

# SEMI-ANNUAL REPORT

For the financial period ending 30 June 2021

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



**MANAGERS**

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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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class <sup>1</sup>	0.00	12.18	23.02	5.22	11.10	N/A	9.16

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2021. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class <sup>1</sup>	-5.00	6.57	16.87	3.44	9.97	N/A	8.47

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2021. 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, currently nil, as and 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - USD Hedged Class <sup>1</sup>	-0.06	12.07	22.99	5.91	11.69	N/A	9.43

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2021. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - USD Hedged Class <sup>1</sup>	-5.05	6.46	16.84	4.11	10.55	N/A	8.73

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2021. 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, currently nil, as and 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**

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Class	-0.45	5.82	14.72	3.55	8.26	N/A	7.80

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2021. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Class	-5.43	0.53	8.98	1.80	7.15	N/A	6.75

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2021. 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, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

**Inception date: 1 April 2016**

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class B	0.14	12.50	23.73	N/A	N/A	N/A	9.69

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2021. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class B	-4.87	6.88	17.54	N/A	N/A	N/A	7.17

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2021. 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, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

**Inception date: 17 April 2019**

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**Note:**

- (1) The investment objective of the Fund is to provide a total return of capital growth and income over the medium to long term by investing in equity investments listed and traded on the Tokyo Stock Exchange. 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.
- (2) With effect from 1 June 2017, the benchmark has been removed and there will no longer be any benchmark for the Fund. This is because pursuant to the investment objective of the Fund, the Fund is managed on a total return basis and as such, it does not seek to outperform any benchmark. Prior to 1 June 2017, the benchmark against which the Fund’s performance is measured is the TOPIX Total Return Index.

**Portfolio Review and Activity*****Fund gained in 1H21***

The Nikko AM Japan Dividend Equity Fund (SGD Hedged Class) (the “Fund”) returned 12.18% (in SGD terms, on a NAV-NAV basis) in the six months to 30 June 2021 and has returned 9.16% (annualised) since its inception on 1 July 2013. From March, investors began to refocus on fundamentals amid rising US long-term interest rates and expectations for a normalisation of the economy. In addition, a number of Japanese companies posted an earnings recovery and announced dividend hikes, helping support the performance of high dividend stocks.

Stocks that made large positive contributions during the period included stocks that posted strong earnings results such as major electronics manufacturer Hitachi, label and barcode printer Sato Holdings, electronic auto parts maker Denso, and automaker Toyota Motor. Convenience store operator Seven & i Holdings also added to performance on news of its acquisition of a US company.

In contrast, negative contributors included stocks whose earnings momentum was thought to be lagging, such as electronic materials maker Taiyo Holdings, home improvement chain operator DCM Holdings, home electronics retailer K’s Holdings, and IT services firm Kyowa Exeo. Beer maker Kirin Holdings also contributed negatively after it declined on concerns over the business impact of the situation in Myanmar.

We maintained the portfolio’s stock weighting during the period at around 98-99%. As of the end of June 2021, the portfolio consisted of 54 issues.

**Market Review*****Japanese equity market rose in JPY terms in 1H21 on hopes for a normalisation of the economy***

The Japanese stock market started the year off on a somewhat rocky note as the Japanese government announced a second state of emergency in the Greater Tokyo area following an increase in COVID-19 cases. At the same time, sharp movements in the US equity market sparked concerns over continued stock price volatility amid the GameStop trading frenzy. The spread of more infectious COVID-19 variants and rising US long-term interest rates also weighed on the market. Nevertheless, optimism for a normalisation of the economy fuelled by vaccine rollouts, US stimulus measures, and positive growth indicators in Japan held strong early in the year.

From April, Japanese equities were mostly flat. In the first half of the period, stocks were weighed down by a resurgence of COVID-19 cases and the slow start to Japan’s vaccination rollout. Inflation

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concerns also continued to build. However, from mid-May, stocks pared losses as Japan ramped up its vaccination efforts and expectations grew for the US's large-scale infrastructure plan. Over the period, the TOPIX (including dividends) rose 8.90% in JPY terms.

Overall, in terms of sector performance, all but one of the 33 Tokyo Stock Exchange (TSE) sectors rose during the period, with Marine Transportation, Rubber Products, and Mining posting the strongest gains. Only Pharmaceuticals declined.

## **Market Outlook**

### ***Japanese market likely to continue on an uptrend going forward***

Japanese equities have remained resilient amid expectations for a global economic recovery and as vaccination efforts in Japan begin to gather pace. In the short term, it is possible that we may see periods of volatility in the equity market spurred by new COVID-19 cases as well as changes in US monetary policy and long-term interest rates. However, Japanese corporate earnings are improving on a recovery of the economy and cost restructuring measures, and the faster pace of Japan's vaccination rollout makes a recovery in domestic demand more likely as well. These positives are likely to push the market's upside gradually higher. In addition, the Japanese government has laid out its growth strategy focused on promoting further digitisation and decarbonisation in Japan and Japanese companies are transforming their operations through structural reforms to improve efficiency. We believe these factors will support a continued uptrend in Japanese equities in the medium term.

## **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 returns. 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 IT service providers, telecommunications firms, specialised trading companies, retail, electronic materials, construction and construction materials.

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

Following the introduction of Japan's Corporate Governance Code, the number of Japanese firms that are selling off unprofitable businesses or strategic shareholdings and putting their excess cash to use through dividend increases and share buybacks is growing as companies increasingly turn their focus to improving returns on equity (ROE). Although Japanese companies were impacted by the COVID-19 outbreak in FY20, many firms have maintained or raised dividends thanks to their strong financial positions and cost restructuring efforts that have helped earnings rebound. This underscores the stability of Japanese corporate dividends. Looking ahead to FY21, corporate earnings are expected to greatly improve amid the global economic recovery, with many companies expected to raise dividends. As such, we expect to see a good number of opportunities to invest in names that, in addition to providing stable dividend income, can offer capital gains as dividend hikes drive up their share prices.

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

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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, such as placing greater emphasis on paying stable dividends. We will focus on primarily domestic demand-driven firms including IT services firms, network construction firms, and outsourcing companies that offer solutions to address the ongoing labour shortage and shift to remote work; construction and building materials firms which are expected to enjoy favourable business conditions given the high number of urban redevelopment and infrastructure development projects; and specialty retailers expected to see earnings growth driven by industry restructuring. From June 2021, Japan has begun to accelerate its vaccination rollout, making it more likely that we will see companies announce dividend hikes as domestic demand recovers. With respect to exporters, we are only holding companies in areas where Japanese businesses have a strong advantage, such as electronic materials-related names that are highly competitive in niche segments as well as companies that are well positioned to benefit from the shift to electric vehicles. We will also look at names that are likely to increase dividends in the future and proactively invest in high quality stocks that have lagged the market relative to their fundamentals. In this way, we will position our portfolio to achieve steady returns as investors factor in improving corporate earnings results and dividend hikes.

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**Past performance or any prediction, projection or forecast is not indicative of future performance. The Fund or any underlying fund may use or invest in financial derivative instruments.** The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)) before deciding whether to invest in the Fund.

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The Central Provident Fund (“CPF”) Ordinary Account (“OA”) interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks’ interest rates, whichever is higher, reviewed quarterly. The interest rate for Special Account (“SA”) is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whichever is higher, reviewed quarterly. Only monies in excess of \$20,000 in OA and \$40,000 in SA can be invested under the CPF Investment Scheme (“CPFIS”). Please refer to the website of the CPF Board for further information. Investors should note that the applicable interest rates for the CPF accounts and the terms of CPFIS may be varied by the CPF Board from time to time.

### **For Hong Kong Investors**

The Fund may be offered to professional investors in Hong Kong. Hong Kong investors should note that the contents of this document have not been reviewed by any regulatory authority in Hong Kong and are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Nikko Asset Management Asia Limited. Registration Number 198202562H

**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 2021 to 30 June 2021 (unaudited)*

	<b>30 June 2021</b>	30 June 2020
	<b>JPY'000</b>	JPY'000
<b>Income</b>		
Dividends	<b>204,769</b>	154,527
Interest on cash and bank balances	-	342
	<b>204,769</b>	154,869
<b>Less: Expenses</b>		
Management fee	<b>95,609</b>	66,885
Registrar fee	<b>3,432</b>	4,269
Trustee fee	<b>2,053</b>	1,356
Custody fee	<b>720</b>	79
Audit fee	<b>626</b>	517
Valuation fee	<b>2,738</b>	1,808
Transaction costs	<b>11,764</b>	12,556
Other expenses	<b>3,685</b>	1,136
	<b>120,627</b>	88,606
<b>Net income</b>	<b>84,142</b>	66,263
<b>Net gains or losses on value of investments and financial derivatives</b>		
Net gains/(losses) on investments	<b>1,392,626</b>	(1,274,354)
Net foreign exchange gains/(losses)	<b>27,355</b>	(13,454)
Net gains/(losses) on financial derivatives	<b>694,035</b>	(292,178)
	<b>2,114,016</b>	(1,579,986)
<b>Total return/(deficit) for the financial period before income tax</b>	<b>2,198,158</b>	(1,513,723)
<b>Less: Income tax</b>	<b>(31,360)</b>	(23,666)
<b>Total return/(deficit) for the financial period after income tax</b>	<b>2,166,798</b>	(1,537,389)

**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 2021 (unaudited)*

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	<b>30 June 2021</b>	31 December 2020
	<b>JPY'000</b>	JPY'000
<b>ASSETS</b>		
Portfolio of investments	<b>14,105,384</b>	10,985,963
Sales awaiting settlement	<b>19,381</b>	12,123
Receivables	<b>154,947</b>	113,287
Cash and bank balances	<b>826,914</b>	592,141
Financial derivatives at fair value	<b>24,069</b>	64,437
<b>Total assets</b>	<b>15,130,695</b>	11,767,951
<b>LIABILITIES</b>		
Payables	<b>120,924</b>	125,681
Purchases awaiting settlement	<b>101,456</b>	73,949
Distribution payable	<b>62,462</b>	46,915
Financial derivatives at fair value	<b>-</b>	170
<b>Total liabilities</b>	<b>284,842</b>	246,715
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>14,845,854</b>	11,521,236

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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 2021 to 30 June 2021 (unaudited)*

	<b>30 June 2021</b>	31 December 2020
	<b>JPY'000</b>	JPY'000
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>11,521,236</b>	11,224,115
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>2,166,798</b>	(620,989)
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>4,397,012</b>	5,976,029
Cancellation of units	<b>(2,892,654)</b>	(4,409,357)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>1,504,358</b>	1,566,672
Distributions	<b>(346,538)</b>	(648,562)
Total increases in net assets attributable to unitholders	<b>3,324,618</b>	297,121
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>14,845,854</b>	11,521,236

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2021 (unaudited)***By Industry (Primary)**

	Holdings at 30 June 2021	Fair value at 30 June 2021 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2021 %
<b>Quoted Equities</b>			
<b>ADVERTISING</b>			
Relia Incorporated	181,200	245,888	1.66
<b>Total ADVERTISING</b>		<b>245,888</b>	<b>1.66</b>
<b>AUTO MANUFACTURERS</b>			
Honda Motor Company Limited	37,100	131,705	0.88
Toyota Motor Corporation	34,800	337,908	2.28
<b>Total AUTO MANUFACTURERS</b>		<b>469,613</b>	<b>3.16</b>
<b>AUTO PARTS &amp; EQUIPMENT</b>			
Denso Corporation	34,900	264,507	1.78
<b>Total AUTO PARTS &amp; EQUIPMENT</b>		<b>264,507</b>	<b>1.78</b>
<b>BANKS</b>			
Resona Holdings Incorporated	624,600	266,829	1.80
Sumitomo Mitsui Financial Group Incorporated	81,900	313,677	2.11
<b>Total BANKS</b>		<b>580,506</b>	<b>3.91</b>
<b>BEVERAGES</b>			
Kirin Holdings Company Limited	61,400	132,992	0.90
<b>Total BEVERAGES</b>		<b>132,992</b>	<b>0.90</b>
<b>BUILDING MATERIALS</b>			
AGC Incorporated	59,100	275,406	1.86
Fujimi Incorporated	29,200	147,752	0.99
Nichias Corporation	109,900	307,171	2.07
Sanwa Holdings Corporation	158,900	216,740	1.46
<b>Total BUILDING MATERIALS</b>		<b>947,069</b>	<b>6.38</b>
<b>CHEMICALS</b>			
AICA Kogyo Company Limited	69,300	270,617	1.82
Air Water Incorporated	186,300	318,200	2.14
Lintec Corporation	93,400	225,094	1.52
<b>Total CHEMICALS</b>		<b>813,911</b>	<b>5.48</b>
<b>COMMERCIAL SERVICES</b>			
Dai Nippon Printing Company Limited	87,800	206,242	1.39
<b>Total COMMERCIAL SERVICES</b>		<b>206,242</b>	<b>1.39</b>
<b>COMPUTERS</b>			
DTS Corporation	39,700	105,007	0.70
Nihon Unisys Limited	100,700	336,338	2.27
Otsuka Corporation	44,100	257,103	1.73
<b>Total COMPUTERS</b>		<b>698,448</b>	<b>4.70</b>
<b>COSMETICS/PERSONAL CARE</b>			
Kao Corporation	48,600	332,181	2.24
<b>Total COSMETICS/PERSONAL CARE</b>		<b>332,181</b>	<b>2.24</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 2021 (unaudited)***By Industry (Primary) (continued)**

	Holdings at 30 June 2021	Fair value at 30 June 2021 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2021 %
<b>Quoted Equities (continued)</b>			
<b>DISTRIBUTION/WHOLESALE</b>			
Itochu Corporation	104,700	335,040	2.26
Kanematsu Corporation	157,000	231,889	1.56
Mitsubishi Corporation	81,200	245,874	1.65
Nippon Gas Company Limited	186,900	352,867	2.38
<b>Total DISTRIBUTION/WHOLESALE</b>		<b>1,165,670</b>	<b>7.85</b>
<b>DIVERSIFIED FINANCIAL SERVICES</b>			
ORIX Corporation	50,400	94,475	0.63
Zenkoku Hoshu Company Limited	69,900	333,773	2.25
<b>Total DIVERSIFIED FINANCIAL SERVICES</b>		<b>428,248</b>	<b>2.88</b>
<b>ELECTRONICS</b>			
Inaba Denki Sangyo Company Limited	119,000	307,734	2.07
Macnica Fuji Electronics Holdings Incorporated	79,500	212,345	1.43
Star Micronics Company Limited	99,100	167,578	1.14
Taiyo Holdings Company Limited	54,400	285,600	1.92
<b>Total ELECTRONICS</b>		<b>973,257</b>	<b>6.56</b>
<b>ENGINEERING AND CONSTRUCTION</b>			
Kumagai Gumi Company Limited	97,400	272,720	1.84
Kyowa Exeo Corporation	127,500	348,713	2.35
Takasago Thermal Engineering Company Limited	107,500	199,090	1.34
<b>Total ENGINEERING AND CONSTRUCTION</b>		<b>820,523</b>	<b>5.53</b>
<b>FOOD</b>			
Seven & I Holdings Company Limited	55,100	291,865	1.96
<b>Total FOOD</b>		<b>291,865</b>	<b>1.96</b>
<b>HAND/MACHINE TOOLS</b>			
Amada Company Limited	224,600	252,226	1.70
<b>Total HAND/MACHINE TOOLS</b>		<b>252,226</b>	<b>1.70</b>
<b>HOME BUILDERS</b>			
Daiwa House Industry Company Limited	101,500	338,503	2.28
<b>Total HOME BUILDERS</b>		<b>338,503</b>	<b>2.28</b>
<b>INSURANCE</b>			
Tokio Marine Holdings Incorporated	69,700	356,028	2.40
<b>Total INSURANCE</b>		<b>356,028</b>	<b>2.40</b>
<b>INTERNET</b>			
Arteria Networks Corporation	167,100	301,783	2.03
Trend Micro Incorporation/Japan	50,000	291,000	1.96
<b>Total INTERNET</b>		<b>592,783</b>	<b>3.99</b>
<b>MACHINERY-CONSTRUCTION &amp; MINING</b>			
Hitachi Limited	43,400	276,067	1.86
Mitsubishi Electric Corporation	199,400	321,533	2.17
<b>Total MACHINERY-CONSTRUCTION &amp; MINING</b>		<b>597,600</b>	<b>4.03</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 2021 (unaudited)***By Industry (Primary) (continued)**

	Holdings at 30 June 2021	Fair value at 30 June 2021 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2021 %
<b>Quoted Equities (continued)</b>			
<b>MISCELLANEOUS MANUFACTURE</b>			
Amano Corporation	52,600	147,333	0.99
<b>Total MISCELLANEOUS MANUFACTURE</b>		<u>147,333</u>	<u>0.99</u>
<b>OFFICE/BUSINESS EQUIPMENT</b>			
Sato Holdings Corporation	111,200	302,909	2.04
<b>Total OFFICE/BUSINESS EQUIPMENT</b>		<u>302,909</u>	<u>2.04</u>
<b>PACKAGING &amp; CONTAINERS</b>			
Rengo Company Limited	365,200	337,810	2.28
<b>Total PACKAGING &amp; CONTAINERS</b>		<u>337,810</u>	<u>2.28</u>
<b>PHARMACEUTICALS</b>			
Astellas Pharma Incorporated	128,300	248,196	1.67
<b>Total PHARMACEUTICALS</b>		<u>248,196</u>	<u>1.67</u>
<b>REAL ESTATE</b>			
Nomura Real Estate Holdings Incorporated	54,700	154,145	1.04
<b>Total REAL ESTATE</b>		<u>154,145</u>	<u>1.04</u>
<b>RETAIL</b>			
ABC-Mart Incorporated	42,700	271,999	1.83
DCM Holdings Company Limited	272,400	288,199	1.94
Komeda Holdings Company Limited	25,500	52,785	0.36
K's Holdings Corporation	252,500	322,443	2.17
<b>Total RETAIL</b>		<u>935,426</u>	<u>6.30</u>
<b>TELECOMMUNICATIONS</b>			
KDDI Corporation	93,000	322,245	2.17
Nippon Telegraph & Telephone Corporation	121,900	352,840	2.38
<b>Total TELECOMMUNICATIONS</b>		<u>675,085</u>	<u>4.55</u>
<b>TRANSPORTATION</b>			
Senko Group Holdings Company Limited	307,400	333,222	2.24
<b>Total TRANSPORTATION</b>		<u>333,222</u>	<u>2.24</u>
<b>Total Quoted Equities</b>		<u>13,642,186</u>	<u>91.89</u>
<b>Quoted Real Estate Investment Trusts</b>			
<b>REAL ESTATE INVESTMENT TRUSTS (REITS)</b>			
Nippon Prologis REIT Incorporated	717	253,460	1.71
ORIXJ REIT Incorporated	981	209,738	1.41
<b>Total REAL ESTATE INVESTMENT TRUSTS (REITS)</b>		<u>463,198</u>	<u>3.12</u>
<b>Total Quoted Real Estate Investment Trusts</b>		<u>463,198</u>	<u>3.12</u>
<b>Portfolio of investments</b>		14,105,384	95.01
<b>Other net assets</b>		740,470	4.99
<b>Net assets attributable to unitholders</b>		<u>14,845,854</u>	<u>100.00</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 2021 (unaudited)*

<b>By Industry (Summary)</b>	<b>Fair value at 30 June 2021 JPY'000</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2021 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2020 %</b>
Advertising	245,888	1.66	1.84
Auto Manufacturers	469,613	3.16	2.55
Auto Parts & Equipment	264,507	1.78	2.47
Banks	580,506	3.91	5.68
Beverages	132,992	0.90	1.45
Building Materials	947,069	6.38	4.14
Chemicals	813,911	5.48	6.11
Commercial Services	206,242	1.39	-
Computers	698,448	4.70	2.05
Cosmetics/Personal Care	332,181	2.24	-
Distribution/Wholesale	1,165,670	7.85	6.14
Diversified Financial Services	428,248	2.88	2.54
Electronics	973,257	6.56	8.52
Engineering and Construction	820,523	5.53	6.85
Food	291,865	1.96	1.74
Hand/Machine Tools	252,226	1.70	1.21
Home Builders	338,503	2.28	2.39
Insurance	356,028	2.40	2.34
Internet	592,783	3.99	4.33
Machinery-Construction & Mining	597,600	4.03	2.14
Miscellaneous Manufacture	147,333	0.99	0.88
Office/Business Equipment	302,909	2.04	2.33
Packaging & Containers	337,810	2.28	2.13
Pharmaceuticals	248,196	1.67	2.43
Real Estate	154,145	1.04	1.93
Real Estate Investment Trusts (REITS)	463,198	3.12	4.17
Retail	935,426	6.30	8.66
Telecommunications	675,085	4.55	4.58
Transportation	333,222	2.24	3.75
<b>Portfolio of investments</b>	<b>14,105,384</b>	<b>95.01</b>	<b>95.35</b>
<b>Other net assets</b>	<b>740,470</b>	<b>4.99</b>	<b>4.65</b>
<b>Net assets attributable to unitholders</b>	<b>14,845,854</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 2021 to 30 June 2021 (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 11 to 14.

**2. Credit rating of debt securities**

Nil.

**3. Top 10 holdings**

**10 Largest holdings at 30 June 2021**

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Tokio Marine Holdings Incorporated	356,028	2.40
Nippon Gas Company Limited	352,867	2.38
Nippon Telegraph & Telephone Corporation	352,840	2.38
Kyowa Exeo Corporation	348,713	2.35
Daiwa House Industry Company Limited	338,503	2.28
Toyota Motor Corporation	337,908	2.28
Rengo Company Limited	337,810	2.28
Nihon Unisys Limited	336,338	2.27
Itochu Corporation	335,040	2.26
Zenkoku Hoshu Company Limited	333,773	2.25

**10 Largest holdings at 30 June 2020**

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Kyowa Exeo Corporation	246,428	2.73
Tokio Marine Holdings Incorporated	239,128	2.65
Itochu Corporation	237,954	2.64
Nippon Telegraph & Telephone Corporation	236,709	2.63
NTT Docomo Incorporated	233,154	2.59
Kumagai Gumi Company Limited	226,008	2.51
JSR Corporation	223,808	2.48
KDDI Corporation	222,823	2.46
Sanwa Holdings Corporation	220,009	2.44
Senko Group Holdings Company Limited	219,234	2.43

## 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 2021 to 30 June 2021 (unaudited)

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#### 4. Exposure to financial derivatives

	Fair value at 30 June 2021 JPY'000	Percentage of total net assets attributable to unitholders 30 June 2021 %	Unrealised gains/(losses) JPY'000	Realised gains/(losses) JPY'000
Forward foreign exchange contracts	24,069	0.16	24,069	669,966

#### 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 arrangements;
- 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 pages 11 to 14.

#### 9. Borrowings

Nil.

#### 10. Amount of units created and cancelled for the financial period ended 30 June 2021

	JPY'000
Units created	4,397,012
Units cancelled	(2,892,654)

## 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 2021 to 30 June 2021 (unaudited)

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#### 11. Turnover ratio

		30 June 2021	30 June 2020
Lower of total value of purchases or sales	JPY'000	3,665,622	3,672,268
Average daily net asset value	JPY'000	13,578,335	9,214,263
<b>Total turnover ratio<sup>1</sup></b>	%	<b>27.00</b>	39.85

<sup>1</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.

#### 12. Expense ratio

		30 June 2021	30 June 2020
<b><u>SGD Hedged Class</u></b>			
Total operating expenses	JPY'000	113,626	109,869
Average daily net asset value	JPY'000	6,827,064	6,361,179
<b>Total expense ratio<sup>2</sup></b>	%	<b>1.66</b>	1.73
<b><u>USD Hedged Class</u></b>			
Total operating expenses	JPY'000	37,218	51,403
Average daily net asset value	JPY'000	2,230,815	2,985,236
<b>Total expense ratio<sup>2</sup></b>	%	<b>1.67</b>	1.72
<b><u>SGD Class</u></b>			
Total operating expenses	JPY'000	27,378	20,298
Average daily net asset value	JPY'000	1,641,600	1,174,381
<b>Total expense ratio<sup>2</sup></b>	%	<b>1.67</b>	1.73
<b><u>SGD Hedged Class B</u></b>			
Total operating expenses	JPY'000	9,002	4,864
Average daily net asset value	JPY'000	1,028,297	527,888
<b>Total expense ratio<sup>2</sup></b>	%	<b>0.88</b>	0.92

<sup>2</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 period 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.

## 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 2021 to 30 June 2021 (unaudited)

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#### 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 operating through its Singapore Branch.

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

	<b>30 June 2021 JPY'000</b>	31 December 2020 JPY'000
Bank balances held with related party of the Trustee	<b>826,914</b>	592,141

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

Nil.

#### 15. Soft Dollar Commissions/Arrangements

In their management of the Fund, the Managers and the Sub-Managers, Nikko Asset Management Co., Ltd., currently do not receive or enter into any soft dollar commissions or arrangements.

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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 2020

## **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**

Hou Wey Fook (Resigned with effect from 15 January 2021)  
Lim Soon Chong (Resigned with effect from 15 January 2021)  
Kiyotaka Ryu  
Seet Oon Hui Eleanor  
Hiroki Tsujimura

**TRUSTEE & REGISTRAR**

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

**AUDITORS**

PricewaterhouseCoopers LLP  
7 Straits View, Marina One,  
East Tower, Level 12,  
Singapore 018936

**CUSTODIAN**

BNP Paribas Securities Services, operating through its 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class <sup>1</sup>	4.76	9.67	-3.52	-0.16	4.87	N/A	8.13

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2020. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class <sup>1</sup>	-0.47	4.19	-8.34	-1.86	3.80	N/A	7.39

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2020. 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, currently nil, as and 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - USD Hedged Class <sup>1</sup>	4.80	9.75	-2.56	0.69	5.44	N/A	8.43

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2020. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - USD Hedged Class <sup>1</sup>	-0.44	4.26	-7.43	-1.02	4.37	N/A	7.69

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2020. 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, currently nil, as and 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

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Class	3.64	8.41	-0.19	1.24	N/A	N/A	7.36

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2020. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Class	-1.54	2.99	-5.18	-0.48	N/A	N/A	6.20

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2020. 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, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

**Inception date: 1 April 2016**

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class B	4.88	9.97	-2.66	N/A	N/A	N/A	5.17

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2020. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class B	-0.37	4.48	-7.52	N/A	N/A	N/A	2.07

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2020. 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, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

**Inception date: 17 April 2019**

**Note:**

- (1) The investment objective of the Fund is to provide a total return of capital growth and income over the medium to long term by investing in equity investments listed and traded on the Tokyo Stock Exchange. 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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- (2) With effect from 1 June 2017, the benchmark has been removed and there will no longer be any benchmark for the Fund. This is because pursuant to the investment objective of the Fund, the Fund is managed on a total return basis and as such, it does not seek to outperform any benchmark. Prior to 1 June 2017, the benchmark against which the Fund's performance is measured is the TOPIX Total Return Index.

## **Portfolio Review and Activity**

### ***Fund declined in 2020***

The Nikko AM Japan Dividend Equity Fund (SGD Hedged Class) (the "Fund") returned -3.52% (in SGD terms, on a NAV-NAV basis) in the year to 31 December 2020 and has returned 8.13% (annualised) since its inception on 1 July 2013. For much of the year, investors continued to shy away from dividend stocks given concerns over dividend cuts and focused instead on large cap and higher volatility names, where we have few holdings. The market environment was particularly challenging in November, where the conclusion of the US presidential election and optimism around COVID-19 vaccine development sent stocks soaring. The rally was led primarily by gains in large-cap cyclical names with high beta and high volatility as well as highly thematic stocks, creating a market environment that was antithetical to the low-beta, low-volatility characteristics of our strategy. Nevertheless, looking ahead, we expect that through our continued policy of careful stock selection, we will return to more normalised performance around March to May as investors take into consideration dividend hikes for the next fiscal year (starting in April).

Stocks that made large positive contributions during the period were primarily names announcing positive earnings results, including electronic materials maker Taiyo Holdings and industrial gas firm Air Water, as well as electronic materials maker JSR, which benefitted from expectations for an earnings recovery. Other positive contributors included home centre operator Shimachu which surged on news that it would become the target of a tender offer; and IT services company NEC Networks & System Integration Corporation which rose on expectations that it would benefit from increasing demand for remote work.

In contrast, stocks that detracted from performance were mainly those facing concerns over the coronavirus outbreak, including operator of members-only hotels ResortTrust, parking lot operator Park24, leasing firm Orix, and real estate investment trust ORIX JREIT. Label and barcode printer Sato Holdings also contributed negatively on concerns that its earnings momentum was relatively lagging.

We maintained the portfolio's stock weighting during the period at around 98-99%. As of the end of December 2020, the portfolio consisted of 52 issues.

## **Market Review**

### ***Japanese equity market rose in JPY terms in 2020 despite volatility caused by COVID-19***

The first half of 2020 was marked by increased volatility following the emergence of COVID-19. There was a dramatic sell-off between February and mid-March on news that the virus had begun to rapidly spread to the US and Europe. Nevertheless, Japanese equities soon began to recover, supported by large-scale fiscal stimulus and monetary easing policies around the world and, later on, by progress in the development of new treatments and vaccines for COVID-19. The uptrend in stocks held steady throughout much of the second half of the year as investors shrugged off a resurgence of COVID-19 cases, focusing instead on breakthroughs in vaccine development and

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expectations for a normalisation of the economy. As a result, the TOPIX (including dividends) ended the year up 7.39% while the Nikkei 225 (including dividends) rose 18.26% in JPY terms.

Overall, in terms of sector performance, 15 of 33 TOPIX sectors rose during the period, with sectors such as Electric Appliances, Information & Communication, and Other Products posting the highest gains. In contrast, 18 sectors declined, including Mining, Air Transportation, and Oil & Coal Products.

## **Market Outlook**

### ***Japanese market likely to maintain its uptrend in the medium term***

Japanese equities have returned to an uptrend, supported by the start of the COVID-19 vaccine rollout in some countries and expectations for a normalisation of the economy driven by the US's fiscal and monetary response. In the short term, it is possible that we may see periods of volatility in the equity market as investors monitor new COVID-19 cases both in and outside of Japan as well as global economic trends. However, considering that corporate earnings are on a recovery trend, we expect that stock prices will gradually move higher as investors factor in an earnings recovery. The new Suga administration has clearly laid out its growth strategy, including regulatory reform as well as promoting further digitisation and decarbonisation in Japan, which should also provide support to share prices. In addition, from a medium-term perspective, we believe that Japanese equities will maintain an uptrend as Japanese companies make progress on streamlining their businesses, actively improving shareholder returns, and implementing other such structural changes.

## **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 returns. 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 IT service providers, telecommunications firms, specialised trading companies, retail, electronic materials, construction and construction materials.

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

Following the introduction of Japan's Corporate Governance Code, the number of Japanese firms that are selling off unprofitable businesses or strategic shareholdings and putting their excess cash to use through dividend increases and share buybacks is growing as companies increasingly turn their focus to improving returns on equity. In terms of short-term earnings, many companies are expected to post a drop in profits due to the impact of the COVID-19 outbreak, with dividend cuts inevitable. At the same time, Japanese companies' dividend payout ratio is still low to begin with while their financial positions are strong, so many other companies are maintaining or raising dividends. In addition, with the worst of COVID's earnings impact behind us, many companies are expected to raise dividends in FY21. As such, we expect to continue to see a good number of opportunities to invest in names that, in addition to providing stable dividend income, can offer capital gains as dividend hikes drive up their share prices.

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

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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. We will focus on primarily domestic demand-driven firms including IT services firms, network construction firms, and outsourcing companies that offer solutions to address the ongoing labour shortage and shift to remote work, construction and building materials firms which are expected to enjoy favourable business conditions given the high number of urban redevelopment and infrastructure development projects; and specialty retailers expected to see earnings improvement driven by industry restructuring. With respect to exporters, we are only holding companies in areas where Japanese businesses have a strong advantage, such as electronic materials-related names that are highly competitive in niche segments as well as auto part makers that are well positioned to benefit from the shift to electric vehicles. Near-term earnings in corporate Japan have taken a hit from the COVID-19 crisis. However, we will look at names that are likely to increase dividends in the future and proactively invest in high quality stocks that have lagged the market relative to their fundamentals. In this way, we will position our portfolio to achieve steady returns as investors factor in positive changes in corporate earnings results and dividend hikes in FY21.

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**Past performance or any prediction, projection or forecast is not indicative of future performance. The Fund or any underlying fund may use or invest in financial derivative instruments.** The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)) before deciding whether to invest in the Fund.

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The Central Provident Fund (“CPF”) Ordinary Account (“OA”) interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks’ interest rates, whichever is higher, reviewed quarterly. The interest rate for Special Account (“SA”) is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whichever is higher, reviewed quarterly. Only monies in excess of \$20,000 in OA and \$40,000 in SA can be invested under the CPF Investment Scheme (“CPFIS”). Please refer to the website of the CPF Board for further information. Investors should note that the applicable interest rates for the CPF accounts and the terms of CPFIS may be varied by the CPF Board from time to time.

### **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

## **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 2020*

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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 13 to 38, 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  
29 March 2021

## **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 2020*

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In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 13 to 38, 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 2020, 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  
29 March 2021

**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 2020, and the financial performance and movements of unitholders' funds for the financial year ended on that date.

*What we have audited*

The financial statements of the Fund comprise:

- the Statement of Total Return for the financial year ended 31 December 2020;
- the Statement of Financial Position as at 31 December 2020;
- the Statement of Movements of Unitholders' Funds for the financial year ended 31 December 2020;
- the Statement of Portfolio as at 31 December 2020; and
- the notes to the financial statements, including a summary of significant accounting policies.

**Basis for Opinion**

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

*Independence*

We are independent of the Fund in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

**Other Information**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

**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)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore, 29 March 2021

**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 2020*

	Note	2020 JPY'000	2019 JPY'000
<b>Income</b>			
Dividends		306,654	408,409
Interest on cash and bank balances		342	2,813
		<u>306,996</u>	<u>411,222</u>
<b>Less: Expenses</b>			
Management fee		138,674	182,656
Registrar fee		8,620	7,708
Trustee fee		2,867	3,637
Custody fee		591	2,597
Audit fee		1,033	1,104
Valuation fee		3,823	4,849
Transaction costs		23,585	24,821
Other expenses		(795)	7,041
		<u>178,398</u>	<u>234,413</u>
<b>Net income</b>		<u>128,598</u>	<u>176,809</u>
<b>Net gains or losses on value of investments and financial derivatives</b>			
Net (losses)/gains on investments		(408,748)	1,993,479
Net foreign exchange losses		(17,184)	(19,870)
Net (losses)/gains on financial derivatives		(276,691)	254,143
		<u>(702,623)</u>	<u>2,227,752</u>
<b>Total (deficit)/return for the financial year before income tax</b>		(574,025)	2,404,561
<b>Less: Income tax</b>	3	(46,964)	(62,548)
<b>Total (deficit)/return for the financial year after income tax</b>		<u>(620,989)</u>	<u>2,342,013</u>

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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 2020*

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	Note	2020 JPY'000	2019 JPY'000
<b>ASSETS</b>			
Portfolio of investments		<b>10,985,963</b>	10,849,815
Sales awaiting settlement		<b>12,123</b>	15,514
Receivables	4	<b>113,287</b>	66,861
Cash and bank balances		<b>592,141</b>	575,459
Financial derivatives at fair value	6	<b>64,437</b>	25,127
<b>Total assets</b>		<b>11,767,951</b>	11,532,776
<b>LIABILITIES</b>			
Payables	5	<b>125,681</b>	170,892
Purchases awaiting settlement		<b>73,949</b>	61,384
Distribution payable		<b>46,915</b>	64,570
Financial derivatives at fair value	6	<b>170</b>	11,815
<b>Total liabilities</b>		<b>246,715</b>	308,661
<b>EQUITY</b>			
Net assets attributable to unitholders	7	<b>11,521,236</b>	11,224,115

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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 2020*

	Note	2020 JPY'000	2019 JPY'000
<b>Net assets attributable to unitholders at the beginning of the financial year</b>		<b>11,224,115</b>	9,213,787
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		<b>(620,989)</b>	2,342,013
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		<b>5,976,029</b>	7,831,885
Cancellation of units		<b>(4,409,357)</b>	(7,533,238)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		<b>1,566,672</b>	298,647
Distributions	8	<b>(648,562)</b>	(630,332)
Total increases in net assets attributable to unitholders		<b>297,121</b>	2,010,328
<b>Net assets attributable to unitholders at the end of the financial year</b>	7	<b>11,521,236</b>	11,224,115

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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 2020***By Industry (Primary)**

	Holdings at 31 December 2020	Fair value at 31 December 2020 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2020 %
<b>Quoted Equities</b>			
<b>ADVERTISING</b>			
Relia Incorporated	165,700	211,930	1.84
<b>Total ADVERTISING</b>		<b>211,930</b>	<b>1.84</b>
<b>AUTO MANUFACTURERS</b>			
Honda Motor Company Limited	34,800	100,137	0.87
Toyota Motor Corporation	24,300	193,355	1.68
<b>Total AUTO MANUFACTURERS</b>		<b>293,492</b>	<b>2.55</b>
<b>AUTO PARTS &amp; EQUIPMENT</b>			
Denso Corporation	46,300	284,004	2.47
<b>Total AUTO PARTS &amp; EQUIPMENT</b>		<b>284,004</b>	<b>2.47</b>
<b>BANKS</b>			
Resona Holdings Incorporated	602,900	217,285	1.88
Seven Bank Limited	948,400	206,751	1.79
Sumitomo Mitsui Financial Group Incorporated	72,600	231,449	2.01
<b>Total BANKS</b>		<b>655,485</b>	<b>5.68</b>
<b>BEVERAGES</b>			
Kirin Holdings Company Limited	68,500	166,729	1.45
<b>Total BEVERAGES</b>		<b>166,729</b>	<b>1.45</b>
<b>BUILDING MATERIALS</b>			
Fujimi Incorporated	11,400	44,631	0.38
Nichias Corporation	113,600	278,547	2.42
Sanwa Holdings Corporation	128,200	154,096	1.34
<b>Total BUILDING MATERIALS</b>		<b>477,274</b>	<b>4.14</b>
<b>CHEMICALS</b>			
AICA Kogyo Company Limited	60,700	216,396	1.88
Air Water Incorporated	131,400	240,988	2.09
Lintec Corporation	108,200	246,480	2.14
<b>Total CHEMICALS</b>		<b>703,864</b>	<b>6.11</b>
<b>COMPUTERS</b>			
DTS Corporation	111,000	235,986	2.05
<b>Total COMPUTERS</b>		<b>235,986</b>	<b>2.05</b>
<b>DISTRIBUTION/WHOLESALE</b>			
Inabata & Company Limited	12,200	17,592	0.15
Itochu Corporation	94,900	281,284	2.44
Kanematsu Corporation	160,400	206,274	1.79
Mitsubishi Corporation	79,700	202,518	1.76
<b>Total DISTRIBUTION/WHOLESALE</b>		<b>707,668</b>	<b>6.14</b>
<b>DIVERSIFIED FINANCIAL SERVICES</b>			
ORIX Corporation	41,600	65,915	0.57
Zenkoku Hosho Company Limited	48,000	226,800	1.97
<b>Total DIVERSIFIED FINANCIAL SERVICES</b>		<b>292,715</b>	<b>2.54</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 2020***By Industry (Primary) (continued)**

	Holdings at 31 December 2020	Fair value at 31 December 2020 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2020 %
<b>Quoted Equities (continued)</b>			
<b>ELECTRONICS</b>			
Inaba Denki Sangyo Company Limited	106,800	269,777	2.34
Macnica Fuji Electronics Holdings Incorporated	69,100	139,928	1.21
Otsuka Corporation	49,900	271,955	2.36
Star Micronics Company Limited	49,800	82,369	0.71
Taiyo Holdings Company Limited	35,800	218,738	1.90
<b>Total ELECTRONICS</b>		<b>982,767</b>	<b>8.52</b>
<b>ENGINEERING AND CONSTRUCTION</b>			
Kumagai Gumi Company Limited	104,500	271,491	2.36
Kyowa Exeo Corporation	96,200	279,942	2.43
Takasago Thermal Engineering Company Limited	151,600	237,254	2.06
<b>Total ENGINEERING AND CONSTRUCTION</b>		<b>788,687</b>	<b>6.85</b>
<b>FOOD</b>			
Seven & I Holdings Company Limited	54,700	200,147	1.74
<b>Total FOOD</b>		<b>200,147</b>	<b>1.74</b>
<b>HAND/MACHINE TOOLS</b>			
Amada Company Limited	122,700	139,019	1.21
<b>Total HAND/MACHINE TOOLS</b>		<b>139,019</b>	<b>1.21</b>
<b>HOME BUILDERS</b>			
Daiwa House Industry Company Limited	89,800	275,147	2.39
<b>Total HOME BUILDERS</b>		<b>275,147</b>	<b>2.39</b>
<b>INSURANCE</b>			
Tokio Marine Holdings Incorporated	50,900	270,177	2.34
<b>Total INSURANCE</b>		<b>270,177</b>	<b>2.34</b>
<b>INTERNET</b>			
Arteria Networks Corporation	169,600	253,552	2.20
Trend Micro Incorporation	41,300	245,322	2.13
<b>Total INTERNET</b>		<b>498,874</b>	<b>4.33</b>
<b>MACHINERY-CONSTRUCTION &amp; MINING</b>			
Hitachi Limited	60,600	246,339	2.14
<b>Total MACHINERY-CONSTRUCTION &amp; MINING</b>		<b>246,339</b>	<b>2.14</b>
<b>MISCELLANEOUS MANUFACTURE</b>			
Amano Corporation	41,200	101,682	0.88
<b>Total MISCELLANEOUS MANUFACTURE</b>		<b>101,682</b>	<b>0.88</b>
<b>OFFICE/BUSINESS EQUIPMENT</b>			
Sato Holdings Corporation	120,900	269,003	2.33
<b>Total OFFICE/BUSINESS EQUIPMENT</b>		<b>269,003</b>	<b>2.33</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 2020***By Industry (Primary) (continued)**

	Holdings at 31 December 2020	Fair value at 31 December 2020 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2020 %
<b>Quoted Equities (continued)</b>			
<b>PACKAGING &amp; CONTAINERS</b>			
Rengo Company Limited	283,600	245,030	2.13
<b>Total PACKAGING &amp; CONTAINERS</b>		<u>245,030</u>	<u>2.13</u>
<b>PHARMACEUTICALS</b>			
Astellas Pharma Incorporated	175,500	279,747	2.43
<b>Total PHARMACEUTICALS</b>		<u>279,747</u>	<u>2.43</u>
<b>REAL ESTATE</b>			
Nomura Real Estate Holdings Incorporated	97,300	222,136	1.93
<b>Total REAL ESTATE</b>		<u>222,136</u>	<u>1.93</u>
<b>RETAIL</b>			
ABC-Mart Incorporated	41,200	236,488	2.05
DCM Holdings Company Limited	229,200	270,227	2.35
Komeda Holdings Company Limited	73,900	137,824	1.20
K's Holdings Corporation	183,000	262,788	2.28
Marui Group Company Limited	49,700	90,056	0.78
<b>Total RETAIL</b>		<u>997,383</u>	<u>8.66</u>
<b>TELECOMMUNICATIONS</b>			
KDDI Corporation	90,600	277,780	2.41
Nippon Telegraph & Telephone Corporation	94,600	250,264	2.17
<b>Total TELECOMMUNICATIONS</b>		<u>528,044</u>	<u>4.58</u>
<b>TRANSPORTATION</b>			
Nippon Express Company Limited	30,300	209,979	1.82
Senko Group Holdings Company Limited	220,900	222,225	1.93
<b>Total TELECOMMUNICATIONS</b>		<u>432,204</u>	<u>3.75</u>
<b>Total Quoted Equities</b>		<u>10,505,533</u>	<u>91.18</u>
<b>Quoted Real Estate Investment Trusts</b>			
<b>REAL ESTATE INVESTMENT TRUSTS (REITS)</b>			
Nippon Prologis REIT Incorporated	702	226,044	1.96
ORIXJ REIT Incorporated	1,492	254,386	2.21
<b>Total REAL ESTATE INVESTMENT TRUSTS (REITS)</b>		<u>480,430</u>	<u>4.17</u>
<b>Total Quoted Real Estate Investment Trusts</b>		<u>480,430</u>	<u>4.17</u>
<b>Portfolio of investments</b>		10,985,963	95.35
<b>Other net assets</b>		535,273	4.65
<b>Net assets attributable to unitholders</b>		<u>11,521,236</u>	<u>100.00</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 2020

By Industry (Summary)	Percentage of	Percentage of
	total net assets attributable to unitholders at 31 December 2020 %	total net assets attributable to unitholders at 31 December 2019 %
Advertising	1.84	2.29
Auto Manufacturers	2.55	2.31
Auto Parts & Equipment	2.47	3.64
Banks	5.68	4.03
Beverages	1.45	-
Building Materials	4.14	5.02
Chemicals	6.11	8.14
Commercial Services	-	2.58
Computers	2.05	2.98
Distribution/Wholesale	6.14	5.96
Diversified Financial Services	2.54	2.61
Electronics	8.52	5.26
Engineering and Construction	6.85	7.14
Food	1.74	-
Hand/Machine Tools	1.21	1.86
Home Builders	2.39	2.47
Insurance	2.34	2.63
Internet	4.33	3.32
Lodging	-	2.52
Machinery-Construction & Mining	2.14	-
Mining	-	1.49
Miscellaneous Manufacture	0.88	0.99
Office/Business Equipment	2.33	3.31
Oil and Gas	-	1.32
Packaging & Containers	2.13	-
Pharmaceuticals	2.43	2.17
Real Estate	1.93	1.84
Real Estate Investment Trusts (REITS)	4.17	3.92
Retail	8.66	9.24
Telecommunications	4.58	5.10
Transportation	3.75	2.53
<b>Portfolio of investments</b>	<b>95.35</b>	<b>96.67</b>
<b>Other net assets</b>	<b>4.65</b>	<b>3.33</b>
<b>Net assets attributable to unitholders</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 2020*

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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"). The Sub-Manager of the fund is Nikko Asset Management Co., Ltd., domiciled in Japan.

There are currently eleven classes of units established within the Fund, namely the United States Dollar ("USD" or "US\$") Class Units (denominated in USD), the USD (Acc) Class Units (denominated in USD), the USD Hedged Class Units (denominated in USD), the USD Hedged Class B Units (denominated in USD), the USD Hedged (Acc) Class Units (denominated in USD), the Singapore Dollar ("SGD" or "S\$") Class Units (denominated in SGD), the SGD Hedged (Acc) Class Units (denominated in SGD), the SGD Class B Units (denominated in SGD), the SGD Hedged Class Units (denominated in SGD), the SGD Hedged Class B Units (denominated in SGD) and the Renminbi ("RMB") Class Units (denominated in RMB).

For the USD Hedged Class Units, the USD Hedged Class B 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, the USD Hedged Class B 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. The net asset value ("NAV") per Unit of each of the USD Hedged Class, the USD Hedged Class B 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, the USD Hedged Class B and the USD Hedged (Acc) Class respectively.

For the SGD Hedged (Acc) Class Units, SGD Hedged Class Units and the SGD Hedged Class B Units, the Manager intend to hedge the currency exposure of the assets of the Fund attributable to the SGD Hedged (Acc) Class Units, SGD Hedged Class Units and the SGD Hedged Class B Units respectively into SGD through the use of currency forwards. The hedging of the currency will be conducted on a monthly basis. The NAV per Unit of the SGD Hedged (Acc) Class, SGD Hedged Class and the SGD Hedged Class B will take into account any gains or losses arising from the use of the currency forwards in respect of the SGD Hedged (Acc) Class, SGD Hedged Class and the SGD Hedged Class B respectively.

The USD Class, the USD Hedged Class, the USD Hedged Class B, the SGD Class, the SGD Hedged Class, the SGD Class B, the SGD Hedged Class B and the RMB Class each intends to make distributions to Holders. However, the USD (Acc) Class, the USD Hedged (Acc) Class and the SGD 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 Classes of Units save for (i) the currency of denomination of each Class; (ii) the hedging features of the USD Hedged Class, the USD Hedged Class B, the USD Hedged (Acc) Class, the SGD Hedged (Acc) Class, the SGD Hedged Class and the SGD Hedged Class B; (iii) the annual management fee payable by each Class; (iv) the distribution policies applicable to the classes as described above and (v) 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 2020

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#### 1. **General** (continued)

As of 31 December 2020, only units in the SGD Hedged Class, USD Hedged Class, SGD Class and SGD Hedged Class B have been issued

#### 2. **Significant accounting policies**

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

##### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets 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.

##### (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 is 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.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

(e) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for investments held by the Fund is 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) Sales and purchases awaiting settlement

Sales and purchases awaiting settlement represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost.

(h) Payables

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(i) Cash and bank balances

Cash and bank balances comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

(j) 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 ("USD") and Singapore Dollar ("SGD").

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.

## 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 2020

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

##### (j) Foreign currency translation (continued)

###### (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.

##### (k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

##### (l) 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

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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#### 3. Income tax

The Manager and Trustee of the Fund have assessed and are satisfied that the Fund has met the requisite conditions under the Designated Unit Trust (DUT) scheme for the current financial year. The Manager and Trustee of the Fund will ensure that the Fund fulfills its reporting obligations under the DUT Scheme.

Under the DUT Scheme, subject to certain conditions and reporting obligations being met, certain income of the DUT fund is not taxable in accordance to Sections 35(12) and 35(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 fees, 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 2020 and 2019 comprises:

	2020 JPY'000	2019 JPY'000
Overseas income tax	46,964	62,548
	<u>46,964</u>	<u>62,548</u>

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

#### 4. Receivables

	2020 JPY'000	2019 JPY'000
Receivable from unitholders for creation of units	97,147	36,840
Dividends receivable	16,140	30,021
	<u>113,287</u>	<u>66,861</u>

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

#### 5. Payables

	2020	2019
	JPY'000	JPY'000
Payable to unitholders for cancellation of units	81,057	115,582
Amount due to the Manager	41,053	50,688
Amount due to the Trustee	855	1,040
Valuation fee payable	1,139	1,387
Registrar fee payable	52	54
Provision for audit fee	1,096	1,128
Custody fee payable	429	1,013
	<b>125,681</b>	<b>170,892</b>

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

#### 6. Financial derivatives

Financial derivatives comprise of 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 forward foreign exchange contracts at the Statement of Financial Position date. The contract or underlying principal amounts of these financial derivatives and their corresponding gross positive or negative fair values at Statement of Financial Position date are analysed below.

	Contract or underlying principal amount		Year-end positive fair value		Year-end negative fair value	
	2020	2019	2020	2019	2020	2019
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
Forward foreign exchange contracts	<b>9,823,430</b>	10,185,991	<b>64,437</b>	25,127	<b>170</b>	11,815

The Fund also restricts its exposure to credit losses on the trading derivative instruments it holds by entering into master netting arrangements with approved brokers with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of Statement of Financial Position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

#### 6. Financial derivatives (continued)

Financial assets and liabilities which are subject to enforceable master netting agreements or similar agreements for the year ended 31 December 2020 and 2019 are detailed in the following table.

##### (i) Offsetting financial assets

As at 31 December 2020 and 2019, there are no positions of financial assets which are subject to enforceable master netting agreements or similar agreements.

##### (ii) Offsetting financial liabilities

	Gross amounts of recognised financial liabilities JPY'000	Gross amounts of recognised financial assets set-off in the Statement of Financial Position JPY'000	Net amounts of financial liabilities presented in the Statement of Financial Position JPY'000	Related accounts not set-off in the Statement of Financial Position		
				Financial instruments JPY'000	Cash collateral JPY'000	Net exposure JPY'000
2020						
Forward foreign exchange contracts	170	-	170	-	-	170

	Gross amounts of recognised financial liabilities JPY'000	Gross amounts of recognised financial assets set-off in the Statement of Financial Position JPY'000	Net amounts of financial liabilities presented in the Statement of Financial Position JPY'000	Related accounts not set-off in the Statement of Financial Position		
				Financial instruments JPY'000	Cash collateral JPY'000	Net exposure JPY'000
2019						
Forward foreign exchange contracts	-	-	-	-	-	-

**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 2020***7. Units in issue**

During the year ended 31 December 2020 and 2019, the number of units issued, redeemed and outstanding were as follows:

<b><u>SGD Hedged Class</u></b>	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
Units at beginning of the financial year	<b>66,369</b>	73,035
Units created	<b>35,619</b>	24,303
Units cancelled	<b>(25,179)</b>	(30,969)
Units at end of the financial year	<b>76,809</b>	66,369
Net assets attributable to unitholders - JPY'000	<b>6,923,435</b>	6,872,705
Net asset value per unit - JPY	<b>90.138</b>	103.553
<b><u>USD Hedged Class</u></b>	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
Units at beginning of the financial year	<b>17,346</b>	12,511
Units created	<b>9,086</b>	30,131
Units cancelled	<b>(9,450)</b>	(25,296)
Units at end of the financial year	<b>16,982</b>	17,346
Net assets attributable to unitholders - JPY'000	<b>2,065,880</b>	2,442,305
Net asset value per unit - JPY	<b>121.651</b>	140.799
<b><u>SGD Class</u></b>	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
Units at beginning of the financial year	<b>13,725</b>	14,159
Units created	<b>16,207</b>	11,309
Units cancelled	<b>(9,995)</b>	(11,743)
Units at end of the financial year	<b>19,937</b>	13,725
Net assets attributable to unitholders - JPY'000	<b>1,651,819</b>	1,263,932
Net asset value per unit - JPY	<b>82.852</b>	92.090
<b><u>SGD Hedged Class B</u></b>	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
Units at beginning of the financial year	<b>7,382</b>	-
Units created	<b>6,359</b>	8,226
Units cancelled	<b>(2,284)</b>	(844)
Units at end of the financial year	<b>11,457</b>	7,382
Net assets attributable to unitholders - JPY'000	<b>880,102</b>	645,173
Net asset value per unit - JPY	<b>76.818</b>	87.398

## 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 2020

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

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:

<b><u>SGD Hedged Class</u></b>	<b>2020</b>	2019
	<b>JPY'000</b>	JPY'000
Net assets attributable to unitholders per financial statements per unit	<b>90.138</b>	103.553
Effects of distribution per unit	<b>0.367</b>	0.594
Effect for movement in the net assets value between the last dealing date and the end of the reporting period ^	<b>(0.066)</b>	0.011
Net assets attributable to unitholders for issuing/redeeming per unit	<b>90.439</b>	104.158
<b><u>USD Hedged Class</u></b>	<b>2020</b>	2019
	<b>JPY'000</b>	JPY'000
Net assets attributable to unitholders per financial statements per unit	<b>121.651</b>	140.799
Effects of distribution per unit	<b>0.495</b>	0.812
Effect for movement in the net assets value between the last dealing date and the end of the reporting period ^	<b>(0.012)</b>	0.399
Net assets attributable to unitholders for issuing/redeeming per unit	<b>122.134</b>	142.010
<b><u>SGD Class</u></b>	<b>2020</b>	2019
	<b>JPY'000</b>	JPY'000
Net assets attributable to unitholders per financial statements per unit	<b>82.852</b>	92.090
Effects of distribution per unit	<b>0.336</b>	0.538
Effect for movement in the net assets value between the last dealing date and the end of the reporting period ^	<b>0.004</b>	0.009
Net assets attributable to unitholders for issuing/redeeming per unit	<b>83.192</b>	92.637
<b><u>SGD Hedged Class B</u></b>	<b>2020</b>	2019
	<b>JPY'000</b>	JPY'000
Net assets attributable to unitholders per financial statements per unit	<b>76.818</b>	87.398
Effects of distribution per unit	<b>0.313</b>	0.498
Effect for movement in the net assets value between the last dealing date and the end of the reporting period ^	<b>(0.055)</b>	0.007
Net assets attributable to unitholders for issuing/redeeming per unit	<b>77.076</b>	87.903

^ 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 reporting period due to accrual of operating expenses.

## NIKKO AM JAPAN DIVIDEND EQUITY FUND

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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#### 8. Distributions

	2020 JPY'000	2019 JPY'000
January interim distribution of US\$0.76 (USD Hedged Class), S\$0.75 (SGD Hedged Class), S\$0.66 (SGD Class) & S\$0.63 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	64,248	-
February interim distribution of US\$0.74 (USD Hedged Class), S\$0.73 (SGD Hedged Class), S\$0.67 (SGD Class) & S\$0.62 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	55,467	-
March interim distribution of US\$0.56 (USD Hedged Class), S\$0.55 (SGD Hedged Class), S\$0.52 (SGD Class) & S\$0.46 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	43,340	-
April interim distribution of US\$0.61 (USD Hedged Class), S\$0.60 (SGD Hedged Class), S\$0.57 (SGD Class) & S\$0.51 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	48,067	-
May interim distribution of US\$0.63 (USD Hedged Class), S\$0.61 (SGD Hedged Class), S\$0.59 (SGD Class) & S\$0.52 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	50,558	-
June interim distribution of US\$0.64 (USD Hedged Class), S\$0.63 (SGD Hedged Class), S\$0.59 (SGD Class) & S\$0.53 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	51,821	-
July interim distribution of US\$0.66 (USD Hedged Class), S\$0.64 (SGD Hedged Class), S\$0.60 (SGD Class) & S\$0.55 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	53,460	-
August interim distribution of US\$0.66 (USD Hedged Class), S\$0.65 (SGD Hedged Class), S\$0.60 (SGD Class) & S\$0.55 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	54,944	-
September interim distribution of US\$0.67 (USD Hedged Class), S\$0.65 (SGD Hedged Class), S\$0.61 (SGD Class) & S\$0.56 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	57,421	-
October interim distribution of US\$0.67 (USD Hedged Class), S\$0.65 (SGD Hedged Class), S\$0.61 (SGD Class) & S\$0.56 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	59,537	-
November interim distribution of US\$0.67 (USD Hedged Class), S\$0.66 (SGD Hedged Class), S\$0.61 (SGD Class) & S\$0.56 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	62,784	-
December final distribution of US\$0.48 (USD Hedged Class), S\$0.47 (SGD Hedged Class), S\$0.43 (SGD Class) & S\$0.40 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2020	46,915	-

**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 2020***8. Distributions (continued)**

	<b>2020</b>	2019
	<b>JPY'000</b>	JPY'000
January interim distribution of US\$0.48 (USD Hedged Class), S\$0.48 (SGD Hedged Class) & S\$0.44 (SGD Class) per 100 units in respect of the financial year ended 31 December 2019	-	44,262
February interim distribution of US\$0.49 (USD Hedged Class), S\$0.49 (SGD Hedged Class) & S\$0.44 (SGD Class) per 100 units in respect of the financial year ended 31 December 2019	-	49,656
March interim distribution of US\$0.49 (USD Hedged Class), S\$0.49 (SGD Hedged Class) & S\$0.43 (SGD Class) per 100 units in respect of the financial year ended 31 December 2019	-	50,795
April interim distribution of US\$0.50 (USD Hedged Class), S\$0.50 (SGD Hedged Class) & S\$0.44 (SGD Class) per 100 units in respect of the financial year ended 31 December 2019	-	50,748
May interim distribution of US\$0.48 (USD Hedged Class), S\$0.48 (SGD Hedged Class), S\$0.44 (SGD Class) & S\$0.40 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2019	-	52,924
June interim distribution of US\$0.48 (USD Hedged Class), S\$0.48 (SGD Hedged Class), S\$0.44 (SGD Class) & S\$0.40 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2019	-	54,025
July interim distribution of US\$0.49 (USD Hedged Class), S\$0.49 (SGD Hedged Class), S\$0.45 (SGD Class) & S\$0.41 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2019	-	53,163
August interim distribution of US\$0.46 (USD Hedged Class), S\$0.45 (SGD Hedged Class), S\$0.43 (SGD Class) & S\$0.38 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2019	-	50,817
September interim distribution of US\$0.50 (USD Hedged Class), S\$0.49 (SGD Hedged Class), S\$0.45 (SGD Class) & S\$0.41 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2019	-	54,968
October interim distribution of US\$0.51 (USD Hedged Class), S\$0.50 (SGD Hedged Class), S\$0.46 (SGD Class) & S\$0.43 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2019	-	55,767
November interim distribution of US\$0.53 (USD Hedged Class), S\$0.53 (SGD Hedged Class), S\$0.48 (SGD Class) & S\$0.45 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2019	-	48,637
December final distribution of US\$0.75 (USD Hedged Class), S\$0.74 (SGD Hedged Class), S\$0.67 (SGD Class) & S\$0.62 (SGD Hedged Class B) per 100 units in respect of the financial year ended 31 December 2019	-	64,570
	<b>648,562</b>	<b>630,332</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 2020*

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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.

The COVID-19 pandemic continues to evolve and develop. The situation is dynamic with various cities and countries around the world responding in different ways to address the pandemic. As a result of the COVID-19 pandemic, global financial markets have experienced significant volatility. Given the extent of the crisis, it is difficult to estimate the impact or duration of the volatility on the portfolio of the Fund. The Manager is closely monitoring the development of the COVID-19 pandemic and its related impact.

##### (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. The Manager has assessed that the TOPIX Net Return Index (the "Index") will provide a suitable analysis of reasonable possible shifts of the fair value of the Fund's investments.

As at 31 December 2020, an increase/decrease of the index component within the Index by 18% (2019: 14%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 15% (2019: 13%). The analysis was based on the assumptions that the index components within the Index 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 the Manager'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 2020

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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 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.

As at 31 December 2020	SGD JPY'000	JPY JPY'000	USD JPY'000	Total JPY'000
<b>Assets</b>				
Portfolio of investments	-	10,985,963	-	10,985,963
Sales awaiting settlement	-	12,123	-	12,123
Receivables	84,271	16,140	12,876	113,287
Cash and bank balances	299,074	217,600	75,467	592,141
<b>Total assets</b>	<b>383,345</b>	<b>11,231,826</b>	<b>88,343</b>	<b>11,703,514</b>
<b>Liabilities</b>				
Payables	79,664	44,625	1,392	125,681
Purchases awaiting settlement	-	73,949	-	73,949
Distributions payable	38,509	-	8,406	46,915
<b>Total liabilities</b>	<b>118,173</b>	<b>118,574</b>	<b>9,798</b>	<b>246,545</b>
<b>Net off-balance sheet derivative financial instruments</b>	<b>7,771,630</b>	<b>(9,755,889)</b>	<b>2,048,526</b>	
<b>Net currency exposure</b>	<b>8,036,802</b>	<b>1,357,363</b>	<b>2,127,071</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 2020

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

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

As at 31 December 2019	SGD JPY'000	JPY JPY'000	USD JPY'000	Total JPY'000
<b>Assets</b>				
Portfolio of investments	-	10,849,815	-	10,849,815
Sales awaiting settlement	-	15,514	-	15,514
Receivables	30,615	30,021	6,225	66,861
Cash and bank balances	217,803	285,199	72,457	575,459
<b>Total assets</b>	<b>248,418</b>	<b>11,180,549</b>	<b>78,682</b>	<b>11,507,649</b>
<b>Liabilities</b>				
Payables	113,519	55,310	2,063	170,892
Purchases awaiting settlement	-	61,384	-	61,384
Distributions payable	50,479	-	14,091	64,570
<b>Total liabilities</b>	<b>163,998</b>	<b>116,694</b>	<b>16,154</b>	<b>296,846</b>
<b>Net off-balance sheet derivative financial instruments</b>	<b>7,736,535</b>	<b>(10,156,885)</b>	<b>2,433,662</b>	
<b>Net currency exposure</b>	<b>7,820,955</b>	<b>906,970</b>	<b>2,496,190</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. Changes 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 2020	31 December 2019	31 December 2020	31 December 2019
SGD	7	7	5	5
USD	7	6	1	1

##### (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 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.

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

## 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 2020

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

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

The Fund's financial liabilities are analysed using contractual undiscounted cash flows for maturity groupings based on the remaining year at the Statement of Financial Position date to the contractual maturity date. As at 31 December 2020 and 2019, 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 2020 JPY'000	As at 31 December 2019 JPY'000
Payables	125,681	170,892
Purchases awaiting settlement	73,949	61,384
Distributions payable	46,915	64,570
<b>Contractual cash outflows (excluding gross settled derivatives)</b>	<b>246,545</b>	<b>296,846</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 period at the Statement of Financial Position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. 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 2020 JPY'000	As at 31 December 2019 JPY'000
<b>Currency forwards</b>		
- Outflow	(2,048,696)	(2,445,477)
- Inflow	2,048,526	2,433,662
<b>Net outflow</b>	<b>(170)</b>	<b>(11,815)</b>

##### (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.

## 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 2020

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

##### (e) Credit risk (continued)

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 from brokers. The table below summarises the credit rating of bank and custodians in which the Fund's assets are held as at 31 December 2020 and 2019.

	Credit rating as at 31 December 2020	Credit rating as at 31 December 2019	Source of credit rating
<b>Bank balance</b>			
- BNP Paribas Securities Services, operating through its Singapore Branch	<b>A+</b>	A+	Standard & Poor's
<b>Financial derivatives</b>			
- BNP Paribas Securities Services, operating through its Singapore Branch	<b>N.A</b>	A+	Standard & Poor's
- Citibank N.A. Singapore Branch	<b>N.A</b>	BBB+	Standard & Poor's
- JP Morgan Chase & Company	<b>A-</b>	N.A	Standard & Poor's
- Standard Chartered Bank	<b>BBB+</b>	N.A	Standard & Poor's
<b>Custodian</b>			
- BNP Paribas Securities Services, operating through its Singapore Branch	<b>A+</b>	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.

##### (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.

## 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 2020

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

##### (g) Fair value estimation

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

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

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2020 and 2019:

As at 31 December 2020	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	10,505,533	-	-	10,505,533
- Quoted real estate investment trusts	480,430	-	-	480,430
- Financial derivatives at fair value	-	64,437	-	64,437
	<b>10,985,963</b>	<b>64,437</b>	-	<b>11,050,400</b>
<b>Liabilities</b>				
Financial liabilities designated at fair value through profit or loss at inception:				
- Financial derivatives at fair value	-	170	-	170
As at 31 December 2019	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	10,409,464	-	-	10,409,464
- Quoted real estate investment trusts	440,351	-	-	440,351
- Financial derivatives at fair value	-	25,127	-	25,127
	<b>10,849,815</b>	<b>25,127</b>	-	<b>10,874,942</b>
<b>Liabilities</b>				
Financial liabilities designated at fair value through profit or loss at inception:				
- Financial derivatives at fair value	-	11,815	-	11,815

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

## 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 2020

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

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

Financial instruments that trade in markets that are 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 2020 and 2019 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 related party at terms agreed between the parties and within the provisions of the Deeds:

	2020 JPY'000	2019 JPY'000
Bank balances held with related party of the Trustee	<u>592,141</u>	575,459

#### 11. Financial ratios

##### Expense ratio

		2020	2019
<b><u>SGD Hedged Class</u></b>			
Total operating expenses	JPY'000	97,901	122,009
Average daily net asset value	JPY'000	5,905,647	7,103,603
<b>Total expense ratio<sup>1</sup></b>	<b>%</b>	<b><u>1.66</u></b>	<b>1.72</b>

		2020	2019
<b><u>USD Hedged Class</u></b>			
Total operating expenses	JPY'000	30,462	62,812
Average daily net asset value	JPY'000	1,835,598	3,665,843
<b>Total expense ratio<sup>1</sup></b>	<b>%</b>	<b><u>1.66</u></b>	<b>1.71</b>

		2020	2019
<b><u>SGD Class</u></b>			
Total operating expenses	JPY'000	20,245	21,369
Average daily net asset value	JPY'000	1,223,602	1,246,531
<b>Total expense ratio<sup>1</sup></b>	<b>%</b>	<b><u>1.65</u></b>	<b>1.71</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 2020

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#### 11. Financial ratios (continued)

##### Expense ratio (continued)

		2020	2019
<b><u>SGD Hedged Class B</u></b>			
Total operating expenses	JPY'000	5,353	2,822
Average daily net asset value	JPY'000	622,266	419,796
<b>Total expense ratio<sup>1</sup> (annualised)</b>	%	<b>0.86</b>	<b>0.95</b>

##### Turnover ratio

		2020	2019
Lower of total value of purchases or sales	JPY'000	8,329,221	8,989,592
Average daily net asset value	JPY'000	9,587,113	12,435,773
<b>Total turnover ratio<sup>2</sup></b>	%	<b>86.88</b>	<b>72.29</b>

<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.

## 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 2020

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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 16 to 19.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 31 December 2020

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Denso Corporation	284,004	2.47
Itochu Corporation	281,284	2.44
Kyowa Exeo Corporation	279,942	2.43
Astellas Pharma Incorporated	279,747	2.43
Nichias Corporation	278,547	2.42
KDDI Corporation	277,780	2.41
Daiwa House Industry Company Limited	275,147	2.39
Otsuka Corporation	271,955	2.36
Kumagai Gumi Company Limited	271,491	2.36
DCM Holdings Company Limited	270,227	2.35

##### 10 Largest holdings at 31 December 2019

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Tokio Marine Holdings Incorporated	294,936	2.63
Orix Corporation	293,020	2.61
Itochu Corporation	289,693	2.58
Kumagai Gumi Company Limited	287,379	2.56
Nippon Telegraph & Telephone Corporation	287,279	2.56
NTT Docomo Incorporated	284,661	2.54
Senko Group Holdings Company Limited	284,285	2.53
Inaba Denki Sangyo Company Limited	283,282	2.52
Resorttrust Incorporated	283,073	2.52
Daiwa House Industry Company Limited	276,963	2.47

## 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 2020

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#### 4. Exposure to financial derivatives

	Fair value at 31 December 2020 JPY'000	Percentage of total net assets attributable to unitholders 31 December 2020 %	Unrealised gains/(losses) JPY'000	Realised gains/(losses) JPY'000
Forward foreign exchange contracts	<u>64,267</u>	<u>0.56</u>	<u>64,267</u>	<u>(340,958)</u>

#### 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 pages 16 to 19.

#### 9. Borrowings

Nil.

## 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 2020

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#### 10. Amount of units created and cancelled for the financial year ended 31 December 2020

	JPY'000
Units created	5,976,029
Units cancelled	(4,409,357)

#### 11. Turnover ratio

Please refer to Note 11 of the Notes to the Financial Statements on page 38.

#### 12. Expense ratio

Please refer to Note 11 of the Notes to the Financial Statements on page 37 to 38.

#### 13. Related party transactions

Please refer to Note 10 of the Notes to the Financial Statements on page 37.

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

Nil.

#### 15. Soft Dollar Commissions/Arrangements

In their management of the Fund, the Managers and the Sub-Managers currently do not receive or enter into any soft dollar commissions or arrangements.

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Company registration number 198202562H

# SEMI-ANNUAL REPORT

For the financial period ending 30 June 2020

**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**

Hou Wey Fook  
Lim Soon Chong  
Kiyotaka Ryu  
Seet Oon Hui Eleanor  
Hiroki Tsujimura (appointed with effect from 30 July 2020)

**TRUSTEE & REGISTRAR**

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

**AUDITORS**

PricewaterhouseCoopers LLP  
7 Straits View, Marina One,  
East Tower, Level 12,  
Singapore 018936

**CUSTODIAN**

BNP Paribas Securities Services, operating through its 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class <sup>1</sup>	7.47	-12.02	0.55	1.83	2.69	N/A	7.32

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2020. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class <sup>1</sup>	2.10	-16.42	-4.48	0.11	1.64	N/A	6.53

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2020. 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, currently nil, as and 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - USD Hedged Class <sup>1</sup>	7.77	-11.21	1.79	2.76	3.05	N/A	7.62

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2020. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - USD Hedged Class <sup>1</sup>	2.38	-15.65	-3.30	1.01	2.00	N/A	6.84

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2020. 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, currently nil, as and 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

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Class	5.41	-7.92	2.72	2.34	N/A	N/A	6.23

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2020. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Class	0.14	-12.53	-2.41	0.60	N/A	N/A	4.95

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2020. 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, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

**Inception date: 1 April 2016**

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class B	7.70	-11.49	1.34	N/A	N/A	N/A	-0.72

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2020. 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>10 Yr</b>	<b>Since Inception</b>
Nikko AM Japan Dividend Equity Fund - SGD Hedged Class B	2.32	-15.91	-3.72	N/A	N/A	N/A	-4.85

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2020. 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, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

**Inception date: 17 April 2019**

**Note:**

- (1) The investment objective of the Fund is to provide a total return of capital growth and income over the medium to long term by investing in equity investments listed and traded on the Tokyo Stock Exchange. 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.

- 
- (2) With effect from 1 June 2017, the benchmark has been removed and there will no longer be any benchmark for the Fund. This is because pursuant to the investment objective of the Fund, the Fund is managed on a total return basis and as such, it does not seek to outperform any benchmark. Prior to 1 June 2017, the benchmark against which the Fund's performance is measured is the TOPIX Total Return Index.

## **Portfolio Review and Activity**

### ***Fund declined in 1H2020***

The Nikko AM Japan Dividend Equity Fund (SGD Hedged Class) (the "Fund") returned -12.02% (in SGD terms, on a NAV-NAV basis) in the six months to 30 June 2020 and has returned 7.32% (annualised) since its inception on 1 July 2013. The Fund underperformed the broad market over the period. Although our strategy typically offers downside protection during periods of market decline, we were unable to outperform the overall market as concerns over the Covid-19 outbreak led investors to sell off stable domestic-demand driven names (where we have a number of holdings). Although stocks rebounded toward the end of the period, the rebound was largely led by certain growth stocks with high valuations while dividend stocks were generally not favoured.

Stocks that made large positive contributions during the period included stocks that were expected to benefit from an increase in remote work, such as IT services provider NEC Networks & System Integration Corporation and leased-line provider Arteria Networks. Stocks that posted strong earnings results such as electronic component maker Taiyo Holdings, home electronics retailer K's Holdings and semiconductor materials maker Fujimi Incorporated also contributed positively.

In contrast, stocks that detracted from performance were mainly those facing concerns over the coronavirus outbreak, including real estate investment trust ORIX JREIT, operator of members-only hotels ResortTrust, leasing firm Orix, parking lot operator Park24, and real estate developer Nomura Real Estate Holdings.

We maintained the portfolio's stock weighting during the period at around 98%. As of the end of June 2020, the portfolio consisted of 48 issues.

With regard to our major trades during the period, we newly purchased stocks including cardboard manufacturer Rengo, which we expect to benefit from an increase in cardboard demand as more people shop online. We also newly added telecom KDDI, which had been facing concerns over a drop in earnings due to increased competition from a new market entrant and government pressure to reduce fees. However, these concerns have eased and we expect growth in other areas, such as cashless payments, 5G, and Internet of Things (IoT). In addition, we built a new position in industrial gas firm Air Water, which offers a diversified business portfolio that includes medical solutions, food, and energy in addition to its core industrial gas business.

Major stocks that were sold off during the period included parking lot operator Park 24 and members-only hotel operator Resort Trust. For both names, Covid-19 is impacting their businesses more than we initially expected, making an earnings recovery unlikely in the near-term. We also sold off our position in fine chemicals company Denka, which surged following an announcement that it would begin production of raw materials for Avigan, an influenza drug that is widely viewed as a potential treatment for Covid-19. As the earnings impact of this development is likely to be limited, we determined that the name looked less undervalued and sold it off in full.

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## **Market Review**

### ***Japanese equity market was roiled by Covid-19 in 1H2020***

Japanese stocks began the year lower after a top Iranian general was killed in a US air strike, which briefly sent tensions higher in the Middle East. At the same time, relations between the US and China saw a positive turn after the two countries signed a first phase trade agreement, spurring expectations for further progress in trade negotiations. Toward the end of January, however, the new coronavirus began to spread outside of China, prompting concerns that a wider outbreak could negatively impact the global economy. Between February and mid-March, the market sell-off accelerated and stocks plunged as the virus rapidly spread to the US and Europe. Toward the end of the March, stocks were able to pare some of their losses on expectations for measures around the world to mitigate the coronavirus' impact on the economy.

In April, the Japanese market saw some periods of weakness amid greater uncertainty over the global energy industry, however stocks were ultimately boosted by the growing view in the market that the pace of new infections had slowed in the US and Europe, the Japanese government's historic emergency stimulus package, and expectations for a US economic recovery as the country prepared to reopen. This optimism continued into May as investors managed to shake off concerns over Covid-19's impact on the global economy. In June, however, worries over the rising yen and a possible second wave of Covid-19 infections resulted in a largely sideways market. Although stocks recovered somewhat in the latter half of the period, the TOPIX (including dividends) ended the period down 8.17% in JPY terms.

Overall, in terms of sector performance, only two of the 33 TOPIX sectors posted gains during the period: Pharmaceuticals and Information & Communications. In contrast, 31 sectors declined, including Mining, Air Transportation, and Iron & Steel.

## **Market Outlook**

### ***Japanese market likely to return to an uptrend going forward***

Japanese equities have moved in a narrow range after new Covid-19 cases began to rise again in major countries. In the short-term, it is possible that we may see periods of volatility in the equity market as investors monitor the number of new Covid-19 cases and economic indicators in major countries. However, as corporate earnings have already hit the bottom, we expect that stock prices will remain steady as investors gradually factor in an earnings recovery. In addition, from a medium-term perspective, we believe that Japanese equities will maintain an uptrend as Japanese companies make progress on streamlining their businesses, actively improving shareholder returns, and other such structural changes.

## **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 returns. 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 IT service providers, telecommunications firms, specialised trading companies, retail, electronic materials, construction and construction materials.

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

Following the introduction of Japan's Corporate Governance Code, the number of Japanese firms that are selling off unprofitable businesses or strategic shareholdings and putting their excess cash to use through dividend increases and share buybacks is growing as companies increasingly turn their focus to improving returns on equity. As such, we expect to continue to see many opportunities to invest in names that, in addition to providing stable dividend income, can offer capital gains as dividend hikes drive up their share prices. While we expect a number of companies to post weak short-term earnings due to the impact of the Covid-19 outbreak, Japanese companies' dividend payout ratio is still low to begin with while their financial positions are strong, making it unlikely that companies will cut dividends significantly.

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. We will focus on primarily domestic demand-driven firms including IT services firms, network construction firms, and outsourcing companies that offer solutions to address the ongoing labour shortage and shift to remote work, construction and building materials firms which are expected to enjoy favourable business conditions given the high number of urban redevelopment and infrastructure development projects; specialty retailers expected to see earnings improvement driven by industry restructuring; and telecoms with stable earnings. With respect to exporters, we are only holding companies in areas where Japanese businesses have a strong advantage, such as electronic materials-related names that are highly competitive in niche segments as well as auto part makers that are well positioned to benefit from the shift to electric vehicles. Near-term earnings for both domestic demand-driven companies and exporters are expected to take a severe hit from the coronavirus. However, in this difficult market environment, we will continue to maintain high weightings of communications and IT services firms which are expected to post stable earnings results as more people work from home. In addition, we are proactively buying on the dip high quality stocks that have been oversold relative to their fundamentals. In this way, we will position our portfolio to achieve strong returns once the economy normalises.

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**Past performance or any prediction, projection or forecast is not indicative of future performance. The Fund or any underlying fund may use or invest in financial derivative instruments.** The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)) before deciding whether to invest in the Fund.

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The Central Provident Fund (“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 plus 1% per annum. A 4% per annum floor rate will be maintained for interest earned on SMRA until 31 December 2020, after which a 2.5% per annum minimum rate will apply. An extra 1% per annum 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”). Investors should note that the applicable interest rates for each of the CPF accounts may be varied by the CPF Board from time to time.

### **For Hong Kong Investors**

The Fund may be offered to professional investors in Hong Kong or to Hong Kong investors via the private placement exemption. Hong Kong investors should note that the contents of this document have not been reviewed by any regulatory authority in Hong Kong and are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Nikko Asset Management Asia Limited. Registration Number 198202562H

## **SOFT DOLLAR COMMISSIONS/ARRANGEMENTS**

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In their management of the Nikko AM Japan Dividend Equity Fund, the Managers and the Sub-Managers currently do not receive or enter into any soft dollar commissions or arrangements.

**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 2020 to 30 June 2020 (unaudited)*

	<b>30 June 2020</b>	30 June 2019
	<b>JPY'000</b>	JPY'000
<b>Income</b>		
Dividends	<b>154,527</b>	194,671
Interest on cash and bank balances	<b>342</b>	1,999
	<b>154,869</b>	196,670
<b>Less: Expenses</b>		
Management fee	<b>66,885</b>	87,470
Registrar fee	<b>4,269</b>	3,818
Trustee fee	<b>1,356</b>	1,725
Custody fee	<b>79</b>	1,233
Audit fee	<b>517</b>	578
Valuation fee	<b>1,808</b>	2,299
Transaction costs	<b>12,556</b>	13,815
Other expenses	<b>1,136</b>	1,044
	<b>88,606</b>	111,982
<b>Net income</b>	<b>66,263</b>	84,688
<b>Net gains or losses on value of investments and financial derivatives</b>		
Net (losses)/gains on investments	<b>(1,274,354)</b>	404,743
Net foreign exchange losses	<b>(13,454)</b>	(20,046)
Net losses on financial derivatives	<b>(292,178)</b>	(43,027)
	<b>(1,579,986)</b>	341,670
<b>Total (deficit)/return for the financial period before income tax</b>	<b>(1,513,723)</b>	426,358
<b>Less: Income tax</b>	<b>(23,666)</b>	(29,814)
<b>Total (deficit)/return for the financial period after income tax</b>	<b>(1,537,389)</b>	396,544

**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 2020 (unaudited)*

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	<b>30 June 2020</b>	31 December 2019
	<b>JPY'000</b>	JPY'000
<b>ASSETS</b>		
Portfolio of investments	<b>8,683,233</b>	10,849,815
Sales awaiting settlement	<b>45,904</b>	15,514
Receivables	<b>37,979</b>	66,861
Cash and bank balances	<b>478,318</b>	575,459
Financial derivatives at fair value	<b>39,845</b>	25,127
<b>Total assets</b>	<b>9,285,279</b>	11,532,776
<b>LIABILITIES</b>		
Payables	<b>74,310</b>	170,892
Purchases awaiting settlement	<b>141,558</b>	61,384
Distribution payable	<b>52,005</b>	64,570
Financial derivatives at fair value	<b>-</b>	11,815
<b>Total liabilities</b>	<b>267,873</b>	308,661
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>9,017,406</b>	11,224,115

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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 2020 to 30 June 2020 (unaudited)*

	<b>30 June 2020</b> JPY'000	31 December 2019 JPY'000
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>11,224,115</b>	9,213,787
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>(1,537,389)</b>	2,342,013
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>2,591,063</b>	7,831,885
Cancellation of units	<b>(2,946,697)</b>	(7,533,238)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>(355,634)</b>	298,647
Distributions	<b>(313,686)</b>	(630,332)
Total (decrease)/increase in net assets attributable to unitholders	<b>(2,206,709)</b>	2,010,328
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>9,017,406</b>	11,224,115

**NIKKO AM JAPAN DIVIDEND EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2020 (unaudited)***By Industry (Primary)**

	Holdings at 30 June 2020	Fair value at 30 June 2020 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2020 %
<b>Quoted Equities</b>			
<b>ADVERTISING</b>			
Relia Incorporated	156,400	156,869	1.74
<b>Total ADVERTISING</b>		<b>156,869</b>	<b>1.74</b>
<b>AUTO MANUFACTURERS</b>			
Honda Motor Company Limited	71,900	198,120	2.20
<b>Total AUTO MANUFACTURERS</b>		<b>198,120</b>	<b>2.20</b>
<b>AUTO PARTS AND EQUIPMENT</b>			
Denso Corporation	43,600	183,338	2.03
<b>Total AUTO PARTS AND EQUIPMENT</b>		<b>183,338</b>	<b>2.03</b>
<b>BANKS</b>			
Resona Holdings Incorporated	269,600	99,159	1.10
Seven Bank Limited	582,700	171,896	1.90
Sumitomo Mitsui Financial Group Incorporated	64,500	195,563	2.17
<b>Total BANKS</b>		<b>466,618</b>	<b>5.17</b>
<b>BUILDING MATERIALS</b>			
Fujimi Incorporated	43,900	145,528	1.61
Nichias Corporation	87,500	196,263	2.18
Sanwa Holdings Corporation	228,700	220,009	2.44
<b>Total BUILDING MATERIALS</b>		<b>561,800</b>	<b>6.23</b>
<b>CHEMICALS</b>			
AICA Kogyo Company Limited	53,300	188,416	2.09
Air Water Incorporated	143,200	217,807	2.42
Lintec Corporation	82,900	212,058	2.35
<b>Total CHEMICALS</b>		<b>618,281</b>	<b>6.86</b>
<b>COMPUTERS</b>			
NEC Networks & System Integration Corporation	40,700	89,214	0.98
<b>Total COMPUTERS</b>		<b>89,214</b>	<b>0.98</b>
<b>DISTRIBUTION/WHOLESALE</b>			
Inabata & Company Limited	72,300	94,062	1.04
Itochu Corporation	102,500	237,954	2.64
Mitsubishi Corporation	87,800	199,306	2.21
<b>Total DISTRIBUTION/WHOLESALE</b>		<b>531,322</b>	<b>5.89</b>
<b>DIVERSIFIED FINANCIAL SERVICES</b>			
ORIX Corporation	151,100	200,736	2.23
<b>Total DIVERSIFIED FINANCIAL SERVICES</b>		<b>200,736</b>	<b>2.23</b>
<b>ELECTRONICS</b>			
Inaba Denki Sangyo Company Limited	86,300	207,293	2.30
Star Micronics Company Limited	105,400	126,375	1.40
Taiyo Holdings Company Limited	41,100	204,267	2.27
<b>Total ELECTRONICS</b>		<b>537,935</b>	<b>5.97</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 2020 (unaudited)***By Industry (Primary) (continued)**

	Holdings at 30 June 2020	Fair value at 30 June 2020 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2020 %
<b>Quoted Equities (continued)</b>			
<b>ENGINEERING AND CONSTRUCTION</b>			
Kumagai Gumi Company Limited	87,600	226,008	2.51
Kyowa Exeo Corporation	95,700	246,428	2.73
Takasago Thermal Engineering Company Limited	118,100	186,834	2.07
<b>Total ENGINEERING AND CONSTRUCTION</b>		<b>659,270</b>	<b>7.31</b>
<b>HAND/MACHINE TOOLS</b>			
Amada Holdings Company Limited	197,800	174,262	1.93
<b>Total HAND/MACHINE TOOLS</b>		<b>174,262</b>	<b>1.93</b>
<b>HOME BUILDERS</b>			
Daiwa House Industry Company Limited	40,300	102,443	1.14
<b>Total HOME BUILDERS</b>		<b>102,443</b>	<b>1.14</b>
<b>HOME FURNISHINGS</b>			
EIZO Corporation	8,400	34,104	0.38
<b>Total HOME FURNISHINGS</b>		<b>34,104</b>	<b>0.38</b>
<b>INSURANCE</b>			
Tokio Marine Holdings Incorporated	50,900	239,128	2.65
<b>Total INSURANCE</b>		<b>239,128</b>	<b>2.65</b>
<b>INTERNET</b>			
Arteria Networks Corporation	110,900	212,263	2.35
Trend Micro Incorporation/Japan	30,400	183,008	2.03
<b>Total INTERNET</b>		<b>395,271</b>	<b>4.38</b>
<b>MINING</b>			
Nippon Light Metal Holdings Company Limited	355,900	66,909	0.74
<b>Total MINING</b>		<b>66,909</b>	<b>0.74</b>
<b>MISCELLANEOUS MANUFACTURE</b>			
Amano Corporation	72,100	161,288	1.79
JSR Corporation	107,600	223,808	2.48
<b>Total MISCELLANEOUS MANUFACTURE</b>		<b>385,096</b>	<b>4.27</b>
<b>OFFICE/BUSINESS EQUIPMENT</b>			
Sato Holdings Corporation	87,200	203,350	2.26
<b>Total OFFICE/BUSINESS EQUIPMENT</b>		<b>203,350</b>	<b>2.26</b>
<b>PACKAGING &amp; CONTAINERS</b>			
Rengo Company Limited	225,100	197,638	2.19
<b>Total PACKAGING &amp; CONTAINERS</b>		<b>197,638</b>	<b>2.19</b>
<b>PHARMACEUTICALS</b>			
Astellas Pharma Incorporated	120,600	217,020	2.41
<b>Total PHARMACEUTICALS</b>		<b>217,020</b>	<b>2.41</b>
<b>REAL ESTATE</b>			
Nomura Real Estate Holdings Incorporated	100,100	200,200	2.22
<b>Total REAL ESTATE</b>		<b>200,200</b>	<b>2.22</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 2020 (unaudited)***By Industry (Primary) (continued)**

	Holdings at 30 June 2020	Fair value at 30 June 2020 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2020 %
<b>Quoted Equities (continued)</b>			
<b>RETAIL</b>			
ABC-Mart Incorporated	27,800	175,418	1.95
DCM Holdings Company Limited	57,100	70,576	0.79
Komeda Holdings Company Limited	94,800	173,389	1.92
KS Holdings Corporation	82,800	121,550	1.35
Marui Group Company Limited	106,800	207,833	2.30
Shimachu Company Limited	71,500	213,928	2.37
<b>Total RETAIL</b>		<b>962,694</b>	<b>10.68</b>
<b>TELECOMMUNICATIONS</b>			
KDDI Corporation	68,900	222,823	2.46
Nippon Telegraph & Telephone Corporation	94,100	236,709	2.63
NTT Docomo Incorporated	80,900	233,154	2.59
<b>Total TELECOMMUNICATIONS</b>		<b>692,686</b>	<b>7.68</b>
<b>TRANSPORTATION</b>			
Senko Group Holdings Company Limited	273,700	219,234	2.43
<b>Total TRANSPORTATION</b>		<b>219,234</b>	<b>2.43</b>
<b>Total Quoted Equities</b>		<b>8,293,538</b>	<b>91.97</b>
<b>Quoted Real Estate Investment Trusts</b>			
<b>REAL ESTATE INVESTMENT TRUSTS (REITS)</b>			
Nippon Prologis REIT Incorporated	660	216,480	2.40
ORIXJ REIT Incorporation	1,225	173,215	1.92
<b>Total REAL ESTATE INVESTMENT TRUSTS (REITS)</b>		<b>389,695</b>	<b>4.32</b>
<b>Total Quoted Real Estate Investment Trusts</b>		<b>389,695</b>	<b>4.32</b>
<b>Portfolio of investments</b>		<b>8,683,233</b>	<b>96.29</b>
<b>Other net assets</b>		<b>334,173</b>	<b>3.71</b>
<b>Net assets attributable to unitholders</b>		<b>9,017,406</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 2020 (unaudited)

By Industry (Summary)	Fair value at	Percentage of	Percentage of
	30 June 2020 JPY'000	total net assets attributable to unitholders at 30 June 2020 %	total net assets attributable to unitholders at 31 December 2019 %
Advertising	156,869	1.74	2.29
Auto Manufacturers	198,120	2.20	2.31
Auto Parts and Equipment	183,338	2.03	3.64
Banks	466,618	5.17	4.03
Building Materials	561,800	6.23	5.02
Chemicals	618,281	6.86	8.14
Commercial Services	-	-	2.58
Computers	89,214	0.98	2.98
Distribution/Wholesale	531,322	5.89	5.96
Diversified Financial Services	200,736	2.23	2.61
Electronics	537,935	5.97	5.26
Engineering and Construction	659,270	7.31	7.14
Hand/Machine Tools	174,262	1.93	1.86
Home Builders	102,443	1.14	2.47
Home Furnishings	34,104	0.38	-
Insurance	239,128	2.65	2.63
Internet	395,271	4.38	3.32
Lodging	-	-	2.52
Mining	66,909	0.74	1.49
Miscellaneous Manufacture	385,096	4.27	0.99
Office/Business Equipment	203,350	2.26	3.31
Oil and Gas	-	-	1.32
Packaging & Containers	197,638	2.19	-
Pharmaceuticals	217,020	2.41	2.17
Real Estate	200,200	2.22	1.84
Real Estate Investment Trust (REITS)	389,695	4.32	3.92
Retail	962,694	10.68	9.24
Telecommunications	692,686	7.68	5.10
Transportation	219,234	2.43	2.53
<b>Portfolio of investments</b>	<b>8,683,233</b>	<b>96.29</b>	<b>96.67</b>
<b>Other net assets</b>	<b>334,173</b>	<b>3.71</b>	<b>3.33</b>
<b>Net assets attributable to unitholders</b>	<b>9,017,406</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 2020 to 30 June 2020 (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 15.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 30 June 2020

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Kyowa Exeo Corporation	246,428	2.73
Tokio Marine Holdings Incorporated	239,128	2.65
Itochu Corporation	237,954	2.64
Nippon Telegraph & Telephone Corporation	236,709	2.63
NTT Docomo Incorporated	233,154	2.59
Kumagai Gumi Company Limited	226,008	2.51
JSR Corporation	223,808	2.48
KDDI Corporation	222,823	2.46
Sanwa Holdings Corporation	220,009	2.44
Senko Group Holdings Company Limited	219,234	2.43

##### 10 Largest holdings at 30 June 2019

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Astellas Pharma Incorporated	338,007	2.61
Tokio Marine Holdings Incorporated	330,419	2.55
Nippon Telegraph & Telephone Corporation	329,115	2.54
Kyowa Exeo Corporation	328,813	2.54
Senko Group Holdings Company Limited	325,252	2.51
Yahoo Japan Corporation	324,121	2.50
Sanwa Holdings Corporation	323,314	2.50
Inaba Denki Sangyo Company Limited	322,728	2.49
Sato Holdings Corporation	322,183	2.49
NEC Networks & System Integration Corporation	320,259	2.47

## 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 2020 to 30 June 2020 (unaudited)

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#### 4. Exposure to financial derivatives

	Fair value at 30 June 2020 JPY'000	Percentage of total net assets attributable to unitholders 30 June 2020 %	Unrealised gains/(losses) JPY'000	Realised gains/(losses) JPY'000
Forward foreign exchange contracts	<u>39,845</u>	<u>0.44</u>	<u>39,845</u>	<u>(332,023)</u>

#### 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 arrangements;
- 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 pages 12 to 15.

#### 9. Borrowings

Nil.

#### 10. Amount of units created and cancelled for the financial period ended 30 June 2020

	JPY'000
Units created	2,591,063
Units cancelled	(2,946,697)

## 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 2020 to 30 June 2020 (unaudited)

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#### 11. Turnover ratio

		<b>30 June 2020</b>	30 June 2019
Lower of total value of purchases or sales	JPY'000	<b>3,672,268</b>	2,917,626
Average daily net asset value	JPY'000	<b>9,214,263</b>	11,836,948
<b>Total turnover ratio<sup>Note</sup></b>	<b>%</b>	<b>39.85</b>	24.65

<sup>Note</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.

#### 12. Expense ratio

		<b>30 June 2020</b>	30 June 2019
<b><u>SGD Hedged Class</u></b>			
Total operating expenses	JPY'000	<b>109,869</b>	119,942
Average daily net asset value	JPY'000	<b>6,361,179</b>	7,019,182
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>1.73</b>	1.71

		<b>30 June 2020</b>	30 June 2019
<b><u>USD Hedged Class</u></b>			
Total operating expenses	JPY'000	<b>51,403</b>	44,578
Average daily net asset value	JPY'000	<b>2,985,236</b>	2,622,803
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>1.72</b>	1.70

		<b>30 June 2020</b>	30 June 2019
<b><u>SGD Class</u></b>			
Total operating expenses	JPY'000	<b>20,298</b>	20,983
Average daily net asset value	JPY'000	<b>1,174,381</b>	1,231,469
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>1.73</b>	1.70

		<b>30 June 2020</b>	30 June 2019
<b><u>SGD Hedged Class B</u></b>			
Total operating expenses	JPY'000	<b>4,864</b>	529
Average daily net asset value	JPY'000	<b>527,888</b>	259,034
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>0.92</b>	0.99

<sup>Note</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.

## 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 2020 to 30 June 2020 (unaudited)

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#### 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 operating through its Singapore Branch.

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

	<b>30 June 2020 JPY'000</b>	31 December 2019 JPY'000
Bank balances held with related party of the Trustee	<b>478,318</b>	575,459

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

Nil.

Intentionally left blank.



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