

ANNUAL REPORT

For the financial year ended 31 December 2016

**Nikko AM Shenton
Japan Fund**

MANAGERS

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Company Registration No. 198202562H

DIRECTORS

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TRUSTEE

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REGISTRAR

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CUSTODIAN

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

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ¹	5.62	15.09	3.09	6.34	8.90	-1.40	-1.09
Nikko AM Shenton Japan Fund ²	7.01	21.84	7.43	5.72	10.50	-0.62	1.74

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

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ¹	5.62	15.09	3.09	6.34	8.90	-1.40	-1.09
Nikko AM Shenton Japan Fund ²	1.66	15.75	2.06	3.93	9.37	-1.13	1.57

Source: © 2016 Morningstar. All Rights Reserved. & Nikko Asset Management Asia Limited, returns as at 31 December 2016. Returns are calculated on 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: 31 December 1986

Note:

- (1) With effect from 1 June 2004, the benchmark has been changed to TOPIX Index. Prior to that, the benchmark was Nikkei Stock Average 225 Index.
- (2) With effect from 17 October 2011, the Fund (formerly known as "DBS Japan Growth Fund") has been renamed as Nikko AM Shenton Japan Fund.

The following changes were made to the Fund with effect from 7 July 2014 (the "Effective Date"):

- a. the sub-manager of the Fund was changed from Daiwa SB Investments Ltd to Nikko Asset Management Co., Ltd.;
- b. the base currency of the Fund was changed from the Singapore dollar ("SGD") to Japanese yen ("JPY"); and
- c. classes of units (each a "Class" and collectively the "Classes") were established within the Fund. In this connection, the existing units in the Fund were re-designated into a SGD Class and three new Classes were established within the Fund, namely a SGD hedged Class, a United States dollar ("USD") Class and a USD hedged Class. For the avoidance of any doubt, please note that the currency exposure of the assets of the Fund that are attributable to the SGD Class on and after the Effective Date will continue not to be hedged. Further, please note that while the SGD hedged Class, USD Class and USD hedged Class were established on the Effective Date, such Classes will only be launched at such date(s) as may be determined by the Managers.

Portfolio Review

Fund returned 7.43% during the period under review

The Nikko AM Shenton Japan Fund (the "Fund") returned 7.43% (in SGD terms, NAV-NAV basis) over the one-year period ended 31 December 2016, outperforming the benchmark by 4.34% in SGD terms. During the period, we kept the portfolio fully invested throughout the year with the Fund's equity weighting in the 97-99% range. As of the end of December, the Fund consisted of 88 names.

The portfolio suffered at the beginning of the year as a result of the re-emergence of the bipolarisation trend in the market where investors showed a preference for certain growth and defensive stocks. However, following a correction of this trend from mid-2016, the market situation has become increasingly favourable for our investment strategy. In particular, there was a significant contribution in the second half of the year from the value factor, the source of alpha for this strategy, as the market shifted to a risk-on environment with interest rates turning up, oil prices beginning to recover and the yen depreciating against the US dollar.

Stocks that made large positive contributions in the period included video game software and console maker Nintendo, whose stock price surged following the global success of its smartphone game Pokémon Go; toymaker Tomy, which upgraded its second half earnings guidance on the back of strong toy sales in Japan; chemical company Mitsubishi Gas Chemical, whose stock price rose following a rebound in methanol prices; consumer electronics giant Sony on favourable earnings results and expectations for future growth in its games business; and electric machinery manufacturer Mitsubishi Electric, which saw a recovery in factory automation orders in line with higher capital spending, particularly in Asia.

In contrast, names which detracted from performance during the period included electricity wholesaler Electric Power Development as its earnings guidance for this fiscal year fell short of the market consensus; automaker Mazda, which faced concerns over its short-term earnings driven by the sharp appreciation of the yen; synthetic fiber manufacturer Toray Industries, which posted weak earnings weighed down by inventory adjustments; and seasoning manufacturer Ajinomoto on concerns that rising US interest rates could drive down emerging market currencies as well as potential short-term earnings volatility due to low feed grain prices. In addition, not holding chemical manufacturer Shin-Etsu Chemical contributed negatively to the portfolio due to the rise in its share price in 2016.

Market Review

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

Despite a brief climb after the Bank of Japan's (BOJ's) surprise announcement of a negative interest rate policy, the Japanese equity market underwent a large correction in January and February amid concerns of a global economic slowdown, falling natural resource prices, and the rapid strengthening of the yen. However, stocks began to move upward in March as the result of recovering crude oil prices and strong US economic indicators. In April, the BOJ's unexpected decision against further monetary easing at its meeting caused stocks to fall and the yen to strengthen further. While the markets rebounded moderately in May after the yen weakened sharply on expectations of a US rate hike, the UK's decision to leave the European Union (EU) led to sharp strengthening of the yen and significant turmoil in the stock market in June. However, stock prices then stabilised in July and August on strong US economic indicators, an upper house election victory by Japan's ruling party, and firm crude oil prices. While the markets were largely flat in September, they began to move upwards from October as the yen weakened. Stocks extended their gains in November and December on further yen depreciation after the US Federal Reserve Board raised interest rates and as heightened expectations for the new US administration spurred a global stock market rally. Although the market stalled at the end of the year on the back of a lull in the yen's depreciation and profit-taking by investors, stocks posted overall gains for December to end the year modestly up.

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

Market Outlook

Despite uncertain factors such as global political trends, we expect that the Japanese equity market will continue to hold steady amid expectations for US economic policy including greater fiscal spending and tax cuts, further yen depreciation driven by higher US long-term interest rates, and continued firmness in resource prices. Furthermore, corporate earnings are expected to recover from the second half of FY 2016 on the back of the weakening yen and rising resource prices. While Japanese firms had previously focused their efforts on greatly lowering their profitability break-even points and building up strong cash flow generation capabilities, management attitudes have changed significantly in recent years. With firms now looking to make effective use of their abundant cash reserves and improve capital efficiency, we believe that the competitive advantage Japan's equity market has over those of other developed countries will continue to grow going forward.

Portfolio Strategy

Based on the following criteria, we will continue to invest in stocks of companies that appear undervalued from a profitability standpoint following changes in their earnings and that are viewed positively thanks to their high dividend yields and solid financial structures.

1. Investing in undervalued companies with a great deal of potential for revaluation based on the products, technologies and know-how that they deploy in Japan and overseas.
2. Investing in undervalued companies with a great deal of potential for revaluation as they work on building strong business organizations which are unmatched by rivals.
3. Investing in undervalued companies which have room to be re-evaluated by the market as they are close to completing sweeping structural reforms and own business lines that have a great deal of growth potential.

Given the highly volatile market environment, the risk factors we need to pay attention to may change. However, those we are currently keeping in mind as we manage the portfolio are as follows:

1. Political developments in the US, in particular the new administration's trade agenda with Japan
2. Direction of emerging country currencies
3. Loss of confidence in the euro and the risk of political fragmentation in European countries, such as the UK's decision to leave the EU
4. China's response to structural problems, including the policy measures it enacts
5. Geopolitical risks, such as unexpected events which occur as a result of friction between groups with differing values
6. The spillover effects that the BOJ's negative interest rate policy will have on the financial system and on corporate investment behaviour.

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, 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 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; and
- e) direct money payments / rebates.

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

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

The Managers and the Sub-Managers of the Fund will not accept or enter into soft-dollar commissions / arrangements unless:

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

The Managers and the Sub-Managers of the 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 JAPAN 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 Japan 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 30, 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 JAPAN 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 30, 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 Japan Fund (the "Fund") as at 31 December 2016, and the financial performance and movements in unitholders' funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

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

Authorised signatory

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

Our Opinion

In our opinion, the accompanying financial statements of Nikko AM Shenton Asia Pacific 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 31 to 33, 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 JAPAN 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 JAPAN 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 JAPAN FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2016*

	Note	2016 JPY'000	2015 JPY'000
Income			
Dividend		129,368	146,150
		129,368	146,150
Less: Expenses			
Management fee		64,943	82,988
Registrar fee		1,935	1,822
Custody fee		1,354	1,759
Audit fee		1,086	1,307
Valuation fee		1,260	1,386
Transaction costs		8,425	11,665
Other expenses		1,732	2,351
		80,735	103,278
Net income		48,633	42,872
Net gains or losses on value of investments			
Net (losses)/gains on investments		(17,375)	417,247
Net foreign exchange losses		(9,556)	(26,435)
		(26,931)	390,812
Total return for the financial year before income tax		21,702	433,684
Less: Income tax	3	(19,700)	(22,358)
Total return for the financial year after income tax		2,002	411,326

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON JAPAN FUND

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 JPY'000	2015 JPY'000
ASSETS			
Portfolio of investments		6,340,039	7,569,444
Sales awaiting settlement		58,633	41,226
Receivables	4	70,449	52,148
Cash and bank balances		262,928	292,627
Total assets		6,732,049	7,955,445
LIABILITIES			
Payables	5	32,955	31,877
Purchases awaiting settlement		19,572	27,522
Total liabilities		52,527	59,399
EQUITY			
Net assets attributable to unitholders	6	6,679,522	7,896,046

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON JAPAN 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 JPY'000	2015 JPY'000
Net assets attributable to unitholders at the beginning of the financial year		7,896,046	8,055,850
Operations			
Change in net assets attributable to unitholders resulting from operations		2,002	411,326
Unitholders' contributions/(withdrawals)			
Creation of units		1,593,726	3,466,924
Cancellation of units		(2,812,252)	(4,038,054)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(1,218,526)	(571,130)
Total decrease in net assets attributable to unitholders		(1,216,524)	(159,804)
Net assets attributable to unitholders at the end of the financial year	6	6,679,522	7,896,046

The accompanying notes form an integral part of these financial statements

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

By Industry (Primary)	Holdings at 31 December 2016	Fair value at 31 December 2016 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Quoted Equities			
APPAREL			
Asics Corporation	32,300	75,421	1.13
Total APPAREL		<u>75,421</u>	<u>1.13</u>
AUTO MANUFACTURERS			
Isuzu Motors Limited	61,500	91,082	1.36
Mazda Motor Corporation	39,800	76,098	1.14
Toyota Motor Corporation	29,000	199,462	2.99
Total AUTO MANUFACTURERS		<u>366,642</u>	<u>5.49</u>
AUTO PARTS & EQUIPMENT			
Aisin Seiki Company Limited	9,800	49,686	0.74
Musashi Seimitsu Industry Company Limited	22,400	68,096	1.02
NGK Insulators Limited	18,900	42,846	0.64
Sumitomo Electric Industries Limited	20,100	33,899	0.51
Toyota Industries Corporation	8,600	47,902	0.72
Total AUTO PARTS & EQUIPMENT		<u>242,429</u>	<u>3.63</u>
BANKS			
Fukuoka Financial Group Incorporated	62,000	32,178	0.48
Mitsubishi UFJ Financial Group Incorporated	207,600	149,514	2.24
Mizuho Financial Group Incorporated	458,400	96,172	1.44
Resona Holdings Incorporated	92,700	55,574	0.83
Shinsei Bank Limited	357,000	69,972	1.05
Sumitomo Mitsui Financial Group Incorporated	30,800	137,368	2.06
Total BANKS		<u>540,778</u>	<u>8.10</u>
BUILDING MATERIALS			
Daikin Industries Limited	9,700	104,130	1.56
Taiheiyo Cement Corporation	195,000	72,150	1.08
Total BUILDING MATERIALS		<u>176,280</u>	<u>2.64</u>
CHEMICALS			
Denka Company Limited	118,000	60,888	0.91
DIC Corporation	12,800	45,440	0.68
Mitsubishi Gas Chemical Company Incorporated	38,100	76,010	1.14
Mitsui Chemicals Incorporated	79,000	41,475	0.62
Nitto Denko Corporation	5,000	44,845	0.67
Tokai Carbon Company Limited	109,000	41,202	0.62
Toray Industries Incorporated	142,000	134,360	2.01
Total CHEMICALS		<u>444,220</u>	<u>6.65</u>
COMMERCIAL SERVICES			
Secom Company Limited	7,700	65,820	0.99
Total COMMERCIAL SERVICES		<u>65,820</u>	<u>0.99</u>

The accompanying notes form an integral part of these financial statements

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

By Industry (Primary) (continued)	Holdings at 31 December 2016	Fair value at 31 December 2016 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Quoted Equities (continued)			
COMPUTERS			
Fujitsu Limited	115,000	74,693	1.12
TDK Corporation	5,800	46,632	0.70
Total COMPUTERS		121,325	1.82
DISTRIBUTION/WHOLESALE			
Mitsubishi Corporation	46,200	115,038	1.72
Mitsui & Company Limited	36,700	58,977	0.88
Toyota Tsusho Corporation	15,100	45,980	0.69
Total DISTRIBUTION/WHOLESALE		219,995	3.29
DIVERSIFIED FINANCIAL SERVICES			
Daiwa Securities Group Incorporated	100,000	72,030	1.08
Nomura Holdings Incorporated	89,000	61,330	0.92
Orix Corporation	40,800	74,419	1.11
Total DIVERSIFIED FINANCIAL SERVICES		207,779	3.11
ELECTRIC			
Electric Power Development Company Limited	35,000	94,150	1.41
Total ELECTRIC		94,150	1.41
ELECTRONICS			
Anritsu Corporation	59,500	37,485	0.56
Minebea Company Limited	63,000	69,048	1.03
Nippon Electric Glass Company Limited	97,000	61,304	0.92
Yokogawa Electric Corporation	45,300	76,693	1.15
Total ELECTRONICS		244,530	3.66
ENGINEERING AND CONSTRUCTION			
JGC Corporation	39,100	83,048	1.24
Maeda Corporation	56,000	57,120	0.86
Penta-Ocean Construction Company Limited	122,900	69,439	1.04
Taisei Corporation	108,000	88,344	1.32
Total ENGINEERING AND CONSTRUCTION		297,951	4.46
FOOD			
Ajinomoto Company Incorporated	29,300	68,972	1.03
Total FOOD		68,972	1.03
FOREST PRODUCTS AND PAPER			
Sumitomo Forestry Company Limited	27,600	42,725	0.64
Total FOREST PRODUCTS AND PAPER		42,725	0.64
GAS			
Tokyo Gas Company Limited	130,000	68,757	1.03
Total GAS		68,757	1.03

The accompanying notes form an integral part of these financial statements

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

By Industry (Primary) (continued)	Holdings at 31 December 2016	Fair value at 31 December 2016 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Quoted Equities (continued)			
HAND/MACHINE TOOLS			
OSG Corporation	16,700	38,443	0.58
Total HAND/MACHINE TOOLS		38,443	0.58
HEALTHCARE-PRODUCTS			
Shimadzu Corporation	23,000	42,826	0.64
Total HEALTHCARE-PRODUCTS		42,826	0.64
HOME BUILDERS			
Daiwa House Industry Company Limited	27,200	86,931	1.30
Total HOME BUILDERS		86,931	1.30
HOME FURNISHINGS			
Panasonic Corporation	60,200	71,608	1.07
Pioneer Corporation	103,500	24,426	0.37
Sony Corporation	61,300	200,758	3.00
Total HOME FURNISHINGS		296,792	4.44
INSURANCE			
Tokio Marine Holdings Incorporated	13,800	66,185	0.99
Total INSURANCE		66,185	0.99
INTERNET			
Yahoo Japan Corporation	115,300	51,770	0.78
Total INTERNET		51,770	0.78
IRON/STEEL			
Daido Steel Company Limited	67,000	32,428	0.48
Hitachi Metals Limited	44,100	69,854	1.05
Japan Steel Works Limited	22,300	46,206	0.69
Nippon Steel & Sumitomo Metal Corporation	41,700	108,712	1.63
Nisshin Steel Company Limited	27,400	39,483	0.59
Total IRON/STEEL		296,683	4.44
MACHINERY-CONSTRUCTION AND MINING			
Hitachi Limited	151,000	95,432	1.43
Komatsu Limited	24,700	65,393	0.98
Mitsubishi Electric Corporation	70,300	114,554	1.72
Tadano Limited	26,000	38,272	0.57
Total MACHINERY-CONSTRUCTION AND MINING		313,651	4.70
MACHINERY-DIVERSIFIED			
Kubota Corporation	60,700	101,278	1.52
Mitsubishi Heavy Industries Limited	216,000	115,042	1.72
Nabtesco Corporation	14,400	39,154	0.58
Total MACHINERY-DIVERSIFIED		255,474	3.82

The accompanying notes form an integral part of these financial statements

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

By Industry (Primary) (continued)	Holdings at 31 December 2016	Fair value at 31 December 2016 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Quoted Equities (continued)			
MEDIA			
Kadokawa Dwango Corporation	32,500	54,893	0.82
Total MEDIA		<u>54,893</u>	<u>0.82</u>
MINING			
Dowa Holdings Company Limited	65,000	58,110	0.87
Furukawa Company Limited	128,000	27,264	0.41
Sumitomo Metal Mining Company Limited	70,000	105,490	1.58
Total MINING		<u>190,864</u>	<u>2.86</u>
MISCELLANEOUS MANUFACTURING			
Fujifilm Holdings Corporation	15,100	66,969	1.00
Morita Holdings Corporation	32,000	53,088	0.79
Total MISCELLANEOUS MANUFACTURING		<u>120,057</u>	<u>1.79</u>
PHARMACEUTICALS			
Astellas Pharma Incorporated	46,300	75,168	1.13
Kyowa Hakko Kirin Company Limited	39,100	63,186	0.95
Takeda Pharmaceutical Company Limited	4,200	20,307	0.30
Tsumura & Company	19,700	63,434	0.95
Total PHARMACEUTICALS		<u>222,095</u>	<u>3.33</u>
REAL ESTATE			
Mitsubishi Estate Company Limited	24,000	55,860	0.84
Mitsui Fudosan Company Limited	24,000	64,920	0.97
Total REAL ESTATE		<u>120,780</u>	<u>1.81</u>
RETAIL			
Isetan Mitsukoshi Holdings Limited	58,200	73,332	1.10
Marui Group Company Limited	22,400	38,237	0.57
Total RETAIL		<u>111,569</u>	<u>1.67</u>
TELECOMMUNICATIONS			
NTT Docomo Incorporated	47,000	125,161	1.87
Softbank Group Corporation	18,500	143,653	2.15
Total TELECOMMUNICATIONS		<u>268,814</u>	<u>4.02</u>
TEXTILES			
Toyobo Company Limited	366,000	63,684	0.95
Total TEXTILES		<u>63,684</u>	<u>0.95</u>
TOYS/GAMES/HOBBIES			
Nintendo Company Limited	7,700	188,958	2.83
Tomy Company Limited	59,300	73,591	1.10
Total TOYS/GAMES/HOBBIES		<u>262,549</u>	<u>3.93</u>

The accompanying notes form an integral part of these financial statements

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

	Holdings at 31 December 2016	Fair value at 31 December 2016 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Quoted Equities (continued)			
TRANSPORTATION			
Keikyu Corporation	17,000	23,035	0.35
Mitsui OSK Lines Limited	210,000	68,040	1.02
Sankyu Incorporated	70,000	49,490	0.74
Seibu Holdings Incorporated	27,500	57,640	0.86
Total Transportation		<u>198,205</u>	<u>2.97</u>
Total Quoted Equities		<u>6,340,039</u>	<u>94.92</u>
Portfolio of investments		6,340,039	94.92
Other net assets		339,483	5.08
Net assets attributable to unitholders		<u>6,679,522</u>	<u>100.00</u>

The accompanying notes form an integral part of these financial statements

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

By Industry (Summary)	Fair value at 31 December 2016 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2016 %	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Apparel	75,421	1.13	1.33
Auto Manufacturers	366,642	5.49	7.22
Auto Parts and Equipment	242,429	3.63	3.26
Banks	540,778	8.10	7.84
Building Materials	176,280	2.64	1.36
Chemicals	444,220	6.65	6.81
Commercial Services	65,820	0.99	1.01
Computers	121,325	1.82	1.13
Cosmetics/Personal Care	-	-	0.35
Distribution/Wholesale	219,995	3.29	2.80
Diversified Financial Services	207,779	3.11	2.01
Electric	94,150	1.41	1.33
Electrical Component and Equipment	-	-	0.42
Electronics	244,530	3.66	5.54
Engineering and Construction	297,951	4.46	4.70
Food	68,972	1.03	2.57
Forest Products And Paper	42,725	0.64	0.76
Gas	68,757	1.03	1.03
Hand/Machine Tools	38,443	0.58	0.65
Healthcare	-	-	1.06
Healthcare Products	42,826	0.64	-
Home Builders	86,931	1.30	1.60
Home Furnishings	296,792	4.44	3.20
Insurance	66,185	0.99	1.06
Internet	51,770	0.78	-
Iron/Steel	296,683	4.44	4.88
Machinery-Construction and Mining	313,651	4.70	3.11
Machinery-Diversified	255,474	3.82	5.06
Media	54,893	0.82	0.91
Mining	190,864	2.86	3.42
Miscellaneous Manufacturing	120,057	1.79	1.10
Oil and Gas	-	-	1.04
Pharmaceuticals	222,095	3.33	2.42
Real Estate	120,780	1.81	1.79
Retail	111,569	1.67	2.53
Semiconductors	-	-	0.22
Telecommunications	268,814	4.02	4.14
Textiles	63,684	0.95	0.82
Toys/Games/Hobbies	262,549	3.93	3.13
Transportation	198,205	2.97	2.25
Portfolio of investments	6,340,039	94.92	95.86
Other net assets	339,483	5.08	4.14
Net assets attributable to unitholders	6,679,522	100.00	100.00

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

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON JAPAN 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 Japan Fund (the "Fund") is a Singapore domiciled fund constituted under a Trust Deed dated 3 December 1985, 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 Sub-Fund is Nikko Asset Management Asia Limited (the "Manager").

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

The classes may differ in terms of their class currency, the minimum subscription amounts applicable and the hedging features applicable to certain classes as described below.

The Deposited Property of the Scheme will be valued in JPY. However, the NAV of each class within the Scheme will be valued in its respective class currency.

For the SGD Hedged Class and the USD Hedged Class, the Managers intend to hedge the currency exposure of the assets of the Scheme attributable to (a) the SGD Hedged Class into SGD and (b) the USD Hedged Class into USD, through the use of currency forwards. Consequently, the NAV per Unit of each of the SGD Hedged Class and the USD Hedged Class will therefore take into account any gains or losses arising from the use of the currency forwards in respect of the relevant class.

As of 31 December 2016, only units in the SGD Class have been issued.

2. Significant accounting policies

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

(a) Basis of preparation

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

(b) Recognition of income

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

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

NIKKO AM SHENTON JAPAN FUND

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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 equities securities 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 price 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 ("SGD").

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

NIKKO AM SHENTON JAPAN 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)

(ii) *Transactions and balances*

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

3. Income tax

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

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

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

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

	2016	2015
	JPY'000	JPY'000
Overseas income tax	19,700	22,358

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

NIKKO AM SHENTON JAPAN 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***4. Receivables**

	2016	2015
	JPY'000	JPY'000
Receivable from unitholders for creation of units	66,330	47,131
Dividends receivable	4,119	4,903
Other receivables	-	114
	70,449	52,148

5. Payables

	2016	2015
	JPY'000	JPY'000
Payable to unitholders for cancellation of units	13,260	7,816
Amount due to the Manager	17,583	21,693
Valuation fee payable	352	434
Registrar fee	229	255
Provision for audit fee	1,228	1,360
Custody fee payable	262	319
Other payables	41	-
	32,955	31,877

Amount due to the Manager comprises of management fee and is payable to Nikko Asset Management Asia Limited. Registrar fee is payable to BNP Paribas Trust Services Singapore Limited. Custody fee and valuation fee are payable to BNP Paribas Securities Services Singapore Branch.

Trustee fee is payable out of management fees by Nikko Asset Management Asia Limited to BNP Paribas Trust Services Singapore Limited.

6. Units in issue

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

	2016	2015
Units at beginning of the financial year	90,674,864	97,677,584
Units created	20,966,106	38,771,206
Units cancelled	(36,376,403)	(45,773,926)
Units at end of the financial year	75,264,567	90,674,864
Net assets attributable to unitholders- JPY'000	6,679,522	7,896,046
Net asset value per unit- JPY	88.747	87.081
Effect for movement in the net asset value between the last dealing date and the end of the reporting period [^]	0.003	-
Net assets attributable to unitholders for issuing/redeeming- JPY	88.750	87.081

NIKKO AM SHENTON JAPAN FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. Units in issue (continued)

[^]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.

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 primary objective is to achieve medium to long term capital appreciation by investing in a diversified portfolio of equity investments listed in Japan.

The Manager will seek to add value by selectively over/under weighting benchmark components to achieve relative out performance and blending the mix with a selection of non-benchmark components to deliver absolute outperformance.

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

(a) Market risk - Price risk

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

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

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

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

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

NIKKO AM SHENTON JAPAN FUND

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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.

(c) Market risk - Currency risk

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

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

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

31 December 2016	JPY JPY'000	SGD JPY'000	Total JPY'000
Assets			
Portfolio of investments	6,340,039	-	6,340,039
Sales awaiting settlement	58,633	-	58,633
Receivables	4,119	66,330	70,449
Cash and bank balances	100,693	162,235	262,928
Total assets	6,503,484	228,565	6,732,049
Liabilities			
Payables	19,695	13,260	32,955
Purchases awaiting settlement	19,572	-	19,572
Total liabilities	39,267	13,260	52,527
Net currency exposure	6,464,217	215,305	

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Financial risk management (continued)

(c) Market risk - Currency risk (continued)

31 December 2015	JPY JPY'000	SGD JPY'000	Total JPY'000
Assets			
Portfolio of investments	7,569,444	-	7,569,444
Sales awaiting settlement	41,226	-	41,226
Receivables	49,964	2,184	52,148
Cash and bank balances	118,444	174,183	292,627
Total assets	7,779,078	176,367	7,955,445
Liabilities			
Payables	24,062	7,815	31,877
Purchases awaiting settlement	27,522	-	27,522
Total liabilities	51,584	7,815	59,399
Net currency exposure	7,727,494	168,552	

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. 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 redemption size are set.

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

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

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

NIKKO AM SHENTON JAPAN FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Financial risk management (continued)

(d) Liquidity risk (continued)

	<u>Less than 3 months</u>	
	As at 31 December 2016 JPY'000	As at 31 December 2015 JPY'000
Liabilities		
Payables	32,955	31,877
Purchases awaiting settlement	19,572	27,522
Contractual cash outflows	52,527	59,399

(e) Credit risk

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

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

- ensuring counterparties as well as the respective credit limits are approved;
- ensuring there are controls in place to identify and assess the creditworthiness of counterparties and review such controls on a semiannual 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 fixed deposits. The table below summarises the credit rating of bank and custodian 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.

NIKKO AM SHENTON JAPAN FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Financial risk management (continued)

(f) Capital management

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

(g) Fair value estimation

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

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

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2016 and 31 December 2015:

31 December 2016	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	6,340,039	-	-	6,340,039
31 December 2015				
	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	7,569,444	-	-	7,569,444

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 31 December 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 JAPAN FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. Related party transactions

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

	2016	2015
	JPY'000	JPY'000
Bank balances held with related party of the Trustee	262,928	292,627

9. Financial ratios

Expense ratio

		2016	2015
Total operating expenses	JPY'000	72,165	91,520
Average daily net asset value	JPY'000	6,495,362	8,258,659
Total expense ratio¹	%	1.11	1.11

Turnover ratio

		2016	2015
Lower of total value of purchases or sales	JPY'000	1,519,432	2,993,709
Average daily net asset value	JPY'000	6,495,362	8,258,659
Total turnover ratio²	%	23.39	36.25

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

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

NIKKO AM SHENTON JAPAN 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 20.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 Largest holdings at 31 December 2016

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Sony Corporation	200,758	3.00
Toyota Motor Corporation	199,462	2.99
Nintendo Company Limited	188,958	2.83
Mitsubishi UFJ Financial Group Incorporated	149,514	2.24
Softbank Group Corporation	143,653	2.15
Sumitomo Mitsui Financial Group Incorporated	137,368	2.06
Toray Industries Incorporated	134,360	2.01
NTT Docomo Incorporated	125,161	1.87
Mitsubishi Heavy Industries Limited	115,042	1.72
Mitsubishi Corporation	115,038	1.72

NIKKO AM SHENTON JAPAN 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 JPY'000	Percentage of total net assets attributable to unitholders %
Toyota Motor Corporation	284,544	3.60
Sony Corporation	252,768	3.20
Toray Industries Incorporation	205,660	2.60
Nintendo Company Limited	184,305	2.33
NTT DOMOCO Incorporation	172,886	2.19
Kubota Corporation	156,704	1.98
Sumitomo Mitsui Financial Group Incorporation	155,222	1.97
Mitsubishi UFJ Financial Group Incorporation	147,256	1.86
Mitsubishi Heavy Industries Limited	144,524	1.83
Hitachi Limited	134,151	1.70

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 JAPAN 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

	JPY'000
Units created	1,593,726
Units cancelled	(2,812,252)

11. Turnover ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 30.

12. Expense ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 30.

13. Related party transactions

Please refer to Note 8 of the Notes to the Financial Statements on page 30.

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
Japan Fund**

MANAGERS

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

DIRECTORS

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

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ¹	1.26	-10.43	-8.90	4.13	4.83	-2.91	-1.58
Nikko AM Shenton Japan Fund ²	0.67	-11.83	-12.77	2.52	4.96	-2.64	1.09

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
Benchmark ¹	1.26	-10.43	-8.90	4.13	4.83	-2.91	-1.58
Nikko AM Shenton Japan Fund ²	-4.36	-16.24	-17.13	0.79	3.89	-3.14	0.91

Source: © 2016 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 30 June 2016. Returns are calculated on 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: 31 December 1986

Note:

- (1) With effect from 1 June 2004, the benchmark has been changed to TOPIX Index. Prior to that, the benchmark was Nikkei Stock Average 225 Index.
- (2) With effect from 17 October 2011, the Fund (formerly known as "DBS Japan Growth Fund") has been renamed as Nikko AM Shenton Japan Fund.

The following changes were made to the Fund with effect from 7 July 2014 (the "Effective Date"):

- a. the sub-manager of the Fund was changed from Daiwa SB Investments Ltd to Nikko Asset Management Co., Ltd.;
- b. the base currency of the fund was changed from the Singapore dollar ("SGD") to Japanese yen ("JPY"); and
- c. classes of units (each a "Class" and collectively the "Classes") were established within the Fund. In this connection, the existing units in the Fund were re-designated into a SGD Class and three new Classes were established within the Fund, namely a SGD hedged Class, a United States dollar ("USD") Class and a USD hedged Class. For the avoidance of any doubt, please note that the currency exposure of the assets of the Fund that are attributable to the SGD Class on and after the Effective Date will continue not to be hedged. Further, please note that while the SGD hedged Class, USD Class and USD hedged Class were established on the Effective Date, such Classes will only be launched at such date(s) as may be determined by the Managers.

Portfolio Review

Fund declined by 11.83% during the period under review

The Nikko AM Shenton Japan Fund (the "Fund") returned -11.83% (in SGD terms, NAV-NAV basis) over the 6 months ended 30 June 2016, underperforming the benchmark by 1.40% in SGD terms. During the period, we maintained the portfolio fully invested with the Fund's equity weighting in the 97-98% range. As of the end of June, the Fund consisted of 90 names.

The re-emergence of the bipolarization trend in the market (where investors showed a preference for certain growth and defensive stocks) following a significant drop in stock prices in January and February resulted in the portfolio underperforming the benchmark in the first three months of the period. With the correction of this excessive bipolarization, the portfolio reversed course and posted gains in April and May. However, it subsequently underperformed in June due to market turmoil following the Brexit vote in the UK. As a result, the portfolio underperformed the benchmark during the period.

Stocks that made positive contributions during the period included: globally renowned consumer electronics maker Sony, which benefitted from the positive effects of structural reforms in its mobile and TV businesses, allowing it to post strong earnings for the October-December quarter; general contractor Taisei, as the market has taken a favourable view of the firm's emphasis on order profitability and its increasing value per order; mobile communications network operator NTT Docomo, for which cost-cutting efforts have resulted in strong earnings; general contractor Penta-Ocean Construction, which is expected to post record-high profits; and leading textile maker Toyobo, for which investors took a positive view of the increase in manufacturers using its highly functional materials and its business expansion after its acquisition of a German company in 2014 helped it secure top market share as a start-to-finish manufacturer of airbag fabrics.

In contrast, the following names contributed negatively during the period: automaker Mazda Motor, as concerns over its short-term earnings emerged following the sharp appreciation of the yen; electricity wholesaler Electric Power Development, as its earnings guidance for this fiscal year fell short of the market consensus; department store operator Isetan Mitsukoshi Holdings, as the sudden drop in its fourth quarter earnings resulted in last fiscal year's earnings falling short of its projections and the market consensus; and regional financial group Fukuoka Financial Group, as concerns emerged that securities yields and bank loan interest rates would decrease for banks in general following the Bank of Japan (BOJ)'s introduction of a negative interest rate policy, particularly as regional banks including the firm receive a relatively small amount of income from commissions and fees.

Market Review

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

The Japanese market turned downward in January following a sharp drop in stock prices in Shanghai that necessitated the application of circuit breaker mechanisms on the Shanghai and Shenzhen stock exchanges. Following the end-January BOJ announcement of a negative interest rate, stock prices climbed, reflecting expectations that the policy would support Japan's economy. However, the market dropped again amid weak corporate earnings results in Japan and on the rapid strengthening of the yen following congressional testimony by US Federal Reserve Board Chair Janet Yellen. While comprehensive monetary easing measures announced by the European Central Bank (ECB) in early March provided some momentum to stock buying, the further strengthening of the yen and the emergence of a cautious outlook for corporate earnings put downward pressure on the market, resulting in directionless trade for much of March.

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

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

Market Outlook

The portfolio's benchmark, the TOPIX Total Return Index, has conspicuously underperformed the markets of other developed countries since the start of the year. However, it appears that the market has overreacted to a decline in corporate earnings due to foreign exchange movements and a weakening of future global demand, and stocks have been oversold as a result. We therefore believe that the market will start to bottom out over the summer, and stocks that are excessively undervalued will begin recovering towards the second half of the year.

The greatest source of alpha for this strategy is the effect of mean reversion triggered by companies' structural changes, as well as the long-term valuation anomalies associated with such changes. This has allowed us to generate stable alpha over the past 20 years. While we haven't been able to sufficiently benefit from this effect in the past two years, since the start of spring, the situation has clearly been improving. Our confidence is growing that the investing environment in 2016 will see a correction of the strong distortion in the market and that we can largely expect to generate stable alpha from valuation anomalies.

While the market turmoil resulting from the Brexit vote in the UK led to weak performance in June, the portfolio was able to generate significant alpha in April and May. In addition, excess return generated to date since the start of July has already more than compensated for losses in June. We believe this is due to the fact that the valuation bipolarization in the market, which had become extremely large, has started to shrink. We also believe that external factors have become more favourable and that the market is taking a more positive view of names for which large structural reforms are bearing fruit.

The decision by UK voters to leave the EU was a significant source of turmoil in the market. However, we don't believe it will lead to the liquidity crises and credit crunches that followed the 2008 Global Financial Crisis or the 1997 Asian Financial Crisis. We therefore think it is somewhat unlikely that it will have a direct effect on the Japanese economy. However, we will closely watch for any signs of a credit crunch or for a structural decline in demand.

Portfolio Strategy

We will continue to invest in stocks of companies that appear undervalued from a profitability standpoint following changes in their earnings and that are viewed positively thanks to their high dividend yields and solid financial structures.

We will continue to manage the portfolio with the following risk factors in mind:

1. The US presidential election and other political developments in the US
2. Direction of emerging country currencies
3. Loss of confidence in the euro and the risk of political fragmentation in European countries, such as the UK's decision to leave the EU
4. China's response to structural problems, including the policy measures it enacts
5. Geopolitical risks, such as unexpected events which occur as a result of friction between groups with differing values
6. The spillover effects that the Bank of Japan's adoption of a negative interest rate will have on the financial system and on corporate investment behaviour
7. The effects on households of a slowdown in wage increases

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

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

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

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

Execution and allocation

If the Trustee objects to the use of the soft dollar brokers, the trades of the 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.

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

The Managers and the Sub-Managers of the Fund will not accept or enter into soft-dollar commissions / arrangements unless:

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

The Managers and the Sub-Managers of the 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 JAPAN 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
	JPY'000	JPY'000
Income		
Dividend	<u>75,231</u>	<u>77,442</u>
	<u>75,231</u>	<u>77,442</u>
Less: Expenses		
Management fee	32,702	41,346
Registrar fee	1,014	912
Custody fee	666	891
Audit fee	524	663
Valuation fee	624	598
Transaction costs	4,391	6,933
Other expenses	206	1,019
	<u>40,127</u>	<u>52,362</u>
Net income	<u>35,104</u>	25,080
Net gains or losses on value of investments		
Net (losses)/gains on investments	(1,621,173)	1,057,569
Net foreign exchange losses	(17,003)	(48)
	<u>(1,638,176)</u>	<u>1,057,521</u>
Total (deficit)/return for the financial period before income tax	(1,603,072)	1,082,601
Less: Income tax	<u>(11,409)</u>	<u>(11,836)</u>
Total (deficit)/return for the financial period after income tax	<u>(1,614,481)</u>	<u>1,070,765</u>

NIKKO AM SHENTON JAPAN 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
	JPY'000	JPY'000
ASSETS		
Portfolio of investments	5,626,073	7,569,444
Sales awaiting settlement	-	41,226
Receivables	46,513	52,148
Cash and bank balances	239,699	292,627
Total assets	5,912,285	7,955,445
LIABILITIES		
Payables	23,044	31,877
Purchases awaiting settlement	4,643	27,522
Total liabilities	27,687	59,399
EQUITY		
Net assets attributable to unitholders	5,884,598	7,896,046

NIKKO AM SHENTON JAPAN 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 JPY'000	31 December 2015 JPY'000
Net assets attributable to unitholders at the beginning of the financial period/year	7,896,046	8,055,850
Operations		
Change in net assets attributable to unitholders resulting from operations	(1,614,481)	411,326
Unitholders' contributions/(withdrawals)		
Creation of units	893,589	3,466,924
Cancellation of units	(1,290,556)	(4,038,054)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(396,967)	(571,130)
Total decrease in net assets attributable to unitholders	(2,011,448)	(159,804)
Net assets attributable to unitholders at the end of the financial period/year	5,884,598	7,896,046

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

By Industry (Primary)	Holdings at 30 June 2016	Fair value at 30 June 2016 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities			
APPAREL			
Asics Corporation	38,300	65,723	1.12
Total APPAREL		65,723	1.12
AUTO MANUFACTURERS			
Isuzu Motors Limited	72,800	90,891	1.54
Mazda Motor Corporation	47,100	64,009	1.09
Toyota Motor Corporation	34,300	173,284	2.94
Total AUTO MANUFACTURERS		328,184	5.57
AUTO PARTS AND EQUIPMENT			
Aisin Seiki Company Limited	11,400	47,139	0.80
Musashi Seimitsu Industry Company Limited	14,100	28,073	0.48
NGK Insulators Limited	12,000	24,564	0.42
Sumitomo Electric Industries Limited	42,800	57,373	0.97
Toyota Industries Corporation	9,900	39,947	0.68
Total AUTO PARTS AND EQUIPMENT		197,096	3.35
BANKS			
Fukuoka Financial Group Incorporated	97,000	32,495	0.55
Mitsubishi UFJ Financial Group Incorporated	242,100	110,373	1.88
Mizuho Financial Group Incorporated	467,100	69,271	1.18
Resona Holdings Incorporated	88,700	32,996	0.56
Shinsei Bank Limited	362,000	53,576	0.91
Sumitomo Mitsui Financial Group Incorporated	30,000	87,780	1.49
Total BANKS		386,491	6.57
BUILDING MATERIALS			
Daikin Industries Limited	11,200	95,357	1.62
Taiheiyo Cement Corporation	189,000	45,549	0.77
Total BUILDING MATERIALS		140,906	2.39
CHEMICALS			
Denka Company Limited	143,000	58,773	1.00
DIC Corporation	21,900	46,559	0.79
Mitsubishi Gas Chemical Company Incorporated	88,000	46,728	0.79
Mitsui Chemicals Incorporated	91,000	33,852	0.58
Nitto Denko Corporation	4,700	30,249	0.51
Tokai Carbon Company Limited	94,000	23,970	0.41
Toray Industries Incorporated	170,000	147,798	2.51
Total CHEMICALS		387,929	6.59
COMMERCIAL SERVICES			
Secom Company Limited	8,900	67,222	1.14
Total COMMERCIAL SERVICES		67,222	1.14

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

	Holdings at 30 June 2016	Fair value at 30 June 2016 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities (continued)			
COMPUTERS			
Fujitsu Limited	135,000	50,490	0.86
TDK Corporation	5,800	32,886	0.56
Total COMPUTERS		83,376	1.42
DISTRIBUTION/WHOLESALE			
Mitsubishi Corporation	54,900	98,161	1.67
Mitsui & Company Limited	32,000	38,832	0.66
Toyota Tsusho Corporation	17,100	37,381	0.64
Total DISTRIBUTION/WHOLESALE		174,374	2.97
DIVERSIFIED FINANCIAL SERVICES			
Daiwa Securities Group Incorporated	113,000	60,738	1.03
ORIX Corporation	47,500	62,130	1.06
Total DIVERSIFIED FINANCIAL SERVICES		122,868	2.09
ELECTRIC			
Electric Power Development Company Limited	23,500	55,907	0.95
Total ELECTRIC		55,907	0.95
ELECTRICAL COMPONENT AND EQUIPMENT			
GS Yuasa Corporation	70,000	27,300	0.46
Total ELECTRICAL COMPONENT AND EQUIPMENT		27,300	0.46
ELECTRONICS			
Anritsu Corporation	55,400	32,631	0.55
Hitachi Maxell Limited	17,400	24,169	0.42
Minebea Company Limited	82,500	56,513	0.96
Nippon Electric Glass Company Limited	110,000	46,750	0.79
Yokogawa Electric Corporation	53,700	61,540	1.05
Total ELECTRONICS		221,603	3.77
ENGINEERING AND CONSTRUCTION			
JGC Corporation	39,000	56,667	0.96
Kyowa Exeo Corporation	22,000	28,028	0.48
Maeda Corporation	61,000	48,800	0.84
Penta-Ocean Construction Company Limited	147,800	79,664	1.35
Taisei Corporation	140,000	117,320	1.99
Total ENGINEERING AND CONSTRUCTION		330,479	5.62
FOOD			
Ajinomoto Company Incorporated	37,400	89,984	1.53
Total FOOD		89,984	1.53
FOREST PRODUCTS AND PAPER			
Sumitomo Forestry Company Limited	32,600	44,988	0.76
Total FOREST PRODUCTS AND PAPER		44,988	0.76

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

By Industry (Primary) (continued)			Percentage of total net assets attributable to unitholders at
	Holdings at 30 June 2016	Fair value at 30 June 2016 JPY'000	30 June 2016 %
Quoted Equities (continued)			
GAS			
Tokyo Gas Company Limited	154,000	64,742	1.10
Total GAS		64,742	1.10
HAND/MACHINE TOOLS			
OSG Corporation	20,000	33,920	0.58
Total HAND/MACHINE TOOLS		33,920	0.58
HEALTHCARE-PRODUCTS			
Shimadzu Corporation	37,000	56,388	0.96
Total HEALTHCARE-PRODUCTS		56,388	0.96
HOME BUILDERS			
Daiwa House Industry Company Limited	32,500	96,915	1.65
Total HOME BUILDERS		96,915	1.65
HOME FURNISHINGS			
Panasonic Corporation	21,200	18,677	0.32
Pioneer Corporation	122,500	21,805	0.37
Sony Corporation	77,100	230,375	3.91
Total HOME FURNISHINGS		270,857	4.60
INSURANCE			
Tokio Marine Holdings Incorporated	16,100	54,209	0.92
Total INSURANCE		54,209	0.92
IRON/STEEL			
Daido Steel Company Limited	77,000	26,873	0.46
Hitachi Metals Limited	49,500	50,936	0.87
Japan Steel Works Limited/The	146,000	67,890	1.15
Nippon Steel & Sumitomo Metal Corporation	49,400	96,725	1.64
Nisshin Steel Company Limited	30,900	40,170	0.68
Total IRON/STEEL		282,594	4.80
MACHINERY-CONSTRUCTION AND MINING			
Hitachi Limited	180,000	76,302	1.30
Mitsubishi Electric Corporation	82,000	99,056	1.68
Total MACHINERY-CONSTRUCTION AND MINING		175,358	2.98
MACHINERY-DIVERSIFIED			
Kubota Corporation	71,800	98,187	1.67
Mitsubishi Heavy Industries Limited	256,000	104,294	1.77
Nabtesco Corporation	31,200	75,754	1.29
Total MACHINERY-DIVERSIFIED		278,235	4.73
MEDIA			
Kadokawa Dwango Corporation	37,000	49,728	0.85
Total MEDIA		49,728	0.85

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

	Holdings at 30 June 2016	Fair value at 30 June 2016 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities (continued)			
MINING			
Dowa Holdings Company Limited	65,000	33,995	0.58
Furukawa Company Limited	146,000	20,878	0.35
Osaka Titanium Technologies Company Limited	14,900	18,521	0.32
Sumitomo Metal Mining Company Limited	83,000	85,366	1.45
Total MINING		158,760	2.70
MISCELLANEOUS MANUFACTURE			
Fujifilm Holdings Corporation	15,700	61,921	1.05
Morita Holdings Corporation	22,200	29,881	0.51
Total MISCELLANEOUS MANUFACTURE		91,802	1.56
PHARMACEUTICALS			
Astellas Pharma Incorporated	48,700	77,920	1.32
Kyowa Hakko Kirin Company Limited	46,200	80,203	1.36
Tsumura & Company	23,700	65,673	1.12
Total PHARMACEUTICALS		223,796	3.80
REAL ESTATE			
Mitsubishi Estate Company Limited	25,000	46,825	0.80
Mitsui Fudosan Company Limited	25,000	58,288	0.99
Tokyu Fudosan Holdings Corporation	79,500	50,403	0.85
Total REAL ESTATE		155,516	2.64
RETAIL			
Isetan Mitsukoshi Holdings Limited	52,200	47,293	0.80
Komeri Company Limited	8,800	23,417	0.40
Marui Group Company Limited	35,700	48,980	0.83
Total RETAIL		119,690	2.03
TELECOMMUNICATIONS			
KDDI Corporation	22,100	68,797	1.17
NTT Docomo Incorporated	60,100	166,267	2.83
Softbank Group Corporation	22,000	127,358	2.16
Total TELECOMMUNICATIONS		362,422	6.16
TEXTILES			
Toyobo Company Limited	317,000	61,181	1.04
Total TEXTILES		61,181	1.04
TOYS/GAMES/HOBBIES			
Nintendo Company Limited	10,600	154,601	2.63
Tomy Company Limited	70,200	60,442	1.02
Total TOYS/GAMES/HOBBIES		215,043	3.65

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

	Holdings at 30 June 2016	Fair value at 30 June 2016 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities (continued)			
TRANSPORTATION			
Kintetsu World Express Incorporated	24,400	30,134	0.51
Mitsui OSK Lines Limited	244,000	52,704	0.90
Sankyu Incorporated	81,000	44,307	0.75
Seibu Holdings Incorporated	13,500	23,342	0.40
Total TRANSPORTATION		150,487	2.56
Total Quoted Equities		5,626,073	95.61
Portfolio of investments		5,626,073	95.61
Other net assets		258,525	4.39
Net assets attributable to unitholders		5,884,598	100.00

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

By Industry (Summary)	Fair value at 30 June 2016 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2016 %	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Apparel	65,723	1.12	1.33
Auto Manufacturers	328,184	5.57	7.22
Auto Parts and Equipment	197,096	3.35	3.26
Banks	386,491	6.57	7.84
Building Materials	140,906	2.39	1.36
Chemicals	387,929	6.59	6.81
Commercial Services	67,222	1.14	1.01
Computers	83,376	1.42	1.13
Cosmetics/Personal Care	-	-	0.35
Distribution/Wholesale	174,374	2.97	2.80
Diversified Financial Services	122,868	2.09	2.01
Electric	55,907	0.95	1.33
Electrical Component and Equipment	27,300	0.46	0.42
Electronics	221,603	3.77	5.54
Engineering and Construction	330,479	5.62	4.70
Food	89,984	1.53	2.57
Forest Products and Paper	44,988	0.76	0.76
Gas	64,742	1.10	1.03
Hand/Machine Tools	33,920	0.58	0.65
Healthcare-Products	56,388	0.96	1.06
Home Builders	96,915	1.65	1.60
Home Furnishings	270,857	4.60	3.20
Insurance	54,209	0.92	1.06
Iron/Steel	282,594	4.80	4.88
Machinery-Construction and Mining	175,358	2.98	3.11
Machinery-Diversified	278,235	4.73	5.06
Media	49,728	0.85	0.91
Mining	158,760	2.70	3.42
Miscellaneous Manufacturing	91,802	1.56	1.10
Oil and Gas	-	-	1.04
Pharmaceuticals	223,796	3.80	2.42
Real Estate	155,516	2.64	1.79
Retail	119,690	2.03	2.53
Semiconductors	-	-	0.22
Telecommunications	362,422	6.16	4.14
Textiles	61,181	1.04	0.82
Toys/Games/Hobbies	215,043	3.65	3.13
Transportation	150,487	2.56	2.25
Portfolio of investments	5,626,073	95.61	95.86
Other net assets	258,525	4.39	4.14
Net assets attributable to unitholders	5,884,598	100.00	100.00

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

NIKKO AM SHENTON JAPAN 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 11 to 16.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 Largest holdings at 30 June 2016

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Sony Corporation	230,375	3.91
Toyota Motor Corporation	173,284	2.94
NTT Docomo Incorporated	166,267	2.83
Nintendo Company Limited	154,601	2.63
Toray Industries Incorporated	147,798	2.51
Softbank Group Corporation	127,358	2.16
Taisei Corporation	117,320	1.99
Mitsubishi UFJ Financial Group Incorporated	110,373	1.88
Mitsubishi Heavy Industries Limited	104,294	1.77
Mitsubishi Electric Corporation	99,056	1.68

NIKKO AM SHENTON JAPAN 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 JPY'000	Percentage of total net assets attributable to unitholders %
Toyota Motor Corporation	317,456	3.66
Sony Corporation	299,420	3.45
Nintendo Company Limited	229,264	2.64
Toray Industries Incorporation	194,674	2.24
Sumitomo Mitsui Financial Group Incorporation	186,698	2.15
Mitsubishi Heavy Industries Limited	183,941	2.12
Mitsubishi UFJ Financial Group Incorporation	173,848	2.00
NTT Docomo Incorporation	166,190	1.91
Kubota Corporation	165,027	1.90
Nippon Steel & Sumitomo Metal Corporation	161,239	1.86

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 JAPAN 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

	JPY'000
Units created	893,589
Units cancelled	(1,290,556)

11. Turnover ratio

		30 June 2016	30 June 2015
Lower of total value of purchases or sales	JPY'000	960,258	1,749,576
Average daily net asset value	JPY'000	6,673,896	8,373,687
Total turnover ratio ^{Note}	%	14.39	20.89

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	JPY'000	81,763	93,790
Average daily net asset value	JPY'000	7,402,482	8,134,448
Total expense ratio ^{Note}	%	1.10	1.15

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 JAPAN 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. Registrar fee is 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 Deed:

	30 June 2016	31 December 2015
	JPY'000	JPY'000
Bank balances held with related party of the Trustee	239,669	292,627

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

ANNUAL REPORT

For the financial year ended 31 December 2015

**Nikko AM Shenton
Japan Fund**

MANAGERS

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

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V Arivazhagan
Seet Oon Hui Eleanor
Andrew Ross Long
Yu-Ming Wang
David Semaya

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CUSTODIAN

BNP Paribas Securities Services, Singapore Branch
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Singapore 049319

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

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ¹	8.91	1.71	17.30	14.53	5.15	-2.39	-1.21
Nikko AM Shenton Japan Fund ²	7.01	-1.06	12.05	13.59	5.44	-1.90	1.55

Source: © 2015 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 31 December 2015. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ¹	8.91	1.71	17.30	14.53	5.15	-2.39	-1.21
Nikko AM Shenton Japan Fund ²	1.66	-6.01	6.45	11.67	4.36	-2.40	1.37

Source: © 2015 Morningstar, Inc. & Nikko Asset Management Asia Limited, returns as at 31 December 2015. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance..

Inception date: 31 December 1986

Note:

- (1) With effect from 1 June 2004, the benchmark has been changed to TOPIX Index. Prior to that, the benchmark was Nikkei Stock Average 225 Index.
- (2) With effect from 17 October 2011, the Fund (formerly known as "DBS Japan Growth Fund") has been renamed as Nikko AM Shenton Japan Fund.

The following changes were made to the Fund with effect from 7 July 2014 (the "Effective Date"):

- a. the sub-manager of the Fund was changed from Daiwa SB Investments Ltd to Nikko Asset Management Co., Ltd;
- b. the base currency of the fund was changed from the Singapore dollar ("SGD") to Japanese yen ("JPY"); and
- c. classes of units (each a "Class" and collectively the "Classes") were established within the Fund. In this connection, the existing units in the Fund were re-designated into a SGD Class and three new Classes were established within the Fund, namely a SGD hedged Class, a United States dollar ("USD") Class and a USD hedged Class. For the avoidance of any doubt, please note that the currency exposure of the assets of the Fund that attributable to the SGD Class on and after the Effective Date will continue not to be hedged. Further, please note that while the SGD hedged Class, USD Class and USD hedged Class were established on the Effective Date, such Classes will only be launched at such date(s) as may be determined by the Managers.

Portfolio Review

Fund gained 12.05% for the period under review

The Nikko AM Shenton Japan Fund (the "Fund") gained 12.05% (in SGD terms, NAV-NAV basis) over the one-year period ended 31 December 2015, underperforming the benchmark by 5.25% in SGD terms.

Stocks that made positive contributions during the period included department store operator Marui Group (8252), whose stock price rose as the market appeared to take a positive view of its structural reforms. The internet holding company SoftBank (9984) which was added in November contributed. To be specific, the relative contribution came from not holding the stock in the first eleven months of the year, benefiting from the decline in its stock price. The other positive contributors included chemical and pharmaceutical firm Kyowa Hakko Kirin (4151), Ryohin Keikaku (7453) and globally known consumer electronics maker Sony (6758).

Conversely, ball bearing manufacturer Minebea (6479) contributed negatively, as its stock price was weighed down by the weakening market for smartphones. Heavy machinery manufacturer Mitsubishi Heavy Industries (7011) also detracted from performance as its stock price underwent a correction on concerns over sluggish demand caused by the decline in crude oil price. Other negative contributors included mid-sized semiconductor manufacturer Sanken Electric (6707), smelter of non-ferrous metal Sumitomo Metal Mining (5713) and sporting goods maker Asics (7936).

Market Review

The Japanese equity market rose during the period, with TOPIX (including dividends) rising 12.06% (in JPY terms) and Nikkei 225 (including dividends) climbing 11.00% (in JPY terms).

After a rough start to the year, Japanese stocks subsequently recovered following the announcement of the monetary easing measures by the European Central Bank (ECB), the release of favourable fiscal Q3 earnings results and news that Japanese corporations had agreed to raise wages.

After the whipsaw from late March to early May, stocks subsequently pushed higher, fuelled by expectations of a weaker yen and higher corporate profits. However, stocks dipped in June amid fears of a default in Greece which further weakened in July on the rejection of austerity measures by Greek voters in a referendum. While stocks briefly recovered on the conclusion of an agreement to resume financial assistance to Greece, China's devaluation of its currency in August and lingering concerns about the price of crude oil created headwinds for stocks.

In addition, a downturn in China's stock market prompted concerns about the global economic outlook which sent Japanese stock prices sharply lower. Stocks recovered somewhat after China lowered both its interest rates and the reserve ratio for banks. However, volatility in the market remained high and uncertainty over the direction of US monetary policy following the Federal Reserve's (Fed) decision to not raise interest rates in September weighed on the market.

In October, stocks rose on anticipation of additional monetary easing by the ECB and China's decision to implement further easing led to expectations that such measures would be maintained around the world over the long term. The positive momentum persisted in November as the perception of a strong US economy heightened the possibility of a December interest rate hike by the Fed. The actual decision by the Fed on 16 December to raise its benchmark interest rate led to further yen depreciation and the subsequent rise in the market. After that, however, disappointment over the supplementary monetary easing measures announced by the Bank of Japan (BOJ) caused the yen to once again appreciate and the stocks to weaken.

Market Outlook

The outlook for the stock market has grown increasingly uncertain in the last quarter of 2015 as several negative factors surfaced, including sharp drops in the prices of crude oil and other natural resources as well as turmoil in the Middle East.

Since the start of 2016, stocks have fallen sharply in a market characterized by heightened volatility. The culprits include: (1) excessive declines in the price of crude oil and commodities (which worsened

economic conditions and eroded current account surpluses of oil-producing countries and emerging countries which are highly dependent on exporting resources, and raised concerns that the weakening of local currencies will lead to financial turmoil in emerging countries); (2) excessive pessimism toward the Chinese economy; (3) worsening economic conditions in Japan and North America; and (4) concerns over a flight of capital away from global equity markets.

In view of the heightened risk aversion, it is important to monitor the following developments in order to establish further clarity on the outlook of the market:

1. The direction of corporate earnings in Japan
2. The development of a calmer view among market participants of the economic situation in China
3. The stabilization of the price in crude oil

Portfolio Strategy

We will continue to invest in stocks of companies that appear undervalued from a profitability standpoint following changes in their earnings and that are viewed positively given their high dividend yields and solid financial structures.

Against the backdrop of the persistent volatility, the risk factors which need monitoring are:

1. The fragility inherent in the U.S. economy
2. Direction of emerging country currencies
3. Cost-pushing inflation
4. Loss of confidence in the euro and political fragmentation in European countries
5. China's response to structural problems, including the policy measures it enacts
6. Geopolitical risks, such as unexpected events which occur as a result of friction between groups with differing values

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 2015, after which a 2.5% minimum rate will apply. An extra 1% interest is paid on the first S\$60,000 of a member's combined balances, including up to S\$20,000 in the OA. The first S\$20,000 in the OA and the first S\$40,000 in the Special Account ("SA") cannot be invested under the CPF Investment Scheme ("CPFIS").

For Hong Kong Investors

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

Soft dollar brokers will be appointed onto the Managers' broker panel only after the Managers have ensured that:

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

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

Execution and allocation

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

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

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

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

The following are, however, prohibited:

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

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

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

The Managers and the Sub-Managers of the Fund will not accept or enter into soft-dollar commissions/arrangements unless:

- such soft-dollar commissions / arrangements would in the opinion of the Managers, 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 and the Sub-Managers of the 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 JAPAN FUND

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

REPORT OF THE TRUSTEE

For the financial year ended 31 December 2015

The Trustee is under a duty to take into custody and hold the assets of Nikko AM Shenton Japan 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 10 to 31, 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 JAPAN FUND

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

STATEMENT BY THE MANAGER

For the financial year ended 31 December 2015

In the opinion of the directors of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 10 to 31, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of Nikko AM Shenton Japan Fund (the "Fund") as at 31 December 2015, and the total return and changes in unitholders' funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

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

Authorised signatory

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

We have audited the accompanying financial statements of Nikko AM Shenton Japan Fund (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 31 December 2015, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 31.

Manager's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2015 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

NIKKO AM SHENTON JAPAN FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2015*

	Note	2015 JPY'000	2014 JPY'000
Income			
Dividend		146,150	142,893
Less: Expenses			
Management fee		82,988	79,392
Registrar fee		1,822	2,577
Custody fee		1,759	3,618
Audit fee		1,307	1,044
Valuation fee		1,386	1,875
Transaction costs		11,665	19,994
Other expenses		2,351	5,477
		<u>103,278</u>	<u>113,977</u>
Net income		<u>42,872</u>	<u>28,916</u>
Net gains or losses on value of investments			
Net gains on investments		417,247	187,343
Net foreign exchange (losses)/gains		(26,435)	154,306
		<u>390,812</u>	<u>341,649</u>
Total return for the financial year before income tax		433,684	370,565
Less: Income tax	3	(22,358)	(23,187)
Total return for the financial year after income tax		<u>411,326</u>	<u>347,378</u>

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

NIKKO AM SHENTON JAPAN FUND

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 JPY'000	2014 JPY'000
ASSETS			
Portfolio of investments		7,569,444	7,736,598
Sales awaiting settlement		41,226	-
Receivables	4	52,148	42,408
Cash and bank balances		292,627	326,408
Total assets		7,955,445	8,105,414
LIABILITIES			
Payables	5	31,877	38,850
Purchases awaiting settlement		27,522	10,714
Total liabilities		59,399	49,564
EQUITY			
Net assets attributable to unitholders	6	7,896,046	8,055,850

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

NIKKO AM SHENTON JAPAN FUND

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

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 31 December 2015

	Note	2015 JPY'000	2014 JPY'000
Net assets attributable to unitholders at the beginning of the financial year		8,055,850	8,971,764
Operations			
Change in net assets attributable to unitholders resulting from operations		411,326	347,378
Unitholders' contributions/(withdrawals)			
Creation of units		3,466,924	2,176,427
Cancellation of units		(4,038,054)	(3,439,719)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(571,130)	(1,263,292)
Total decrease in net assets attributable to unitholders		(159,804)	(915,914)
Net assets attributable to unitholders at the end of the financial year	6	7,896,046	8,055,850

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

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

	Holdings at 31 December 2015	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Quoted Equities			
APPAREL			
Asics Corporation	41,600	104,998	1.33
Total APPAREL		104,998	1.33
AUTO MANUFACTURERS			
Isuzu Motors Limited	78,900	103,674	1.31
Mazda Motor Corporation	51,000	128,724	1.63
Mitsubishi Motors Corporation	51,400	52,942	0.67
Toyota Motor Corporation	38,000	284,544	3.61
Total AUTO MANUFACTURERS		569,884	7.22
AUTO PARTS AND EQUIPMENT			
Aisin Seiki Company Limited	16,000	83,840	1.06
NGK Insulators Limited	9,000	24,786	0.32
Sumitomo Electric Industries Limited	46,300	79,821	1.01
Toyota Industries Corporation	10,500	68,565	0.87
Total AUTO PARTS AND EQUIPMENT		257,012	3.26
BANKS			
Fukuoka Financial Group Incorporation	109,000	65,945	0.84
Mitsubishi UFJ Financial Group Incorporation	194,500	147,256	1.86
Mizuho Financial Group Incorporation	473,100	115,200	1.46
Resona Holdings Incorporation	80,500	47,592	0.60
Shinsei Bank Limited	391,000	87,584	1.11
Sumitomo Mitsui Financial Group Incorporation	33,700	155,222	1.97
Total BANKS		618,799	7.84
BUILDING MATERIALS			
Daikin Industries Limited	12,100	107,702	1.36
Total BUILDING MATERIALS		107,702	1.36

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

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

	Holdings at 31 December 2015	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Quoted Equities (continued)			
CHEMICALS			
Denki Kagaku Kogyo KK	162,000	87,480	1.11
DIC Corporation	181,000	59,730	0.76
Mitsubishi Gas Chemical Company Incorporation	96,000	59,712	0.76
Mitsui Chemicals Incorporation	79,000	42,818	0.54
Tokai Carbon Company Limited	105,000	35,910	0.45
Toray Industries Incorporation	182,000	205,660	2.60
UBE Industries Limited	181,000	46,517	0.59
Total CHEMICALS		537,827	6.81
COMMERCIAL SERVICES			
Secom Company Limited	9,700	79,928	1.01
Total COMMERCIAL SERVICES		79,928	1.01
COMPUTERS			
Fujitsu Limited	147,000	89,214	1.13
Total COMPUTERS		89,214	1.13
COSMETICS/PERSONAL CARE			
Fancl Corporation	16,500	27,687	0.35
Total COSMETICS/PERSONAL CARE		27,687	0.35
DISTRIBUTION / WHOLESALE			
Mitsubishi Corporation	59,500	120,666	1.53
Mitsui and Company Limited	34,900	50,448	0.64
Toyota Tsusho Corporation	17,600	50,142	0.63
Total DISTRIBUTION / WHOLESALE		221,256	2.80
DIVERSIFIED FINANCIAL SERVICES			
Daiwa Securities Group Incorporation	96,000	71,501	0.90
Orix Corporation	50,900	87,318	1.11
Total DIVERSIFIED FINANCIAL SERVICES		158,819	2.01

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

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

	Holdings at 31 December 2015	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Quoted Equities (continued)			
ELECTRIC			
Electric Power Development Company Limited	24,200	104,665	1.33
Total ELECTRIC		104,665	1.33
ELECTRICAL COMPONENT & EQUIPMENT			
GS Yuasa Corporation	74,000	33,448	0.42
Total ELECTRICAL COMPONENT & EQUIPMENT		33,448	0.42
ELECTRONICS			
Anritsu Corporation	66,200	52,761	0.67
Azbil Corporation	12,100	37,692	0.48
Hitachi Maxell Limited	21,200	45,750	0.58
Kyocera Corporation	9,300	52,582	0.67
Minebea Company Limited	86,000	90,214	1.14
Nippon Electric Glass Company Limited	119,000	72,947	0.92
Yokogawa Electric Corporation	58,000	84,970	1.08
Total ELECTRONICS		436,916	5.54
ENGINEERING AND CONSTRUCTION			
JGC Corporation	38,000	70,794	0.90
Kyowa Exeo Corporation	27,400	34,223	0.43
Maeda Corporation	61,000	49,959	0.63
Penta-Ocean Construction Company Limited	162,800	82,540	1.05
Taisei Corporation	167,000	133,600	1.69
Total ENGINEERING AND CONSTRUCTION		371,116	4.70
FOOD			
Ajinomoto Company Incorporation	40,000	115,180	1.46
Seven & I Holdings Company Limited	15,800	87,690	1.11
Total FOOD		202,870	2.57
FOREST PRODUCTS AND PAPER			
Sumitomo Forestry Company Limited	36,700	60,298	0.76
Total FOREST PRODUCTS AND PAPER		60,298	0.76
GAS			
Tokyo Gas Company Limited	143,000	81,624	1.03
Total GAS		81,624	1.03

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

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

	Holdings at 31 December 2015	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Quoted Equities (continued)			
HAND/MACHINE TOOLS			
OSG Corporation	22,200	51,038	0.65
Total HAND/MACHINE TOOLS		51,038	0.65
HEALTHCARE			
Shimadzu Corporation	41,000	83,845	1.06
Total HEALTHCARE		83,845	1.06
HOME BUILDERS			
Daiwa House Industry Company Limited	36,100	126,458	1.60
Total HOME BUILDERS		126,458	1.60
HOME FURNISHINGS			
Sony Corporation	84,200	252,768	3.20
Total HOME FURNISHINGS		252,768	3.20
INSURANCE			
Tokio Marine Holdings Incorporation	17,800	83,874	1.06
Total INSURANCE		83,874	1.06
IRON/STEEL			
Daido Steel Company Limited	85,000	41,310	0.52
Hitachi Metals Limited	44,800	67,424	0.85
Kobe Steel Limited	285,000	37,905	0.48
Nippon Steel and Sumitomo Metal Corporation	53,500	129,256	1.64
Nisshin Steel Company Limited	33,000	42,537	0.54
The Japan Steel Works Limited	157,000	67,039	0.85
Total IRON/STEEL		385,471	4.88
MACHINERY-CONSTRUCTION AND MINING			
Hitachi Limited	194,000	134,151	1.70
Mitsubishi Electric Corporation	87,000	111,578	1.41
Total MACHINERY-CONSTRUCTION AND MINING		245,729	3.11
MACHINERY - DIVERSIFIED			
Kubota Corporation	83,000	156,704	1.98
Mitsubishi Heavy Industries Limited	271,000	144,524	1.83
Nabtesco Corporation	24,200	59,968	0.76
Toshiba Machine Company Limited	94,000	38,728	0.49
Total MACHINERY - DIVERSIFIED		399,924	5.06

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

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

	Holdings at 31 December 2015	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Quoted Equities (continued)			
MEDIA			
Kadokawa Dwango Corporation	39,400	71,669	0.91
Total MEDIA		71,669	0.91
MINING			
Dowa Holdings Company Limited	69,000	60,444	0.77
Furukawa Company Limited	155,000	38,750	0.49
Osaka Titanium Technologies Company Limited	16,800	42,067	0.53
Sumitomo Metal Mining Company Limited	87,000	128,717	1.63
Total MINING		269,978	3.42
MISCELLANEOUS MANUFACTURE			
Fujifilm Holdings Corporation	17,100	86,868	1.10
Total MISCELLANEOUS MANUFACTURE		86,868	1.10
OIL AND GAS			
JX Holdings Incorporation	160,800	81,751	1.04
Total OIL AND GAS		81,751	1.04
PHARMACEUTICALS			
Kyowa Hakko Kirin Company Limited	54,000	103,410	1.31
Tsumura & Company	26,100	87,957	1.11
Total PHARMACEUTICALS		191,367	2.42
REAL ESTATE			
Mitsui Fudosan Company Limited	25,000	76,400	0.97
Tokyu Fudosan Holdings Corporation	85,400	65,075	0.82
Total REAL ESTATE		141,475	1.79
RETAIL			
Isetan Mitsukoshi Holdings Limited	37,100	58,841	0.74
Komeri Company Limited	10,400	26,000	0.33
Marui Group Company Limited	58,200	115,120	1.46
Total RETAIL		199,961	2.53
SEMICONDUCTORS			
Nippon Chemi - Con Corporation	80,000	17,200	0.22
Total SEMICONDUCTORS		17,200	0.22

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

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

	Holdings at 31 December 2015	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2015 %
Quoted Equities (continued)			
TELECOMMUNICATIONS			
KDDI Corporation	31,800	100,297	1.27
NTT DOCOMO Incorporation	69,600	172,886	2.19
Softbank Group Corporation	8,700	53,409	0.68
Total TELECOMMUNICATIONS		326,592	4.14
TEXTILES			
Toyobo Company Limited	380,000	64,600	0.82
Total TEXTILES		64,600	0.82
TOYS/GAMES/HOBBIES			
Nintendo Company Limited	11,000	184,305	2.33
Tomy Company Limited	79,400	63,044	0.80
Total TOYS/GAMES/HOBBIES		247,349	3.13
TRANSPORTATION			
Kintetsu World Express Incorporation	25,200	53,978	0.69
Mitsui OSK Lines Limited	204,000	62,628	0.79
Sankyu Incorporation	98,000	60,858	0.77
Total TRANSPORTATION		177,464	2.25
Total Quoted Equities		7,569,444	95.86
Portfolio of investments		7,569,444	95.86
Other net assets		326,602	4.14
Net assets attributable to unitholders		7,896,046	100.00

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

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

By Industry (Summary)	Fair value at 31 December 2015 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2015 %	Percentage of total net assets attributable to unitholders at 31 December 2014 %
Apparel	104,998	1.33	1.67
Auto Manufacturers	569,884	7.22	8.14
Auto Parts and Equipment	257,012	3.26	4.56
Banks	618,799	7.84	7.24
Building Materials	107,702	1.36	1.29
Chemicals	537,827	6.81	3.51
Commercial Services	79,928	1.01	0.97
Computers	89,214	1.13	-
Cosmetics/Personal Care	27,687	0.35	-
Distribution/Wholesale	221,256	2.80	2.77
Diversified Financial Services	158,819	2.01	2.46
Electric	104,665	1.33	1.16
Electrical Component and Equipment	33,448	0.42	-
Electronics	436,916	5.54	4.64
Engineering and Construction	371,116	4.70	4.72
Food	202,870	2.57	2.56
Forest Products And Paper	60,298	0.76	0.59
Gas	81,624	1.03	1.34
Hand/Machine Tools	51,038	0.65	1.05
Healthcare	83,845	1.06	-
Healthcare Products	-	-	1.03
Home Builders	126,458	1.60	1.24
Home Furnishings	252,768	3.20	3.69
Insurance	83,874	1.06	1.06
Iron/Steel	385,471	4.88	4.75
Machinery-Construction & Mining	245,729	3.11	3.85
Machinery-Diversified	399,924	5.06	4.89
Media	71,669	0.91	0.48
Mining	269,978	3.42	3.32
Miscellaneous Manufacturing	86,868	1.10	1.90
Oil and Gas	81,751	1.04	1.49
Pharmaceuticals	191,367	2.42	1.71
Real Estate	141,475	1.79	2.12
Retail	199,961	2.53	3.63
Semiconductors	17,200	0.22	1.49
Telecommunications	326,592	4.14	2.86
Textiles	64,600	0.82	2.98
Toys/Games/Hobbies	247,349	3.13	2.42
Transportation	177,464	2.25	2.46
Portfolio of investments	7,569,444	95.86	96.04
Other net assets	326,602	4.14	3.96
Net assets attributable to unitholders	7,896,046	100.00	100.00

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

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

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

1. General

Nikko AM Shenton Japan Fund (the "Fund") is a Singapore domiciled fund constituted under a Trust Deed dated 3 December 1985, 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 Sub-Fund is Nikko Asset Management Asia Limited (the "Manager").

2. Significant accounting policies

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

(a) Basis of preparation

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

(b) Recognition of income

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

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

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 equities securities 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 price 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.

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

(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 Japanese Yen.

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

(ii) *Transactions and balances*

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

3. Income tax

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

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
 - (b) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act);
 - (c) dividends derived from outside Singapore and received in Singapore;
 - (d) gains or profits derived from foreign exchange transactions; transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities of financial index;
-

NIKKO AM SHENTON JAPAN FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2015***3. Income tax (continued)**

- (e) discount, prepayment fee, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (f) distribution from foreign unit trusts derived from outside Singapore and received in Singapore.

Income tax for the financial year ended on 31 December 2015 and 2014 comprises:

	2015 JPY'000	2014 JPY'000
Overseas income tax	22,358	23,187

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

4. Receivables

	2015 JPY'000	2014 JPY'000
Receivable from unitholders for creation of units	47,131	37,523
Dividends receivable	4,903	4,775
Other receivables	114	110
	52,148	42,408

5. Payables

	2015 JPY'000	2014 JPY'000
Payable to unitholders for cancellation of units	7,816	14,780
Amount due to the Manager	21,693	21,109
Valuation fee payable	434	423
Registrar fee	255	742
Provision for audit fee	1,360	1,178
Custody fee payable	319	618
	31,877	38,850

Management fee is payable to Nikko Asset Management Asia Limited. Registrar fee is payable to BNP Paribas Trust Services Singapore Limited. Custody fee and valuation fee are payable to a related party of the Trustee, BNP Paribas Securities Services Singapore Branch.

Trustee fee is payable out of management fees by Nikko Asset Management Asia Limited to BNP Paribas Trust Services Singapore Limited.

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

6. Units in issue

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

	2015	2014
Units at beginning of the financial year	97,677,584	114,461,466
Units created	38,771,206	29,757,411
Units cancelled	(45,773,926)	(46,541,293)
Units at end of the financial year	<u>90,674,864</u>	<u>97,677,584</u>
	2015	2014
Net assets attributable to unitholders - JPY'000	7,896,046	8,055,850
Net asset value per unit - JPY	<u>87.081</u>	<u>82.474</u>

There is no difference between the net assets attributable to unitholders per financial statements and the net assets attributable to unitholders for issuing/redeeming of units.

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 primary objective is to achieve medium to long term capital appreciation by investing in a diversified portfolio of equity investments listed in Japan.

The Manager will seek to add value by selectively over/under weighting benchmark components to achieve relative out performance and blending the mix with a selection of non-benchmark components to deliver absolute outperformance.

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

NIKKO AM SHENTON JAPAN FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

7. Financial risk management (continued)

(a) Market risk - Price risk

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

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

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

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

As at 31 December 2015, an increase/decrease of the Index components within the Topix Index by 10% (2014:10%), with all other variables remaining constant, the net asset attributable to unitholders for the year would increase/decrease by approximately 10% (2014:11%). The analysis was based on the assumptions that the Index components within the benchmark increased/decreased by a reasonable possible shift, with other variables held constant and that the fair value of Fund's investments moved according to the beta. Reasonable possible changes in market index percentage are revised annually depending on management's current view on market volatility and other relevant factors.

(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 JAPAN FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2015***7. 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 risk.

31 December 2015	JPY JPY'000	SGD JPY'000	Total JPY'000
Assets			
Portfolio of investments	7,569,444	-	7,569,444
Sales awaiting settlement	41,226	-	41,226
Receivables	49,964	2,184	52,148
Cash and bank balances	118,444	174,183	292,627
Total Assets	7,779,078	176,367	7,955,445
Liabilities			
Payables	24,062	7,815	31,877
Purchases awaiting settlement	27,522	-	27,522
Total Liabilities	51,584	7,815	59,399
Net currency exposure	7,727,494	168,552	
31 December 2014	JPY JPY'000	SGD JPY'000	Total JPY'000
Assets			
Portfolio of investments	7,736,598	-	7,736,598
Receivables	4,775	37,633	42,408
Cash and bank balances	144,858	181,550	326,408
Total Assets	7,886,231	219,183	8,105,414
Liabilities			
Payables	-	38,850	38,850
Purchases awaiting settlement	10,714	-	10,714
Total Liabilities	10,714	38,850	49,564
Net currency exposure	7,875,517	180,333	

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

As of 31 December 2015 and 2014, the Fund does not hold substantial monetary assets/liabilities. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

7. Financial risk management (continued)

(d) Liquidity risk

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

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

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

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

The Fund's financial liabilities are analysed using contracted undiscounted cash flows for maturity groupings based on the remaining year at the Statement of Financial Position date to the contractual maturity date. As at 31 December 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 31	As at 31
	December 2015	December 2014
	JPY'000	JPY'000
Liabilities		
Payables	31,877	38,850
Purchases awaiting settlement	27,522	10,714
Contractual cash outflows	59,399	49,564

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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.

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

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

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

Credit risk arises from cash and bank balances and fixed deposits. The table below summarises the credit rating of bank and custodian in which the Fund's assets are held as at 31 December 2015 and 31 December 2014.

	Credit Rating as at 31 December 2015	Credit rating as at 31 December 2014	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.

NIKKO AM SHENTON JAPAN FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2015***7. Financial risk management (continued)****(f) Capital management**

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

(g) Fair value estimation

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

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

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2015 and 2014:

As at 31 December 2015

	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	7,569,444	-	-	7,569,444

As at 31 December 2014

	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	7,736,598	-	-	7,736,598

NIKKO AM SHENTON JAPAN FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2015***7. Financial risk management (continued)****(g) Fair value estimation (continued)**

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. 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 2015 and 2014 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the Statement of Financial Position date.

8. Related party transactions

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

	2015 JPY'000	2014 JPY'000
Bank balances held with related party of the Trustee	292,627	326,408

9. Financial ratios**Expense ratio**

		2015	2014
Total operating expenses	JPY'000	91,520	93,983
Average daily net asset value	JPY'000	8,258,659	7,992,193
Total expense ratio¹	%	1.11	1.18

NIKKO AM SHENTON JAPAN FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. Financial ratios (continued)

Turnover ratio

		2015	2014
Lower of total value of purchases or sales	JPY'000	2,993,709	8,251,548
Average daily net asset value	JPY'000	8,258,659	7,992,193
Total turnover ratio²	%	36.25	103.25

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

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

NIKKO AM SHENTON JAPAN FUND

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REPORT TO UNITHOLDERS

For the financial year ended 31 December 2015

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 13 to 19.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 Largest holdings at 31 December 2015

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Toyota Motor Corporation	284,544	3.60
Sony Corporation	252,768	3.20
Toray Industries Incorporation	205,660	2.60
Nintendo Company Limited	184,305	2.33
NTT DOCOMO Incorporation	172,886	2.19
Kubota Corporation	156,704	1.98
Sumitomo Mitsui Financial Group Incorporation	155,222	1.97
Mitsubishi UFJ Financial Group Incorporation	147,256	1.86
Mitsubishi Heavy Industries Limited	144,524	1.83
Hitachi Limited	134,151	1.70

10 Largest holdings at 31 December 2014

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Toyota Motor Corporation	318,192	3.94
Sony Corporation	259,118	3.22
Toray Industries Incorporation	193,640	2.40
Hitachi Limited	170,232	2.11
Mitsubishi Heavy Industries Limited	168,120	2.09
Sumitomo Mitsui Financial Group Incorporation	161,438	2.00
Kubota Corporation	156,729	1.95
Nippon Steel and Sumitomo Metal Corporation	154,964	1.92
Sumitomo Metal Mining Company Limited	153,850	1.91
Nintendo Company Limited	152,521	1.89

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REPORT TO UNITHOLDERS

For the financial year ended 31 December 2015

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.

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

JPY'000

Units created	3,466,924
Units cancelled	(4,038,054)

11. Turnover ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 31.

12. Expense ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 30.

13. Related party transactions

Please refer to Note 8 of the Notes to the Financial Statements on page 30.

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REPORT TO UNITHOLDERS

For the financial year ended 31 December 2015

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

Nil.

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