

SEMI-ANNUAL REPORT

For the financial period ending 30 June 2017

**Nikko AM Shenton
Japan Fund**

MANAGERS

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REGISTRAR

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

PERFORMANCE SUMMARY

| Returns (%) | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Since Inception |
|--|--------------|--------------|-------------|-------------|-------------|--------------|------------------------|
| Benchmark ¹ | 4.30 | 5.17 | 21.04 | 8.39 | 10.10 | -1.07 | -0.91 |
| Nikko AM Shenton Japan Fund ² | 5.63 | 7.64 | 31.15 | 8.78 | 11.88 | -0.25 | 1.96 |

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

| Returns (%) | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Since Inception |
|--|--------------|--------------|-------------|-------------|-------------|--------------|------------------------|
| Benchmark ¹ | 4.30 | 5.17 | 21.04 | 8.39 | 10.10 | -1.07 | -0.91 |
| Nikko AM Shenton Japan Fund ² | 0.34 | 2.26 | 24.60 | 6.94 | 10.74 | -0.76 | 1.79 |

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

Inception date: 31 December 1986

Note:

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

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

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

Portfolio Review

Fund returned 7.64% during the period under review

The Nikko AM Shenton Japan Fund (the "Fund") returned 7.64% (in SGD terms, NAV-NAV basis) over the six-month period ended 30 June 2017, outperforming the benchmark by 2.47% in SGD terms. During the period, we kept the portfolio fully invested throughout the year with the Fund's equity weighting in the 98-99% range. As of the end of June, the Fund consisted of 86 names.

Despite outperformance by growth stocks from the beginning of the year, both sector allocation and stock selection contributed positively to performance. In particular, the Fund was able to steadily accumulate alpha in June as value stocks came back into favour.

Stocks that made positive contributions in the period included video game software and console maker Nintendo, which rose on strong sales of its new video game console the Nintendo Switch; consumer electronics giant Sony, on steady earnings driven by strong performance in its semiconductor business and game business; carbon manufacturer Tokai Carbon, as investors took a positive view of aggressive efforts to improve profitability and its balance sheet; bearing manufacturer Minebea Mitsumi, on expectations that the firm will quickly generate synergies following a recent merger between Mitsumi Electric and Minebea; and communication instrument maker Anritsu, which is expected to benefit from the transition to 5G, the next-generation of wireless network technology.

In contrast, the following names contributed negatively during the period: heavy machinery manufacturer Mitsubishi Heavy Industries, due to weak earnings and much-delayed delivery of the Mitsubishi Regional Jet currently under development; oil and natural gas plant engineering firm JGC, which announced that ordinary losses in FY2016 would be higher than previously expected; automaker Mazda Motor, which declined on concerns over rising protectionist sentiment in the US; sporting goods manufacturer Asics, whose FY2017 guidance forecast a second straight year of operating profit decline; and department store operator Isetan Mitsukoshi Holdings, on increased uncertainty over the direction of the firm following the appointment of a new president in March.

Market Review

The Japanese equity market rose during the period, with the TOPIX (including dividends) rising 7.37% and the Nikkei 225 (including dividends) climbing 5.82% in JPY terms. Stocks started the year higher on strong economic indicators in the US and China but later fell on concerns over US protectionism, political uncertainty in the UK and Europe, and the yen's appreciation. In February and March, the market faced downward pressure from increased political uncertainty surrounding the French presidential election. However, easing risk-off sentiment after a successful summit meeting between US and Japanese leaders as well as the yen's depreciation against the US dollar helped to bolster stock prices. In mid-March, despite support from expectations that the Bank of Japan's ETF purchases would improve supply-demand balance in the market, stocks then retreated, weighed down by increased uncertainty over US policy, lower US long-term interest rates, and the yen's appreciation against the US dollar.

Stocks continued to trend lower in the first half of April as geopolitical tensions in Syria and North Korea led investors to adopt a more risk-averse stance while declining long-term US interest rates spurred weakness in the yen against the dollar. From mid-April onwards, the market largely trended upward, despite brief periods of weakness related to concerns over a possible slowdown in the US economy as well as uncertainty over the UK political situation following a loss by the ruling party in the June election. Positive factors included increased optimism for a stronger EU following the victory of centrist Emmanuel Macron in the French elections, economic data showing a recovery in capital spending in Japan and upbeat manufacturing activity in the US, as well as a weaker yen following hawkish comments by a US Treasury official.

Market Outlook

We believe we are finally seeing a shift in the challenging environment the fund had faced since the beginning of the year amid outperformance of small- and mid-cap growth names. As such, we anticipate that this will open up further opportunities for our strategy to generate alpha. Given the strong fundamentals of the global economy, we expect long-term interest rates to bottom out and provide stability to currency exchange rates. We continue therefore to maintain our outlook that the equity market will continue its upward trajectory in a way that is supportive to our strategy for the near future.

Over the long term, we believe that we have not yet seen a full manifestation of the value effect and expect that the Japanese equity market will continue to offer attractive investment opportunities. Given that the greatest source of alpha for this strategy is the effect of mean reversion brought about by companies' structural changes coupled with resulting long-term anomalies, we are certain that we will see a good opportunity to generate excess returns.

Portfolio Strategy

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

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

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

1. The direction of the US's economy, monetary policy and interest rates
2. The direction of emerging market economies and currencies
3. China's response to structural problems, including the policy measures it enacts
4. Political tensions in Europe stemming from the emergence of populism
5. Protectionist trade policies from the new US administration
6. Oil price trends
7. Regional conflicts
8. Japanese wage growth and inflation

IMPORTANT INFORMATION

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

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

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The CPF interest rate for the Ordinary Account (“OA”) is based on the 12-month fixed deposit and month-end savings rates of major local banks, subject to a minimum 2.5% interest per annum. The interest rate for Special, Medisave and Retirement Accounts (“SMRA”) is pegged to the 12-month average yield of 10-year Singapore Government Securities yield plus 1%. A 4% floor rate will be maintained for interest earned on SMRA until 31 December 2017, after which a 2.5% minimum rate will apply. An extra 1% interest is paid on the first S\$60,000 of a member’s combined balances, including up to S\$20,000 in the OA. The first S\$20,000 in the OA and the first S\$40,000 in the Special Account (“SA”) cannot be invested under the CPF Investment Scheme (“CPFIS”).

For Hong Kong Investors

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

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

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

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

Execution and allocation

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

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

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

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

The following are, however, prohibited:

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

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

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

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

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

The Managers and the Sub-Managers of the Fund will comply with applicable regulatory and industry standards on soft dollars.

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

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

| | 30 June 2017 | 30 June 2016 |
|--|---------------------|--------------|
| | JPY'000 | JPY'000 |
| Income | | |
| Dividend | 74,101 | 75,231 |
| | 74,101 | 75,231 |
| Less: Expenses | | |
| Management fee | 33,333 | 32,702 |
| Registrar fee | 1,015 | 1,014 |
| Custody fee | 719 | 666 |
| Audit fee | 681 | 524 |
| Valuation fee | 680 | 624 |
| Transaction costs | 4,700 | 4,391 |
| Other expenses | 596 | 206 |
| | 41,724 | 40,127 |
| Net income | 32,377 | 35,104 |
| Net gains or losses on value of investments | | |
| Net gain/(loss) on investments | 536,454 | (1,621,173) |
| Net foreign exchange losses | (1,808) | (17,003) |
| | 534,646 | (1,638,176) |
| Total return/(deficit) for the financial period before income tax | 567,023 | (1,603,072) |
| Less: Income tax | (11,349) | (11,409) |
| Total return/(deficit) for the financial period after income tax | 555,674 | (1,614,481) |

NIKKO AM SHENTON JAPAN FUND

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017 (unaudited)

| | 30 June 2017 | 31 December 2016 |
|--|---------------------|------------------|
| | JPY'000 | JPY'000 |
| ASSETS | | |
| Portfolio of investments | 6,520,548 | 6,340,039 |
| Sales awaiting settlement | 19,788 | 58,633 |
| Receivables | 26,309 | 70,449 |
| Cash and bank balances | 262,064 | 262,928 |
| Total assets | 6,828,709 | 6,732,049 |
| LIABILITIES | | |
| Payables | 40,964 | 32,955 |
| Purchases awaiting settlement | 29,802 | 19,572 |
| Total liabilities | 70,766 | 52,527 |
| EQUITY | | |
| Net assets attributable to unitholders | 6,757,943 | 6,679,522 |

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 2017 to 30 June 2017 (unaudited)*

| | 30 June 2017 | 31 December 2016 |
|---|---------------------|------------------|
| | JPY'000 | JPY'000 |
| Net assets attributable to unitholders at the beginning of the financial period/year | 6,679,522 | 7,896,046 |
| Operations | | |
| Change in net assets attributable to unitholders resulting from operations | 555,674 | 2,002 |
| Unitholders' contributions/(withdrawals) | | |
| Creation of units | 787,017 | 1,593,726 |
| Cancellation of units | (1,264,270) | (2,812,252) |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | (477,253) | (1,218,526) |
| Total increase/decrease in net assets attributable to unitholders | 78,421 | (1,216,524) |
| Net assets attributable to unitholders at the end of the financial period/year | 6,757,943 | 6,679,522 |

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

| By Industry (Primary) | Holdings at 30 June 2017 | Fair value at 30 June 2017 JPY'000 | Percentage of total net assets attributable to unitholders at 30 June 2017 % |
|---|-----------------------------|--|---|
| Quoted Equities | | | |
| AUTO MANUFACTURERS | | | |
| Isuzu Motors Limited | 57,500 | 79,695 | 1.18 |
| Mazda Motor Corporation | 35,100 | 55,037 | 0.81 |
| Toyota Motor Corporation | 26,500 | 156,164 | 2.31 |
| Total AUTO MANUFACTURERS | | 290,896 | 4.30 |
| AUTO PARTS AND EQUIPMENT | | | |
| Aisin Seiki Company Limited | 8,200 | 47,150 | 0.70 |
| Musashi Seimitsu Industry Company Limited | 13,100 | 42,575 | 0.63 |
| NGK Insulators Limited | 19,800 | 44,332 | 0.66 |
| Sumitomo Electric Industries Limited | 11,500 | 19,895 | 0.29 |
| Toyota Industries Corporation | 9,000 | 53,190 | 0.79 |
| Total AUTO PARTS AND EQUIPMENT | | 207,142 | 3.07 |
| BANKS | | | |
| Fukuoka Financial Group Incorporated | 101,000 | 53,934 | 0.79 |
| Mitsubishi UFJ Financial Group Incorporated | 287,100 | 216,703 | 3.21 |
| Mizuho Financial Group Incorporated | 561,000 | 115,229 | 1.71 |
| Resona Holdings Incorporated | 95,700 | 59,190 | 0.87 |
| Shinsei Bank Limited | 365,000 | 71,540 | 1.06 |
| Sumitomo Mitsui Financial Group Incorporated | 34,500 | 151,075 | 2.24 |
| Total BANKS | | 667,671 | 9.88 |
| BUILDING MATERIALS | | | |
| Daikin Industries Limited | 6,500 | 74,555 | 1.10 |
| Nippon Sheet Glass Company Limited | 32,600 | 30,253 | 0.45 |
| Taiheiyo Cement Corporation | 131,000 | 53,579 | 0.79 |
| Total BUILDING MATERIALS | | 158,387 | 2.34 |
| CHEMICALS | | | |
| Denka Company Limited | 117,000 | 67,743 | 1.00 |
| KH Neochem Company Limited | 23,000 | 49,473 | 0.73 |
| Mitsui Chemicals Incorporated | 68,000 | 40,460 | 0.60 |
| Tokai Carbon Company Limited | 129,200 | 80,233 | 1.19 |
| Toray Industries Incorporated | 69,700 | 65,539 | 0.97 |
| Total CHEMICALS | | 303,448 | 4.49 |
| COMMERCIAL SERVICES | | | |
| Secom Company Limited | 6,200 | 52,855 | 0.78 |
| Total COMMERCIAL SERVICES | | 52,855 | 0.78 |
| COMPUTERS | | | |
| Fujitsu Limited | 97,000 | 80,297 | 1.19 |
| Information Services International-Dentsu Limited | 30,300 | 79,780 | 1.18 |
| NTT Data Corporation | 66,500 | 83,125 | 1.23 |
| TDK Corporation | 13,500 | 99,765 | 1.48 |
| Total COMPUTERS | | 342,967 | 5.08 |

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

| By Industry (Primary) (continued) | | | Percentage of total net assets attributable to unitholders at 30 June 2017 % |
|---|-----------------------------|--|---|
| | Holdings at 30 June 2017 | Fair value at 30 June 2017 JPY'000 | |
| Quoted Equities (continued) | | | |
| DISTRIBUTION/WHOLESALE | | | |
| Mitsubishi Corporation | 31,600 | 74,450 | 1.10 |
| Mitsui & Company Limited | 55,000 | 88,303 | 1.31 |
| Toyota Tsusho Corporation | 11,300 | 38,024 | 0.56 |
| Total DISTRIBUTION/WHOLESALE | | 200,777 | 2.97 |
| DIVERSIFIED FINANCIAL SERVICES | | | |
| Daiwa Securities Group Incorporated | 103,000 | 68,577 | 1.01 |
| Nomura Holdings Incorporated | 95,000 | 63,973 | 0.95 |
| ORIX Corporation | 37,100 | 64,554 | 0.96 |
| Total DIVERSIFIED FINANCIAL SERVICES | | 197,104 | 2.92 |
| ELECTRIC | | | |
| Electric Power Development Company Limited | 28,300 | 78,617 | 1.16 |
| Total ELECTRIC | | 78,617 | 1.16 |
| ELECTRONICS | | | |
| Anritsu Corporation | 74,200 | 75,239 | 1.11 |
| Minebea Mitsumi Incorporated | 21,000 | 37,905 | 0.56 |
| Nippon Electric Glass Company Limited | 27,400 | 111,929 | 1.66 |
| Yokogawa Electric Corporation | 38,400 | 69,158 | 1.02 |
| Total ELECTRONICS | | 294,231 | 4.35 |
| ENGINEERING AND CONSTRUCTION | | | |
| JGC Corporation | 52,800 | 96,202 | 1.42 |
| Maeda Corporation | 52,000 | 64,376 | 0.95 |
| OSJB Holdings Corporation | 89,200 | 26,136 | 0.39 |
| Penta-Ocean Construction Company Limited | 182,900 | 116,873 | 1.73 |
| Taisei Corporation | 122,000 | 125,172 | 1.85 |
| Total ENGINEERING AND CONSTRUCTION | | 428,759 | 6.34 |
| ENVIRONMENTAL CONTROL | | | |
| Kurita Water Industries Limited | 15,000 | 45,900 | 0.68 |
| Total ENVIRONMENTAL CONTROL | | 45,900 | 0.68 |
| FOOD | | | |
| Ajinomoto Company Incorporated | 18,300 | 44,405 | 0.66 |
| Total FOOD | | 44,405 | 0.66 |
| FOREST PRODUCTS AND PAPER | | | |
| Sumitomo Forestry Company Limited | 26,500 | 46,799 | 0.69 |
| Total FOREST PRODUCTS AND PAPER | | 46,799 | 0.69 |
| GAS | | | |
| Tokyo Gas Company Limited | 90,000 | 52,587 | 0.78 |
| Total GAS | | 52,587 | 0.78 |
| HEALTHCARE-PRODUCTS | | | |
| Shimadzu Corporation | 24,300 | 51,953 | 0.77 |
| Total HEALTHCARE-PRODUCTS | | 51,953 | 0.77 |

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

| By Industry (Primary) (continued) | | | Percentage of total net assets attributable to unitholders at 30 June 2017 % |
|--|-----------------------------|--|---|
| | Holdings at 30 June 2017 | Fair value at 30 June 2017 JPY'000 | |
| Quoted Equities (continued) | | | |
| HOME BUILDERS | | | |
| Daiwa House Industry Company Limited | 31,500 | 120,897 | 1.79 |
| Total HOME BUILDERS | | 120,897 | 1.79 |
| HOME FURNISHINGS | | | |
| Panasonic Corporation | 56,400 | 85,954 | 1.27 |
| Pioneer Corporation | 96,300 | 21,667 | 0.32 |
| Sony Corporation | 60,700 | 260,160 | 3.85 |
| Total HOME FURNISHINGS | | 367,781 | 5.44 |
| INSURANCE | | | |
| Tokio Marine Holdings Incorporated | 21,000 | 97,671 | 1.45 |
| Total INSURANCE | | 97,671 | 1.45 |
| INTERNET | | | |
| Yahoo Japan Corporation | 177,200 | 86,651 | 1.28 |
| Total INTERNET | | 86,651 | 1.28 |
| IRON/STEEL | | | |
| Daido Steel Company Limited | 59,000 | 38,173 | 0.57 |
| Hitachi Metals Limited | 32,700 | 51,077 | 0.76 |
| Kobe Steel Limited | 54,700 | 63,124 | 0.93 |
| Nippon Steel & Sumitomo Metal Corporation | 26,200 | 66,496 | 0.98 |
| Total IRON/STEEL | | 218,870 | 3.24 |
| MACHINERY-CONSTRUCTION AND MINING | | | |
| Hitachi Limited | 135,000 | 93,069 | 1.38 |
| Mitsubishi Electric Corporation | 66,000 | 106,623 | 1.58 |
| Tadano Limited | 35,000 | 47,215 | 0.69 |
| Total MACHINERY-CONSTRUCTION AND MINING | | 246,907 | 3.65 |
| MACHINERY-DIVERSIFIED | | | |
| Ebara Corporation | 18,000 | 55,980 | 0.83 |
| Kubota Corporation | 62,300 | 117,591 | 1.74 |
| Mitsubishi Heavy Industries Limited | 229,000 | 105,294 | 1.56 |
| Nabtesco Corporation | 11,500 | 37,548 | 0.55 |
| Total MACHINERY-DIVERSIFIED | | 316,413 | 4.68 |
| MINING | | | |
| Furukawa Company Limited | 105,000 | 20,475 | 0.30 |
| Sumitomo Metal Mining Company Limited | 63,000 | 94,531 | 1.40 |
| Total MINING | | 115,006 | 1.70 |
| MISCELLANEOUS MANUFACTURE | | | |
| Fujifilm Holdings Corporation | 10,800 | 43,632 | 0.65 |
| Morita Holdings Corporation | 28,900 | 50,864 | 0.75 |
| Total MISCELLANEOUS MANUFACTURE | | 94,496 | 1.40 |

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

| By Industry (Primary) (continued) | Holdings at 30 June 2017 | Fair value at 30 June 2017 JPY'000 | Percentage of total net assets attributable to unitholders at 30 June 2017 % |
|---|-----------------------------|--|---|
| Quoted Equities (continued) | | | |
| PHARMACEUTICALS | | | |
| Kyowa Hakko Kirin Company Limited | 31,800 | 66,367 | 0.98 |
| Takeda Pharmaceutical Company Limited | 16,000 | 91,344 | 1.35 |
| Tsumura & Company | 9,900 | 45,144 | 0.67 |
| Total PHARMACEUTICALS | | 202,855 | 3.00 |
| REAL ESTATE | | | |
| Mitsui Fudosan Company Limited | 37,300 | 99,983 | 1.48 |
| Total REAL ESTATE | | 99,983 | 1.48 |
| RETAIL | | | |
| BIC Camera Incorporated | 37,500 | 44,700 | 0.66 |
| Isetan Mitsukoshi Holdings Limited | 40,100 | 45,153 | 0.67 |
| Lixil Viva Corporation | 10,500 | 21,284 | 0.32 |
| Matsumotokiyoshi Holdings Company Limited | 6,800 | 43,452 | 0.64 |
| Sac's Bar Holdings Incorporated | 32,800 | 41,361 | 0.61 |
| Total RETAIL | | 195,950 | 2.90 |
| TELECOMMUNICATIONS | | | |
| NTT Docomo Incorporated | 47,200 | 125,174 | 1.85 |
| Softbank Group Corporation | 19,800 | 180,120 | 2.67 |
| Total TELECOMMUNICATIONS | | 305,294 | 4.52 |
| TEXTILES | | | |
| Toyobo Company Limited | 373,000 | 76,838 | 1.14 |
| Total TEXTILES | | 76,838 | 1.14 |
| TOYS/GAMES/HOBBIES | | | |
| Nintendo Company Limited | 7,800 | 293,904 | 4.35 |
| Tomy Company Limited | 28,200 | 37,732 | 0.56 |
| Total TOYS/GAMES/HOBBIES | | 331,636 | 4.91 |
| TRANSPORTATION | | | |
| Keikyu Corporation | 32,000 | 43,296 | 0.64 |
| Mitsui OSK Lines Limited | 196,000 | 64,680 | 0.96 |
| Seibu Holdings Incorporated | 34,100 | 70,826 | 1.05 |
| Total TRANSPORTATION | | 178,802 | 2.65 |
| Total Quoted Equities | | 6,520,548 | 96.49 |
| Portfolio of investments | | 6,520,548 | 96.49 |
| Other net assets | | 237,395 | 3.51 |
| Net assets attributable to unitholders | | 6,757,943 | 100.00 |

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

| By Industry (Summary) | Fair value at 30 June 2017 JPY'000 | Percentage of total net assets attributable to unitholders at 30 June 2017 % | Percentage of total net assets attributable to unitholders at 31 December 2016 % |
|---|---|---|---|
| Apparel | - | - | 1.13 |
| Auto Manufacturers | 290,896 | 4.30 | 5.49 |
| Auto Parts & Equipment | 207,142 | 3.07 | 3.63 |
| Banks | 667,671 | 9.88 | 8.10 |
| Building Materials | 158,387 | 2.34 | 2.64 |
| Chemicals | 303,448 | 4.49 | 6.65 |
| Commercial Services | 52,855 | 0.78 | 0.99 |
| Computers | 342,967 | 5.08 | 1.82 |
| Distribution/Wholesale | 200,777 | 2.97 | 3.29 |
| Diversified Financial Services | 197,104 | 2.92 | 3.11 |
| Electric | 78,617 | 1.16 | 1.41 |
| Electronics | 294,231 | 4.35 | 3.66 |
| Engineering and Construction | 428,759 | 6.34 | 4.46 |
| Environmental Control | 45,900 | 0.68 | - |
| Food | 44,405 | 0.66 | 1.03 |
| Forest Products and Paper | 46,799 | 0.69 | 0.64 |
| Gas | 52,587 | 0.78 | 1.03 |
| Hand/Machine Tools | - | - | 0.58 |
| Healthcare-Products | 51,953 | 0.77 | 0.64 |
| Home Builders | 120,897 | 1.79 | 1.30 |
| Home Furnishings | 367,781 | 5.44 | 4.44 |
| Insurance | 97,671 | 1.45 | 0.99 |
| Internet | 86,651 | 1.28 | 0.78 |
| Iron/Steel | 218,870 | 3.24 | 4.44 |
| Machinery-Construction and Mining | 246,907 | 3.65 | 4.70 |
| Machinery-Diversified | 316,413 | 4.68 | 3.82 |
| Media | - | - | 0.82 |
| Mining | 115,006 | 1.70 | 2.86 |
| Miscellaneous Manufacturing | 94,496 | 1.40 | 1.79 |
| Pharmaceuticals | 202,855 | 3.00 | 3.33 |
| Real Estate | 99,983 | 1.48 | 1.81 |
| Retail | 195,950 | 2.90 | 1.67 |
| Telecommunications | 305,294 | 4.52 | 4.02 |
| Textiles | 76,838 | 1.14 | 0.95 |
| Toys/Games/Hobbies | 331,636 | 4.91 | 3.93 |
| Transportation | 178,802 | 2.65 | 2.97 |
| Portfolio of investments | 6,520,548 | 96.49 | 94.92 |
| Other net assets | 237,395 | 3.51 | 5.08 |
| Net assets attributable to unitholders | 6,757,943 | 100.00 | 100.00 |

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

NIKKO AM SHENTON JAPAN FUND

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

REPORT TO UNITHOLDERS

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

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 10 to 14.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

| 10 Largest holdings at 30 June 2017 | Fair value JPY'000 | Percentage of total net assets attributable to unitholders % |
|---|-----------------------|--|
| Nintendo Company Limited | 293,904 | 4.35 |
| Sony Corporation | 260,160 | 3.85 |
| Mitsubishi UFJ Financial Group Incorporated | 216,703 | 3.21 |
| Softbank Group Corporation | 180,121 | 2.67 |
| Toyota Motor Corporation | 156,164 | 2.31 |
| Sumitomo Mitsui Financial Group Incorporated | 151,075 | 2.24 |
| NTT Docomo Incorporated | 125,173 | 1.85 |
| Taisei Corporation | 125,172 | 1.85 |
| Daiwa House Industry Company Limited | 120,897 | 1.79 |
| Kubota Corporation | 117,591 | 1.74 |

| 10 Largest holdings at 30 June 2016 | Fair value JPY'000 | Percentage of total net assets attributable to unitholders % |
|---|-----------------------|--|
| Sony Corporation | 230,375 | 3.91 |
| Toyota Motor Corporation | 173,284 | 2.94 |
| NTT Docomo Incorporated | 166,267 | 2.83 |
| Nintendo Company Limited | 154,601 | 2.63 |
| Toray Industries Incorporated | 147,798 | 2.51 |
| Softbank Group Corporation | 127,358 | 2.16 |
| Taisei Corporation | 117,320 | 1.99 |
| Mitsubishi UFJ Financial Group Incorporated | 110,373 | 1.88 |
| Mitsubishi Heavy Industries Limited | 104,294 | 1.77 |
| Mitsubishi Electric Corporation | 99,056 | 1.68 |

NIKKO AM SHENTON JAPAN FUND

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

REPORT TO UNITHOLDERS

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

4. Exposure to financial derivatives

Nil.

5. Global exposure to financial derivatives

Nil.

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

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

Nil.

9. Borrowings

Nil.

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

| | JPY'000 |
|-----------------|-------------|
| Units created | 787,017 |
| Units cancelled | (1,264,270) |

11. Turnover ratio

| | | 30 June 2017 | 30 June 2016 |
|---|---------|------------------|--------------|
| Lower of total value of purchases or sales | JPY'000 | 1,408,562 | 960,258 |
| Average daily net asset value | JPY'000 | 6,771,197 | 6,673,896 |
| Total turnover ratio ^{Note} | % | 20.80 | 14.39 |

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

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 2017 to 30 June 2017 (unaudited)

12. Expense ratio

| | | 30 June 2017 | 30 June 2016 |
|--|---------|------------------|--------------|
| Total operating expenses | JPY'000 | 73,445 | 81,763 |
| Average daily net asset value | JPY'000 | 6,543,603 | 7,402,482 |
| Total expense ratio ^{Note} | % | 1.12 | 1.10 |

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

13. Related party transactions

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

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

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

| | 30 June 2017 JPY'000 | 31 December 2016 JPY'000 |
|--|-------------------------|-----------------------------|
| Bank balances held with related party of the Trustee | 262,064 | 262,928 |

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

Nil.

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

Company registration number 198202562H

ANNUAL REPORT

For the financial year ended 31 December 2016

**Nikko AM Shenton
Japan Fund**

MANAGERS

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

DIRECTORS

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

TRUSTEE

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Singapore 049319

AUDITORS

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REGISTRAR

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

CUSTODIAN

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

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

PERFORMANCE SUMMARY

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

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

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

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

Inception date: 31 December 1986

Note:

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

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

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

Portfolio Review

Fund returned 7.43% during the period under review

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

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

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

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

Market Review

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

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

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

Market Outlook

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

Portfolio Strategy

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

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

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

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

IMPORTANT INFORMATION

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

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

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

For Hong Kong Investors

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

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

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

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

Execution and allocation

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

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

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

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

The following are, however, prohibited:

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

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

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

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

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

The Managers and the Sub-Managers of the Fund will comply with applicable regulatory and industry standards on soft dollars.

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

NIKKO AM SHENTON JAPAN FUND

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

REPORT OF THE TRUSTEE

For the financial year ended 31 December 2016

The Trustee is under a duty to take into custody and hold the assets of Nikko AM Shenton Japan Fund (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 12 to 30, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

Authorised signatory

NIKKO AM SHENTON JAPAN FUND

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

STATEMENT BY THE MANAGER

For the financial year ended 31 December 2016

In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 12 to 30, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of Nikko AM Shenton Japan Fund (the "Fund") as at 31 December 2016, and the financial performance and movements in unitholders' funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

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

Authorised signatory

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

Our Opinion

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

What we have audited

The financial statements of the Fund comprise:

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

Basis for Opinion

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

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

Independence

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

Other Information

The Fund's Manager (the "Manager") is responsible for the other information. The other information comprises the relevant sections of the annual report included in pages 1 to 8 and 31 to 33, which we obtained prior to the date of this auditor's report, and excludes the financial statements and our auditor's report thereon.

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

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

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

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

Responsibilities of the Manager for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

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

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

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON JAPAN FUND

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

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

The accompanying notes form an integral part of these financial statements

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

| | Note | 2016 JPY'000 | 2015 JPY'000 |
|---|------|--------------------|-----------------|
| Net assets attributable to unitholders at the beginning of the financial year | | 7,896,046 | 8,055,850 |
| Operations | | | |
| Change in net assets attributable to unitholders resulting from operations | | 2,002 | 411,326 |
| Unitholders' contributions/(withdrawals) | | | |
| Creation of units | | 1,593,726 | 3,466,924 |
| Cancellation of units | | (2,812,252) | (4,038,054) |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | | (1,218,526) | (571,130) |
| Total decrease in net assets attributable to unitholders | | (1,216,524) | (159,804) |
| Net assets attributable to unitholders at the end of the financial year | 6 | 6,679,522 | 7,896,046 |

The accompanying notes form an integral part of these financial statements

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

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

The accompanying notes form an integral part of these financial statements

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

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

The accompanying notes form an integral part of these financial statements

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

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

The accompanying notes form an integral part of these financial statements

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

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

The accompanying notes form an integral part of these financial statements

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

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

The accompanying notes form an integral part of these financial statements

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

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

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

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

1. General

Nikko AM Shenton Japan Fund (the "Fund") is a Singapore domiciled fund constituted under a Trust Deed dated 3 December 1985, as amended by Supplemental Deeds and Amended and Restated Deeds (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Manager of the Sub-Fund is Nikko Asset Management Asia Limited (the "Manager").

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

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

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

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

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

2. Significant accounting policies

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

(a) Basis of preparation

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

(b) Recognition of income

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

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

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

(c) Investments

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

(i) *Initial recognition*

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

(ii) *Subsequent measurement*

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

(iii) *Derecognition*

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

(d) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for equities securities held by the Fund is the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask price spread that is most representative of fair value.

(e) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

(f) Foreign currency translation

(i) *Functional and presentation currency*

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

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

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

(f) Foreign currency translation (continued)

(ii) *Transactions and balances*

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

3. Income tax

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

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

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

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

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

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

NIKKO AM SHENTON JAPAN FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2016***4. Receivables**

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

5. Payables

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

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

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

6. Units in issue

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

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

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. Units in issue (continued)

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

7. Financial risk management

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

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

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

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

(a) Market risk - Price risk

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

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

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

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

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

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Financial risk management (continued)

(b) Market risk - Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates (fair value risk).

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

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

(c) Market risk - Currency risk

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

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

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

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

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Financial risk management (continued)

(c) Market risk - Currency risk (continued)

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

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

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

(d) Liquidity risk

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

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

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

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

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

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Financial risk management (continued)

(d) Liquidity risk (continued)

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

(e) Credit risk

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

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

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

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

Credit risk arises from cash and bank balances and fixed deposits. The table below summarises the credit rating of bank and custodian in which the Fund's assets are held as at 31 December 2016 and 31 December 2015.

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

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

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

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Financial risk management (continued)

(f) Capital management

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

(g) Fair value estimation

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

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

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

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

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

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

NIKKO AM SHENTON JAPAN FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. Related party transactions

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

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

9. Financial ratios

Expense ratio

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

Turnover ratio

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

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

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

NIKKO AM SHENTON JAPAN FUND

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

REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 15 to 20.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 Largest holdings at 31 December 2016

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

NIKKO AM SHENTON JAPAN FUND

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

REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

3. Top 10 holdings (continued)

10 Largest holdings at 31 December 2015

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

4. Exposure to financial derivatives

Nil.

5. Global exposure to financial derivatives

Nil.

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

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

Nil.

NIKKO AM SHENTON JAPAN FUND

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

REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

9. Borrowings

Nil.

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

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

11. Turnover ratio

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

12. Expense ratio

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

13. Related party transactions

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

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

Nil.

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Intentionally left blank.

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Company registration number 198202562H

SEMI-ANNUAL REPORT

For the financial period ending 30 June 2016

**Nikko AM Shenton
Japan Fund**

MANAGERS

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

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

PERFORMANCE SUMMARY

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

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

| Returns (%) | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Since Inception |
|--|--------------|--------------|-------------|-------------|-------------|--------------|------------------------|
| Benchmark ¹ | 1.26 | -10.43 | -8.90 | 4.13 | 4.83 | -2.91 | -1.58 |
| Nikko AM Shenton Japan Fund ² | -4.36 | -16.24 | -17.13 | 0.79 | 3.89 | -3.14 | 0.91 |

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

Inception date: 31 December 1986

Note:

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

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

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

Portfolio Review

Fund declined by 11.83% during the period under review

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

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

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

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

Market Review

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

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

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

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

Market Outlook

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

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

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

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

Portfolio Strategy

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

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

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

IMPORTANT INFORMATION

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

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

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

For Hong Kong Investors

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

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

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

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

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

Execution and allocation

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

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

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

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

The following are, however, prohibited:

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

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

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

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

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

The Managers and the Sub-Managers of the Fund will comply with applicable regulatory and industry standards on soft dollars.

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

NIKKO AM SHENTON JAPAN FUND

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

STATEMENT OF TOTAL RETURN

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

| | 30 June 2016 JPY'000 | 30 June 2015 JPY'000 |
|--|---------------------------------------|-------------------------|
| Income | | |
| Dividend | <u>75,231</u> | <u>77,442</u> |
| | <u>75,231</u> | <u>77,442</u> |
| Less: Expenses | | |
| Management fee | 32,702 | 41,346 |
| Registrar fee | 1,014 | 912 |
| Custody fee | 666 | 891 |
| Audit fee | 524 | 663 |
| Valuation fee | 624 | 598 |
| Transaction costs | 4,391 | 6,933 |
| Other expenses | 206 | 1,019 |
| | <u>40,127</u> | <u>52,362</u> |
| Net income | <u>35,104</u> | 25,080 |
| Net gains or losses on value of investments | | |
| Net (losses)/gains on investments | (1,621,173) | 1,057,569 |
| Net foreign exchange losses | (17,003) | (48) |
| | <u>(1,638,176)</u> | <u>1,057,521</u> |
| Total (deficit)/return for the financial period before income tax | (1,603,072) | 1,082,601 |
| Less: Income tax | (11,409) | (11,836) |
| Total (deficit)/return for the financial period after income tax | <u>(1,614,481)</u> | <u>1,070,765</u> |

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

| | 30 June 2016 | 31 December 2015 |
|--|---------------------|------------------|
| | JPY'000 | JPY'000 |
| ASSETS | | |
| Portfolio of investments | 5,626,073 | 7,569,444 |
| Sales awaiting settlement | - | 41,226 |
| Receivables | 46,513 | 52,148 |
| Cash and bank balances | 239,699 | 292,627 |
| Total assets | 5,912,285 | 7,955,445 |
| LIABILITIES | | |
| Payables | 23,044 | 31,877 |
| Purchases awaiting settlement | 4,643 | 27,522 |
| Total liabilities | 27,687 | 59,399 |
| EQUITY | | |
| Net assets attributable to unitholders | 5,884,598 | 7,896,046 |

NIKKO AM SHENTON JAPAN FUND

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

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

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

| | 30 June 2016 JPY'000 | 31 December 2015 JPY'000 |
|--|---------------------------------------|-----------------------------|
| Net assets attributable to unitholders at the beginning of the financial period/year | 7,896,046 | 8,055,850 |
| Operations | | |
| Change in net assets attributable to unitholders resulting from operations | (1,614,481) | 411,326 |
| Unitholders' contributions/(withdrawals) | | |
| Creation of units | 893,589 | 3,466,924 |
| Cancellation of units | (1,290,556) | (4,038,054) |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | (396,967) | (571,130) |
| Total decrease in net assets attributable to unitholders | (2,011,448) | (159,804) |
| Net assets attributable to unitholders at the end of the financial period/year | 5,884,598 | 7,896,046 |

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

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

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

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

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

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

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

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

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

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

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

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

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

NIKKO AM SHENTON JAPAN FUND

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

REPORT TO UNITHOLDERS

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

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 11 to 16.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 Largest holdings at 30 June 2016

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

NIKKO AM SHENTON JAPAN FUND

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

REPORT TO UNITHOLDERS

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

3. Top 10 holdings (continued)

| 10 Largest holdings at 30 June 2015 | Fair value JPY'000 | Percentage of total net assets attributable to unitholders % |
|---|-----------------------|--|
| Toyota Motor Corporation | 317,456 | 3.66 |
| Sony Corporation | 299,420 | 3.45 |
| Nintendo Company Limited | 229,264 | 2.64 |
| Toray Industries Incorporation | 194,674 | 2.24 |
| Sumitomo Mitsui Financial Group Incorporation | 186,698 | 2.15 |
| Mitsubishi Heavy Industries Limited | 183,941 | 2.12 |
| Mitsubishi UFJ Financial Group Incorporation | 173,848 | 2.00 |
| NTT Docomo Incorporation | 166,190 | 1.91 |
| Kubota Corporation | 165,027 | 1.90 |
| Nippon Steel & Sumitomo Metal Corporation | 161,239 | 1.86 |

4. Exposure to financial derivatives

Nil.

5. Global exposure to financial derivatives

Nil.

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

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

Nil.

9. Borrowings

Nil.

NIKKO AM SHENTON JAPAN FUND

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

REPORT TO UNITHOLDERS

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

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

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

11. Turnover ratio

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

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

12. Expense ratio

| | | 30 June 2016 | 30 June 2015 |
|--|---------|------------------|--------------|
| Total operating expenses | JPY'000 | 81,763 | 93,790 |
| Average daily net asset value | JPY'000 | 7,402,482 | 8,134,448 |
| Total expense ratio ^{Note} | % | 1.10 | 1.15 |

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

NIKKO AM SHENTON JAPAN FUND

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

REPORT TO UNITHOLDERS

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

13. Related party transactions

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

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

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

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

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

Nil.

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Company registration number 198202562H