

# SEMI-ANNUAL REPORT

For the financial period ending 31 December 2017

**Nikko AM Shenton  
Asia Bond Fund**

**MANAGERS**

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Company Registration No. 198202562H

**DIRECTORS**

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**TRUSTEE & REGISTRAR**

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**AUDITORS**

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(With effect from 2 January 2018)

**CUSTODIAN**

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

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Asia Bond Fund Class A (S\$) <sup>1</sup>	0.48	-0.12	-0.71	1.17	1.71	1.18	1.62
Nikko AM Shenton Asia Bond Fund Class B (S\$) <sup>1</sup>	0.58	0.12	-0.23	1.54	2.04	1.50	1.93
Benchmark <sup>2</sup>	1.35	1.30	2.72	3.32	3.32	N/A	N/A

Source: Nikko Asset Management Asia Limited returns as at 31 December 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>
Nikko AM Shenton Asia Bond Fund Class A (S\$) <sup>1</sup>	-4.54	-5.11	-5.67	-0.55	0.67	0.66	1.20
Nikko AM Shenton Asia Bond Fund Class B (S\$) <sup>1</sup>	-4.45	-4.89	-5.22	-0.18	1.00	0.98	1.51
Benchmark <sup>2</sup>	1.35	1.30	2.72	3.32	3.32	N/A	N/A

Source: Nikko Asset Management Asia Limited returns as at 31 December 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.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Asia Bond Fund Class A (US\$) <sup>1</sup>	1.96	2.94	7.37	0.88	-0.10	1.95	3.43
Nikko AM Shenton Asia Bond Fund Class B (US\$) <sup>1</sup>	2.03	2.97	7.90	1.25	0.22	2.27	3.74
Benchmark <sup>2</sup>	2.99	4.37	11.05	3.03	1.48	N/A	N/A

Source: Nikko Asset Management Asia Limited returns as at 31 December 2017. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Asia Bond Fund Class A (US\$) <sup>1</sup>	-3.14	-2.21	2.00	-0.83	-1.12	1.43	3.00
Nikko AM Shenton Asia Bond Fund Class B (US\$) <sup>1</sup>	-3.07	-2.18	2.50	-0.47	-0.81	1.74	3.32
Benchmark <sup>2</sup>	2.99	4.37	11.05	3.03	1.48	N/A	N/A

Source: Nikko Asset Management Asia Limited returns as at 31 December 2017. Returns are calculated on a NAV-NAV basis, USD, 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.

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**Inception Date: 1 August 2005****Note:**

- (1) With effect from 17 October 2011, the Trust (formerly known as “DBSAM Investment Funds”) has been renamed Nikko AM Asia Investment Funds and the Fund (formerly known as “DBS Asia Bond Fund”) has been renamed Nikko AM Shenton Asia Bond Fund.
- (2) With effect from 1 October 2011, the HSBC Asian Local Bond Index (ALBI) Index has been designated as the benchmark against which the Fund’s performance will be measured. Prior to that, there was no benchmark for the Fund as it was managed on a total return basis.

With effect from 20 April 2016, the calculation and publication of the HSBC Asian Local Bond Index (ALBI) has ceased and the benchmark is replaced with the Markit iBoxx Asian Local Bond Index (ALBI).

**Portfolio Review*****The Fund declined in the six months ended December 2017***

The Nikko AM Shenton Asia Bond Fund (the “Fund”) posted a return of -0.12% (SGD terms, on NAV-NAV basis) for the six months ended 31 December 2017. Asian government bonds exhibited mixed performance in the period. South Korea, Philippine and Chinese bonds weakened, while Indonesian, Thailand and Malaysian bonds gained. Our underweight position in the Korean Won weighed on performance, as the currency staged a strong rally on the back of monetary tightening by the Bank of Korea. Notably, the Singapore Dollar also strengthened against a number of currencies, including the Indonesian Rupiah, Philippine Peso and Indian Rupee, over the period.

**Market Review*****US Treasuries (USTs) ended lower***

The UST yield curve bear flattened in the six months ended 31 December 2017. Recovery in the US continued, with the unemployment rate falling to a 16-year low in October. Economic growth forecasts in the Eurozone were upgraded, and Japan recorded its seventh straight quarter of positive GDP growth. Despite this, inflationary pressures remained low. Against such a backdrop, central banks in the US and Europe began winding down monetary stimuli. The Fed started shrinking its bond portfolio in October, while the European Central Bank declared it would further reduce its monthly purchase of government bonds. The Fed continued with the third rate hike of the year during its December meeting, which further supported the shift higher in front-end UST yields. Overall, 5-year and 10-year US Treasury (UST) yields jumped about 50 and 10 basis points (bps) respectively in the period.

***Asian government bonds exhibited mixed performance; regional currencies strengthened against USD***

Indonesian bonds significantly outperformed regional peers in the six-month period, as low inflation and interest rate cuts by Bank Indonesia supported strong flows into the space. In contrast, the acceleration in inflationary pressures and robust GDP growth in the Philippines dampened investor sentiment towards Philippine bonds. Korean bonds similarly weakened, as a confluence of factors ranging from persistent geopolitical risk, upgrades to policymakers’ inflation and growth forecasts, and monetary tightening by Bank of Korea weighed. The latter lifted demand for the Korean Won over the period, leading to the currency’s outperformance vis-à-vis regional peers. Meanwhile, a large current account and the announcement that general elections will be held next year, were factors which supported gains in the Thai Baht. Hawkish remarks from the Malaysian central bank towards the end of the year, coupled with robust economic growth, triggered the move higher in the Malaysian Ringgit.

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### **Central banks in India and Indonesia cut rates; Bank of Korea and People's Bank of China raise rates**

The Reserve Bank of India lowered its repurchase rate by 25bps in August. Similarly, in an effort to boost growth, Bank Indonesia cut its benchmark interest rate by 25bps each in August and September. In contrast, Bank of Korea became the first central bank in the region to start policy rate normalization, hiking interest rates by 25bps in November. In China, the PBoC raised the rates it charges commercial banks on seven-day and 28-day loans by 5bps each in December. It also raised rates for a medium-term liquidity instrument, but left benchmark policy rates unchanged.

### **Regional economies registered robust growth in the third quarter**

The Philippine economy expanded at 6.9% year-on-year (YoY) in the third quarter of 2017, leading regional growth once again. The services and industry sectors were the main sources of strength, which more than offset slower agricultural production. Similarly, expansion in Malaysia was robust, with third quarter GDP accelerating to 6.2% in the same period, from 5.8% in the second quarter. The improvement in growth was broad-based, led by fixed investment and private consumption. In Thailand, economic expansion in the third quarter printed 4.3% YoY, exceeding expectations, while second quarter growth was upwardly revised to 3.8%. Expansion was supported mainly by external demand. Elsewhere, Indonesia's economy grew at a slightly faster pace in the July to September period, as government consumption and investment spending rose faster, while private consumption growth held relatively stable.

### **A cut in China's credit rating; rating upgrades for India, Indonesia and Philippines**

During the period, Standard & Poor's (S&P) lowered China's sovereign rating to 'A+' from "AA-", changing the outlook to 'stable' from 'negative'. S&P said that the move reflected increased economic and financial risks in China, following a "prolonged period of strong credit growth". Elsewhere, Fitch Ratings upgraded the sovereign ratings of Indonesia and the Philippines to 'BBB' with a 'stable' outlook. For Indonesia, Fitch stated that "resilience to external shocks has steadily strengthened in the past few years" and that "GDP growth remains strong against peers". For Philippines, the credit rating agency noted that "strong and consistent macroeconomic performance has continued, underpinned by sound policies that are supporting high and sustainable growth rates." Similarly, Moody's Investors Service upgraded India's sovereign rating to 'Baa2' from 'Baa3', and said that the move was prompted by the "expectation that continued progress on economic and institutional reforms will, over time, enhance India's high growth potential."

### **China to aim for higher quality and sustainable growth**

China's Communist Party held its 19th National Congress in October. The party amended its charter to adopt a political ideology named after President Xi Jinping, granting him power unmatched in recent decades and a stature on par with that of Chairman Mao Zedong. In his Party Work Report, the president reiterated a previous goal of attaining a moderately prosperous society by 2020 but refrained from specifying a growth target, marking a shift in language from the previous administration. The lower emphasis on the growth rate ties in with the president's statement that the government would aim for growth that is of higher quality and sustainable.

### **Philippine lawmakers passed tax reform bill**

Lawmakers in the Philippines approved a tax reform measure that is expected to yield around PHP 130bn in net revenue during its first year of implementation. The bill is one of the five tax packages Philippine President Rodrigo Duterte is pushing to increase state revenues to help fund his massive "Build, Build, Build" infrastructure programme. Among other things, the bill expands the value added tax base, raises taxes on petroleum products, automobiles and sugar-sweetened beverages, while lowering personal income taxes.

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## **Market Outlook & Strategy**

### ***Positive on Indonesia bonds***

We continue to believe that Indonesia bonds will provide attractive returns relative to regional peers. Demand will get a boost from potential index inclusion in widely tracked global indices. Inflationary pressures are likely to remain fairly anchored, supported largely by the government's effort to improve food supply management across the country. We expect monetary policy to remain accommodative as policymakers continue to focus on fueling domestic growth ahead of provincial elections next year. Political noise may rise towards the second half of 2018, although we think this will be fleeting as opinion polls continue to suggest support for President Jokowi.

### ***Prefer Malaysian Ringgit over the Philippine Peso***

Going into 2018, our preference for the Malaysian Ringgit over the Philippine Peso remains. Robust growth in Malaysia and a hawkish Bank Negara support our positive view on the MYR. Sustained higher oil prices will further lift Malaysia's fiscal and current account balances, providing another tailwind for the currency. In contrast, we anticipate the Philippine Peso to continue to weaken in 2018, as concerns surrounding the country's deteriorating current account balance re-emerge due to the infrastructure build-out.

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**Past performance or any prediction, projection or forecast is not indicative of future performance.**

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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 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 ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial period from 01 July 2017 to 31 December 2017 (unaudited)*

	<b>31 December 2017</b>	31 December 2016
	<b>S\$</b>	S\$
<b>Income</b>		
Dividends	<b>46,350</b>	87,128
Interest on cash and bank balances	<b>5,748</b>	931
	<b>52,098</b>	88,059
<b>Less: Expenses</b>		
Management fee	<b>248,251</b>	305,866
Management fee rebate	<b>(10,599)</b>	(19,956)
Registrar fee	<b>10,109</b>	9,796
Trustee fee	<b>12,143</b>	15,033
Custody fee	<b>16,636</b>	23,049
Audit fee	<b>7,569</b>	7,758
Valuation fee	<b>13,660</b>	16,913
Transaction costs	<b>13,227</b>	10,474
Other expenses	<b>24,468</b>	32,148
	<b>335,464</b>	401,081
<b>Net losses</b>	<b>(283,366)</b>	(313,022)
<b>Net gains or losses on value of investments and financial derivatives</b>		
Net gains on investments	<b>556,528</b>	1,553,855
Net foreign exchange gains	<b>13,580</b>	195,118
Net losses on financial derivatives	<b>(119,290)</b>	(34,021)
	<b>450,818</b>	1,714,952
<b>Total return for the financial period before income tax</b>	<b>167,452</b>	1,401,930
<b>Less: Income tax</b>	<b>(143,470)</b>	(245,074)
<b>Total return for the financial period after income tax</b>	<b>23,982</b>	1,156,856

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 31 December 2017 (unaudited)*

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	<b>31 December 2017</b>	30 June 2017
	<b>S\$</b>	S\$
<b>ASSETS</b>		
Portfolio of investments	<b>57,516,948</b>	53,369,743
Sales awaiting settlement	-	820,660
Receivables	<b>1,000</b>	46,505
Cash and bank balances	<b>3,428,967</b>	8,436,767
Margin accounts	<b>60,625</b>	43,390
Financial derivatives at fair value	<b>10,520</b>	46,814
<b>Total assets</b>	<b>61,018,060</b>	62,763,879
<b>LIABILITIES</b>		
Payables	<b>236,978</b>	220,604
Purchases awaiting settlement	<b>673,312</b>	1,151,372
Distribution payable	<b>1,035,341</b>	1,038,660
Financial derivatives at fair value	<b>23,312</b>	115,539
<b>Total liabilities</b>	<b>1,968,943</b>	2,526,175
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>59,049,117</b>	60,237,704

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**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial period from 01 July 2017 to 31 December 2017 (unaudited)*

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	<b>31 December 2017</b>	30 June 2017
	<b>S\$</b>	S\$
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>60,237,704</b>	72,321,129
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>23,982</b>	955,860
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>858,366</b>	2,602,490
Cancellation of units	<b>(1,035,645)</b>	(13,383,988)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>(177,279)</b>	(10,781,498)
Distributions	<b>(1,035,290)</b>	(2,257,787)
Total decreases in net assets attributable to unitholders	<b>(1,188,587)</b>	(12,083,425)
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>59,049,117</b>	60,237,704

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**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2017 (unaudited)***By Geography (Primary)**

	Holdings at 31 December 2017	Fair value at 31 December 2017 S\$	Percentage of total net assets attributable to unitholders at 31 December 2017 %
<b>Quoted Fixed Income Securities</b>			
<b>AUSTRALIA</b>			
Commonwealth Bank of Australia 4.2% due 26/10/2020	10,000,000	2,039,151	3.45
<b>Total AUSTRALIA</b>		<u>2,039,151</u>	<u>3.45</u>
<b>BRITISH VIRGIN ISLANDS</b>			
Huarong Finance 2017 Company Limited 3.8% due 07/11/2025	1,500,000	1,512,188	2.56
<b>Total BRITISH VIRGIN ISLANDS</b>		<u>1,512,188</u>	<u>2.56</u>
<b>CHINA</b>			
Bank of China Limited 3.6% due 12/07/2018	5,000,000	1,022,282	1.73
China Construction Bank Corporation 2.08% due 26/10/2020	750,000	748,500	1.27
China Development Bank 4.3% due 02/08/2032	5,000,000	1,001,371	1.69
Industrial & Commercial Bank of China Limited 3.2% due 19/09/2018	12,000,000	2,443,554	4.14
<b>Total CHINA</b>		<u>5,215,707</u>	<u>8.83</u>
<b>HONG KONG SAR</b>			
Hong Kong Government Bond 2.07% due 26/08/2026	10,000,000	1,757,062	2.98
Hong Kong Government Bond 2.39% due 20/08/2025	8,000,000	1,435,761	2.43
<b>Total HONG KONG SAR</b>		<u>3,192,823</u>	<u>5.41</u>
<b>INDIA</b>			
National Bank For Agriculture And Rural Development 7.69% due 31/03/2032	100,000,000	2,041,669	3.46
National Highways Authority of India 7.3% due 18/05/2022	70,000,000	1,481,394	2.51
<b>Total INDIA</b>		<u>3,523,063</u>	<u>5.97</u>
<b>INDONESIA</b>			
Indonesia Treasury Bond 6.125% due 15/05/2028	24,000,000,000	2,303,509	3.90
Indonesia Treasury Bond 6.625% due 15/05/2033	10,000,000,000	959,475	1.62
Indonesia Treasury Bond 7% due 15/05/2027	11,000,000,000	1,136,897	1.93
Indonesia Treasury Bond 7.5% due 15/05/2038	16,000,000,000	1,651,453	2.80
<b>Total INDONESIA</b>		<u>6,051,334</u>	<u>10.25</u>

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2017 (unaudited)***By Geography (Primary) (continued)**

	Holdings at 31 December 2017	Fair value at 31 December 2017 S\$	Percentage of total net assets attributable to unitholders at 31 December 2017 %
<b>Quoted Fixed Income Securities (continued)</b>			
<b>MALAYSIA</b>			
Danga Capital Berhad 4.1% due 09/04/2020	4,000,000	1,321,547	2.24
Danga Capital Berhad 4.52% due 06/09/2027	1,000,000	327,554	0.55
Malaysia Government Bond 4.059% due 30/09/2024	2,000,000	667,592	1.13
Malaysia Government Investment Issue 4.39% due 07/07/2023	9,000,000	3,025,435	5.12
Malaysia Government Investment Issue 4.895% due 08/05/2047	3,000,000	978,333	1.66
Prasarana Malaysia Berhad 4.08% due 12/03/2019	2,000,000	664,615	1.13
<b>Total MALAYSIA</b>		<b>6,985,076</b>	<b>11.83</b>
<b>PHILIPPINES</b>			
Philippine Government Bond 4.625% due 09/09/2040	20,000,000	453,611	0.77
Philippine Government Bond 8% due 19/07/2031	43,000,000	1,451,792	2.46
Philippine Government International Bond 6.25% due 14/01/2036	20,000,000	604,098	1.02
<b>Total PHILIPPINES</b>		<b>2,509,501</b>	<b>4.25</b>
<b>SINGAPORE</b>			
Capitaland Treasury Limited 4.35% due 31/10/2019	1,000,000	1,042,880	1.77
Singapore Government Bond 2.125% due 01/06/2026	800,000	808,400	1.37
Singapore Government Bond 2.75% due 01/03/2046	300,000	319,200	0.54
Singapore Government Bond 2.75% due 01/04/2042	700,000	738,500	1.25
Singapore Government Bond 3.375% due 01/09/2033	700,000	794,500	1.34
United Overseas Bank Limited 4.75% due 31/12/2049	1,000,000	1,041,171	1.76
United Overseas Bank Limited 4.9% due 23/07/2049	1,000,000	1,015,573	1.72
<b>Total SINGAPORE</b>		<b>5,760,224</b>	<b>9.75</b>
<b>SOUTH KOREA</b>			
Korea Treasury Bond 4.25% due 10/06/2021	800,000,000	1,064,792	1.80
Korea Treasury Bond 2.25% due 10/06/2025	6,000,000,000	7,412,265	12.55
Korea Treasury Bond 1.875% due 10/06/2026	2,500,000,000	2,991,965	5.07
Korea Treasury Bond 4% due 10/12/2031	500,000,000	736,299	1.25
<b>Total SOUTH KOREA</b>		<b>12,205,321</b>	<b>20.67</b>
<b>THAILAND</b>			
Thailand Government Bond 2.125% due 17/12/2026	23,000,000	926,863	1.57
Thailand Government Bond 2.55% due 26/06/2020	50,000,000	2,102,264	3.56
Thailand Government Bond 3.58% due 17/12/2027	30,000,000	1,344,506	2.28
Thailand Government Bond 3.65% due 20/06/2031	27,000,000	1,221,395	2.07
<b>Total THAILAND</b>		<b>5,595,028</b>	<b>9.48</b>
<b>Accrued interest receivable on quoted fixed income securities</b>		<b>586,117</b>	<b>0.99</b>
<b>Total Quoted Fixed Income Securities</b>		<b>55,175,533</b>	<b>93.44</b>

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2017 (unaudited)***By Geography (Primary)** (continued)

	Holdings at 31 December 2017	Fair value at 31 December 2017 S\$	Percentage of total net assets attributable to unitholders at 31 December 2017 %
<b>Quoted Investment Fund</b>			
<b>SINGAPORE</b>			
Nikko AM China Onshore Bond Fund	2,358,767	2,341,415	3.97
<b>Total SINGAPORE</b>		<b>2,341,415</b>	<b>3.97</b>
<b>Total Quoted Investment Fund</b>		<b>2,341,415</b>	<b>3.97</b>
<b>Portfolio of investments</b>		<b>57,516,948</b>	<b>97.41</b>
<b>Other net assets</b>		<b>1,532,169</b>	<b>2.59</b>
<b>Net assets attributable to unitholders</b>		<b>59,049,117</b>	<b>100.00</b>

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2017 (unaudited)*

<b>By Geography (Summary)</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2017 %</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2017 %</b>
<b>Quoted Fixed Income Securities</b>		
Australia	3.45	-
British Virgin Islands	2.56	-
China	8.83	4.93
Hong Kong SAR	5.41	4.64
India	5.97	14.52
Indonesia	10.25	10.32
Malaysia	11.83	11.25
Philippines	4.25	6.59
Singapore	9.75	10.61
South Korea	20.67	13.15
Thailand	9.48	7.86
<b>Accrued interest receivable on quoted fixed income securities</b>	<b>0.99</b>	<b>0.89</b>
<b>Total Quoted Fixed Income Securities</b>	<b>93.44</b>	<b>84.76</b>
<b>Quoted Investment Fund</b>		
<b>Singapore</b>	<b>3.97</b>	<b>3.84</b>
<b>Total Quoted Investment Fund</b>	<b>3.97</b>	<b>3.84</b>
<b>Portfolio of investments</b>	<b>97.41</b>	<b>88.60</b>
<b>Other net assets</b>	<b>2.59</b>	<b>11.40</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2017 (unaudited)*

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<b>By Industry (Secondary)</b>	<b>Fair value at 31 December 2017 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2017 %</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2017 %</b>
Banks	11,353,271	19.23	6.98
Debt Fund	2,341,415	3.97	3.84
Diversified Financial Services	1,512,188	2.56	2.73
Electric	-	-	3.57
Engineering and Construction	-	-	3.03
Real Estate	1,042,880	1.77	-
Sovereign	40,016,462	67.77	64.74
Telecommunications	-	-	1.74
Transportation	664,615	1.12	1.08
Accrued interest receivable on quoted fixed income securities	586,117	0.99	0.89
<b>Portfolio of investments</b>	<b>57,516,948</b>	<b>97.41</b>	<b>88.60</b>
<b>Other net assets</b>	<b>1,532,169</b>	<b>2.59</b>	<b>11.40</b>
<b>Net assets attributable to unitholders</b>	<b>59,049,117</b>	<b>100.00</b>	<b>100.00</b>

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## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 July 2017 to 31 December 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 11 to 15.

#### 2. Credit rating of debt securities

	Fair value at 31 December 2017 S\$	Percentage of total net assets attributable to unitholders at 31 December 2017 %
AAA*	2,660,600	4.51
AA+	3,192,823	5.41
AA-	2,039,151	3.45
A-	1,221,395	2.07
BBB	604,098	1.02
BBB-	2,056,744	3.48
Aa2	1,801,091	3.05
A1	3,465,836	5.87
Baa1	3,783,557	6.41
Baa2	1,451,792	2.46
Baa3	4,399,881	7.45
Not rated	27,912,448	47.27
Accrued interest receivable on quoted fixed income securities	586,117	0.99
<b>Total</b>	<b>55,175,533</b>	<b>93.44</b>

\*The balance includes securities that are issued by government agencies of governments that have a AAA rating as rated by Standard & Poor's.

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***REPORT TO UNITHOLDERS***For the financial period from 01 July 2017 to 31 December 2017 (unaudited)***3. Top 10 holdings****10 Largest holdings at 31 December 2017**

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Korea Treasury Bond 2.25% due 10/06/2025	7,412,265	12.55
Malaysia Government Investment Issue 4.39% due 07/07/2023	3,025,435	5.12
Korea Treasury Bond 1.875% due 10/06/2026	2,991,965	5.07
Industrial & Commercial Bank of China Limited 3.2% due 19/09/2018	2,443,554	4.14
Nikko AM China Onshore Bond Fund	2,341,415	3.97
Indonesia Treasury Bond 6.125% due 15/05/2028	2,303,509	3.90
Thailand Government Bond 2.55% due 26/06/2020	2,102,264	3.56
National Bank For Agriculture And Rural Development 7.69% due 31/03/2032	2,041,669	3.46
Commonwealth Bank of Australia 4.2% due 26/10/2020	2,039,151	3.45
Hong Kong Government Bond 2.07% due 26/08/2026	1,757,062	2.98

**10 Largest holdings at 31 December 2016**

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Korea Treasury Bond 1.815% due 10/06/2026	5,297,148	7.33
Nikko AM China Onshore Bond Fund	4,383,851	6.07
Korea Treasury Bond 3.5% due 10/03/2024	3,953,564	5.47
Thailand Government Bond 2.125% due 17/12/2026	2,697,426	3.73
Indonesia Treasury Bond 9% due 15/03/2029	2,615,671	3.62
India Government Bond 8.24% due 15/02/2027	2,330,920	3.23
Power Finance Corporation Limited 8.39% due 19/04/2025	2,248,495	3.11
Malaysia Government Investment Issue 4.07% due 30/09/2026	2,199,078	3.04
Hong Kong Government Bond 0.97% due 20/06/2022	2,166,756	3.00
HDFC Bank Limited 7.95% due 21/09/2026	2,161,203	2.99

## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 July 2017 to 31 December 2017 (unaudited)

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#### 4. Exposure to financial derivatives

	Fair value at 31 December 2017 S\$	Percentage of total net assets attributable to unitholders 31 December 2017 %	Unrealised gains/(losses) S\$	Realised gains/(losses) S\$
Forward foreign exchange contracts	(12,792)	(0.02)	(12,792)	(97,254)
Futures contracts	-	-	-	(11,442)
Swaps	-	-	-	2,198

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#### 5. Global exposure to financial derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- a. the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;
- b. the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c. the sum of the values of cash collateral received pursuant to:
  - i. the reduction of exposure to counterparties of OTC financial derivatives; and
  - ii. EPM techniques relating to securities lending and repurchase transactions, and that are reinvested

#### 6. Collateral

Margin account represents margin deposits held in respect of exchange-traded futures contract with UBS Limited

## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 July 2017 to 31 December 2017 (unaudited)

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#### 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 page 13.

#### 9. Borrowings

Nil.

#### 10. Amount of units created and cancelled for the financial period ended 31 December 2017

	<b>S\$</b>
Units created	858,366
Units cancelled	(1,035,645)

#### 11. Turnover ratio

		<b>31 December 2017</b>	31 December 2016
Lower of total value of purchases or sales	S\$	<b>86,140,722</b>	65,327,887
Average daily net asset value	S\$	<b>60,214,503</b>	74,578,498
<b>Total turnover ratio</b> <sup>Note</sup>	%	<b>143.06</b>	87.60

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.

## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 July 2017 to 31 December 2017 (unaudited)

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#### 12. Expense ratio

<b><u>SGD Class A</u></b>		<b>31 December 2017</b>	31 December 2016
Total operating expenses	S\$	<b>71,907</b>	76,684
Average daily net asset value	S\$	<b>5,166,517</b>	5,707,747
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>1.39</b>	1.34
<hr/>			
<b><u>USD Class A</u></b>		<b>31 December 2017</b>	31 December 2016
Total operating expenses	S\$	<b>4,002</b>	4,197
Average daily net asset value	S\$	<b>287,331</b>	312,414
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>1.39</b>	1.34
<hr/>			
<b><u>SGD Class B</u></b>		<b>31 December 2017</b>	31 December 2016
Total operating expenses	S\$	<b>591,687</b>	671,618
Average daily net asset value	S\$	<b>58,470,805</b>	68,499,222
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>1.01</b>	0.98
<hr/>			
<b><u>USD Class B</u></b>		<b>31 December 2017</b>	31 December 2016
Total operating expenses	S\$	<b>209</b>	335
Average daily net asset value	S\$	<b>20,481</b>	34,130
<b>Total expense ratio<sup>Note</sup></b>	<b>%</b>	<b>1.02</b>	0.98

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

## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 July 2017 to 31 December 2017 (unaudited)

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#### 13. Related party transactions

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

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

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

	<b>31 December 2017</b>	30 June 2017
	<b>S\$</b>	S\$
Bank balances held with related party of the Trustee	<u><b>3,428,967</b></u>	<u>8,436,767</u>

#### 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 30 June 2017

**Nikko AM Shenton  
Asia Bond 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  
Junichi Sayato  
Seet Oon Hui Eleanor  
David Jonathan Semaya  
Yu-Ming Wang

**TRUSTEE & REGISTRAR**

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

**CUSTODIAN**

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

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

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Asia Bond Fund Class A (S\$) <sup>1</sup>	-0.58	-0.59	0.79	3.13	2.14	0.98	1.70
Nikko AM Shenton Asia Bond Fund Class B (S\$) <sup>1</sup>	-0.56	-0.35	1.21	3.49	2.46	1.29	2.01
Benchmark <sup>2</sup>	0.27	1.40	3.21	4.78	3.59	N/A	N/A

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>
Nikko AM Shenton Asia Bond Fund Class A (S\$) <sup>1</sup>	-5.55	-5.56	-4.25	1.38	1.09	0.46	1.26
Nikko AM Shenton Asia Bond Fund Class B (S\$) <sup>1</sup>	-5.53	-5.33	-3.85	1.73	1.41	0.77	1.57
Benchmark <sup>2</sup>	0.27	1.40	3.21	4.78	3.59	N/A	N/A

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.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Asia Bond Fund Class A (US\$) <sup>1</sup>	0.82	4.31	-1.39	-0.24	0.45	2.06	3.33
Nikko AM Shenton Asia Bond Fund Class B (US\$) <sup>1</sup>	1.10	4.78	-0.88	0.17	0.79	2.40	3.65
Benchmark <sup>2</sup>	1.76	6.40	0.89	1.37	1.88	N/A	N/A

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, USD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Asia Bond Fund Class A (US\$) <sup>1</sup>	-4.22	-0.91	-6.32	-1.93	-0.58	1.54	2.88
Nikko AM Shenton Asia Bond Fund Class B (US\$) <sup>1</sup>	-3.96	-0.45	-5.84	-1.53	-0.24	1.87	3.20
Benchmark <sup>2</sup>	1.76	6.40	0.89	1.37	1.88	N/A	N/A

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, USD, 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.

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**Inception Date: 1 August 2005****Note:**

- (1) With effect from 17 October 2011, the Trust (formerly known as “DBSAM Investment Funds”) has been renamed Nikko AM Asia Investment Funds and the Fund (formerly known as “DBS Asia Bond Fund”) has been renamed Nikko AM Shenton Asia Bond Fund.
- (2) With effect from 1 October 2011, the HSBC Asian Local Bond Index (ALBI) Index has been designated as the benchmark against which the Fund’s performance will be measured. Prior to that, there was no benchmark for the Fund as it was managed on a total return basis.

With effect from 20 April 2016, the calculation and publication of the HSBC Asian Local Bond Index (ALBI) has ceased and the benchmark is replaced with the Markit iBoxx Asian Local Bond Index (ALBI).

**Portfolio Review*****The Fund gained in the year ended June 2017***

The Nikko AM Shenton Asia Bond Fund (the “Fund”) posted a return of 0.79% (SGD terms, on NAV-NAV basis) for the 12 months ended 30 June 2017. Asian government bonds registered mixed performance in the year. Indonesian and Indian bonds significantly outperformed, as interest rate cuts by the countries’ respective central banks encouraged demand. The passage of the GST bill in India and slower economic growth, provided a positive backdrop for Indian bonds. Meanwhile, demand for Indonesian bonds further rose following the rating upgrade by Standard & Poor’s. In contrast, South Korean bonds underperformed. Relatively low yields, a high correlation to US Treasuries (USTs), coupled with an escalation of political risk, deterred investment into the space. Regional currencies similarly registered mixed performance. The Indian Rupee (INR) outperformed, on the back of increased flows into Indian equities, while the underperformance of the Philippine Peso (PHP) was fuelled by concerns about a narrowing current account surplus.

**Market Review*****Yields of US Treasuries (USTs) surged in the year***

There was an overall decline in risk appetite in the last quarter of 2016, prompted by uncertainties leading up to the US presidential election and hawkish undertones by major central banks. In November, Donald Trump’s upset win triggered a myriad of uncertainties. As markets started pricing in upside inflation and a larger fiscal deficit risk from a Trump administration, risk-free rates surged. However, subsequent optimism about President Trump’s economic and reform plans provided some sense of calm to markets.

Growth in the US continued to show steady recovery, with the unemployment rate falling to a 16-year low in June. Despite this, inflationary pressures have remained low. The Federal Open Market Committee (FOMC) raised the Fed Funds rate by a total of 75 basis points (bps) over the period, and provided details of its balance sheet normalisation programme. The central bank also signalled one further hike this year, providing a floor to front-end yields of the UST curve. Overall, 10-year UST yields ended about 83bps higher compared to end-June 2016 levels.

***Asian government bonds and regional currencies registered mixed performance***

Asian government bonds registered mixed performance in the year. Indonesian and Indian bonds significantly outperformed, as interest rate cuts by the countries’ respective central banks encouraged demand. The passage of the GST bill in India and slower economic growth, provided a positive backdrop for Indian bonds. Meanwhile, demand for Indonesian bonds further rose following the rating upgrade by Standard & Poor’s. In contrast, South Korean bonds underperformed. Relatively low yields, a high correlation to USTs, coupled with an escalation of political risk, deterred investment into the space. Regional currencies similarly registered mixed performance. The INR outperformed, on the back of increased flows into Indian equities, while the underperformance of the PHP was fuelled by concerns about a narrowing current account surplus.

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### **Central banks in Malaysia, India and Indonesia loosened monetary policies**

Monetary authorities in Malaysia, India and Indonesia lowered their respective policy rates. Bank Negara Malaysia cut its overnight policy rate by 25bps to 3.0%, while Bank Indonesia announced two quarter-point cuts in the period. Similarly, the Reserve Bank of India, under new Governor Urjit Patel, lowered interest rates by 25bps in October.

### **China set a lower growth target for 2017; Chinese PPI turned positive in September**

Chinese Premier Li Keqiang announced, at the National People's Congress, that the government targets GDP growth at 'around 6.5%' for 2017, down from last year's range of 6.5-7.0%. To support this, the fiscal deficit target was set at 3% of GDP, unchanged from last year. Notably, the government will be increasing local revenue bond issuance by RMB 400bn to RMB 800bn this year, and is looking at simplifying the country's Value-added tax regime. Meanwhile, following more than four years of being in the negative, Chinese PPI inflation registered positive in September. The gauge of factory-gate prices strengthened further in the succeeding months, registering 5.5% year-on-year (YoY) in June. The recovery in PPI over the period was led mainly by gains in the mining sector as well as improvement in raw material prices.

### **Indian parliament passed GST constitutional bill; government announced demonetisation exercise**

During the period, Indian policymakers passed the constitutional amendment for a Goods and Services Tax (GST) to be implemented. The standard GST rate will unify all indirect taxes into one - a move which the government hopes will bring significant efficiency gains. Meanwhile, in an unexpected major crackdown on the stock of undeclared money, Indian Prime Minister Narendra Modi announced in November, that the government will replace its largest-denomination bank notes with new ones. Indian Rupee (INR) 500 and INR 1000 banknotes - estimated to account for more than 80% of currency in circulation by value - ceased being legal tender on 8 November. Meanwhile, fresh notes with better security features were introduced.

### **A new president for South Korea; Thai King Bhumibol Adulyadej passed away**

South Koreans elected Moon Jae-in, a liberal from The Minjoo Party of Korea, as their new president. Mr. Moon saw a sweeping victory in snap elections called after the Constitutional Court upheld the National Assembly's decision to impeach Park Geun-hye. Meanwhile, King Bhumibol Adulyadej, a unifying figure in a deeply polarised Thailand, passed away after a seven-decade reign. News of the revered king's failing health had initially weighed on investor sentiment. The uncertainty of how his death would affect Thailand's political situation led investors to be skeptical of holding Thai assets. However, investor confidence was restored after early signs that a peaceful succession plan will be in place and also after Prime Minister Prayuth Chan-Ocha reiterated that the timetable for democratic elections will remain.

### **Moody's cut China's credit rating**

Moody's Investors Service cut its rating on China's debt to 'A1' from 'Aa3', changing the outlook to 'stable' from 'negative'. The credit rating agency cited the likelihood of a "material-rise" in economy-wide debt and the burden that will place on the state's finances, as reasons for the downgrade. It further highlighted that it believes the Chinese economy would be increasingly dependent on government stimulus to achieve official growth targets. China's Ministry of Finance rebutted Moody's decision, stating that the credit rating agency has underestimated the Chinese government's ability to implement structural reform and expand aggregate demand.

### **Indonesia raised to 'Investment Grade' by Standard & Poor's**

Credit rating agency S&P Global Ratings raised Indonesia's credit rating to 'investment grade' with a 'stable' outlook. According to S&P, "the government's new focus on realistic budgeting has lowered the risks that budget deficit will widen significantly when government revenue disappoints." The upgrade means Indonesia now enjoys investment grade ratings from the top three rating agencies, although both Moody's Investors Service and Fitch Ratings have a 'positive' outlook on their assessments of the country's debt.

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## **Market Outlook & Strategy**

### ***Prefer India, Indonesia and Malaysia bonds***

Markets are likely to experience higher rate volatility for the rest of the year, prompted by a rise in financial markets' sensitivity to well flagged market events (i.e. US Fed rate hike and balance sheet reduction, and European Central Bank's (ECB's) tapering of its quantitative easing (QE) programme). Having said that, the recent dovish rhetoric from the Fed and ECB means that markets are likely to range-trade in the near-term. Indonesian government bonds experienced some profit taking in the month, having significantly outperformed peers since the start of the year. We view this month's underperformance as a tactical correction, and maintain our positive view on the space, noting that real yields remain attractive compared to regional peers. Moreover, we reiterate that the upgrade on Indonesia by S&P gives it a full-investment grade rating. This allows for a wider pool of investor interest, and may potentially translate to lower funding costs for Indonesia in the longer run. We expect demand for Indian bonds to remain supported in the near-term, also due to the relatively higher carry. Nonetheless, we are cognizant that expectation of Reserve Bank of India (RBI) easing in August is already high. Meanwhile, Malaysia bonds have recently caught up to regional peers in terms of year-to-date returns, although offshore investor positioning continued to be relatively light. We foresee inflows into Malaysian assets persisting for a while. Economic activity has picked up, and inflation seems to have peaked out. Recent liberalisation in hedging regulations has helped improve sentiment towards Malaysian bonds. In addition, political risk in Malaysia has fallen, a further positive for capital inflows into Malaysian assets.

### ***Prefer INR, IDR and MYR***

We expect the INR and Indonesian Rupiah (IDR) to outperform amongst Asian currencies. Both countries have attracted greater foreign direct investment, resulting to marked improvement in their basic balances. For India, further monetary easing by the RBI is likely to support asset markets and flows, further encouraging demand for the INR. We also hold a positive view on the MYR. We are cognizant that the currency has had a rapid catch-up in the past months. Nonetheless, our view that inflows into Malaysian assets will persist, coupled with robust economic activity, should continue to support demand for the currency.

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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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#### **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 Asia Bond 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 ASIA BOND FUND**

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

### **REPORT OF THE TRUSTEE**

*For the financial year ended 30 June 2017*

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The Trustee is under a duty to take into custody and hold the assets of Nikko AM Shenton Asia Bond 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 13 to 46, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

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Authorised signatory  
29 September 2017

**NIKKO AM SHENTON ASIA BOND FUND**

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

**STATEMENT BY THE MANAGER**

*For the financial year ended 30 June 2017*

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In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 13 to 46, 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 Asia Bond Fund (the "Fund") as at 30 June 2017, 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

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Authorised signatory  
29 September 2017

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

***Our Opinion***

In our opinion, the accompanying financial statements of Nikko AM Shenton Asia Bond 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 30 June 2017, 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 Total Return for the financial year ended 30 June 2017 ended;
- the Statement of Financial Position as at 30 June 2017;
- the Statement of Movements of Unitholders' Funds for the financial year ended 30 June 2017;
- the Statement of Portfolio as at 30 June 2017; and
- the Notes to the Financial Statements, including a summary of significant accounting policies.

***Basis for Opinion***

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

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

*Independence*

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

***Other Information***

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

Our opinion on the financial statements does not cover the other information and we do not 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 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, 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 ASIA BOND 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 management either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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 ASIA BOND 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, 29 September 2017

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 30 June 2017*

	Note	2017 S\$	2016 S\$
<b>Income</b>			
Dividends		163,427	176,406
Interest on cash and bank balances		5,405	2,649
		<u>168,832</u>	<u>179,055</u>
<b>Less: Expenses</b>			
Management fee		579,809	615,153
Management fee rebate		(35,908)	(40,142)
Registrar fee		19,617	19,505
Trustee fee		28,448	30,184
Custody fee		43,510	46,325
Audit fee		15,701	15,786
Valuation fee		32,004	33,957
Transaction costs		18,243	32,873
Other expenses		53,136	22,227
		<u>754,560</u>	<u>775,868</u>
<b>Net losses</b>		<u>(585,728)</u>	<u>(596,813)</u>
<b>Net gains or losses on value of investments and financial derivatives</b>			
Net gains on investments		2,681,192	3,129,661
Net foreign exchange gain/(loss)		27,833	(170,878)
Net losses on financial derivatives		(702,325)	(698,641)
		<u>2,006,700</u>	<u>2,260,142</u>
<b>Total return for the financial year before income tax</b>		<b>1,420,972</b>	<b>1,663,329</b>
<b>Less: Income tax</b>	3	<b>(465,112)</b>	<b>(358,184)</b>
<b>Total return for the financial year after income tax</b>		<b><u>955,860</u></b>	<b><u>1,305,145</u></b>

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

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 30 June 2017*

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	Note	2017 S\$	2016 S\$
<b>ASSETS</b>			
Portfolio of investments		<b>53,369,743</b>	69,597,595
Sales awaiting settlement		<b>820,660</b>	-
Receivables	4	<b>46,505</b>	82,019
Cash and bank balances		<b>8,436,767</b>	4,073,228
Margin accounts	5	<b>43,390</b>	153,676
Financial derivatives at fair value	7	<b>46,814</b>	126,904
<b>Total assets</b>		<b>62,763,879</b>	74,033,422
<b>LIABILITIES</b>			
Payables	6	<b>220,604</b>	196,414
Purchases awaiting settlement		<b>1,151,372</b>	-
Distribution payable		<b>1,038,660</b>	1,219,938
Financial derivatives at fair value	7	<b>115,539</b>	295,941
<b>Total liabilities</b>		<b>2,526,175</b>	1,712,293
<b>EQUITY</b>			
Net assets attributable to unitholders	8	<b>60,237,704</b>	72,321,129

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

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 30 June 2017*

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	2017 S\$	2016 S\$
<b>Net assets attributable to unitholders at the beginning of the financial year</b>	<b>72,321,129</b>	75,405,784
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>955,860</b>	1,305,145
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>2,602,490</b>	2,354,092
Cancellation of units	<b>(13,383,988)</b>	(4,287,223)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>(10,781,498)</b>	(1,933,131)
Distributions	<b>(2,257,787)</b>	(2,456,669)
Total decrease in net assets attributable to unitholders	<b>(12,083,425)</b>	(3,084,655)
<b>Net assets attributable to unitholders at the end of the financial year</b>	<b>60,237,704</b>	72,321,129

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

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

By Geography (Primary)	Holdings at 30 June 2017	Fair value at 30 June 2017 S\$	Percentage of total net assets attributable to unitholders at 30 June 2017 %
<b>Quoted Fixed Income Securities</b>			
<b>CHINA</b>			
China Development Bank 4.3% due 02/08/2032	5,000,000	1,005,172	1.67
China Development Bank 4.35% due 19/09/2024	5,000,000	1,014,507	1.68
China Government Bond 3.6% due 27/06/2028	5,000,000	950,384	1.58
<b>Total CHINA</b>		<b>2,970,063</b>	<b>4.93</b>
<b>HONG KONG SAR</b>			
Hong Kong Government Bond 2.07% due 26/08/2026	15,000,000	2,796,513	4.64
<b>Total HONG KONG SAR</b>		<b>2,796,513</b>	<b>4.64</b>
<b>INDIA</b>			
India Government Bond 7.59% due 11/01/2026	100,000,000	2,231,869	3.71
National Bank For Agriculture And Rural Development 7.69% due 31/03/2032	100,000,000	2,186,980	3.63
National Highways Authority of India 7.6% due 18/03/2022	100,000,000	2,173,237	3.61
NTPC Limited 7.25% due 03/05/2022	100,000,000	2,153,448	3.57
<b>Total INDIA</b>		<b>8,745,534</b>	<b>14.52</b>
<b>INDONESIA</b>			
Indonesia Treasury Bond 6.625% due 15/05/2033	10,000,000,000	953,011	1.58
Indonesia Treasury Bond 8.25% due 15/05/2036	38,000,000,000	4,217,317	7.00
Indosat TBK PT 10% due 12/12/2017	10,000,000,000	1,047,988	1.74
<b>Total INDONESIA</b>		<b>6,218,316</b>	<b>10.32</b>
<b>MALAYSIA</b>			
Cagamas Berhad 5.28% due 17/07/2019	5,000,000	1,646,428	2.73
Danga Capital Berhad 4.1% due 09/04/2020	4,000,000	1,280,510	2.13
Malaysia Government Investment Issue 4.07% due 30/09/2026	5,000,000	1,597,360	2.65
Malaysia Government Investment Issue 4.895% due 08/05/2047	5,000,000	1,609,200	2.67
Prasarana Malaysia Berhad 4.08% due 12/03/2019	2,000,000	643,846	1.07
<b>Total MALAYSIA</b>		<b>6,777,344</b>	<b>11.25</b>
<b>PHILIPPINES</b>			
Philippine Government Bond 4.625% due 09/09/2040	20,000,000	514,795	0.86
Philippine Government Bond 4.75% due 04/05/2027	40,000,000	1,098,297	1.82
Philippine Government Bond 8% due 19/07/2031	20,000,000	722,900	1.20
Philippine Government International Bond 3.9% due 26/11/2022	60,000,000	1,631,832	2.71
<b>Total PHILIPPINES</b>		<b>3,967,824</b>	<b>6.59</b>

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

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

	Holdings at 30 June 2017	Fair value at 30 June 2017 S\$	Percentage of total net assets attributable to unitholders at 30 June 2017 %
<b>Quoted Fixed Income Securities</b> (continued)			
<b>SINGAPORE</b>			
ITNL International Private Limited 8% due 17/07/2017	9,000,000	1,824,468	3.03
Singapore Government Bond 2.75% due 01/04/2042	700,000	747,250	1.24
Singapore Government Bond 2.75% due 01/03/2046	500,000	533,750	0.89
Singapore Government Bond 2.875% due 01/07/2029	100,000	107,350	0.17
Singapore Government Bond 3.375% due 01/09/2033	2,800,000	3,178,000	5.28
<b>Total SINGAPORE</b>		<b>6,390,818</b>	<b>10.61</b>
<b>SOUTH KOREA</b>			
Korea Treasury Bond 1.875% due 10/06/2026	2,500,000,000	2,939,875	4.88
Korea Treasury Bond 2.25% due 10/06/2025	1,700,000,000	2,065,829	3.43
Korea Treasury Bond 4% due 10/12/2031	2,000,000,000	2,915,498	4.84
<b>Total SOUTH KOREA</b>		<b>7,921,202</b>	<b>13.15</b>
<b>THAILAND</b>			
Thailand Government Bond 2.125% due 17/12/2026	30,000,000	1,180,718	1.96
Thailand Government Bond 3.4% due 17/06/2036	30,000,000	1,286,079	2.14
Thailand Government Bond 3.65% due 20/06/2031	20,000,000	874,222	1.45
Thailand Government Bond 4.875% due 22/06/2029	28,000,000	1,391,199	2.31
<b>Total THAILAND</b>		<b>4,732,218</b>	<b>7.86</b>
<b>Accrued interest receivable on quoted fixed income securities</b>		<b>537,157</b>	<b>0.89</b>
<b>Total Quoted Fixed Income Securities</b>		<b>51,056,989</b>	<b>84.76</b>
<b>Quoted Investment Fund</b>			
<b>SINGAPORE</b>			
Nikko AM China Onshore Bond Fund	2,312,527	2,312,754	3.84
<b>Total SINGAPORE</b>		<b>2,312,754</b>	<b>3.84</b>
<b>Total Quoted Investment Fund</b>		<b>2,312,754</b>	<b>3.84</b>
<b>Portfolio of Investments</b>		<b>53,369,743</b>	<b>88.60</b>
<b>Other net assets</b>		<b>6,867,961</b>	<b>11.40</b>
<b>Net assets attributable to unitholders</b>		<b>60,237,704</b>	<b>100.00</b>

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

## NIKKO AM SHENTON ASIA BOND FUND

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

### STATEMENT OF PORTFOLIO

As at 30 June 2017

By Geography (Summary)	Percentage of total net assets attributable to unitholders at 30 June 2017 %	Percentage of total net assets attributable to unitholders at 30 June 2016 %
<b>Quoted Fixed Income Securities</b>		
Cayman Islands	-	0.70
China	<b>4.93</b>	5.30
Hong Kong SAR	<b>4.64</b>	9.13
India	<b>14.52</b>	8.67
Indonesia	<b>10.32</b>	12.28
Malaysia	<b>11.25</b>	8.93
Philippines	<b>6.59</b>	6.85
Singapore	<b>10.61</b>	14.80
Supranational	-	1.39
South Korea	<b>13.15</b>	12.57
Thailand	<b>7.86</b>	8.71
<b>Accrued interest receivable on quoted fixed income securities</b>	<b>0.89</b>	0.94
<b>Total Quoted Fixed Income Securities</b>	<b>84.76</b>	90.27
<b>Quoted Investment Fund</b>		
Singapore	<b>3.84</b>	5.96
<b>Total Quoted Investment Fund</b>	<b>3.84</b>	5.96
<b>Portfolio of investments</b>	<b>88.60</b>	96.23
<b>Other net assets</b>	<b>11.40</b>	3.77
<b>Net assets attributable to unit holders</b>	<b>100.00</b>	100.00

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

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

<b>By Industry (Secondary)</b>	<b>Fair value at 30 June 2017 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2017 %</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2016 %</b>
Banks	4,206,659	6.98	-
Commercial Services	-	-	2.49
Computers	-	-	-
Debt Fund	2,312,754	3.84	5.96
Diversified Financial Services	1,646,428	2.73	5.21
Electric	2,153,448	3.57	-
Engineering and Construction	1,824,468	3.03	1.88
Food	-	-	0.70
Multi-National	-	-	1.39
Real Estate	-	-	3.07
Real Estate Investment Trusts (REITS)	-	-	0.69
Sovereign	38,996,995	64.74	70.12
Telecommunications	1,047,988	1.74	2.84
Transportation	643,846	1.08	0.94
Accrued interest receivable on quoted fixed income securities	537,157	0.89	0.94
<b>Portfolio of investments</b>	<b>53,369,743</b>	<b>88.60</b>	<b>96.23</b>
<b>Other net assets</b>	<b>6,867,961</b>	<b>11.40</b>	<b>3.77</b>
<b>Net assets attributable to unitholders</b>	<b>60,237,704</b>	<b>100.00</b>	<b>100.00</b>

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

## **NIKKO AM SHENTON ASIA BOND FUND**

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

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 30 June 2017*

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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 Asia Bond Fund (the "Fund") is a Singapore domiciled fund, constituted as a sub-fund of the Nikko AM Asia Investment Funds, pursuant to the Trust Deed dated 8 March 2000 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 Funds is Nikko Asset Management Asia Limited (the "Manager").

As of 30 June 2017, Nikko AM Asia Investment Funds comprise seven separate and distinct sub-funds, namely Nikko AM Shenton Asia Dividend Equity Fund, Nikko AM Shenton Global Property Securities Fund, Nikko AM Shenton Asia Bond Fund, POSB InvestSteady Fund, MyHome Fund - HomeSteady, MyHome Fund - HomeBalanced and MyHome Fund - HomeGrowth.

Only the financial statements of Nikko AM Shenton Asia Bond Fund are presented in this report.

There are currently five classes of unit established within the Fund, namely the Singapore Dollar ("SGD") Class A units (denominated in SGD), the Singapore Dollar ("SGD") Class B units (denominated in SGD), the United States Dollars ("USD") Class A Units (denominated in USD), the United States Dollars ("USD") Class B Units (denominated in USD) and the Renminbi ("RMB") Class units (denominated in RMB).

The Classes differ in terms of their Class Currency, the minimum subscription amounts applicable, the minimum holding and minimum realisation amounts applicable, as well as the current annual management fee.

As of 30 June 2017, only units in SGD Class A, SGD Class B, USD Class A and USD Class B have been issued.

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

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

##### **(a) Basis of preparation**

The financial statements have been prepared under the historical-cost convention, as modified by the revaluation of financial assets 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 in June 2016 for the financial year beginning 1 July 2016.

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

##### (a) Basis of preparation (continued)

The Fund has adopted the following Singapore Financial Reporting Standards (“FRS”) and related amendments in accordance with the recommendations of the RAP7:

##### (i) Consolidation and disclosure of interests in other entities

FRS 110 “Consolidated financial statements”

FRS 112 “Disclosure of interests in other entities”

Amendments to FRS 110, FRS 112 and FRS 27 “Investment entities”

FRS 110 and the amendments define an investment entity and introduce an exception from the consolidation requirements for investment entities.

FRS 112 and the amendments require entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some interests in other entities. Entities are also required to provide disclosure around certain “structured entities”. The amendments to FRS 112 introduce new disclosure requirements related to investment entities.

##### (ii) Offsetting financial assets and liabilities disclosures

Amendments to FRS 32 “Financial instruments: Presentation – Offsetting financial assets and financial liabilities”

Amendments to FRS 107 “Disclosures – Offsetting financial assets and financial liabilities”

The amendments to FRS 32 provide clarification on the offsetting criteria in FRS 32 and address inconsistencies in their application.

The amendments to FRS 107 require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position.

The adoption of these new or amended FRS impacted the Fund’s level of disclosures in certain of the above noted areas, but did not result in substantial changes to the accounting policies of the Fund and had no material effect on the amounts reported for the current or prior financial years.

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

##### (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.

##### (c) Distributions

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid on the distribution date. The amount shall not be treated as part of the property of the Fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal constructive obligation has been created.

##### (d) 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.

##### (e) 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 fixed income securities held by the Fund is the mid-market price for both financial assets and financial liabilities. The fair value of investments held in underlying funds is the quoted net asset value of the underlying fund, as determined by the underlying fund's administrator.

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## NIKKO AM SHENTON ASIA BOND FUND

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

##### (f) 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.

##### (g) Foreign currency translation

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

The Fund's activities are substantially based in Singapore, with subscriptions and redemptions of the units of the Fund denominated in Singapore Dollar ("S\$") and United States Dollar ("US\$").

The performance of the Fund is measured and reported to the investors in Singapore Dollar. 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 Dollar, which is the Fund's functional and presentation currency.

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

Foreign currency monetary assets and liabilities are translated into Singapore Dollar 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 Dollar at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

##### (h) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Deeds.

Financial derivatives outstanding at the end of the financial year are valued at forward rates or at current market prices using the "mark-to-market" method, as applicable, and the resultant gains and losses are taken up in the Statement of Total Return.

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

##### (i) Expenses charged to the Fund

Class specific expenses - management fees and registrar fees are charged directly to each class as follows:

##### Management fees

Class A: 1% per annum

Class B: 0.8% per annum

##### Registrar fees

Class A: Minimum: S\$ 9,000 per annum

Class B: Minimum: S\$ 9,000 per annum

All other expenses relate to the Fund as a whole and are further allocated to each share class based on the respective asset under management proportion.

##### (j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

##### (k) Collateral

Cash collateral provided by the Fund is identified in the Statement of Financial Position as margin cash and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its Statement of Financial Position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the Notes to the Financial Statements.

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2017*

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

##### **(l) Structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Fund considers all of their investments in other fund ("Investee Fund") to be investments in unconsolidated structured entities. The Fund invests in Investee Fund whose objectives range from achieving short to long term capital growth and whose investment strategy does not include the use of leverage. The Investee Fund is managed by the Manager and apply various investment strategies to accomplish their respective investment objectives. The Investee Fund finance their operations by issuing redeemable units which are puttable at the unitholder's option and entitles the unitholder to a proportional stake in the respective fund's net assets. The Fund holds redeemable units in the Investee Fund.

The change in fair value of the Investee Fund are included in the Statement of Total Return in "Net gains/(losses) on investments."

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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#### 3. Income Tax

The Fund has been approved by the Monetary Authority of Singapore ("MAS") under the Enhanced Tier Fund Scheme (section 13X of the Income Tax Act and the relevant Regulations). Subject to certain conditions being met on an annual basis, the Fund may enjoy Singapore corporate income tax exemption on "specified income" derived from "designated investments" for the life of the Fund. The tax exemption does not apply in the year when the relevant conditions are not met. Losses from "designated investments" are correspondingly disregarded. The terms "specified income" and "designated investments" are defined in the relevant income tax Regulations. The Manager and the Trustee of the Fund will ensure that the Fund fulfills its reporting obligations under the ETF Scheme

Income tax for the financial year ended on 30 June 2017 and 2016 comprises:

	2017 S\$	2016 S\$
Singapore income tax		
- Current year	21,288	-
- Under/(over) provision of prior years	22,378	(1,966)
Capital gains tax	41,222	109,228
Overseas income tax	380,224	250,922
	<u>465,112</u>	<u>358,184</u>

Capital gains tax comprise of capital gain tax on realised and unrealised gains on investment imposed by certain countries outside of Singapore. The overseas income tax represents mainly withholding taxes imposed by certain countries on bond interest income. The Singapore income tax represents tax on distributions from Singapore unit trusts.

#### 4. Receivables

	2017 S\$	2016 S\$
Receivable from unitholders for creation of units	991	82,019
Accrued interest receivable	14,257	-
Other receivables	31,257	-
	<u>46,505</u>	<u>82,019</u>

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## NIKKO AM SHENTON ASIA BOND FUND

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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#### 5. Margin Account

	2017 S\$	2016 S\$
Margin account	<u>43,390</u>	<u>153,676</u>

Margin account represents margin deposits held in respect of open exchange-traded futures contracts.

#### 6. Payables

	2017 S\$	2016 S\$
Amount due to the Manager	130,388	151,245
Amount due to Trustee	6,685	7,915
Registrar fees payable	4,802	4,788
Provision for audit fee	16,051	15,023
Tax payable	47,967	-
Other payables	14,711	17,443
	<u>220,604</u>	<u>196,414</u>

Amount due to the Manager comprises of management fee payable to Nikko Asset Management Asia Limited. Trustee fee and registrar fee are payable to BNP Paribas Trust Services Singapore Limited. Valuation fee and custody fee are payable to BNP Paribas Securities Services Singapore Branch. Valuation fee and custody fee are classified under other payables.

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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#### 7. Financial derivatives at fair value

Financial derivatives comprise future contracts, interest rate swap and forward foreign exchange contracts for purchases and sales of foreign currencies. The year-end positive and negative fair values represent the unrealised gains and losses respectively on revaluation of future contracts, interest rate swap and foreign exchange contracts at the statement of financial position date. The contract or underlying principal amounts of these financial derivatives and their corresponding gross positive or negative fair values at statement of financial position date are analysed below.

	Contract or underlying principal amount		Year-end positive fair value		Year-end negative fair value	
	2017	2016	2017	2016	2017	2016
	S\$	S\$	S\$	S\$	S\$	S\$
Futures contracts	-	1,040,770	-	13,110	-	-
Forward foreign exchange contracts	<b>44,158,740</b>	49,556,244	<b>46,814</b>	113,794	<b>104,491</b>	214,397
Swaps	<b>30,000,000</b>	10,000,000	-	-	<b>11,048</b>	81,544
	<b>74,158,740</b>	60,597,014	<b>46,814</b>	126,904	<b>115,539</b>	295,941

The Fund also restricts its exposure to credit losses on the trading derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of statement of financial position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period. As it is affected by each transaction subject to the arrangement.

## NIKKO AM SHENTON ASIA BOND FUND

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

#### 7. Financial derivatives at fair value (continued)

Financial assets and financial liabilities which are subject to enforceable master netting agreements or similar agreements for the year ended 30 June 2017 and 2016 are detailed in the following tables:

##### (i) Offsetting financial assets

	2017			Related accounts not set-off in the Statement of Financial Position		
	Gross amounts of recognised financial assets S\$	Gross amounts of recognised financial liabilities set off in the Statement of Financial Position S\$	Net amounts of financial assets presented in the Statement of Financial Position S\$	Financial Instruments S\$	Cash collateral S\$	Net exposure S\$
Forward foreign exchange contracts	46,814	-	46,814	42,883	-	3,931
<b>Total</b>	<b>46,814</b>	<b>-</b>	<b>46,814</b>	<b>42,883</b>	<b>-</b>	<b>3,931</b>

  

	2016			Related accounts not set-off in the Statement of Financial Position		
	Gross amounts of recognised financial assets S\$	Gross amounts of recognised financial liabilities set off in the Statement of Financial Position S\$	Net amounts of financial assets presented in the Statement of Financial Position S\$	Financial Instruments S\$	Cash collateral S\$	Net exposure S\$
Future contracts	13,110	-	13,110	-	13,110	-
Forward foreign exchange contracts	81,540	-	81,540	66,360	-	15,180
<b>Total</b>	<b>94,650</b>	<b>-</b>	<b>94,650</b>	<b>66,360</b>	<b>13,110</b>	<b>15,180</b>

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2017***7. Financial derivatives at fair value (continued)****(ii) Offsetting financial liabilities****2017**

	Gross amounts of recognised financial liabilities S\$	Gross amounts of recognised financial assets set off in the Statement of Financial Position S\$	Net amounts of financial liabilities presented in the Statement of Financial Position S\$	Related accounts not set-off in the Statement of Financial Position		
				Financial Instruments S\$	Cash collateral S\$	Net exposure S\$
Interest rate swap	11,048	-	11,048	-	-	11,048
Forward foreign exchange contracts	103,997	-	103,997	42,883	-	61,114
<b>Total</b>	<b>115,045</b>	<b>-</b>	<b>115,045</b>	<b>42,883</b>	<b>-</b>	<b>72,162</b>

**2016**

	Gross amounts of recognised financial liabilities S\$	Gross amounts of recognised financial assets set off in the Statement of Financial Position S\$	Net amounts of financial liabilities presented in the Statement of Financial Position S\$	Related accounts not set-off in the Statement of Financial Position		
				Financial Instruments S\$	Cash collateral S\$	Net exposure S\$
Interest rate swap	81,544	-	81,544	-	-	81,544
Forward foreign exchange contracts	189,972	-	189,972	66,360	-	123,612
<b>Total</b>	<b>271,516</b>	<b>-</b>	<b>271,516</b>	<b>66,360</b>	<b>-</b>	<b>205,156</b>

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2017***8. Units in issue**

During the year ended 30 June 2017 and 30 June 2016, the numbers of units issued, redeemed and outstanding were as follows:

<b><u>SGD Class A</u></b>	<b>2017</b>	2016 (Restated)
Units at beginning of the financial year	<b>6,670,021</b>	6,545,177
Units created	<b>706,033</b>	705,230
Units cancelled	<b>(1,214,500)</b>	(580,386)
Units at end of the financial year	<b>6,161,554</b>	6,670,021
Net assets attributable to unitholders - S\$	<b>5,152,855</b>	5,726,692
Net asset value per unit - S\$	<b>0.836</b>	0.859
<b><u>USD Class A</u></b>	<b>2017</b>	2016 (Restated)
Units at beginning of the financial year	<b>315,965</b>	402,755
Units created	<b>30,250</b>	18,654
Units cancelled	-	(105,444)
Units at end of the financial year	<b>346,215</b>	315,965
Net assets attributable to unitholders - S\$	<b>289,598</b>	271,279
Net asset value per unit - S\$	<b>0.836</b>	0.859
<b><u>SGD Class B</u></b>	<b>2017</b>	2016 (Restated)
Units at beginning of the financial year	<b>74,319,477</b>	76,304,600
Units created	<b>2,183,103</b>	1,872,934
Units cancelled	<b>(13,787,616)</b>	(3,858,057)
Units at end of the financial year	<b>62,714,964</b>	74,319,477
Net assets attributable to unitholders - S\$	<b>54,775,099</b>	66,303,250
Net asset value per unit - S\$	<b>0.873</b>	0.892

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2017***8. Units in issue (continued)**

<b><u>USD Class B</u></b>	<b>2017</b>	2016 (Restated)
Units at beginning of the financial year	<b>22,315</b>	198,816
Units created	<b>752</b>	6,609
Units cancelled	-	(183,110)
Units at end of the financial year	<b>23,067</b>	<b>22,315</b>
Net assets attributable to unitholders - S\$	<b>20,152</b>	19,908
Net asset value per unit - S\$	<b>0.874</b>	0.892

Distributions are accrued at the reporting date if necessary approvals have been obtained and a legal or constructive obligation has been created for the purpose of determining the accounting net asset values in the financial statements.

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:

<b><u>SGD Class A</u></b>	<b>2017</b>	2016
	<b>S\$</b>	<b>S\$</b>
Net assets attributable to unitholders per financial statements per unit	<b>0.836</b>	0.859
Effect of distribution per unit	<b>0.015</b>	0.015
Net assets attributable to unitholders for issuing/redeeming per unit	<b>0.851</b>	0.874

<b><u>USD Class A</u></b>	<b>2017</b>	2016
	<b>S\$</b>	<b>S\$</b>
Net assets attributable to unitholders per financial statements	<b>0.836</b>	0.859
Effect of distribution per unit	<b>0.015</b>	0.015
Net assets attributable to unitholders for issuing/redeeming	<b>0.851</b>	0.874

<b><u>SGD Class B</u></b>	<b>2017</b>	2016
	<b>S\$</b>	<b>S\$</b>
Net assets attributable to unitholders per financial statements	<b>0.873</b>	0.892
Effect of distribution per unit	<b>0.015</b>	0.015
Net assets attributable to unitholders for issuing/redeeming	<b>0.888</b>	0.907

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2017***8. Units in issue (continued)**

<b><u>USD Class B</u></b>	<b>2017</b>	2016
	<b>S\$</b>	S\$
Net assets attributable to unitholders per financial statements	<b>0.874</b>	0.892
Effect of distribution per unit	<b>0.015</b>	0.015
Net assets attributable to unitholders for issuing/redeeming	<b>0.889</b>	0.907

**9. Distributions**

	<b>2017</b>	2016
	<b>S\$</b>	S\$
Final distribution of S\$1.50 per 100 units in respect of the financial year ended 30 June 2017	<b>1,038,660</b>	-
Interim distribution of S\$1.50 per 100 units in respect of the financial year ended 30 June 2017	<b>1,219,127</b>	-
Final distribution of S\$1.50 per 100 units in respect of the financial year ended 30 June 2016	-	1,219,938
Interim distribution of S\$1.50 per 100 units in respect of the financial year ended 30 June 2016	-	1,236,731
	<b>2,257,787</b>	2,456,669

**10. 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.

## **NIKKO AM SHENTON ASIA BOND FUND**

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

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 30 June 2017*

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#### **10. Financial risk management (continued)**

The investment objective of the Fund is to provide investors with medium to long term capital appreciation and to make regular income distributions during the investment period. The Fund will invest primarily in transferable debt securities issued by issuers based in the Asia Pacific region which may be in local and/or foreign currencies. The Manager, at their sole discretion, may invest not more than 30% of the Fund in regions other than the Asia Pacific region.

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

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

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

The Fund's investment is substantially dependent on the changes of market prices. The Fund's overall market positions are monitored regularly so as to assess any 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 across various geographies and industries globally.

The market prices of financial assets held by the Fund are dependent on prevailing market interest rates, as the Fund invests in bonds issued by governments and corporations. No separate price risk sensitivity analysis is prepared as it is covered as part of interest rate risk sensitivity analysis.

##### **(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).

The Manager will regularly assess the economic condition, monitor changes in interest rates, outlook and take appropriate measures accordingly to control the impact of interest rate risk. The Fund's overall market positions are monitored frequently and are reviewed formally on a quarterly basis by the Manager.

The tables below summarise the Fund's exposure to interest rate risk. They include the Fund's assets and liabilities categorised by the earlier of contractual re-pricing or maturity dates.

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2017***10. Financial risk management (continued)****(b) Market risk - Interest rate risk (continued)****As at 30 June 2017**

	Floating rate	Fixed rate		Non-interest bearing	Total	
		← Up to 1 year	1-5 years	Over 5 years →		
	S\$	S\$	S\$	S\$	S\$	
<b>Assets</b>						
Portfolio of investments	-	2,872,456	7,897,469	39,749,907	2,849,911	53,369,743
Sales awaiting settlement	-	-	-	-	820,660	820,660
Receivables	-	-	-	-	46,505	46,505
Cash and bank balances	8,436,767	-	-	-	-	8,436,767
Margin accounts	-	-	-	-	43,390	43,390
Financial derivatives at fair value	-	-	-	-	46,814	46,814
<b>Total assets</b>	<b>8,436,767</b>	<b>2,872,456</b>	<b>7,897,469</b>	<b>39,749,907</b>	<b>3,807,280</b>	<b>62,763,879</b>
<b>Liabilities</b>						
Payables	-	-	-	-	220,604	220,604
Purchases awaiting settlement	-	-	-	-	1,151,372	1,151,372
Distributions payable	-	-	-	-	1,038,660	1,038,660
Financial derivatives at fair value	-	-	-	-	115,539	115,539
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,526,175</b>	<b>2,526,175</b>

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2017***10. Financial risk management (continued)****(b) Market risk - Interest rate risk (continued)****As at 30 June 2016**

	Floating rate	Fixed rate		Non-interest bearing	Total	
		← up to 1 year	1-5 years			Over 5 years →
	S\$	S\$	S\$	S\$	S\$	
<b>Assets</b>						
Portfolio of investments	-	2,614,849	13,717,347	48,271,359	4,994,040	69,597,595
Receivables	-	-	-	-	82,019	82,019
Cash and bank balances	4,073,228	-	-	-	-	4,073,228
Margin accounts	-	-	-	-	153,676	153,676
Financial derivatives at fair value	-	-	-	-	126,904	126,904
<b>Total assets</b>	<b>4,073,228</b>	<b>2,614,849</b>	<b>13,717,347</b>	<b>48,271,359</b>	<b>5,356,639</b>	<b>74,033,422</b>
<b>Liabilities</b>						
Payables	-	-	-	-	196,414	196,414
Distributions payable	-	-	-	-	1,219,938	1,219,938
Financial derivatives at fair value	-	-	-	-	295,941	295,941
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,712,293</b>	<b>1,712,293</b>

As at 30 June 2017, an increase/decrease of interest rates by 1% (2016: 1%), with all other variables remaining constant, would result in a decrease/increase of the net assets attributable to unitholders by approximately 7% (2016: 6%). Changes in interest rates are revised annually depending on management's current view of market volatility and other factors.

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

##### (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 30 June 2017	KRW S\$	CNY S\$	HKD S\$	SGD S\$	IDR S\$	INR S\$	USD S\$	Others S\$	Total S\$
<b>Assets</b>									
Portfolio of investments	7,932,060	7,203,445	2,814,968	4,606,944	6,272,525	8,931,967	-	15,607,834	53,369,743
Sales awaiting settlement	-	-	-	-	-	-	820,660	-	820,660
Receivables	-	-	-	46,505	-	-	-	-	46,505
Cash and bank balances	211,364	55,682	14,098	1,906,553	2,439,911	838	3,611,784	196,537	8,436,767
Margin accounts	43,378	-	-	-	-	-	12	-	43,390
<b>Total assets</b>	<b>8,186,802</b>	<b>7,259,127</b>	<b>2,829,066</b>	<b>6,560,002</b>	<b>8,712,436</b>	<b>8,932,805</b>	<b>4,432,456</b>	<b>15,804,371</b>	<b>62,717,065</b>
<b>Liabilities</b>									
Payables	-	-	-	220,604	-	-	-	-	220,604
Purchases awaiting settlement	-	-	-	1,151,372	-	-	-	-	1,151,372
Distributions payable	-	-	-	1,033,147	-	-	5,513	-	1,038,660
Financial derivatives at fair value	-	-	-	11,048	-	-	-	-	11,048
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,416,171</b>	<b>-</b>	<b>-</b>	<b>5,513</b>	<b>-</b>	<b>2,421,684</b>
<b>Net off-Statement of Financial Position derivative financial instruments</b>	<b>5,295,063</b>	<b>(654)</b>	<b>-</b>	<b>(4,336,256)</b>	<b>(9,421)</b>	<b>(4,511)</b>	<b>(4,068,160)</b>	<b>3,066,262</b>	<b>(57,677)</b>
<b>Net currency exposure</b>	<b>13,481,865</b>	<b>7,258,473</b>	<b>2,829,066</b>	<b>(192,425)</b>	<b>8,703,015</b>	<b>8,928,294</b>	<b>358,783</b>	<b>18,870,633</b>	

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

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

As at 30 June 2016	KRW S\$	CNY S\$	HKD S\$	SGD S\$	IDR S\$	INR S\$	USD S\$	Others S\$	Total S\$
<b>Assets</b>									
Portfolio of investments	9,128,718	11,941,716	6,618,791	7,597,750	10,015,011	6,437,768	-	17,857,841	69,597,595
Receivables	-	-	-	82,019	-	-	-	-	82,019
Cash and bank balances	179,145	107,353	1,220,791	475,769	173,974	576,319	1,244,614	95,263	4,073,228
Margin accounts	153,676	-	-	-	-	-	-	-	153,676
Financial derivatives at fair value	13,110	-	-	-	-	-	-	-	13,110
<b>Total assets</b>	<b>9,474,649</b>	<b>12,049,069</b>	<b>7,839,582</b>	<b>8,155,538</b>	<b>10,188,985</b>	<b>7,014,087</b>	<b>1,244,614</b>	<b>17,953,104</b>	<b>73,919,628</b>
<b>Liabilities</b>									
Payables	-	-	-	196,414	-	-	-	-	196,414
Distributions payable	-	-	-	1,219,938	-	-	-	-	1,219,938
Financial derivatives at fair value	-	-	-	81,544	-	-	-	-	81,544
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,497,896</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,497,896</b>
<b>Net off-statement of financial position derivative financial instruments</b>	<b>(3,244,269)</b>	<b>(391)</b>	<b>-</b>	<b>1,378,266</b>	<b>(1,728,681)</b>	<b>(4,573)</b>	<b>9,506,950</b>	<b>(6,007,905)</b>	<b>(100,603)</b>
<b>Net currency exposure</b>	<b>6,230,380</b>	<b>12,048,678</b>	<b>7,839,582</b>	<b>8,035,908</b>	<b>8,460,304</b>	<b>7,009,514</b>	<b>10,751,564</b>	<b>11,945,199</b>	

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

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

The following table shows the Fund's sensitivity to major foreign currencies exposure with all other variables held constant. Changes in foreign currency rate are revised annually depending on management current view of market volatility and other relevant factors.

	Increase/decrease in foreign exchange rate		Increase/decrease in net asset attributable to unitholders	
	%		%	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
CNY	5	7	1	1
IDR	8	7	1	1
INR	8	6	1	1
KRW	10	10	2	1
USD	5	7	-	1
PHP	7	5	-	1
HKD	5	6	-	1

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##### (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 minimum redemption size are set.

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

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

The Fund's financial liabilities and net settled derivative financial liabilities are analysed using contractual undiscounted cash flows for maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. As at 30 June 2017, all liabilities are either payable upon demand or due in less than 3 months. The impact of discounting is not significant.

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

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

	<u>Less than 3 months</u>	
	As at 30 June 2017	As at 30 June 2016
	S\$	S\$
Payables	220,604	196,414
Purchases awaiting settlement	1,151,372	-
Distribution payable	1,038,660	1,219,938
<b>Contractual cash outflows (excluding gross settled derivatives)</b>	<b>2,410,636</b>	<b>1,416,352</b>

The table below analyse the Fund's derivative financial instruments in a loss position that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 3 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Less than 3 months</u>	
	As at 30 June 2017	As at 30 June 2016
	S\$	S\$
<b>Currency Forward</b>		
- Outflow	(24,651,540)	(32,634,792)
- Inflow	24,547,049	32,420,395
<b>Net outflow</b>	<b>(104,491)</b>	<b>(214,397)</b>

##### (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.

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

##### (e) Credit risk (continued)

The Fund invests in financial assets, which have an investment grade as rated by Standard & Poor's and/or Moody's. The credit ratings are reviewed regularly.

When transacting in over-the-counter derivatives, the Fund seeks to mitigate counterparty risk by entering into International Derivatives Swap and Dealers Association (ISDA) master agreements with Standard Chartered Bank and Barclays Bank PLC. The Fund has not received or paid any calls on cash collateral on over-the-counter derivative positions during the financial year ended 30 June 2017.

The table below analyses the Fund's investments by credit ratings:

	Fair value at 30 June 2017		Fair value at 30 June 2016	
	Floating rate securities	Fixed rate securities	Floating rate securities	Fixed rate securities
	S\$	S\$	S\$	S\$
A-	-	3,551,500	-	4,352,721
AAA*	-	7,362,863	-	13,088,597
BBB+	-	-	-	505,842
BBB	-	1,631,832	-	-
BBB-	-	2,153,448	-	-
Aa2	-	2,915,498	-	2,890,505
Aa3	-	-	-	3,836,187
A1	-	950,384	-	-
Baa1	-	1,180,718	-	2,449,594
Baa2	-	722,900	-	1,134,297
Baa3	-	953,011	-	4,174,707
Not rated	-	29,097,678	-	32,171,105
Accrued interest receivable on quoted fixed income securities	-	537,157	-	681,377
<b>Total</b>	-	<b>51,056,989</b>	-	<b>65,284,932</b>

\*The balance includes securities that are issued by government agencies of governments that have a AAA rating as rated by Standard & Poor's.

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

##### (e) Credit risk (continued)

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 custodian in which the Fund's assets are held as at 30 June 2017 and 30 June 2016.

	<b>Credit rating as at 30 June 2017</b>	Credit rating as at 30 June 2016	<b>Source of credit rating</b>
<b>Bank balance</b>			
- BNP Paribas Securities Services Singapore Branch	<b>A</b>	A	Standard & Poor's
<b>Financial derivatives</b>			
- BNP Paribas Securities Services Singapore Branch	<b>A</b>	A	Standard & Poor's
- Citibank N.A	<b>A+</b>	A+	Standard & Poor's
- JPMorgan Chase & Company	<b>A-</b>	A-	Standard & Poor's
- Hongkong and Shanghai Banking Corporation Investment Plc	<b>AA-</b>	A	Standard & Poor's
- ING Group NV	<b>A-</b>	A-	Standard & Poor's
- UBS AG Singapore Branch	<b>A+</b>	A+	Standard & Poor's
<b>Custodian</b>			
- BNP Paribas Securities Services Singapore Branch	<b>A</b>	A	Standard & Poor's

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

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

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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#### 10. 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 30 June 2017 and 2016:

#### 30 June 2017

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted fixed income securities	-	51,056,989	-	51,056,989
- Quoted investment funds	2,312,754	-	-	2,312,754
Financial derivatives at fair value	-	46,814	-	46,814
	<u>2,312,754</u>	<u>51,103,803</u>	<u>-</u>	<u>53,416,557</u>
<b>Liabilities</b>				
Financial derivatives at fair value	-	115,539	-	115,539

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**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2017***10. Financial risk management (continued)****(g) Fair value estimation (continued)****30 June 2016**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted fixed income securities	-	65,284,932	-	65,284,932
- Quoted investment funds	4,312,663	-	-	4,312,663
Financial derivatives at fair value	-	126,904	-	126,904
	<u>4,312,663</u>	<u>65,411,836</u>	<u>-</u>	<u>69,724,499</u>
<b>Liabilities</b>				
Financial derivatives at fair value	-	295,941	-	295,941

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate bonds, government bonds and over-the-counter derivatives.

Except for cash and bank balances which are classified as level 1. The Fund's assets and liabilities not measured at fair value at 30 June 2017 and 2016 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.

**(h) Interests in unconsolidated structured entities**

The Fund's investments in Investee Fund are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Fund. The Manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. The Investee Fund in the investment portfolio is managed by the Manager who are compensated by the respective Investee Fund for their services. Such compensation generally consists of an asset based fee and is reflected in the valuation of the Fund's investments in each of the Investee Fund.

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

##### (h) Interests in unconsolidated structured entities (continued)

The Fund has right to request redemption of its investments in Investee Fund on a daily basis.

The exposure to investments in Investee Fund at fair value is disclosed under the Statement of Portfolio. These investments are included in "Portfolio of investments" in the Statement of Financial Position.

The Fund's holding in Investee Fund, as a percentage of the Investee Fund's total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the Investee Fund level. It is possible that the Fund may, at any point in time, hold a majority of an Investee Fund's total units in issue.

The Fund's maximum exposure to loss from its interests in Investee Fund is equal to the total fair value of its investments in Investee Fund.

Once the Fund has disposed of its shares in an Investee Fund, the Fund ceases to be exposed to any risk from that Investee Fund.

#### 11. Related party transactions

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

	2017	2016
	S\$	S\$
Bank balances held with related party of the Trustee	<u>8,436,767</u>	4,073,228

## NIKKO AM SHENTON ASIA BOND FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

#### 12. Financial ratios

##### Expense ratio

<u>SGD Class A</u>		2017	2016 (Restated)
Total operating expenses	S\$	<b>75,440</b>	76,049
Average daily net asset value	S\$	<b>5,490,329</b>	5,756,735
<b>Total expense ratio<sup>1</sup></b>	%	<b>1.37</b>	1.32

  

<u>USD Class A</u>		2017	2016 (Restated)
Total operating expenses	S\$	<b>3,869</b>	4,678
Average daily net asset value	S\$	<b>281,601</b>	354,138
<b>Total expense ratio<sup>1</sup></b>	%	<b>1.37</b>	1.32

  

<u>SGD Class B</u>		2017	2016 (Restated)
Total operating expenses	S\$	<b>656,579</b>	661,151
Average daily net asset value	S\$	<b>65,420,768</b>	68,999,956
<b>Total expense ratio<sup>1</sup></b>	%	<b>1.00</b>	0.96

  

<u>USD Class B</u>		2017	2016 (Restated)
Total operating expenses	S\$	<b>207</b>	1,117
Average daily net asset value	S\$	<b>20,625</b>	116,560
<b>Total expense ratio<sup>1</sup></b>	%	<b>1.00</b>	0.96

  

<b>Turnover ratio</b>		2017	2016
Lower of total value of purchases or sales	S\$	<b>139,995,768</b>	165,109,022
Average daily net asset value	S\$	<b>71,213,323</b>	75,227,389
<b>Total turnover ratio<sup>2</sup></b>	%	<b>196.59</b>	219.48

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

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

## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 30 June 2017

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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 16 to 19.

#### 2. Credit rating of debt securities

	Fair value at 30 June 2017 S\$	Percentage of total net assets attributable to unitholders at 30 June 2017 %
AAA	7,362,863	12.22
A-	3,551,500	5.90
BBB	1,631,832	2.71
BBB-	2,153,448	3.57
Aa2	2,915,498	4.84
A1	950,384	1.58
Baa1	1,180,718	1.96
Baa2	722,900	1.20
Baa3	953,011	1.58
Not rated	29,097,678	48.31
Accrued interest receivable on quoted fixed income securities	537,157	0.89
<b>Total</b>	<b>51,056,989</b>	<b>84.76</b>

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**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***REPORT TO UNITHOLDERS***For the financial year ended 30 June 2017***3. Top 10 holdings****10 Largest holdings at 30 June 2017**

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Indonesia Treasury Bond 8.25% due 15/05/2036	4,217,317	7.00
Singapore Government Bond 3.375% due 01/09/2033	3,178,000	5.28
Korea Treasury Bond 1.875% due 10/06/2026	2,939,875	4.88
Korea Treasury Bond 4% due 10/12/2031	2,915,498	4.84
Hong Kong Government Bond 2.07% due 26/08/2026	2,796,513	4.64
Nikko AM China Onshore Bond Fund	2,312,754	3.84
India Government Bond 7.59% due 11/01/2026	2,231,869	3.71
National Bank For Agriculture And Rural Development 7.69% due 31/03/2032	2,186,980	3.63
National Highways Authority of India 7.6% due 18/03/2022	2,173,237	3.61
NTPC Limited 7.25% due 03/05/2022	2,153,448	3.57

**10 Largest holdings at 30 June 2016**

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Indonesia Treasury Bond 8.25% due 15/05/2036	4,743,667	6.56
Nikko AM China Onshore Bond Fund	4,312,663	5.96
Malaysia Government Investment Issue 4.07% due 30/09/2026	3,374,061	4.66
Hong Kong Government Bond 1.34% due 24/06/2019	3,019,621	4.18
Hong Kong Government Bond 2.07% due 26/08/2026	2,875,909	3.98
Korea Treasury Bond 3.50% due 10/03/2024	2,695,604	3.73
Philippine Government Bond 3.625% due 09/09/2025	2,341,366	3.24
Singapore Government Bond 2.75% due 01/04/2042	2,168,000	3.00
Food Corporation of India 9.95% due 07/03/2022	2,156,719	2.98
Korea Treasury Bond 2.25% due 10/06/2025	2,125,819	2.94

## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 30 June 2017

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#### 4. Exposure to financial derivatives

	Fair value at 30 June 2017 S\$	Percentage of total net assets attributable to unitholders 30 June 2017 %	Unrealised gains/(losses) S\$	Realised gains/(losses) S\$
Forward foreign exchange contracts	(57,677)	(0.10)	(57,677)	(449,786)
Futures contracts	-	-	-	(189,979)
Interest rate swaps	(11,048)	(0.02)	(11,048)	6,165

#### 5. Global exposure to financial derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- a. the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;
- b. the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c. the sum of the values of cash collateral received pursuant to:
  - i. the reduction of exposure to counterparties of OTC financial derivatives; and
  - ii. EPM techniques relating to securities lending and repurchase transactions, and that are reinvested

## **NIKKO AM SHENTON ASIA BOND FUND**

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

### **REPORT TO UNITHOLDERS**

*For the financial year ended 30 June 2017*

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#### **6. Collateral**

Please refer to Note 5 of the Notes to the Financial Statements on page 27.

#### **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 16 to 19.

#### **9. Borrowings**

Nil.

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

**S\$**

Units created	2,602,490
Units cancelled	(13,383,988)

#### **11. Turnover ratio**

Please refer to Note 12 of the Notes to the Financial Statements on page 46.

#### **12. Expense ratio**

Please refer to Note 12 of the Notes to the Financial Statements on page 46.

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

Please refer to Note 11 of the Notes to the Financial Statements on page 45.

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

Nil.

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Company registration number 198202562H

# SEMI-ANNUAL REPORT

For the financial period ending 31 December 2016

**Nikko AM Shenton  
Asia Bond Fund**

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

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Asia Bond Fund Class A (S\$) <sup>1</sup>	-2.02	1.39	1.16	3.94	2.33	1.48	1.83
Nikko AM Shenton Asia Bond Fund Class B (S\$) <sup>1</sup>	-1.95	1.56	1.45	4.28	2.66	1.78	2.12
Benchmark <sup>2</sup>	-1.82	1.78	3.60	5.56	3.30	N/A	N/A

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>
Nikko AM Shenton Asia Bond Fund Class A (S\$) <sup>1</sup>	-6.92	-3.68	-3.90	2.17	1.28	0.96	1.37
Nikko AM Shenton Asia Bond Fund Class B (S\$) <sup>1</sup>	-6.85	-3.51	-3.62	2.51	1.61	1.26	1.67
Benchmark <sup>2</sup>	-1.82	1.78	3.60	5.56	3.30	N/A	N/A

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.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Shenton Asia Bond Fund Class A (US\$) <sup>1</sup>	-7.52	-5.46	-0.63	-0.62	0.13	2.10	3.09
Nikko AM Shenton Asia Bond Fund Class B (US\$) <sup>1</sup>	-7.52	-5.41	-0.45	-0.30	0.46	2.40	3.39
Benchmark <sup>2</sup>	-7.35	-5.18	1.73	0.92	1.09	N/A	N/A

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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>
Nikko AM Shenton Asia Bond Fund Class A (US\$) <sup>1</sup>	-12.14	-10.19	-5.60	-2.30	-0.89	1.58	2.63
Nikko AM Shenton Asia Bond Fund Class B (US\$) <sup>1</sup>	-12.15	-10.14	-5.43	-1.99	-0.57	1.88	2.92
Benchmark <sup>2</sup>	-7.35	-5.18	1.73	0.92	1.09	N/A	N/A

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## **Inception Date: 1 August 2005**

### **Note:**

- (1) With effect from 17 October 2011, the Trust (formerly known as “DBSAM Investment Funds”) has been renamed Nikko AM Asia Investment Funds and the Fund (formerly known as “DBS Asia Bond Fund”) has been renamed Nikko AM Shenton Asia Bond Fund.
- (2) With effect from 1 October 2011, the HSBC Asian Local Bond Index (ALBI) Index has been designated as the benchmark against which the Fund’s performance will be measured. Prior to that, there was no benchmark for the Fund as it was managed on a total return basis.

With effect from 20 April 2016, the calculation and publication of the HSBC Asian Local Bond Index (ALBI) has ceased and the benchmark is replaced with the Markit iBoxx Asian Local Bond Index (ALBI).

### **Portfolio Review**

#### ***The Fund gained in the six months ended December 2016***

The Nikko AM Shenton Asia Bond Fund (the “Fund”) posted a return of 1.39% (SGD terms, on NAV-NAV basis) for the six months ended 31 December 2016. Asian government bonds exhibited mixed performance in the period. South Korea, Philippine and Thai bonds weakened, given their relatively high correlation to USTs, while Indian bonds gained, helped by the surge in bank liquidity following the government’s demonetisation move. Asian currencies weakened against the USD in the period, with the Malaysian Ringgit notably underperforming, on the back of unease regarding low foreign exchange reserves, exacerbated by fears of a re-imposition of capital controls towards the end of the year.

As of end-December, the portfolio yield and duration of the Fund were 3.93% and 5.93 years respectively.

### **Market Review**

#### ***US Treasuries (USTs) ended lower***

The UST yield curve shifted higher in the six months ended 31 December 2016, as volatility spiked. Expectations of further global monetary and fiscal easing following the surprise vote by Britain to leave the European Union resulted in the persistent decline in yields. This prompted a massive allocation of funds into Emerging Markets (EM), including Asia. In November, Donald Trump’s upset win in the US presidential election triggered a myriad of uncertainties. As markets priced in further upside inflation risk from a Trump administration, US bond yields surged, the US Dollar strengthened against most currencies, and a broad-based unwinding of EM positions followed. In December, the US Federal Reserve (Fed) raised interest rates by 25 basis points (bps), and revised its projection for rate hikes in 2017 to three-quarter point rises from the previous forecast of two. Overall, 5-year and 10-year US Treasury (UST) yields jumped about 93 and 98 bps respectively in the period.

#### ***Asian government bonds exhibited mixed performance; regional currencies weakened against USD***

The start of the period saw Asian local government bonds recording strong returns. High yielders –with few idiosyncratic exceptions – were favoured. But the unexpected US election outcome disrupted the strong flow into the region, erasing much of the gains recorded earlier. South Korea, Philippine and Thai bonds underperformed. Losses were attributed mainly to their relatively high correlation to USTs. Meanwhile, in contrast to most regional bonds, Indian bonds rallied. The government’s announcement that it will replace its largest-denomination bank notes with new ones led to a surge in banking system liquidity. This pushed Indian bonds to rally despite the sell-off in global bonds following the US elections. On currencies, the US Dollar (USD) enjoyed broad-based strength against regional currencies, following the result of the US elections. The Malaysian Ringgit succumbed to significant depreciation against the USD, on the back of unease regarding low foreign exchange reserves, exacerbated by fears of re-imposition of capital controls towards the end of the year.

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### ***Central banks in Malaysia, India and Indonesia loosened monetary policies***

Monetary authorities in Malaysia, India and Indonesia lowered their respective policy rates. Bank Negara Malaysia cut its overnight policy rate by 25bps to 3.0%, while Bank Indonesia announced two quarter-point cuts in the period. Similarly, the Reserve Bank of India, under new Governor Urjit Patel, lowered interest rates by 25bps in October.

### ***Indian parliament passed GST constitutional bill; government announced demonetisation exercise***

During the six-month period, Indian policymakers passed the constitutional amendment for a Goods and Services Tax (GST) to be implemented. The standard GST rate will unify all indirect taxes into one - a move which the government hopes will bring significant efficiency gains. Meanwhile, in an unexpected major crackdown on the stock of undeclared money, Indian Prime Minister Narendra Modi announced in November, that the government will replace its largest-denomination bank notes with new ones. Indian Rupee (INR) 500 and INR 1000 banknotes - estimated to account for more than 80% of currency in circulation by value - ceased being legal tender on 8 November. Meanwhile, fresh notes with better security features were introduced. According to the government, this exercise will eventually extend to other denominations.

### ***Thais voted to accept draft constitution; King Bhumibol Adulyadej passed away after a 7-decade reign***

In August, Thailand held a referendum where voters approved the draft constitution – a prerequisite to the return to a democratically elected government. Thais similarly voted in favour of allowing the Senate and House of Representatives to jointly select a prime minister in the first five years of the new constitution. Towards the end of the year, King Bhumibol Adulyadej, a unifying figure in a deeply polarised Thailand, passed away. News of the revered king's failing health had initially weighed on investor sentiment. The uncertainty of how his death would affect Thailand's political situation led investors to be skeptical of holding Thai assets. However, investor confidence was restored after early signs that a peaceful succession plan will be in place and also after Prime Minister Prayuth Chan-Ocha reiterated that the timetable for democratic elections in 2017 will remain.

### ***China PPI turned positive in September***

Following more than four years of being in the negative, PPI inflation registered positive in September. The gauge of factory-gate prices strengthened further in the succeeding months, registering 5.5% year-on-year in December. The recovery in PPI over the period was led mainly by gains in the mining sector as well as improvement in raw material prices.

### ***S&P upgrades South Korean rating***

Credit rating agency Standard & Poor's (S&P) raised South Korea's long-term sovereign rating one notch – to 'AA' – with a 'stable' outlook. Among other factors, S&P cited the country's steady growth and flexible fiscal and monetary policies as reasons for the upgrade. Notably, South Korea now ranks one level higher than China and two levels higher than Japan.

## **Market Outlook & Strategy**

### ***Overweight Indian and Indonesian bonds; cautious on Philippine bonds***

The slowdown in economic activity in India against a low inflationary environment leads us to believe that the Reserve Bank of India (RBI) will stay accommodative. We think that there is still room for the RBI to cut rates if needed, given benign inflation. Our preference for Indian bonds is further supported by the higher yields offered by the space. Similarly, our preference for Indonesian bonds is grounded on relatively higher carry against a backdrop of a more credible fiscal outlook and still benign inflationary pressures. Meanwhile, we have a cautious view on Philippine bonds. Against a backdrop of strong growth and rising inflation, we

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expect Philippine bonds to underperform. Also, we expect political noise from President Duterte's rhetoric to continue to weigh on investor sentiment towards Philippine assets.

***Prefer IDR and INR; underweight KRW and SGD***

We think high carry currencies such as the Indonesian Rupiah (IDR) and Indian Rupee (INR) will continue to outperform their Asian counterparts. Stable external balances, improved fiscal outlooks and political stability have all contributed to the resilience of the IDR and INR. In contrast, we are cautious on the Korean Won (KRW) and Singapore Dollar (SGD) as we believe these countries will be vulnerable to any potential protectionist trade policies by the new US administration, given the open and export-oriented nature of these economies. Also, we expect business sentiment in Korea to be plagued by ongoing political uncertainty.

## IMPORTANT INFORMATION

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Nikko Asset Management Asia Limited. Registration Number 198202562H

## SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

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### Appointment of soft dollar brokers

The Manager will appoint soft dollar brokers onto its broker panel only after it has 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 Asia Bond 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 ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial period from 01 July 2016 to 31 December 2016 (unaudited)*

	31 December 2016	31 December 2015
	S\$	S\$
<b>Income</b>		
Dividends	87,128	88,596
Interest on cash and bank balances	931	1,732
	<u>88,059</u>	<u>90,328</u>
<b>Less: Expenses</b>		
Management fee	305,866	312,432
Management fee rebate	(19,956)	(20,276)
Registrar fee	9,796	9,894
Trustee fee	15,033	15,315
Custody fee	23,049	22,981
Audit fee	7,758	8,804
Valuation fee	16,913	17,229
Transaction costs	10,474	21,885
Other expenses	32,148	14,270
	<u>401,081</u>	<u>402,534</u>
<b>Net losses</b>	<u>(313,022)</u>	<u>(312,206)</u>
<b>Net gains or losses on value of investments and financial derivatives</b>		
Net gains on investments	1,553,855	1,630,045
Net foreign exchange gains	195,118	33,568
Net (loss)/gain on financial derivatives	(34,021)	257,374
	<u>1,714,952</u>	<u>1,920,987</u>
<b>Total return for the financial period before income tax</b>	1,401,930	1,608,781
<b>Less: Income tax</b>	<u>(245,074)</u>	<u>(201,636)</u>
<b>Total return for the financial period after income tax</b>	<u>1,156,856</u>	<u>1,407,145</u>

**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 31 December 2016 (unaudited)*

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	31 December 2016	30 June 2016
	S\$	S\$
<b>ASSETS</b>		
Portfolio of investments	68,250,985	69,597,595
Receivables	52,043	82,019
Cash and bank balances	5,346,680	4,073,228
Margin account	111,989	153,676
Financial derivatives at fair value	89,058	126,904
<b>Total assets</b>	<b>73,850,755</b>	<b>74,033,422</b>
<b>LIABILITIES</b>		
Payables	224,445	196,414
Distribution payable	1,219,236	1,219,938
Financial derivatives at fair value	180,245	295,941
<b>Total liabilities</b>	<b>1,623,926</b>	<b>1,712,293</b>
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>72,226,829</b>	<b>72,321,129</b>

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**NIKKO AM SHENTON ASIA BOND FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial period from 01 July 2016 to 31 December 2016 (unaudited)*

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	<b>31 December 2016</b>	30 June 2016
	<b>S\$</b>	S\$
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>72,321,129</b>	75,405,784
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>1,156,856</b>	1,305,145
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>1,396,604</b>	2,354,092
Cancellation of units	<b>(1,428,513)</b>	(4,287,223)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>(31,909)</b>	(1,933,131)
Distributions	<b>(1,219,247)</b>	(2,456,669)
Total decreases in net assets attributable to unitholders	<b>(94,300)</b>	(3,084,655)
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>72,226,829</b>	72,321,129

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## NIKKO AM SHENTON ASIA BOND FUND

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

### STATEMENT OF PORTFOLIO

As at 31 December 2016 (unaudited)

#### By Geography (Primary)

	Holdings at 31 December 2016	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Fixed Income Securities</b>			
<b>CHINA</b>			
China Government Bond 3.39% due 21/05/2025	9,000,000	1,811,066	2.51
China Government Bond 4.1% due 21/05/2045	5,000,000	993,653	1.37
<b>Total CHINA</b>		<b>2,804,719</b>	<b>3.88</b>
<b>HONG KONG SAR</b>			
Hong Kong Government Bond 0.97% due 20/06/2022	12,000,000	2,166,756	3.00
Hong Kong Government Bond 1.34% due 24/06/2019	10,000,000	1,871,031	2.59
Hong Kong Government Bond 2.07% due 26/08/2026	7,000,000	1,331,956	1.84
<b>Total HONG KONG SAR</b>		<b>5,369,743</b>	<b>7.43</b>
<b>INDIA</b>			
HDFC Bank Limited 7.95% due 21/09/2026	100,000,000	2,161,203	2.99
India Government Bond 8.24% due 15/02/2027	100,000,000	2,330,920	3.23
NTPC Limited 7.375% due 10/08/2021	100,000,000	2,159,655	2.99
Power Finance Corporation Limited 8.39% due 19/04/2025	100,000,000	2,248,495	3.11
Power Grid Corporation of India Limited 7.55% due 21/09/2031	100,000,000	2,154,676	2.99
<b>Total INDIA</b>		<b>11,054,949</b>	<b>15.31</b>
<b>INDONESIA</b>			
Indonesia Treasury Bond 7% due 15/05/2027	3,000,000,000	304,814	0.42
Indonesia Treasury Bond 8.25% due 15/06/2032	20,000,000,000	2,138,267	2.96
Indonesia Treasury Bond 8.25% due 15/07/2021	15,000,000,000	1,654,215	2.29
Indonesia Treasury Bond 9% due 15/03/2029	23,000,000,000	2,615,671	3.62
Indosat TBK PT 10% due 12/12/2017	10,000,000,000	1,095,765	1.52
Indosat TBK PT 8.625% due 27/06/2019	10,000,000,000	1,064,399	1.48
<b>Total INDONESIA</b>		<b>8,873,131</b>	<b>12.29</b>
<b>MALAYSIA</b>			
Cagamas Berhad 5.28% due 17/07/2019	5,000,000	1,652,118	2.29
Johor Corporation 3.48% due 14/06/2017	2,000,000	643,474	0.89
Malaysia Government Investment Issue 4.07% due 30/09/2026	7,000,000	2,199,078	3.04
Prasarana Malaysia Berhad 4.08% due 12/03/2019	2,000,000	643,816	0.89
<b>Total MALAYSIA</b>		<b>5,138,486</b>	<b>7.11</b>

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

	Holdings at 31 December 2016	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Fixed Income Securities (continued)</b>			
<b>PHILIPPINES</b>			
Philippine Government Bond 3.625% due 09/09/2025	10,000,000	269,473	0.37
Philippine Government Bond 8% due 19/07/2031	10,000,000	387,067	0.54
<b>Total PHILIPPINES</b>		<b>656,540</b>	<b>0.91</b>
<b>SINGAPORE</b>			
Capitaland Treasury Limited 4.35% due 31/10/2019	1,000,000	1,048,214	1.45
ITNL International Private Limited 8% due 17/07/2017	9,000,000	1,826,613	2.53
ITNL Offshore Two Private Limited 7.5% due 01/04/2018	7,000,000	1,413,963	1.96
Singapore Government Bond 2.125% due 01/06/2026	2,000,000	1,944,000	2.69
Singapore Government Bond 2.75% due 01/03/2046	500,000	504,000	0.70
Singapore Government Bond 2.875% due 01/07/2029	1,500,000	1,534,500	2.12
Singapore Government Bond 2.875% due 01/09/2030	1,500,000	1,527,000	2.11
Singapore Government Bond 3.375% due 01/09/2033	1,000,000	1,085,500	1.50
UOL Treasury Services Private Limited 2.5% due 20/04/2018	500,000	498,505	0.70
<b>Total SINGAPORE</b>		<b>11,382,295</b>	<b>15.76</b>
<b>SUPRANATIONAL</b>			
European Investment Bank 7.2% due 09/07/2019	10,000,000,000	1,036,352	1.43
<b>TOTAL SUPRANATIONAL</b>		<b>1,036,352</b>	<b>1.43</b>
<b>SOUTH KOREA</b>			
Korea Treasury Bond 3.5% due 10/03/2024	3,000,000,000	3,953,564	5.47
Korea Treasury Bond 2.25% due 10/06/2025	1,700,000,000	2,057,637	2.86
Korea Treasury Bond 1.875% due 10/06/2026	4,500,000,000	5,297,148	7.33
<b>Total SOUTH KOREA</b>		<b>11,308,349</b>	<b>15.66</b>
<b>THAILAND</b>			
Thailand Government Bond 1.875% due 17/06/2022	20,000,000	791,820	1.10
Thailand Government Bond 2.125% due 17/12/2026	70,000,000	2,697,426	3.73
Thailand Government Bond 3.65% due 17/12/2021	10,000,000	432,168	0.60
Thailand Government Bond 3.875% due 13/06/2019	35,000,000	1,484,396	2.06
<b>Total THAILAND</b>		<b>5,405,810</b>	<b>7.49</b>
<b>Accrued interest receivable on quoted fixed income securities</b>		<b>836,760</b>	<b>1.16</b>
<b>Total Quoted Fixed Income Securities</b>		<b>63,867,134</b>	<b>88.43</b>

**NIKKO AM SHENTON ASIA BOND FUND**

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

**STATEMENT OF PORTFOLIO**

As at 31 December 2016 (unaudited)

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

	Holdings at 31 December 2016	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
<b>Quoted Investment Fund</b>			
<b>SINGAPORE</b>			
Nikko AM China Onshore Bond Fund	4,237,243	4,383,851	6.07
<b>Total SINGAPORE</b>		<u>4,383,851</u>	<u>6.07</u>
<b>Total Quoted Investment Fund</b>		<u>4,383,851</u>	<u>6.07</u>
<b>Portfolio of investments</b>		68,250,985	94.50
<b>Other net assets</b>		<u>3,975,844</u>	<u>5.50</u>
<b>Net assets attributable to unitholders</b>		<u>72,226,829</u>	<u>100.00</u>

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## NIKKO AM SHENTON ASIA BOND FUND

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

### STATEMENT OF PORTFOLIO

As at 31 December 2016 (unaudited)

<b>By Geography (Summary)</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2016 %</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2016 %</b>
<b>Quoted Fixed Income Securities</b>		
Cayman Islands	-	0.70
China	3.88	5.30
Hong Kong SAR	7.43	9.13
India	15.31	8.67
Indonesia	12.29	12.28
Malaysia	7.11	8.93
Philippines	0.91	6.85
Singapore	15.76	14.80
Supranational	1.43	1.39
South Korea	15.66	12.57
Thailand	7.49	8.71
<b>Accrued interest receivable on quoted fixed income securities</b>	<b>1.16</b>	<b>0.94</b>
<b>Total Quoted Fixed Income Securities</b>	<b>88.43</b>	<b>90.27</b>
<b>Quoted Investment Fund</b>		
Singapore	6.07	5.96
<b>Total Quoted Investment Fund</b>	<b>6.07</b>	<b>5.96</b>
<b>Portfolio of investments</b>	<b>94.50</b>	<b>96.23</b>
<b>Other net assets</b>	<b>5.50</b>	<b>3.77</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

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

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<b>By Industry (Secondary)</b>	<b>Fair value at 31 December 2016 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2016 %</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2016 %</b>
Banks	2,161,203	2.99	-
Commercial Services	1,826,613	2.53	2.49
Debt Fund	4,383,851	6.07	5.96
Diversified Financial Services	3,900,613	5.40	5.21
Electric	4,314,331	5.97	-
Engineering and Construction	1,413,963	1.96	1.88
Food	-	-	0.70
Healthcare-Services	643,474	0.89	-
Multi-National	1,036,352	1.44	1.39
Real Estate	1,546,719	2.14	3.07
Real Estate Investment trusts (REITS)	-	-	0.69
Sovereign	43,383,126	60.07	70.12
Telecommunications	2,160,164	2.99	2.84
Transportation	643,816	0.89	0.94
Accrued interest receivable on quoted fixed income securities	836,760	1.16	0.94
<b>Portfolio of investments</b>	<b>68,250,985</b>	<b>94.50</b>	<b>96.23</b>
<b>Other net assets</b>	<b>3,975,844</b>	<b>5.50</b>	<b>3.77</b>
<b>Net assets attributable to unitholders</b>	<b>72,226,829</b>	<b>100.00</b>	<b>100.00</b>

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## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 July 2016 to 31 December 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 11 to 15.

#### 2. Credit rating of debt securities

	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
AAA	13,001,094	18.00
A-	1,916,564	2.66
BBB-	2,159,655	2.99
Aa3	2,804,719	3.88
Baa2	387,067	0.54
Baa3	9,043,887	12.52
Not rated	33,717,388	46.68
Accrued interest receivable on quoted fixed income securities	836,760	1.16
<b>Total</b>	<b>63,867,134</b>	<b>88.43</b>

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## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 July 2016 to 31 December 2016 (unaudited)

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#### 3. Top 10 holdings

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

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Korea Treasury Bond 1.815% due 10/06/2026	5,297,148	7.33
Nikko AM China Onshore Bond Fund	4,383,851	6.07
Korea Treasury Bond 3.5% due 10/03/2024	3,953,564	5.47
Thailand Government Bond 2.125% due 17/12/2026	2,697,426	3.73
Indonesia Treasury Bond 9% due 15/03/2029	2,615,671	3.62
India Government Bond 8.24% due 15/02/2027	2,330,920	3.23
Power Finance Corporation Limited 8.39% due 19/04/2025	2,248,495	3.11
Malaysia Government Investment Issue 4.07% due 30/09/2026	2,199,078	3.04
Hong Kong Government Bond 0.97% due 20/06/2022	2,166,756	3.00
HDFC Bank Limited 7.95% due 21/09/2026	2,161,203	2.99

##### 10 Largest holdings at 31 December 2015

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Nikko AM China Onshore Bond Fund	4,501,617	6.03
Hong Kong Government Bond 2.39% due 20/08/2025	4,046,176	5.42
Korea Treasury Bond 3.25% due 10/09/2018	3,782,311	5.07
Indonesia Treasury Bond 8.25% due 15/05/2036	3,091,206	4.14
Korea Treasury Bond 3.5% due 10/03/2024	2,690,954	3.60
Philippine Government Bond 3.625% due 09/09/2025	2,466,205	3.30
Indonesia Treasury Bond 8.25% due 15/06/2032	2,381,377	3.19
Food Corporation of India 9.95% due 07/03/2022	2,310,856	3.10
Thailand Government Bond 3.85% due 12/12/2025	2,202,846	2.95
India Government Bond 8.24% due 15/02/2027	2,172,139	2.91

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## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 July 2016 to 31 December 2016 (unaudited)

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#### 4. Exposure to financial derivatives

	Fair value at 31 December 2016 S\$	Percentage of total net assets attributable to unitholders 31 December 2016 %	Unrealised gains/(losses) S\$	Realised gains/(losses) S\$
Forward foreign exchange contracts	(22,105)	(0.03)	(22,105)	149,979
Interest rate swaps	(69,082)	(0.10)	(69,082)	94,303
Futures contracts	-	-	-	(187,116)

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#### 5. Global exposure to financial derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- a. the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;
- b. the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c. the sum of the values of cash collateral received pursuant to:
  - i. the reduction of exposure to counterparties of OTC financial derivatives; and
  - ii. EPM techniques relating to securities lending and repurchase transactions, and that are reinvested

#### 6. Collateral

When transacting in over-the-counter derivatives, the Fund seeks to mitigate counterparty risk by entering into International Derivatives Swap and Dealers Association (ISDA) master agreements with Standard Chartered Bank and Barclays Bank PLC. The Fund has not received or paid any calls on cash collateral on over-the-counter derivative positions during the financial period ended 31 December 2016.

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## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 July 2016 to 31 December 2016 (unaudited)

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#### 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 page 13.

#### 9. Borrowings

Nil.

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

	S\$
Units created	1,396,604
Units cancelled	(1,428,513)

#### 11. Turnover ratio

		31 December 2016	31 December 2015
Lower of total value of purchases or sales	S\$	<b>65,327,887</b>	85,864,705
Average daily net asset value	S\$	<b>74,578,498</b>	75,925,874
<b>Total turnover ratio</b> <sup>Note</sup>	%	<b>87.60</b>	113.09

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.

## NIKKO AM SHENTON ASIA BOND FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 July 2016 to 31 December 2016 (unaudited)

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#### 12. Expense ratio

<u>Class A SGD</u>		<b>31 December 2016</b>	31 December 2015 Restated
Total operating expenses	S\$	<b>76,684</b>	84,313
Average daily net asset value	S\$	<b>5,707,747</b>	6,256,956
<b>Total expense ratio</b> <sup>Note</sup>	%	<b>1.34</b>	1.35
<hr/>			
<u>Class A USD</u>		<b>31 December 2016</b>	31 December 2015 Restated
Total operating expenses	S\$	<b>4,197</b>	5,013
Average daily net asset value	S\$	<b>312,414</b>	372,020
<b>Total expense ratio</b> <sup>Note</sup>	%	<b>1.34</b>	1.35
<hr/>			
<u>Class B SGD</u>		<b>31 December 2016</b>	31 December 2015 Restated
Total operating expenses	S\$	<b>671,618</b>	695,236
Average daily net asset value	S\$	<b>68,499,222</b>	70,086,545
<b>Total expense ratio</b> <sup>Note</sup>	%	<b>0.98</b>	0.99
<hr/>			
<u>Class B USD</u>		<b>31 December 2016</b>	31 December 2015 Restated
Total operating expenses	S\$	<b>335</b>	2,002
Average daily net asset value	S\$	<b>34,130</b>	201,870
<b>Total expense ratio</b> <sup>Note</sup>	%	<b>0.98</b>	0.99

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 Sub-Fund does not pay any performance fee. The average net asset value is based on the daily balances.

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## **NIKKO AM SHENTON ASIA BOND FUND**

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

### **REPORT TO UNITHOLDERS**

*For the financial period from 01 July 2016 to 31 December 2016 (unaudited)*

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

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

Management fee is payable to the Manager. Registrar fee and trustee fee are 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 Deeds:

	<b>31 December 2016</b>	30 June 2016
	<b>S\$</b>	S\$
Bank balances held with related party of the Trustee	<b>5,346,680</b>	4,073,228

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

Nil.

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