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Press Release

Nikko Asset Management Co., Ltd.

Nikko Asset Management Keeps Moderately Overweight Position on Global Equities

- Maintains global equities overweight on G3 economic growth and central bank policies
- Lower oil prices very positive for developed economies
- Fed could tighten in June or July, but at a moderate pace
- Forecasts Japan's TOPIX to reach 1,658 by June

Developed economies are set to grow at a modest pace backed by healthy economic growth in G3¹ economies, while receiving support from lower energy prices, according to Nikko Asset Management's Global Investment Committee (GIC), which is maintaining a moderately overweight position on global equities.

The Tokyo-based company's investment committee continued to favour a moderately overweight stance on global equities, with Japan heavily overweight and the U.S. underweight, while global bonds are heavily underweight, with U.S. dollar cash remaining significantly overweight. The committee has favoured an overweight position on global equities in the last 13 quarters out of 14.

"We realised that there are many risks globally and the oil price plunge has surprised us along with nearly all other investors, but we think these risks will be overcome and note that lower energy prices are very positive for most developed economies," said John F. Vail, chief global strategist and head of the GIC. "For the coming two quarters, we expect overall G3 economic growth to rebound at economists' consensus expectations and for the G3 central banks to continue to pursue divergent paths."

In regards to energy prices, Nikko Asset Management's analysts believe the healthy economic growth in the G3 economies, along with declining capital expenditure in the United States, will lead to a single-digit rise in Brent crude oil over the next six months. As for geopolitics, Nikko Asset Management continues to see that conflicts will remain mostly localized, with short-lived effects on developed markets, with the Ebola crisis becoming less severe.

The company's analysts expect that the U.S. Federal Reserve will raise interest rates in June or July 2015, but only by "baby steps," that is, after an initial 25-basis-point increase in June or July, 12.5 basis-point hikes thereafter. The analysts continue to forecast that the European Central Bank will initiate moderately sized sovereign quantitative easing in the first quarter of 2015, with a lesser chance that it will occur in the second quarter. For

¹ The United States, Eurozone and Japan

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

the Bank of Japan, the committee does not expect further major easing for the intermediate term due to the weaker yen.

Nikko Asset Management believes the recent Japanese GDP data overstates the decline in the economy and continues to be optimistic about growth in the world's third-largest economy. Japanese equities could be supported by rising profits, especially as valuations remain attractive and as the BOJ and the Government Pension Investment Fund are expected to be large-scale buyers.

"Deflation is over in Japan and the structural bear market in equities is also dead, in our view," Vail said. "Japanese investors will continue to be forced to change their methods, as TOPIX is already yielding far above all but a few fixed income investments, and this factor should accelerate as we expect the TOPIX dividend to double in the next five years."

Forecasting through June, Nikko Asset Management expects Japan's broader TOPIX index to reach 1,658, which is a 15.5 percent gain in yen terms (unannualised total return from the company's base-date).

Nikko Asset Management's GIC met on December 11th for its quarterly review of global economic conditions. Based on the findings of its senior investment professionals around the world, the company periodically reconsiders house views on the major global markets and asset classes.

The committee's main forecasts² at this time are:

Japan: Half-year GDP growth (January to June 2015) of 2.5 percent half-on-half, seasonally adjusted, with equities, as measured by TOPIX, rising about 15.5 percent in yen terms over the next six months to June.

U.S.: Half-year GDP growth of 2.9 percent half-on-half, seasonally adjusted, with equities, as measured by the S&P 500, rising 2.7 percent in dollar terms over the next six months to June.

Eurozone: Half-year GDP growth of 1.3 percent half-on-half, seasonally adjusted, with equities, as measured by the MSCI Europe, rising 5.9 percent in dollar terms over the next six months to June.

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² In comparison against the base date on December 8

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Nikko Asset Management Asia Limited, Registration Number 198202562H

About Nikko Asset Management

Nikko Asset Management is a leader in the Asian financial services industry, with \$160 billion in assets under management as of September 30, 2014. Established in 1959, the firm has representation across 26 locations in 12 countries and enjoys one of the largest distributor networks in the region, serving both retail and institutional clients. More than 300 banks, brokers, financial advisors and life insurance companies distribute the company's products.

Nikko Asset Management manages a wide range of equity and fixed income strategies in both active and passive formats, leveraging the talents of over 280 investment professionals. In 2013 alone, Nikko Asset Management won awards for excellence in asset management from Lipper, Morningstar, Mercer, AsianInvestor, R&I, among others.

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

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

* Consolidated assets under management and sub-advisory of Nikko AM and its subsidiaries as of September 30, 2014. AUM figures are converted into US dollars using the month-end exchange rate.

** Represents the 26 locations of Nikko Asset Management and its overseas subsidiaries and affiliates (including minority joint ventures) across 12 countries.

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