

# ANNUAL REPORT

For the financial year ended 31 December 2016

## **Nikko AM** **Japan Dividend Equity 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  
Singapore 049319

**AUDITORS**

PricewaterhouseCoopers LLP  
8 Cross Street, #17-00 PWC Building  
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](http://www.nikkoam.com.sg))

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>1</sup>	14.95	23.15	0.31	7.42	-	10.87
Nikko AM Japan Dividend Equity Fund SGD Hedged Class <sup>2</sup>	15.32	23.09	3.47	10.76	-	11.54

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.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>1</sup>	14.95	23.15	0.31	7.42	-	10.87
Nikko AM Japan Dividend Equity Fund SGD Hedged Class <sup>2</sup>	9.56	16.93	-1.70	8.88	-	9.92

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.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>1</sup>	14.95	23.15	0.31	7.42	-	10.87
Nikko AM Japan Dividend Equity Fund USD Hedged Class <sup>2</sup>	15.21	23.03	3.37	10.38	-	11.31

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<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>1</sup>	14.95	23.15	0.31	7.42	-	10.87
Nikko AM Japan Dividend Equity Fund USD Hedged Class <sup>2</sup>	9.45	16.88	-1.80	8.51	-	9.69

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**Inception date: 1 July 2013**

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>1</sup>	5.75	16.27	-	-	-	17.90
Nikko AM Japan Dividend Equity Fund SGD Class	6.06	15.86	-	-	-	15.55

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<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>1</sup>	5.75	16.27	-	-	-	17.90
Nikko AM Japan Dividend Equity Fund SGD Class	0.76	10.07	-	-	-	9.77

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. Past performance is not indicative of future performance.

### **Inception date: 1 April 2016**

#### **Note:**

- (1) The Fund's benchmark is TOPIX Total Return Index. For hedged currency share classes only, the benchmark reflected is in the base currency.
- (2) The Fund's investment approach is not relative or constrained to its benchmark. The currency exposures of the "SGD Hedged Share Class" and the "USD Hedged Share Class" are hedged from the Fund's base currency – JPY to the share classes' currencies – SGD and USD respectively, to remove the currency conversion risk from the Fund's base currency to the respective share classes' currencies.

### **Portfolio Review and Activity**

The Nikko AM Japan Dividend Equity Fund (SGD Hedged Class) (the "Fund") returned 3.47% (in SGD terms, NAV-NAV basis) in the year to 31 December 2016 and 11.54% (annualised) since its inception on 1 July 2013.

The Japanese stock market was marked by volatility in the first half of 2016 amid rate hike speculation, a sharp strengthening of the yen, and the UK's decision to leave the European Union. However, it subsequently recovered in the second half, supported by an improving global economic outlook, yen depreciation, and expectations for the new US administration. We maintained the portfolio's stock weighting during the year at around 96-98%. As of the end of December, the portfolio consisted of 52 issues with an average forward dividend yield of 3.01%.

Names newly incorporated into the portfolio during the year included leading general leasing firm Orix, which has improved its earnings stability by diversifying its business portfolio, including life insurance, banking, investment in other businesses, and environmental and energy services. In addition, we added major home improvement chain operator DCM Holdings, which is expected to continue to post strong earnings thanks to the expansion of its store network through mergers

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and acquisitions (M&A) and as it improves its profitability by reducing the use of discounts and increasing the ratio of private brand merchandise. Other newly added names included: IT services provider Nihon Unisys, which has continued to raise its dividend as its earnings recover on strong orders; general trading company Mitsubishi Corporation, in view of its focus on generating cash flow and policy to maintain stable dividend payments; and big-box consumer electronics retailer K's Holdings, due to its competitive pricing strategy and high earnings potential ahead of replacement demand for electronics.

Major stocks which we sold off during the year included automaker Toyota Motor as we determined that the firm is unlikely to raise its dividend due to movements in the exchange rate and automobile sales trends in emerging markets. We also fully exited our position in golf course operator Accordia Golf after the name rose sharply following the announcement of a takeover bid by a private equity firm, as well as general trading company Mitsui & Co., which we replaced with same-sector peer Mitsubishi Corporation in view of the latter's stability. Other names we exited during the period included major maker of construction equipment Komatsu and drug maker Otsuka Holdings as their dividend yields became less attractive following rises in their stock prices.

Stocks that made large positive contributions during the year included steel-focused trading firm Hanwa, whose share price benefitted from rising commodities prices as well as the release of a plan to hike dividends; abovementioned DCM Holdings on strong earnings results; manufacturer of labour tracking systems Amano, which announced both strong earnings results and plans for a share buyback; major cosmetics company Pola Orbis Holdings on upbeat earnings expectations; and apartment builder Daito Trust Corporation, on expectations that the firm would post strong earnings on the back of firm domestic demand.

In contrast, negative contributors included export-driven names weighed down by concerns over the strengthening yen including electronic materials maker Dexerials, automaker Toyota Motor and truckmaker Hino Motors. In addition, other names which detracted from performance included megabank operator Mizuho Financial Group, due to concerns over the impact on its earnings from the Bank of Japan (BOJ)'s negative interest rate policy, and precision equipment manufacturer Star Micronics, which faced increased concerns over short-term earnings weakness.

## **Market Review**

### ***Japanese equity market edged higher in 2016***

The Japanese equity market rose during the period, with the TOPIX (with dividends) rising 0.31% and the Nikkei 225 (with dividends) climbing 2.38% in JPY terms. Nevertheless, it was a highly volatile year for the market with stocks dropping significantly in the first half of the year and then recovering in the latter half.

The Japanese equity market underwent a large correction in January and February amid concerns of a global economic slowdown, falling natural resource prices, and the rapid strengthening of the yen, despite a brief climb following the BOJ's surprise announcement of a negative interest rate policy. However, stocks began to move upward in March as the result of recovering crude oil prices and strong US economic indicators. Following the BOJ's unexpected decision against further monetary easing at its meeting in April, stocks fell as the yen further strengthened. While markets rebounded moderately in May after the yen weakened sharply on expectations of a US rate hike, the UK's decision to leave the European Union led to sharp strengthening of the yen and significant turmoil in the stock market in June. However, stock prices then stabilised in July and August on strong US economic indicators, an upper house election victory by Japan's ruling party, and firm crude oil prices. While the markets were largely flat in September, they began to move upwards from October as the yen weakened. Stocks extended their gains in November and December on

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further yen depreciation after the US Federal Reserve Board raised interest rates and as heightened expectations for the new US administration spurred a global stock market rally. Although the market stalled at the end of the year on a lull in the yen's depreciation and profit-taking by investors, stocks posted overall gains for December to end the year modestly up.

Overall, in terms of sector performance, 20 of 33 TOPIX sectors rose during the period, with the highest gains seen by the Other Products, Oil & Coal Products, Wholesale Trade, Machinery, and Chemical sectors.

## **Market Outlook**

### ***Japanese stocks likely to remain resilient despite near-term uncertainty***

While the equity market rallied strongly on expectations for economic policy from the new US presidential administration, increasing concerns over President Trump's policies are now weighing on stocks. The market is likely to face selling pressure in the short-term due to uncertainty over US trade policy and currency market fluctuations. Despite some short-term corrections, however, we expect that the stock market will continue to rise steadily as both global business sentiment and corporate earnings are improving, and Japanese companies have begun to effect structural changes to their businesses. While many uncertainties remain surrounding US policy, we believe that the stable political environment and continuing corporate reform in Japan is likely to attract attention to Japanese equities.

### ***Structural changes in Japanese corporations could boost investor sentiment***

We expect that Japanese stocks may see some short-term volatility due to external factors such as currency fluctuations. However, with the introduction of Japan's Corporate Governance Code, we are seeing the beginning of structural changes in Japanese firms as they launch efforts to raise return on equity (ROE), such as investing in future growth (via capital spending and M&A activity) and strengthening their stance on shareholder returns. Furthermore, many firms continue to announce dividend increases and share buybacks, showing that firms continue to focus on improving shareholder returns. This has contributed to the Fund's performance as well, as a number of names held in the portfolio have gained sharply on share buyback and dividend increase announcements.

## **Investment Strategy**

### ***Portfolio is characterised by low volatility and low correlation with the market***

In principle, we manage the portfolio based on an investment policy of making highly selective investments in companies with future dividend growth potential from among those whose projected dividend yield is higher than the market average. In making stock selections, we focus on bottom-up research, thoroughly scrutinising each company's corporate competitiveness, cash flow generation capacity, financial stability and stance on shareholder return. We therefore carefully select firms that are able to continually grow their dividends, and invest from a medium- to long-term perspective. Since many of the holdings are in stable growth stocks with strong earnings power and sound financials, the portfolio is characterised by low volatility and low correlation with the market. Currently, many of the portfolio's holdings are in telecommunications firms, information services companies, specialised trading companies, retail, and banks.

### ***Focus on stocks with ample cash and strong earnings and dividend growth potential***

In terms of stock selection, we will seek out names with ample cash reserves and/or strong earnings momentum that balance investment in future growth with providing returns to shareholders. In particular, we will focus on those names from which sustained dividend growth can be expected, paying close attention to firms where there are indications that management (via business mid-term

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plans, etc.) could be changing its stance on shareholder returns. One category we will focus on is specialty retailers that are expected to see earnings improvement, driven by industry restructuring. In addition, we seek to focus on sectors such as IT services, network construction, and temporary staffing agencies related to government-led initiatives to reform Japanese work culture. While export-oriented firms are expected to benefit from the weakening yen, many uncertainties remain over emerging market economies and the new US administration's trade policies. As such, we plan to invest in carefully selected exporters with a competitive advantage and exceptional profitability.

Rising long-term interest rates have been a major factor contributing to recent changes in the investment landscape. While high-yielding names are typically thought to be at a disadvantage when interest rates rise, our strategy has maintained strong performance even as rates began to rise in the second half of the year. The biggest factor for our strong performance is that, when identifying investment opportunities, we do not focus solely on higher yielding stocks but also on those with dividend growth potential. Going forward, we believe that we have a sustainable investment strategy even if interest rates were to rise on the back of further economic expansion.

## IMPORTANT INFORMATION

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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](http://www.nikkoam.com.sg)) before investing.

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The CPF interest rate for the Ordinary Account ("OA") is based on the 12-month fixed deposit and month-end savings rates of major local banks, subject to a minimum 2.5% interest per annum. The interest rate for Special, Medisave and Retirement Accounts ("SMRA") is pegged to the 12-month average yield of 10-year Singapore Government Securities yield plus 1%. A 4% floor rate will be maintained for interest earned on SMRA until 31 December 2016, after which a 2.5% minimum rate will apply. An extra 1% interest is paid on the first S\$60,000 of a member's combined balances, including up to S\$20,000 in the OA. The first S\$20,000 in the OA and the first S\$40,000 in the Special Account ("SA") cannot be invested under the CPF Investment Scheme ("CPFIS").

### **For Hong Kong Investors**

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

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### 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 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.

The Managers are responsible for ensuring 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, 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 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; and
- e) direct money payments / rebates.

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

Subject to the provisions of the Code, the Sub-Managers of the Nikko AM Japan Dividend Equity Fund (the "Fund") may receive soft-dollar commissions from, or may enter into soft dollar arrangements with, stockbrokers who execute trades on behalf of the Fund. However, in any such arrangement, the Sub-Managers will abide by the restrictions and prohibitions set out in the paragraph above.

The Managers and the Sub-Managers of 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 / Sub-Managers, assist the Managers / Sub-Managers in their management of the Fund;
- the Managers / Sub-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.

\*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.

**NIKKO AM JAPAN DIVIDEND EQUITY FUND**

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

**REPORT OF THE TRUSTEE**

*For the financial year ended 31 December 2016*

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The Trustee is under a duty to take into custody and hold the assets of Nikko AM Japan Dividend Equity 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 14 to 37, 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

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Authorised signatory

**NIKKO AM JAPAN DIVIDEND EQUITY FUND**

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

**STATEMENT BY THE MANAGER**

*For the financial year ended 31 December 2016*

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In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 14 to 37, 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 Nikko AM Japan Dividend Equity Fund (the "Fund") as at 31 December 2016, and the financial performance and movements in unitholders' funds for the 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

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Authorised signatory

**INDEPENDENT AUDITOR’S REPORT**  
**TO THE UNITHOLDERS OF NIKKO AM JAPAN DIVIDEND EQUITY FUND**  
*(Constituted under a Trust Deed registered in the Republic of Singapore)*

***Our Opinion***

In our opinion, the accompanying financial statements of Nikko AM Japan Dividend Equity 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 31 December 2016, 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 Financial Position as at 31 December 2016;
- the Statement of Portfolio as at 31 December 2016;
- the Statement of Total Return for the financial year then ended;
- the Statement of Movements of Unitholders’ Funds for the financial year then ended; 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 the relevant sections of the annual report included in pages 1 to 10 and 38 to 40, which we obtained prior to the date of this auditor’s report, and excludes 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 identified above 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 that we obtained prior to the date of this auditor’s report, 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 NIKKO AM JAPAN DIVIDEND EQUITY 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 the Manager either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

***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 NIKKO AM JAPAN DIVIDEND EQUITY 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

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2016*

	Note	2016 JPY'000	2015 JPY'000
<b>Income</b>			
Dividends		<u>234,987</u>	178,793
<b>Less: Expenses</b>			
Management fee		105,938	105,371
Registrar fee		4,038	3,793
Trustee fee		2,061	2,065
Custody fee		1,458	1,402
Audit fee		958	1,150
Valuation fee		2,749	2,753
Transaction costs		15,478	27,421
Other expenses		<u>4,502</u>	7,718
		<u>137,182</u>	151,673
<b>Net income</b>		<u>97,805</u>	27,120
<b>Net gains or losses on value of investments and financial derivatives</b>			
Net gains on investments		127,841	597,551
Net foreign exchange losses		(21,014)	(2,800)
Net losses on financial derivatives		<u>(290,140)</u>	<u>(396,937)</u>
		<u>(183,313)</u>	197,814
<b>Total (deficit)/return for the financial year before income tax</b>		<b>(85,508)</b>	224,934
<b>Less: Income tax</b>	3	<u>(35,988)</u>	<u>(27,382)</u>
<b>Total (deficit)/return for the financial year after income tax</b>		<u><b>(121,496)</b></u>	197,552

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

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

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	Note	2016 JPY'000	2015 JPY'000
<b>ASSETS</b>			
Portfolio of investments		7,199,981	8,208,696
Sales awaiting settlement		7,226	-
Receivables	4	36,928	74,547
Cash and bank balances		406,752	385,141
<b>Total assets</b>		<b>7,650,887</b>	<b>8,668,384</b>
<b>LIABILITIES</b>			
Payables	5	101,664	38,416
Purchases awaiting settlement		40,367	49,110
Distribution payable		30,716	35,760
Financial derivatives at fair value	6	48,612	93,405
<b>Total liabilities</b>		<b>221,359</b>	<b>216,691</b>
<b>EQUITY</b>			
Net assets attributable to unitholders	7	<b>7,429,528</b>	<b>8,451,693</b>

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The accompanying notes form an integral part of these financial statements



**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 31 December 2016*

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	Note	2016 JPY'000	2015 JPY'000
<b>Net assets attributable to unitholders at the beginning of the financial year</b>		<b>8,451,693</b>	3,661,256
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		<b>(121,496)</b>	197,552
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		<b>2,681,106</b>	10,880,590
Cancellation of units		<b>(3,078,414)</b>	(5,927,198)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		<b>(397,308)</b>	4,953,392
Distributions	8	<b>(503,361)</b>	(360,507)
Total (decrease)/increase in net assets attributable to unitholders		<b>(1,022,165)</b>	4,790,437
<b>Net assets attributable to unitholders at the end of the financial year</b>	7	<b>7,429,528</b>	<b>8,451,693</b>

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

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2016*

<b>By Industry (Primary)</b>	<b>Holdings at 31 December 2016</b>	<b>Fair value at 31 December 2016 JPY'000</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2016 %</b>
<b>Quoted Equities</b>			
<b>AGRICULTURE</b>			
Japan Tobacco Incorporation	46,000	176,824	2.38
<b>Total AGRICULTURE</b>		<b>176,824</b>	<b>2.38</b>
<b>AUTO MANUFACTURERS</b>			
Fuji Heavy Industries Limited	29,000	138,388	1.86
Nissan Motor Company Limited	93,300	109,674	1.48
<b>Total AUTO MANUFACTURERS</b>		<b>248,062</b>	<b>3.34</b>
<b>AUTO PARTS &amp; EQUIPMENT</b>			
Bridgestone Corporation	41,600	175,302	2.36
<b>Total AUTO PARTS &amp; EQUIPMENT</b>		<b>175,302</b>	<b>2.36</b>
<b>BANKS</b>			
Aozora Bank Limited	348,000	143,724	1.94
Mizuho Financial Group Incorporation	674,500	141,510	1.91
Resona Holdings Incorporation	250,800	150,355	2.02
Sumitomo Mitsui Financial Group Incorporation	32,200	143,612	1.93
<b>Total BANKS</b>		<b>579,201</b>	<b>7.80</b>
<b>CHEMICALS</b>			
Denka Company Limited	290,000	149,640	2.01
Lintec Corporation	58,400	149,095	2.01
Taiyo Holdings Company Limited	34,700	157,712	2.12
<b>Total CHEMICALS</b>		<b>456,447</b>	<b>6.14</b>
<b>COMMERCIAL SERVICES</b>			
TechnoPro Holdings Incorporation	47,900	179,625	2.42
<b>Total COMMERCIAL SERVICES</b>		<b>179,625</b>	<b>2.42</b>
<b>COMPUTERS</b>			
Bell System24 Holdings Incorporation	51,800	51,075	0.69
NEC Networks & System Integration Corporation	76,700	161,914	2.18
Net One Systems Company Limited	245,100	183,335	2.47
<b>Total COMPUTERS</b>		<b>396,324</b>	<b>5.34</b>
<b>COSMETICS/PERSONAL CARE</b>			
Pola Orbis Holdings Incorporation	18,000	173,700	2.34
<b>Total COSMETICS/PERSONAL CARE</b>		<b>173,700</b>	<b>2.34</b>
<b>DISTRIBUTION/WHOLESALE</b>			
Inabata & Company Limited	124,100	159,965	2.15
Itochu Corporation	108,700	168,702	2.27

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

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2016*

<b>By Industry (Primary)</b> (continued)			<b>Percentage of total net assets attributable to unitholders at 31 December 2016 %</b>
	<b>Holdings at 31 December 2016</b>	<b>Fair value at 31 December 2016 JPY'000</b>	
<b>Quoted Equities</b> (continued)			
<b>DISTRIBUTION/WHOLESALE</b> (continued)			
Mitsubishi Corporation	47,500	118,275	1.59
Paltac Corporation	38,400	106,061	1.43
<b>Total DISTRIBUTION/WHOLESALE</b>		<u>553,003</u>	<u>7.44</u>
<b>DIVERSIFIED FINANCIAL SERVICES</b>			
Aeon Financial Service Company Limited	53,100	110,289	1.48
ORIX Corporation	89,400	163,066	2.20
<b>Total DIVERSIFIED FINANCIAL SERVICES</b>		<u>273,355</u>	<u>3.68</u>
<b>ELECTRICAL COMPONENT &amp; EQUIPMENT</b>			
Casio Computer Company Limited	60,800	100,502	1.35
<b>Total ELECTRICAL COMPONENT &amp; EQUIPMENT</b>		<u>100,502</u>	<u>1.35</u>
<b>ELECTRONICS</b>			
Inaba Denki Sangyo Company Limited	37,300	150,133	2.02
Star Micronics Company Limited	92,200	146,782	1.98
<b>Total ELECTRONICS</b>		<u>296,915</u>	<u>4.00</u>
<b>ENGINEERING AND CONSTRUCTION</b>			
Kyowa Exeo Corporation	102,400	172,237	2.32
<b>Total ENGINEERING AND CONSTRUCTION</b>		<u>172,237</u>	<u>2.32</u>
<b>ENTERTAINMENT</b>			
Heiwa Corporation	20,100	53,707	0.72
<b>Total ENTERTAINMENT</b>		<u>53,707</u>	<u>0.72</u>
<b>ENVIRONMENTAL CONTROL</b>			
Asahi Holdings Incorporation	75,000	152,325	2.05
<b>Total ENVIRONMENTAL CONTROL</b>		<u>152,325</u>	<u>2.05</u>
<b>HOME BUILDERS</b>			
Sekisui House Limited	86,800	168,869	2.27
<b>Total HOME BUILDERS</b>		<u>168,869</u>	<u>2.27</u>
<b>HOUSEWARES</b>			
Sangetsu Corporation	65,500	132,769	1.79
<b>Total HOUSEWARES</b>		<u>132,769</u>	<u>1.79</u>
<b>INSURANCE</b>			
Tokio Marine Holdings Incorporation	30,000	143,880	1.94
<b>Total INSURANCE</b>		<u>143,880</u>	<u>1.94</u>
<b>MACHINERY-DIVERSIFIED</b>			
Tsubakimoto Chain Company	175,000	166,250	2.24
<b>Total MACHINERY-DIVERSIFIED</b>		<u>166,250</u>	<u>2.24</u>

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

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2016***By Industry (Primary)** (continued)

	Holdings at 31 December 2016	Fair value at 31 December 2016 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Equities</b> (continued)			
<b>METAL FABRICATE/HARDWARE</b>			
Hanwa Company Limited	137,000	104,805	1.41
<b>Total METAL FABRICATE/HARDWARE</b>		<b>104,805</b>	<b>1.41</b>
<b>MISCELLANEOUS MANUFACTURE</b>			
Amano Corporation	75,400	154,796	2.08
<b>Total MISCELLANEOUS MANUFACTURE</b>		<b>154,796</b>	<b>2.08</b>
<b>OFFICE/BUSINESS EQUIPMENT</b>			
Canon Incorporated	14,000	46,130	0.62
Seiko Epson Corporation	21,100	52,223	0.70
<b>Total OFFICE/BUSINESS EQUIPMENT</b>		<b>98,353</b>	<b>1.32</b>
<b>OIL AND GAS</b>			
JX Holdings Incorporation	96,300	47,640	0.64
TonenGeneral Sekiyu KK	112,000	137,984	1.86
<b>Total OIL AND GAS</b>		<b>185,624</b>	<b>2.50</b>
<b>REAL ESTATE</b>			
Daito Trust Construction Company Limited	9,600	168,768	2.27
<b>Total REAL ESTATE</b>		<b>168,768</b>	<b>2.27</b>
<b>RETAIL</b>			
Aoki Holdings Incorporation	47,700	68,593	0.92
Aoyama Trading Company Limited	41,500	168,905	2.27
DCM Holdings Company Limited	110,400	114,595	1.54
K's Holdings Corporation	59,800	122,411	1.65
Lawson Incorporation	20,900	171,589	2.31
VT Holdings Company Limited	275,200	158,790	2.14
<b>Total RETAIL</b>		<b>804,883</b>	<b>10.83</b>
<b>SOFTWARE</b>			
Koei Tecmo Holdings Company Limited	41,500	85,366	1.15
Nihon Unisys Limited	119,500	175,665	2.36
<b>Total SOFTWARE</b>		<b>261,031</b>	<b>3.51</b>

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

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2016***By Industry (Primary)** (continued)

	Holdings at 31 December 2016	Fair value at 31 December 2016 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Equities</b> (continued)			
<b>TELECOMMUNICATIONS</b>			
Nippon Telegraph & Telephone Corporation	36,100	177,323	2.39
NTT Docomo Incorporation	68,700	182,948	2.46
<b>Total TELECOMMUNICATIONS</b>		<b>360,271</b>	<b>4.85</b>
<b>TRANSPORTATION</b>			
Senko Company Limited	202,300	159,615	2.15
<b>Total TRANSPORTATION</b>		<b>159,615</b>	<b>2.15</b>
<b>Total Quoted Equities</b>		<b>6,897,443</b>	<b>92.84</b>
<b>Quoted Real Estate Investment Trusts</b>			
<b>REAL ESTATE INVESTMENT TRUSTS</b>			
Japan Hotel REIT Investment Corporation	1,936	152,170	2.05
ORIX JReit Incorporation	815	150,368	2.02
<b>Total REAL ESTATE INVESTMENT TRUSTS</b>		<b>302,538</b>	<b>4.07</b>
<b>Total Quoted Real Estate Investment Trusts</b>		<b>302,538</b>	<b>4.07</b>
<b>Portfolio of investments</b>		<b>7,199,981</b>	<b>96.91</b>
<b>Other net assets</b>		<b>229,547</b>	<b>3.09</b>
<b>Net assets attributable to unitholders</b>		<b>7,429,528</b>	<b>100.00</b>

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

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### STATEMENT OF PORTFOLIO

As at 31 December 2016

By Industry (Summary)	Fair value at	Percentage of	Percentage of
	31 December 2016 JPY'000	total net assets attributable to unitholders at 31 December 2016 %	total net assets attributable to unitholders at 31 December 2015 %
Agriculture	176,824	2.38	2.24
Auto Manufacturers	248,062	3.34	9.14
Auto Parts and Equipment	175,302	2.36	2.20
Banks	579,201	7.80	9.00
Chemicals	456,447	6.14	2.65
Commercial Services	179,625	2.42	3.38
Computers	396,324	5.34	6.37
Cosmetics/Personal Care	173,700	2.34	1.80
Distribution/Wholesale	553,003	7.44	5.76
Diversified Financial Services	273,355	3.68	-
Electrical Component & Equipment	100,502	1.35	-
Electronics	296,915	4.00	7.02
Engineering and Construction	172,237	2.32	-
Entertainment	53,707	0.72	2.76
Environmental Control	152,325	2.05	2.24
Home Builders	168,869	2.27	2.45
Housewares	132,769	1.79	0.60
Insurance	143,880	1.94	-
Leisure Time	-	-	1.51
Machinery-Diversified	166,250	2.24	-
Machinery-Construction and Mining	-	-	2.23
Metal Fabricate/Hardware	104,805	1.41	2.22
Miscellaneous Manufacture	154,796	2.08	2.48
Office/Business Equipment	98,353	1.32	4.23
Oil and Gas	185,624	2.50	1.99
Pharmaceuticals	-	-	1.88
Real Estate	168,768	2.27	1.81
Real Estate Investment Trusts (REITS)	302,538	4.07	4.24
Retail	804,883	10.83	8.41
Software	261,031	3.51	2.39
Telecommunications	360,271	4.85	4.94
Transportation	159,615	2.15	1.18
<b>Portfolio of investments</b>	<b>7,199,981</b>	<b>96.91</b>	<b>97.12</b>
<b>Other net assets</b>	<b>229,547</b>	<b>3.09</b>	<b>2.88</b>
<b>Net assets attributable to unitholders</b>	<b>7,429,528</b>	<b>100.00</b>	<b>100.00</b>

As the Fund invests wholly into Japanese equities, it is not meaningful to classify the investments into geography.

The accompanying notes form an integral part of these financial statements

## **NIKKO AM JAPAN DIVIDEND EQUITY FUND**

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

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2016*

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

#### **1. General**

Nikko AM Japan Dividend Equity Fund is a Singapore domiciled fund constituted under a Trust Deed dated 21 May 2013 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").

There are currently seven classes of units established within the Fund, namely the United States Dollar Class Units (denominated in USD), the USD (Acc) Class Units (denominated in USD), the USD Hedged Class Units (denominated in USD), the USD Hedged (Acc) Class Units (denominated in USD), the Singapore Dollar Class Units (denominated in SGD), the SGD Hedged Class Units (denominated in SGD) and the Renminbi Class Units (denominated in RMB).

For the USD Hedged Class Units and the USD Hedged (Acc) Class Units, the Managers intend to hedge the currency exposure of the assets of the Fund attributable to the USD Hedged Class Units and to the USD Hedged (Acc) Class Units respectively, into USD through the use of currency forwards. The hedging of the currency will be conducted on a monthly basis. Consequently, you should note that the net asset value ("NAV") per Unit of each of the USD Hedged Class and the USD Hedged (Acc) Class will take into account any gains or losses arising from the use of the currency forwards in respect of the USD Hedged Class and the USD Hedged (Acc) Class respectively.

For the SGD Hedged Class Units, the Managers intend to hedge the currency exposure of the assets of the Fund attributable to the SGD Hedged Class Units into SGD through the use of currency forwards. The hedging of the currency will be conducted on a monthly basis. Consequently, you should note that the NAV per Unit of the SGD Hedged Class will take into account any gains or losses arising from the use of the currency forwards in respect of the SGD Hedged Class.

The USD Class, the USD Hedged Class, the SGD Class, the SGD Hedged Class and the RMB Class each intends to make distributions to Holders. However, the USD (Acc) Class and the USD Hedged (Acc) Class will each not make any distributions to the Holders of the relevant class. The dividend and/or interest income and/or capital gains derived from the investments of the Fund that are attributable to each of these classes will be accumulated as part of the assets of the Fund that are attributable to the relevant class instead.

There are no material differences between the USD Class Units, the USD (Acc) Class Units, the USD Hedged Class Units, the USD Hedged (Acc) Class Units, the SGD Class Units, the SGD Hedged Class Units and the RMB Class Units save for (i) the currency of denomination of each Class; (ii) the hedging features of the USD Hedged Class, the USD Hedged (Acc) Class and the SGD Hedged Class; (iii) the distribution policies applicable to the classes as described above and (iv) the minimum initial and subsequent investment amounts.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 1. General (continued)

The Fund currently offers 3 classes of units, namely SGD Hedged Class units, USD Hedged Class units and SGD Class Units. The Manager intends to hedge the currency exposure of the assets of the Fund attributable to the SGD Hedged and USD Hedged Class units into Singapore and US dollars through the use of currency forwards. There are no material differences between the 2 classes except for the currency of denomination of each Class and their hedging features.

#### 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 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.

##### (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 or 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.



## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 2. Significant accounting policies (continued)

##### (d) Investments (continued)

###### (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 the 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.

##### (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 United States Dollar (US\$) and Singapore Dollar (S\$).

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

###### (ii) *Transactions and balances*

Foreign currency monetary assets and liabilities are translated into Japanese Yen 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 Japanese Yen at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 2. Significant accounting policies (continued)

##### (h) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Deeds.

Financial derivatives outstanding at the end of the financial year are valued at forward rates or at current market prices using the "mark-to-market" method, as applicable, and the resultant gains and losses are taken up in the Statement of Total Return.

#### 3. Income Tax

The Fund was granted the status of a Designated Unit Trust (DUT) in Singapore. The Manager and the 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 futures 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 31 December 2016 and 31 December 2015 comprises:

	2016 JPY'000	2015 JPY'000
Overseas income tax	<u>35,988</u>	<u>27,382</u>

The overseas income tax represents tax deducted at source on dividends derived from outside Singapore.

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## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 4. Receivables

	2016 JPY'000	2015 JPY'000
Receivable from unitholders for creation of units	18,094	50,914
Dividends receivable	18,826	23,309
Receivables on currencies purchased	-	324
Other receivables	8	-
	<b>36,928</b>	<b>74,547</b>

#### 5. Payables

	2016 JPY'000	2015 JPY'000
Payable to unitholders for cancellation of units	69,644	1,365
Amount due to the Manager	29,201	33,847
Valuation fee payable	784	903
Trustee fee payable	588	677
Registrar fee payable	53	59
Provision for audit fee	1,104	1,231
Custody fee payable	290	334
	<b>101,664</b>	<b>38,416</b>

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

#### 6. Financial derivatives at fair value

Financial derivatives comprise forward foreign exchange contracts for purchases and sales of foreign currencies. The year-end positive and negative fair values represent the unrealised gains and losses respectively on revaluation of foreign exchange contracts at the Statement of Financial Position date. The contract or underlying principal amounts of these foreign exchange contracts and their corresponding gross positive or negative fair values at Statement of Financial Position date are analysed below.

	<u>Contract or underlying principal amount</u>		<u>Year-end positive fair value</u>		<u>Year-end negative fair value</u>	
	2016 JPY'000	2015 JPY'000	2016 JPY'000	2015 JPY'000	2016 JPY'000	2015 JPY'000
Foreign forwards exchange contracts	<b>7,609,419</b>	8,326,300	-	-	<b>48,612</b>	93,405

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2016***7. Units in issue**

During the year ended 31 December 2016 and 31 December 2015, the number of units issued, redeemed and outstanding were as follows:

	2016 '000	2015 '000
<b>SGD Hedged Class</b>		
Units at beginning of the financial year	58,646	29,559
Units created	22,471	70,112
Units cancelled	(28,196)	(41,025)
Units at end of the financial year	<u>52,921</u>	<u>58,646</u>
Net assets attributable to unitholders - JPY'000	5,115,360	6,162,771
Net asset value per unit - JPY	<u>96.660</u>	<u>105.084</u>
	2016 '000	2015 '000
<b>USD Hedged Class</b>		
Units at beginning of the financial year	15,448	5,495
Units created	4,675	19,613
Units cancelled	(4,577)	(9,660)
Units at end of the financial year	<u>15,546</u>	<u>15,448</u>
Net assets attributable to unitholders - JPY'000	2,153,323	2,288,922
Net asset value per unit - JPY	<u>138.513</u>	<u>148.169</u>
	2016 '000	2015 '000
<b>SGD Class</b>		
Units at beginning of the financial year	-	-
Units created	2,891	-
Units cancelled	(1,102)	-
Units at end of the financial year	<u>1,789</u>	<u>-</u>
Net assets attributable to unitholders - JPY'000	160,845	-
Net asset value per unit - JPY	<u>89.908</u>	<u>-</u>

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 7. Units in issue (continued)

For valuation purpose, preliminary expenses are amortised over a period of 36 months from date of commencement of operations while for reporting purpose these preliminary expenses are expensed in the period when they are incurred.

A reconciliation of the net asset value 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 JPY	2015 JPY
<b>SGD Hedged Class</b>		
Net assets attributable to unitholders as per financial statements per unit	96.660	105.084
Effect of distribution per unit	0.398	0.443
Effect of expensing preliminary expense per unit	-	0.009
Effect for movement in the net asset value between the last dealing date and the end of the reporting period <sup>^</sup>	0.003	-
Net assets attributable to unitholders for issuing/redeeming per unit	<u>97.061</u>	<u>105.536</u>

	2016 JPY	2015 JPY
<b>USD Hedged Class</b>		
Net assets attributable to unitholders as per financial statements per unit	138.513	148.169
Effect of distribution per unit	0.576	0.632
Effect of expensing preliminary expense per unit	-	0.013
Effect for movement in the net asset value between the last dealing date and the end of the reporting period <sup>^</sup>	0.003	-
Net assets attributable to unitholders for issuing/redeeming per unit	<u>139.092</u>	<u>148.814</u>

	2016 JPY	2015 JPY
<b>SGD Class</b>		
Net assets attributable to unitholders as per financial statements per unit	89.908	-
Effect of distribution per unit	0.386	-
Effect for movement in the net asset value between the last dealing date and the end of the reporting period <sup>^</sup>	0.004	-
Net assets attributable to unitholders for issuing/redeeming per unit	<u>90.298</u>	<u>-</u>

<sup>^</sup>The net asset value for the purposes of processing unit subscription and redemption was established in accordance with the methodology indicated in the Fund's Prospectus. This item reflects the movement in net asset value between the last dealing date and the end of the reporting period due to accrual of operating expenses.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 8. Distributions

	2016 JPY'000	2015 JPY'000
January interim distribution of US\$2.73, and S\$2.75 per 100 units in respect of the financial period ended 31 December 2016	180,512	-
February interim distribution of US\$0.44, and S\$0.44 per 100 units in respect of the financial period ended 31 December 2016	30,255	-
March interim distribution of US\$0.46, and S\$0.47 per 100 units in respect of the financial period ended 31 December 2016	31,502	-
April interim distribution of US\$0.46, S\$0.43 and S\$0.46 per 100 units in respect of the financial period ended 31 December 2016	30,469	-
May interim distribution of US\$0.45, S\$0.42 and S\$0.45 per 100 units in respect of the financial period ended 31 December 2016	29,034	-
June interim distribution of US\$0.43, S\$0.41 and S\$0.43 per 100 units in respect of the financial period ended 31 December 2016	28,062	-
July interim distribution of US\$0.44, S\$0.43 and S\$0.44 per 100 units in respect of the financial period ended 31 December 2016	27,719	-
August interim distribution of US\$0.43, S\$0.43 and S\$0.43 per 100 units in respect of the financial period ended 31 December 2016	26,736	-
September interim distribution of US\$0.43, S\$0.43 and S\$0.43 per 100 units in respect of the financial period ended 31 December 2016	27,501	-
October interim distribution of US\$0.44, S\$0.45 and S\$0.45 per 100 units in respect of the financial period ended 31 December 2016	29,408	-
November interim distribution of US\$0.46, S\$0.45 and S\$0.47 per 100 units in respect of the financial period ended 31 December 2016	31,447	-
December final distribution of US\$0.49, S\$0.46 and S\$0.49 per 100 units in respect of the financial period ended 31 December 2016	30,716	-
January interim distribution of US\$0.46 and S\$0.45 per 100 units in respect of the financial period ended 31 December 2015	-	13,166
February interim distribution of US\$0.48 and S\$0.48 per 100 units in respect of the financial period ended 31 December 2015	-	15,805
March interim distribution of US\$0.51 and S\$0.51 per 100 units in respect of the financial period ended 31 December 2015	-	18,219
April interim distribution of US\$0.53 and S\$0.53 per 100 units in respect of the financial period ended 31 December 2015	-	25,580
May interim distribution of US\$0.54 and S\$0.54 per 100 units in respect of the financial period ended 31 December 2015	-	33,022
June interim distribution of US\$0.55 and S\$0.55 per 100 units in respect of the financial period ended 31 December 2015	-	38,143
July interim distribution of US\$0.55 and S\$0.55 per 100 units in respect of the financial period ended 31 December 2015	-	42,787
August interim distribution of US\$0.56 and S\$0.56 per 100 units in respect of the financial period ended 31 December 2015	-	34,688
September interim distribution of US\$0.50 and S\$ 0.50 per 100 units in respect of the financial period ended 31 December 2015	-	32,282
October interim distribution of US\$0.51 and S\$0.51 per 100 units in respect of the financial period ended 31 December 2015	-	35,156
November interim distribution of US\$0.52 and S\$0.53 per 100 units in respect of the financial period ended 31 December 2015	-	35,899
December final distribution of US\$0.53 and S\$0.53 per 100 units in respect of the financial period ended 31 December 2015	-	35,760
	<b>503,361</b>	<b>360,507</b>

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## **NIKKO AM JAPAN DIVIDEND EQUITY FUND**

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

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2016*

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#### **9. 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 primary objective is to provide a total return of capital growth and income over the medium to long-term by investing in equities listed and traded on the Tokyo Stock Exchange.

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 deviation 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.

The Fund's market price risk is managed through diversification of the investment portfolio across various industries in Japan.

As the Fund invests primarily in Japanese equities across different industries, the Manager is of the view that the price risk the Fund is subject to best reflected by movements in its benchmark of the TOPIX Total Return Index (the "Index").

As at 31 December 2016 and 31 December 2015, an increase/decrease in the Index components within the TOPIX Total Return Index by 10% (2015: 10%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 10% (2015: 9%). The analysis was based on the assumptions that the Index components within the benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Fund's investments moved according to the beta. Reasonable possible changes in market index percentage are revised annually depending on management's current view on market volatility and other relevant factors.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 9. 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).

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly.

However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect. Hence, no sensitivity analysis has been presented separately.

##### (c) Market risk - Currency risk

Currency risk is the risk that the value of a 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 risks.

31 December 2016	SGD JPY'000	JPY JPY'000	USD JPY'000	Total JPY'000
<b>Assets</b>				
Portfolio of investments	-	7,199,981	-	7,199,981
Sales awaiting settlement	-	7,226	-	7,226
Receivables	11,474	18,826	6,628	36,928
Cash and bank balances	148,808	220,504	37,440	406,752
<b>Total Assets</b>	<b>160,282</b>	<b>7,446,537</b>	<b>44,068</b>	<b>7,650,887</b>
<b>Liabilities</b>				
Payables	50,482	32,020	19,162	101,664
Purchases awaiting settlement	-	40,367	-	40,367
Distribution payable	21,783	-	8,933	30,716
<b>Total Liabilities</b>	<b>72,265</b>	<b>72,387</b>	<b>28,095</b>	<b>172,747</b>
<b>Net off-balance sheet derivative financial instruments</b>	<b>5,396,346</b>	<b>(7,653,676)</b>	<b>2,208,718</b>	
<b>Net currency exposure</b>	<b>5,484,363</b>	<b>(279,526)</b>	<b>2,224,691</b>	



## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

#### 9. Financial risk management (continued)

##### (c) Market risk - Currency risk (continued)

31 December 2015	SGD JPY'000	JPY JPY'000	USD JPY'000	Total JPY'000
<b>Assets</b>				
Portfolio of investments	-	8,208,696	-	8,208,696
Receivables	41,171	23,633	9,743	74,547
Cash and bank balances	138,871	172,298	73,972	385,141
<b>Total Assets</b>	<b>180,042</b>	<b>8,404,627</b>	<b>83,715</b>	<b>8,668,384</b>
<b>Liabilities</b>				
Payables	1,364	37,052	-	38,416
Purchases awaiting settlement	-	49,110	-	49,110
Distribution payable	25,994	-	9,766	35,760
<b>Total Liabilities</b>	<b>27,358</b>	<b>86,162</b>	<b>9,766</b>	<b>123,286</b>
<b>Net off-balance sheet derivative financial instruments</b>	<b>6,043,824</b>	<b>(8,414,148)</b>	<b>2,276,919</b>	
<b>Net currency exposure</b>	<b>6,196,508</b>	<b>(95,683)</b>	<b>2,350,868</b>	

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.

The following table shows the Fund's sensitivity to major foreign currencies exposure with all other variables held constant. Reasonable possible shifts in foreign exchange rate are revised annually depending on management's current view of market volatility and other relevant factors.

	Increase /decrease in foreign Exchange rate (%)		Increase /decrease in net asset attributable to unitholders (%)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
SGD	12	9	9	6
USD	12	9	4	3

##### (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.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 9. Financial risk management (continued)

##### (d) Liquidity risk (continued)

The Fund's securities are considered readily realisable, as the majority of the securities are listed on recognised stock exchanges.

The Fund's financial liabilities and net settled derivative 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 year end, all liabilities are either payable upon demand or due in less than 3 months. The impact of discounting is not significant.

	<u>Less than 3 months</u>	
	As at 31 December 2016 JPY'000	As at 31 December 2015 JPY'000
Payables	101,664	38,416
Purchases awaiting settlement	40,367	49,110
Distribution payable	30,716	35,760
<b>Contractual cash outflows (excluding gross settled derivatives)</b>	<b>172,747</b>	<b>123,286</b>

The table below analyses the Fund's derivative financial instruments in a loss position that will be settled on a gross basis into relevant maturity groupings based on the remaining period from the Statement of Financial Position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cashflows. Balances due within 3 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Less than 3 months</u>	
	As at 31 December 2016 JPY'000	As at 31 December 2015 JPY'000
<b>Currency forwards</b>		
- Inflow	7,605,063	8,320,742
- Outflow	(7,653,675)	(8,414,147)
<b>Net Outflow</b>	<b>(48,612)</b>	<b>(93,405)</b>

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 9. Financial risk management (continued)

##### (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.

Although the Fund does not have a concentration of credit risk that arises from exposure to a single counterparty, the Fund has material exposure to Japan that might potentially be subjected to economic, political and regulatory risks.

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.

Credit risk arises from cash and bank balances, and outstanding and committed transactions with brokers. The table below summarises the credit rating of banks and custodians in which the Fund's assets are held as at 31 December 2016 and 2015.

	<b>Credit rating as at 31 December 2016</b>	Credit rating as at 31 December 2015	<b>Source of credit rating</b>
<b>Bank balance</b>			
- BNP Paribas Securities Services Singapore Branch	<b>A</b>	A+	Standard & Poor's
<b>Custodian</b>			
- BNP Paribas Securities Services Singapore Branch	<b>A</b>	A+	Standard & Poor's
<b>Financial derivatives</b>			
- Bank of America	<b>N/A</b>	BBB+	Standard & Poor's
- UBS AG (Singapore Branch)	<b>N/A</b>	A	Standard & Poor's
- Barclays Bank PLC	<b>N/A</b>	BBB	Standard & Poor's
- JP Morgan Chase & Company	<b>A-</b>	N/A	Standard & Poor's
- Standard Chartered Bank	<b>A</b>	N/A	Standard & Poor's

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

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

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

#### 9. Financial risk management (continued)

##### (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.

##### (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 31 December 2016 and 2015:

	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
<b>31 December 2016</b>				
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception				
- Quoted equities	6,897,443	-	-	6,897,443
- Quoted real estate investment trusts	302,538	-	-	302,538
	<b>7,199,981</b>	-	-	<b>7,199,981</b>
<b>Liabilities</b>				
- Financial derivatives at fair value	-	48,612	-	48,612
<b>31 December 2015</b>				
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception				
- Quoted equities	7,850,614	-	-	7,850,614
- Quoted real estate investment trusts	358,082	-	-	358,082
	<b>8,208,696</b>	-	-	<b>8,208,696</b>
<b>Liabilities</b>				
- Financial derivatives at fair value	-	93,405	-	93,405

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 9. Financial risk management (continued)

##### (g) Fair value estimation (continued)

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and investment funds. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include over-the-counter derivatives.

Except for cash and bank balances which are classified as level 1, the Fund's assets and liabilities not measured at fair value at 31 December 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.

#### 10. 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:

	<b>2016</b>	2015
	<b>JPY'000</b>	JPY'000
Bank balances held with related party of the Trustee	<b>406,752</b>	385,141

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## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 11. Financial ratios

##### Expense ratio

		2016	2015
<b>SGD Hedged Class</b>			
Total operating expenses	JPY'000	<b>88,948</b>	90,968
Average daily net asset value	JPY'000	<b>5,156,731</b>	5,062,257
<b>Total Expense ratio<sup>1</sup></b>	%	<b>1.72</b>	1.80

		2016	2015
<b>USD Hedged Class</b>			
Total operating expenses	JPY'000	<b>31,796</b>	33,274
Average daily net asset value	JPY'000	<b>1,878,262</b>	1,897,705
<b>Total Expense ratio<sup>1</sup></b>	%	<b>1.69</b>	1.75

		2016	2015
<b>SGD Class</b>			
Total operating expenses	JPY'000	<b>741</b>	-
Average daily net asset value	JPY'000	<b>58,893</b>	-
<b>Total Expense ratio<sup>1</sup> (annualised)</b>	%	<b>1.67</b>	-

##### Turnover ratio

		2016	2015
Lower of total value of purchases or sales	JPY'000	<b>4,210,344</b>	5,743,678
Average daily net asset value	JPY'000	<b>7,079,534</b>	6,959,962
<b>Total turnover ratio<sup>2</sup></b>	%	<b>59.47</b>	82.52

<sup>1</sup> 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.

<sup>2</sup> 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.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

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The following contains additional information relating to the Fund.

**1. Distribution of investments**

Please refer to the Statement of Portfolio on pages 17 to 21.

**2. Credit rating of debt securities**

Nil.

**3. Top 10 holdings**

**10 Largest holdings at 31 December 2016**

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Net One Systems Company Limited	183,335	2.47
NTT Docomo Incorporation	182,948	2.46
TechnoPro Holdings Incorporation	179,625	2.42
Nippon Telegraph & Telephone Corporation	177,323	2.39
Japan Tobacco Incorporation	176,824	2.38
Nihon Unisys Limited	175,665	2.36
Bridgestone Corporation	175,302	2.36
Pola Orbis Holdings Incorporation	173,700	2.34
Kyowa Exeo Corporation	172,237	2.32
Lawson Incorporation	171,589	2.31

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

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#### 3. Top 10 holdings (continued)

10 Largest holdings at 31 December 2015	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
NTT Docomo Incorporation	217,598	2.58
TechnoPro Holdings Incorporation	211,167	2.50
Amano Corporation	209,828	2.48
Aoyama Trading Company Limited	209,420	2.48
Sekisui House Limited	207,310	2.45
Lawson Incorporation	205,865	2.44
Nissan Motor Company Limited	204,592	2.42
Koei Tecmo Holdings Company Limited	202,297	2.39
Net One Systems Company Limited	202,043	2.39
Mizuho Financial Group Incorporation	198,793	2.35

#### 4. Exposure to financial derivatives

	Fair value at 31 December 2016 JPY'000	Percentage of total net assets attributable to unitholders 31 December 2016 %	Unrealised gains/(losses) JPY'000	Realised gains/(losses) JPY'000
Forward foreign exchange contracts	(48,612)	(0.65)	(48,612)	(241,528)

#### 5. Global exposure to financial derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- a. the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangement;
- b. the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c. the sum of the values of cash collateral received pursuant to:
  - i. the reduction of exposure to counterparties of OTC financial derivatives; and
  - ii. EPM techniques relating to securities lending and repurchase transactions, and that are reinvested.



## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

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**6. Collateral**

Nil.

**7. Securities lending or repurchase transactions**

Nil.

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

Please refer to the Statement of Portfolio on pages 17 to 21.

**9. Borrowings**

Nil.

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

**JPY'000**

Units created	2,681,106
Units cancelled	(3,078,414)

**11. Turnover ratio**

Please refer to Note 11 of the Notes to the Financial Statements on page 37.

**12. Expense ratio**

Please refer to Note 11 of the Notes to the Financial Statements on page 37.

**13. Related party transactions**

Please refer to Note 10 of the Notes to the Financial Statements on page 36.

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

Nil.

12 Marina View, #18-02 Asia Square Tower 2, Singapore 018961  
Intermediaries Hotline: 1800 535 8025 / 65 6535 8025  
Website: [www.nikkoam.com.sg](http://www.nikkoam.com.sg)

Company registration number 198202562H

# SEMI-ANNUAL REPORT

For the financial period ending 30 June 2016

**Nikko AM**  
**Japan Dividend Equity 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**

BNP Paribas Trust Services Singapore Limited  
20 Collyer Quay, #01-01  
Singapore 049319

**AUDITORS**

PricewaterhouseCoopers LLP  
8 Cross Street, #17-00 PWC Building  
Singapore 048424

**REGISTRAR**

BNP Paribas Trust Services Singapore Limited  
20 Collyer Quay, #01-01  
Singapore 049319

**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](http://www.nikkoam.com.sg))

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>1</sup>	-7.39	-18.54	-21.97	5.25	-	5.25
Nikko AM Japan Dividend Equity Fund SGD Hedged Class <sup>2</sup>	-8.73	-15.93	-17.02	6.01	-	6.01

Source: © 2016 Morningstar, Inc. & 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.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>1</sup>	-7.39	-18.54	-21.97	5.25	-	5.25
Nikko AM Japan Dividend Equity Fund SGD Hedged Class <sup>2</sup>	-13.30	-20.14	-21.17	4.21	-	4.21

Source: © 2016 Morningstar, Inc. & 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.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>1</sup>	-7.39	-18.54	-21.97	5.25	-	5.25
Nikko AM Japan Dividend Equity Fund USD Hedged Class <sup>2</sup>	-8.72	-15.98	-17.79	5.77	-	5.77

Source: © 2016 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 30 June 2016. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>1</sup>	-7.39	-18.54	-21.97	5.25	-	5.25
Nikko AM Japan Dividend Equity Fund USD Hedged Class <sup>2</sup>	-13.28	-20.18	-21.90	3.97	-	3.97

Source: © 2016 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 30 June 2016. Returns are calculated on a NAV-NAV basis, USD, 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.

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**Inception date: 1 July 2013**

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>3</sup>	1.40	-	-	-	-	1.40
Nikko AM Japan Dividend Equity Fund SGD Class	-0.27	-	-	-	-	-0.27

Source: © 2016 Morningstar, Inc. & 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. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark <sup>3</sup>	1.40	-	-	-	-	1.40
Nikko AM Japan Dividend Equity Fund SGD Class	-5.26	-	-	-	-	-5.26

Source: © 2016 Morningstar, Inc. & 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. Past performance is not indicative of future performance.

**Inception date: 1 April 2016****Note:**

- (1) The Fund's benchmark is TOPIX Total Return Index and is stated in base currency terms.
- (2) The Fund's investment approach is not relative or constrained to its benchmark. The currency exposures of the "SGD Hedged Share Class" and the "USD Hedged Share Class" are hedged from the Fund's base currency – JPY to the share classes' currencies – SGD and USD respectively, to remove the currency conversion risk from the Fund's base currency to the respective share classes' currencies.
- (3) The Fund's benchmark is TOPIX Total Return Index and is stated in SGD terms.

**Portfolio Review and Activity**

The Nikko AM Japan Dividend Equity Fund (the "Fund") returned -15.93% (in SGD terms, NAV-NAV basis) in the six months to 30 June 2016 and 6.01% since its inception on 1 July 2013.

We maintained the portfolio's stock weighting during the year at around 97-99%. As at end-June 2016, the portfolio consisted of 53 issues with an average forward dividend yield of 3.73%.

Names newly incorporated into the portfolio during the period included: leading general leasing firm Orix, which has increased the stability of its earnings through the continued diversification of its portfolio of businesses; IT services provider Nihon Unisys, for which strong orders, mainly from financial institutions, have led to a recovery in profitability and to strong earnings momentum; leading global manufacturer of industrial-use and automotive chains Tsubakimoto Chain, for which we expect earnings to enter a recovery phase during the current fiscal year (ending March 2017) as it benefits from the positive effects of new product launches; major home improvement chain operator

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DCM Holdings, which is expected to continue to post strong earnings thanks to the expansion of its store network through merger and acquisition activity; and global leader in resist ink for printed wiring boards Taiyo Holdings, which we repurchased after selling it off earlier in the year, as we felt it had become increasingly undervalued after its stock price dropped sharply on the projection of profit decline in the outlook it released with its earnings results.

Major stocks that were sold off during the period included: major Toyota-affiliated truckmaker Hino Motors, for which we determined that the recovery in its business in Indonesia, one of its mainstay markets, would take longer than expected; major general trading house Mitsui & Co, which we replaced in the portfolio with same-sector Mitsubishi Corporation due to increased uncertainty over Mitsui's dividend policy; manufacturer of test and measuring equipment Anritsu, as a recovery in communications sector demand for measuring instruments will take more time than initially anticipated and we therefore determined that there was a higher risk that the firm would reduce its dividend; major mobile phone network operator KDDI, which we no longer deemed attractive following a drop in its dividend yield; and parking lot operator PARK24, which became less undervalued in terms of its dividend yield after its stock price rose.

Overall, the Fund outperformed the broad-based market in the reporting period, as its strategy of investing in stocks with high dividend growth potential continued to coincide with the market focus on companies offering strong shareholder returns and introducing better corporate governance practices. While the Fund saw negative performance over the period, its investments in defensive and high-yield stocks helped limit its downside and led to its outperformance against the broader market.

Stocks that made large positive contributions during the period included names for which the market took a positive view of stable earnings performance, such as apartment builder Daito Trust Corporation, leading mobile phone network operator NTT Docomo, and real estate investment trust ORIX JREIT. Major cosmetics company Pola Orbis Holdings and manufacturer of labor time management systems Amano also contributed positively following announcements of strong earnings results.

On the other hand, stocks that contributed negatively included those weighed down by concern about the impact the Bank of Japan (BOJ)'s negative interest rate policy would have on their earnings, such as megabank operators Mizuho Financial Group and Sumitomo Mitsui Financial Group, as well as retail banking group Resona Holdings. Other negative contributors included export-driven names hampered by concerns of the impact of the strong yen, such as automaker Fuji Heavy Industries and electronic materials maker Dexerials.

## **Market Review**

### ***Japanese equity market fell in 1H 2016***

The Japanese equity market fell during the period, with the TOPIX (with dividends) dropping 18.54% and the Nikkei 225 (with dividends) sliding 17.34% in JPY terms.

The Japanese market turned downward in January following a sharp drop in stock prices in Shanghai that necessitated the application of circuit breaker mechanisms on the Shanghai and Shenzhen stock exchanges. Following the end-January BOJ announcement of a negative interest rate, stock prices climbed, reflecting expectations that the policy would support Japan's economy. However, the market dropped again amid weak corporate earnings results in Japan and on the rapid strengthening

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of the yen following congressional testimony by US Federal Reserve Board Chair Janet Yellen. While comprehensive monetary easing measures announced by the European Central Bank (ECB) in early March provided some momentum to stock buying, the further strengthening of the yen and the emergence of a cautious outlook for corporate earnings put downward pressure on the market, resulting in directionless trade for much of March.

In April, with OPEC's failure to reach an agreement on capping oil production and worries over how an earthquake in southern Japan in the middle of the month would affect supply chains, stock prices fell across the board. The market faced further pressure as the BOJ decided, contrary to expectations, against further monetary easing at its meeting in late April. This triggered further strengthening in the yen which raised concerns over a decline in corporate earnings. However, comments by Prime Minister Shinzo Abe in late May signalled the possibility that a planned hike in Japan's consumption tax rate would be delayed, while Fed Chair Yellen spoke optimistically of raising US interest rates in the very near future. In response, the yen changed direction, sharply weakening against the dollar, and the stock market rose. However, stock prices subsequently dropped in June amid lowered expectations for a US interest rate hike and concerns that the forthcoming referendum in the UK could result in it leaving the European Union (EU). In addition, the Fed's decision not to raise interest rates and the BOJ once again declining to introduce additional monetary easing measures resulted in the further strengthening of the yen and a drop in stock prices. Then, in a 23 June national referendum, UK voters decided in favour of leaving the EU, causing the yen to surge even further and triggering a clear shift to risk-averse sentiment among investors.

Overall, in terms of sector performance, all 33 TOPIX sectors fell during the period, with the Securities & Commodity Futures, Insurance, and Banks sectors dropping the most. Despite declining during the period, the best-performing sectors were Information & Communication, Foods, and Construction.

## **Market Outlook**

### ***Japanese stocks appear undervalued***

The Japanese equity market has dropped significantly, weighed down both by increased uncertainty over the global economy following the UK's decision to leave the EU and concerns that Japanese companies may revise their earnings downward due to the sharp strengthening of the yen. In response to turbulence in global financial markets, central banks have confirmed that they will be taking steps to increase the supply of US dollars, thereby ensuring that an appropriate safety net is in place. As such, we believe that a financial crisis such as the one in 2008 is unlikely to occur and that the markets will gradually regain stability. While there may be some continued volatility in stock prices as markets price in the effect of the UK's exit from the EU, over the medium term, Japanese corporations are starting to effect structural changes, as management teams are making investments for the future and aggressively strengthening shareholder returns in order to improve their firms' returns on equity (ROE), which are low compared to those of firms in Europe and North America. As such, we believe the current Japanese stock market is undervalued.

### ***Many companies increasing dividends, announcing share buybacks***

We also expect volatility to continue in the market over the short-term due to changes in the foreign exchange market. However, with the introduction of Japan's Stewardship Code and Corporate Governance Code, we are seeing the start of structural change through which Japanese firms are shifting to a style of management that emphasizes capital efficiency. This has led to firms launching efforts to raise ROE, such as investing in future growth (via capital spending and M&A activity) and strengthening their stance on shareholder returns. We therefore think that Japanese stocks will maintain their rise over the medium term.



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Due to the recent global economic slowdown and the strengthening of the yen, we are seeing many companies announce their forecasts of a year-on-year decline in earnings. That said, many firms have either maintained or hiked their dividend payout. And following the drop in stock prices, there has been an increase in the number of firms engaging in share buybacks. Overall, the movement toward a strengthening of shareholder returns is continuing. And with the significant drop in bond yields, there is an increasing likelihood that we will see a shift in investor money to names with high dividend yields, providing a strong tailwind to this fund.

### **Investment Strategy**

#### ***Portfolio is characterised by low volatility and low correlation relative to the market***

In principle, we manage the portfolio based on an investment policy of making highly selective investments in companies with future dividend growth potential from among those whose projected dividend yield is higher than the market average. In making stock selections, we focus on bottom-up research, thoroughly scrutinizing each company's corporate competitiveness, cash flow generation capacity, financial stability and stance on shareholder return. We therefore carefully select firms that are able to continually grow their dividends, and invest from a medium- to long-term perspective. Since many of the holdings are in stable growth stocks with strong earnings power and sound financials, the portfolio is characterized by low volatility and low correlation with the market. Currently, many of the portfolio's holdings are in telecommunications firms, information services companies, retailers, general trading companies, and machinery.

#### ***Focus on names with ample cash reserves and strong earnings momentum***

In terms of stock selection, we will seek out names with ample cash reserves and/or strong earnings momentum that balance investment in future growth with providing returns to shareholders. In particular, we will focus on those names from which sustained dividend growth can be expected, paying close attention to firms where there are indications that management (via business mid-term plans, etc.) is changing its stance on shareholder returns. At the same time, given major changes to the external environment through the decline in interest rates and the strengthening of the yen, for the time being we plan to take a cautious investment stance toward banks and export-related sectors and will continue to manage the portfolio with a focus on domestic demand-driven names.

Despite remaining uncertainty with regard to the direction of the global economy, we are seeing an acceleration of corporate governance reforms in Japan. As such, we believe by selecting firms with healthy financials and whose management teams are balancing shareholder returns with forward-looking growth strategies (including capital spending and M&A activity), we will be able to take advantage of the structural changes occurring in Japan's corporate sector.

## IMPORTANT INFORMATION

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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](http://www.nikkoam.com.sg)) before investing.

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The CPF interest rate for the Ordinary Account ("OA") is based on the 12-month fixed deposit and month-end savings rates of major local banks, subject to a minimum 2.5% interest per annum. The interest rate for Special, Medisave and Retirement Accounts ("SMRA") is pegged to the 12-month average yield of 10-year Singapore Government Securities yield plus 1%. A 4% floor rate will be maintained for interest earned on SMRA until 31 December 2016, after which a 2.5% minimum rate will apply. An extra 1% interest is paid on the first S\$60,000 of a member's combined balances, including up to S\$20,000 in the OA. The first S\$20,000 in the OA and the first S\$40,000 in the Special Account ("SA") cannot be invested under the CPF Investment Scheme ("CPFIS").

### **For Hong Kong Investors**

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

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### Appointment of soft dollar brokers

Soft dollar brokers will be appointed onto the Managers' broker panel only after the Managers 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 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, 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 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.

Records of the payments made using soft dollar commissions shall be retained with the Managers.

Subject to the provisions of the Code, the Sub-Managers of the Nikko AM Japan Dividend Equity Fund (the "Fund") may receive soft-dollar commissions from, or may enter into soft dollar arrangements with, stockbrokers who execute trades on behalf of the Fund. However, in any such arrangement, the Sub-Managers will abide by the restrictions and prohibitions set out in the paragraph above.

The Managers and the Sub-Managers of 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 / Sub-Managers, assist the Managers / Sub-Managers in their management of the Fund;
- the Managers / Sub-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.

\*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.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### STATEMENT OF TOTAL RETURN

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

	30 June 2016 JPY'000	30 June 2015 JPY'000
<b>Income</b>		
Dividends	123,121	69,228
	<u>123,121</u>	<u>69,228</u>
<b>Less: Expenses</b>		
Management fee	53,286	39,413
Registrar fee	1,780	1,652
Trustee fee	1,019	795
Custody fee	723	553
Audit fee	453	577
Valuation fee	1,359	1,060
Transaction costs	7,288	12,590
Other expenses	1,569	2,811
	<u>67,477</u>	<u>59,451</u>
<b>Net income</b>	<u>55,644</u>	<u>9,777</u>
<b>Net gains or losses on value of investments and financial derivatives</b>		
Net (losses)/gains on investments	(1,284,663)	771,888
Net foreign exchange (losses)/gains	(28,188)	11,549
Net (losses)/gains on financial derivatives	(873,821)	92,936
	<u>(2,186,672)</u>	<u>876,373</u>
<b>Total (deficit)/return for the financial period before income tax</b>	<u>(2,131,028)</u>	<u>886,150</u>
<b>Less: Income tax</b>	<u>(18,856)</u>	<u>(10,602)</u>
<b>Total (deficit)/return for the financial period after income tax</b>	<u>(2,149,884)</u>	<u>875,548</u>

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 (unaudited)

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	30 June 2016 JPY'000	31 December 2015 JPY'000
<b>ASSETS</b>		
Portfolio of investments	6,153,891	8,208,696
Sales awaiting settlement	29,993	-
Receivables	37,701	74,547
Cash and bank balances	453,637	385,141
<b>Total assets</b>	<b>6,675,222</b>	<b>8,668,384</b>
<b>LIABILITIES</b>		
Payables	78,060	38,416
Purchases awaiting settlement	108,327	49,110
Distributions payable	27,286	35,760
Financial derivatives at fair value	159,812	93,405
<b>Total liabilities</b>	<b>373,485</b>	<b>216,691</b>
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>6,301,737</b>	<b>8,451,693</b>

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## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

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	30 June 2016 JPY'000	31 December 2015 JPY'000
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>8,451,693</b>	3,661,256
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	(2,149,884)	197,552
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	1,315,584	10,880,590
Cancellation of units	(986,598)	(5,927,198)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	328,986	4,953,392
Distributions	(329,058)	(360,507)
Total (decrease)/increase in net assets attributable to unitholders	(2,149,956)	4,790,437
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>6,301,737</b>	8,451,693

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**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016 (unaudited)*

By Industry (Primary)	Holdings at 30 June 2016	Fair value at 30 June 2016 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2016 %
<b>Quoted Equities</b>			
<b>AGRICULTURE</b>			
Japan Tobacco Incorporated	20,800	85,342	1.35
<b>Total AGRICULTURE</b>		<u>85,342</u>	<u>1.35</u>
<b>AUTO MANUFACTURERS</b>			
Fuji Heavy Industries Limited	36,200	125,904	2.00
Nissan Motor Company Limited	135,900	124,743	1.98
Toyota Motor Corporation	10,900	55,067	0.87
<b>Total AUTO MANUFACTURERS</b>		<u>305,714</u>	<u>4.85</u>
<b>AUTO PARTS AND EQUIPMENT</b>			
Bridgestone Corporation	39,700	129,779	2.06
<b>Total AUTO PARTS &amp; EQUIPMENT</b>		<u>129,779</u>	<u>2.06</u>
<b>BANKS</b>			
Aozora Bank Limited	396,000	140,184	2.22
Mizuho Financial Group Incorporated	415,900	61,678	0.98
Resona Holdings Incorporated	373,700	139,016	2.21
Sumitomo Mitsui Financial Group Incorporated	21,600	63,202	1.00
<b>Total BANKS</b>		<u>404,080</u>	<u>6.41</u>
<b>CHEMICALS</b>			
Denka Company Limited	286,000	117,546	1.87
Taiyo Holdings Company Limited	29,300	92,149	1.46
<b>Total CHEMICALS</b>		<u>209,695</u>	<u>3.33</u>
<b>COMMERCIAL SERVICES</b>			
Technopro Holdings Incorporated	46,300	147,003	2.33
<b>Total COMMERCIAL SERVICES</b>		<u>147,003</u>	<u>2.33</u>
<b>COMPUTERS</b>			
Bell System24 Holdings Incorporated	144,100	118,018	1.87
NEC Networks & System Integration Corporation	89,400	161,814	2.57
Net One Systems Company Limited	259,300	152,728	2.42
<b>Total COMPUTERS</b>		<u>432,560</u>	<u>6.86</u>
<b>COSMETICS/PERSONAL CARE</b>			
Pola Orbis Holdings Incorporated	12,000	114,600	1.82
<b>Total COSMETICS/PERSONAL CARE</b>		<u>114,600</u>	<u>1.82</u>
<b>DISTRIBUTION/WHOLESALE</b>			
Inabata & Company Limited	123,200	113,714	1.80
Itochu Corporation	103,300	128,040	2.03
Mitsubishi Corporation	35,400	63,295	1.00
Paltac Corporation	23,800	49,290	0.78
<b>Total DISTRIBUTION/WHOLESALE</b>		<u>354,339</u>	<u>5.61</u>

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016 (unaudited)***By Industry (Primary) (continued)**

	Holdings at 30 June 2016	Fair value at 30 June 2016 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2016 %
<b>Quoted Equities (continued)</b>			
<b>DIVERSIFIED FINANCIAL SERVICES</b>			
Orix Corporation	97,200	127,138	2.02
<b>Total DIVERSIFIED FINANCIAL SERVICES</b>		<u>127,138</u>	<u>2.02</u>
<b>ELECTRONICS</b>			
Dexerials Corporation	116,400	83,226	1.32
Inaba Denki Sangyo Company Limited	41,500	144,627	2.30
Star Micronics Company Limited	105,000	112,455	1.78
<b>Total ELECTRONICS</b>		<u>340,308</u>	<u>5.40</u>
<b>ENTERTAINMENT</b>			
Avex Group Holdings Incorporated	54,600	63,008	1.00
Heiwa Corporation	54,800	113,381	1.80
<b>Total ENTERTAINMENT</b>		<u>176,389</u>	<u>2.80</u>
<b>ENVIRONMENTAL CONTROL</b>			
Asahi Holdings Incorporated	95,500	141,245	2.24
<b>Total ENVIRONMENTAL CONTROL</b>		<u>141,245</u>	<u>2.24</u>
<b>HOME BUILDERS</b>			
Sekisui House Limited	95,000	169,052	2.68
<b>Total HOME BUILDERS</b>		<u>169,052</u>	<u>2.68</u>
<b>HOUSEWARES</b>			
Sangetsu Company Limited	29,600	56,714	0.90
<b>Total HOUSEWARES</b>		<u>56,714</u>	<u>0.90</u>
<b>LEISURE TIME</b>			
Accordia Golf Company Limited	97,700	104,734	1.66
<b>Total LEISURE TIME</b>		<u>104,734</u>	<u>1.66</u>
<b>MACHINERY-CONSTRUCTION AND MINING</b>			
Komatsu Limited	59,400	105,108	1.67
<b>Total MACHINERY-CONSTRUCTION AND MINING</b>		<u>105,108</u>	<u>1.67</u>
<b>MACHINERY-DIVERSIFIED</b>			
Tsubakimoto Chain Company	191,000	119,566	1.90
<b>Total MACHINERY-DIVERSIFIED</b>		<u>119,566</u>	<u>1.90</u>
<b>METAL FABRICATE/HARDWARE</b>			
Hanwa Company Limited	140,000	74,200	1.18
<b>Total METAL FABRICATE/HARDWARE</b>		<u>74,200</u>	<u>1.18</u>
<b>MISCELLANEOUS MANUFACTURE</b>			
Amano Corporation	76,900	136,574	2.17
<b>Total MISCELLANEOUS MANUFACTURE</b>		<u>136,574</u>	<u>2.17</u>



**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016 (unaudited)***By Industry (Primary) (continued)**

	Holdings at 30 June 2016	Fair value at 30 June 2016 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2016 %
<b>Quoted Equities (continued)</b>			
<b>OFFICE/BUSINESS EQUIPMENT</b>			
Canon Incorporated	36,800	107,180	1.70
Seiko Epson Corporation	69,400	113,330	1.80
<b>Total OFFICE/BUSINESS EQUIPMENT</b>		<b>220,510</b>	<b>3.50</b>
<b>OIL AND GAS</b>			
JX Holdings Incorporated	188,500	75,155	1.19
Tonengeneral Sekiyu KK	101,000	93,930	1.49
<b>Total OIL AND GAS</b>		<b>169,085</b>	<b>2.68</b>
<b>PHARMACEUTICALS</b>			
Otsuka Holdings Company Limited	16,500	77,864	1.24
<b>Total PHARMACEUTICALS</b>		<b>77,864</b>	<b>1.24</b>
<b>REAL ESTATE</b>			
Daito Trust Construction Company Limited	10,700	178,048	2.83
<b>Total REAL ESTATE</b>		<b>178,048</b>	<b>2.83</b>
<b>RETAIL</b>			
Aoki Holdings Incorporated	97,700	103,171	1.64
Aoyama Trading Company Limited	40,400	151,904	2.41
DCM Holdings Company Limited	166,500	145,687	2.31
K's Holdings Corporation	43,400	82,764	1.31
Lawson Incorporated	20,700	169,119	2.68
VT Holdings Company Limited	273,900	127,637	2.03
<b>Total RETAIL</b>		<b>780,282</b>	<b>12.38</b>
<b>SOFTWARE</b>			
Koei Tecmo Holdings Company Limited	44,300	82,885	1.32
Nihon Unisys Limited	116,700	147,042	2.33
<b>Total SOFTWARE</b>		<b>229,927</b>	<b>3.65</b>
<b>TELECOMMUNICATIONS</b>			
Nippon Telegraph & Telephone Corporation	32,700	156,960	2.49
NTT Docomo Incorporated	69,600	192,548	3.06
<b>Total TELECOMMUNICATIONS</b>		<b>349,508</b>	<b>5.55</b>
<b>TRANSPORTATION</b>			
Senko Company Limited	221,300	136,100	2.16
<b>Total TRANSPORTATION</b>		<b>136,100</b>	<b>2.16</b>
<b>Total Quoted Equities</b>		<b>5,875,464</b>	<b>93.23</b>

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016 (unaudited)*

By Industry (Primary) (continued)

	Holdings at 30 June 2016	Fair value at 30 June 2016 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2016 %
<b>Quoted Real Estate Investment Trusts</b>			
<b>REAL ESTATE INVESTMENT TRUSTS</b>			
Japan Hotel REIT Investment Corporation	1,495	129,318	2.05
Orix JREIT Incorporated	841	149,109	2.37
<b>Total REAL ESTATE INVESTMENT TRUSTS</b>		<b>278,427</b>	<b>4.42</b>
<b>Total Quoted Real Estate Investment Trusts</b>		<b>278,427</b>	<b>4.42</b>
<b>Portfolio of investments</b>		<b>6,153,891</b>	<b>97.65</b>
<b>Other net assets</b>		<b>147,846</b>	<b>2.35</b>
<b>Net assets attributable to unitholders</b>		<b>6,301,737</b>	<b>100.00</b>

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016 (unaudited)*

<b>By Industry (Summary)</b>	<b>Fair value at 30 June 2016 JPY'000</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2016 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2015 %</b>
Agriculture	85,342	1.35	2.24
Auto Manufacturers	305,714	4.85	9.14
Auto Parts and Equipment	129,779	2.06	2.20
Banks	404,080	6.41	9.00
Chemicals	209,695	3.33	2.65
Commercial Services	147,003	2.33	3.38
Computers	432,560	6.86	6.37
Cosmetics/Personal Care	114,600	1.82	1.80
Distribution/Wholesale	354,339	5.61	5.76
Diversified Financial Services	127,138	2.02	-
Electronics	340,308	5.40	7.02
Entertainment	176,389	2.80	2.76
Environmental Control	141,245	2.24	2.24
Home Builders	169,052	2.68	2.45
Housewares	56,714	0.90	0.60
Leisure Time	104,734	1.66	1.51
Machinery-Construction and Mining	105,108	1.67	2.23
Machinery-Diversified	119,566	1.90	-
Metal Fabricate/Hardware	74,200	1.18	2.22
Miscellaneous Manufacture	136,574	2.17	2.48
Office/Business Equipment	220,510	3.50	4.23
Oil and Gas	169,085	2.68	1.99
Pharmaceuticals	77,864	1.24	1.88
Real Estate	178,048	2.83	1.81
Real Estate Investment Trusts	278,427	4.42	4.24
Retail	780,282	12.38	8.41
Software	229,927	3.65	2.39
Telecommunications	349,508	5.55	4.94
Transportation	136,100	2.16	1.18
<b>Portfolio of investments</b>	<b>6,153,891</b>	<b>97.65</b>	<b>97.12</b>
<b>Other net assets</b>	<b>147,846</b>	<b>2.35</b>	<b>2.88</b>
<b>Net assets attributable to unitholders</b>	<b>6,301,737</b>	<b>100.00</b>	<b>100.00</b>

As the Fund invests wholly into Japanese equities, it is not meaningful to classify the investments into geography.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

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The following contains additional information relating to the Fund.

#### 1. Distribution of investments

Please refer to the Statement of Portfolio on pages 12 to 16.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 30 June 2016

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
NTT Docomo Incorporated	192,548	3.06
Daito Trust Construction Company Limited	178,048	2.83
Lawson Incorporated	169,119	2.68
Sekisui House Limited	169,052	2.68
NEC Networks & System Integration Corporation	161,814	2.57
Nippon Telegraph & Telephone Corporation	156,960	2.49
Net One Systems Company Limited	152,728	2.42
Aoyama Trading Company Limited	151,904	2.41
Orix JREIT Incorporated	149,109	2.37
Nihon Unisys Limited	147,042	2.33

##### 10 Largest holdings at 30 June 2015

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Aozora Bank Limited	225,918	2.53
NTT Docomo Incorporation	220,102	2.47
Nissan Motor Company Limited	218,790	2.45
Canon Incorporation	216,648	2.43
Lawson Incorporation	216,204	2.42
Sumitomo Mitsui Financial Group Incorporation	208,534	2.34
Mizuho Financial Group Incorporation	207,866	2.33
Toyota Motor Corporation	206,716	2.32
Bridgestone Corporation	206,454	2.31
Sekisui House Limited	202,954	2.28

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## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

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#### 4. Exposure to financial derivatives

	Fair value at 30 June 2016 JPY'000	Percentage of total net assets attributable to unitholders 30 June 2016 %	Unrealised gains/(losses) JPY'000	Realised gains/(losses) JPY'000
Forward foreign exchange contracts	(159,812)	2.54	(159,812)	(714,009)

#### 5. Global exposure to financial derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- a. the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangement;
- b. the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c. the sum of the values of cash collateral received pursuant to:
  - i. the reduction of exposure to counterparties of OTC financial derivatives; and
  - ii. EPM techniques relating to securities lending and repurchase transactions, and that are reinvested.

#### 6. Collateral

Nil.

#### 7. Securities lending or repurchase transactions

Nil.

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

Please refer to the Statement of Portfolio on page 15.

#### 9. Borrowings

Nil.

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## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

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

	JPY'000
Units created	1,315,584
Units cancelled	(986,598)

#### 11. Turnover ratio

	30 June 2016	30 June 2015
Lower of total value of purchases or sales	JPY'000 <b>1,912,376</b>	1,626,601
Average daily net asset value	JPY'000 <b>7,254,043</b>	5,333,364
<b>Total turnover ratio<sup>Note</sup></b>	<b>26.36</b>	30.50

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.

#### 12. Expense ratio

	30 June 2016	30 June 2015
<b>SGD Hedged Class</b>		
Total operating expenses	JPY'000 <b>100,506</b>	57,391
Average daily net asset value	JPY'000 <b>5,751,953</b>	3,137,908
<b>Total expense ratio<sup>Note</sup></b>	<b>1.75</b>	1.83

	30 June 2016	30 June 2015
<b>USD Hedged Class</b>		
Total operating expenses	JPY'000 <b>36,960</b>	17,817
Average daily net asset value	JPY'000 <b>2,157,845</b>	1,001,941
<b>Total expense ratio<sup>Note</sup></b>	<b>1.71</b>	1.78

	30 June 2016	30 June 2015
<b>SGD Unhedged Class</b>		
Total operating expenses	JPY'000 <b>80</b>	N.A.
Average daily net asset value	JPY'000 <b>18,757</b>	N.A.
<b>Total expense ratio<sup>Note</sup> (annualised)</b>	<b>1.74</b>	N.A.

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## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2016 to 30 June 2016 (unaudited)

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#### 12. Expense ratio (continued)

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. Trustee fee and registrar 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 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 Deed:

	<b>30 June 2016</b>	31 December 2015
	<b>JPY'000</b>	JPY'000
Bank balances held with related party of the Trustee	<b>453,637</b>	385,141

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

Nil.

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12 Marina View, #18-02 Asia Square Tower 2, Singapore 018961  
Intermediaries Hotline: 1800 535 8025 / 65 6535 8025  
Website: [www.nikkoam.com.sg](http://www.nikkoam.com.sg)

Company registration number 198202562H



# ANNUAL REPORT

For the financial year ended 31 December 2015

**Nikko AM**  
**Japan Dividend Equity 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  
V Arivazhagan  
Seet Oon Hui Eleanor  
Andrew Ross Long  
Yu-Ming Wang  
David Semaya

**TRUSTEE**

BNP Paribas Trust Services Singapore Limited  
20 Collyer Quay, #01-01  
Singapore 049319

**AUDITORS**

PricewaterhouseCoopers LLP  
8 Cross Street, #17-00 PWC Building  
Singapore 048424

**REGISTRAR**

BNP Paribas Trust Services Singapore Limited  
20 Collyer Quay, #01-01  
Singapore 049319

**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](http://www.nikkoam.com.sg))

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark (SGD Hedged) <sup>1</sup>	9.83	-4.21	12.06	-	-	15.42
Nikko AM Japan Dividend Equity Fund SGD Hedged Class <sup>2</sup>	8.69	-1.29	18.67	-	-	14.97

Source: © 2015 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 31 December 2015. 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.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark (SGD Hedged) <sup>1</sup>	9.83	-4.21	12.06	-	-	15.42
Nikko AM Japan Dividend Equity Fund SGD Hedged Class <sup>2</sup>	3.25	-6.22	12.74	-	-	12.62

Source: © 2015 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 31 December 2015. 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.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark (USD Hedged) <sup>1</sup>	9.83	-4.21	12.06	-	-	15.42
Nikko AM Japan Dividend Equity Fund USD Hedged Class <sup>2</sup>	8.36	-2.15	17.50	-	-	14.68

Source: © 2015 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 31 December 2015. Returns are calculated on a NAV-NAV basis, USD, 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.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>Since Inception</b>
Benchmark (USD Hedged) <sup>1</sup>	9.83	-4.21	12.06	-	-	15.42
Nikko AM Japan Dividend Equity Fund USD Hedged Class <sup>2</sup>	2.94	-7.04	11.62	-	-	12.33

Source: © 2015 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 31 December 2015. Returns are calculated on a NAV-NAV basis, USD, 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: 1 July 2013

#### Note:

- (1) The Fund's benchmark is TOPIX Total Return Index.
- (2) The Fund's investment approach is not relative or constrained to its benchmark. The currency exposures of the "SGD Hedged Share Class" and the "USD Hedged Share Class" are hedged from the Fund's base currency – JPY to the share classes' currencies – SGD and USD respectively, to remove the currency conversion risk from the Fund's base currency to the respective share classes' currencies.

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## **Portfolio Review and Activity**

The Nikko AM Japan Dividend Equity Fund (the "Fund") gained 18.67% (in SGD terms, NAV-NAV basis) in the twelve months to 31 December, 2015 and 14.97% (in SGD terms, NAV-NAV, annualised basis) since its inception on 1 July 2013.

We maintained the portfolio's stock weighting during the year at around 96-98%, although due to market volatility in August, we briefly lowered the weighting to the 92% level. As of the end of December 2015, the portfolio consisted of 53 issues with an average forward dividend yield of 2.94%.

Names newly incorporated into the portfolio during the year included Hanwa, an independent trading firm specialising in steel products that is expected to see strong earnings as demand for steel remains firm amid a recovery in domestic construction. We also introduced inkjet printer manufacturer Seiko Epson and subsequently raised its weighting as we took a positive view of the company's structural reforms which have led to increased profitability. Other newly added names included: IT service firm Net One Systems, whose earnings benefited from growth in cloud infrastructure construction for both the private and public sectors; leading menswear chain operator Aoyama Trading, for which we took a positive view of its mid-term business plan in which it set a return on equity (ROE) target; and electronic components and materials maker Dexerials, whose earnings are expected to improve going forward due to the development and adoption of new products.

Major stocks which we sold during the year included copier and printer maker Ricoh, discount shoe store operator Chiyoda, steel pipe maker Maruichi Steel Tube and high-end apparel company United Arrows, as their dividend yields became less attractive following rises in their stock prices. We also exited our position in trading house Mitsubishi Corporation, as increasing concern over a slowdown in emerging economies led to diminished expectations that the firm will raise its dividend.

Stocks that made large positive contributions during the year included domestic demand-driven firms which were buoyed by expectations for strong earnings, such as technology-focused staffing and service firm TechnoPro Holdings, carpark operator Park24 and telecommunications giant Nippon Telegraph and Telephone. Other positive contributors included major cosmetics company Pola Orbis Holdings, which continued to benefit from strong inbound demand from overseas visitors, and over-the-counter (OTC) drug-related logistics firm Paltac, of which the market took a positive view after it raised its dividend.

On the other hand, negatively contributing stocks included: construction equipment maker Komatsu, on fears that its earnings may suffer the negative effects of declining crude oil and metals prices; electronic components and materials maker Dexerials, whose stock price decreased on uncertainty over the outlook for materials used in smartphone displays; and major inkjet printer manufacturer Seiko Epson and telecommunications engineering firm NEC Networks & System Integration Corporation, which were sold off on heightened concerns over short-term earnings.

## **Market Review**

### ***Japanese equity market gained in 2015***

The Japanese equity market rose during the period, with the TOPIX (with dividends) rising 12.06% and the Nikkei 225 (with dividends) climbing 11.00% in JPY terms. After initially starting the year lower, Japanese stocks subsequently recovered thanks to the announcement of monetary easing measures by the European Central Bank (ECB), the release of favourable fiscal Q3 earnings results and news that Japanese corporations had agreed to raise wages. After seesawing from late March to early-May, stocks subsequently pushed higher, fuelled by expectations for a weaker yen and higher corporate profits. However, stocks dipped in June amid fears of a default in Greece and fell again in July on the rejection of austerity measures by Greek voters in a referendum. While

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stocks briefly recovered on the conclusion of an agreement to resume financial assistance to Greece, China's devaluation of its currency in August and concerns about the price of crude oil created headwinds for stocks. In addition, a downturn in China's stock market prompted concerns about the global economic outlook and sent Japanese stock prices sharply lower. Stocks recovered somewhat after China lowered both its interest rates and the reserve ratio for banks. However, volatility in the market remained high, and uncertainty over the direction of US monetary policy following the Federal Reserve's decision to not raise interest rates in September weighed on the market. Later on in October, stocks rose as anticipation of additional monetary easing by the ECB and China's decision to implement further easing led to expectations that such measures would be maintained around the world over the long term. The upward trend continued into November as the perception of a strong US economy heightened the possibility of a December interest rate hike by the Federal Reserve (Fed). The actual decision by the Fed on 16 December to raise its benchmark interest rate led to further yen depreciation and a subsequent rise in the market. After that, however, disappointment that the supplementary monetary easing measures announced by the Bank of Japan (BOJ) offered nothing new caused the yen to once again appreciate and stocks to fall.

Overall, in terms of sector performance, 25 of 33 TOPIX sectors rose during the period, with the highest gains seen by the Fishery, Agriculture & Forestry, Pharmaceutical, Retail Trade and Foods sectors.

## **Market Outlook**

### ***Japanese stocks to remain resilient despite uncertainty in external environment***

Over the short term, we anticipate further market volatility due to the uncertainty of external factors, such as emerging market economies. Nevertheless, thanks to the firmness of corporate earnings and the introduction of the BOJ's negative interest rate policy, we believe that Japanese equities are becoming increasingly attractive in relative terms and will continue to show resilience. With the introduction of Japan's Stewardship Code and Corporate Governance Code, we are seeing the start of structural change through which Japanese firms are shifting to a style of management that emphasizes capital efficiency. This has led to firms launching efforts to raise ROE, such as investing in future growth and strengthening their stance on shareholder returns. We therefore think that Japanese stocks will continue to rise over the medium term.

### ***Dividend-focused strategy should pay off as companies enhance shareholder return policies***

In the current environment, with Japanese companies significantly strengthening their shareholder return policies, stocks that have healthy financials and are expected to raise their dividends on the back of stable earnings are attracting increased attention. The portfolio should therefore continue benefiting from its dividend-focused strategy. During the fiscal year (FY) 2014 earnings reporting season, many firms announced the enhancement of shareholder return policies, such as dividend increases and share buybacks. We are approaching the announcement of FY2015 results in April and May this year, and as companies confirm progress toward achieving their earnings forecasts, we expect to see more firms announce dividend hikes. With the BOJ's introduction of a negative interest rate, we also expect high-dividend yielding names to receive further attention, which should act as an additional tailwind for the portfolio.

## **Investment Strategy**

### ***Portfolio is characterised by low volatility and low correlation relative to the market***

In principle, we manage the portfolio based on an investment policy of making highly selective investments in companies with future dividend growth potential from among those whose projected dividend yield is higher than the market average. In making stock selections, we focus on bottom-up research, thoroughly scrutinising each company's corporate competitiveness, cash flow generation capacity, financial stability and stance on shareholder return. We carefully select firms that are able

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to continually grow their dividends, and invest from a medium- to long-term perspective. Since many of the holdings are in stable growth stocks with strong earnings power and sound financials, the portfolio is characterised by low volatility and low correlation with the market. Currently, many of the portfolio's holdings are in telecommunications firms, information services companies, general trading companies, banks, automakers and retailers.

***Focus on names with ample cash reserves and strong earnings momentum***

In terms of stock selection, we will seek out names with ample cash reserves and/or strong earnings momentum that balance investment in future growth with providing returns to shareholders. In particular, we will focus on those names from which sustained dividend growth can be expected, paying close attention to firms where there are indications that management (via business mid-term plans, etc.) is changing its stance on shareholder returns. Amid concerns of a global economic slowdown, many export-driven names with high global market shares, such as auto-related firms, appear to have been oversold considering their earnings generation capability. We will therefore consider raising the weightings of such names while closely watching trends in the external environment.

Despite continued uncertainty in the broader external environment, Japan is beginning to put an end to deflation and implement corporate governance reforms. We believe we will be able to take advantage of the structural changes occurring in Japan's economy and corporate sector, by selecting firms with healthy financials and whose management teams are balancing shareholder returns with forward-looking growth strategies (including capital spending and merger and acquisition activity).

## IMPORTANT INFORMATION

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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](http://www.nikkoam.com.sg)) before investing.

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### **For Hong Kong Investors**

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

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### Appointment of soft dollar brokers

Soft dollar brokers will be appointed onto the Managers' broker panel only after the Managers 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 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, 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 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.

Records of the payments made using soft dollar commissions shall be retained with the Managers.

Subject to the provisions of the Code\*, the Sub-Managers of the Nikko AM Japan Dividend Equity Fund (the "Fund") may receive soft-dollar commissions from, or may enter into soft dollar arrangements with, stockbrokers who execute trades on behalf of the Fund. However, in any such arrangement, the Sub-Managers will abide by the restrictions and prohibitions set out in the paragraph above.

The Managers and the Sub-Managers of 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 / Sub-Managers, assist the Managers / Sub-Managers in their management of the Fund;
- the Managers / Sub-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.

\*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.



**NIKKO AM JAPAN DIVIDEND EQUITY FUND**

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

**REPORT OF THE TRUSTEE**

*For the financial year ended 31 December 2015*

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The Trustee is under a duty to take into custody and hold the assets of Nikko AM Japan Dividend Equity 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 11 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

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Authorised signatory

**NIKKO AM JAPAN DIVIDEND EQUITY FUND**

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

**STATEMENT BY THE MANAGER**

*For the financial year ended 31 December 2015*

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In the opinion of the directors of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 11 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 of Nikko AM Japan Dividend Equity Fund (the "Fund") as at 31 December 2015, and the total return and changes in unitholders' funds for the 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

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Authorised signatory

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF  
NIKKO AM JAPAN DIVIDEND EQUITY FUND**  
*(Constituted under a Trust Deed registered in the Republic of Singapore)*

We have audited the accompanying financial statements of Nikko AM Japan Dividend Equity Fund (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 31 December 2015, 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 11 to 34.

***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 31 December 2015 and the total return for the 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

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2015

	Note	2015 JPY'000	2014 JPY'000
<b>Income</b>			
Dividends		<b>178,793</b>	80,019
<b>Less: Expenses</b>			
Management fee		<b>105,371</b>	39,121
Registrar fee		<b>3,793</b>	2,024
Trustee fee		<b>2,065</b>	908
Custody fee		<b>1,402</b>	5,127
Audit fee		<b>1,150</b>	1,116
Valuation fee		<b>2,753</b>	1,121
Transaction costs		<b>27,421</b>	6,798
Other expenses		<b>7,718</b>	3,801
		<b>151,673</b>	60,016
<b>Net income</b>		<b>27,120</b>	20,003
<b>Net gains or losses on value of investments and financial derivatives</b>			
Net gains on investments		<b>597,551</b>	334,180
Net foreign exchange (losses)/gains		<b>(2,800)</b>	4,710
Net (losses)/gains on financial derivatives		<b>(396,937)</b>	284,370
		<b>197,814</b>	623,260
<b>Total return for the financial year before income tax</b>		<b>224,934</b>	643,263
<b>Less: Income tax</b>	3	<b>(27,382)</b>	(12,538)
<b>Total return for the financial year after income tax</b>		<b>197,552</b>	630,725

The accompanying notes form an integral part of the financial statements

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 JPY'000	2014 JPY'000
<b>ASSETS</b>			
Portfolio of investments		<b>8,208,696</b>	3,518,874
Sales awaiting settlement		-	3,037
Receivables	4	<b>74,547</b>	19,612
Cash and bank balances		<b>385,141</b>	206,834
Financial derivatives	6	-	34,985
<b>Total assets</b>		<b>8,668,384</b>	3,783,342
<b>LIABILITIES</b>			
Payables	5	<b>38,416</b>	19,333
Purchases awaiting settlement		<b>49,110</b>	49,492
Distribution payable		<b>35,760</b>	46,984
Financial derivatives	6	<b>93,405</b>	6,277
<b>Total liabilities</b>		<b>216,691</b>	122,086
<b>EQUITY</b>			
Net assets attributable to unitholders		<b>8,451,693</b>	3,661,256

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

**NIKKO AM JAPAN DIVIDEND EQUITY FUND**

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

**STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS**

For the financial year ended 31 December 2015

	Note	2015 JPY'000	2014 JPY'000
<b>Net assets attributable to unitholders at the beginning of the financial year</b>		<b>3,661,256</b>	2,600,905
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		197,552	630,725
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		10,880,590	2,617,575
Cancellation of units		(5,927,198)	(2,023,143)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		4,953,392	594,432
Distributions	8	(360,507)	(164,806)
Total increase in net assets attributable to unitholders		4,790,437	1,060,351
<b>Net assets attributable to unitholders at the end of the financial year</b>		<b>8,451,693</b>	3,661,256

The accompanying notes form an integral part of the financial statements

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015*

By Industry (Primary)	Holdings at 31 December 2015	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>Quoted Equities</b>			
<b>AGRICULTURE</b>			
Japan Tobacco Incorporation	42,400	189,570	2.24
<b>Total AGRICULTURE</b>		<u>189,570</u>	<u>2.24</u>
<b>AUTO MANUFACTURERS</b>			
Fuji Heavy Industries Limited	36,900	185,496	2.19
Hino Motors Limited	131,600	185,424	2.19
Nissan Motor Company Limited	159,900	204,592	2.42
Toyota Motor Corporation	26,300	196,934	2.33
<b>Total AUTO MANUFACTURERS</b>		<u>772,446</u>	<u>9.13</u>
<b>AUTO PARTS AND EQUIPMENT</b>			
Bridgestone Corporation	44,600	186,160	2.20
<b>Total AUTO PARTS AND EQUIPMENT</b>		<u>186,160</u>	<u>2.20</u>
<b>BANKS</b>			
Aozora Bank Limited	456,000	192,888	2.28
Mizuho Financial Group Incorporation	816,400	198,793	2.35
Resona Holdings Incorporation	305,300	180,493	2.14
Sumitomo Mitsui Financial Group Incorporation	40,900	188,385	2.23
<b>Total BANKS</b>		<u>760,559</u>	<u>9.00</u>
<b>CHEMICALS</b>			
Denki Kagaku Kogyo Kabushiki Kaisha	282,000	152,280	1.80
Taiyo Holdings Company Limited	7,200	33,660	0.40
Toyo Ink SC Holdings Company Limited	77,000	38,115	0.45
<b>Total CHEMICALS</b>		<u>224,055</u>	<u>2.65</u>
<b>COMMERCIAL SERVICES</b>			
Park24 Company Limited	25,300	74,104	0.88
Technopro Holdings Incorporation	59,400	211,167	2.50
<b>Total COMMERCIAL SERVICES</b>		<u>285,271</u>	<u>3.38</u>
<b>COMPUTERS</b>			
Bell System24 Holdings Incorporation	125,500	147,212	1.74
NEC Networks and System Integration Corporation	88,300	189,492	2.24
Net One Systems Company Limited	260,700	202,043	2.39
<b>Total COMPUTERS</b>		<u>538,747</u>	<u>6.37</u>

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

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015***By Industry (Primary) (continued)**

	Holdings at 31 December 2015	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>Quoted Equities (continued)</b>			
<b>COSMETICS/PERSONAL CARE</b>			
Pola Orbis Holdings Incorporation	19,000	152,380	1.80
<b>Total COSMETICS/PERSONAL CARE</b>		<u>152,380</u>	<u>1.80</u>
<b>DISTRIBUTION/WHOLESALE</b>			
Inabata and Company Limited	126,300	155,223	1.84
Itochu Corporation	117,500	169,435	2.00
Mitsui & Company Limited	50,900	73,576	0.87
Paltac Corporation	41,000	88,601	1.05
<b>Total DISTRIBUTION/WHOLESALE</b>		<u>486,835</u>	<u>5.76</u>
<b>ELECTRONICS</b>			
Anritsu Corporation	137,200	109,348	1.29
Dexerials Corporation	108,700	140,984	1.67
Inaba Denki Sangyo Company Limited	43,900	170,552	2.02
Star Micronics Company Limited	108,600	172,348	2.04
<b>Total ELECTRONICS</b>		<u>593,232</u>	<u>7.02</u>
<b>ENTERTAINMENT</b>			
Avex Group Holdings Incorporation	56,800	81,849	0.97
Heiwa Corporation	66,700	151,342	1.79
<b>Total ENTERTAINMENT</b>		<u>233,191</u>	<u>2.76</u>
<b>ENVIRONMENTAL CONTROL</b>			
Asahi Holdings Incorporation	100,000	189,400	2.24
<b>Total ENVIRONMENTAL CONTROL</b>		<u>189,400</u>	<u>2.24</u>
<b>HOME BUILDERS</b>			
Sekisui House Limited	101,300	207,310	2.45
<b>Total HOME BUILDERS</b>		<u>207,310</u>	<u>2.45</u>
<b>HOUSEWARES</b>			
Sangetsu Company Limited	22,900	50,792	0.60
<b>Total HOUSEWARE</b>		<u>50,792</u>	<u>0.60</u>
<b>LEISURE TIME</b>			
Accordia Golf Company Limited	109,700	127,472	1.51
<b>Total LEISURE TIME</b>		<u>127,472</u>	<u>1.51</u>

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



**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015***By Industry (Primary)** (continued)

	Holdings at 31 December 2015	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>Quoted Equities</b> (continued)			
<b>MACHINERY-CONSTRUCTION &amp; MINING</b>			
Komatsu Limited	94,600	188,443	2.23
<b>Total MACHINERY-CONSTRUCTION &amp; MINING</b>		<b>188,443</b>	<b>2.23</b>
<b>METAL FABRICATE/HARDWARE</b>			
Hanwa Company Limited	357,000	187,782	2.22
<b>Total METAL FABRICATE/HARDWARE</b>		<b>187,782</b>	<b>2.22</b>
<b>MISCELLANEOUS MANUFACTURE</b>			
Amano Corporation	127,400	209,828	2.48
<b>Total MISCELLANEOUS MANUFACTURE</b>		<b>209,828</b>	<b>2.48</b>
<b>OFFICE/BUSINESS EQUIPMENTS</b>			
Canon Incorporation	47,500	174,563	2.07
Seiko Epson Corporation	97,700	182,699	2.16
<b>Total OFFICE/BUSINESS EQUIPMENTS</b>		<b>357,262</b>	<b>4.23</b>
<b>OIL &amp; GAS</b>			
JX Holdings Incorporation	166,800	84,801	1.00
Tonengeneral Sekiyu KK	82,000	83,804	0.99
<b>Total OIL &amp; GAS</b>		<b>168,605</b>	<b>1.99</b>
<b>PHARMACEUTICALS</b>			
Otsuka Holdings Company Limited	36,800	158,866	1.88
<b>Total PHARMACEUTICALS</b>		<b>158,866</b>	<b>1.88</b>
<b>REAL ESTATE</b>			
Daito Trust Construction Company Limited	10,900	152,709	1.81
<b>Total REAL ESTATE</b>		<b>152,709</b>	<b>1.81</b>
<b>RETAIL</b>			
Aoki Holdings Incorporation	101,500	160,675	1.90
Aoyama Trading Company Limited	44,700	209,420	2.48
Lawson Incorporation	20,900	205,865	2.44
VT Holdings Company Limited	186,100	134,550	1.59
<b>Total RETAIL</b>		<b>710,510</b>	<b>8.41</b>
<b>SOFTWARE</b>			
Koei Tecmo Holdings Company Limited	112,200	202,297	2.39
<b>Total SOFTWARE</b>		<b>202,297</b>	<b>2.39</b>

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

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015***By Industry (Primary)** (continued)

	Holdings at 31 December 2015	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2015 %
<b>Quoted Equities</b> (continued)			
<b>TELECOMMUNICATIONS</b>			
KDDI Corporation	28,600	90,204	1.07
Nippon Telegraph & Telephone Corporation	22,600	109,294	1.29
NTT Docomo Incorporation	87,600	217,598	2.58
<b>Total TELECOMMUNICATIONS</b>		417,096	4.94
<b>TRANSPORTATION</b>			
Senko Company Limited	122,000	99,796	1.18
<b>Total TRANSPORTATION</b>		99,796	1.18
<b>Total Quoted Equities</b>		7,850,614	92.88
<b>Quoted Real Estate Investment Trusts</b>			
<b>REAL ESTATE INVESTMENT TRUSTS</b>			
Japan Hotel REIT Investment Corporation	2,028	181,506	2.15
Orix JREIT Incorporation	1,129	176,576	2.09
<b>Total REAL ESTATE INVESTMENT TRUSTS</b>		358,082	4.24
<b>Total Quoted Real Estate Investment Trusts</b>		358,082	4.24
<b>Portfolio of investments</b>		8,208,696	97.12
<b>Other net assets</b>		242,997	2.88
<b>Net assets attributable to unitholders</b>		8,451,693	100.00

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

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2015*

<b>By Industry (Summary)</b>	<b>Fair value at 31 December 2015 JPY'000</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2015 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2014 %</b>
Agriculture	189,570	2.24	0.80
Auto Manufacturers	772,446	9.14	4.51
Auto Parts and Equipment	186,160	2.20	1.88
Banks	760,559	9.00	8.94
Chemicals	224,055	2.65	3.72
Commercial Services	285,271	3.38	3.64
Computers	538,747	6.37	4.27
Cosmetics/Personal Care	152,380	1.80	-
Distribution/Wholesale	486,835	5.76	9.26
Diversified Financial Services	-	-	2.03
Electronics	593,232	7.02	5.29
Entertainment	233,191	2.76	2.16
Environmental Control	189,400	2.24	1.90
Home Builders	207,310	2.45	1.95
Housewares	50,792	0.60	1.09
Leisure Time	127,472	1.51	2.20
Machinery-Construction and Mining	188,443	2.23	1.68
Metal Fabricate/Hardware	187,782	2.22	2.12
Miscellaneous Manufacture	209,828	2.48	2.14
Office/Business Equipment	357,262	4.23	3.04
Oil and Gas	168,605	1.99	3.84
Pharmaceuticals	158,866	1.88	2.56
Real Estate	152,709	1.81	2.54
Real Estate Investment Trusts (REITS)	358,082	4.24	4.22
Retail	710,510	8.41	8.22
Software	202,297	2.39	3.36
Telecommunications	417,096	4.94	6.96
Transportation	99,796	1.18	1.79
<b>Portfolio of investments</b>	<b>8,208,696</b>	<b>97.12</b>	<b>96.11</b>
<b>Other net assets</b>	<b>242,997</b>	<b>2.88</b>	<b>3.89</b>
<b>Net assets attributable to unitholders</b>	<b>8,451,693</b>	<b>100.00</b>	<b>100.00</b>

As the Fund invests wholly into Japanese equities, it is not meaningful to classify the investments into geography.

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

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

#### 1. General

Nikko AM Japan Dividend Equity Fund (the "Fund") is a Singapore domiciled fund constituted under a Trust Deed dated 21 May 2013 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").

The Fund currently offers 2 classes of units, namely SGD Hedged Class units and USD Hedged Class units. The Manager intends to hedge the currency exposure of the assets of the Fund attributable to the S\$ Hedged and US\$ Hedged Class units into Singapore and US dollars through the use of currency forwards. There are no material differences between the 2 classes except for the currency of denomination of each Class and their hedging features.

#### 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.

(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 or constructive obligation has been created.

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## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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#### 2. Significant accounting policies (continued)

##### (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 change 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 the 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.

##### (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.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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#### 2. Significant accounting policies (continued)

(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 United States Dollar and Singapore Dollar.

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

(ii) *Transactions and balances*

Foreign currency monetary assets and liabilities are translated into Japanese Yen 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 Japanese Yen at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

(h) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Deeds.

Financial derivatives outstanding at the end of the financial year are valued at forward rates or at current market prices using the "mark-to-market" method, as applicable, and the resultant gains and losses are taken up in the Statement of Total Return.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 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 sections 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 futures 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 31 December 2015 and 31 December 2014 comprises:

	<b>2015</b>	2014
	<b>JPY'000</b>	JPY'000
Overseas income tax	<b>27,382</b>	12,538

The overseas income tax represents tax deducted at source on dividends derived from outside Singapore.

#### 4. Receivables

	<b>2015</b>	2014
	<b>JPY'000</b>	JPY'000
Receivable from unitholders for creation of units	<b>50,914</b>	11,930
Dividends receivable	<b>23,309</b>	7,533
Receivables on currencies purchased	<b>324</b>	149
	<b>74,547</b>	19,612

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## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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#### 5. Payables

	2015 JPY'000	2014 JPY'000
Payable to unitholders for cancellation of units	1,365	3,403
Amount due to the Manager	33,847	13,801
Valuation fee payable	903	368
Trustee fee payable	677	276
Registrar fee payable	59	60
Provision for audit fee	1,231	1,163
Custody fee payable	334	262
	<b>38,416</b>	<b>19,333</b>

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 custodian fee are payable to BNP Paribas Securities Services Singapore Branch.

#### 6. Financial derivatives at fair value

Financial derivatives comprise forward foreign exchange contracts for purchases and sales of foreign currencies. The year-end positive and negative fair values represent the unrealised gains and losses respectively on revaluation of foreign exchange contracts at the Statement of Financial Position date. The contract or underlying principal amounts of these foreign exchange contracts and their corresponding gross positive or negative fair values at Statement of Financial Position date are analysed below.

	<u>Contract or underlying principal amount</u>		<u>Year-end positive fair value</u>		<u>Year-end negative fair value</u>	
	2015 JPY'000	2014 JPY'000	2015 JPY'000	2014 JPY'000	2015 JPY'000	2014 JPY'000
Forward foreign exchange contracts	<b>8,326,300</b>	10,327,244	-	34,985	<b>93,405</b>	6,277

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For the financial year ended 31 December 2015

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**7. Units in issue**

During the year ended 31 December 2015 and 31 December 2014, the number of units issued, redeemed and outstanding were as follows:

	2015 '000	2014 '000
<b>SGD Hedged Class</b>		
Units at beginning of the financial year	29,559	22,357
Units created	70,112	25,603
Units cancelled	(41,025)	(18,401)
Units at end of the financial year	<u>58,646</u>	<u>29,559</u>

	2015	2014
Net assets attributable to unitholders - JPY'000	6,162,771	2,935,826
Net asset value per unit - JPY	<u>105.084</u>	<u>99.321</u>

	2015 '000	2014 '000
<b>USD Hedged Class</b>		
Units at beginning of the financial year	5,495	5,825
Units created	19,613	3,079
Units cancelled	(9,660)	(3,409)
Units at end of the financial year	<u>15,448</u>	<u>5,495</u>

	2015	2014
Net assets attributable to unitholders - JPY'000	2,288,922	725,430
Net asset value per unit - JPY	<u>148.169</u>	<u>132.016</u>

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2015***7. Units in issue (continued)**

For valuation purpose, preliminary expenses are amortised over a period of 36 months from date of commencement of operations while for reporting purpose these preliminary expenses are expensed in the period when they are incurred.

A reconciliation of the net assets attributable to unitholders per unit per the financial statements and the net assets attributable to unitholders per unit for issuing/redeeming units at the financial year end date is prepared below:

	<b>2015</b>	2014
	<b>JPY</b>	JPY
<b>SGD Hedged Class</b>		
Net assets attributable to unitholders per the financial statements per unit	<b>105.084</b>	99.321
Effect of distribution per unit	<b>0.443</b>	1.272
Effect of expensing preliminary expense per unit	<b>0.009</b>	0.091
Net assets attributable to unitholders for issuing/ redeeming per unit	<b>105.536</b>	100.684
	<b>2015</b>	2014
	<b>JPY</b>	JPY
<b>USD Hedged Class</b>		
Net assets attributable to unitholders per the financial statements per unit	<b>148.169</b>	132.016
Effect of distribution per unit	<b>0.632</b>	1.710
Effect of expensing preliminary expense per unit	<b>0.013</b>	0.121
Net assets attributable to unitholders for issuing/ redeeming per unit	<b>148.814</b>	133.847

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2015***8. Distributions**

	2015 JPY'000	2014 JPY'000
January interim distribution of US\$0.46 and S\$0.45 per 100 units in respect of the financial period ended 31 December 2015	13,166	-
February interim distribution of US\$0.48 and S\$0.48 per 100 units in respect of the financial period ended 31 December 2015	15,805	-
March interim distribution of US\$0.51 and S\$0.51 per 100 units in respect of the financial period ended 31 December 2015	18,219	-
April interim distribution of US\$0.53 and S\$0.53 per 100 units in respect of the financial period ended 31 December 2015	25,580	-
May interim distribution of US\$0.54 and S\$0.54 per 100 units in respect of the financial period ended 31 December 2015	33,022	-
June interim distribution of US\$0.55 and S\$0.55 per 100 units in respect of the financial period ended 31 December 2015	38,143	-
July interim distribution of US\$0.55 and S\$0.55 per 100 units in respect of the financial period ended 31 December 2015	42,787	-
August interim distribution of US\$0.56 and S\$0.56 per 100 units in respect of the financial period ended 31 December 2015	34,688	-
September interim distribution of US\$0.50 and S\$ 0.50 per 100 units in respect of the financial period ended 31 December 2015	32,282	-
October interim distribution of US\$0.51 and S\$0.51 per 100 units in respect of the financial period ended 31 December 2015	35,156	-
November interim distribution of US\$0.52 and S\$0.53 per 100 units in respect of the financial period ended 31 December 2015	35,899	-
December interim distribution of US\$0.53 and S\$0.53 per 100 units in respect of the financial period ended 31 December 2015	35,760	-
January interim distribution of S\$0.45 and US\$0.45 per 100 units in respect of the financial year ended 31 December 2014	-	10,532
February interim distribution of S\$0.42 and US\$0.42 per 100 units in respect of the financial year ended 31 December 2014	-	8,888
March interim distribution of S\$0.41 and US\$0.41 per 100 units in respect of the financial year ended 31 December 2014	-	9,000
April interim distribution of S\$0.40 and US\$0.41 per 100 units in respect of the financial year ended 31 December 2014	-	9,112
May interim distribution of S\$0.42 and US\$0.42 per 100 units in respect of the financial year ended 31 December 2014	-	9,405
June interim distribution of S\$0.44 and US\$0.44 per 100 units in respect of the financial year ended 31 December 2014	-	8,805
July interim distribution of S\$0.44 and US\$0.45 per 100 units in respect of the financial year ended 31 December 2014	-	9,364
August interim distribution of S\$0.45 and US\$0.45 per 100 units in respect of the financial year ended 31 December 2014	-	12,693
September interim distribution of S\$0.45 and US\$0.45 per 100 units in respect of the financial year ended 31 December 2014	-	12,481
October interim distribution of S\$0.43 and US\$0.43 per 100 units in respect of the financial year ended 31 December 2014	-	13,771
November interim distribution of S\$0.47 and US\$0.47 per 100 units in respect of the financial year ended 31 December 2014	-	13,771
December final distribution of S\$1.42 and US\$1.43 per 100 units in respect of the financial year ended 31 December 2014	-	46,984
	<b>360,507</b>	<b>164,806</b>

## **NIKKO AM JAPAN DIVIDEND EQUITY FUND**

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

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2015*

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#### **9. 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 primary objective is to provide a total return of capital growth and income over the medium to long-term by investing in equities listed and traded on the Tokyo Stock Exchange.

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 deviation 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.

The Fund's market price risk is managed through diversification of the investment portfolio across various industries in Japan.

As the Fund invests primarily in Japanese equities across different industries, the Manager is of the view that the price risk the Fund is subject to best reflected by movements in its benchmark of the Topix Total Return Index (the "Index").

As at 31 December 2015 and 31 December 2014, an increase/decrease in the Index components within the Topix Index by 10% (2014: 10%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 9% (2014: 6%). The analysis was based on the assumptions that the Index components within the benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Fund's investments moved according to the beta. Reasonable possible changes in market index percentage are revised annually depending on management's current view on market volatility and other relevant factors.

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## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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#### 9. 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).

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly.

However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect. Hence, no sensitivity analysis has been presented separately.

##### (c) Market risk - Currency risk

Currency risk is the risk that the value of a 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 risks.

31 December 2015	SGD JPY'000	JPY JPY'000	USD JPY'000	Total JPY'000
<b>Assets</b>				
Portfolio of investments	-	8,208,696	-	8,208,696
Receivables	41,171	23,633	9,743	74,547
Cash and bank balances	138,871	172,298	73,972	385,141
<b>Total Assets</b>	<b>180,042</b>	<b>8,404,627</b>	<b>83,715</b>	<b>8,668,384</b>
<b>Liabilities</b>				
Payables	1,364	37,052	-	38,416
Purchases awaiting settlement	-	49,110	-	49,110
Distribution payable	25,994	-	9,766	35,760
<b>Total Liabilities</b>	<b>27,358</b>	<b>86,162</b>	<b>9,766</b>	<b>123,286</b>
<b>Net off-balance sheet derivative financial instruments</b>	<b>6,043,824</b>	<b>(8,414,148)</b>	<b>2,276,919</b>	<b>(93,405)</b>
<b>Net currency exposure</b>	<b>6,196,508</b>	<b>(95,683)</b>	<b>2,350,868</b>	

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**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2015***9. Financial risk management (continued)****(c) Market risk - Currency risk (continued)**

As at 31 December 2014	SGD JPY'000	JPY JPY'000	USD JPY'000	Total JPY'000
<b>Assets</b>				
Portfolio of investments	-	3,518,874	-	3,518,874
Sales awaiting settlement	-	3,037	-	3,037
Receivables	12,079	7,533	-	19,612
Cash and bank balances	87,588	95,265	23,981	206,834
<b>Total Assets</b>	<b>99,667</b>	<b>3,624,709</b>	<b>23,981</b>	<b>3,748,357</b>
<b>Liabilities</b>				
Payables	3,403	15,930	-	19,333
Purchases awaiting settlement	-	49,492	-	49,492
Distribution payable	46,984	-	-	46,984
<b>Total Liabilities</b>	<b>50,387</b>	<b>65,422</b>	<b>-</b>	<b>115,809</b>
<b>Net off-balance sheet derivative financial instruments</b>	<b>2,720,690</b>	<b>(3,370,994)</b>	<b>679,012</b>	<b>28,708</b>
<b>Net currency exposure</b>	<b>2,769,970</b>	<b>188,293</b>	<b>702,993</b>	

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 31 December 2015 and 2014, 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.

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2015***9. Financial risk management (continued)****(d) Liquidity risk (continued)**

The Fund's securities are considered readily realisable, as the majority of the securities are listed on recognised stock exchanges.

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

	<b><u>Less than 3 months</u></b>	
	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
	<b>JPY'000</b>	<b>JPY'000</b>
Payables	<b>38,416</b>	19,333
Purchases awaiting settlement	<b>49,110</b>	49,492
Distribution payable	<b>35,760</b>	46,984
<b>Contractual cash outflows (excluding gross settled derivatives)</b>	<b>123,286</b>	115,809

The table below analyses the Fund's derivative financial instruments in a loss position that will be settled on a gross basis into relevant maturity groupings based on the remaining period from the Statement of Financial Position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cashflows. Balances due within 3 months equal their carrying balances, as the impact of discounting is not significant.

	<b><u>Less than 3 months</u></b>	
	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
	<b>JPY'000</b>	<b>JPY'000</b>
<b>Currency forwards</b>		
- Inflow	<b>8,320,742</b>	28,708
- Outflow	<b>(8,414,147)</b>	(34,985)
<b>Net Outflow</b>	<b>(93,405)</b>	(6,277)

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 9. Financial risk management (continued)

##### (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.

Although the Fund does not have a concentration of credit risk that arises from exposure to a single counterparty, the Fund has material exposure to Japan that might potentially be subjected to economic, political and regulatory risks.

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.

Credit risk arises from cash and bank balances, and outstanding and committed transactions with brokers. The table below summarises the credit rating of banks and custodians in which the Fund's assets are held as at 31 December 2015 and 2014.

	Credit rating as at 31 December 2015	Credit rating as at 31 December 2014	Source of credit rating
<b>Bank balance</b>			
- BNP Paribas Securities Services Singapore Branch	A+	A+	Standard & Poor's
<b>Custodian</b>			
- BNP Paribas Securities Services Singapore Branch	A+	A+	Standard & Poor's
<b>Financial derivatives</b>			
- Bank of America	BBB+	A-	Standard & Poor's
- UBS AG (Singapore Branch) FX	A	A	Standard & Poor's
- Barclays Bank PLC	BBB	A	Standard & Poor's

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

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

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## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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#### 9. Financial risk management (continued)

##### (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.

##### (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 31 December 2015 and 2014:

31 December 2015	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception				
- Quoted equities	7,850,614	-	-	7,850,614
- Quoted real estate investment trusts	358,082	-	-	358,082
	<u>8,208,696</u>	-	-	<u>8,208,696</u>
<b>Liabilities</b>				
Financial derivatives	-	93,405	-	93,405

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**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2015***9. Financial risk management (continued)****(g) Fair value estimation (continued)**

<b>31 December 2014</b>	<b>Level 1 JPY'000</b>	<b>Level 2 JPY'000</b>	<b>Level 3 JPY'000</b>	<b>Total JPY'000</b>
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception				
- Quoted equities	3,364,339	-	-	3,364,339
- Quoted real estate investment trusts	154,535	-	-	154,535
- Financial derivatives	-	34,985	-	34,985
	<u>3,518,874</u>	<u>34,985</u>	<u>-</u>	<u>3,553,859</u>
<b>Liabilities</b>				
Financial derivatives	-	6,277	-	6,277

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and investment funds. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include over-the-counter derivatives.

Except for cash and bank balances which as classified as level 1, the Fund's assets and liabilities not measured at fair value at 31 December 2015 and 2014 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.

**10. 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:

	<b>2015 JPY'000</b>	<b>2014 JPY'000</b>
Bank balances held with related party of the Trustee	<u><b>385,141</b></u>	<u>206,834</u>

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

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#### 11. Financial ratios

##### Expense ratio

		2015	2014
<b>SGD Hedged Class</b>			
Total operating expenses	JPY'000	<b>90,968</b>	42,540
Average daily net asset value	JPY'000	<b>5,062,257</b>	2,040,475
<b>Total Expense ratio<sup>1</sup></b>	%	<b>1.80</b>	2.08

##### USD Hedged Class

Total operating expenses	JPY'000	<b>33,274</b>	12,265
Average daily net asset value	JPY'000	<b>1,897,705</b>	588,270
<b>Total Expense ratio<sup>1</sup></b>	%	<b>1.75</b>	2.08

##### Turnover ratio

Lower of total value of purchases or sales	JPY'000	<b>5,743,678</b>	2,269,799
Average daily net asset value	JPY'000	<b>6,959,962</b>	2,628,745
<b>Total turnover ratio<sup>2</sup></b>	%	<b>82.52</b>	86.35

<sup>1</sup> 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.

<sup>2</sup> 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

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2015

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The following contains additional information relating to the Fund.

#### 1. Distribution of investments

Please refer to the Statement of Portfolio on pages 14 to 18.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 31 December 2015

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
NTT Docomo Incorporation	217,598	2.58
Technopro Holdings Incorporation	211,167	2.50
Amano Corporation	209,828	2.48
Aoyama Trading Company Limited	209,420	2.48
Sekisui House Limited	207,310	2.45
Lawson Incorporation	205,865	2.44
Nissan Motor Company Limited	204,592	2.42
Koei Tecmo Holdings Company Limited	202,297	2.39
Net One Systems Company Limited	202,043	2.39
Mizuho Financial Group Incorporation	198,793	2.35

##### 10 Largest holdings at 31 December 2014

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Resona Holdings Incorporation	95,701	2.61
Koei Tecmo Holdings Company Limited	95,105	2.60
Daito Trust Construction Company Limited	93,160	2.54
Toyota Motor Corporation	92,963	2.54
Lawson Incorporation	92,583	2.52
Aozora Bank Limited	88,638	2.42
DCM Holdings Company Limited	85,152	2.33
JX Holdings Incorporation	83,953	2.29
Orix JREIT Incorporation	83,387	2.28
Aoki Holdings Incorporation	83,313	2.28

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#### 4. Exposure to financial derivatives

	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders 31 December 2015 %	Unrealised gains/(losses) JPY'000	Realised gains/(losses) JPY'000
Forward foreign exchange contracts	(93,405)	(1.11)	(93,405)	(303,490)

#### 5. Global exposure to financial derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- a. the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangement;
- b. the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c. the sum of the values of cash collateral received pursuant to
  - i. the reduction of exposure to counterparties of OTC financial derivatives; and
  - ii. EPM techniques relating to securities lending and repurchase transactions, and that are reinvested.

#### 6. Collateral

Nil.

#### 7. Securities lending or repurchase transactions

Nil.

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## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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

	Fair value at 31 December 2015 S\$	Percentage of total net assets attributable to unitholders 31 December 2015 %
<b>Quoted Real Estate Investment Trust</b>		
Japan Hotel REIT Investment Corporation	181,506	2.15
Orix JREIT Incorporation	176,576	2.09
<b>Total Quoted Real Estate Investment Trust</b>	<b>358,082</b>	<b>4.24</b>

#### 9. Borrowings

Nil.

#### 10. Amount of units created and cancelled for the financial year ended 31 December 2015

	JPY'000
Units created	10,880,590
Units cancelled	(5,927,198)

#### 11. Turnover ratio

Please refer to Note 11 of the Notes to the Financial Statements on page 34.

#### 12. Expense ratio

Please refer to Note 11 of the Notes to the Financial Statements on page 34.

#### 13. Related party transactions

Please refer to Note 10 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.

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12 Marina View, #18-02 Asia Square Tower 2, Singapore 018961  
Intermediaries Hotline: 1800 535 8025 / 65 6535 8025  
Website: [www.nikkoam.com.sg](http://www.nikkoam.com.sg)

Company registration number 198202562H