

SEMI-ANNUAL REPORT

For the financial period ending 30 June 2017

**Nikko AM Shenton
Emerging Enterprise
Discovery Fund**

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

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ²	1.43	10.45	16.58	2.47	5.81	-0.57	4.17
Nikko AM Shenton Emerging Enterprise Discovery Fund ¹	1.21	6.64	11.50	0.32	2.13	-5.17	4.04

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

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ²	1.43	10.45	16.58	2.47	5.81	-0.57	4.17
Nikko AM Shenton Emerging Enterprise Discovery Fund ¹	-3.85	1.31	5.92	-1.38	1.09	-5.66	3.76

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

Inception date: 13 March 1998

Note:

- (1) With effect from 17 October 2011, the Fund (formerly known as "Shenton Global Advantage Fund") was renamed as Nikko AM Shenton Global Advantage Fund. With effect from 1 October 2012, the investment focus and approach of the Fund was changed and the Fund was re-named Nikko AM Shenton Emerging Enterprise Discovery Fund.
- (2) Prior to 1 May 2017, the performance returns of the benchmark was calculated using price index methodology. With effect from 1 May 2017, it is calculated using net total return index methodology. With effect from 1 October 2012, the benchmark was changed from MSCI World Small Cap Index to MSCI AC Asia ex Japan Small Cap Index.

Portfolio Review

Fund returned 6.64% in 1H17

Over the review period, the Nikko AM Shenton Emerging Enterprise Discovery Fund (the "Fund") returned 6.64% (SGD terms, on NAV-NAV basis), underperforming the benchmark which returned 10.45%. Though the Fund delivered a decent absolute return over the first half of the year, it was short of the benchmark's return.

We start off this review with a quick tour of India, circa November 2016. Demonetisation, the term coined to describe the removal of old currency notes and the issue of new, was unexpected. The attempt to eradicate India's black market and force cash into legal accounts was met with real life mayhem and a stock market meltdown. In the ensuing confusion, the Fund scooped up stocks it had been watching but had not acted on due to valuation concerns. These included positions in Bajaj Auto, Federal Bank, Cholamandalam Investment & Finance, Hindustan Zinc, Castrol India and Crompton Greaves Electrical, effectively lifting the India allocation significantly. We have since taken profit in Federal Bank, Cholamandalam, Bajaj (weaker sales and competition) and Hindustan Zinc but continue to hold the rest.

On the back of incipient signs of an economic recovery in the US and the bottoming of oil prices below USD30 per barrel and then the fiscal stimulus by China in late 2015, commodities began rallying. In the early stages of the cycle, the Fund had missed opportunities but nevertheless managed to gain exposure latterly via Hindustan Zinc (profit taken), China Molybdenum (mainly copper and cobalt), United Tractors and ITMG (coal miner). China Moly has one of the largest copper deposits and is a producer of cobalt, a material that is widely used in electric vehicle batteries. We continue to hold this stock but have taken some profit as recent stock price gains begin to recognise the value in its copper mines. Though late to the coal price rally, the investment in ITMG has delivered healthy gains and it is beginning to reflect its strong cash flow business that pays shareholders a dividend yield of over 7%.

After a spate of meetings and conference calls with the management of various companies in China and Hong Kong, the Fund identified several firms that we believe will benefit from rising consumer demand and/or cost relief from rent reductions. Stocks we invested in were Haier Electronics, the distributor of selected Haier's white goods; Luk Fook Holdings, a gold and jewellery dealer primarily in Hong Kong/China; and Lifestyle Holdings, with its two main strategically located SOGO stores in Hong Kong. All have endured declines in profitability over the last 12-24 months due to retail softness and burgeoning rentals (except Lifestyle as it owns its own space). They were also trading at reasonable valuations with sustainable returns on equity (ROEs). We particularly like Luk Fook's strategy of introducing gem sets to appeal to a wider audience.

The better consumption trend we were noticing did not confine itself to smaller ticket items. SUVs have been gaining market share on a global basis from the traditional family passenger sedan. We had a good outcome from a meeting with Geely, a Chinese automobile manufacturer with an impressive line-up in SUVs. Sales have been growing significantly for the company with the backing of its parent Zhejiang Geely Auto (owner of Volvo passenger cars). The stock has done well for the Fund since it was purchased at about 12x price-to-earnings ratio (PER) with potential ROE in excess of 20%.

Chinese property stocks were among the best performers during the first six months of this year. That said, we were unwilling to invest in heavily-indebted companies with large inventories of unsold homes and a constant overhang of regulatory risks. Compounding our plight in property were the investments in Summarecon (Indonesian residential), Puradelta (Indonesia Industrial property) and 8990 Holdings (Philippines low cost residential). Our enthusiasm for a pickup in sales for both Indonesian and Philippine developers proved wanting despite initial indications that the worst is over. We exited Puradelta and 8990 during the period under review and Summarecon shortly after. Elsewhere in the property sector, India has introduced its version of affordable housing via interest rate subsidies and incentives for builders. We believe this will underpin housing demand for the medium to long term, and accordingly invested in housing finance companies Dewan Housing and GRUH Finance. In property development, we introduced Prestige Estates, an established developer of residential, retail, commercial properties and townships mostly in South India.

Moving on from the old economy to the new, the rise of FANG (Facebook, Amazon, Netflix, Google) is not without its Asian equivalent in the likes of behemoths Tencent, Alibaba and Baidu. In that sphere, the Fund made investments in Merry Electronics (wireless earphones), Parade Tech (fabless mixed signal IC designer), Wistron (computers/servers) and Nasmedia (Internet/mobile advertising). These have done well and we continue to hold them.

On the other hand, the Fund's exposure to construction companies in Indonesia detracted from performance. While the sector appeared poised for bumper government contracts particularly following the successful tax amnesty programme, successive delays in both direct and indirect funding raised uncertainty. We exited Acset during the period under review and Adhi Karya shortly after. Still in Indonesia, we met with a new generation of management in Ramayana and were impressed with the strategy to refresh the low-end retailer. Though we recognise that this is likely to be a multi-year strategy, we decided to reduce the position after poor Lebaran sales suggested that short term success in the new format could prove more challenging than our initial expectations. We retain a smaller position based on medium to long term prospects. The investment in IMAX China also disappointed, given China's solid box office growth over

the last five years. With its premium experience, IMAX seemed well placed to capture China's insatiable appetite for affordable entertainment particularly with a strong 2017 line-up of Hollywood blockbusters on offer. Our meeting with management did not suggest otherwise. Things started to fray with poor stock price performance after a secondary offer of shares in April. On a review of the stock, we learned that IMAX had possibly missed out on several successful box office films (not picked for screening in IMAX) and the stock looked overpriced if true. The underperformance of the stock had alerted us to a review which led to its sale.

Market Review

Better global economic data underpinned market rallies in the first half of the year. Though US politics produced mostly negative headline news, the cyclical strength of the Chinese economy was reassuring to investors. Supplementing China's stronger than expected GDP were better leading economic indicators out of the US and Europe. US political antics, European election uncertainties, Japan ruling party losses, impeachment of the Korea president and the gubernatorial loss of the popular Jakarta incumbent were overwhelmed by investors' risk taking behaviour.

Not unexpectedly, the favourable macro environment and strong year-to-date rally of more than 15% for the broader Asia ex-Japan markets continued to feed on each other, attracting sizeable inflows into emerging markets (EM) and Asian equities. A bond market wobble and two US interest rate hikes this year have been unable to stymie the equity market advance. Though inflation data started to disappoint the most ardent believers of inflation-targeting policies, there was no immediate danger of deflationary trends reigniting with central banks worldwide expressing a reluctance for more monetary stimulus. In contrast, the uniformly hawkish statements have been interpreted as caused by positive economies.

Once again, the small cap space played second fiddle to large cap mainstream stocks. The performance gap between the widely followed Asia ex-Japan index and its small cap brethren widened in the period under review. IT and Financials including Real Estate were strong performers, underscoring the perception of "bigger is better". Consequently, North Asia with its concentration of Tech companies in Taiwan and Korea outperformed the mostly commodity-based economies of South Asia. India put up a credible performance as the effects of the end-2016 demonetisation exercise reversed. The ruling Bharatiya Janata Party (BJP) also bolstered its political position, winning crucial by-elections and continuing reforms, most notably the passage of the GST bill. It is arguable that the demonetisation and lift in confidence have encouraged widespread interest in the stock market. Rural India also got on the bandwagon, with Indian small caps returning twice as much as the main index over the period.

ASEAN, the erstwhile darlings of Asia, gave up performance as slower growth from a retreat in commodity prices and slower disbursements of government funds resulted in less robust earnings prospects compared to North Asia.

Market Outlook and Strategy

The much-telegraphed and anticipated US rate hike had little bearing on Asian markets. Though politics dominated the news at the beginning of the year, the novelty of a first-time politician in the White House is beginning to wear off. Even the actions of North Korea elicited minimal reactions from investors. With politics firmly on the back burner, it was left to the real factors such as GDP growth, inflation and corporate profitability to drive market direction.

On that score, the outlook for economic growth is promising and corporate results in Asia have been revised higher to one of their strongest levels in recent years. Global leading economic indicators have been supportive of equity markets and with China showing signs of economic stability and arguably even accelerating growth, the stellar stock market performance seems warranted. Investing in Asia was made all the more attractive by a USD weakened by the policy inertia of a combative US Congress.

Against a favourable macro backdrop, the second half of the year will bring with it renewed scrutiny on company profitability especially in light of higher expectations. However, we are confident that forecast earnings will prove robust. As an example, recent macro data on a much beleaguered sector, Hong Kong retail, suggest that the rising confidence we noted is translating into expenditure as prominent Hong Kong retail outlets reported better than expected results.

The more hawkish tone from developed market central banks does inject a note of caution, though we note that better economies are behind these calls rather than potential inflation, for now. Inflation has risen but not unduly so, with energy and food along with wages playing a dampening role. As we have previously noted, monetary policy will unlikely be used and instead governments across Asia increasingly recognise that different policy tools are required at this stage of the economic cycle.

The rally that gripped the market in 2016 has generously broadened to more sectors. Erstwhile leaders Commodities, Energy and heavy cyclical stocks have moderated. Market rotation to other sectors suggest healthy risk appetites. Finally a brief word on politics and market hubris. The inherent risks posed by geopolitics and central bank actions must be balanced against an overly aggressive portfolio stance. Political disruptions in the US, North Korea, Brexit, populism movements, trade protectionism, and faster than expected interest rate hikes are some lingering factors that can be potentially disruptive to a stock market utopia. Nevertheless, the balance of the year looks promising as stock prices play "catch-up" with earnings. Your managers will be relentless in looking for unique investment opportunities in Asia's small cap space.

IMPORTANT INFORMATION

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Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

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

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

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

Execution and allocation

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

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

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

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

The following are, however, prohibited:

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

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

The Managers of the Nikko AM Shenton Emerging Enterprise Discovery Fund (the "Fund") will not accept or enter into soft-dollar commissions / arrangements unless:

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

The Managers of the Nikko AM Shenton Emerging Enterprise Discovery Fund will comply with applicable regulatory and industry standards on soft dollars.

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

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial period from 01 January 2017 to 30 June 2017 (unaudited)*

	30 June 2017	30 June 2016
	S\$	S\$
Income		
Dividend	53,735	48,880
Interest on cash and bank balances	3	-
	<u>53,738</u>	<u>48,880</u>
Less: Expenses		
Management fee	35,021	37,261
Registrar fee	2,900	2,912
Trustee fee	7,439	7,480
Custody fee	1,612	1,375
Audit fee	5,884	5,945
Valuation fee	4,959	4,987
Transaction costs	23,684	24,015
Other expenses	13,583	11,633
	<u>95,082</u>	<u>95,608</u>
Net losses	<u>(41,344)</u>	<u>(46,728)</u>
Net gains or losses on value of investments		
Net gains/(losses) on investments	362,833	(423,964)
Net foreign exchange losses	(7,943)	(15,316)
	<u>354,890</u>	<u>(439,280)</u>
Total return/(deficit) for the financial period before income tax	313,546	(486,008)
Less: Income tax	<u>(5,156)</u>	<u>(3,275)</u>
Total return/(deficit) for the financial period after income tax	<u>308,390</u>	<u>(489,283)</u>

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 30 June 2017 (unaudited)*

	30 June 2017	31 December 2016
	S\$	S\$
ASSETS		
Portfolio of investments	4,559,247	4,309,623
Sales awaiting settlement	38,223	81,782
Receivables	4,893	1,225
Cash and bank balances	193,884	325,553
Total assets	4,796,247	4,718,183
LIABILITIES		
Payables	72,432	47,187
Purchases awaiting settlement	84,536	34,592
Total liabilities	156,968	81,779
EQUITY		
Net assets attributable to unitholders	4,639,279	4,636,404

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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 2017 to 30 June 2017 (unaudited)*

	30 June 2017	31 December 2016
	S\$	S\$
Net assets attributable to unitholders at the beginning of the financial period/year	4,636,404	5,572,353
Operations		
Change in net assets attributable to unitholders resulting from operations	308,390	(273,860)
Unitholders' contributions/(withdrawals)		
Creation of units	76,277	76,178
Cancellation of units	(381,792)	(738,267)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(305,515)	(662,089)
Total increase in net assets attributable to unitholders	2,875	(935,949)
Net assets attributable to unitholders at the end of the financial period/year	4,639,279	4,636,404

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2017 (unaudited)***By Geography (Primary)**

	Holdings at 30 June 2017	Fair value at 30 June 2017 S\$	Percentage of total net assets attributable to unitholders at 30 June 2017 %
Quoted Equities			
BERMUDA ISLANDS			
Haier Electronics Group Company Limited	29,000	103,833	2.24
Luk Fook Holdings International Limited	17,000	80,058	1.73
Shangri-La Asia Limited	40,000	93,409	2.01
Valuetronics Holdings Limited	144,980	115,259	2.48
Total BERMUDA ISLANDS		392,559	8.46
CAYMAN ISLANDS			
ASM Pacific Technology Limited	5,800	107,925	2.33
China Medical System Holdings Limited	49,000	116,673	2.51
China State Construction International Holdings Limited	44,000	103,682	2.23
Dadi Early-Childhood Education Group Limited	13,000	101,795	2.20
Geely Automobile Holdings Limited	35,000	103,957	2.24
JNBY Design Limited	81,500	93,292	2.01
Lifestyle International Holdings Limited	49,500	93,593	2.02
MGM China Holdings Limited	34,000	104,105	2.24
Nexteer Automotive Group Limited	48,000	103,625	2.23
Parade Technologies Limited	3,000	50,784	1.10
TK Group Holdings Limited	130,000	72,914	1.58
VHQ Media Holdings Limited	12,000	83,645	1.80
Total CAYMAN ISLANDS		1,135,990	24.49
CHINA			
Anhui Conch Cement Company Limited	18,500	88,590	1.91
China Molybdenum Company Limited	192,000	101,255	2.18
Travelsky Technology Limited	24,000	97,360	2.10
YiChang HEC ChangJiang Pharmaceutical Company Limited	23,200	67,845	1.46
Total CHINA		355,050	7.65
HONG KONG SAR			
Universal Medical Financial & Technical Advisory Services Company Limited	95,500	105,107	2.27
Total HONG KONG SAR		105,107	2.27
INDIA			
Castrol India Limited	10,231	87,915	1.89
Crompton Greaves Consumer Electricals Limited	18,114	87,782	1.89
Dewan Housing Finance Corporation Limited	5,336	49,609	1.07
GRUH Finance Limited	8,098	76,935	1.66
IndusInd Bank Limited	2,963	93,545	2.02
Prestige Estates Projects Limited	14,567	78,444	1.69
Total INDIA		474,230	10.22
INDONESIA			
Adhi Karya Persero TBK PT	300,700	66,791	1.44
Indo Tambangraya Megah TBK PT	28,600	51,116	1.10
Ramayana Lestari Sentosa TBK PT	537,000	67,961	1.47
Summarecon Agung TBK PT	537,000	71,567	1.54
United Tractors TBK PT	21,300	60,404	1.30
Waskita Beton Precast TBK PT	895,900	44,427	0.96
Wijaya Karya Persero TBK PT	280,656	64,079	1.38
Total INDONESIA		426,345	9.19

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2017 (unaudited)***By Geography (Primary)** (continued)

	Holdings at 30 June 2017	Fair value at 30 June 2017 S\$	Percentage of total net assets attributable to unitholders at 30 June 2017 %
Quoted Equities (continued)			
PHILIPPINES			
Bloomberry Resorts Corporation	316,100	79,784	1.72
Shakey's Pizza Asia Ventures Incorporation	114,200	40,385	0.87
Total PHILIPPINES		120,169	2.59
SINGAPORE			
Keppel Telecommunications & Transportation Limited	27,200	47,192	1.01
Yoma Strategic Holdings Limited	110,800	64,818	1.40
Total SINGAPORE		112,010	2.41
SOUTH KOREA			
Clio Cosmetics Company Limited	1,436	67,050	1.44
Coway Company Limited	756	94,617	2.04
Green Cross Corporation	218	45,779	0.99
Halla Holdings Corporation	892	68,915	1.49
Hanmi Pharm Company Limited	129	57,904	1.25
Incross Company Limited	755	47,155	1.02
Kiwoom Securities Company Limited	950	106,778	2.30
Modetour Network Incorporated	1,399	53,285	1.15
Nasmedia Company Limited	1,580	102,675	2.21
SK Bioland Company Limited	3,220	69,362	1.49
Total SOUTH KOREA		713,520	15.38
TAIWAN			
Egis Technology Incorporation	12,000	112,975	2.44
Hu Lane Associate Incorporation	10,000	79,888	1.72
Merry Electronics Company Limited	7,000	59,882	1.29
Shanghai Commercial & Savings Bank Limited	46,035	65,343	1.41
TCI Company Limited	9,000	78,824	1.70
Visual Photonics Epitaxy Company Limited	18,000	49,698	1.07
Wistron Corporation	58,000	81,250	1.75
Total TAIWAN		527,860	11.38
THAILAND			
KCE Electronics Public Company Limited	11,000	48,375	1.04
Major Cineplex Group Public Company Limited	72,200	98,767	2.13
Sino-Thai Engineering & Construction Public Company Limited	43,800	49,265	1.06
Total THAILAND		196,407	4.23
Total Quoted Equities		4,559,247	98.27
Portfolio of investments		4,559,247	98.27
Other net assets		80,032	1.73
Net assets attributable to unitholders		4,639,279	100.00

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT OF PORTFOLIO

As at 30 June 2017 (unaudited)

By Geography (Summary)

	Percentage of total net assets attributable to unitholders at 30 June 2017 %	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Quoted Equities		
Bermuda Islands	8.46	2.33
Cayman Islands	24.49	19.35
China	7.65	4.88
Hong Kong SAR	2.27	6.11
India	10.22	11.43
Indonesia	9.19	13.24
Philippines	2.59	10.22
Singapore	2.41	2.40
South Korea	15.38	7.14
Taiwan	11.38	8.90
Thailand	4.23	6.95
Total Quoted Equities	98.27	92.95
Portfolio of investments	98.27	92.95
Other net assets	1.73	7.05
Net assets attributable to unitholders	100.00	100.00

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2017 (unaudited)*

By Industry (Secondary)	Fair value at 30 June 2017 S\$	Percentage of total net assets attributable to unitholders at 30 June 2017 %	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Advertising	47,155	1.02	-
Apparel	93,292	2.01	3.89
Auto Manufacturers	103,957	2.24	-
Auto Parts & Equipment	172,540	3.72	1.44
Banks	158,888	3.42	6.34
Biotechnology	69,362	1.50	2.76
Building Materials	88,590	1.91	3.27
Chemicals	87,915	1.89	1.37
Coal	51,116	1.10	1.12
Computers	81,250	1.75	-
Cosmetics/Personal Care	67,050	1.45	-
Diversified Financial Services	233,322	5.03	2.44
Electronics	416,379	8.97	8.78
Energy	-	-	1.11
Engineering and Construction	328,244	7.08	6.59
Entertainment	178,551	3.85	1.22
Food	-	-	1.53
Healthcare-Products	221,780	4.78	7.49
Healthcare-Services	-	-	3.45
Home Builders	-	-	4.73
Home Furnishings	286,232	6.17	-
Insurance	-	-	1.21
Internet	102,675	2.21	1.64
Investment Companies	-	-	0.94
Leisure Time	53,285	1.15	1.35
Lodging	197,514	4.26	-
Machinery-Construction & Mining	60,404	1.30	1.05
Media	83,645	1.80	2.06
Mining	101,255	2.18	2.22
Miscellaneous Manufacture	72,914	1.57	-
Packaging & Containers	-	-	1.60
Pharmaceuticals	250,352	5.40	5.44
Real Estate	214,829	4.63	4.79
Retail	281,997	6.08	3.87
Semiconductors	208,407	4.49	4.31
Software	199,155	4.29	3.93
Transportation	47,192	1.02	1.01
Portfolio of investments	4,559,247	98.27	92.95
Other net assets	80,032	1.73	7.05
Net assets attributable to unitholders	4,639,279	100.00	100.00

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

For the financial period from 01 January 2017 to 30 June 2017 (unaudited)

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 11 to 14.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 Largest holdings at 30 June 2017

	Fair value S\$	Percentage of total net assets attributable to unitholders %
China Medical System Holdings Limited	116,673	2.51
Valuetronics Holdings Limited	115,259	2.48
Egis Technology Incorporation	112,975	2.44
ASM Pacific Technology Limited	107,925	2.33
Kiwoom Securities Company Limited	106,778	2.30
Universal Medical Financial & Technical Advisory Services Company Limited	105,107	2.27
MGM China Holdings Limited	104,105	2.24
Geely Automobile Holdings Limited	103,957	2.24
Haier Electronics Group Company Limited	103,833	2.24
China State Construction International Holdings Limited	103,682	2.23

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

For the financial period from 01 January 2017 to 30 June 2017 (unaudited)

3. Top 10 holdings (continued)

10 Largest holdings at 30 June 2016	Fair value S\$	Percentage of total net assets attributable to unitholders %
China Medical System Holdings Limited	225,189	4.66
Chularat Hospital Public Company Limited	172,985	3.58
8990 Holdings Incorporation	151,927	3.14
Sinosoft Technology Group Limited	141,015	2.92
Canvest Environmental Protection Group Company Limited	129,943	2.69
3SBio Incorporation	122,063	2.52
Emami Limited	117,875	2.44
Q&M Dental Group Singapore Limited	105,840	2.19
Chroma ATE Incorporation	105,741	2.19
Zhuzhou CRRC Times Electric Company Limited	103,469	2.14

4. Exposure to financial derivatives

Nil.

5. Global exposure to financial derivatives

Nil.

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

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

Nil.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

For the financial period from 01 January 2017 to 30 June 2017 (unaudited)

9. Borrowings

Nil.

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

	S\$
Units created	76,277
Units cancelled	(381,792)

11. Turnover ratio

		30 June 2017	30 June 2016
Lower of total value of purchases or sales	S\$	2,763,926	2,752,985
Average daily net asset value	S\$	4,707,210	4,974,241
Total turnover ratio ^{Note}	%	58.72	55.34

Note: The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value. In line with Statement of Recommended Accounting Practice 7 "Reporting framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in June 2016, total value of purchases or sales for the current year do not include brokerage and other transaction costs.

12. Expense ratio

		30 June 2017	30 June 2016
Total operating expenses	S\$	158,470	150,785
Average daily net asset value	S\$	4,800,373	5,060,362
Total expense ratio ^{Note}	%	3.30	2.98

Note: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

For the financial period from 01 January 2017 to 30 June 2017 (unaudited)

13. Related party transactions

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

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

In addition to related party information shown elsewhere in the financial statements (including 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:

	30 June 2017	31 December 2016
	S\$	S\$
Bank balances held with related party of the Trustee	193,884	325,553

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

Nil.

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

Company registration number 198202562H

ANNUAL REPORT

For the financial year ended 31 December 2016

**Nikko AM Shenton
Emerging Enterprise
Discovery Fund**

MANAGERS

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

DIRECTORS

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

TRUSTEE

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

AUDITORS

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

REGISTRAR

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

CUSTODIAN

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

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

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
MSCI Asia ex Japan Small Cap Index ¹	-1.95	5.55	-2.58	1.06	4.32	-0.67	3.73
Nikko AM Shenton Emerging Enterprise Discovery Fund ²	-1.57	4.56	-4.66	-2.07	1.52	-3.32	3.79

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

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
MSCI Asia ex Japan Small Cap Index ¹	-1.95	5.55	-2.58	1.06	4.32	-0.67	3.73
Nikko AM Shenton Emerging Enterprise Discovery Fund ²	-6.49	-0.67	-9.43	-3.73	0.49	-3.82	3.51

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

Inception date: 13 March 1998

Note:

- (1) With effect from 1 October 2012, the benchmark has been changed to MSCI Asia ex Japan Small Cap Index. Prior to that, the benchmark was MSCI World Small Cap Index.
- (2) With effect from 1 October 2012, the Fund has been renamed Nikko AM Shenton Emerging Enterprise Discovery Fund. Prior to that, the Fund was known as Nikko AM Shenton Global Advantage Fund.

Portfolio Review

Fund returned -4.66% in 2016

Over the review period, the Fund returned -4.66%, underperforming the benchmark which returned -2.58%. The year in review was marked by a gradual groundswell of positive sentiment towards better growth prospects. Emanating initially from the US, the sentiment spread to Asia as China's stimulus guided its economy onto more stable footing. Emerging markets, including Asia, saw increased interest, albeit mostly concentrated in large blue chips. The smaller cap space struggled to keep pace when the markets turned higher in 3Q but fell precipitously in the following quarter as the US Federal Reserve readied markets for a rate hike. The unexpected outcome of the US Presidential election results in November also took its toll on market sentiment. Against the backdrop of better economic data and less fear of a sharp slowdown in China, sector rotation from the more defensive to cyclical sector was a prevalent theme, especially later in the year when President-elect Trump talked up infrastructure spending and tax cuts.

The Fund's stock selection in Thailand, Taiwan, Hong Kong and India added to performance. In India, our entry when the market corrected sharply on fears over demonetisation in November was at an opportune moment. China was a major detractor as a swing from fears of a slowdown amid capital outflows to one of stability and revival of its moribund old-economy sectors saw selling in smaller cap stocks for large cap stocks, including State Owned Enterprises. Stock selection in Healthcare and

Environment detracted substantially from performance. Healthcare, which outperformed in the prior years, underwent de-rating as investors opted for more risk. Our holdings in the Environmental space suffered the ignominy of short-seller reports and could not recoup tarnished credibility.

Market Review

Mainstream stocks performed better in 2016 as investors rotated into large liquid stocks

Short term concerns over the stability of the Chinese economy early in the year sent stocks plummeting. However the market quickly stabilised as successively positive economic data points emerged as a result of the Chinese government's fiscal stimulus which was introduced in late 2015. Encouragingly, US data was also supportive of a risk-on climate as global markets rallied following the year-end US Presidential elections. Conversely, small cap companies lagged their larger brethren throughout the year as investors gravitated towards large established companies for the first signs of an economic recovery. The sometimes acrimonious US elections led to heightened volatility, which accentuated the decline in smaller cap stocks in the later part of the year.

North Asia ended mostly lower

Hong Kong and China small caps underperformed significantly amid heightened volatility from a stronger USD and a general tightening stance in China. In January, China's decision to impose circuit breakers proved ill-timed and led to further selling pressure in China and Hong Kong. Following gradually better economic data out of China, investor allocation to Asia rose markedly and was likely biased towards quick and cost efficient ETFs. Small caps were unjustifiably left out in this wave of buying that swept major Asian indices back into positive territory in the second half of the year.

Hong Kong's exports and imports returned to positive growth in a reflection of better overall economic health. While China's PMI continues to indicate expansion, concerns remain over capital outflows. In order to better manage yuan stability on a trade-weighted basis, China announced an adjustment to the composition of the trade-weighted Yuan Renminbi (CNY) index in December. Despite its efforts, Yuan weakness proved an overhang on small caps, with concerns over USD debt overshadowing the improving top line growth.

In Taiwan, the market was strong over the year, buoyed by the technology and financial sectors. Taiwan's opposition party, the Democratic Progressive Party (DPP), and its leader Tsai Ing-wen won a resounding victory in national elections in January, putting aside temporarily any rising political concerns. For Korea small caps, it was a disappointing year as flows out of smaller companies towards the top-end of the market was clearly evident. Even in the face of its disastrous launch of Note 7, Samsung Electronics ended the year more than 38% higher in local currency terms. In contrast, Korean small caps suffered decline of more than 15% in local currency terms as PE multiples contracted.

India supported by initial easing measures and reforms but fails to overcome macro factors

A year of significant macro developments overshadowed the Indian market. Further liberalisation of foreign direct investment (FDI), the appointment of new central bank governor Dr Urjit Patel and the passage of the GST bill in August brought the market near all-time highs though similar to other Asian markets, large blue chips led the advance. However, escalating tensions with Pakistan and Prime Minister Narendra Modi's unexpected demonetisation move in November muted sentiment. Ending the year on a disappointing note, the Monetary Policy Committee (MPC) surprised by leaving interest rates unchanged in December, citing macroeconomic uncertainty.

Southeast Asia markets put in a strong performance

Thailand outperformed peers on the back of improving government spending and monetary policy support. The local economy also remained relatively resilient despite mourning the passing of King Bhumibol Adulyadej. Indonesia put in a credible performance despite Rupiah weakness as Bank Indonesia reduced benchmark interest rates six times. The passage of the tax amnesty law in June boosted expectation for additional public and private investment spending. Additionally, Fitch revised Indonesia's outlook to Positive and the Board of Governors predicted an economic recovery in 2017 in

view of an improving corporate sector and increased financing. Singapore was besieged by the Oil & Gas sector as many smaller players came under financial stress given the sharp reduction in activities in the region. However, the broader index managed to close the year in positive territory on the back of M&A activities, consumer staples and select REIT companies.

Philippines performed well through the first eight months of the year but gave up performance over rising political uncertainties. Although Rodrigo Duterte's Presidential victory in May was initially greeted by strong local buying of domestic equities, the President's subsequent controversial rhetoric overshadowed better-than-forecasted second quarter GDP growth. Malaysia ended the year in negative territory following fresh civil lawsuits by the US against the troubled 1Malaysia Development Bhd (1MDB) fund compounded by a weak currency.

Market Outlook and Strategy

Upcoming political developments should not detract from improving company fundamentals

Globally, investors seem transfixed by policy rhetoric and "tweets" from newly sworn in President Trump. This has distracted from otherwise improving economic conditions in the US and a pick-up in trade across the Asia region towards the end of 2016. We see the potential of US withdrawal from global trade as an opportunity for China to step up its role, particularly in Asia. As inflation picks up across a number of countries, we believe monetary conditions will not tighten acutely due to the preceding prolonged deflationary environment. Since the change in leadership in the US, politics will remain disproportionately important for markets and particularly for the more volatile smaller cap stocks.

What is more certain for 2017 is the quiet acceptance of more fiscal as opposed to monetary policies to better manage economies. In this respect, Asia stands out given its far healthier government balance sheets and capacity plus willingness to take on more debt. Notwithstanding the headwinds posed by a stronger USD and geo-politics, Asian small cap companies offer better growth than developed markets, and at more attractive valuations. MSCI Asia ex-Japan Small Cap trades on 1.3x forward Price-to-Book (P/B) multiple compared to 2.2x P/B multiple for MSCI World. Support for Asian small cap in the form of earnings growth at circa 10% to 15% and valuations should prove rewarding for investors willing to look beyond short term disruptions posed by fund flows and political changes. The fund will continue to seek out niche companies with sustainable business models backed by seasoned management and strong balance sheets.

IMPORTANT INFORMATION

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

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

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

For Hong Kong Investors

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

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

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

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

Execution and allocation

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

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

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

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

The following are, however, prohibited:

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

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

The Managers of the Nikko AM Shenton Emerging Enterprise Discovery Fund (the "Fund") will not accept or enter into soft-dollar commissions / arrangements unless:

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

The Managers of the Nikko AM Shenton Emerging Enterprise Discovery Fund will comply with applicable regulatory and industry standards on soft dollars.

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

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT OF THE TRUSTEE

For the financial year ended 31 December 2016

The Trustee is under a duty to take into custody and hold the assets of Nikko AM Shenton Emerging Enterprise Discovery 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 12 to 32, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
BNP Paribas Trust Services Singapore Limited

Authorised signatory

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT BY THE MANAGER

For the financial year ended 31 December 2016

In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 12 to 32, 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 Shenton Emerging Enterprise Discovery Fund (the "Fund") as at 31 December 2016, and the financial performance and movements in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

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

Authorised signatory

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND
(Constituted under a Trust Deed registered in the Republic of Singapore)

Our Opinion

In our opinion, the accompanying financial statements of Nikko AM Emerging Enterprise Discovery Fund (the "Fund"), are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 31 December 2016, and of the financial performance and movements of unitholders' funds for the financial year ended on that date.

What we have audited

The financial statements of the Fund comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Portfolio as at 31 December 2016;
- the Statement of Total Return for the financial year then ended;
- the Statement of Movements of Unitholders' Funds for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Other Information

The Fund's Manager (the "Manager") is responsible for the other information. The other information comprises the relevant sections of the annual report included in pages 1 to 8 and 33 to 35, which we obtained prior to the date of this auditor's report, and excludes the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND
(Constituted under a Trust Deed registered in the Republic of Singapore)

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND
(Constituted under a Trust Deed registered in the Republic of Singapore)

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2016

	Note	2016 S\$	2015 S\$
Income			
Dividends		83,863	78,070
		<u>83,863</u>	<u>78,070</u>
Less: Expenses			
Management fee		74,240	77,731
Registrar fee		5,744	5,733
Trustee fee		15,042	15,001
Custody fee		2,896	2,981
Audit fee		11,491	11,531
Valuation fee		10,028	10,000
Transaction costs		47,776	32,991
Other expenses		39,224	22,280
		<u>206,441</u>	<u>178,248</u>
Net losses		<u>(122,578)</u>	<u>(100,178)</u>
Net gains or losses on value of investments			
Net losses on investments		(124,082)	(158,494)
Net foreign exchange losses		(20,322)	(9,696)
		<u>(144,404)</u>	<u>(168,190)</u>
Total deficit for the financial year before income tax		(266,982)	(268,368)
Less: Income tax	3	(6,878)	(7,461)
Total deficit for the financial year after income tax		<u>(273,860)</u>	<u>(275,829)</u>

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 S\$	2015 S\$
ASSETS			
Portfolio of investments		4,309,623	5,360,474
Sales awaiting settlement		81,782	-
Receivables	4	1,225	3,323
Cash and bank balances		325,553	253,551
Total assets		4,718,183	5,617,348
LIABILITIES			
Payables	5	47,187	44,995
Purchases awaiting settlement		34,592	-
Total liabilities		81,779	44,995
EQUITY			
Net assets attributable to unitholders	6	4,636,404	5,572,353

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 31 December 2016

	Note	2016 S\$	2015 S\$
Net assets attributable to unitholders at the beginning of the financial year		5,572,353	4,839,896
Operations			
Change in net assets attributable to unitholders resulting from operations		(273,860)	(275,829)
Unitholders' contributions/(withdrawals)			
Creation of units		76,178	2,209,575
Cancellation of units		(738,267)	(1,201,289)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(662,089)	1,008,286
Total (decrease)/increase in net assets attributable to unitholders		(935,949)	732,457
Net assets attributable to unitholders at the end of the financial year	6	4,636,404	5,572,353

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT OF PORTFOLIO

As at 31 December 2016

By Geography (Primary)	Holdings at 31 December 2016	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Total Quoted Equities			
BERMUDA ISLANDS			
Fairwood Holdings Limited	7,500	39,550	0.85
Valuetronics Holdings Limited	131,800	68,536	1.48
Total BERMUDA ISLANDS		108,086	2.33
CAYMAN ISLANDS			
3Sbio Incorporation	58,000	81,597	1.76
ASM Pacific Technology Limited	7,700	117,869	2.54
Canvest Environmental Protection Group Company Limited	72,000	51,384	1.11
China Medical System Holdings Limited	73,000	167,040	3.60
China State Construction International Holdings Limited	44,000	95,106	2.05
Dadi Early-Childhood Education Group Limited	13,000	109,555	2.37
JNBY Design Limited	81,500	111,772	2.41
Nexteer Automotive Group Limited	39,000	66,858	1.44
VHQ Media Holdings Limited	12,000	95,749	2.07
Total CAYMAN ISLANDS		896,930	19.35
CHINA			
Anhui Conch Cement Company Limited	24,000	94,361	2.04
Flat Glass Group Company Limited	184,000	58,972	1.27
Travelsky Technology Limited	24,000	72,895	1.57
Total CHINA		226,228	4.88
HONG KONG SAR			
China Resources Pharmaceutical Group Limited	45,000	73,370	1.58
CSPC Pharmaceutical Group Limited	62,000	95,658	2.07
Universal Medical Financial & Technical Advisory Services Company Limited	95,500	114,067	2.46
Total HONG KONG SAR		283,095	6.11

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2016***By Geography (Primary) (continued)**

	Holdings at 31 December 2016	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Total Quoted Equities (continued)			
INDIA			
Bajaj Auto Limited	1,114	62,417	1.35
Castrol India Limited	7,828	63,319	1.36
Cholamandalam Investment and Finance Company Limited	2,528	50,793	1.10
Emami Limited	4,167	83,378	1.80
Federal Bank Limited	49,577	70,548	1.52
Hindustan Zinc Limited	18,969	102,964	2.22
Indusind Bank Limited	4,091	96,313	2.08
Total INDIA		529,732	11.43
INDONESIA			
Acset Indonusa TBK PT	225,700	68,251	1.47
Adhi Karya Persero TBK PT	326,300	72,780	1.57
Indo Tambangraya Megah TBK PT	28,600	51,754	1.12
Kresna Graha Investama PT TBK	1,246,200	62,541	1.35
Prodia Widyahusada TBK PT	55,800	34,705	0.75
Puradelta Lestari TBK PT	2,708,900	66,811	1.44
Ramayana Lestari Sentosa TBK PT	366,500	46,965	1.01
Summarecon Agung TBK PT	636,800	90,479	1.95
United Tractors TBK PT	21,300	48,537	1.05
Wijaya Karya Persero TBK PT	280,656	71,026	1.53
Total INDONESIA		613,849	13.24
PHILIPPINES			
8990 Holdings Incorporation	692,400	151,116	3.26
Bank of The Philippine Islands	26,360	68,025	1.47
Bloomberry Resorts Corporation	316,100	56,495	1.22
Cemex Holdings Philippines Incorporation	178,000	57,419	1.24
GT Capital Holdings Incorporation	1,180	43,551	0.94
Security Bank Corporation	10,720	59,192	1.27
Shakey's Pizza Asia Ventures Incorporation	114,200	38,166	0.82
Total PHILIPPINES		473,964	10.22
SINGAPORE			
Keppel Telecommunications & Transportation Limited	27,200	46,648	1.00
Yoma Strategic Holdings Limited	110,800	64,818	1.40
Total SINGAPORE		111,466	2.40

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2016***By Geography (Primary) (continued)**

	Holdings at 31 December 2016	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Total Quoted Equities (continued)			
SOUTH KOREA			
Handsome Company Limited	1,640	68,364	1.47
i-SENS Incorporation	1,887	66,359	1.43
Nasmedia Company Limited	1,648	75,893	1.64
SK Bioland Company Limited	2,186	46,543	1.00
Yonwoo Company Limited	1,619	73,976	1.60
Total SOUTH KOREA		331,135	7.14
TAIWAN			
Bon Fame Company Limited	8,000	54,867	1.18
China Life Insurance Company Limited	39,000	56,030	1.21
EGIS Technology Incorporation	12,000	142,547	3.07
Hu Lane Associate Incorporation	12,000	77,191	1.67
Visual Photonics Epitaxy Company Limited	37,000	82,099	1.77
Total TAIWAN		412,734	8.90
THAILAND			
Chularat Hospital Public Company Limited	1,084,000	125,073	2.70
Hana Microelectronics Public Company Limited	37,500	59,758	1.29
Malee Group Public Company Limited	15,300	70,983	1.53
Pylon Public Company Limited	131,000	66,590	1.43
Total THAILAND		322,404	6.95
Total Quoted Equities		4,309,623	92.95
Portfolio of investments		4,309,623	92.95
Other net assets		326,781	7.05
Net assets attributable to unitholders		4,636,404	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT OF PORTFOLIO

As at 31 December 2016

By Geography (Summary)	Percentage of total net assets attributable to unitholders at 31 December 2016 %	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Quoted Equities		
Bermuda Islands	2.33	-
Cayman Islands	19.35	43.09
China	4.88	2.51
Hong Kong SAR	6.11	4.86
India	11.43	9.85
Indonesia	13.24	1.44
Philippines	10.22	1.02
Singapore	2.40	1.85
South Korea	7.14	10.95
Taiwan	8.90	7.85
Thailand	6.95	12.78
Total Quoted Equities	92.95	96.20
Portfolio of investments	92.95	96.20
Other net assets	7.05	3.80
Net assets attributable to unitholders	100.00	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT OF PORTFOLIO

As at 31 December 2016

By Industry (Secondary)	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Advertising	-	-	3.21
Apparel	180,136	3.89	8.33
Auto Manufacturers	-	-	1.56
Auto Parts & Equipment	66,858	1.44	2.24
Banks	294,078	6.34	3.89
Beverages	-	-	4.71
Biotechnology	128,140	2.76	5.20
Building Materials	151,780	3.27	-
Chemicals	63,319	1.37	0.93
Coal	51,754	1.12	-
Diversified Financial Services	113,334	2.44	2.87
Electronics	407,004	8.78	6.39
Energy	51,384	1.11	2.37
Engineering and Construction	305,502	6.59	1.03
Entertainment	56,495	1.22	2.15
Environmental Control	-	-	3.51
Food	70,983	1.53	3.51
Healthcare-Products	347,466	7.49	8.14
Healthcare-Services	159,778	3.45	13.01
Home Builders	219,367	4.73	-
Insurance	56,030	1.21	0.98
Internet	75,893	1.64	-
Investment Companies	43,551	0.94	-
Leisure Time	62,417	1.35	1.80
Machinery-Construction & Mining	48,537	1.05	-
Machinery-Diversified	-	-	1.02
Media	95,749	2.06	1.04
Mining	102,964	2.22	-
Packaging & Containers	73,976	1.60	-
Pharmaceuticals	252,406	5.44	5.35
Real Estate	222,108	4.79	1.63
Retail	179,548	3.87	1.44
Semiconductors	199,968	4.31	3.84
Software	182,450	3.93	3.89
Telecommunications	-	-	1.15
Transportation	46,648	1.01	1.01
Portfolio of investments	4,309,623	92.95	96.20
Other net assets	326,781	7.05	3.80
Net assets attributable to unitholders	4,636,404	100.00	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

1. General

Nikko AM Shenton Emerging Enterprise Discovery Fund (the "Fund") is a Singapore domiciled fund, constituted by a Trust Deed dated 20 October 1997 as amended by Supplemental Deeds and Amended and Restated Deeds (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Manager of the Fund is Nikko Asset Management Asia Limited (the "Manager").

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

The classes may differ in terms of their class currency and the minimum subscription amounts applicable.

As of 31 December 2016, only units in the SGD Class has 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 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.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

(c) Investments

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

(i) *Initial recognition*

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

(ii) *Subsequent measurement*

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

(iii) *Derecognition*

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

(d) 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.

(e) 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.

(f) Foreign currency translation

(i) *Functional and presentation currency*

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

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

(f) Foreign currency translation (continued)

(i) *Functional and presentation currency* (continued)

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

(ii) *Transactions and balances*

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

3. Income Tax

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

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

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

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Income Tax (continued)

Income tax for the financial year ended on 31 December 2016 and 31 December 2015 comprises:

	2016 S\$	2015 S\$
Overseas income tax	<u>6,878</u>	<u>7,461</u>

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

4. Receivables

	2016 S\$	2015 S\$
Receivable from unitholders for creation of units	-	1,462
Dividends receivable	1,175	1,861
Other receivable	50	-
	<u>1,225</u>	<u>3,323</u>

5. Payables

	2016 S\$	2015 S\$
Payable to unitholders for cancellation of units	7,394	1,435
Amount due to the Manager	19,519	23,224
Valuation fee payable	2,697	2,697
Trustee fee payable	4,045	4,045
Registrar fee payable	1,213	1,213
Provision for audit fee	11,802	11,770
Amount due to custodian	517	611
	<u>47,187</u>	<u>44,995</u>

Amount due to the Manager comprises of 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 custodian fee are payable to BNP Paribas Securities Services Singapore Branch.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. Units in issue

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

	2016	2015
Units at beginning of the financial year	2,824,719	2,311,251
Units created	41,144	1,057,229
Units cancelled	(399,411)	(543,761)
Units at end of the financial year	<u>2,466,452</u>	<u>2,824,719</u>
Net assets attributable to unitholders – S\$	4,636,404	5,572,353
Net asset value per unit – S\$	<u>1.880</u>	<u>1.973</u>

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

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

	2016 S\$	2015 S\$
Net assets attributable to unitholders per financial statements per unit	1.880	1.973
Effect for movement in the net asset value between the last dealing date and the end of the reporting period [^]	-	-
Effect of adopting bid prices at fair value per unit	0.002	0.001
Net assets attributable to unitholders for issuing/redeeming per unit	<u>1.882</u>	<u>1.974</u>

[^]The net asset value for the purposes of processing unit subscription and redemption was established in accordance with the methodology indicated in the Fund's Prospectus. This item reflects the movement in net asset value between the last dealing date and the end of the reporting period due to accrual of operating expenses. In 2016, the effect is less than 0.001.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Financial risk management

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

The Fund's objective is to achieve medium to long-term capital appreciation by investing primarily in listed equities of small to medium-sized companies in Asia ex-Japan, which in the Managers' opinion are undervalued.

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

(a) Market risk - Price risk

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

The Fund's investment is substantially dependent on the changes of market prices. The Fund's overall market positions are monitored regularly so as to assess any changes in fundamentals and valuation. 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 exposure across various geographies and industries in Asia ex-Japan.

As the Fund invests primarily in listed equities of small to medium-sized companies in Asia ex-Japan, the Manager is of the view that the price risk the Fund is best reflected by movements in its benchmark MSCI Asia ex-Japan Small Cap Index (the "Index").

As at 31 December 2016, an increase/decrease of Index components within the benchmark of MSCI Asia ex-Japan Small Cap by 10% (2015: 10%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 11% (2015: 11%). The analysis was based on the assumptions that the Index components within the benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Fund's investments moved according to the beta. The benchmark percentage is revised annually depending on management's current view on market volatility and other relevant factors.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. 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.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND
(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

7. Financial risk management (continued)

(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 2016	SGD S\$	USD S\$	HKD S\$	PHP S\$	INR S\$	IDR S\$	KRW S\$	THB S\$	TWD S\$	Total S\$
Assets										
Portfolio of investments	180,002	-	1,240,499	473,964	529,732	613,849	331,135	322,404	618,038	4,309,623
Sales awaiting settlement	-	-	81,782	-	-	-	-	-	-	81,782
Receivables	50	-	-	483	-	-	692	-	-	1,225
Cash and bank balances	320,293	3,971	-	-	-	-	1	-	1,288	325,553
Total assets	500,345	3,971	1,322,281	474,447	529,732	613,849	331,828	322,404	619,326	4,718,183
Liabilities										
Payables	47,187	-	-	-	-	-	-	-	-	47,187
Purchases awaiting settlement	-	-	-	-	34,592	-	-	-	-	34,592
Total liabilities	47,187	-	-	-	34,592	-	-	-	-	81,779
Net currency exposure	453,158	3,971	1,322,281	474,447	495,140	613,849	331,828	322,404	619,326	

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND
(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

7. Financial risk management (continued)

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

As at 31 December 2015	SGD S\$	USD S\$	HKD S\$	PHP S\$	INR S\$	IDR S\$	KRW S\$	THB S\$	TWD S\$	Total S\$
Assets										
Portfolio of investments	102,900	-	2,723,740	56,597	548,921	80,059	610,124	712,554	525,579	5,360,474
Receivables	1,462	-	1,281	-	-	-	580	-	-	3,323
Cash and bank balances	173,097	3,383	-	-	-	-	1	-	77,070	253,551
Total assets	277,459	3,383	2,725,021	56,597	548,921	80,059	610,705	712,554	602,649	5,617,348
Liabilities										
Payables	44,995	-	-	-	-	-	-	-	-	44,995
Total liabilities	44,995	-	-	-	-	-	-	-	-	44,995
Net currency exposure	232,464	3,383	2,725,021	56,597	548,921	80,059	610,705	712,554	602,649	

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND
(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

7. Financial risk management (continued)

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

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

As of 31 December 2016 and 31 December 2015, the Fund does not hold substantial monetary assets/liabilities denominated in foreign currencies. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

(d) **Liquidity risk**

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

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

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

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

The Fund's financial liabilities is contracted undiscounted cash flows for maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. As at 31 December 2016 and 31 December 2015, all liabilities are either payable on demand or due in less than 3 months. The impact of discounting is not significant.

	<u>Less than 3 months</u>	
	As at	As at
	31 December 2016	31 December 2015
	S\$	S\$
Liabilities		
Payables	47,187	44,995
Purchases awaiting settlement	34,592	-
Contractual cash outflows	81,779	44,995

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Financial risk management (continued)

(e) Credit risk

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

Concentrations of credit risk are minimised primarily by:

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

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

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

	Credit rating as at 31 December 2016	Credit rating as at 31 December 2015	Source of credit rating
Bank balance			
- BNP Paribas Securities Services Singapore Branch	A	A+	Standard & Poor's
Custodian			
- BNP Paribas Securities Services Singapore Branch	A	A+	Standard & Poor's

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

The 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 SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. 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 2016 and 31 December 2015:

31 December 2016

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	4,309,623	-	-	4,309,623
	<u>4,309,623</u>	<u>-</u>	<u>-</u>	<u>4,309,623</u>

31 December 2015

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	5,360,474	-	-	5,360,474
	<u>5,360,474</u>	<u>-</u>	<u>-</u>	<u>5,360,474</u>

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

Except for cash and bank balances which are classified as level 1, the Fund's assets and liabilities not measured at fair value at 31 December 2016 and 2015 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the Statement of Financial Position date.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. Related party transactions

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

	2016 S\$	2015 S\$
Bank balance held with related party of the Trustee	<u>325,553</u>	<u>253,551</u>

9. Financial ratios

Expense ratio

		2016	2015
Total operating expenses	S\$	158,665	145,257
Average daily net asset value	S\$	4,931,937	5,191,321
Total expense ratio¹	%	<u>3.22</u>	<u>2.80</u>

Turnover ratio

		2016	2015
Lower of total value of purchases or sales	S\$	5,352,759	3,381,395
Average daily net asset value	S\$	4,931,937	5,191,321
Total turnover ratio²	%	<u>108.53</u>	<u>65.14</u>

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of expense ratio at the financial year end was based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

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

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 15 to 19.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 Largest holdings at 31 December 2016

	Fair value S\$	Percentage of total net assets attributable to unitholders %
China Medical System Holdings Limited	167,040	3.60
8990 Holdings Incorporated	151,116	3.26
Egis Technology Incorporated	142,547	3.07
Chularat Hospital Public Company Limited	125,073	2.70
ASM Pacific Technology Limited	117,869	2.54
Universal Medical Financial & Technical Advisory Services Company Limited	114,067	2.46
JNBY Design Limited	111,772	2.41
Dadi Early-Childhood Education Group Limited	109,555	2.37
Hindustan Zinc Limited	102,964	2.22
Indusind Bank Limited	96,313	2.08

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

3. Top 10 holdings (continued)

10 Largest holdings at 31 December 2015

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Chularat Hospital Public Company Limited	323,726	5.81
China Medical System Holdings Limited	288,536	5.18
Wasion Group Holdings Limited	214,463	3.85
China Traditional Chinese Medicine Company Limited	184,164	3.30
Wisdom Sports Group	179,026	3.21
Phoenix Healthcare Group Company Limited	162,528	2.92
3Sbio Incorporation	156,340	2.81
Sinosoft Technology Group Limited	143,000	2.57
Tipco Foods Public Company Limited	140,812	2.53
Eclat Textile Corporation Limited	137,107	2.46

4. Exposure to financial derivatives

Nil.

5. Global exposure to financial derivatives

Nil.

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

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

Nil.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

9. Borrowings

Nil.

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

	S\$
Units created	76,178
Units cancelled	(738,267)

11. Turnover ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 32.

12. Expense ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 32.

13. Related party transactions

Please refer to Note 8 of the Notes to the Financial Statements on page 32.

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

Nil.

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

Company registration number 198202562H

SEMI-ANNUAL REPORT

For the financial period ending 30 June 2016

**Nikko AM Shenton
Emerging Enterprise
Discovery Fund**

MANAGERS

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

DIRECTORS

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

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REGISTRAR

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BNP Paribas Securities Services, Singapore Branch
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This report is also available on our website (www.nikkoam.com.sg)

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
MSCI Asia ex Japan Small Cap Index ¹	-0.99	-7.70	-16.81	0.80	1.11	-0.61	3.53
Nikko AM Shenton Emerging Enterprise Discovery Fund ²	1.07	-8.81	-24.62	-3.24	-1.21	-2.77	3.64

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

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
MSCI Asia ex Japan Small Cap Index ¹	-0.99	-7.70	-16.81	0.80	1.11	-0.61	3.53
Nikko AM Shenton Emerging Enterprise Discovery Fund ²	-3.99	-13.37	-28.39	-4.88	-2.22	-3.27	3.35

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

Inception date: 13 March 1998

Note:

- (1) With effect from 1 October 2012, the benchmark has been changed to MSCI Asia ex Japan Small Cap Index. Prior to that, the benchmark was MSCI World Small Cap Index.
- (2) With effect from 1 October 2012, the Fund has been renamed Nikko AM Shenton Emerging Enterprise Discovery Fund. Prior to that, the Fund was known as Nikko AM Shenton Global Advantage Fund.

Portfolio Review

Fund returned -8.81% in 1Half 2016

For the six months ended 30 June 2016, the Nikko AM Shenton Emerging Enterprise Discovery Fund (the "Fund") returned -8.81% (SGD terms, on NAV-NAV basis), underperforming the MSCI Asia ex Japan Small Cap Index which returned -7.70% over the same period. Over the review period, the Fund's stock picks in Consumer Staples, Financials, Property, Industrials and Materials were contributors to performance. However, selective positions in the Consumer Discretionary, Healthcare, Information Technology and Telecommunications sectors dragged down the overall relative performance.

Consumer staples recovered in the latter half of the period under review as the market started recognising the more stable and predictable income stream. The Fund's positions in a fast growing juice manufacturer in Thailand; a leading domestic personal beauty and healthcare in India; and a canned food company in the Philippines helped lift performance.

As a sector, small cap financials did not perform as well as the broader sector. However, stock picks particularly in India and Philippines enabled the Fund to put in a stronger relative performance. In addition, Property stocks in the portfolio enjoyed positive returns with those in Indonesia and Thailand contributing. The stocks in the Industrials sector turned in a mixed performance with positions in China and Singapore edging out underperforming companies particularly in India.

Other sectors which negatively impact the Fund were Healthcare and Information Technology. In Information Technology, unrelenting competitive pressure led the Fund to exit a foundry and a fables semiconductor company. In contrast, most of the investments in the Healthcare sector performed well for the Fund. However, the lack of expected acquisition for a hospital group and a delay in filing for a pharmaceutical product, led to sharp stock price falls for two of the Fund's stocks which overwhelmed the aforementioned positive contribution.

Market Review

Macro-economic and geo-political events elicited a flight to quality

The year started on a weak note as the continued strength in the USD pushed commodity and energy prices lower with negative implications for Emerging markets. Asian currencies fell and funds accelerated its exit from Asia. Stock markets across Asia ex Japan were further pressured by poor economic data from China leading to a precipitous fall in January and continuing into late February albeit at a reduced rate of decline. Against the backdrop of an uncertain economic recovery in Europe and China in particular, the US Federal Reserve eased from its hawkish stance oddly coinciding with the G-20 Finance Ministers and Central Bank Governors meeting in Shanghai, China.

In a swift reversal of investor sentiment prevailing at the start of the year, the USD reversed course giving risk markets and sentiments a fillip. In Asia, several events added impetus to local markets. China began to report better economic data; India's ruling party garnered more support in state elections; doubts turned to optimism as the Philippines voted for a new President and Indonesia passed a widely anticipated tax amnesty bill. These positive points were more than sufficient to sweep aside any fears emanating from ramifications of Britain leaving the EU. In fact, when fears turned into reality with Britain's decision to leave the EU, European bourses sold off but Asian markets proved resilient.

While the aversion to risky assets moderated through the 6 months to end June, the degree of risk taking was somewhat restraint judging by the sharper fall and shallower recovery of the MSCI Asia ex Japan Small Capitalization index compared to its larger capitalization equivalent. By the end of the first half of 2016, valuations for Asian small cap stocks have de-rated to be roughly on par with the main blue chip index. For the period under review, the MSCI Asia ex Japan Small Cap index underperformed its large blue chip equivalent by about 4%.

Market Outlook and Strategy

A benign global economic outlook will underwrite accommodative monetary policies

Markets have been volatile as the US Federal Reserve flip-flopped between raising US interest rates due to stronger domestic trends and standing pat due to external uncertainties. Imbalances in the global economy probably argue for lower interest rates and a concurrent slower growth rate. However, there are encouraging signs that the US is on a firmer growth path and Europe, notwithstanding the uneasy relationship with the UK, is showing some signs of stability and growth. As far as Asia is concerned, its 2 most influential countries, China and India appear to be on the mend. For China, the fiscal stimulus of late 2015 and accommodative PBOC have effectively underwritten this year's growth target of 6.5%. In India, the BJP's success in recent state elections has boosted chances of pushing through reforms, crucial to long term growth prospects.

As we head into the corporate reporting season in 3Q, we note that corporate score-cards out of India and China have been improving though China is bifurcated into shrinking old heavy industrials and a growing new economy. Selected consumer names have done well primarily in FMCG and non-durables. ASEAN stocks (ex Singapore and Malaysia) were well sought after as the economies continue to give off positive economic and political news. We expect this trend in Asean to continue. This bodes well for the Fund with a focus on smaller capitalized companies and the preponderance of same in ASEAN.

Valuations remain supportive of Asian stock markets

Despite the upheavals in the commodity and energy markets and geo-political events in Europe and the Middle East over the last 12 months, the Asia ex Japan markets have pulled through commendably. This is in large part likely due to its market valuations. On traditional yardsticks such as price-book and price-earnings, Asia ex Japan is trading close to trough valuations. Asia ex Japan small caps though have trended above its valuation lows as the spectre of severe financial strains from the crisis of 2009-11 gradually gave way to business recovery and better balance sheets. Growth expectations for small cap stocks are significantly higher than the main Asia ex Japan index due to its niche businesses and less competitive landscapes. Despite the threat of higher US interest rates and resulting fund outflows, the draw of rising domestic consumption supported by high savings rate and various governments' pursuit of infrastructure developments, will likely be sufficient to entice long term investors to Asia ex Japan.

Small cap companies well placed to capture domestic oriented growth opportunities

With a distinctly positive outlook for domestic consumption growth, it is not surprising that smaller cap companies catering to its home market in the consumer space are well sought after by investors. This theme is seamlessly extendable to the likes of property and healthcare. The Fund will continue to seek investment opportunities in these areas and eschew companies vying for market share at the expense of profitability.

Longer term, support must come from continued reforms across Asia. The ongoing talk of rationalising State Owned Enterprises in China is encouraging as is preliminary evidence of supply side discipline in heavy industry. In India, the passage of a proper bankruptcy law and allowing higher foreign ownership levels are steps in the right direction. The resolve of the new Philippines President to continue the reforms initiated by his predecessor and renewed efforts from the incumbent Indonesian President can be significant milestones for their respective countries towards attracting more investment capital.

On balance, the Fund is cautiously optimistic for the balance of the year. Political flashpoints have been minimised by the stable hands of the military government in Thailand, conciliatory gestures from the DPP in Taiwan and the installation of a widely accepted cabinet in Philippines. For Asia where central banks still have leeway with the use of conventional monetary policies, supportive market valuations, better growth prospects and a trend of higher domestic consumption arguably render the region and small-cap companies more attractive than Developed markets.

IMPORTANT INFORMATION

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

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For Hong Kong Investors

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Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

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

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

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

Execution and allocation

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

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

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

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

The following are, however, prohibited:

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

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

The Managers of the Nikko AM Shenton Emerging Enterprise Discovery Fund (the "Fund") will not accept or enter into soft-dollar commissions / arrangements unless:

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

The Managers of the Nikko AM Shenton Emerging Enterprise Discovery Fund will comply with applicable regulatory and industry standards on soft dollars.

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

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial period from 01 January 2016 to 30 June 2016 (unaudited)*

	30 June 2016	30 June 2015
	S\$	S\$
Income		
Dividend	48,880	37,716
	48,880	37,716
Less: Expenses		
Management fee	37,261	38,941
Registrar fee	2,912	2,818
Trustee fee	7,480	7,439
Custody fee	1,375	1,534
Audit fee	5,945	5,980
Valuation fee	4,987	4,959
Transaction costs	24,015	10,681
Other expenses	11,633	4,394
	95,608	76,746
Net losses	(46,728)	(39,030)
Net gains or losses on value of investments		
Net (losses)/gains on investments	(423,964)	692,515
Net foreign exchange (losses)/gains	(15,316)	414
	(439,280)	692,929
Total (deficit)/return for the financial period before income tax	(486,008)	653,899
Less: Income tax	(3,275)	(2,152)
Total (deficit)/return for the financial period after income tax	(489,283)	651,747

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 (unaudited)

	30 June 2016	31 December 2015
	S\$	S\$
ASSETS		
Portfolio of investments	4,633,765	5,360,474
Receivables	3,859	3,323
Cash and bank balances	233,069	253,551
Total assets	4,870,693	5,617,348
LIABILITIES		
Payables	34,501	44,995
Total liabilities	34,501	44,995
EQUITY		
Net assets attributable to unitholders	4,836,192	5,572,353

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

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

	30 June 2016	31 December 2015
	S\$	S\$
Net assets attributable to unitholders at the beginning of the financial period/year	5,572,353	4,839,896
Operations		
Change in net assets attributable to unitholders resulting from operations	(489,283)	(275,829)
Unitholders' contributions/(withdrawals)		
Creation of units	35,364	2,209,575
Cancellation of units	(282,242)	(1,201,289)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(246,878)	1,008,286
Total (decrease)/increase in net assets attributable to unitholders	(736,161)	732,457
Net assets attributable to unitholders at the end of the financial period/year	4,836,192	5,572,353

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016 (unaudited)***By Geography (Primary)**

	Holdings at 30 June 2016	Fair value at 30 June 2016 S\$	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities			
CAYMAN ISLANDS			
3SBIO Incorporated	88,500	122,063	2.52
ASM Pacific Technology Limited	7,700	74,074	1.53
Canvest Environmental Protection Group Company Limited	214,000	129,943	2.69
China Harmony New Energy Auto Holding Limited	99,500	71,465	1.48
China Medical System Holdings Limited	110,000	225,189	4.66
CT Environmental Group Limited	254,000	98,708	2.04
Dadi Early-Childhood Education Group Limited	13,000	101,698	2.10
Greenland Hong Kong Holdings Limited	164,000	76,252	1.58
Harmonicare Medical Holdings Limited	107,000	66,271	1.37
HKBN Limited	35,000	49,488	1.02
Sinosoft Technology Group Limited	186,000	141,015	2.92
VHQ Media Holdings Limited	11,000	72,743	1.50
Yashili International Holdings Limited	194,000	56,880	1.18
Total CAYMAN ISLANDS		1,285,789	26.59
CHINA			
Anhui Conch Cement Company Limited	15,000	48,508	1.00
Flat Glass Group Company Limited	184,000	47,883	0.99
Zhuzhou CRRC Times Electric Company Limited	14,000	103,469	2.14
Total CHINA		199,860	4.13
HONG KONG SAR			
CSPC Pharmaceutical Group Limited	62,000	74,219	1.53
Universal Medical Financial & Technical Advisory Services Company Limited	79,500	76,272	1.58
Total HONG KONG SAR		150,491	3.11
INDIA			
Cummins India Limited	2,569	43,242	0.88
Emami Limited	5,349	117,875	2.44
Healthcare Global Enterprises Limited	22,791	83,465	1.73
Hindustan Zinc Limited	21,345	76,935	1.59
Indusind Bank Limited	4,091	90,683	1.88
Total INDIA		412,200	8.52
INDONESIA			
ADHI Karya Persero Tbk PT	261,000	73,913	1.53
Bank Danamon Indonesia Tbk PT	199,600	71,978	1.49
Ciputra Development Tbk PT	371,800	54,918	1.14
Matahari Department Store Tbk PT	44,200	90,051	1.86
Nippon Indosari Corpindo Tbk PT	591,100	95,138	1.97
Pakuwon Jati Tbk PT	939,100	58,833	1.22
Summarecon Agung Tbk PT	305,000	56,236	1.16
Total INDONESIA		501,067	10.37

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2016 (unaudited)***By Geography (Primary) (continued)**

	Holdings at 30 June 2016	Fair value at 30 June 2016 S\$	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities (continued)			
PHILIPPINES			
8990 Holdings Incorporated	692,400	151,927	3.14
Bank of the Philippine Islands	26,360	73,374	1.52
Century Pacific Food Incorporated	131,500	82,198	1.70
Security Bank Corporation	9,020	49,518	1.02
Total PHILIPPINES		357,017	7.38
SINGAPORE			
Keppel Telecommunications & Transportation Limited	63,800	89,639	1.85
Q&M Dental Group Singapore Limited	147,000	105,840	2.19
United Engineers Limited	32,500	71,175	1.47
Yoma Strategic Holdings Limited	110,800	62,048	1.29
Total SINGAPORE		328,702	6.80
SOUTH KOREA			
CJ CGV Company Limited	728	88,043	1.82
Hana Tour Service Incorporated	722	70,276	1.45
i-SENS Incorporated	1,887	80,921	1.67
Nasmedia Company Limited	883	50,041	1.03
Orion Corporation	66	72,647	1.50
Rayence Company Limited	1,864	40,185	0.84
SK Bioland Company Limited	3,967	100,124	2.07
Total SOUTH KOREA		502,237	10.38
TAIWAN			
China Life Insurance Company Limited	50,000	51,944	1.07
Chroma ATE Incorporated	33,000	105,741	2.19
EGIS Technology Incorporated	9,000	58,203	1.20
Total TAIWAN		215,888	4.46
THAILAND			
Chularat Hospital Public Company Limited	1,456,900	172,985	3.58
Kasikornbank Public Company Limited	9,900	64,462	1.33
Land & Houses Public Company Limited	201,100	69,707	1.44
Major Cineplex Group Public Company Limited	52,900	66,863	1.38
Malee Group Public Company Limited	50,600	96,903	2.00
Premier Marketing Public Company Limited	217,200	77,784	1.61
PTT Global Chemical Public Company Limited	36,300	82,378	1.70
Pylon Public Company Limited	125,300	49,432	1.03
Total THAILAND		680,514	14.07
Total Quoted Equities		4,633,765	95.81
Portfolio of investments		4,633,765	95.81
Other net assets		202,427	4.19
Net assets attributable to unitholders		4,836,192	100.00

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT OF PORTFOLIO

As at 30 June 2016 (unaudited)

By Geography (Summary)

	Percentage of total net assets attributable to unitholders at 30 June 2016 %	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Quoted Equities		
Cayman Islands	26.59	43.09
China	4.13	2.51
Hong Kong SAR	3.11	4.86
India	8.52	9.85
Indonesia	10.37	1.44
Philippines	7.38	1.02
Singapore	6.80	1.85
South Korea	10.38	10.95
Taiwan	4.46	7.85
Thailand	14.07	12.78
Total Quoted Equities	95.81	96.20
Portfolio of investments	95.81	96.20
Other net assets	4.19	3.80
Net assets attributable to unitholders	100.00	100.00

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

STATEMENT OF PORTFOLIO

As at 30 June 2016 (unaudited)

By Industry (Secondary)	Fair value at	Percentage of	Percentage of
	30 June 2016 S\$	total net assets attributable to unitholders at 30 June 2016 %	total net assets attributable to unitholders at 31 December 2015 %
Advertising	-	-	3.21
Apparel	-	-	8.33
Auto Manufacturers	-	-	1.56
Auto Parts & Equipments	-	-	2.24
Banks	350,015	7.24	3.89
Beverages	-	-	4.71
Biotechnology	222,187	4.59	5.20
Building Materials	48,508	1.00	-
Chemicals	82,378	1.70	0.93
Diversified Financial Services	-	-	2.87
Electronics	283,002	5.85	6.39
Energy – Alternate Sources	129,943	2.69	2.37
Engineering and Construction	123,345	2.55	1.03
Entertainment	154,906	3.20	2.15
Environmental Control	98,708	2.04	3.51
Food	481,550	9.96	3.51
Healthcare-Products	382,382	7.91	8.14
Healthcare-Services	428,561	8.87	13.01
Home Builders	221,634	4.58	-
Insurance	51,944	1.07	0.98
Internet	50,041	1.03	-
Leisure Time	70,276	1.45	1.80
Machinery-Diversified	43,242	0.89	1.02
Media	72,743	1.50	1.04
Mining	76,935	1.59	-
Miscellaneous Manufacture	103,469	2.14	-
Oil and Gas Services	40,185	0.83	-
Pharmaceuticals	192,094	3.97	5.35
Real Estate	308,287	6.38	1.63
Retail	161,516	3.34	1.44
Semiconductors	74,074	1.53	3.84
Software	242,713	5.02	3.89
Telecommunications	49,488	1.03	1.15
Transportation	89,639	1.86	1.01
Portfolio of investments	4,633,765	95.81	96.20
Other net assets	202,427	4.19	3.80
Net assets attributable to unitholders	4,836,192	100.00	100.00

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

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

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 10 to 13.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 Largest holdings at 30 June 2016	Fair value S\$	Percentage of total net assets attributable to unitholders %
China Medical System Holdings Limited	225,189	4.66
Chularat Hospital Public Company Limited	172,985	3.58
8990 Holdings Incorporated	151,927	3.14
Sinosoft Technology Group Limited	141,015	2.92
Canvest Environmental Protection Group Company Limited	129,943	2.69
3SBIO Incorporated	122,063	2.52
Emami Limited	117,875	2.44
Q&M Dental Group Singapore Limited	105,840	2.19
Chroma ATE Incorporated	105,741	2.19
Zhuzhou CRRC Times Electric Company Limited	103,469	2.14

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

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

3. Top 10 holdings (continued)

10 Largest holdings at 30 June 2015	Fair value S\$	Percentage of total net assets attributable to unitholders %
Sinosoft Technology Group Limited	382,770	7.05
Wasion Group Holdings Limited	299,690	5.52
Semiconductor Manufacturing International Corporation	287,732	5.30
BYD Electronic International Company Limited	268,992	4.95
Chularat Hospital Public Company Limited	235,055	4.33
Bioland Limited	231,617	4.27
SKS Microfinance Limited	200,740	3.70
Ju Teng International Holdings Limited	193,056	3.56
ISEC Healthcare Limited	184,800	3.40
China Traditional Chinese Medicine Company Limited	184,410	3.40

4. Exposure to financial derivatives

Nil.

5. Global exposure to financial derivatives

Nil.

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

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

Nil.

9. Borrowings

Nil.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

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

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

	S\$
Units created	35,364
Units cancelled	(282,242)

11. Turnover ratio

		30 June 2016	30 June 2015
Lower of total value of purchases or sales	S\$	2,752,985	609,545
Average daily net asset value	S\$	4,974,241	5,236,889
Total turnover ratio ^{Note}	%	55.34	11.64

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

12. Expense ratio

		30 June 2016	30 June 2015
Total operating expenses	S\$	150,785	128,888
Average daily net asset value	S\$	5,060,362	5,112,856
Total expense ratio ^{Note}	%	2.98	2.52

Note: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

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

13. Related party transactions

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

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

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

	30 June 2016	31 December 2015
	S\$	S\$
Bank balances held with related party of the Trustee	233,069	253,551

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

Nil.

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