PRESS RELEASE

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NIKKO ASSET MANAGEMENT CO., LTD.

Nikko Asset Management Expects Japan, Europe and Developed Asia-Pacific Equities to Outperform

- *Japan, Europe and developed Asia-Pacific ex-Japan equities should perform well in the next six months*
- *Moves global equities stance to neutral due to a cautious U.S. equity outlook*
- *Oil prices to rise slightly in quarters ahead, despite additional supply from Iran*
- *Fed will likely raise interest rates in June and in December*

A cautious outlook for U.S. equities has led Nikko Asset Management's Global Investment Committee (GIC) to revise its stance on global equities to neutral from moderately overweight. However, the GIC was positive on Japanese and developed Asia-Pacific ex-Japan equities, the Tokyo-headquartered asset manager's latest house view showed.

"We went neutral on global equities in September and then went cautiously overweight in December, so we have not been very bullish for a while, but we certainly were negatively surprised by the volatility and bearish action in equities and commodities," said John Vail, chief global strategist and chairman of the GIC. "Our new macro-backdrop scenario results in a cautious view on global equities, expecting relatively flat performance in the United States, but positive on other regions, especially Japan and Pacific ex-Japan."

The GIC members, who are senior investment professionals from the company's global offices, noted that the U.S. equities market is overpriced. U.S. corporate earnings were not expected to improve very much making the current price-earnings ratio unattractive. The S&P 500 is trading at 17 times NTM (next twelve months) bottom-up consensus earnings, which is historically high.

The firm's key investment committee has an overweight stance on Eurozone equities. The positive earnings effect of euro weakness, expected relief from a vote to reject Brexit and continued regional growth being the main factors to support the Eurozone equities' overweight view.

With regards to Japan, the committee maintained a positive view that a weaker yen and moderately improved global growth will drive earnings and stock price growth. Also, Japanese equities are supported by strong pretax profit margins which remained at record highs, on an annual basis, as of the fourth quarter.

The committee said it will maintain an overweight stance on developed Asia-Pacific ex-Japan equities amid expectations of significant strength in Hong Kong and Australian equities over the next six months as both benefit from increased confidence in the Chinese economy.

The committee said the U.S. Federal Reserve will raise its interest rates twice this year, once in June and again in December but there is a chance that the June hike could be delayed until July if the central bank wishes to wait for the Brexit vote. The GIC's forecast of two interest rate hikes this year is more hawkish than expected, thus negative for global bonds but positive for the U.S. currency.

As for oil, the GIC expects Brent crude to trade at $45 per barrel at the end of September and to rise slightly in the following quarters. The committee believes production in the U.S. shale sector will likely decline more rapidly than expected, but Iran is expected to export even more, which should cap prices to a large degree.

Nikko Asset Management's GIC met on March 30 for its quarterly review of global economic conditions. Based on the findings of its senior investment professionals around the world, the company periodically reconsiders house views on the major global markets and asset classes.

The committee's main forecasts[1] at this time are:

U.S.: Half-year GDP growth (April to September 2016) of 2.3 percent half-on-half, with the S&P 500 rising 0.2 percent in dollar terms over the next six months to September 2016.

Japan: Half-year GDP growth of 1.3 percent half-on-half, with TOPIX rising11.1 percent in yen terms over the next six months to September 2016.

Eurozone: Half-year GDP growth of 1.7 percent half-on-half, with MSCI Europe rising 8.3 percent in euro terms over the next six months to September 2016.

Nikko Asset Management's series of 2016 Q1 house views.

http://en.nikkoam.com/articles/2016/04/g-3-and-chinese-economies-moderately-firmer-in-2016

http://en.nikkoam.com/articles/2016/04/fed-in-june-and-december-but-ecb-or-boj-slight-easing

http://en.nikkoam.com/articles/2016/04/forecasting-a-stronger-usd-and-higher-bond-yields-while-back-to-neutral-global-equities

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[1] Total return from the base date of March 18, 2016

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Nikko Asset Management is positioning itself to be Asia's premier global asset manager. The firm offers world-class asset management solutions for global investors, and has US$153.7 billion (18.49 trillion yen) in assets under management*. With more than 200 investment professionals**, the firm leverages its extensive global resources representing over 30 nationalities across 11 countries. Headquartered in Asia for over 55 years, Nikko Asset Management's vantage point, extending east to west, distinguishes its investment approach.

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

* Consolidated assets under management and sub-advisory of Nikko Asset Management and its subsidiaries as of December 31, 2015.

** As of December 31, 2015, including employees of Nikko Asset Management and its subsidiaries.