November 4, 2014

Press Release

Nikko Asset Management Co., Ltd.

Non-economic Factors Driving Recent Market Movements

- *Volatility based on fears about Ebola, sanctions on Russia and oil policy*
- *Political stability in Asia contributing to economic gains*
- *Abenomics getting a boost from Japan's growing household wealth, corporate governance*

The recent turbulence in markets is resulting from several non-economic factors, such as the Ebola outbreak, sanctions imposed on Russia related to the ongoing turmoil in Ukraine, and plummeting oil prices as Saudi Arabia maintains its high oil production, according to new research by Nikko Asset Management. The Tokyo-based firm nevertheless expects risk markets to withstand the events and continue their upward march.

"Our target for the S&P 500 is a slight rise above its recent level and continues to look quite achievable once some of the panic surrounding these issues calms," said John F. Vail, chief global strategist and chairman of the firm's global investment committee.

Meanwhile, in the Asian region, relatively stable political regimes are translating into meaningful economic gains in certain countries, according to Peter Sartori, the head of Asian equity based in Singapore.

"Asia's moment is now for the taking, and the next 12-24 months will be critical for shaping investors' image from one of a perpetually emerging Asia into one that has finally emerged," Sartori said. "Indisputably, sound political systems are crucial for economic development and progress."

The firm's analysts point out that Singapore, which has had a single political party in power over a prolonged period of time, has seen its economic growth contract in only five short periods over the last 53 years. The Philippines and Indonesia, too, managed to carve out an enviable sustained economic growth path over long periods where political power was absolute.

Note: all dates in this report are Calendar Year (CY)-based unless otherwise specified.

China's economic transformation within its ongoing communist political structure has allowed the country to become the world's second-largest economy in the short space of 36 years. Its new leader, Xi Jin Ping, is the only person to concurrently hold the highest office of the party, state and military, within his first term in office. "He moved quickly to eliminate corruption, leaving virtually no office untouched," Sartori said. "China bears should be afraid, especially as the market has been marking a bottom for the last two years; still a substantial 60 percent from the high point reached in 2007."

India, on the other hand, may now be poised to join the ranks of more politically stable countries, thanks to the Bharatiya Janata Party's resounding general election win in May, the first time in 30 years that a single party secured more than 50% of the government. "Can the BJP under Narendra Modi deliver policies that will lift the living standards of the poorest and deliver sanitation to the slums? Market expectations are high," Sartori noted.

Elsewhere in the latest edition of Nikko Asset Management's *Evolving Markets* report, the firm's analysts note that household net financial assets in Japan (excluding real estate) reached a historical high, according to second-quarter data, of ¥1.29 quadrillion (US$12.6 trillion) in Japan. The so-called "wealth effect" has been underestimated by local and foreign investors, though in other countries it is a linchpin of economic recovery: "'Asset Bubble Economics' (ABE) is a phrase that is lightly bandied about," Vail commented, "But the role of inflating asset prices, while keeping interest rates down, has been the hallmark of the U.S. economic recovery."

The administration is also serious about making improvements in corporate governance as one of a series of economic stimulus policies. It is expected to start emphasizing the importance of dividend payouts, congratulating those companies who raise ratios sharply and criticizing those who fail, the report said.

"Foreign investors will realize that corporate governance in Japan is a very serious trend, along with the recent surge in profit margins, and gain confidence in the country," Vail said. "The implications of this trend are huge as the impact of growing asset wealth and income for individual and institutional investors will be the key to the continuing success of Abenomics, so we expect Japan's leadership to encourage dividends."

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About Nikko Asset Management

Nikko Asset Management is a leader in the Asian financial services industry, with $168 billion in assets under management as of June 30, 2014. Established in 1959, the firm has representation across 25 locations in 12 countries and enjoys one of the largest distributor networks in the region, serving both retail and institutional clients. More than 300 banks, brokers, financial advisors and life insurance companies distribute the company's products.

Nikko Asset Management manages a wide range of equity and fixed income strategies in both active and passive formats, leveraging the talents of over 250 investment professionals. In 2013 alone, Nikko Asset Management won awards for excellence in asset management from Lipper, Morningstar, Mercer, AsianInvestor, R&I, among others.

The company's management team is highly diverse and experienced, and is committed to running the company according to international best practices. Nikko Asset Management's independence from the limitations imposed on many captive asset management companies allows it to focus on the interests of clients. At the same time, the company enjoys a stable base of shareholders, with majority ownership held by Sumitomo Mitsui Trust Holdings and a strategic stake by DBS Bank.

For more information, please visit http://en.nikkoam.com/

* Consolidated assets under management and sub-advisory of Nikko AM and its subsidiaries as of June 30, 2014. AUM figures are converted into US dollars using the month-end exchange rate.
** Represents the 25 locations of Nikko Asset Management and its overseas subsidiaries and affiliates (including minority joint ventures) across 12 countries.

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