

# SEMI-ANNUAL REPORT

For the financial period ending 30 June 2021

**Nikko AM Shenton  
Japan Fund**



**MANAGERS**

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This report is also available on our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg))

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Japan Fund - SGD Class <sup>1</sup>	2.36	11.25	32.37	7.88	11.61	8.23	2.55
Benchmark <sup>2</sup>	-0.75	2.85	18.88	5.45	9.28	7.03	-0.07

Source: Nikko Asset Management Asia Limited. Returns as at 30 June 2021. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Japan Fund - SGD Class <sup>1</sup>	-2.76	5.69	25.75	6.05	10.47	7.68	2.40
Benchmark <sup>2</sup>	-0.75	2.85	18.88	5.45	9.28	7.03	-0.07

Source: Nikko Asset Management Asia Limited. Returns as at 30 June 2021. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

### **Inception date: 31 December 1986**

#### **Note:**

- (1) 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"):

- the sub-manager of the Fund was changed from Daiwa SB Investments Ltd to Nikko Asset Management Co., Ltd.;
- the base currency of the Fund was changed from the Singapore dollar ("SGD") to Japanese yen ("JPY"); and
- 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.

- (2) Prior to 1 May 2017, the performance returns of the benchmark was calculated using price index methodology. With effect from 1 May 2017, it is calculated using net total return index methodology. With effect from 1 June 2004, the benchmark was changed from Nikkei 225 Stock Average to TOPIX Index.

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## **Portfolio Review**

### ***Fund returned 11.25% during the period under review***

The Nikko AM Shenton Japan Fund (the "Fund") returned 11.25% (in SGD terms, on a NAV-NAV basis) over the six months ended 30 June 2021, outperforming the benchmark by 8.40% in SGD terms. The portfolio has consistently generated alpha, outperforming for nine straight months as at end-June amid a shift in the market in favour of Value names. We believe this is only the beginning of the turnaround in Value stocks and are more confident than ever that our strategy will be able to generate significant alpha as the Value-Growth spread unwinds. During the period, we kept the portfolio fully invested with the Fund's equity weighting in the 97-99% range. As of the end of June, the Fund consisted of 89 names.

Stocks that made positive contributions during the period included: electronics maker Hitachi, which rose on positive earnings results and restructuring of its business portfolio; shipping company Mitsui OSK Lines, which climbed on higher freight rates; auto maker Isuzu Motors, which rose on positive earnings momentum; and drug maker Kyowa Kirin, which rose on expectations for major new medicines under development. Our lack of exposure to pharmaceutical company Daiichi Sankyo had a positive impact on a relative basis given its weak performance over the period.

In contrast, stocks that contributed negatively during the period included: game maker Nintendo, which pulled back from recent gains; as well as construction company Penta Ocean Construction and maker of measuring instruments Anritsu, which both fell on conservative earnings guidance. In addition, strong performance by stocks that we do not hold such as staffing company Recruit Holdings and convenience store operator Seven & i Holdings had a negative impact on returns on a relative basis.

## **Market Review**

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

From April, Japanese equities were mostly flat. In the first half of the period, stocks were weighed down by a resurgence of COVID-19 cases and the slow start to Japan's vaccination roll-out. Inflation concerns also continued to build. However, from mid-May, stocks pared losses as Japan ramped up its vaccination efforts and expectations grew for the US's large-scale infrastructure plan. Over the period, the TOPIX (including dividends) rose 8.90% in JPY terms and 2.85% in SGD terms.

## **Market Outlook**

The Nikkei Stock Average (Nikkei 225) continues to trade in a boxed range around its recent highs and it remains our belief that the Japanese market will be able to move even higher over the medium term given positives such as reasonable valuation levels, expectations of further recovery in corporate earnings, and prospects for a faster normalisation of the economy as vaccination rates rise.

Compared to other developed nations, Japan's vaccine rollout has been slow, which we believe has caused Japanese stocks to lag relative to others since early spring. However, the situation around Japan's vaccination programme has already started to improve significantly now that the government has sped up the pace of inoculations.

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The US Federal Open Market Committee took a surprisingly hawkish stance in June, which briefly rattled investors. Now that the market has regained calm, goldilocks market conditions have returned. However, we need to monitor for signs of a short-term market shock from summer onwards if interest rates rebound.

Although we maintain our belief that Value stocks will continue to outperform, the market is likely to lose direction somewhat going forward. In this respect, we believe it will be increasingly important to select specific stocks based on factors such as April-June earnings results.

The current market environment should continue to provide a tailwind to actively managed Value strategies such as ours and we are confident that there is still much potential to generate significant alpha. Looking ahead, we will take advantage of any short-term corrections in the market to actively invest into promising names.

### **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 products, technologies and know-how they deploy both in Japan and overseas.
2. Investing in undervalued companies with a great deal of potential for revaluation due to their strong business organisations 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.

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. Uneven pace of recovery between countries from COVID-19
2. Changes in monetary policy
3. Developments in the US-China struggle for supremacy
4. Cost-push inflation from rising commodities prices
5. China's response to its structural issues
6. The direction of emerging market economies
7. Growing geopolitical risks in areas such as the Middle East, Taiwan, and Turkey

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

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

### **For Hong Kong Investors**

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

**NIKKO AM 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 2021 to 30 June 2021 (unaudited)*

	<b>30 June 2021</b>	30 June 2020
	<b>JPY'000</b>	JPY'000
<b>Income</b>		
Dividends	<b>108,997</b>	96,097
Interest on cash and bank balances	-	54
	<b>108,997</b>	96,151
<b>Less: Expenses</b>		
Management fee	<b>37,818</b>	31,418
Registrar fee	<b>935</b>	1,077
Custody fee	<b>358</b>	128
Audit fee	<b>608</b>	515
Valuation fee	<b>773</b>	616
Transaction costs	<b>4,490</b>	4,151
Other expenses	<b>1,189</b>	878
	<b>46,171</b>	38,783
<b>Net income</b>	<b>62,826</b>	57,368
<b>Net gains or losses on value of investments</b>		
Net gains/(losses) on investments	<b>1,206,895</b>	(993,517)
Net foreign exchange gains/(losses)	<b>7,199</b>	(7,667)
	<b>1,214,094</b>	(1,001,184)
<b>Total return/(deficit) for the financial period before income tax</b>	<b>1,276,920</b>	(943,816)
<b>Less: Income tax</b>	<b>(16,693)</b>	(14,717)
<b>Total return/(deficit) for the financial period after income tax</b>	<b>1,260,227</b>	(958,533)

**NIKKO AM SHENTON JAPAN FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 30 June 2021 (unaudited)*

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	<b>30 June 2021</b>	31 December 2020
	<b>JPY'000</b>	JPY'000
<b>ASSETS</b>		
Portfolio of investments	<b>6,765,251</b>	7,280,142
Sales awaiting settlement	<b>3,806</b>	-
Receivables	<b>10,355</b>	34,284
Cash and bank balances	<b>278,605</b>	229,846
<b>Total assets</b>	<b>7,058,017</b>	7,544,272
<b>LIABILITIES</b>		
Payables	<b>40,202</b>	32,876
Purchases awaiting settlement	<b>18,061</b>	-
<b>Total liabilities</b>	<b>58,263</b>	32,876
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>6,999,754</b>	7,511,396

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**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 2021 to 30 June 2021 (unaudited)*

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	<b>30 June 2021</b>	31 December 2020
	<b>JPY'000</b>	JPY'000
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>7,511,396</b>	7,419,912
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>1,260,227</b>	310,856
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>683,434</b>	1,611,889
Cancellation of units	<b>(2,455,303)</b>	(1,831,261)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>(1,771,869)</b>	(219,372)
Total (decrease)/increase in net assets attributable to unitholders	<b>(511,642)</b>	91,484
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>6,999,754</b>	7,511,396

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

	Holdings at 30 June 2021	Fair value at 30 June 2021 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2021 %
<b>Quoted Equities</b>			
<b>AEROSPACE/DEFENSE</b>			
Kawasaki Heavy Industries Limited	28,200	66,975	0.96
<b>Total AEROSPACE/DEFENSE</b>		<b>66,975</b>	<b>0.96</b>
<b>APPAREL</b>			
ASICS Corporation	38,500	108,262	1.55
<b>Total APPAREL</b>		<b>108,262</b>	<b>1.55</b>
<b>AUTO MANUFACTURERS</b>			
Honda Motor Company Limited	36,000	127,800	1.82
Isuzu Motors Limited	95,000	139,365	1.99
Mazda Motor Corporation	79,000	82,476	1.18
Toyota Motor Corporation	27,000	262,170	3.75
<b>Total AUTO MANUFACTURERS</b>		<b>611,811</b>	<b>8.74</b>
<b>AUTO PARTS &amp; EQUIPMENT</b>			
Denso Corporation	9,000	68,211	0.97
Musashi Seimitsu Industry Company Limited	25,000	61,850	0.89
Toyota Industries Corporation	6,500	62,465	0.89
<b>Total AUTO PARTS &amp; EQUIPMENT</b>		<b>192,526</b>	<b>2.75</b>
<b>BANKS</b>			
Fukuoka Financial Group Incorporated	15,000	29,085	0.42
Mitsubishi UFJ Financial Group Incorporated	287,900	172,769	2.47
Mizuho Financial Group Incorporated	59,200	93,980	1.34
Resona Holdings Incorporated	135,000	57,672	0.82
Sumitomo Mitsui Financial Group Incorporated	35,100	134,433	1.92
<b>Total BANKS</b>		<b>487,939</b>	<b>6.97</b>
<b>BUILDING MATERIALS</b>			
Asia Pile Holdings Corporation	67,000	31,490	0.45
LIXIL Corporation	12,000	34,476	0.49
Nihon Flush Company Limited	16,000	20,032	0.29
<b>Total BUILDING MATERIALS</b>		<b>85,998</b>	<b>1.23</b>
<b>CHEMICALS</b>			
Mitsubishi Gas Chemical Company Incorporated	13,700	32,277	0.46
Mitsui Chemicals Incorporated	14,000	53,690	0.77
<b>Total CHEMICALS</b>		<b>85,967</b>	<b>1.23</b>
<b>COMMERCIAL SERVICES</b>			
Gakken Holdings Company Limited	23,000	31,050	0.44
<b>Total COMMERCIAL SERVICES</b>		<b>31,050</b>	<b>0.44</b>
<b>COMPUTERS</b>			
Fujitsu Limited	5,200	108,160	1.55
Zuken Incorporated	9,000	27,990	0.40
<b>Total COMPUTERS</b>		<b>136,150</b>	<b>1.95</b>

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

	Holdings at 30 June 2021	Fair value at 30 June 2021 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2021 %
<b>Quoted Equities (continued)</b>			
<b>DISTRIBUTION/WHOLESALE</b>			
Mitsubishi Corporation	22,800	69,038	0.98
Mitsui & Company Limited	66,500	166,283	2.38
<b>Total DISTRIBUTION/WHOLESALE</b>		<b>235,321</b>	<b>3.36</b>
<b>DIVERSIFIED FINANCIAL SERVICES</b>			
Nomura Holdings Incorporated	168,500	95,674	1.37
SBI Holdings Incorporation/Japan	18,000	47,304	0.67
<b>Total DIVERSIFIED FINANCIAL SERVICES</b>		<b>142,978</b>	<b>2.04</b>
<b>ELECTRIC</b>			
Chubu Electric Power Company Incorporated	91,500	124,257	1.78
<b>Total ELECTRIC</b>		<b>124,257</b>	<b>1.78</b>
<b>ELECTRICAL COMPONENT &amp; EQUIPMENT</b>			
Furukawa Electric Company Limited	16,500	45,656	0.65
Ushio Incorporated	28,000	56,840	0.81
<b>Total ELECTRICAL COMPONENT &amp; EQUIPMENT</b>		<b>102,496</b>	<b>1.46</b>
<b>ELECTRONICS</b>			
Anritsu Corporation	29,000	60,059	0.86
Ibiden Company Limited	15,900	95,241	1.36
Murata Manufacturing Company Limited	10,000	84,820	1.21
Nippon Electric Glass Company Limited	20,000	52,200	0.75
TDK Corporation	3,600	48,564	0.69
<b>Total ELECTRONICS</b>		<b>340,884</b>	<b>4.87</b>
<b>ENGINEERING AND CONSTRUCTION</b>			
JGC Holdings Corporation	24,000	24,840	0.35
Kumagai Gumi Company Limited	14,500	40,600	0.58
Penta-Ocean Construction Company Limited	113,900	88,045	1.26
Taisei Corporation	11,500	41,860	0.60
<b>Total ENGINEERING AND CONSTRUCTION</b>		<b>195,345</b>	<b>2.79</b>
<b>ENVIRONMENTAL CONTROL</b>			
Kurita Water Industries Limited	6,500	34,645	0.49
<b>Total ENVIRONMENTAL CONTROL</b>		<b>34,645</b>	<b>0.49</b>
<b>FOOD</b>			
Ariake Japan Company Limited	8,000	55,120	0.79
Kewpie Corporation	21,000	52,353	0.75
Nippon Suisan Kaisha Limited	96,600	51,101	0.73
San-A Company Limited	11,500	48,530	0.69
<b>Total FOOD</b>		<b>207,104</b>	<b>2.96</b>
<b>HOME BUILDERS</b>			
Daiwa House Industry Company Limited	15,300	51,026	0.73
<b>Total HOME BUILDERS</b>		<b>51,026</b>	<b>0.73</b>

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

	Holdings at 30 June 2021	Fair value at 30 June 2021 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2021 %
<b>Quoted Equities (continued)</b>			
<b>HOME FURNISHINGS</b>			
Panasonic Corporation	38,700	49,749	0.71
Sony Group Corporation	28,500	308,228	4.40
<b>Total HOME FURNISHINGS</b>		<b>357,977</b>	<b>5.11</b>
<b>INSURANCE</b>			
Dai-ichi Life Holdings Incorporated	41,500	84,411	1.21
Tokio Marine Holdings Incorporated	10,000	51,080	0.73
<b>Total INSURANCE</b>		<b>135,491</b>	<b>1.94</b>
<b>INTERNET</b>			
Rakuten Group Incorporated	30,000	37,620	0.54
Z Holdings Corporation	86,000	47,885	0.68
<b>Total INTERNET</b>		<b>85,505</b>	<b>1.22</b>
<b>LEISURE TIME</b>			
Globeride Incorporated	8,000	35,880	0.51
Round One Corporation	31,000	42,625	0.61
Shimano Incorporated	2,000	52,700	0.75
<b>Total LEISURE TIME</b>		<b>131,205</b>	<b>1.87</b>
<b>MACHINERY-CONSTRUCTION &amp; MINING</b>			
Hitachi Limited	41,000	260,801	3.73
Komatsu Limited	17,000	46,929	0.67
Tadano Limited	71,500	82,940	1.18
<b>Total MACHINERY-CONSTRUCTION &amp; MINING</b>		<b>390,670</b>	<b>5.58</b>
<b>MACHINERY-DIVERSIFIED</b>			
Ebara Corporation	9,000	49,230	0.70
Kubota Corporation	47,000	105,609	1.51
Sumitomo Heavy Industries Limited	13,500	41,310	0.59
<b>Total MACHINERY-DIVERSIFIED</b>		<b>196,149</b>	<b>2.80</b>
<b>MEDIA</b>			
Sky Perfect JSAT Holdings Incorporated	47,000	19,035	0.27
<b>Total MEDIA</b>		<b>19,035</b>	<b>0.27</b>
<b>METAL FABRICATE/HARDWARE</b>			
Ryobi Limited	35,500	55,061	0.79
<b>Total METAL FABRICATE/HARDWARE</b>		<b>55,061</b>	<b>0.79</b>
<b>MINING</b>			
Dowa Holdings Company Limited	28,700	125,563	1.79
Sumitomo Metal Mining Company Limited	19,000	82,175	1.18
<b>Total MINING</b>		<b>207,738</b>	<b>2.97</b>
<b>OFFICE/BUSINESS EQUIPMENT</b>			
Fujifilm Holdings Corporation	17,500	144,183	2.06
Sato Holdings Corporation	13,100	35,684	0.51
<b>Total OFFICE/BUSINESS EQUIPMENT</b>		<b>179,867</b>	<b>2.57</b>

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

	Holdings at 30 June 2021	Fair value at 30 June 2021 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2021 %
<b>Quoted Equities (continued)</b>			
<b>OIL AND GAS</b>			
ENEOS Holdings Incorporated	75,000	34,868	0.50
INPEX Corporation	82,000	67,978	0.97
<b>Total OIL AND GAS</b>		<b>102,846</b>	<b>1.47</b>
<b>PHARMACEUTICALS</b>			
Kyowa Kirin Company Limited	30,000	118,200	1.69
Sumitomo Dainippon Pharma Company Limited	22,000	51,216	0.73
Takeda Pharmaceutical Company Limited	25,100	93,347	1.34
Tsumura & Company	8,500	29,708	0.42
<b>Total PHARMACEUTICALS</b>		<b>292,471</b>	<b>4.18</b>
<b>REAL ESTATE</b>			
Mitsui Fudosan Company Limited	17,000	43,741	0.63
Nomura Real Estate Holdings Incorporated	12,000	33,816	0.48
Tokyu Fudosan Holdings Corporation	79,000	52,772	0.75
<b>Total REAL ESTATE</b>		<b>130,329</b>	<b>1.86</b>
<b>RETAIL</b>			
Iwatani Corporation	6,000	39,960	0.57
Kojima Company Limited	41,000	31,119	0.45
Saizeriya Company Limited	13,500	35,978	0.51
Snow Peak Incorporated	17,500	58,800	0.84
United Arrows Limited	18,000	38,718	0.55
<b>Total RETAIL</b>		<b>204,575</b>	<b>2.92</b>
<b>SEMICONDUCTORS</b>			
Rohm Company Limited	7,300	74,971	1.07
Sumco Corporation	41,500	113,088	1.62
<b>Total SEMICONDUCTORS</b>		<b>188,059</b>	<b>2.69</b>
<b>SOFTWARE</b>			
Gungho Online Entertainment Incorporated	13,500	29,849	0.43
<b>Total SOFTWARE</b>		<b>29,849</b>	<b>0.43</b>
<b>TELECOMMUNICATIONS</b>			
KDDI Corporation	43,300	150,035	2.15
Nippon Telegraph & Telephone Corporation	52,800	152,830	2.18
<b>Total TELECOMMUNICATIONS</b>		<b>302,865</b>	<b>4.33</b>
<b>TOYS/GAMES/HOBBIES</b>			
Nintendo Company Limited	4,200	271,404	3.88
Sanrio Company Limited	18,000	35,388	0.50
<b>Total TOYS/GAMES/HOBBIES</b>		<b>306,792</b>	<b>4.38</b>

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

	Holdings at 30 June 2021	Fair value at 30 June 2021 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2021 %
<b>Quoted Equities (continued)</b>			
<b>TRANSPORTATION</b>			
Mitsui OSK Lines Limited	25,000	133,500	1.91
Nishi-Nippon Railroad Company Limited	12,500	33,650	0.48
Seibu Holdings Incorporated	31,400	40,883	0.58
<b>Total TRANSPORTATION</b>		<u>208,033</u>	<u>2.97</u>
<b>Total Quoted Equities</b>		<u>6,765,251</u>	<u>96.65</u>
<b>Portfolio of investments</b>		6,765,251	96.65
<b>Other net assets</b>		<u>234,503</u>	<u>3.35</u>
<b>Net assets attributable to unitholders</b>		<u>6,999,754</u>	<u>100.00</u>

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

	Fair value at 30 June 2021 JPY'000	Percentage of total net assets attributable to unitholders at 31 June 2021 %	Percentage of total net assets attributable to unitholders at 31 December 2020 %
<b>Quoted Equities</b>			
Aerospace/Defense	66,975	0.96	1.05
Apparel	108,262	1.55	1.40
Auto Manufacturers	611,811	8.74	7.44
Auto Parts & Equipment	192,526	2.75	3.72
Banks	487,939	6.97	5.72
Building Materials	85,998	1.23	1.51
Chemicals	85,967	1.23	1.27
Commercial Services	31,050	0.44	0.42
Computers	136,150	1.95	2.17
Distribution/Wholesale	235,321	3.36	2.71
Diversified Financial Services	142,978	2.04	2.13
Electric	124,257	1.78	0.43
Electrical Component & Equipment	102,496	1.46	1.25
Electronics	340,884	4.87	6.78
Engineering and Construction	195,345	2.79	3.15
Environmental Control	34,645	0.49	0.57
Food	207,104	2.96	1.37
Home Builders	51,026	0.73	0.73
Home Furnishings	357,977	5.11	6.90
Insurance	135,491	1.94	2.01
Internet	85,505	1.22	1.67
Iron/Steel	-	-	0.76
Leisure Time	131,205	1.87	1.22
Machinery-Construction & Mining	390,670	5.58	5.18
Machinery-Diversified	196,149	2.80	4.02
Media	19,035	0.27	0.58
Metal Fabricate/Hardware	55,061	0.79	2.90
Mining	207,738	2.97	3.08
Office/Business Equipment	179,867	2.57	1.53
Oil and Gas	102,846	1.47	1.22
Pharmaceuticals	292,471	4.18	3.04
Real Estate	130,329	1.86	1.82
Retail	204,575	2.92	2.56
Semiconductors	188,059	2.69	2.70
Software	29,849	0.43	0.35
Telecommunications	302,865	4.33	2.94
Textiles	-	-	0.56
Toys/Games/Hobbies	306,792	4.38	4.76
Transportation	208,033	2.97	3.30
Total Quoted Equities	<b>6,765,251</b>	<b>96.65</b>	96.92
<b>Portfolio of investments</b>	<b>6,765,251</b>	<b>96.65</b>	96.92
<b>Other net assets</b>	<b>234,503</b>	<b>3.35</b>	3.08
<b>Net assets attributable to unitholders</b>	<b>6,999,754</b>	<b>100.00</b>	100.00

As the Fund is invested 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 2021 to 30 June 2021 (unaudited)

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The following contains additional information relating to the Fund.

#### 1. Distribution of investments

Please refer to the Statement of Portfolio on pages 9 to 14.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 30 June 2021

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Sony Corporation	308,228	4.40
Nintendo Company Limited	271,404	3.88
Toyota Motor Corporation	262,170	3.75
Hitachi Limited	260,801	3.73
Mitsubishi UFJ Financial Group Incorporated	172,769	2.47
Mitsui & Company Limited	166,283	2.38
Nippon Telegraph & Telephone Corporation	152,830	2.18
KDDI Corporation	150,035	2.15
Fujifilm Holdings Corporation	144,183	2.06
Isuzu Motors Limited	139,365	1.99

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

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Sony Corporation	316,774	5.02
Nintendo Company Limited	278,458	4.42
Toyota Motor Corporation	190,012	3.02
Kyowa Kirin Company Limited	142,582	2.26
NSK Limited	140,624	2.23
Mitsubishi UFJ Financial Group Incorporated	138,706	2.20
Fujitsu Limited	135,034	2.14
Hitachi Limited	127,613	2.02
KDDI Corporation	122,892	1.95
Sumitomo Mitsui Financial Group Incorporated	121,583	1.93

#### 4. Exposure to financial derivatives

Nil.

#### 5. Global exposure to financial derivatives

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 2021 to 30 June 2021 (unaudited)

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#### 6. Collateral

Nil.

#### 7. Securities lending or repurchase transactions

Nil.

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

Nil.

#### 9. Borrowings

Nil.

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

	JPY'000
Units created	683,434
Units cancelled	(2,455,303)

#### 11. Turnover ratio

		30 June 2021	30 June 2020
Lower of total value of purchases or sales	JPY'000	<b>819,484</b>	1,168,332
Average daily net asset value	JPY'000	<b>7,645,495</b>	6,283,943
<b>Total turnover ratio</b> <sup>Note</sup>	%	<b>10.72</b>	18.59

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

#### 12. Expense ratio

		30 June 2021	30 June 2020
<b><u>SGD Class</u></b>			
Total operating expenses	JPY'000	<b>78,363</b>	74,463
Average daily net asset value	JPY'000	<b>7,240,845</b>	6,610,998
<b>Total expense ratio</b> <sup>Note</sup>	%	<b>1.08</b>	1.13

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

## NIKKO AM SHENTON JAPAN FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2021 to 30 June 2021 (unaudited)

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#### 13. Related party transactions

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

Management fee is payable to the Manager. Trustee fee is payable out of management fees by Nikko Asset Management Asia Limited to BNP Paribas Trust Services Singapore Limited. 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 operating through its Singapore Branch.

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

	<b>30 June 2021 JPY'000</b>	31 December 2020 JPY'000
Bank balances held with related party of the Trustee	<b>278,605</b>	229,846

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

Nil.

#### 15. Soft Dollar Commissions/Arrangements

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

The Sub-Managers of the Fund, Nikko Asset management Co., Ltd., do not receive or intend to receive any soft dollars commissions, or enter into soft dollars arrangements, in respect of Fund.

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

Company registration number 198202562H

# ANNUAL REPORT

For the financial year ended 31 December 2020

**Nikko AM 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**

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

**TRUSTEE & REGISTRAR**

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

**AUDITORS**

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

**CUSTODIAN**

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

This report is also available on our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg))

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Japan Fund - SGD Class <sup>1</sup>	13.13	18.98	8.25	2.36	6.54	5.99	2.27
Benchmark <sup>2</sup>	10.01	15.59	10.69	4.39	6.30	5.72	-0.16

Source: Nikko Asset Management Asia Limited. Returns as at 31 December 2020. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Japan Fund - SGD Class <sup>1</sup>	7.48	13.03	2.84	0.63	5.45	5.44	2.11
Benchmark <sup>2</sup>	10.01	15.59	10.69	4.39	6.30	5.72	-0.16

Source: Nikko Asset Management Asia Limited. Returns as at 31 December 2020. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

### **Inception date: 31 December 1986**

#### **Note:**

- (1) 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"):

- the sub-manager of the Fund was changed from Daiwa SB Investments Ltd to Nikko Asset Management Co., Ltd.;
- the base currency of the Fund was changed from the Singapore dollar ("SGD") to Japanese yen ("JPY"); and
- 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.

- (2) Prior to 1 May 2017, the performance returns of the benchmark was calculated using price index methodology. With effect from 1 May 2017, it is calculated using net total return index methodology. With effect from 1 June 2004, the benchmark was changed from Nikkei 225 Stock Average to TOPIX Index.

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## **Portfolio Review**

### ***Fund returned 8.25% during the period under review***

The Nikko AM Shenton Japan Fund (the "Fund") returned 8.25% (in SGD terms, on a NAV-NAV basis) over the year ended 31 December 2020, underperforming the benchmark by 2.44% in SGD terms. This was primarily due to continued outperformance of growth stocks as well as the portfolio's sharp underperformance during the sell-off in March, when the equity markets shifted toward extreme risk-off sentiment due to COVID-19. Nevertheless, if we look at the April to December period, the portfolio outperformed the benchmark. This was due in part to strong performance toward the end of the year, where we saw investors increasingly begin to turn to value stocks. During the period, we kept the portfolio fully invested with the Fund's equity weighting in the 96-99% range. As of the end of December, the Fund consisted of 89 names.

Stocks that made large positive contributions in the period included video game maker Nintendo and electronics maker Sony, which both rose on strong earnings results; IT services firm NEC Networks & System Integration which rose on expectations that the firm will benefit from increased business opportunities as the future corporate digital transformation comes underway; electronic component maker Ibiden, which rose in anticipation of an increase in demand for its semiconductor IC packaging; and Fujifilm Holdings which rose on expectations around the efficacy of its subsidiary's drug Favipiravir (also known as Avigan) for treating COVID-19.

In contrast, names which detracted from performance during the period included oil and gas developer Inpex which declined on falling oil prices, and engineering company JGC which similarly fell on growing concerns of declining capex in the energy industry (JGC's main customers) as a result of a drop in oil prices. In addition, performance was weighed down by strong performance of stocks we do not hold, such as telecom holding company Softbank Group, factory automation equipment maker Keyence and online medical portal M3.

## **Market Review**

The first half of 2020 was marked by increased volatility following the emergence of COVID-19. In particular, there was a dramatic sell-off between February and mid-March on news that the virus had begun to rapidly spread to the US and Europe. Nevertheless, Japanese equities soon began to recover, supported by large-scale fiscal stimulus and monetary easing policies around the world and, later on, by progress in the development of new treatments and vaccines for COVID-19. The uptrend in stocks held steady throughout much of the second half of the year as investors shrugged off a resurgence of COVID-19 cases, focusing instead on breakthroughs in vaccine development and expectations over a normalization of the economy. As a result, the TOPIX (including dividends) ended the year up 7.39% while the Nikkei 225 (including dividends) rose 18.26% in JPY terms.

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

## **Market Outlook**

Despite the renewed global spread of COVID-19, financial markets around the world are continuing to see a rebound that exceeds economic reality. With investors growing even more optimistic, it would not be surprising if an event eventually triggered a short-term correction. Nevertheless, we continue to believe that the medium-term uptrend in the Japanese equity market will continue and we will proactively take advantage of any short-term corrections along the road. Moreover, while value strategies such as ours have faced a challenging market environment over the past ten years,

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our conviction continues to grow that such strategies have the potential to deliver significant returns as we look ahead.

Although the risk of further global waves of COVID-19 remains at present, the US and Europe have begun rolling out vaccinations. For the time being, the outlook for the pandemic remains difficult to predict, but we believe risks associated with the virus are likely to decline in the second half of 2021 as the number of people with immunity increases with the help of vaccinations.

In terms of interest rates, the US 10-year Treasury rate, which we have been watching closely, has risen to over 1%. Although we believe that rates do not have much further room to rise, the important point to note is that they appear to have bottomed out. We believe that the end of the long-term trend of falling interest rates will increase the likelihood that we will see a major shift in investor preferences from growth to value stocks.

At the same time, we see a spike in interest rates as a risk factor going forward. Given that the US Federal Reserve Board (FRB) has indicated that it would tolerate inflation of more than 2%, we believe that there is the risk that an event could drive interest rates sharply upward. Although such a development is likely to cool down the equity market as a whole, we believe that momentum and growth stocks would face the biggest negative impact.

Although we are also paying attention to the risk of yen appreciation driven by weakness in the US dollar, we believe that the two currencies are both likely to depreciate. As Japan experienced low interest rates ahead of the rest of the world, the yen went through a period of being used as a preferred funding currency. However, the yen has since lost such status and now seen a large reduction in volatility. We also note that the earnings of Japanese companies have become less sensitive to yen appreciation.

### **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 products, technologies and know-how they deploy both in Japan and overseas.
2. Investing in undervalued companies with a great deal of potential for revaluation due to their strong business organisations 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.

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. The impact of COVID-19 on the world economy and each country's response
2. Changes in US political policy following the transition of power
3. Developments in the US-China struggle for supremacy
4. Political and economic issues in Europe, including Brexit and waning German influence
5. China's response to its structural issues
6. The direction of emerging market economies
7. Growing geopolitical risks in areas such as the Middle East, Taiwan, and Turkey

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This document is purely for informational purposes only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. It should not be relied upon as financial advice. 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 funds 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 Fund or any underlying fund may use or invest in financial derivative instruments.** The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)) before deciding whether to invest in the Fund.

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

### **For Hong Kong Investors**

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

## **NIKKO AM 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 2020*

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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 11 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

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Authorised signatory  
29 March 2021

## **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 2020*

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In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 11 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 2020, and the financial performance and movements in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

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

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Authorised signatory  
29 March 2021

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF NIKKO AM 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 Japan Fund (the "Fund"), are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 31 December 2020, and the financial performance and movements of unitholders' funds for the financial year ended on that date.

*What we have audited*

The financial statements of the Fund comprise:

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

**Basis for Opinion**

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

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

*Independence*

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

**Other Information**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE UNITHOLDERS OF NIKKO AM 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.

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

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

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

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

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

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

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

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

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

**NIKKO AM 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 2020*

	Note	2020 JPY'000	2019 JPY'000
<b>Income</b>			
Dividends		172,274	181,453
Interest on cash and bank balances		54	616
		<u>172,328</u>	<u>182,069</u>
<b>Less: Expenses</b>			
Management fee		65,622	68,724
Registrar fee		2,257	2,115
Custody fee		484	1,454
Audit fee		1,015	1,084
Valuation fee		1,311	1,352
Transaction costs		6,728	7,872
Other expenses		835	1,949
		<u>78,252</u>	<u>84,550</u>
<b>Net income</b>		<u>94,076</u>	<u>97,519</u>
<b>Net gains or losses on value of investments</b>			
Net gains on investments		250,521	1,097,881
Net foreign exchange losses		(7,357)	(810)
		<u>243,164</u>	<u>1,097,071</u>
<b>Total return for the financial year before income tax</b>		<u>337,240</u>	<u>1,194,590</u>
<b>Less: Income tax</b>	3	<u>(26,384)</u>	<u>(27,790)</u>
<b>Total return for the financial year after income tax</b>		<u>310,856</u>	<u>1,166,800</u>

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*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 2020

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	Note	2020 JPY'000	2019 JPY'000
<b>ASSETS</b>			
Portfolio of investments		7,280,142	7,233,999
Receivables	4	34,284	18,802
Cash and bank balances		229,846	221,261
<b>Total assets</b>		<b>7,544,272</b>	<b>7,474,062</b>
<b>LIABILITIES</b>			
Payables	5	32,876	37,384
Purchases awaiting settlement		-	16,766
<b>Total liabilities</b>		<b>32,876</b>	<b>54,150</b>
<b>EQUITY</b>			
Net assets attributable to unitholders	6	7,511,396	7,419,912

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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 2020*

	Note	2020 JPY'000	2019 JPY'000
<b>Net assets attributable to unitholders at the beginning of the financial year</b>		<b>7,419,912</b>	6,335,622
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		<b>310,856</b>	1,166,800
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		<b>1,611,889</b>	1,049,890
Cancellation of units		<b>(1,831,261)</b>	(1,132,400)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		<b>(219,372)</b>	(82,510)
Total increases in net assets attributable to unitholders		<b>91,484</b>	1,084,290
<b>Net assets attributable to unitholders at the end of the financial year</b>	6	<b>7,511,396</b>	7,419,912

*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 2020*

By Geography (Primary)	Holdings at 31 December 2020	Fair value at 31 December 2020 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2020 %
<b>Quoted Equities</b>			
<b>AEROSPACE/DEFENSE</b>			
Kawasaki Heavy Industries Limited	34,000	79,016	1.05
<b>Total AEROSPACE/DEFENSE</b>		<b>79,016</b>	<b>1.05</b>
<b>APPAREL</b>			
ASICS Corporation	53,000	104,940	1.40
<b>Total APPAREL</b>		<b>104,940</b>	<b>1.40</b>
<b>AUTO MANUFACTURERS</b>			
Honda Motor Company Limited	46,600	134,092	1.79
Isuzu Motors Limited	102,000	99,960	1.33
Mazda Motor Corporation	96,100	66,500	0.88
Toyota Motor Corporation	32,500	258,603	3.44
<b>Total AUTO MANUFACTURERS</b>		<b>559,155</b>	<b>7.44</b>
<b>AUTO PARTS &amp; EQUIPMENT</b>			
Denso Corporation	15,000	92,010	1.22
Musashi Seimitsu Industry Company Limited	49,500	80,982	1.08
Toyota Industries Corporation	13,000	106,470	1.42
<b>Total AUTO PARTS &amp; EQUIPMENT</b>		<b>279,462</b>	<b>3.72</b>
<b>BANKS</b>			
Fukuoka Financial Group Incorporated	19,700	36,110	0.48
Mitsubishi UFJ Financial Group Incorporated	322,600	147,138	1.96
Mizuho Financial Group Incorporated	59,000	77,143	1.03
Resona Holdings Incorporated	122,000	43,969	0.59
Sumitomo Mitsui Financial Group Incorporated	39,300	125,288	1.66
<b>Total BANKS</b>		<b>429,648</b>	<b>5.72</b>
<b>BUILDING MATERIALS</b>			
Asia Pile Holdings Corporation	70,100	33,227	0.44
LIXIL Corporation	22,500	50,265	0.67
Nihon Flush Company Limited	23,000	30,084	0.40
<b>Total BUILDING MATERIALS</b>		<b>113,576</b>	<b>1.51</b>
<b>CHEMICALS</b>			
Mitsubishi Gas Chemical Company Incorporated	32,000	75,808	1.01
Mitsui Chemicals Incorporated	6,500	19,662	0.26
<b>Total CHEMICALS</b>		<b>95,470</b>	<b>1.27</b>
<b>COMMERCIAL SERVICES</b>			
Gakken Holdings Company Limited	18,000	31,500	0.42
<b>Total COMMERCIAL SERVICES</b>		<b>31,500</b>	<b>0.42</b>
<b>COMPUTERS</b>			
Fujitsu Limited	8,800	131,164	1.75
Zuken Incorporated	11,000	31,779	0.42
<b>Total COMPUTERS</b>		<b>162,943</b>	<b>2.17</b>

*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 2020*

<b>By Geography (Primary)</b> (continued)			<b>Percentage of total net assets attributable to unitholders at 31 December 2020</b>
	<b>Holdings at 31 December 2020</b>	<b>Fair value at 31 December 2020 JPY'000</b>	<b>%</b>
<b>Quoted Equities</b> (continued)			
<b>DISTRIBUTION/WHOLESALE</b>			
Mitsubishi Corporation	25,500	64,795	0.86
Mitsui & Company Limited	73,500	138,878	1.85
<b>Total DISTRIBUTION/WHOLESALE</b>		<b>203,673</b>	<b>2.71</b>
<b>DIVERSIFIED FINANCIAL SERVICES</b>			
Nomura Holdings Incorporated	165,000	89,925	1.20
SBI Holdings Incorporation/Japan	28,500	69,740	0.93
<b>Total DIVERSIFIED FINANCIAL SERVICES</b>		<b>159,665</b>	<b>2.13</b>
<b>ELECTRIC</b>			
Chubu Electric Power Company Incorporated	25,800	32,069	0.43
<b>Total ELECTRIC</b>		<b>32,069</b>	<b>0.43</b>
<b>ELECTRICAL COMPONENT &amp; EQUIPMENT</b>			
Furukawa Electric Company Limited	20,500	57,031	0.76
Ushio Incorporated	27,500	36,905	0.49
<b>Total ELECTRICAL COMPONENT &amp; EQUIPMENT</b>		<b>93,936</b>	<b>1.25</b>
<b>ELECTRONICS</b>			
Anritsu Corporation	35,000	80,640	1.07
Ibiden Company Limited	19,600	94,374	1.26
Murata Manufacturing Company Limited	14,700	137,004	1.82
Nippon Electric Glass Company Limited	25,000	56,400	0.75
Star Micronics Company Limited	34,500	57,063	0.76
TDK Corporation	5,400	83,916	1.12
<b>Total ELECTRONICS</b>		<b>509,397</b>	<b>6.78</b>
<b>ENGINEERING AND CONSTRUCTION</b>			
JGC Holdings Corporation	31,000	29,884	0.40
Kumagai Gumi Company Limited	15,000	38,970	0.52
Penta-Ocean Construction Company Limited	135,700	120,366	1.60
Taisei Corporation	13,400	47,637	0.63
<b>Total ENGINEERING AND CONSTRUCTION</b>		<b>236,857</b>	<b>3.15</b>
<b>ENVIRONMENTAL CONTROL</b>			
Kurita Water Industries Limited	10,800	42,606	0.57
<b>Total ENVIRONMENTAL CONTROL</b>		<b>42,606</b>	<b>0.57</b>
<b>FOOD</b>			
Nippon Suisan Kaisha Limited	98,100	41,791	0.56
San-A Company Limited	14,000	61,110	0.81
<b>Total FOOD</b>		<b>102,901</b>	<b>1.37</b>
<b>HOME BUILDERS</b>			
Daiwa House Industry Company Limited	18,000	55,152	0.73
<b>Total HOME BUILDERS</b>		<b>55,152</b>	<b>0.73</b>

*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 2020*

By Geography (Primary) (continued)			Percentage of total net assets attributable to unitholders at
	Holdings at 31 December 2020	Fair value at 31 December 2020 JPY'000	31 December 2020 %
<b>Quoted Equities (continued)</b>			
<b>HOME FURNISHINGS</b>			
Panasonic Corporation	96,400	114,764	1.53
Sony Corporation	39,200	403,172	5.37
<b>Total HOME FURNISHINGS</b>		<b>517,936</b>	<b>6.90</b>
<b>INSURANCE</b>			
Dai-ichi Life Holdings Incorporated	41,200	63,942	0.85
Tokio Marine Holdings Incorporated	16,400	87,051	1.16
<b>Total INSURANCE</b>		<b>150,993</b>	<b>2.01</b>
<b>INTERNET</b>			
Rakuten Incorporated	60,000	59,640	0.80
Z Holdings Corporation	104,900	65,500	0.87
<b>Total INTERNET</b>		<b>125,140</b>	<b>1.67</b>
<b>IRON/STEEL</b>			
Nippon Steel Corporation	43,000	57,104	0.76
<b>Total IRON/STEEL</b>		<b>57,104</b>	<b>0.76</b>
<b>LEISURE TIME</b>			
Globeride Incorporated	8,000	33,560	0.45
Shimano Incorporated	2,400	57,804	0.77
<b>Total LEISURE TIME</b>		<b>91,364</b>	<b>1.22</b>
<b>MACHINERY-CONSTRUCTION &amp; MINING</b>			
Hitachi Limited	43,000	174,795	2.33
Komatsu Limited	27,500	77,481	1.03
Mitsubishi Electric Corporation	38,700	60,256	0.80
Tadano Limited	87,000	76,821	1.02
<b>Total MACHINERY-CONSTRUCTION &amp; MINING</b>		<b>389,353</b>	<b>5.18</b>
<b>MACHINERY-DIVERSIFIED</b>			
Ebara Corporation	18,100	60,997	0.81
Fuji Corporation/Aichi	33,500	90,886	1.21
Kubota Corporation	66,700	150,142	2.00
<b>Total MACHINERY-DIVERSIFIED</b>		<b>302,025</b>	<b>4.02</b>
<b>MEDIA</b>			
Sky Perfect JSAT Holdings Incorporated	86,000	43,688	0.58
<b>Total MEDIA</b>		<b>43,688</b>	<b>0.58</b>
<b>METAL FABRICATE/HARDWARE</b>			
NSK Limited	183,000	163,968	2.18
Ryobi Limited	43,000	53,750	0.72
<b>Total METAL FABRICATE/HARDWARE</b>		<b>217,718</b>	<b>2.90</b>
<b>MINING</b>			
Dowa Holdings Company Limited	24,000	89,640	1.19
Sumitomo Metal Mining Company Limited	31,000	141,949	1.89
<b>Total MINING</b>		<b>231,589</b>	<b>3.08</b>

*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 2020*

By Geography (Primary) (continued)	Holdings at 31 December 2020	Fair value at 31 December 2020 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2020 %
<b>Quoted Equities (continued)</b>			
<b>OFFICE/BUSINESS EQUIPMENT</b>			
Fujifilm Holdings Corporation	15,100	82,114	1.09
Sato Holdings Corporation	15,000	33,375	0.44
<b>Total OFFICE/BUSINESS EQUIPMENT</b>		<b>115,489</b>	<b>1.53</b>
<b>OIL AND GAS</b>			
ENEOS Holdings Incorporated	92,200	34,151	0.46
INPEX Corporation	103,000	57,268	0.76
<b>Total OIL AND GAS</b>		<b>91,419</b>	<b>1.22</b>
<b>PHARMACEUTICALS</b>			
Kyowa Kirin Company Limited	45,100	126,911	1.69
Takeda Pharmaceutical Company Limited	16,700	62,709	0.83
Tsumura & Company	12,500	38,750	0.52
<b>Total PHARMACEUTICALS</b>		<b>228,370</b>	<b>3.04</b>
<b>REAL ESTATE</b>			
Mitsui Fudosan Company Limited	21,600	46,624	0.62
Nomura Real Estate Holdings Incorporated	21,800	49,769	0.66
Tokyu Fudosan Holdings Corporation	73,900	40,645	0.54
<b>Total REAL ESTATE</b>		<b>137,038</b>	<b>1.82</b>
<b>RETAIL</b>			
Iwatani Corporation	14,000	89,040	1.19
Kojima Company Limited	47,000	33,417	0.44
Saizeriya Company Limited	16,000	30,528	0.41
Snow Peak Incorporated	21,000	39,102	0.52
<b>Total RETAIL</b>		<b>192,087</b>	<b>2.56</b>
<b>SEMICONDUCTORS</b>			
Rohm Company Limited	8,300	82,917	1.10
SUMCO Corporation	53,000	119,939	1.60
<b>Total SEMICONDUCTORS</b>		<b>202,856</b>	<b>2.70</b>
<b>SOFTWARE</b>			
Gungho Online Entertainment Incorporated	11,500	26,542	0.35
<b>Total SOFTWARE</b>		<b>26,542</b>	<b>0.35</b>
<b>TELECOMMUNICATIONS</b>			
KDDI Corporation	31,500	96,579	1.29
Nippon Telegraph & Telephone Corporation	46,900	124,074	1.65
<b>Total TELECOMMUNICATIONS</b>		<b>220,653</b>	<b>2.94</b>
<b>TEXTILES</b>			
Nitto Boseki Company Limited	9,200	41,860	0.56
<b>Total TEXTILES</b>		<b>41,860</b>	<b>0.56</b>

*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 2020***By Geography (Primary)** (continued)

	Holdings at 31 December 2020	Fair value at 31 December 2020 JPY'000	Percentage of total net assets attributable to unitholders at 31 December 2020 %
<b>Quoted Equities</b> (continued)			
<b>TOYS/GAMES/HOBBIES</b>			
Nintendo Company Limited	5,100	335,733	4.47
Sanrio Company Limited	15,400	21,714	0.29
<b>Total TOYS/GAMES/HOBBIES</b>		<b>357,447</b>	<b>4.76</b>
<b>TRANSPORTATION</b>			
Mitsui OSK Lines Limited	54,000	170,100	2.26
Nishi-Nippon Railroad Company Limited	13,700	41,717	0.56
Seibu Holdings Incorporated	35,300	35,688	0.48
<b>Total TRANSPORTATION</b>		<b>247,505</b>	<b>3.30</b>
<b>Total Quoted Equities</b>		<b>7,280,142</b>	<b>96.92</b>
<b>Portfolio of investments</b>		<b>7,280,142</b>	<b>96.92</b>
<b>Other net assets</b>		<b>231,254</b>	<b>3.08</b>
<b>Net assets attributable to unitholders</b>		<b>7,511,396</b>	<b>100.00</b>

*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 2020

By Industry (Summary)	Percentage of	Percentage of
	total net assets attributable to unitholders at 31 December 2020	total net assets attributable to unitholders at 31 December 2019
	%	%
<b>Quoted Equities</b>		
Aerospace/Defense	1.05	-
Apparel	1.40	1.12
Auto Manufacturers	7.44	6.30
Auto Parts & Equipment	3.72	1.32
Banks	5.72	7.47
Building Materials	1.51	1.56
Chemicals	1.27	3.34
Commercial Services	0.42	0.52
Computers	2.17	2.20
Distribution/Wholesale	2.71	4.34
Diversified Financial Services	2.13	0.73
Electric	0.43	1.02
Electrical Component & Equipment	1.25	1.50
Electronics	6.78	4.81
Engineering and Construction	3.15	5.97
Environmental Control	0.57	0.48
Food	1.37	1.72
Forest Products and Paper	-	0.49
Home Builders	0.73	0.57
Home Furnishings	6.90	5.98
Insurance	2.01	2.54
Internet	1.67	0.69
Iron/Steel	0.76	2.23
Leisure Time	1.22	0.36
Machinery-Construction & Mining	5.18	6.94
Machinery-Diversified	4.02	2.47
Media	0.58	0.52
Metal Fabricate/Hardware	2.90	2.97
Mining	3.08	3.40
Office/Business Equipment	1.53	2.81
Oil and Gas	1.22	2.22
Pharmaceuticals	3.04	4.21
Real Estate	1.82	2.75
Retail	2.56	0.96
Semiconductors	2.70	1.43
Software	0.35	-
Storage/Warehousing	-	0.48
Telecommunications	2.94	2.16
Textiles	0.56	0.71
Toys/Games/Hobbies	4.76	3.21
Transportation	3.30	2.99
<b>Total Quoted Equities</b>	<b>96.92</b>	<b>97.49</b>
<b>Portfolio of investments</b>	<b>96.92</b>	<b>97.49</b>
<b>Other net assets</b>	<b>3.08</b>	<b>2.51</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

As the Fund is invested 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 2020*

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

#### **1. General**

Nikko AM 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 Fund is Nikko Asset Management Asia Limited (the "Manager"). The Sub-Manager of the Fund is Nikko Asset Management Co., Ltd., domiciled in Japan.

There are 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 of 31 December 2020, 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

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

##### (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 is included in the Statement of Total Return in the year in which they arise.

##### (iii) *Derecognition*

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

##### (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 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) Sales and purchases awaiting settlement

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

##### (g) Payables

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest 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 2020

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

##### (h) Cash and bank balances

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

##### (i) 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 Dollar ("SGD").

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

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

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

## NIKKO AM 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 2020

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#### 3. Income tax

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

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

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

Income tax for the financial year ended 31 December 2020 and 2019 comprises:

	2020 JPY'000	2019 JPY'000
Overseas income tax	<u>26,384</u>	<u>27,790</u>
	<b>26,384</b>	<b>27,790</b>

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

#### 4. Receivables

	2020 JPY'000	2019 JPY'000
Receivable from unitholders for creation of units	25,789	10,382
Dividends receivable	8,487	8,420
Other receivables	8	-
	<u>34,284</u>	<u>18,802</u>

## 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 2020

#### 5. Payables

	2020 JPY'000	2019 JPY'000
Payable to unitholders for cancellation of units	11,818	15,712
Amount due to the Manager	19,096	19,374
Valuation fee payable	383	389
Registrar fee payable	230	237
Provision for audit fee	1,064	1,094
Custody fee payable	285	558
Other payables	-	20
	<b>32,876</b>	<b>37,384</b>

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

#### 6. Units in issue

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

<u>SGD Class</u>	2020	2019
Units at beginning of the financial year	70,794,824	71,622,906
Units created	17,423,824	10,993,986
Units cancelled	(19,683,062)	(11,822,068)
Units at end of the financial year	<b>68,535,586</b>	<b>70,794,824</b>
Net assets attributable to unitholders - JPY'000	7,511,396	7,419,912
Net asset value per unit - JPY	<b>109.598</b>	<b>104.809</b>

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

<u>SGD Class</u>	2020 JPY	2019 JPY
Net assets attributable to unitholders per financial statements per unit	109.598	104.809
Effect for movement in the net assets value between the last dealing date and the end of the reporting period ^	0.002	0.003
Net assets attributable to unitholders for issuing/redeeming per unit	<b>109.600</b>	<b>104.812</b>

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

## NIKKO AM 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 2020

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#### 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.

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

##### (a) Market risk - Price risk

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

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

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

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 "Benchmark").

As at 31 December 2020, an increase/decrease of the index component within the Benchmark by 14% (2019: 11%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 14% (2019: 13%). The analysis was based on the assumptions that the index components within the Benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Fund's investments moved according to the beta. Reasonable possible changes in market index percentage are revised annually depending on the Manager's current view on market volatility and other relevant factors.

## 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 2020

#### 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 risks.

As at 31 December 2020	JPY JPY'000	SGD JPY'000	USD JPY'000	Total JPY'000
<b>Assets</b>				
Portfolio of investments	7,280,142	-	-	7,280,142
Receivables	8,486	25,798	-	34,284
Cash and bank balances	73,966	155,785	95	229,846
<b>Total assets</b>	<b>7,362,594</b>	<b>181,583</b>	<b>95</b>	<b>7,544,272</b>
<b>Liabilities</b>				
Payables	-	32,876	-	32,876
<b>Total liabilities</b>	<b>-</b>	<b>32,876</b>	<b>-</b>	<b>32,876</b>
<b>Net currency exposure</b>	<b>7,362,594</b>	<b>148,707</b>	<b>95</b>	

As at 31 December 2019	JPY JPY'000	SGD JPY'000	USD JPY'000	Total JPY'000
<b>Assets</b>				
Portfolio of investments	7,233,999	-	-	7,233,999
Receivables	8,420	10,382	-	18,802
Cash and bank balances	93,537	127,620	104	221,261
<b>Total assets</b>	<b>7,335,956</b>	<b>138,002</b>	<b>104</b>	<b>7,474,062</b>
<b>Liabilities</b>				
Payables	21,672	15,712	-	37,384
Purchases awaiting settlement	16,766	-	-	16,766
<b>Total liabilities</b>	<b>38,438</b>	<b>15,712</b>	<b>-</b>	<b>54,150</b>
<b>Net currency exposure</b>	<b>7,297,518</b>	<b>122,290</b>	<b>104</b>	

## 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 2020

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

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

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

As of 31 December 2020 and 2019, the Fund does not hold substantial monetary assets/liabilities denominated in foreign currencies. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

##### (d) Liquidity risk

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

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

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

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

The Fund's financial liabilities are analysed using contractual undiscounted cash flows for maturity groupings based on the remaining year at the Statement of Financial Position date to the contractual maturity date. As at 31 December 2020 and 2019, all liabilities are either payable upon demand or due in less than 3 months. The impact of discounting is not significant.

	<u>Less than 3 months</u>	
	As at	As at
	31 December	31 December
	2020	2019
	JPY'000	JPY'000
Payables	32,876	37,384
Purchases awaiting settlement	-	16,766
<b>Contractual cash outflows</b>	<b>32,876</b>	<b>54,150</b>

## 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 2020

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

	Credit rating as at 31 December 2020	Credit rating as at 31 December 2019	Source of credit rating
<b>Bank balance</b>			
- BNP Paribas Securities Services, operating through its Singapore Branch	A+	A+	Standard & Poor's
<b>Custodian</b>			
- BNP Paribas Securities Services, operating through its Singapore Branch	A+	A+	Standard & Poor's

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

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

##### (f) Capital management

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

## NIKKO AM SHENTON 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 2020

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

##### (g) Fair value estimation

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

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

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

As at 31 December 2020	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	7,280,142	-	-	7,280,142
<b>As at 31 December 2019</b>				
	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	7,233,999	-	-	7,233,999

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 2020 and 2019 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the Statement of Financial Position date.

#### 8. Related party transactions

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

	2020 JPY'000	2019 JPY'000
Bank balances held with related party of the Trustee	229,846	221,261

## 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 2020

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#### 9. Financial ratios

##### Expense ratio

		2020	2019
<b><u>SGD Class</u></b>			
Total operating expenses	JPY'000	71,146	76,458
Average daily net asset value	JPY'000	6,575,182	6,851,407
<b>Total expense ratio<sup>1</sup></b>	%	<b>1.08</b>	<b>1.12</b>

##### Turnover ratio

		2020	2019
Lower of total value of purchases or sales	JPY'000	1,965,698	2,807,172
Average daily net asset value	JPY'000	6,575,182	6,851,407
<b>Total turnover ratio<sup>2</sup></b>	%	<b>29.90</b>	<b>40.97</b>

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

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

## NIKKO AM SHENTON JAPAN FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2020

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The following contains additional information relating to the Fund.

#### 1. Distribution of investments

Please refer to the Statement of Portfolio on pages 14 to 19.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

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

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Sony Corporation	403,172	5.37
Nintendo Company Limited	335,733	4.47
Toyota Motor Corporation	258,603	3.44
Hitachi Limited	174,795	2.33
Mitsui OSK Lines Limited	170,100	2.26
NSK Limited	163,968	2.18
Kubota Corporation	150,142	2.00
Mitsubishi UFJ Financial Group Incorporated	147,138	1.96
Sumitomo Metal Mining Company Limited	141,949	1.89
Mitsui & Company Limited	138,878	1.85

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

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Sony Corporation	353,028	4.76
Toyota Motor Corporation	224,477	3.03
Nintendo Company Limited	206,659	2.79
Mitsubishi UFJ Financial Group Incorporated	202,459	2.73
Sumitomo Metal Mining Company Limited	175,074	2.36
Sumitomo Mitsui Financial Group Incorporated	167,981	2.26
Nippon Telegraph & Telephone Corporation	160,457	2.16
Hitachi Limited	158,672	2.14
Fujifilm Holdings Corporation	157,946	2.13
Mitsubishi Heavy Industries Limited	146,556	1.98

#### 4. Exposure to financial derivatives

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 2020

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**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 year ended 31 December 2020**

JPY'000

Units created

1,611,889

Units cancelled

(1,831,261)

**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 29.

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

Nil.

**15. Soft Dollar Commissions/Arrangements**

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

The Sub-Managers of the Fund, do not receive or intend to receive any soft dollars commissions, or enter into soft dollars arrangements, in respect of the Fund.



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Website: [www.nikkoam.com.sg](http://www.nikkoam.com.sg)

Company registration number 198202562H

# SEMI-ANNUAL REPORT

For the financial period ending 30 June 2020

**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**

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

**TRUSTEE & REGISTRAR**

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

**AUDITORS**

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

**CUSTODIAN**

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

This report is also available on our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg))

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Japan Fund - SGD Class <sup>1</sup>	9.16	-9.02	1.03	-0.08	2.68	4.98	1.77
Benchmark <sup>2</sup>	9.05	-4.23	5.75	2.70	3.62	4.90	-0.59

Source: Nikko Asset Management Asia Limited. Returns as at 30 June 2020. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Japan Fund - SGD Class <sup>1</sup>	3.70	-13.57	-4.02	-1.78	1.63	4.44	1.62
Benchmark <sup>2</sup>	9.05	-4.23	5.75	2.70	3.62	4.90	-0.59

Source: Nikko Asset Management Asia Limited. Returns as at 30 June 2020. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

### Inception date: 31 December 1986

#### Note:

- (1) 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"):

- the sub-manager of the Fund was changed from Daiwa SB Investments Ltd to Nikko Asset Management Co., Ltd.;
- the base currency of the Fund was changed from the Singapore dollar ("SGD") to Japanese yen ("JPY"); and
- 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.

- (2) Prior to 1 May 2017, the performance returns of the benchmark was calculated using price index methodology. With effect from 1 May 2017, it is calculated using net total return index methodology. With effect from 1 June 2004, the benchmark was changed from Nikkei 225 Stock Average to TOPIX Index.

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## **Portfolio Review**

### ***Fund returned -9.02% during the period under review***

The Nikko AM Shenton Japan Fund (the "Fund") returned -9.02% (in SGD terms, on a NAV-NAV basis) over the six months ended 30 June 2020, underperforming the benchmark by 4.79% in SGD terms. During the period, we kept the portfolio fully invested with the Fund's equity weighting in the 96-99% range. As of the end of June, the Fund consisted of 87 names. Although growth stocks continued to outperform, performance improved in the latter half of the period as localised signs of a value reversal starting in May became more pronounced in June, which has started to have a positive effect on portfolio performance.

Stocks that made positive contributions during the period included: IT services company NEC Networks & System Integration which moved upwards on strong earnings results driven by the growing digital transformation trend and 5G demand; game maker Nintendo which rose on strong game sales; drug maker Kyowa Kirin which climbed on positive earnings results and steady demand for its new drugs; IT services vendor Fujitsu which rose on strong earnings and expectations that Covid-19-driven IT demand will grow; and maker of measuring instruments Anritsu, which rose on expectations that it will benefit from an increase in 5G demand.

In contrast, stocks that contributed negatively during the period included: oil and gas developer Inpex, which declined after oil prices plunged; shipping company Mitsui O.S.K. Lines, which fell on concerns that Covid-19's impact on global production, supply chains, and consumption would worsen earnings; and engineering firm JGC, which dropped on worries that energy companies would reduce capex following the sharp drop in oil prices. In addition, strong performance by stocks that we do not hold such as factory automation equipment maker Keyence and drug maker Chugai Pharmaceutical had a negative impact on returns on a relative basis.

## **Market Review**

### ***Japanese stocks fell in 1H2020***

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

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

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## **Market Outlook**

### ***Positioning for a post-Covid-19 world***

Despite the continued global turmoil caused by Covid-19, the financial markets are seeing a dramatic rebound that appears to suggest progress towards a “post-Covid-19” world. However, we are sceptical as to whether the market recovery will follow a straight line going forward.

We believe that the current rebound is exceeding economic reality due to support from excessive liquidity provided by economic stimulus packages around the world. We also feel that we need to keep watch for a second wave of Covid-19 infections as well as political risks in the US, China, and Japan. At the same time, the Japanese equity market is unlikely to return to the lows seen in March. We expect to see some short-term market corrections going forward, which will be an ideal opportunity to invest in attractive stocks ahead of the full-scale market rise we expect to see from 2021.

The world is likely to look different after Covid-19. With this in mind, we will focus on new investment themes such as companies overhauling their global supply chains, accelerated corporate investment in IT and communications infrastructure, and growth in the outdoor leisure market.

With the spread between value and growth stocks peaking, long-term interest rates bottoming out, and stable growth stocks with overly rich valuations poised for a reversal, we are increasingly confident that the Fund’s investment strategy will soon deliver significant alpha.

## **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 products, technologies and know-how they deploy both in Japan and overseas.
2. Investing in undervalued companies with a great deal of potential for revaluation due to their 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.

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. The impact of Covid-19 on the world economy and each country’s response.
2. The US presidential election.
3. China’s response to its structural problems as well as its recovery post-Covid-19.
4. Political and economic issues in Europe, including Brexit and waning German influence.
5. Developments in the US-China struggle for supremacy.
6. The direction of emerging market economies.
7. Political developments as Prime Minister Abe nears the end of his term.
8. Growing geopolitical risks in the Middle East and elsewhere.

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This document is purely for informational purposes only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. It should not be relied upon as financial advice. 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 funds 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 Fund or any underlying fund may use or invest in financial derivative instruments.** The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)) before deciding whether to invest in the Fund.

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The Central Provident Fund (“CPF”) interest rate for the Ordinary Account (“OA”) is based on the 12-month fixed deposit and month-end savings rates of major local banks, subject to a minimum 2.5% interest per annum. The interest rate for Special, Medisave and Retirement Accounts (“SMRA”) is pegged to the 12-month average yield of 10-year Singapore Government Securities plus 1% per annum. A 4% per annum floor rate will be maintained for interest earned on SMRA until 31 December 2020, after which a 2.5% per annum minimum rate will apply. An extra 1% per annum interest is paid on the first S\$60,000 of a member’s combined balances, including up to S\$20,000 in the OA. The first S\$20,000 in the OA and the first S\$40,000 in the Special Account (“SA”) cannot be invested under the CPF Investment Scheme (“CPFIS”). Investors should note that the applicable interest rates for each of the CPF accounts may be varied by the CPF Board from time to time.

### **For Hong Kong Investors**

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

## **SOFT DOLLAR COMMISSIONS/ ARRANGEMENTS**

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

The Sub-Managers of the Nikko AM Shenton Japan Fund do not receive or intend to receive soft dollar commissions, or enter into soft dollar arrangements, in respect of the Nikko AM Shenton Japan Fund.

**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 2020 to 30 June 2020 (unaudited)*

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	<b>30 June 2020</b>	30 June 2019
	<b>JPY'000</b>	JPY'000
<b>Income</b>		
Dividends	<b>96,097</b>	96,934
Interest on cash and bank balances	<b>54</b>	428
	<b>96,151</b>	97,362
	<hr/>	<hr/>
<b>Less: Expenses</b>		
Management fee	<b>31,418</b>	33,693
Registrar fee	<b>1,077</b>	1,090
Custody fee	<b>128</b>	713
Audit fee	<b>515</b>	574
Valuation fee	<b>616</b>	661
Transaction costs	<b>4,151</b>	3,967
Other expenses	<b>878</b>	(290)
	<b>38,783</b>	40,408
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<b>Net income</b>	<b>57,368</b>	56,954
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<b>Net gains or losses on value of investments</b>		
Net (losses)/gains on investments	<b>(993,517)</b>	286,751
Net foreign exchange losses	<b>(7,667)</b>	(2,772)
	<b>(1,001,184)</b>	283,979
	<hr/>	<hr/>
<b>Total (deficit)/return for the financial period before income tax</b>	<b>(943,816)</b>	340,933
<b>Less: Income tax</b>	<b>(14,717)</b>	(14,845)
<b>Total (deficit)/return for the financial period after income tax</b>	<b>(958,533)</b>	326,088
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**NIKKO AM SHENTON JAPAN FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 30 June 2020 (unaudited)*

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	<b>30 June 2020</b>	31 December 2019
	<b>JPY'000</b>	JPY'000
<b>ASSETS</b>		
Portfolio of investments	<b>6,062,292</b>	7,233,999
Receivables	<b>24,809</b>	18,802
Cash and bank balances	<b>241,219</b>	221,261
<b>Total assets</b>	<b>6,328,320</b>	7,474,062
<b>LIABILITIES</b>		
Payables	<b>28,945</b>	37,384
Purchases awaiting settlement	<b>-</b>	16,766
<b>Total liabilities</b>	<b>28,945</b>	54,150
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>6,299,375</b>	7,419,912

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**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 2020 to 30 June 2020 (unaudited)*

	<b>30 June 2020</b> JPY'000	31 December 2019 JPY'000
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>7,419,912</b>	6,335,622
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>(958,533)</b>	1,166,800
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>966,599</b>	1,049,890
Cancellation of units	<b>(1,128,603)</b>	(1,132,400)
<b>Change in net assets attributable to unitholders resulting from net creation and cancellation of units</b>	<b>(162,004)</b>	(82,510)
Total (decrease)/increase in net assets attributable to unitholders	<b>(1,120,537)</b>	1,084,290
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>6,299,375</b>	7,419,912

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

By Geography (Primary)	Holdings at 30 June 2020	Fair value at 30 June 2020 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2020 %
<b>Quoted Equities</b>			
<b>APPAREL</b>			
ASICS Corporation	54,000	66,204	1.05
<b>Total APPAREL</b>		<b>66,204</b>	<b>1.05</b>
<b>AUTO MANUFACTURERS</b>			
Honda Motor Company Limited	43,000	118,486	1.88
Isuzu Motors Limited	89,000	86,624	1.38
Toyota Motor Corporation	28,100	190,012	3.02
<b>Total AUTO MANUFACTURERS</b>		<b>395,122</b>	<b>6.28</b>
<b>AUTO PARTS &amp; EQUIPMENT</b>			
Denso Corporation	9,000	37,845	0.60
Toyota Industries Corporation	13,000	74,230	1.18
<b>Total AUTO PARTS &amp; EQUIPMENT</b>		<b>112,075</b>	<b>1.78</b>
<b>BANKS</b>			
Fukuoka Financial Group Incorporated	20,100	34,190	0.54
Mitsubishi UFJ Financial Group Incorporated	329,000	138,706	2.20
Mizuho Financial Group Incorporated	484,900	64,104	1.02
Resona Holdings Incorporated	122,000	44,872	0.71
Sumitomo Mitsui Financial Group Incorporated	40,100	121,583	1.93
<b>Total BANKS</b>		<b>403,455</b>	<b>6.40</b>
<b>BUILDING MATERIALS</b>			
Asia Pile Holdings Corporation	70,100	33,157	0.53
<b>Total BUILDING MATERIALS</b>		<b>33,157</b>	<b>0.53</b>
<b>CHEMICALS</b>			
Mitsubishi Gas Chemical Company Incorporated	46,000	74,980	1.19
<b>Total CHEMICALS</b>		<b>74,980</b>	<b>1.19</b>
<b>COMMERCIAL SERVICES</b>			
Gakken Holdings Company Limited	19,000	27,512	0.44
<b>Total COMMERCIAL SERVICES</b>		<b>27,512</b>	<b>0.44</b>
<b>COMPUTERS</b>			
Fujitsu Limited	10,700	135,034	2.14
Itochu Techno-Solutions Corporation	10,700	43,228	0.69
NEC Networks & System Integration Corporation	44,700	97,982	1.56
<b>Total COMPUTERS</b>		<b>276,244</b>	<b>4.39</b>
<b>DISTRIBUTION/WHOLESALE</b>			
Mitsubishi Corporation	22,900	51,983	0.83
Mitsui & Company Limited	66,700	106,353	1.69
<b>Total DISTRIBUTION/WHOLESALE</b>		<b>158,336</b>	<b>2.52</b>
<b>DIVERSIFIED FINANCIAL SERVICES</b>			
Nomura Holdings Incorporated	135,000	65,124	1.03
SBI Holdings Incorporation	23,500	54,708	0.87
<b>Total DIVERSIFIED FINANCIAL SERVICES</b>		<b>119,832</b>	<b>1.90</b>

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

	Holdings at 30 June 2020	Fair value at 30 June 2020 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2020 %
<b>Quoted Equities (continued)</b>			
<b>ELECTRIC</b>			
Chubu Electric Power Company Incorporated	25,800	34,882	0.55
<b>Total ELECTRIC</b>		<b>34,882</b>	<b>0.55</b>
<b>ELECTRICAL COMPONENT &amp; EQUIPMENT</b>			
Furukawa Electric Company Limited	19,500	50,876	0.81
Ushio Incorporated	27,500	39,463	0.63
<b>Total ELECTRICAL COMPONENT &amp; EQUIPMENT</b>		<b>90,339</b>	<b>1.44</b>
<b>ELECTRONICS</b>			
Anritsu Corporation	32,500	83,070	1.32
Ibiden Company Limited	19,600	61,642	0.98
Murata Manufacturing Company Limited	16,000	101,056	1.61
Nippon Electric Glass Company Limited	22,500	37,912	0.60
Star Micronics Company Limited	29,000	34,771	0.55
TDK Corporation	7,100	75,828	1.20
<b>Total ELECTRONICS</b>		<b>394,279</b>	<b>6.26</b>
<b>ENGINEERING AND CONSTRUCTION</b>			
JGC Holdings Corporation	54,000	61,236	0.97
Kumagai Gumi Company Limited	34,000	87,720	1.39
Nippo Corporation	14,000	38,108	0.61
Penta-Ocean Construction Company Limited	138,400	80,134	1.27
Taisei Corporation	15,400	60,368	0.96
<b>Total ENGINEERING AND CONSTRUCTION</b>		<b>327,566</b>	<b>5.20</b>
<b>ENVIRONMENTAL CONTROL</b>			
Kurita Water Industries Limited	11,000	32,901	0.52
<b>Total ENVIRONMENTAL CONTROL</b>		<b>32,901</b>	<b>0.52</b>
<b>FOOD</b>			
Nippon Suisan Kaisha Limited	126,300	59,108	0.94
Nissin Foods Holdings Company Limited	4,500	42,975	0.68
San-A Company Limited	7,500	30,975	0.49
<b>Total FOOD</b>		<b>133,058</b>	<b>2.11</b>
<b>HEALTHCARE-PRODUCTS</b>			
Nihon Kohden Corporation	11,000	39,875	0.63
<b>Total HEALTHCARE-PRODUCTS</b>		<b>39,875</b>	<b>0.63</b>
<b>HOME BUILDERS</b>			
Daiwa House Industry Company Limited	11,100	28,216	0.45
<b>Total HOME BUILDERS</b>		<b>28,216</b>	<b>0.45</b>
<b>HOME FURNISHINGS</b>			
Panasonic Corporation	98,300	92,363	1.46
Sony Corporation	42,900	316,774	5.03
<b>Total HOME FURNISHINGS</b>		<b>409,137</b>	<b>6.49</b>
<b>INSURANCE</b>			
Dai-ichi Life Holdings Incorporated	42,000	53,886	0.85
Tokio Marine Holdings Incorporated	17,500	82,215	1.31
<b>Total INSURANCE</b>		<b>136,101</b>	<b>2.16</b>

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

	Holdings at 30 June 2020	Fair value at 30 June 2020 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2020 %
<b>Quoted Equities (continued)</b>			
<b>INTERNET</b>			
Rakuten Incorporated	45,300	42,944	0.68
Z Holdings Corporation	107,000	56,282	0.90
<b>Total INTERNET</b>		<b>99,226</b>	<b>1.58</b>
<b>IRON/STEEL</b>			
Nippon Steel Corporation	35,000	35,473	0.56
<b>Total IRON/STEEL</b>		<b>35,473</b>	<b>0.56</b>
<b>LEISURE TIME</b>			
Globeride Incorporated	13,000	26,286	0.42
Shimano Incorporated	3,400	70,550	1.12
<b>Total LEISURE TIME</b>		<b>96,836</b>	<b>1.54</b>
<b>MACHINERY-CONSTRUCTION &amp; MINING</b>			
Hitachi Limited	37,500	127,613	2.03
Komatsu Limited	28,000	61,698	0.98
Mitsubishi Electric Corporation	33,800	47,303	0.75
Tadano Limited	87,000	78,213	1.24
<b>Total MACHINERY-CONSTRUCTION &amp; MINING</b>		<b>314,827</b>	<b>5.00</b>
<b>MACHINERY-DIVERSIFIED</b>			
Ebara Corporation	18,500	46,712	0.74
Kubota Corporation	57,000	91,656	1.46
<b>Total MACHINERY-DIVERSIFIED</b>		<b>138,368</b>	<b>2.20</b>
<b>MEDIA</b>			
Sky Perfect JSAT Holdings Incorporated	77,100	30,840	0.49
<b>Total MEDIA</b>		<b>30,840</b>	<b>0.49</b>
<b>METAL FABRICATE/HARDWARE</b>			
NSK Limited	176,000	140,624	2.23
Ryobi Limited	43,000	51,772	0.82
<b>Total METAL FABRICATE/HARDWARE</b>		<b>192,396</b>	<b>3.05</b>
<b>MINING</b>			
Dowa Holdings Company Limited	22,700	74,229	1.18
Sumitomo Metal Mining Company Limited	35,000	105,315	1.67
<b>Total MINING</b>		<b>179,544</b>	<b>2.85</b>
<b>MISCELLANEOUS MANUFACTURE</b>			
JSR Corporation	18,300	38,064	0.61
<b>Total MISCELLANEOUS MANUFACTURE</b>		<b>38,064</b>	<b>0.61</b>
<b>OFFICE/BUSINESS EQUIPMENT</b>			
Fujifilm Holdings Corporation	15,100	69,611	1.11
Sato Holdings Corporation	12,000	27,984	0.44
<b>Total OFFICE/BUSINESS EQUIPMENT</b>		<b>97,595</b>	<b>1.55</b>

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

	Holdings at 30 June 2020	Fair value at 30 June 2020 JPY'000	Percentage of total net assets attributable to unitholders at 30 June 2020 %
<b>Quoted Equities (continued)</b>			
<b>OIL AND GAS</b>			
ENEOS Holdings Incorporated	110,900	42,364	0.67
Inpex Corporation	105,000	70,025	1.11
<b>Total OIL AND GAS</b>		<b>112,389</b>	<b>1.78</b>
<b>PHARMACEUTICALS</b>			
Kyowa Kirin Company Limited	50,400	142,582	2.26
Santen Pharmaceutical Company Limited	21,100	41,841	0.66
Takeda Pharmaceutical Company Limited	19,300	74,266	1.18
Tsumura & Company	16,000	45,120	0.72
<b>Total PHARMACEUTICALS</b>		<b>303,809</b>	<b>4.82</b>
<b>REAL ESTATE</b>			
Mitsui Fudosan Company Limited	17,500	33,416	0.53
Nomura Real Estate Holdings Incorporated	21,800	43,600	0.69
Tokyu Fudosan Holdings Corporation	73,900	37,246	0.59
<b>Total REAL ESTATE</b>		<b>114,262</b>	<b>1.81</b>
<b>RETAIL</b>			
Iwatani Corporation	8,500	32,045	0.51
Snow Peak Incorporated	30,000	33,210	0.53
<b>Total RETAIL</b>		<b>65,255</b>	<b>1.04</b>
<b>SEMICONDUCTORS</b>			
Fuji Corporation/Aichi	26,000	49,036	0.78
Rohm Company Limited	6,700	47,838	0.76
Sumco Corporation	57,000	93,993	1.49
<b>Total SEMICONDUCTORS</b>		<b>190,867</b>	<b>3.03</b>
<b>SOFTWARE</b>			
Gungho Online Entertainment Incorporated	15,500	29,791	0.47
<b>Total SOFTWARE</b>		<b>29,791</b>	<b>0.47</b>
<b>TELECOMMUNICATIONS</b>			
KDDI Corporation	38,000	122,892	1.95
Nippon Telegraph & Telephone Corporation	46,900	117,977	1.87
<b>Total TELECOMMUNICATIONS</b>		<b>240,869</b>	<b>3.82</b>
<b>TEXTILES</b>			
Nitto Boseki Company Limited	9,200	49,404	0.78
<b>Total TEXTILES</b>		<b>49,404</b>	<b>0.78</b>
<b>TOYS/GAMES/HOBBIES</b>			
Nintendo Company Limited	5,800	278,458	4.42
Sanrio Company Limited	15,400	25,687	0.41
<b>Total TOYS/GAMES/HOBBIES</b>		<b>304,145</b>	<b>4.83</b>

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

	<b>Holdings at 30 June 2020</b>	<b>Fair value at 30 June 2020 JPY'000</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2020 %</b>
<b>Quoted Equities (continued)</b>			
<b>TRANSPORTATION</b>			
Mitsui OSK Lines Limited	33,100	63,155	1.00
Nishi-Nippon Railroad Company Limited	14,000	40,992	0.65
Seibu Holdings Incorporated	26,400	30,914	0.49
<b>Total TRANSPORTATION</b>		<b>135,061</b>	<b>2.14</b>
<b>Total Quoted Equities</b>		<b>6,062,292</b>	<b>96.24</b>
<b>Portfolio of investments</b>		<b>6,062,292</b>	<b>96.24</b>
<b>Other net assets</b>		<b>237,083</b>	<b>3.76</b>
<b>Net assets attributable to unitholders</b>		<b>6,299,375</b>	<b>100.00</b>

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

<b>By Industry (Summary)</b>	<b>Fair value at 30 June 2020 JPY'000</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2020 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2019 %</b>
<b>Quoted Equities</b>			
Apparel	66,204	1.05	1.12
Auto Manufacturers	395,122	6.28	6.30
Auto Parts & Equipment	112,075	1.78	1.32
Banks	403,455	6.40	7.47
Building Materials	33,157	0.53	1.56
Chemicals	74,980	1.19	3.34
Commercial Services	27,512	0.44	0.52
Computers	276,244	4.39	2.20
Distribution/Wholesale	158,336	2.52	4.34
Diversified Financial Services	119,832	1.90	0.73
Electric	34,882	0.55	1.02
Electrical Component & Equipment	90,339	1.44	1.50
Electronics	394,279	6.26	4.81
Engineering and Construction	327,566	5.20	5.97
Environmental Control	32,901	0.52	0.48
Food	133,058	2.11	1.72
Forest Products and Paper	-	-	0.49
Healthcare-Products	39,875	0.63	-
Home Builders	28,216	0.45	0.57
Home Furnishings	409,137	6.49	5.98
Insurance	136,101	2.16	2.54
Internet	99,226	1.58	0.69
Iron/Steel	35,473	0.56	2.23
Leisure Time	96,836	1.54	0.36
Machinery-Construction & Mining	314,827	5.00	6.94
Machinery-Diversified	138,368	2.20	2.47
Media	30,840	0.49	0.52
Metal Fabricate/Hardware	192,396	3.05	2.97
Mining	179,544	2.85	3.40
Miscellaneous Manufacture	38,064	0.61	-
Office/Business Equipment	97,595	1.55	2.81
Oil and Gas	112,389	1.78	2.22
Pharmaceuticals	303,809	4.82	4.21
Real Estate	114,262	1.81	2.75
Retail	65,255	1.04	0.96
Semiconductors	190,867	3.03	1.43
Software	29,791	0.47	-
Storage/Warehousing	-	-	0.48
Telecommunications	240,869	3.82	2.16
Textiles	49,404	0.78	0.71
Toys/Games/Hobbies	304,145	4.83	3.21
Transportation	135,061	2.14	2.99
<b>Total Quoted Equities</b>	<b>6,062,292</b>	<b>96.24</b>	<b>97.49</b>
<b>Portfolio of investments</b>	<b>6,062,292</b>	<b>96.24</b>	<b>97.49</b>
<b>Other net assets</b>	<b>237,083</b>	<b>3.76</b>	<b>2.51</b>
<b>Net assets attributable to unitholders</b>	<b>6,299,375</b>	<b>100.00</b>	<b>100.00</b>

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

## NIKKO AM SHENTON JAPAN FUND

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### REPORT TO UNITHOLDERS

For the financial period from 01 January 2020 to 30 June 2020 (unaudited)

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The following contains additional information relating to the Fund.

#### 1. Distribution of investments

Please refer to the Statement of Portfolio on pages 10 to 15.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

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

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Sony Corporation	316,774	5.02
Nintendo Company Limited	278,458	4.42
Toyota Motor Corporation	190,012	3.02
Kyowa Kirin Company Limited	142,582	2.26
NSK Limited	140,624	2.23
Mitsubishi UFJ Financial Group Incorporated	138,706	2.20
Fujitsu Limited	135,034	2.14
Hitachi Limited	127,613	2.02
KDDI Corporation	122,892	1.95
Sumitomo Mitsui Financial Group Incorporated	121,583	1.93

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

	Fair value JPY'000	Percentage of total net assets attributable to unitholders %
Sony Corporation	288,613	4.31
Hitachi Limited	219,170	3.27
Toyota Motor Corporation	186,595	2.78
Nintendo Company Limited	185,603	2.77
Nippon Telegraph & Telephone Corporation	163,554	2.44
Mitsubishi Heavy Industries Limited	151,988	2.27
Fujifilm Holdings Corporation	144,770	2.16
Sumitomo Metal Mining Company Limited	136,808	2.04
Mitsubishi UFJ Financial Group Incorporated	133,530	1.99
Sumitomo Mitsui Financial Group Incorporated	132,068	1.97

#### 4. Exposure to financial derivatives

Nil.

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#### 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 30 June 2020

	JPY'000
Units created	966,599
Units cancelled	(1,128,603)

#### 11. Turnover ratio

		30 June 2020	30 June 2019
Lower of total value of purchases or sales	JPY'000	<b>1,168,332</b>	1,151,666
Average daily net asset value	JPY'000	<b>6,283,943</b>	6,782,237
<b>Total turnover ratio<sup>Note</sup></b>	<b>%</b>	<b><u>18.59</u></b>	<u>16.98</u>

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

#### 12. Expense ratio

		30 June 2020	30 June 2019
<b><u>SGD Class</u></b>			
Total operating expenses	JPY'000	<b>74,463</b>	75,347
Average daily net asset value	JPY'000	<b>6,610,998</b>	6,843,940
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b><u>1.13</u></b>	<u>1.10</u>

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

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#### 13. Related party transactions

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

Management fee is payable to the Manager. Trustee fee is payable out of management fees by Nikko Asset Management Asia Limited to BNP Paribas Trust Services Singapore Limited. 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 operating through its Singapore Branch.

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

	<b>30 June 2020</b>	31 December 2019
	<b>JPY'000</b>	JPY'000
Bank balances held with related party of the Trustee	<b>241,219</b>	221,261

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

Nil.

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