due 10/12/2020	2,538,863	3.37
Indonesia Treasury Bond 8.25% due 15/06/2032	2,475,716	3.28

POSB INVESTSTEADY FUND

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REPORT TO UNITHOLDERS

For the financial year ended 30 June 2016

2. Financial Ratios

	2016 %	2015 %
Expense Ratio ^(a)	0.96	1.02
Turnover Ratio ^(b)	219.48	326.60

- (a) The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses divided by the average net asset value for the year. 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.
- (b) The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value. In line with Statement of Recommended Accounting Practice 7 "Reporting framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in June 2012, total value of purchases or sales for the current year do not include brokerage and other transaction costs.

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