

# SEMI-ANNUAL REPORT

For the financial period ending 30 June 2017

**Nikko AM Shenton  
Thrift Fund**

**MANAGERS**

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Company Registration No. 198202562H

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20 Collyer Quay, #01-01  
Singapore 049319

**CUSTODIAN**

BNP Paribas Securities Services, operating through its Singapore branch  
20 Collyer Quay, #01-01  
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This report is also available on our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg))

## PERFORMANCE SUMMARY

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| <b>Returns (%)</b>                        | <b>3 Mth</b> | <b>6 Mth</b> | <b>1 Yr</b> | <b>3 Yr</b> | <b>5 Yr</b> | <b>10 Yr</b> | <b>Since Inception</b> |
|---|--------------|--------------|-------------|-------------|-------------|--------------|------------------------|
| Straits Times Index (STI) <sup>2</sup>    | 2.40         | 12.87        | 14.45       | -0.04       | 2.47        | -0.87        | 2.73                   |
| Nikko AM Shenton Thrift Fund <sup>1</sup> | 2.32         | 12.70        | 18.89       | 4.37        | 7.40        | 1.21         | 6.16                   |

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.

| <b>Returns (%)</b>                        | <b>3 Mth</b> | <b>6 Mth</b> | <b>1 Yr</b> | <b>3 Yr</b> | <b>5 Yr</b> | <b>10 Yr</b> | <b>Since Inception</b> |
|---|--------------|--------------|-------------|-------------|-------------|--------------|------------------------|
| Straits Times Index (STI) <sup>2</sup>    | 2.40         | 12.87        | 14.45       | -0.04       | 2.47        | -0.87        | 2.73                   |
| Nikko AM Shenton Thrift Fund <sup>1</sup> | -2.80        | 7.07         | 12.95       | 2.60        | 6.30        | 0.70         | 5.98                   |

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 August 1987**

#### **Note:**

- (1) With effect from 17 October 2011, the Fund (formerly known as "Shenton Thrift Fund") has been renamed Nikko AM Shenton Thrift Fund.
- (2) Prior to 1 May 2017, the performance returns of the benchmark were calculated using price index methodology. With effect from 1 May 2017, the performance returns of the benchmark is calculated using net total return index methodology.

### **Portfolio Review**

#### ***Fund underperformed the benchmark in 1H 2017***

For the semi-annual period ended 30 June 2017, the Nikko AM Shenton Thrift Fund (the "Fund") gained 12.70% (SGD terms, on NAV-NAV basis), marginally underperforming the Straits Times Index (STI) which returned 12.87% over the same period.

The Fund's underweight stance on Thai Beverage, as well as the overweight positions in Singapore Exchange and Golden Agri-Resources were key detractors of relative performance. Conversely, the underweight position in Singapore Press Holdings and overweights to Haier Electronics and Shangri-La contributed largely to relative performance.

### **Market Review**

#### ***The Straits Times Index ended up in the first half of the year***

The Straits Times Index ended 1H 2017 up 12.00%, supported by stronger than expected first quarter earnings and data points which continue to print broadly positive. Politics largely drove market direction during the period. At the beginning of the year, Asian markets were lifted by expectations of higher infrastructure spend and lower taxes in the US as a result of Donald Trump's presidency. However, investors subsequently re-assessed their optimism about the new administration following the introduction of

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immigration and trade policies, legislation to repeal and replace Obamacare and possible ties between Trump's election campaign and Russia. In Europe, the market was initially concerned about the rise of anti-establishment leaders, but the defeat of Geert Wilders and his far-right Freedom Party in the Dutch elections, as well as the victory of Emmanuel Macron in the French presidential elections boosted market sentiment. However, sentiment was marginally offset by a rise in geopolitical tension on the Korean peninsula. In June, the surprising results of the UK general election had a minor impact on markets.

During the period, the US Federal Reserve (Fed) initiated two rate hikes of 25 basis points (bps) each in the months of March and June, both in line with expectations. Details of its balance sheet normalisation plan were also provided in June, with Fed Chairperson Janet Yellen saying that the process could start "relatively soon". Separately in June, European Central Bank (ECB) President Mario Draghi suggested that the ECB could be ready to reduce its bond-buying programme.

#### ***Growth in first quarter revised higher***

Singapore's first-quarter GDP growth was revised to 2.7% from an earlier estimate of 2.5%. A better-than-expected expansion in the manufacturing sector was the main driver of the upgrade. The Ministry of Trade and Industry maintained that full-year growth is likely to register between 1-3%, noting that the electronics and precision engineering, as well as transportation and storage sectors, will likely drive growth for the year.

#### ***Monetary Authority of Singapore (MAS) left its FX policy unchanged***

The MAS left its FX policy unchanged in April and maintained its cautious outlook. Ahead of the release, there were growing expectations of a more hawkish tone in light of improvement in global growth, which supported strength in the Singapore Dollar. The monetary authority maintained that "neutral policy stance is appropriate for an extended period", but noted that the global growth backdrop had "improved slightly" since the last policy meeting. On the domestic front, MAS declared labour market conditions to "have slackened since the last policy review", and signalled limited upside risks to inflation.

#### ***Economic activity broadly positive***

Non-oil domestic exports (NODX) expanded year-on-year (YoY) for most of 1H 2017, but contracted in the last two months weighed down by pharmaceutical shipments. Notably, Singapore's electronic exports expanded for seven straight months. Meanwhile, industrial production (IP) recorded consecutive YoY growth throughout the period. Headline CPI also registered steady YoY growth, but moderated month-on-month in April to 0.4% YoY from 0.7% in March.

#### **Market Outlook and Strategy**

##### ***More favourable outlook for Singapore in 2017***

We continue to see confirmations of a firmer economic environment for Singapore as data points remain broadly positive. As such, we continue to believe that the stage is set for a more favourable outlook for Singapore equities. Following two consecutive years of negative earnings growth in 2015 and 2016, expectations for 2017 start off on a very conservative note. Indeed, earnings estimates are seeing upward revisions for the first time since 2012.

Singapore equities valuations remain undemanding. On a price-to-book measure, they remain close to the crisis low of 2009. On a price-to-earnings basis, valuations are higher, but still attractive given firming earnings prospects. As earnings and returns improve for Singapore, we believe that some of the valuation discounts which had been ascribed to the market could begin dissipate.

Domestic policies remain supportive. A mildly expansionary 2017 Budget has earmarked SGD2.4bn to be spent on the seven growth strategies outlined by the Committee on the Future Economy. Past episodes of economic restructuring have coincided with important turning points for Singapore's economy and stock market. Monetary policy also remains supportive, with the MAS keeping its stance of zero appreciation of the SGD nominal effective exchange rate, adding that such a policy is needed for an "extended period".

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We believe that an environment of economic and earnings inflexion will bring about greater bifurcation in stock and sector returns, favouring a strategy of alpha selection. In our stock selection, we continue to focus on the following:

1. Sustainable growth franchises and quality companies which are able to compound earnings and dividend growth.
2. New Singapore sectors which are well placed to become leaders in the future economic landscape, particularly in logistics, healthcare, food, data, and technology.
3. Exporters which are leveraged to the external growth environment, including selected technology, industrial and consumer staple names.
4. Candidates for corporate restructuring, which we believe will gather pace in 2017.

The Fund remains positioned in selected overseas names, which are chosen from among our highest convictions in the Asia-Pacific ex-Japan universe. Currently, these include selected stocks listed in ASEAN, Hong Kong and Taiwan.

## IMPORTANT INFORMATION

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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**").

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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

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### Appointment of soft dollar brokers

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

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

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

### Execution and allocation

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

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

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

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

The following are, however, prohibited:

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

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

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

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

The Managers 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 THRIFT 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)*

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|  | <b>30 June 2017</b>    | 30 June 2016    |
|--|------------------------|-----------------|
|  | <b>S\$</b>             | S\$             |
| <b>Income</b>  |                        |                 |
| Dividends  | <b>1,129,818</b>       | 1,360,740       |
| Interest on cash and bank balances                             | <b>1</b>               | -               |
|  | <hr/> <b>1,129,819</b> | <hr/> 1,360,740 |
| <b>Less: Expenses</b>  |                        |                 |
| Management fee   | <b>304,802</b>         | 279,169         |
| Registrar fee  | <b>16,422</b>          | 19,628          |
| Custody fee  | <b>14,104</b>          | 11,830          |
| Audit fee  | <b>10,524</b>          | 9,909           |
| Valuation fee  | <b>8,128</b>           | 7,445           |
| Transaction costs  | <b>165,924</b>         | 265,010         |
| Other expenses   | <b>21,968</b>          | 10,552          |
|  | <hr/> <b>541,872</b>   | <hr/> 603,543   |
| <b>Net income</b>  | <hr/> <b>587,947</b>   | <hr/> 757,197   |
| <b>Net gains or losses on value of investments</b>             |                        |                 |
| Net gains/(losses) on investments                              | <b>9,033,838</b>       | (105,284)       |
| Net foreign exchange losses                                    | <b>(33,035)</b>        | (131,352)       |
|  | <hr/> <b>9,000,803</b> | <hr/> (236,636) |
| <b>Total return for the financial period before income tax</b> | <b>9,588,750</b>       | 520,561         |
| <b>Less: Income tax</b>  | <b>(15,143)</b>        | (32,661)        |
| <b>Total return for the financial period after income tax</b>  | <hr/> <b>9,573,607</b> | <hr/> 487,900   |

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**NIKKO AM SHENTON THRIFT FUND**

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

**STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2017 (unaudited)*

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|  | <b>30 June 2017</b> | 31 December 2016 |
|--|---------------------|------------------|
|  | <b>S\$</b>          | S\$              |
| <b>ASSETS</b>                          |                     |                  |
| Portfolio of investments               | <b>81,102,565</b>   | 72,217,765       |
| Receivables                            | <b>46,011</b>       | 116,459          |
| Cash and bank balances                 | <b>2,491,484</b>    | 2,941,519        |
| <b>Total assets</b>                    | <b>83,640,060</b>   | 75,275,743       |
| <b>LIABILITIES</b>                     |                     |                  |
| Payables                               | <b>385,345</b>      | 349,575          |
| Purchases awaiting settlement          | -                   | 256,141          |
| <b>Total liabilities</b>               | <b>385,345</b>      | 605,716          |
| <b>EQUITY</b>                          |                     |                  |
| Net assets attributable to unitholders | <b>83,254,715</b>   | 74,670,027       |

**NIKKO AM SHENTON THRIFT FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial period from 01 January 2017 to 30 June 2017 (unaudited)*

|  | 30 June 2017       | 31 December 2016 |
|--|--------------------|------------------|
|  | S\$                | S\$              |
| <b>Net assets attributable to unitholders at the beginning of the financial period/year</b>            | <b>74,670,027</b>  | 77,581,922       |
| <b>Operations</b>  |                    |                  |
| Change in net assets attributable to unitholders resulting from operations                             | <b>9,573,607</b>   | 4,553,726        |
| <b>Unitholders' contributions/(withdrawals)</b>  |                    |                  |
| Creation of units  | <b>6,722,571</b>   | 1,119,991        |
| Cancellation of units  | <b>(7,711,490)</b> | (8,585,612)      |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | <b>(988,919)</b>   | (7,465,621)      |
| Total increase/(decrease) in net assets attributable to unitholders                                    | <b>8,584,688</b>   | (2,911,895)      |
| <b>Net assets attributable to unitholders at the end of the financial period/year</b>                  | <b>83,254,715</b>  | 74,670,027       |

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

|  | Holdings at<br>30 June 2017 | Fair value at<br>30 June 2017<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>30 June 2017<br>% |
|--|-----------------------------|--------------------------------------|---|
| <b>Quoted Equities</b>                             |                             |                                      |   |
| <b>BERMUDA ISLANDS</b>                             |                             |                                      |   |
| Dairy Farm International Holdings Limited          | 78,200                      | 848,455                              | 1.01  |
| Haier Electronics Group Company Limited            | 530,000                     | 1,897,641                            | 2.28  |
| Hongkong Land Holdings Limited                     | 495,400                     | 5,020,301                            | 6.03  |
| Jardine Matheson Holdings Limited                  | 17,600                      | 1,555,764                            | 1.87  |
| Luk Fook Holdings International Limited            | 203,000                     | 955,982                              | 1.15  |
| Shangri-La Asia Limited                            | 694,000                     | 1,620,652                            | 1.95  |
| Valuetronics Holdings Limited                      | 2,292,760                   | 1,822,744                            | 2.19  |
| <b>Total BERMUDA ISLANDS</b>                       |                             | <b>13,721,539</b>                    | <b>16.48</b>  |
| <b>INDONESIA</b>                                   |                             |                                      |   |
| Adhi Karya Persero TBK PT                          | 7,584,600                   | 1,684,684                            | 2.02  |
| Indonesia Pondasi Raya TBK PT                      | 8,500,000                   | 1,185,496                            | 1.42  |
| Prodia Widyahusada TBK PT                          | 850,400                     | 344,395                              | 0.42  |
| <b>Total INDONESIA</b>                             |                             | <b>3,214,575</b>                     | <b>3.86</b>   |
| <b>ISLE OF MAN</b>                                 |                             |                                      |   |
| Genting Singapore Public Listed Company            | 2,233,200                   | 2,423,022                            | 2.91  |
| <b>Total ISLE OF MAN</b>                           |                             | <b>2,423,022</b>                     | <b>2.91</b>   |
| <b>SINGAPORE</b>                                   |                             |                                      |   |
| CapitalLand Limited                                | 759,700                     | 2,658,950                            | 3.19  |
| City Developments Limited                          | 76,400                      | 819,772                              | 0.99  |
| DBS Group Holdings Limited                         | 424,821                     | 8,810,788                            | 10.58   |
| First Resources Limited                            | 1,253,000                   | 2,374,435                            | 2.85  |
| Global Logistic Properties Limited                 | 325,200                     | 930,072                              | 1.12  |
| Health Management International Limited            | 4,493,500                   | 3,033,112                            | 3.64  |
| Jardine Cycle & Carriage Limited                   | 60,200                      | 2,669,870                            | 3.21  |
| Keppel Corporation Limited                         | 697,900                     | 4,389,791                            | 5.27  |
| Keppel Telecommunications & Transportation Limited | 1,314,900                   | 2,281,352                            | 2.74  |
| KSH Holdings Limited                               | 986,000                     | 892,330                              | 1.07  |
| Memtech International Limited                      | 1,486,100                   | 1,330,060                            | 1.60  |
| Oversea-Chinese Banking Corporation Limited        | 485,944                     | 5,243,336                            | 6.30  |
| SATS Limited                                       | 132,300                     | 676,053                              | 0.81  |
| Sembcorp Industries Limited                        | 514,200                     | 1,583,736                            | 1.90  |
| Singapore Exchange Limited                         | 112,400                     | 825,016                              | 0.99  |
| Singapore Telecommunications Limited               | 828,100                     | 3,221,309                            | 3.87  |
| Sunningdale Tech Limited                           | 1,185,200                   | 2,062,248                            | 2.48  |
| United Engineers Limited                           | 147,600                     | 404,424                              | 0.49  |
| UOL Group Limited                                  | 176,100                     | 1,345,404                            | 1.62  |
| Venture Corporation Limited                        | 228,800                     | 2,757,040                            | 3.31  |
| Wheelock Properties Singapore Limited              | 948,800                     | 1,779,000                            | 2.14  |
| Wilmar International Limited                       | 1,154,100                   | 3,866,235                            | 4.64  |
| Wing Tai Holdings Limited                          | 854,400                     | 1,700,256                            | 2.04  |
| Yoma Strategic Holdings Limited                    | 2,061,500                   | 1,205,978                            | 1.45  |
| <b>Total SINGAPORE</b>                             |                             | <b>56,860,567</b>                    | <b>68.30</b>  |

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

|  | Holdings at<br>30 June 2017 | Fair value at<br>30 June 2017<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>30 June 2017<br>% |
|--|-----------------------------|--------------------------------------|---|
| <b>Quoted Equities (continued)</b>                                   |                             |                                      |   |
| <b>TAIWAN</b>  |                             |                                      |   |
| HU Lane Associate Incorporated                                       | 97,000                      | 774,913                              | 0.93  |
| Inventec Corporation   | 887,000                     | 995,662                              | 1.20  |
| <b>Total TAIWAN</b>  |                             | <u>1,770,575</u>                     | <u>2.13</u>   |
| <b>THAILAND</b>  |                             |                                      |   |
| Precious Shipping Public Company Limited                             | 1,540,500                   | 649,375                              | 0.77  |
| <b>Total THAILAND</b>  |                             | <u>649,375</u>                       | <u>0.77</u>   |
| <b>Total Quoted Equities</b>   |                             | <u>78,639,653</u>                    | <u>94.45</u>  |
| <b>Quoted Real Estate Investment Trusts</b>                          |                             |                                      |   |
| <b>SINGAPORE</b>   |                             |                                      |   |
| Cache Logistics Trust  | 1,870,200                   | 1,711,233                            | 2.06  |
| Keppel DC REIT   | 281,204                     | 362,753                              | 0.43  |
| Sabana Shari'ah Compliant Industrial Real Estate<br>Investment Trust | 836,400                     | 388,926                              | 0.47  |
| <b>Total SINGAPORE</b>   |                             | <u>2,462,912</u>                     | <u>2.96</u>   |
| <b>Total Quoted Real Estate Investment Trusts</b>                    |                             | <u>2,462,912</u>                     | <u>2.96</u>   |
| <b>Portfolio of investments</b>                                      |                             | 81,102,565                           | 97.41   |
| <b>Other net assets</b>  |                             | <u>2,152,150</u>                     | <u>2.59</u>   |
| <b>Net assets attributable to unitholders</b>                        |                             | <u>83,254,715</u>                    | <u>100.00</u>   |

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

|   | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>30 June 2017<br/>%</b> | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>31 December 2016<br/>%</b> |
|---|---|---|
| <b>Quoted Equities</b>                            |   |   |
| Bermuda Islands                                   | <b>16.48</b>  | 9.77  |
| Cayman Islands                                    | -   | 1.65  |
| Hong Kong SAR                                     | -   | 2.29  |
| Indonesia   | <b>3.86</b>   | 5.27  |
| Isle of Man                                       | <b>2.91</b>   | 2.48  |
| Mauritius   | -   | 3.22  |
| Singapore   | <b>68.30</b>  | 64.37   |
| South Korea                                       | -   | 1.24  |
| Taiwan  | <b>2.13</b>   | -   |
| Thailand  | <b>0.77</b>   | 4.21  |
| <b>Total Quoted Equities</b>                      | <b>94.45</b>  | 94.50   |
| <b>Quoted Real Estate Investment Trusts</b>       |   |   |
| Singapore   | <b>2.96</b>   | 2.22  |
| <b>Total Quoted Real Estate Investment Trusts</b> | <b>2.96</b>   | 2.22  |
| <b>Portfolio of investments</b>                   | <b>97.41</b>  | 96.72   |
| <b>Other net assets</b>                           | <b>2.59</b>   | 3.28  |
| <b>Net assets attributable to unitholders</b>     | <b>100.00</b>   | 100.00  |

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

|   | Fair value at<br>30 June 2017<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>30 June 2017<br>% | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>31 December 2016<br>% |
|---|--------------------------------------|---|---|
| Agriculture                                   | 2,374,435                            | 2.85  | 5.81  |
| Banks   | 14,054,124                           | 16.88   | 15.36   |
| Beverages                                     | -                                    | -   | 1.20  |
| Chemicals                                     | -                                    | -   | 1.24  |
| Commercial Services                           | -                                    | -   | 3.30  |
| Computers                                     | 995,662                              | 1.20  | -   |
| Distribution/Wholesale                        | 2,669,870                            | 3.21  | 0.75  |
| Diversified Financial Services                | 825,016                              | 0.99  | 2.38  |
| Electronics                                   | 5,759,121                            | 6.92  | 8.19  |
| Engineering and Construction                  | 3,546,233                            | 4.26  | 7.35  |
| Entertainment                                 | 2,423,022                            | 2.91  | 2.48  |
| Food  | 4,714,690                            | 5.66  | 4.95  |
| Healthcare-Services                           | 3,377,507                            | 4.06  | 3.03  |
| Holding Companies-Diversified                 | 5,945,555                            | 7.14  | 6.64  |
| Home Furnishings                              | 1,897,641                            | 2.28  | -   |
| Lodging                                       | 2,440,424                            | 2.93  | -   |
| Miscellaneous Manufacture                     | 3,392,308                            | 4.07  | -   |
| Office/Business Equipment                     | -                                    | -   | 1.56  |
| Oil and Gas                                   | -                                    | -   | 1.79  |
| Pharmaceuticals                               | -                                    | -   | 2.29  |
| Real Estate                                   | 15,532,291                           | 18.66   | 12.91   |
| Real Estate Investment Trusts (REITS)         | 2,462,912                            | 2.96  | 2.22  |
| Retail  | 955,982                              | 1.15  | 1.55  |
| Shipbuilding                                  | 1,583,736                            | 1.90  | -   |
| Telecommunications                            | 3,221,309                            | 3.87  | 7.40  |
| Transportation                                | 2,930,727                            | 3.51  | 4.32  |
| <b>Portfolio of investments</b>               | <b>81,102,565</b>                    | <b>97.41</b>  | <b>96.72</b>  |
| <b>Other net assets</b>                       | <b>2,152,150</b>                     | <b>2.59</b>   | <b>3.28</b>   |
| <b>Net assets attributable to unitholders</b> | <b>83,254,715</b>                    | <b>100.00</b>   | <b>100.00</b>   |

## NIKKO AM SHENTON THRIFT 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)

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The following contains additional information relating to the Fund.

#### 1. Distribution of investments

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

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 30 June 2017

|  | Fair value<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders<br>% |
|--|-------------------|--|
| DBS Group Holdings Limited                     | 8,810,788         | 10.58  |
| Oversea-Chinese Banking Corporation<br>Limited | 5,243,336         | 6.30   |
| Hongkong Land Holdings Limited                 | 5,020,301         | 6.03   |
| Keppel Corporation Limited                     | 4,389,791         | 5.27   |
| Wilmar International Limited                   | 3,866,235         | 4.64   |
| Singapore Telecommunications Limited           | 3,221,309         | 3.87   |
| Health Management International Limited        | 3,033,112         | 3.64   |
| Venture Corporation Limited                    | 2,757,040         | 3.31   |
| Jardine Cycle & Carriage Limited               | 2,669,870         | 3.21   |
| CapitaLand Limited                             | 2,658,950         | 3.19   |

##### 10 Largest holdings at 30 June 2016

|   | Fair value<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders<br>% |
|---|-------------------|--|
| Singapore Telecommunications Limited                  | 7,636,370         | 10.12  |
| DBS Group Holdings Limited                            | 5,719,635         | 7.58   |
| Oversea-Chinese Banking Corporation Limited           | 4,203,735         | 5.57   |
| Wilmar International Limited                          | 3,680,540         | 4.88   |
| Singapore Exchange Limited                            | 3,238,500         | 4.29   |
| Keppel Corporation Limited                            | 3,055,250         | 4.05   |
| M1 Limited/Singapore                                  | 2,266,173         | 3.00   |
| Keppel Telecommunications & Transportation<br>Limited | 2,258,256         | 2.99   |
| United Engineers Limited                              | 2,141,382         | 2.84   |
| Valuetronics Holdings Limited                         | 2,060,000         | 2.73   |

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## NIKKO AM SHENTON THRIFT 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)

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#### 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

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

#### 9. Borrowings

Nil.

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

|                 |             |
|-----------------|-------------|
|                 | <b>S\$</b>  |
| Units created   | 6,722,571   |
| Units cancelled | (7,711,490) |

#### 11. Turnover ratio

|   |     | <b>30 June 2017</b> | 30 June 2016 |
|---|-----|---------------------|--------------|
| Lower of total value of purchases or sales  | S\$ | <b>36,831,756</b>   | 45,763,234   |
| Average daily net asset value               | S\$ | <b>81,972,259</b>   | 74,668,936   |
| <b>Total turnover ratio</b> <sup>Note</sup> | %   | <b>44.93</b>        | 61.29        |

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 THRIFT 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)

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#### 12. Expense ratio

|  |     | 30 June 2017      | 30 June 2016 |
|--|-----|-------------------|--------------|
| Total operating expenses                   | S\$ | <b>746,902</b>    | 697,820      |
| Average daily net asset value              | S\$ | <b>78,979,094</b> | 77,422,360   |
| <b>Total expense ratio</b> <sup>Note</sup> | %   | <b>0.95</b>       | 0.90         |

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. Trustee fee is payable out of management fees by Nikko Asset Management Asia Limited to BNP Paribas Trust Services Singapore Limited. Registrar fee is payable to BNP Paribas Trust Services Singapore Limited. Custody fee and valuation fee are payable to 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     | 31 December 2016 |
|--|------------------|------------------|
|  | S\$              | S\$              |
| Bank balances held with related party of the Trustee | <b>2,491,484</b> | 2,941,519        |

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

Nil.

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Intermediaries Hotline: 1800 535 8025 / 65 6535 8025  
Website: [www.nikkoam.com.sg](http://www.nikkoam.com.sg)

Company registration number 198202562H

# ANNUAL REPORT

For the financial year ended 31 December 2016

**Nikko AM Shenton  
Thrift Fund**

**MANAGERS**

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

**DIRECTORS**

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

**TRUSTEE**

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

**AUDITORS**

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

**REGISTRAR**

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

**CUSTODIAN**

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

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

## PERFORMANCE SUMMARY

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| <b>Returns (%)</b>                        | <b>3 Mth</b> | <b>6 Mth</b> | <b>1 Yr</b> | <b>3 Yr</b> | <b>5 Yr</b> | <b>10 Yr</b> | <b>Since Inception</b> |
|---|--------------|--------------|-------------|-------------|-------------|--------------|------------------------|
| Straits Times Index (STI)                 | 0.39         | 1.40         | -0.07       | -3.11       | 1.71        | -0.36        | 2.36                   |
| Nikko AM Shenton Thrift Fund <sup>1</sup> | 1.03         | 5.49         | 6.12        | 1.38        | 7.39        | 2.02         | 5.83                   |

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.

| <b>Returns (%)</b>                        | <b>3 Mth</b> | <b>6 Mth</b> | <b>1 Yr</b> | <b>3 Yr</b> | <b>5 Yr</b> | <b>10 Yr</b> | <b>Since Inception</b> |
|---|--------------|--------------|-------------|-------------|-------------|--------------|------------------------|
| Straits Times Index (STI)                 | 0.39         | 1.40         | -0.07       | -3.11       | 1.71        | -0.36        | 2.36                   |
| Nikko AM Shenton Thrift Fund <sup>1</sup> | -4.02        | 0.22         | 0.81        | -0.34       | 6.30        | 1.50         | 5.65                   |

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

### **Inception date: 31 August 1987**

#### **Note:**

(1) With effect from 17 October 2011, the Fund (formerly known as "Shenton Thrift Fund") has been renamed Nikko AM Shenton Thrift Fund.

### **Portfolio Review**

#### ***Fund outperformed the benchmark in 2016***

For the year ended 31 December 2016, the Nikko AM Shenton Thrift Fund (the "Fund") gained 6.12% (SGD terms, on NAV-NAV basis), outperforming the Straits Times Index (STI) which retreated by 0.07% over the same period.

The Fund's overweight positions in United Engineers, Keppel Telecommunications & Transportation and Jumbo Group added most to relative performance. Conversely, the overweight stance in First Resources and Hana Tour detracted from relative performance.

### **Market Review**

#### ***Singapore equities edged lower in 2016***

The Straits Times Index ended the year lower by 0.07%. 2016 opened on a muted note, driven by uncertainty surrounding Chinese markets, concerns over further unconventional monetary policies after the Bank of Japan adopted negative interest rates, and an upsized quantitative easing (QE) programme in Europe. Volatility picked up in June, as the US Federal Reserve (Fed) scaled back projections for an interest rate hike, while the UK voted to leave the European Union. Although the knee-jerk reaction to the BREXIT vote was a sell-off in risk assets, sentiment quickly changed, driven by expectations of further global monetary and fiscal easing. Following Donald Trump's victory in the November US elections, signs of strength in the US economy and a deal by OPEC to curb output buoyed sentiment. However, gains were reversed in December after the European Central Bank announced it would slow the pace of asset purchases and the US Federal Reserve raised interest rates by 25 basis points (bps).

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### ***Weak economic activity and inflationary pressures persisted for the most part of the year***

Economic activity in Singapore was weak for the most part of 2016. The services sector registered three quarters of quarter-on-quarter contraction, before turning around in the last three months of the year. Subdued manufacturing activity similarly affected overall growth. Meanwhile, headline CPI lingered in negative territory in the first 10 months of 2016, pressured by housing and transport inflation. In November, the consumer price index came in flat, bucking the deflationary trend of the past two years. Consumer prices further rose 0.2% year-on-year (YoY) in December.

### ***Budget 2016 shifted towards more fiscal prudence***

The Finance Ministry projected an overall fiscal surplus of 0.8% of GDP (SGD 3.4bn) for Fiscal Year (FY) 2016, from a 1.2% deficit in FY2015. The basic balance deficit was budgeted to narrow slightly, with the government introducing relatively targeted measures to support households and firms. Total expenditures were estimated to rise by 7.3% YoY in FY2016, on the back of a double digit increase in operating spending, which offsets a projected decline in development spending. Meanwhile, revenues will increase by 6.7% YoY, due largely to contributions from statutory boards, personal income taxes and motor vehicle taxes.

### ***Monetary Authority of Singapore (MAS) eased its currency policy***

In April, the MAS eased its currency policy, removing the appreciation bias for the SGD NEER, but keeping the width of the policy band and the level at which it is centered, unchanged. The central bank expects the economy to expand at a more modest pace this year and sees a milder pickup in core inflation. Weak consumer sentiment and a reduction in labour market tightness were other reasons highlighted for the move.

## **Market Outlook and Strategy**

### ***Attractive opportunities in 2017***

At the end of 2016, we had flagged in our outlook for Singapore that a buying opportunity could emerge in 2017, driven by a reset of earnings expectations and low valuations. Since then, we saw a better-than-expected print for Singapore's 4Q16 GDP and indications of a firmer economic environment. These include a return of positive inflation, stronger exports, and higher container port throughput. Globally, economic markers such as US and Euro area PMI indicators also point to stronger economic activity. These data points set the stage, in our opinion, for a more favorable outlook for Singapore equities.

Given the firmer economic environment, we now think that a bottom is likely to have been found for Singapore corporate earnings. Following two consecutive years of negative earnings growth in 2015 and 2016, expectations for 2017 start off on a very conservative note. We believe that these expectations are more likely to be met, marking an inflexion point in earnings prospects. The improvement in exports lend credence to our belief, given its historical correlation with market earnings.

Singapore equities valuations remain undemanding. On a price-to-book measure, they remain close to the crisis low of 2009. On a price-to-earnings basis, valuations appear closer to historical averages. However, we would still consider this to be attractive, given firming earnings prospects. As earnings and returns improve for Singapore, our belief is that some of the valuations discount which has been ascribed to the market should begin to dissipate.

The 2017 Budget was mildly expansionary in our opinion, with both short and longer-term measures to support growth. Importantly, the Budget earmarked S\$2.4b which will be spent over the next four years on the seven growth strategies outlined by the Committee on the Future Economy. Specific implementation strategies for individual sectors have begun to be communicated, for example in the finance and venture capital industries. More details should be announced in the coming months. We note that past episodes of economic restructuring has coincided with important turning points for Singapore's economy and stock market.

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We believe that an environment of economic and earnings inflexion will bring about greater bifurcation in stock and sector returns, favoring a strategy of alpha selection. In our stock selection, we continue to focus on the following:

1. Sustainable growth franchises and quality companies which are able to compound earnings and dividend growth.
2. New Singapore sectors which are well placed to become leaders in the future economic landscape, particularly in logistics, healthcare, food, data, and technology.
3. Exporters which are leveraged to the external growth environment, including selected technology, industrial and consumer staple names.
4. Candidates for corporate restructuring, which we believe will gather pace in 2017 given continued challenges and low stock valuations in selected industries.

In addition, the Fund remains positioned in selected overseas names, which are chosen from among our highest convictions in the Asia-Pacific ex-Japan universe. Currently, these include selected stocks listed in ASEAN and North Asia.

## IMPORTANT INFORMATION

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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](http://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

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### Appointment of soft dollar brokers

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

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

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

### Execution and allocation

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

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

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

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

The following are, however, prohibited:

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

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

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

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

The Managers 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 THRIFT FUND**

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

**REPORT OF THE TRUSTEE**

*For the financial year ended 31 December 2016*

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The Trustee is under a duty to take into custody and hold the assets of Nikko AM Shenton Thrift 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

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Authorised signatory

**NIKKO AM SHENTON THRIFT FUND**

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

**STATEMENT BY THE MANAGER**

*For the financial year ended 31 December 2016*

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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 Thrift 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 THRIFT 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 Thrift 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 THRIFT 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 THRIFT 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 THRIFT 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<br>S\$      | 2015<br>S\$        |
|--|------|------------------|--------------------|
| <b>Income</b>  |      |                  |                    |
| Dividends  |      | 2,486,761        | 2,998,361          |
|  |      | <u>2,486,761</u> | <u>2,998,361</u>   |
| <b>Less: Expenses</b>  |      |                  |                    |
| Management fee   |      | 566,847          | 649,030            |
| Registrar fee  |      | 35,836           | 27,333             |
| Custody fee  |      | 25,662           | 26,970             |
| Audit fee  |      | 19,234           | 18,654             |
| Valuation fee  |      | 15,116           | 17,308             |
| Transaction costs  |      | 591,240          | 418,772            |
| Other expenses   |      | 46,792           | 29,566             |
|  |      | <u>1,300,727</u> | <u>1,187,633</u>   |
| <b>Net income</b>  |      | <u>1,186,034</u> | <u>1,810,728</u>   |
| <b>Net gains or losses on value of investments and financial derivatives</b> |      |                  |                    |
| Net gains/(losses) on investments  |      | 3,662,829        | (7,694,201)        |
| Net foreign exchange losses  |      | (247,814)        | (101,094)          |
|  |      | <u>3,415,015</u> | <u>(7,795,295)</u> |
| <b>Total return/(deficit) for the financial year before income tax</b>       |      | <u>4,601,049</u> | <u>(5,984,567)</u> |
| <b>Less: Income tax</b>  | 3    | <u>(47,323)</u>  | <u>(18,060)</u>    |
| <b>Total return/(deficit) for the financial year after income tax</b>        |      | <u>4,553,726</u> | <u>(6,002,627)</u> |

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

**NIKKO AM SHENTON THRIFT FUND**

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

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2016

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|  | Note | 2016<br>S\$       | 2015<br>S\$       |
|--|------|-------------------|-------------------|
| <b>ASSETS</b>                          |      |                   |                   |
| Portfolio of investments               |      | 72,217,765        | 75,466,489        |
| Receivables                            | 4    | 116,459           | 188,596           |
| Cash and bank balances                 | 8    | 2,941,519         | 2,246,577         |
| <b>Total assets</b>                    |      | <b>75,275,743</b> | <b>77,901,662</b> |
| <b>LIABILITIES</b>                     |      |                   |                   |
| Payables                               | 5    | 349,575           | 319,740           |
| Purchases awaiting settlement          |      | 256,141           | -                 |
| <b>Total liabilities</b>               |      | <b>605,716</b>    | <b>319,740</b>    |
| <b>EQUITY</b>                          |      |                   |                   |
| Net assets attributable to unitholders | 6    | 74,670,027        | 77,581,922        |

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



**NIKKO AM SHENTON THRIFT 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

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|  | Note | 2016<br>S\$        | 2015<br>S\$  |
|--|------|--------------------|--------------|
| <b>Net assets attributable to unitholders at the beginning of the financial year</b>                   |      | <b>77,581,922</b>  | 95,215,207   |
| <b>Operations</b>  |      |                    |              |
| Change in net assets attributable to unitholders resulting from operations                             |      | <b>4,553,726</b>   | (6,002,627)  |
| <b>Unitholders' contributions/(withdrawals)</b>  |      |                    |              |
| Creation of units  |      | <b>1,119,991</b>   | 1,426,401    |
| Cancellation of units  |      | <b>(8,585,612)</b> | (13,057,059) |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units |      | <b>(7,465,621)</b> | (11,630,658) |
| Total decrease in net assets attributable to unitholders   |      | <b>(2,911,895)</b> | (17,633,285) |
| <b>Net assets attributable to unitholders at the end of the financial year</b>                         | 6    | <b>74,670,027</b>  | 77,581,922   |

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

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

|   | Holdings at<br>31 December<br>2016 | Fair value at<br>31 December<br>2016<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>31 December<br>2016<br>% |
|---|------------------------------------|---|--|
| <b>Quoted Equities</b>                                      |                                    |   |  |
| <b>BERMUDA ISLANDS</b>                                      |                                    |   |  |
| Hongkong Land Holdings Limited                              | 418,600                            | 3,828,083                                   | 5.13   |
| Jardine Matheson Holdings Limited                           | 15,300                             | 1,221,243                                   | 1.63   |
| Valuetronics Holdings Limited                               | 4,324,000                          | 2,248,480                                   | 3.01   |
| <b>Total BERMUDA ISLANDS</b>                                |                                    | <b>7,297,806</b>                            | <b>9.77</b>  |
| <b>CAYMAN ISLAND</b>  |                                    |   |  |
| China State Construction International Holdings Limited     | 570,000                            | 1,232,061                                   | 1.65   |
| <b>Total CAYMAN ISLAND</b>                                  |                                    | <b>1,232,061</b>                            | <b>1.65</b>  |
| <b>HONG KONG SAR</b>  |                                    |   |  |
| China Traditional Chinese Medicine Holdings Company Limited | 2,560,000                          | 1,712,513                                   | 2.29   |
| <b>Total HONG KONG SAR</b>                                  |                                    | <b>1,712,513</b>                            | <b>2.29</b>  |
| <b>INDONESIA</b>  |                                    |   |  |
| Adhi Karya Persero TBK PT                                   | 6,825,500                          | 1,522,397                                   | 2.04   |
| Indonesia Pondasi Raya TBK PT                               | 8,500,000                          | 1,020,862                                   | 1.37   |
| Prodia Widyahusada TBK PT                                   | 850,400                            | 528,910                                     | 0.71   |
| Puradelta Lestari TBK PT                                    | 35,000,500                         | 863,242                                     | 1.15   |
| <b>Total INDONESIA</b>                                      |                                    | <b>3,935,411</b>                            | <b>5.27</b>  |
| <b>ISLE OF MAN</b>  |                                    |   |  |
| Genting Singapore Public Listed Company                     | 2,043,200                          | 1,849,096                                   | 2.48   |
| <b>Total ISLE OF MAN</b>                                    |                                    | <b>1,849,096</b>                            | <b>2.48</b>  |
| <b>MAURITIUS</b>  |                                    |   |  |
| Golden Agri-Resources Limited                               | 5,595,500                          | 2,406,065                                   | 3.22   |
| <b>Total MAURITIUS</b>                                      |                                    | <b>2,406,065</b>                            | <b>3.22</b>  |
| <b>SINGAPORE</b>  |                                    |   |  |
| Capitaland Limited  | 610,000                            | 1,842,200                                   | 2.47   |
| CWT Limited   | 1,278,500                          | 2,467,505                                   | 3.30   |
| DBS Group Holdings Limited                                  | 411,421                            | 7,134,040                                   | 9.54   |
| First Resources Limited                                     | 1,016,100                          | 1,930,590                                   | 2.59   |
| Global Logistic Properties Limited                          | 493,300                            | 1,085,260                                   | 1.45   |
| Health Management International Limited                     | 2,714,200                          | 1,737,088                                   | 2.33   |
| Innovalues Limited  | 1,169,300                          | 1,163,454                                   | 1.56   |
| Jardine Cycle & Carriage Limited                            | 13,500                             | 556,605                                     | 0.75   |
| Jumbo Group Limited   | 1,776,500                          | 1,154,725                                   | 1.55   |
| Keppel Corporation Limited                                  | 645,500                            | 3,737,445                                   | 5.01   |
| Keppel Telecommunications & Transportation Limited          | 1,495,800                          | 2,565,297                                   | 3.44   |
| Oversea-Chinese Banking Corporation Limited                 | 485,944                            | 4,334,620                                   | 5.80   |
| SATS Limited  | 353,800                            | 1,715,930                                   | 2.30   |

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

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

|   | Holdings at<br>31 December<br>2016 | Fair value at<br>31 December<br>2016<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>31 December<br>2016<br>% |
|---|------------------------------------|---|--|
| <b>Quoted Equities</b> (continued)                |                                    |   |  |
| <b>SINGAPORE</b> (continued)                      |                                    |   |  |
| Singapore Exchange Limited                        | 247,700                            | 1,773,532                                   | 2.38   |
| Singapore Post Limited                            | 449,000                            | 657,785                                     | 0.88   |
| Singapore Telecommunications Limited              | 1,513,600                          | 5,524,640                                   | 7.40   |
| United Engineers Limited                          | 276,100                            | 706,816                                     | 0.95   |
| Venture Corporation Limited                       | 228,800                            | 2,260,544                                   | 3.02   |
| Wheelock Properties Singapore Limited             | 918,200                            | 1,358,936                                   | 1.82   |
| Wilmar International Limited                      | 1,028,700                          | 3,693,033                                   | 4.95   |
| Yoma Strategic Holdings Limited                   | 1,134,600                          | 663,741                                     | 0.88   |
| <b>Total SINGAPORE</b>                            |                                    | <b>48,063,786</b>                           | <b>64.37</b>   |
| <b>SOUTH KOREA</b>                                |                                    |   |  |
| Kumho Petrochemical Company Limited               | 9,429                              | 924,832                                     | 1.24   |
| <b>Total SOUTH KOREA</b>                          |                                    | <b>924,832</b>                              | <b>1.24</b>  |
| <b>THAILAND</b>                                   |                                    |   |  |
| Bangchak Petroleum Public Company Limited         | 991,700                            | 1,340,272                                   | 1.79   |
| Hana Microelectronics Public Company Limited      | 566,300                            | 902,426                                     | 1.21   |
| Thai Beverage Public Company Limited              | 1,057,500                          | 898,875                                     | 1.21   |
| <b>Total THAILAND</b>                             |                                    | <b>3,141,573</b>                            | <b>4.21</b>  |
| <b>Total Quoted Equities</b>                      |                                    | <b>70,563,143</b>                           | <b>94.50</b>   |
| <b>Quoted Real Estate Investment Trusts</b>       |                                    |   |  |
| <b>SINGAPORE</b>                                  |                                    |   |  |
| Keppel DC Real Estate Investment Trust            | 1,396,304                          | 1,654,622                                   | 2.22   |
| <b>Total SINGAPORE</b>                            |                                    | <b>1,654,622</b>                            | <b>2.22</b>  |
| <b>Total Quoted Real Estate Investment Trusts</b> |                                    | <b>1,654,622</b>                            | <b>2.22</b>  |
| <b>Portfolio of investments</b>                   |                                    | <b>72,217,765</b>                           | <b>96.72</b>   |
| <b>Other net assets</b>                           |                                    | <b>2,452,262</b>                            | <b>3.28</b>  |
| <b>Net assets attributable to unitholders</b>     |                                    | <b>74,670,027</b>                           | <b>100.00</b>  |

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

## NIKKO AM SHENTON THRIFT FUND

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

### STATEMENT OF PORTFOLIO

As at 31 December 2016

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#### By Geography (Summary)

|   | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>31 December<br>2016<br>% | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>31 December<br>2015<br>% |
|---|--|--|
| <b>Quoted Equities</b>                            |  |  |
| Bermuda Islands                                   | 9.77   | 9.91   |
| Cayman Islands                                    | 1.65   | -  |
| Hong Kong SAR                                     | 2.29   | 1.42   |
| Indonesia   | 5.27   | -  |
| Isle of Man                                       | 2.48   | -  |
| Mauritius   | 3.22   | 2.64   |
| Singapore   | 64.37  | 76.52  |
| South Korea                                       | 1.24   | 3.33   |
| Taiwan  | -  | 1.14   |
| Thailand  | 4.21   | 1.36   |
| <b>Total Quoted Equities</b>                      | <b>94.50</b>   | <b>96.32</b>   |
| <b>Quoted Real Estate Investment Trusts</b>       |  |  |
| Singapore   | 2.22   | 0.95   |
| <b>Total Quoted Real Estate Investment Trusts</b> | <b>2.22</b>  | <b>0.95</b>  |
| <b>Portfolio of investments</b>                   | <b>96.72</b>   | <b>97.27</b>   |
| <b>Other net assets</b>                           | <b>3.28</b>  | <b>2.73</b>  |
| <b>Net assets attributable to unitholders</b>     | <b>100.00</b>  | <b>100.00</b>  |

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

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

| <b>By Industry (Secondary)</b>                | <b>Fair value at<br/>31 December<br/>2016<br/>S\$</b> | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>31 December<br/>2016<br/>%</b> | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>31 December<br/>2015<br/>%</b> |
|---|---|---|---|
| Agriculture                                   | 4,336,655   | 5.81  | 2.64  |
| Airlines                                      | -   | -   | 1.52  |
| Banks   | 11,468,660  | 15.36   | 27.74   |
| Beverages                                     | 898,875   | 1.20  | -   |
| Chemicals                                     | 924,832   | 1.24  | -   |
| Commercial Services                           | 2,467,505   | 3.30  | 3.26  |
| Cosmetics/Personal Care                       | -   | -   | 0.97  |
| Distribution/Wholesale                        | 556,605   | 0.75  | -   |
| Diversified Financial Services                | 1,773,532   | 2.38  | 5.45  |
| Electronics                                   | 6,118,266   | 8.19  | 2.18  |
| Engineering and Construction                  | 5,491,250   | 7.35  | 1.84  |
| Entertainment                                 | 1,849,096   | 2.48  | -   |
| Food  | 3,693,033   | 4.95  | 1.97  |
| Healthcare-Services                           | 2,265,998   | 3.03  | 2.36  |
| Holding Companies-Diversified                 | 4,958,688   | 6.64  | 3.26  |
| Leisure Time                                  | -   | -   | 3.53  |
| Lodging                                       | -   | -   | 2.69  |
| Metal Fabricate/Hardware                      | -   | -   | 0.39  |
| Miscellaneous Manufacture                     | -   | -   | 1.14  |
| Office/Business Equipment                     | 1,163,454   | 1.56  | 2.77  |
| Oil and Gas                                   | 1,340,272   | 1.79  | 1.36  |
| Pharmaceuticals                               | 1,712,513   | 2.29  | -   |
| Real Estate                                   | 9,641,462   | 12.91   | 15.20   |
| Real Estate Investment Trusts (REITS)         | 1,654,622   | 2.22  | 0.95  |
| Retail  | 1,154,725   | 1.55  | 2.58  |
| Telecommunications                            | 5,524,640   | 7.40  | 11.10   |
| Transportation                                | 3,223,082   | 4.32  | 2.37  |
| <b>Portfolio of investments</b>               | <b>72,217,765</b>                                     | <b>96.72</b>  | <b>97.27</b>  |
| <b>Other net assets</b>                       | <b>2,452,262</b>                                      | <b>3.28</b>   | <b>2.73</b>   |
| <b>Net assets attributable to unitholders</b> | <b>74,670,027</b>                                     | <b>100.00</b>   | <b>100.00</b>   |

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

## **NIKKO AM SHENTON THRIFT 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*

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

#### **1. General**

Nikko AM Shenton Thrift Fund (the "Fund") is a Singapore domiciled fund constituted under a Trust Deed dated 12 June 1987 as amended by Supplemental Deeds and Amended and Restated Deeds (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Manager of the Fund is Nikko Asset Management Asia Limited (the "Manager").

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

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

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

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

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

(a) Basis of preparation

The financial statements have been prepared under the historical-cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss, and in accordance with the 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 THRIFT 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

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

##### (c) Investments

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

##### (i) *Initial recognition*

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

##### (ii) *Subsequent measurement*

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

##### (iii) *Derecognition*

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

##### (d) Basis of valuation of investments

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

##### (e) Receivables

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

## NIKKO AM SHENTON THRIFT 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

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

##### (f) Foreign currency translation

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

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

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

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

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

#### 3. Income tax

The Fund was granted the status of a Designated Unit Trust (DUT) by the Inland Revenue Authority of Singapore. The Manager and the Trustee of the Fund have assessed and are satisfied that the Fund has met the requisite conditions under the Designated Unit Trust (DUT) Scheme for the current financial year. The Manager and the Trustee of the Fund will ensure that the Fund fulfils its reporting obligations under the DUT Scheme.

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

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



## NIKKO AM SHENTON THRIFT 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

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#### 3. Income tax (continued)

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

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

|                      | 2016<br>S\$   | 2015<br>S\$   |
|----------------------|---------------|---------------|
| Singapore income tax | 5,818         | 10,031        |
| Overseas income tax  | 41,505        | 8,029         |
|                      | <b>47,323</b> | <b>18,060</b> |

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

#### 4. Receivables

|   | 2016<br>S\$    | 2015<br>S\$    |
|---|----------------|----------------|
| Receivable from unitholders for creation of units | 13,248         | 16,866         |
| Dividends receivable                              | 102,925        | 171,730        |
| Other receivable                                  | 286            | -              |
|   | <b>116,459</b> | <b>188,596</b> |

#### 5. Payables

|  | 2016<br>S\$    | 2015<br>S\$    |
|--|----------------|----------------|
| Payable to unitholders for cancellation of units | 165,726        | 129,291        |
| Amount due to the Manager                        | 152,766        | 159,097        |
| Valuation fees payable                           | 4,074          | 4,242          |
| Registrar fees payable                           | 2,967          | 2,967          |
| Provision for audit fee                          | 19,848         | 19,795         |
| Amount due to custodian                          | 4,194          | 4,348          |
|  | <b>349,575</b> | <b>319,740</b> |

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

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## NIKKO AM SHENTON THRIFT 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

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#### 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     | 42,033,595         | 47,801,408         |
| Units created                                | 612,086            | 724,560            |
| Units cancelled                              | <u>(4,544,014)</u> | <u>(6,492,373)</u> |
| Units at end of the financial year           | <u>38,101,667</u>  | <u>42,033,595</u>  |
| <br>   |                    |                    |
| Net assets attributable to unitholders - S\$ | 74,670,027         | 77,581,922         |
| Net asset value per unit - S\$               | <u>1.960</u>       | <u>1.846</u>       |

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

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

|   | 2016         | 2015         |
|---|--------------|--------------|
|   | S\$          | S\$          |
| Net assets attributable to unitholders as per financial statements per unit   | 1.960        | 1.846        |
| Effect of adopting bid prices at fair value per unit  | -            | 0.001        |
| Effect for movement in the net asset value between the last dealing date and the end of the reporting period <sup>^</sup> | <u>-</u>     | <u>-</u>     |
| Net assets attributable to unitholders for issuing/redeeming per unit   | <u>1.960</u> | <u>1.847</u> |

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

## **NIKKO AM SHENTON THRIFT 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*

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#### **7. Financial risk management**

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

The Fund's primary objective is to achieve medium to long term capital appreciation by investing primarily in stocks listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Beside stocks listed on the SGX-ST, the Fund may also invest in companies listed on stock exchanges outside Singapore subject to a limit not exceeding 30% of the net asset value of the Fund.

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.

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

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

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

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

The Fund's market price risk is managed through diversification of the investment portfolio exposure across various stocks traded on the SGX-ST.

As the Fund invests primarily in stocks listed on the SGX-ST, the Manager is of the view that the price risk the fund is best reflected by movements in its benchmark of the Straits Times Index (the "Index").

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

## NIKKO AM SHENTON THRIFT 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

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#### 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 investment accordingly.

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

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

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

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

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

| As at 31 December 2016        | SGD<br>S\$        | USD<br>S\$       | IDR<br>S\$       | HKD<br>S\$       | Others<br>S\$    | Total<br>S\$      |
|-------------------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|
| <b>Assets</b>                 |                   |                  |                  |                  |                  |                   |
| Portfolio of investments      | 57,120,924        | 5,049,326        | 3,935,411        | 2,944,574        | 3,167,530        | 72,217,765        |
| Receivables                   | 116,459           | -                | -                | -                | -                | 116,459           |
| Cash and bank balances        | 2,940,536         | 983              | -                | -                | -                | 2,941,519         |
| <b>Total assets</b>           | <b>60,177,919</b> | <b>5,050,309</b> | <b>3,935,411</b> | <b>2,944,574</b> | <b>3,167,530</b> | <b>75,275,743</b> |
| <b>Liabilities</b>            |                   |                  |                  |                  |                  |                   |
| Payables                      | 349,575           | -                | -                | -                | -                | 349,575           |
| Purchases awaiting settlement | 256,141           | -                | -                | -                | -                | 256,141           |
| <b>Total liabilities</b>      | <b>605,716</b>    | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>605,716</b>    |
| <b>Net currency exposure</b>  | <b>59,572,203</b> | <b>5,050,309</b> | <b>3,935,411</b> | <b>2,944,574</b> | <b>3,167,530</b> |                   |

## NIKKO AM SHENTON THRIFT 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

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

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

| As at 31 December 2015       | SGD<br>S\$        | USD<br>S\$       | TWD<br>S\$       | HKD<br>S\$       | Others<br>S\$    | Total<br>S\$      |
|------------------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|
| <b>Assets</b>                |                   |                  |                  |                  |                  |                   |
| Portfolio of investments     | 64,236,541        | 5,603,175        | 882,376          | 1,100,358        | 3,644,039        | 75,466,489        |
| Receivables                  | 188,596           | -                | -                | -                | -                | 188,596           |
| Cash and bank balances       | 2,019,613         | 195              | 226,769          | -                | -                | 2,246,577         |
| <b>Total assets</b>          | <b>66,444,750</b> | <b>5,603,370</b> | <b>1,109,145</b> | <b>1,100,358</b> | <b>3,644,039</b> | <b>77,901,662</b> |
| <b>Liabilities</b>           |                   |                  |                  |                  |                  |                   |
| Payables                     | 319,740           | -                | -                | -                | -                | 319,740           |
| <b>Total liabilities</b>     | <b>319,740</b>    | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>319,740</b>    |
| <b>Net currency exposure</b> | <b>66,125,010</b> | <b>5,603,370</b> | <b>1,109,145</b> | <b>1,100,358</b> | <b>3,644,039</b> |                   |

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

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

##### (d) Liquidity risk

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

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

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

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

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

## NIKKO AM SHENTON THRIFT 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

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

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

|                               | Less than 3 months                  |                                     |
|-------------------------------|-------------------------------------|-------------------------------------|
|                               | As at<br>31 December<br>2016<br>S\$ | As at<br>31 December<br>2015<br>S\$ |
| Payables                      | 349,575                             | 319,740                             |
| Purchases awaiting settlement | 256,141                             | -                                   |
| Contractual cash outflows     | <u>605,716</u>                      | <u>319,740</u>                      |

##### (e) Credit risk

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

Concentrations of credit risk are minimised primarily by:

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

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

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

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

The custodian of the Fund is BNP Paribas Securities Singapore Branch.

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.

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## NIKKO AM SHENTON THRIFT 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

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#### 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 2015:

##### As at 31 December 2016

|  | Level 1<br>S\$    | Level 2<br>S\$ | Level 3<br>S\$ | Total<br>S\$      |
|--|-------------------|----------------|----------------|-------------------|
| <b>Assets</b>  |                   |                |                |                   |
| Financial assets designated at fair value through profit or loss at inception: |                   |                |                |                   |
| - Quoted equities  | 70,563,143        | -              | -              | 70,563,143        |
| - Quoted real estate investment trust  | 1,654,622         | -              | -              | 1,654,622         |
|  | <u>72,217,765</u> | <u>-</u>       | <u>-</u>       | <u>72,217,765</u> |

##### As at 31 December 2015

|  | Level 1<br>S\$    | Level 2<br>S\$ | Level 3<br>S\$ | Total<br>S\$      |
|--|-------------------|----------------|----------------|-------------------|
| <b>Assets</b>  |                   |                |                |                   |
| Financial assets designated at fair value through profit or loss at inception: |                   |                |                |                   |
| - Quoted equities  | 74,726,148        | -              | -              | 74,726,148        |
| - Quoted real estate investment trust  | 740,341           | -              | -              | 740,341           |
|  | <u>75,466,489</u> | <u>-</u>       | <u>-</u>       | <u>75,466,489</u> |

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## NIKKO AM SHENTON THRIFT 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

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

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

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

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

#### 8. Related party transactions

In addition to the related party information shown elsewhere in the financial statements, the bank holding company and related parties of the Trustee have also provided custodian, banking, foreign exchange, fund administration and brokerage services to the Fund in the normal course of business at terms agreed between the parties and within the provisions of the Deeds:

|  | 2016<br>S\$      | 2015<br>S\$      |
|--|------------------|------------------|
| Bank balances held with related party of the Trustee | <u>2,941,519</u> | <u>2,246,577</u> |

#### 9. Financial ratios

##### Expense ratio

|  |          | 2016               | 2015        |
|--|----------|--------------------|-------------|
| Total operating expenses               | S\$      | 709,487            | 768,861     |
| Average daily net asset value          | S\$      | 75,382,563         | 86,525,964  |
| <b>Total expense ratio<sup>1</sup></b> | <b>%</b> | <u><b>0.94</b></u> | <u>0.89</u> |

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## NIKKO AM SHENTON THRIFT 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

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#### 9. Financial ratios (continued)

##### Turnover ratio

|  |          | 2016               | 2015         |
|--|----------|--------------------|--------------|
| Lower of total value of purchases or sales | S\$      | <b>100,915,835</b> | 70,841,186   |
| Average daily net asset value              | S\$      | <b>75,382,563</b>  | 86,525,964   |
| <b>Total turnover ratio<sup>2</sup></b>    | <b>%</b> | <b>133.87</b>      | <b>81.87</b> |

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

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

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

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The following contains additional information relating to the Fund.

#### 1. Distribution of investments

Please refer to the Statement of Portfolio on pages 15 to 18.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 31 December 2016

|   | Fair value<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders<br>% |
|---|-------------------|--|
| DBS Group Holdings Limited                            | 7,134,040         | 9.54   |
| Singapore Telecommunications Limited                  | 5,524,640         | 7.40   |
| Oversea-Chinese Banking Corporation Limited           | 4,334,620         | 5.80   |
| Hong Kong Land Holdings Limited                       | 3,828,083         | 5.13   |
| Keppel Corporation Limited                            | 3,737,445         | 5.01   |
| Wilmar International Limited                          | 3,693,033         | 4.95   |
| Keppel Telecommunications & Transportation<br>Limited | 2,565,297         | 3.44   |
| CWT Limited   | 2,467,505         | 3.30   |
| Golden Agri-Resources Limited                         | 2,406,065         | 3.22   |
| Venture Corporation Limited                           | 2,260,544         | 3.02   |

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## NIKKO AM SHENTON THRIFT FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2016

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#### 3. Top 10 holdings (continued)

| 10 Largest holdings at 31 December 2015 | Fair value<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders<br>% |
|---|-------------------|--|
| DBS Group Holdings Limited              | 8,395,420         | 10.82  |
| Oversea-Chinese Banking Corp Limited    | 7,368,627         | 9.50   |
| Singapore Telecommunications Limited    | 6,098,072         | 7.86   |
| United Overseas Bank Limited            | 5,759,594         | 7.42   |
| Hong Kong Land Holdings Limited         | 4,695,227         | 6.05   |
| CapitaLand Limited                      | 4,284,985         | 5.52   |
| Singapore Exchange Limited              | 4,228,840         | 5.45   |
| CWT Limited                             | 2,526,720         | 3.26   |
| Keppel Corporation Limited              | 2,526,531         | 3.26   |
| Innovalues Limited                      | 2,146,500         | 2.77   |

#### 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

Please refer to the Statement of Portfolio on pages 15 to 18.

#### 9. Borrowings

Nil.

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## **NIKKO AM SHENTON THRIFT FUND**

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

### **REPORT TO UNITHOLDERS**

*For the financial year ended 31 December 2016*

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

|                 |             |
|-----------------|-------------|
|                 | <b>S\$</b>  |
| Units created   | 1,119,991   |
| Units cancelled | (8,585,612) |

#### **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 29.

#### **13. Related party transactions**

Please refer to Note 8 of the Notes to the Financial Statements on page 29.

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

Nil.

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

Company registration number 198202562H



# SEMI-ANNUAL REPORT

For the financial period ending 30 June 2016

**Nikko AM Shenton  
Thrift Fund**

**MANAGERS**

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

**DIRECTORS**

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

**TRUSTEE**

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

**AUDITORS**

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

**REGISTRAR**

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

**CUSTODIAN**

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

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

## PERFORMANCE SUMMARY

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| <b>Returns (%)</b>                        | <b>3 Mth</b> | <b>6 Mth</b> | <b>1 Yr</b> | <b>3 Yr</b> | <b>5 Yr</b> | <b>10 Yr</b> | <b>Since Inception</b> |
|---|--------------|--------------|-------------|-------------|-------------|--------------|------------------------|
| Straits Times Index (STI)                 | 0.00         | -1.45        | -14.36      | -3.39       | -1.86       | 1.55         | 2.35                   |
| Nikko AM Shenton Thrift Fund <sup>1</sup> | 0.87         | 0.60         | -8.83       | 0.38        | 2.18        | 3.64         | 5.74                   |

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.

| <b>Returns (%)</b>                        | <b>3 Mth</b> | <b>6 Mth</b> | <b>1 Yr</b> | <b>3 Yr</b> | <b>5 Yr</b> | <b>10 Yr</b> | <b>Since Inception</b> |
|---|--------------|--------------|-------------|-------------|-------------|--------------|------------------------|
| Straits Times Index (STI)                 | 0.00         | -1.45        | -14.36      | -3.39       | -1.86       | 1.55         | 2.35                   |
| Nikko AM Shenton Thrift Fund <sup>1</sup> | -4.17        | -4.43        | -13.39      | -1.32       | 1.14        | 3.11         | 5.56                   |

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

**Inception date: 31 August 1987**

**Note:**

(1) With effect from 17 October 2011, the Fund (formerly known as "Shenton Thrift Fund") has been renamed Nikko AM Shenton Thrift Fund.

### **Portfolio Review**

***Fund outperformed the benchmark in 1H 2016***

For the semi-annual period ended 30 June 2016, the Nikko AM Shenton Thrift Fund (the "Fund") gained 0.60% (in SGD terms, NAV-NAV basis), outperforming the Straits Times Index ("STI") which retreated 1.45% over the same period.

The Fund's overweight positions in Petron Corporation, Innovalues and Jumbo Group added most to relative performance. Conversely, the underweight stance in Thai Beverage, as well as the overweight positions in First Resources and Hana Tour, detracted from relative performance.

### **Market Review**

***The Straits Times Index fell in the first half of the year***

Singapore equities had a bumpy start to the year. A combination of weak economic data from the US, negative interest rates in Japan and a surprise devaluation of the RMB weighed on sentiment at the beginning of the year. Volatility picked up in June, as the US Federal Reserve (Fed) scaled back projections for an interest rate hike, while the UK voted to leave the European Union. However, the Straits Times Index bounced back to recoup earlier losses as worries subsided about the fallout from Brexit.

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### ***Singapore economy expanded 1.8% in the first quarter***

Economic growth in the first quarter registered 1.8% year-on-year (YoY) – the same pace as in the previous three months. Compared to the fourth quarter of 2015, activity in the manufacturing sector contracted by a smaller magnitude, while growth in the construction sector accelerated. The Monetary Authority of Singapore (MAS) eased its currency policy, removing the appreciation bias for the SGDNEER. The central bank expects the economy to expand at a more modest pace this year and sees a milder pickup in core inflation. Weak consumer sentiment and a softer labour market were other reasons highlighted for the move.

### ***Budget 2016 shifted towards more fiscal prudence***

The Finance Ministry projected an overall fiscal surplus of 0.8% of GDP (SGD 3.4bn) for Fiscal Year (FY) 2016, from a 1.2% deficit in FY2015. The basic balance deficit has been budgeted to narrow slightly, with the government introducing relatively targeted measures to support households and firms. Total expenditures are estimated to rise by 7.3% year-on-year (YoY) in FY2016, on the back of a double digit increase in operating spending, which offsets a projected decline in development spending. Meanwhile, revenues will increase by 6.7%, due largely to contributions from statutory boards, personal income taxes and motor vehicle taxes.

### ***Deflationary pressures accelerated in May***

Headline CPI inflation fell 1.6% year-on-year (YoY) in May, dropping for the 19th straight month. Declines in housing and utilities as well as transport inflation continued to be the main drag. Stripping out accommodation and private road transport costs, core inflation eased to 1.0% YoY in May, from 0.8% in April.

## **Market Outlook and Strategy**

### ***Remain optimistic on the Singapore equity market***

We see a muted impact on Singapore's economy from Brexit for now. We estimate that 2.1% of the demand for value added generated in Singapore originates from the UK, with another 9.2% originating from the EU. As such, slower economic growth in the two regions should have a limited effect on Singapore. We also see Brexit encouraging a more accommodative stance among the world's central banks, with the US Fed now likely to delay hiking rates. This should be positive for high dividend stocks and REITs, which are well-represented in Singapore. As circumstances surrounding Brexit remain fluid, we remain watchful over further developments.

We maintain our positive outlook for Singapore equities, despite Brexit. We continue to see a modest recovery in economic momentum in 2016, supported by the expansionary monetary and fiscal policies of 2015 and 2016, and a gradual recovery in global economic growth ex-Europe. Against this backdrop, we see domestic cost pressures alleviating, particularly wages and rents, which should support profit margins. We see valuations for Singapore stocks as being attractive. In particular, the price-to-book ratio of the Singapore market remains close to the bear market bottoms of 2009, 2003 and 2001.

Our stock selection strategy for 2016 remains focused on three key areas. We like companies which embody what we call "The New Singapore". These are companies operating in growth industries which are becoming more dominant in Singapore's maturing landscape. In particular, we favour service industries like logistics, tourism, financial services and healthcare. We are also overweight companies which embody Singapore's success as a conduit for connectivity and intermediation. These include businesses in the financial, trading and the services industries. Lastly, we like companies which are able to restructure themselves to extract value or perform better in a slower-growth environment.

In addition, the Fund remains positioned in selected overseas names, which are chosen from among our highest convictions in the Asia-Pacific ex-Japan universe. Currently, these include selected stocks listed in ASEAN, Hong Kong and Taiwan.

## IMPORTANT INFORMATION

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

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](http://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

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### Appointment of soft dollar brokers

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

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

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

### Execution and allocation

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

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

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

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

The following are, however, prohibited:

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

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

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

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

The Managers of the Nikko AM Shenton Thrift 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 THRIFT 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)*

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|  | <b>30 June 2016</b> | 30 June 2015 |
|--|---------------------|--------------|
|  | <b>S\$</b>          | S\$          |
| <b>Income</b>  |                     |              |
| Dividends  | <b>1,360,740</b>    | 1,735,936    |
|  | <b>1,360,740</b>    | 1,735,936    |
| <b>Less: Expenses</b>  |                     |              |
| Management fee   | <b>279,169</b>      | 345,856      |
| Registrar fee  | <b>19,628</b>       | 15,237       |
| Custody fee  | <b>11,830</b>       | 15,138       |
| Audit fee  | <b>9,909</b>        | 9,243        |
| Valuation fee  | <b>7,445</b>        | 9,223        |
| Transaction costs  | <b>265,010</b>      | 260,923      |
| Other expenses   | <b>10,552</b>       | 14,876       |
|  | <b>603,543</b>      | 670,496      |
| <b>Net income</b>  | <b>757,197</b>      | 1,065,440    |
| <b>Net gains or losses on value of investments<br/>and financial derivatives</b> |                     |              |
| Net (loss)/gain on investments   | <b>(105,284)</b>    | 1,277,103    |
| Net foreign exchange losses  | <b>(131,352)</b>    | (39,295)     |
|  | <b>(236,636)</b>    | 1,237,808    |
| <b>Total return for the financial period<br/>before income tax</b>               | <b>520,561</b>      | 2,303,248    |
| <b>Less: Income tax</b>  | <b>(32,661)</b>     | (18,802)     |
| <b>Total return for the financial period<br/>after income tax</b>                | <b>487,900</b>      | 2,284,446    |

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**NIKKO AM SHENTON THRIFT FUND**

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

**STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2016 (unaudited)*

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|  | <b>30 June 2016</b> | 31 December 2015  |
|--|---------------------|-------------------|
|  | <b>S\$</b>          | S\$               |
| <b>ASSETS</b>                          |                     |                   |
| Portfolio of investments               | 73,013,293          | 75,466,489        |
| Sales awaiting settlement              | 1,324,063           | -                 |
| Receivables                            | 25,074              | 188,596           |
| Cash and bank balances                 | 2,616,600           | 2,246,577         |
| <b>Total assets</b>                    | <b>76,979,030</b>   | <b>77,901,662</b> |
| <b>LIABILITIES</b>                     |                     |                   |
| Payables                               | 376,624             | 319,740           |
| Purchases awaiting settlement          | 1,138,315           | -                 |
| <b>Total liabilities</b>               | <b>1,514,939</b>    | <b>319,740</b>    |
| <b>EQUITY</b>                          |                     |                   |
| Net assets attributable to unitholders | <b>75,464,091</b>   | <b>77,581,922</b> |



**NIKKO AM SHENTON THRIFT 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)*

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|  | <b>30 June 2016</b> | 31 December 2015 |
|--|---------------------|------------------|
|  | <b>S\$</b>          | S\$              |
| <b>Net assets attributable to unitholders at the beginning of the financial period/year</b>            | <b>77,581,922</b>   | 95,215,207       |
| <b>Operations</b>  |                     |                  |
| Change in net assets attributable to unitholders resulting from operations                             | <b>487,900</b>      | (6,002,627)      |
| <b>Unitholders' contributions/(withdrawals)</b>  |                     |                  |
| Creation of units  | <b>615,714</b>      | 1,426,401        |
| Cancellation of units  | <b>(3,221,445)</b>  | (13,057,059)     |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | <b>(2,605,731)</b>  | (11,630,658)     |
| Total decrease in net assets attributable to unitholders   | <b>(2,117,831)</b>  | (17,633,285)     |
| <b>Net assets attributable to unitholders at the end of the financial period/year</b>                  | <b>75,464,091</b>   | 77,581,922       |

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## NIKKO AM SHENTON THRIFT FUND

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

### STATEMENT OF PORTFOLIO

As at 30 June 2016 (unaudited)

| By Geography (Primary)                             | Holdings at<br>30 June 2016 | Fair value at<br>30 June 2016<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>30 June 2016<br>% |
|--|-----------------------------|--------------------------------------|---|
| <b>Quoted Equities</b>                             |                             |                                      |   |
| <b>BERMUDA ISLANDS</b>                             |                             |                                      |   |
| Hongkong Land Holdings Limited                     | 186,700                     | 1,530,316                            | 2.03  |
| Valuetronics Holdings Limited                      | 4,000,000                   | 2,060,000                            | 2.73  |
| <b>Total BERMUDA ISLANDS</b>                       |                             | <b>3,590,316</b>                     | <b>4.76</b>   |
| <b>CAYMAN ISLANDS</b>                              |                             |                                      |   |
| Airtac International Group                         | 53,000                      | 528,496                              | 0.70  |
| China Harmony New Energy Auto Holding Limited      | 1,966,000                   | 1,412,069                            | 1.87  |
| <b>Total CAYMAN ISLANDS</b>                        |                             | <b>1,940,565</b>                     | <b>2.57</b>   |
| <b>INDONESIA</b>                                   |                             |                                      |   |
| Adhi Karya Persero TBK PT                          | 4,301,500                   | 1,218,145                            | 1.61  |
| Cikarang Listrindo TBK PT                          | 2,500,000                   | 382,002                              | 0.51  |
| Ciputra Development TBK PT                         | 12,082,300                  | 1,784,645                            | 2.37  |
| <b>Total INDONESIA</b>                             |                             | <b>3,384,792</b>                     | <b>4.49</b>   |
| <b>MAURITIUS</b>                                   |                             |                                      |   |
| Golden Agri-Resources Limited                      | 1,642,200                   | 574,770                              | 0.76  |
| <b>Total MAURITIUS</b>                             |                             | <b>574,770</b>                       | <b>0.76</b>   |
| <b>PHILIPPINES</b>                                 |                             |                                      |   |
| Bank of The Philippine Islands                     | 540,600                     | 1,504,776                            | 1.99  |
| Cebu Air Incorporated                              | 400,360                     | 1,120,713                            | 1.49  |
| <b>Total PHILIPPINES</b>                           |                             | <b>2,625,489</b>                     | <b>3.48</b>   |
| <b>SINGAPORE</b>                                   |                             |                                      |   |
| CapitalLand Limited                                | 491,800                     | 1,509,826                            | 2.00  |
| CWT Limited  | 866,100                     | 1,862,115                            | 2.47  |
| DBS Group Holdings Limited                         | 362,921                     | 5,719,635                            | 7.58  |
| First Resources Limited                            | 469,600                     | 734,924                              | 0.97  |
| Innovalues Limited                                 | 800,000                     | 812,000                              | 1.08  |
| Jardine Cycle & Carriage Limited                   | 27,600                      | 1,007,400                            | 1.34  |
| Jumbo Group Limited                                | 1,500,000                   | 862,500                              | 1.14  |
| Keppel Corporation Limited                         | 555,500                     | 3,055,250                            | 4.05  |
| Keppel Telecommunications & Transportation Limited | 1,607,300                   | 2,258,256                            | 2.99  |
| M1 Limited/Singapore                               | 830,100                     | 2,266,173                            | 3.00  |
| Oversea-Chinese Banking Corporation Limited        | 483,744                     | 4,203,735                            | 5.57  |
| Q&M Dental Group Singapore Limited                 | 1,530,200                   | 1,101,744                            | 1.46  |
| SATS Limited                                       | 353,800                     | 1,454,118                            | 1.93  |
| Singapore Airlines Limited                         | 71,000                      | 756,860                              | 1.00  |
| Singapore Exchange Limited                         | 425,000                     | 3,238,500                            | 4.29  |
| Singapore Post Limited                             | 930,500                     | 1,367,835                            | 1.81  |

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

|   | Holdings at<br>30 June 2016 | Fair value at<br>30 June 2016<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders at<br>30 June 2016<br>% |
|---|-----------------------------|--------------------------------------|---|
| <b>Quoted Equities (continued)</b>                |                             |                                      |   |
| Singapore Telecommunications Limited              | 1,849,000                   | 7,636,370                            | 10.12   |
| United Engineers Limited                          | 977,800                     | 2,141,382                            | 2.84  |
| United Overseas Bank Limited                      | 103,807                     | 1,912,125                            | 2.53  |
| Venture Corporation Limited                       | 160,500                     | 1,328,940                            | 1.76  |
| Wheelock Properties Singapore Limited             | 918,200                     | 1,331,390                            | 1.76  |
| Wilmar International Limited                      | 1,129,000                   | 3,680,540                            | 4.88  |
| Yoma Strategic Holdings Limited                   | 3,496,000                   | 1,957,760                            | 2.59  |
| <b>Total SINGAPORE</b>                            |                             | <b>52,199,378</b>                    | <b>69.16</b>  |
| <b>TAIWAN</b>                                     |                             |                                      |   |
| Chroma ATE Incorporated                           | 237,000                     | 759,413                              | 1.01  |
| <b>Total TAIWAN</b>                               |                             | <b>759,413</b>                       | <b>1.01</b>   |
| <b>THAILAND</b>                                   |                             |                                      |   |
| Land & Houses Public Company Limited              | 4,558,400                   | 1,580,077                            | 2.09  |
| Pruksa Real Estate Public Company Limited         | 1,167,000                   | 1,128,625                            | 1.50  |
| Star Petroleum Refining Public Company Limited    | 2,972,000                   | 1,087,100                            | 1.44  |
| Thai Beverage Public Company Limited              | 1,498,500                   | 1,363,635                            | 1.81  |
| Tisco Financial Group Public Company Limited      | 406,900                     | 771,454                              | 1.02  |
| <b>Total THAILAND</b>                             |                             | <b>5,930,891</b>                     | <b>7.86</b>   |
| <b>Total Quoted Equities</b>                      |                             | <b>71,005,614</b>                    | <b>94.09</b>  |
| <b>Quoted Real Estate Investment Trusts</b>       |                             |                                      |   |
| <b>SINGAPORE</b>                                  |                             |                                      |   |
| Frasers Logistics & Industrial Trust              | 1,261,100                   | 1,198,045                            | 1.59  |
| Keppel DC REIT                                    | 729,400                     | 809,634                              | 1.07  |
| <b>Total SINGAPORE</b>                            |                             | <b>2,007,679</b>                     | <b>2.66</b>   |
| <b>Total Quoted Real Estate Investment Trusts</b> |                             | <b>2,007,679</b>                     | <b>2.66</b>   |
| <b>Portfolio of investments</b>                   |                             | <b>73,013,293</b>                    | <b>96.75</b>  |
| <b>Other net assets</b>                           |                             | <b>2,450,798</b>                     | <b>3.25</b>   |
| <b>Net assets attributable to unitholders</b>     |                             | <b>75,464,091</b>                    | <b>100.00</b>   |

## NIKKO AM SHENTON THRIFT FUND

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

### STATEMENT OF PORTFOLIO

As at 30 June 2016 (unaudited)

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| <b>By Geography (Summary)</b>                     | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>30 June 2016<br/>%</b> | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>31 December 2015<br/>%</b> |
|---|---|---|
| <b>Quoted Equities</b>                            |   |   |
| Bermuda Islands                                   | 4.76  | 9.91  |
| Cayman Islands                                    | 2.57  | -   |
| Hong Kong SAR                                     | -   | 1.42  |
| Indonesia   | 4.49  | -   |
| Mauritius   | 0.76  | 2.64  |
| Philippines                                       | 3.48  | -   |
| Singapore   | 69.16   | 76.52   |
| South Korea                                       | -   | 3.33  |
| Taiwan  | 1.01  | 1.14  |
| Thailand  | 7.86  | 1.36  |
| <b>Total Quoted Equities</b>                      | <b>94.09</b>  | <b>96.32</b>  |
| <b>Quoted Real Estate Investment Trusts</b>       |   |   |
| Singapore   | 2.66  | 0.95  |
| <b>Total Quoted Real Estate Investment Trusts</b> | <b>2.66</b>   | <b>0.95</b>   |
| <b>Portfolio of investments</b>                   | <b>96.75</b>  | <b>97.27</b>  |
| <b>Other net assets</b>                           | <b>3.25</b>   | <b>2.73</b>   |
| <b>Net assets attributable to unitholders</b>     | <b>100.00</b>   | <b>100.00</b>   |

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

| <b>By Industry (Secondary)</b>                | <b>Fair value at<br/>30 June 2016<br/>S\$</b> | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>30 June 2016<br/>%</b> | <b>Percentage of<br/>total net assets<br/>attributable to<br/>unitholders at<br/>31 December 2015<br/>%</b> |
|---|---|---|---|
| Agriculture                                   | 1,309,694                                     | 1.73  | 2.64  |
| Airlines                                      | 1,877,573                                     | 2.49  | 1.52  |
| Banks   | 13,340,271                                    | 17.67   | 27.74   |
| Beverages                                     | 1,363,635                                     | 1.81  | -   |
| Commercial Services                           | 1,862,115                                     | 2.47  | 3.26  |
| Cosmetics/Personal care                       | -   | -   | 0.97  |
| Distribution/Wholesale                        | 1,007,400                                     | 1.34  | -   |
| Diversified Financial Services                | 4,009,954                                     | 5.31  | 5.45  |
| Electric                                      | 382,002                                       | 0.51  | -   |
| Electronics                                   | 6,289,735                                     | 8.34  | 2.18  |
| Engineering and Construction                  | 2,672,263                                     | 3.54  | 1.84  |
| Food  | 3,680,540                                     | 4.88  | 1.97  |
| Healthcare                                    | 1,101,744                                     | 1.46  | 2.36  |
| Holding Companies-Diversified                 | 3,055,250                                     | 4.05  | 3.26  |
| Home Builders                                 | 1,580,077                                     | 2.09  | -   |
| Leisure Time                                  | -   | -   | 3.53  |
| Lodging                                       | -   | -   | 2.69  |
| Metal Fabricate/Hardware                      | -   | -   | 0.39  |
| Miscellaneous Manufacture                     | 528,496                                       | 0.70  | 1.14  |
| Office/Business Equipment                     | 812,000                                       | 1.08  | 2.77  |
| Oil and Gas                                   | 1,087,100                                     | 1.44  | 1.36  |
| Real Estate                                   | 9,242,562                                     | 12.25   | 15.20   |
| Real Estate Investment Trusts (REITS)         | 2,007,679                                     | 2.66  | 0.95  |
| Retail  | 2,274,569                                     | 3.01  | 2.58  |
| Telecommunications                            | 9,902,543                                     | 13.12   | 11.10   |
| Transportation                                | 3,626,091                                     | 4.80  | 2.37  |
| <b>Portfolio of investments</b>               | <b>73,013,293</b>                             | <b>96.75</b>  | <b>97.27</b>  |
| <b>Other net assets</b>                       | <b>2,450,798</b>                              | <b>3.25</b>   | <b>2.73</b>   |
| <b>Net assets attributable to unitholders</b> | <b>75,464,091</b>                             | <b>100.00</b>   | <b>100.00</b>   |

## NIKKO AM SHENTON THRIFT 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)

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The following contains additional information relating to the Fund.

#### 1. Distribution of investments

Please refer to the Statement of Portfolio on pages 9 to 12.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 30 June 2016

|   | Fair value<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders<br>% |
|---|-------------------|--|
| Singapore Telecommunications Limited                  | 7,636,370         | 10.12  |
| DBS Group Holdings Limited                            | 5,719,635         | 7.58   |
| Oversea-Chinese Banking Corporation Limited           | 4,203,735         | 5.57   |
| Wilmar International Limited                          | 3,680,540         | 4.88   |
| Singapore Exchange Limited                            | 3,238,500         | 4.29   |
| Keppel Corporation Limited                            | 3,055,250         | 4.05   |
| M1 Limited/Singapore                                  | 2,266,173         | 3.00   |
| Keppel Telecommunications & Transportation<br>Limited | 2,258,256         | 2.99   |
| United Engineers Limited                              | 2,141,382         | 2.84   |
| Valuetronics Holdings Limited                         | 2,060,000         | 2.73   |

##### 10 Largest holdings at 30 June 2015

|   | Fair value<br>S\$ | Percentage of<br>total net assets<br>attributable to<br>unitholders<br>% |
|---|-------------------|--|
| DBS Group Holdings Limited                  | 11,528,902        | 13.04  |
| Oversea-Chinese Banking Corporation Limited | 8,877,408         | 10.04  |
| Singapore Telecommunications Limited        | 6,343,207         | 7.17   |
| United Overseas Bank Limited                | 5,802,266         | 6.56   |
| Hongkong Land Holdings Limited              | 5,220,258         | 5.90   |
| Wilmar International Limited                | 4,912,784         | 5.56   |
| Singapore Exchange Limited                  | 4,534,353         | 5.13   |
| CWT Limited                                 | 3,556,210         | 4.02   |
| CapitaLand Limited                          | 3,409,000         | 3.85   |
| Jardine Matheson Holdings Limited           | 2,598,037         | 2.94   |

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## NIKKO AM SHENTON THRIFT 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)

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#### 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

Please refer to the Statement of Portfolio on pages 9 to 12.

#### 9. Borrowings

Nil.

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

S\$

|                 |             |
|-----------------|-------------|
| Units created   | 615,714     |
| Units cancelled | (3,221,445) |

#### 11. Turnover ratio

|   |     | 30 June 2016      | 30 June 2015 |
|---|-----|-------------------|--------------|
| Lower of total value of purchases or sales  | S\$ | <b>45,763,234</b> | 44,830,226   |
| Average daily net asset value               | S\$ | <b>74,668,936</b> | 92,979,399   |
| <b>Total turnover ratio</b> <sup>Note</sup> | %   | <b>61.29</b>      | 48.22        |

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.

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## NIKKO AM SHENTON THRIFT 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)

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#### 12. Expense ratio

|  |     | 30 June 2016 | 30 June 2015 |
|--|-----|--------------|--------------|
| Total operating expenses                   | S\$ | 697,820      | 872,047      |
| Average daily net asset value              | S\$ | 77,422,360   | 96,069,209   |
| <b>Total expense ratio</b> <sup>Note</sup> | %   | <b>0.90</b>  | 0.91         |

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 2016     | 31 December 2015 |
|--|------------------|------------------|
|  | S\$              | S\$              |
| Bank balances held with related party of the Trustee | <b>2,616,600</b> | 2,246,577        |

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

Nil.

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