

December 17, 2013

Press Release

Nikko Asset Management Co., Ltd.

Global Equities Have Room to Run, Fed Taper Won't Affect Global Recovery, Nikko AM Says

- Nikko AM continues 2-year overweight in global equities, US equities preferred
- Continues view held since June that Fed will taper in December (or January)

Global equities have much more room to appreciate given the positive global economic backdrop, and U.S. equities are likely to prove the star performer in 2014, according to Nikko Asset Management's (Nikko AM) latest findings from its Global Investment Committee (GIC). On the back of a spectacular year of performance for indices such as the S&P 500 and the Nikkei 225, equities generally topped the GIC's forecasts for 2013. The Tokyo-based asset manager has been overweight equities since September 2011.

"In the US, booming home prices added around US\$428 billion to U.S. household wealth in the 3rd quarter, leading to a combined 'wealth effect' of nearly US\$1.9 trillion and soaring auto purchases and retail sales," said John F. Vail, Chief Global Strategist and Chair of the Nikko AM's GIC. "U.S. payrolls look set to continue expanding at a healthy rate, with Nikko AM's estimates showing a 0.07% average monthly drop in the unemployment rate for the first half of 2014, and stabilising at the 'full employment' rate of 6.5% by June 2014. This all bodes well for the global economic recovery and U.S. equities in particular."

Nikko AM's GIC members have forecasted U.S. Federal Reserve tapering to start in December or January 2014, quantitative easing to end in the 3rd quarter of 2014 and the first US interest rate hike to be deferred until the 3rd quarter of 2015.

"The prospect of when the U.S. Fed might start tightening had been rattling markets and causing volatility spikes throughout 2013, but markets have now adapted to the new consensus. If the Fed does start to taper in early 2014, it is a positive sign that the U.S. economy is firm enough to withstand such efforts, and should be seen as a positive for the global economy," said Vail. "In Japan, we expect the BOJ to continue its "autopilot" massive monetary easing. Thus, we expect the yen to weaken further in the quarters ahead, with a target of 104 to the dollar by March 2014, falling to 105 by June 2014, from the current range of 102-103. A weaker yen means higher earnings for Japanese companies and we foresee earnings estimates to continue to surprise on

the upside. Thus, we continue to be positive on Japanese equities as well.”

Nikko AM's growth target for US equities is 7% total return from December 6 through the end of March 2014 and 21% through 2014, with European and Japanese equities following close behind with 5% and 4% respectively, in USD terms. Our target for 10-year bonds as at June-end 2014 is 3.15%.

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About Nikko Asset Management

Established in 1959, the Nikko Asset Management group (Nikko AM) has grown to become the largest regional asset management company headquartered in Asia, with total AUM of US\$163 billion* and one of the largest distributor networks across the Asia-Pacific region, comprising over 300 banks, brokers, IFAs and life insurance companies.

Nikko AM manages a wide range of Asian equity and Asian fixed income strategies for retail and institutional investors around the world. The company has been recognised by industry peers for outstanding performance, product innovation and market leadership across the Asia-Pacific region, winning a number of prestigious awards, including “Asia-Based Asset Manager of the Year” in 2012 and “Best Japan Onshore Fund Manager” in 2013, 2012 and 2011, both from *AsianInvestor*.

Nikko AM also offers specialist third-party expertise – currently from over 40 fund managers – through the World Series Fund Platform®, operating a “best-in-class” approach across a broad range of asset classes.

Nikko AM’s senior management team has significant experience across Asian as well as global markets. The team combines local knowledge with internationally recognised standards of investment practice, transparency and corporate governance to achieve growth across the business. The company adopts a “multi local” approach – giving local management teams a high degree of autonomy to address local market conditions and client servicing needs.

Nikko AM’s head office is in Tokyo and the firm has an extensive footprint across the Asia-Pacific region that includes offices in Singapore, Hong Kong, Sydney, Melbourne, Brisbane and Auckland. Offices in New York and London with full service teams provide support to investors in the US, Europe and the Middle East.

Nikko AM’s strong Asian presence is cemented with stakes in several joint venture companies. Rongtong Fund Management is one of the largest Sino-foreign joint venture fund management firms in China, while Hwang Investment Management Berhad and Asian Islamic Investment Management Sdn. Bhd. are leading investment management firms in Malaysia. Recent additions Ambit Investment Advisory Private Limited in Mumbai and Ambit Mauritius Investment Management Private Limited provide Indian equity expertise to Nikko AM’s global clients.

Nikko AM is an independently managed asset management company, majority owned by Sumitomo Mitsui Trust Holdings and with DBS Bank as the second largest shareholder.

For more information, please visit www.nikkoam.com/english

* Consolidated assets under management and advice of Nikko AM and its subsidiaries as at 30 September 2013. “Largest” based on AUM sourced from Asia, including Australia and New Zealand, using third party published AUM figures as of 30 June 2013. “Regional” excludes firms with more than 75% of AUM sourced from a single country.