

# ANNUAL REPORT

For the financial year ended 31 December 2021

## Nikko AM Shenton Global Opportunities Fund



**MANAGERS**

Nikko Asset Management Asia Limited  
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Singapore 018961  
Company Registration No. 198202562H

**DIRECTORS**

Kiyotaka Ryu  
Seet Oon Hui Eleanor  
Hiroki Tsujimura

**TRUSTEE & REGISTRAR**

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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 Global Opportunities Fund - SGD Class <sup>1</sup>	5.33	6.24	17.49	23.27	16.29	13.90	6.06
Benchmark <sup>2</sup>	5.93	5.86	20.91	20.12	12.66	11.59	3.69

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2021. 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 Global Opportunities Fund - SGD Class <sup>1</sup>	0.06	0.93	11.61	21.18	15.10	13.32	5.82
Benchmark <sup>2</sup>	5.93	5.86	20.91	20.12	12.66	11.59	3.69

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2021. 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, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

### Inception date: 5 March 1999

<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 Global Opportunities Fund - USD Class <sup>1</sup>	6.08	6.01	15.20	N/A	N/A	N/A	20.80
Benchmark <sup>2</sup>	6.68	5.55	18.54	N/A	N/A	N/A	18.23

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2021. 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 Global Opportunities Fund - USD Class <sup>1</sup>	0.78	0.71	9.44	N/A	N/A	N/A	18.40
Benchmark <sup>2</sup>	6.68	5.55	18.54	N/A	N/A	N/A	18.23

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2021. 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, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

### Inception date: 11 June 2019

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**Note:**

- (1) With effect from 17 October 2011, the Fund (formerly known as “Shenton Global Opportunities Fund”) has been renamed Nikko AM Shenton Global Opportunities Fund.

The following changes were made to the Fund with effect from 16 March 2015:

- a. the appointment of Nikko Asset Management Co., Ltd (“NAM Japan”) as the investment adviser for the Fund has been terminated and Nikko Asset Management Europe Ltd (“NAM Europe”) has been appointed as the sub-manager of the Fund; and
- b. the base currency of the Fund was changed from Singapore dollars to United States dollars.

With effect from 22 April 2020, the Fund is included under the Central Provident Fund (“CPF”) Investment Scheme – Ordinary Account and is classified by the CPF Board under the category “Higher Risk – Broadly Diversified”.

- (2) With effect from 1 May 2019, the benchmark against which the performance of the Nikko AM Shenton Global Opportunities Fund is measured, i.e. the MSCI World Free Index (Net Total Return), has been changed to the MSCI AC World Index (Net Total Return). Prior to 1 May 2017, the performance returns of the benchmark was calculated using price index methodology. With effect from 1 May 2017, it is calculated using net total return index methodology.

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**Portfolio Review*****Fund returned 17.49% in 2021***

For the year ended 31 December 2021, the Nikko AM Shenton Global Opportunities Fund SGD Class (the “Fund”) returned 17.49% (SGD terms, on a NAV-NAV basis), underperforming the MSCI AC World Index which returned 20.91% over the same period.

The main contributors to performance included Accenture, Silicon Valley Bank, Carlisle, Bio-Techne and Microsoft. Accenture outperformed after continually exceeding investor profit expectations throughout the year. This continued when it issued its fiscal Q1 guidance in December. Management’s willingness to significantly raise revenue guidance for the year ahead (now expected to grow 19-22%) so early in the financial year (and only three months after initially setting guidance) speaks to high levels of confidence in the business (as forward bookings continued to grow very strongly). Silicon Valley Bank (SVB) outperformed materially as bond yields spiked again, with energy shortages threatening to push inflation higher in the short term. The company also announced that it would be expanding into technology investment banking. This is the last piece of the puzzle required for SVB to become a ‘one-stop shop’ for the innovation economy. It should enable a more dominant SVB to emerge to take on competitors of all sizes, and further increase its already dominant market share position. Carlisle climbed after it reported a Q3 beat on both the top and bottom lines, and a full-year guidance raise following the acquisition of Henry Company. This acquisition should strengthen Carlisle Construction Materials segment’s offering for repair and restoration works, as well as construction activities. Additionally, Carlisle looks well-positioned to benefit from strong order growth in commercial roofing, a broader recovery in aerospace, and increasing industrial capex spend in Carlisle Fluid Technologies. Positive sentiment towards construction stocks has also helped drive the shares. Bio-Techne enjoyed a good year as life sciences research spending boomed and the company continued to enjoy extremely

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strong organic revenue growth as a result. Microsoft also consistently delivered strong quarterly results in 2021—helped by the ongoing migration of data to the cloud. Azure, Microsoft’s cloud solution, grew 50% year-on-year, exceeding guidance, and is now 21% of total revenue. Importantly, Azure’s growth exceeded that of both Google Cloud and Amazon Web Services, signaling stronger adoption and growing market share. Megacap technology shares generally performed well in the second half of 2021 (2H21) as investors react to potential changes in the liquidity environment.

Conversely, LHC Group, Global Payments, Philips, Encompass Health and Palomar were among the detractors from performance. LHC Group underperformed in 2H21 as COVID-19 led to a significant short-term squeeze on profit growth. Elevated nursing staff quarantine levels have meant that the company has not been able to keep up with booming demand for its services—hurting patient admissions and sales growth. The firm has also had to use far more (expensive) contract labour than normal, to provide its industry leading quality of care to existing patients. This has squeezed profit margins. Importantly, these cost pressures must be reflected in future government reimbursement rates by law. Global Payments was weak as investors continue to be concerned by potential market share losses to newer fintech competitors. Q3 results added to these fears, particularly given volume growth was lower than system-wide growth. The discovery of a new COVID-19 variant also weighed on the stock given the potential for further lockdowns. Philips underperformed on uncertainty regarding the financial impact of its product recall in sleep apnoea. The issue first came to light in April 2021 and was still causing headlines late in the year. In November, the US Food and Drug Administration (FDA) issued a damning list of findings having investigated the issue, which has further damaged investor confidence although management remains adamant that it has been transparent throughout. Encompass Health suffered from the travails felt by the home nursing sector (as noted above). Although Home Health is only 20% of profits at Encompass (and margins have held up well at its larger Inpatient Rehabilitation Facility business), Encompass is in the process of separating the two businesses and the derating seen by LHC Group and Amedisys led to fears over the price that it would be able to achieve if it sold its Home Health business. Palomar also underperformed during 2H21, although there was very little stock specific news that drove the weakness in the shares. The weakness could be more a result of the de-rating suffered by a lot of midcap, relatively newly listed companies during the review period.

## **Market Review**

### ***Global equity markets gained in 2021***

Equity markets delivered positive returns again in 2021, with the MSCI All Country World Index climbing 20.91% in SGD terms. The portfolio rose 17.49%, with the underperformance driven by adverse stock selection in Financials, Information Technology, Communication Services and Consumer Staples and from our underweight position in the Energy sector, which performed very strongly in the first half of the year.

Inflation (and the potential monetary policy response to it) has been the dominant issue for equity markets throughout the year, with the US consumer price index (CPI) rising quickly in 2H21, reaching 7% in December. Although some of the spike in prices is almost certainly temporary and driven by supply constraints due to COVID-19, some of this inflationary pressure looks slightly more enduring—particularly in the labour and housing markets.

The US Federal Reserve (Fed) has adopted an increasingly hawkish tone in recent weeks, somewhat belatedly dropping its ‘transitory’ narrative. News in December that the employment market remained tight (with the unemployment rate a little over 4%, just above levels seen pre-COVID) further strengthened the bargaining power of employees and wage inflation has remained elevated as a result. Traditionally, wage inflation (and rental cost inflation) are slower to turn than other components of inflation statistics so the Fed will be more influenced by these datapoints than most. Any company that has been unable to protect its profit margins from wage cost inflation has been harshly dealt with, and earnings delivery looks to be increasingly important as we enter 2022.

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The global COVID-19 pandemic has remained a constant threat to economic activity throughout the year. We started 2021 worrying about the Delta variant. Infections from the latter peaked in late summer but there was little respite for investors, with South African health authorities discovering the Omicron variant at the end of November. Although this highly transmissible variant continues to place substantial pressure on overworked healthcare systems in some countries, it looks like this variant is less harmful than its predecessors. With large percentages of the world now either fully vaccinated or protected by antibodies derived from prior infection, it is to be hoped that the economic damage will be more limited this time around. That certainly seems to be the case at the time of writing.

Although the first half of 2021 saw a meaningful recovery in beaten up cyclical sectors such as Financials and Energy, market leadership narrowed noticeably in 2H21, while taking on a more familiar look. From the summer onwards index gains were increasingly reliant on the continued strength of a reasonably small number of mega-cap technology leaders. The strong revenue growth and prodigious cash flow generation of companies such as Microsoft, Apple and Google have made them good relative performers and Information Technology was the second-best performing sector as a result.

With investors preparing for tighter monetary policy towards year end, defensive sectors generally performed relatively well, with Consumer Staples, Real Estate, Healthcare and Utilities all outperforming in December (though some of these sectors still underperformed over the full year). There were other signs of increased investor nervousness as we moved towards year end, as more speculative investments such as recent initial price offerings (IPOs) and cryptocurrencies traded sharply lower.

Having enjoyed an extremely strong first half of the year, as the post-COVID reopening trade gathered pace and while the liquidity tide continued to look relatively favourable, cyclicals had a tougher time in 2H21. Monetary tightening by China and increased government regulation of the real estate sector served to dampen sentiment towards Materials stocks. Energy and Financials held up better than Materials (benefitting from cheaper starting valuations) and they outperformed over the year, whereas Materials underperformed. Industrials also underperformed—with the very notable exception of those companies seen as benefitting from energy transition as the US pursued its Build Back Better infrastructure plan and politicians had their minds focused on the environment by COP26.

The best performing major region was North America, helped by its large exposure to mega-cap tech shares. All other major regions underperformed. Asian emerging markets were the weakest of the major regions, underperforming the broader market by 20% in USD terms over the year, as Chinese monetary policy diverged from other major economies and investors were unnerved by more assertive government policy in the technology and real estate sectors.

## **Market Outlook and Strategy**

### ***Continue to seek companies with future quality and superior returns***

Sitting on a beach feels like a distant prospect in Scotland at this time of year as the temperature struggles to get much above 5 degrees centigrade and the rain continues to fall. An ability to look forward to better times and remain optimistic is invaluable. These attributes are no less helpful when investing in equities. While you can get an unpleasant surprise from misjudging the direction of the tide while enjoying your picnic, the consequences for misjudging the direction of the liquidity waves look more pronounced than ever as we enter 2022.

Recent pronouncements, including the most recent minutes from the Fed's policy committee meeting, suggest that the central bank is keen to hammer home the message that it remains in control of inflation (and that bond investors are not). The Fed certainly has the weapons at its disposal to bring prices under control again, but its choice of weapon will be critical if it wants to do so without sparking significant asset price volatility.

While tapering ongoing liquidity injections is fairly uncontroversial, actually withdrawing liquidity would likely prove more problematic for asset prices, given the tight correlation observed in recent

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years between equity markets and the size of the Fed's balance sheet. Interest rates are a more vexed issue still. Even if inflation does moderate in 2022 as some of the short-term impacts of COVID-19 on supply chains ease, real interest rates will likely remain deeply negative—stimulating spending and investment. All else being equal, the Fed would probably like to get rates to at least neutral, but this would require several rate hikes from here. With US government debt running at around USD29 trillion, it remains unlikely that hiking the cost of servicing this debt would be acceptable to politicians—especially in an election year.

Equity market leadership of late is reflective of an increased realisation that the tide is shifting. High beta equities and those with relatively high leverage continue to underperform, as do more speculative investments such as IPOs, cryptocurrencies and concept stocks with unproven business models. Quality and cash generation are becoming more valuable but there is evidence of some divergence here too. The divergence has been characterised as being between value and growth, US and ex-US and COVID-19 winners and COVID-19 losers. Whatever the correct cause, share prices are reacting fairly violently.

The early stages of any market rotation can be somewhat indiscriminate, with hastily assembled buckets of stocks often trading together based on only superficial similarities. This is especially true when the starting point for the rotation is extreme by historical standards (as in this case). Rotations are often the most brutal at the start of the year too.

We are not saying that style rotation or factor-based investment is wrong or unfair. That would be seriously stretching the truth and exposing us to legitimate charges of double standards. After all, some of our holdings have doubtless benefitted from this in recent years. We have regularly taken profits in holdings when our research suggested that the share price had become detached from the underlying cash generation. The prevailing market direction suggests that we have not done this enough, but in the vast majority of cases, we continue to believe that our investments are appropriately valued over the medium- to longer-term. Price discovery could take a while longer, but it seems to us that self-sustaining cash generation is likely to become more rather than less valuable if the Fed is really changing tack.

This is even before you consider some of the macroeconomic risks that exist at present. There are various issues that we continue to monitor. These include questioning China's ability to meaningfully curtail real estate trading without damaging investor confidence and the impact of worker shortages on economic growth in most major economies—especially if increasing immigration is seen as political suicide.

In conclusion, when share prices are being whipped around to such a pronounced extent, the temptation is to take action, regardless of one's conviction in it. Experience teaches us that it is normally best to resist this urge and focus instead on the principles of Future Quality investing. Returning to the beach analogy from the start of this piece, we will soon find out who gets caught out if the liquidity tide goes out. We remain confident that strong cash generation is the best protection against such events.

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**Past performance or any prediction, projection or forecast is not indicative of future performance. The Fund or any underlying fund may use or invest in financial derivative instruments.** The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)) before deciding whether to invest in the Fund.

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The Central Provident Fund (“CPF”) Ordinary Account (“OA”) interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks’ interest rates, whichever is higher, reviewed quarterly. The interest rate for Special Account (“SA”) is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whichever is higher, reviewed quarterly. Only monies in excess of \$20,000 in OA and \$40,000 in SA can be invested under the CPF Investment Scheme (“CPFIS”). Please refer to the website of the CPF Board for further information. Investors should note that the applicable interest rates for the CPF accounts and the terms of CPFIS may be varied by the CPF Board from time to time.

### **For Hong Kong Investors**

The Fund may be offered to professional investors in Hong Kong. Hong Kong investors should note that the contents of this document have not been reviewed by any regulatory authority in Hong Kong and are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Nikko Asset Management Asia Limited. Registration Number 198202562H

## **NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND**

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

### **REPORT OF THE TRUSTEE**

*For the financial year ended 31 December 2021*

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The Trustee is under a duty to take into custody and hold the assets of Nikko AM Shenton Global Opportunities Fund (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act 2001, 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 30, 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 March 2022

## **NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND**

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

### **STATEMENT BY THE MANAGER**

*For the financial year ended 31 December 2021*

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In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 13 to 30, 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 Global Opportunities Fund (the "Fund") as at 31 December 2021, and the financial performance and movements in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" 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 March 2022

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF NIKKO AM SHENTON GLOBAL OPPORTUNITIES 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 Global Opportunities Fund (the "Fund"), are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" 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 31 December 2021, and 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 31 December 2021;
- the Statement of Financial Position as at 31 December 2021;
- the Statement of Movements of Unitholders' Funds for the financial year ended 31 December 2021;
- the Statement of Portfolio as at 31 December 2021; 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 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, 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 GLOBAL OPPORTUNITIES 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 Investment Funds" 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 the Manager 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.

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

- 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.

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 March 2022

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2021*

	Note	2021 US\$	2020 US\$
<b>Income</b>			
Dividends		1,677,816	728,516
Interest on cash and cash equivalents		-	3,331
Other income		-	190
		<u>1,677,816</u>	<u>732,037</u>
<b>Less: Expenses</b>			
Management fee		2,263,374	986,455
Registrar fee		28,856	28,226
Trustee fee		180,422	79,302
Custody fee		22,498	8,892
Audit fee		11,031	7,923
Valuation fee		81,190	35,686
Transaction costs		254,145	145,514
Other expenses		107,148	39,797
		<u>2,948,664</u>	<u>1,331,795</u>
<b>Net losses</b>		<u>(1,270,848)</u>	<u>(599,758)</u>
<b>Net gains or losses on value of investments</b>			
Net gains on investments		25,764,061	24,887,174
Net foreign exchange gains/(losses)		(464,747)	98,765
		<u>25,299,314</u>	<u>24,985,939</u>
<b>Total return for the financial year before income tax</b>		<u>24,028,466</u>	<u>24,386,181</u>
<b>Less: Income tax</b>	3	<u>(425,525)</u>	<u>(153,668)</u>
<b>Total return for the financial year after income tax</b>		<u>23,602,941</u>	<u>24,232,513</u>

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 31 December 2021*

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	Note	2021 US\$	2020 US\$
<b>ASSETS</b>			
Portfolio of investments		243,315,659	122,928,459
Receivables	4	1,219,682	1,738,393
Cash and cash equivalents		8,433,460	4,685,966
<b>Total assets</b>		<b>252,968,801</b>	<b>129,352,818</b>
<b>LIABILITIES</b>			
Payables	5	1,139,279	687,622
Purchases awaiting settlement		5,144,768	652,853
<b>Total liabilities</b>		<b>6,284,047</b>	<b>1,340,475</b>
<b>EQUITY</b>			
Net assets attributable to unitholders	6	246,684,754	128,012,343

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 31 December 2021*

	Note	2021 US\$	2020 US\$
<b>Net assets attributable to unitholders at the beginning of the financial year</b>		<b>128,012,343</b>	59,845,048
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		<b>23,602,941</b>	24,232,513
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		<b>165,980,986</b>	108,919,493
Cancellation of units		<b>(70,911,516)</b>	(64,984,711)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		<b>95,069,470</b>	43,934,782
Total increases in net assets attributable to unitholders		<b>118,672,411</b>	68,167,295
<b>Net assets attributable to unitholders at the end of the financial year</b>	6	<b>246,684,754</b>	128,012,343

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2021***By Geography (Primary)**

	Holdings at 31 December 2021	Fair value at 31 December 2021 US\$	Percentage of total net assets attributable to unitholders at 31 December 2021 %
<b>Quoted Equities</b>			
<b>BRITAIN</b>			
Compass Group Public Listed Company	334,342	7,476,566	3.03
LivaNova Public Listed Company	63,636	5,563,695	2.26
<b>Total BRITAIN</b>		<b>13,040,261</b>	<b>5.29</b>
<b>CHINA</b>			
Tencent Holdings Limited	64,100	3,755,742	1.52
<b>Total CHINA</b>		<b>3,755,742</b>	<b>1.52</b>
<b>FRANCE</b>			
Schneider Electric SE	30,155	5,914,043	2.40
<b>Total FRANCE</b>		<b>5,914,043</b>	<b>2.40</b>
<b>GERMANY</b>			
HelloFresh SE	51,223	3,959,888	1.61
<b>Total GERMANY</b>		<b>3,959,888</b>	<b>1.61</b>
<b>HONG KONG SAR</b>			
AIA Group Limited	401,400	4,046,798	1.64
<b>Total HONG KONG SAR</b>		<b>4,046,798</b>	<b>1.64</b>
<b>INDIA</b>			
Housing Development Finance Corporation Limited	195,127	6,789,289	2.75
<b>Total INDIA</b>		<b>6,789,289</b>	<b>2.75</b>
<b>IRELAND</b>			
Accenture Public Listed Company	26,051	10,799,442	4.38
Kerry Group Public Listed Company	36,889	4,714,149	1.91
Kingspan Group Public Listed Company	30,075	3,591,135	1.45
<b>Total IRELAND</b>		<b>19,104,726</b>	<b>7.74</b>
<b>ISRAEL</b>			
Solaredge Technologies Incorporated	9,899	2,777,362	1.13
<b>Total ISRAEL</b>		<b>2,777,362</b>	<b>1.13</b>
<b>JAPAN</b>			
Sony Group Corporation	62,700	7,881,400	3.19
<b>Total JAPAN</b>		<b>7,881,400</b>	<b>3.19</b>
<b>NETHERLANDS</b>			
Koninklijke Philips NV	96,276	3,587,277	1.45
<b>Total NETHERLANDS</b>		<b>3,587,277</b>	<b>1.45</b>
<b>SWEDEN</b>			
Hexagon AB	232,050	3,675,353	1.49
<b>Total SWEDEN</b>		<b>3,675,353</b>	<b>1.49</b>

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2021***By Geography (Primary)** (continued)

	Holdings at 31 December 2021	Fair value at 31 December 2021 US\$	Percentage of total net assets attributable to unitholders at 31 December 2021 %
<b>Quoted Equities</b> (continued)			
<b>TAIWAN</b>			
Taiwan Semiconductor Manufacturing Company Limited	354,000	7,868,932	3.19
<b>Total TAIWAN</b>		<u>7,868,932</u>	<u>3.19</u>
<b>UNITED STATES OF AMERICA</b>			
Abbott Laboratories	57,514	8,094,520	3.28
AdaptHealth Corporation	153,851	3,764,734	1.53
Adobe Incorporated	13,624	7,725,762	3.13
Amazon.com Incorporated	2,698	8,996,049	3.65
Anthem Incorporated	13,486	6,251,300	2.53
Bio-Techne Corporation	9,531	4,931,625	2.00
Burford Capital Limited	158,608	1,656,318	0.67
Carlisle Companies Incorporated	37,559	9,319,139	3.78
Coca-Cola Company	110,681	6,553,422	2.66
Danaher Corporation	12,001	3,948,569	1.60
Deere & Company	15,847	5,434,729	2.20
Dolby Laboratories Incorporated	53,515	5,096,769	2.07
Emerson Electric Company	75,011	6,973,773	2.83
Encompass Health Corporation	82,188	5,369,342	2.18
Global Payments Incorporated	26,146	3,534,678	1.43
Intercontinental Exchange Incorporated	36,209	4,952,667	2.01
LHC Group Incorporated	31,459	4,317,433	1.75
LKQ Corporation	102,977	6,181,709	2.50
Masimo Corporation	17,699	5,181,913	2.10
Microsoft Corporation	51,322	17,260,615	7.00
Palomar Holdings Incorporated	76,529	4,956,783	2.01
Progressive Corporation	67,912	6,973,204	2.83
SVB Financial Group	7,530	5,108,277	2.07
Tractor Supply Company	27,665	6,600,869	2.67
TransUnion	55,957	6,635,381	2.69
<b>Total UNITED STATES OF AMERICA</b>		<u>155,819,580</u>	<u>63.17</u>
<b>Total Quoted Equities</b>		<u>238,220,651</u>	<u>96.57</u>
<b>Quoted Real Estate Investment Trusts</b>			
<b>UNITED STATES OF AMERICA</b>			
American Tower Corporation	17,423	5,095,008	2.06
<b>Total UNITED STATES OF AMERICA</b>		<u>5,095,008</u>	<u>2.06</u>
<b>Total Quoted Real Estate Investment Trusts</b>		<u>5,095,008</u>	<u>2.06</u>
<b>Portfolio of investments</b>		243,315,659	98.63
<b>Other net assets</b>		3,369,095	1.37
<b>Net assets attributable to unitholders</b>		<u>246,684,754</u>	<u>100.00</u>

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2021***By Geography (Summary)**

	<b>Percentage of total net assets attributable to unitholders at 31 December 2021 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2020 %</b>
<b>Quoted Equities</b>		
Britain	5.29	8.69
China	1.52	3.85
France	2.40	2.39
Germany	1.61	3.55
Guernsey	-	0.72
Hong Kong SAR	1.64	2.33
India	2.75	2.82
Ireland	7.74	6.03
Israel	1.13	1.97
Japan	3.19	7.79
Netherlands	1.45	1.78
Sweden	1.49	2.35
Taiwan	3.19	-
United States of America	63.17	50.71
<b>Total Quoted Equities</b>	<b>96.57</b>	<b>94.98</b>
<b>Quoted Real Estate Investment Trusts</b>		
United States of America	2.06	1.05
<b>Total Quoted Real Estate Investment Trusts</b>	<b>2.06</b>	<b>1.05</b>
<b>Portfolio of investments</b>	<b>98.63</b>	<b>96.03</b>
<b>Other net assets</b>	<b>1.37</b>	<b>3.97</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2021*

<b>By Industry (Secondary)</b>	<b>Fair value at 31 December 2021 US\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2021 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2020 %</b>
Banks	5,108,277	2.07	2.64
Beverages	6,553,422	2.66	2.86
Building Materials	3,591,135	1.45	3.04
Chemicals	-	-	1.14
Commercial Services	10,170,059	4.12	3.83
Computers	10,799,442	4.38	2.89
Cosmetics/Personal Care	-	-	1.66
Distribution/Wholesale	6,181,709	2.51	-
Diversified Financial Services	13,398,274	5.43	3.54
Electrical Component & Equipment	12,887,816	5.22	2.39
Electronics	-	-	1.65
Energy-Alternate Sources	2,777,362	1.12	1.97
Food	8,674,037	3.52	5.71
Food Service	7,476,566	3.03	1.98
Healthcare-Products	31,307,599	12.69	8.20
Healthcare-Services	15,938,075	6.46	10.14
Home Furnishings	12,978,169	5.26	5.68
Insurance	15,976,785	6.48	10.96
Internet	12,751,791	5.17	8.17
Machinery-Diversified	9,110,082	3.69	4.52
Miscellaneous Manufacture	9,319,139	3.78	-
Pharmaceuticals	3,764,734	1.53	-
Real Estate Investment Trusts (REITS)	5,095,008	2.06	1.05
Retail	6,600,869	2.68	2.11
Semiconductors	7,868,932	3.19	-
Software	24,986,377	10.13	7.41
Toys/Games/Hobbies	-	-	2.49
<b>Portfolio of investments</b>	<b>243,315,659</b>	<b>98.63</b>	<b>96.03</b>
<b>Other net assets</b>	<b>3,369,095</b>	<b>1.37</b>	<b>3.97</b>
<b>Net assets attributable to unitholders</b>	<b>246,684,754</b>	<b>100.00</b>	<b>100.00</b>

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

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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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 Global Opportunities Fund (the "Fund") is a Singapore domiciled fund constituted by a Trust Deed dated 10 October 1996 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 Fund is Nikko Asset Management Asia Limited (the "Manager"). The Sub-Manager of the Fund is Nikko Asset Management Europe Ltd. The Sub-Manager has further appointed Nikko Asset Management Americas, Inc. ("NAM Americas") to carry out global equities trading for the Fund during business contingencies.

There are currently three classes of units established within the Fund, namely SGD Class, USD Class and RMB Class. The classes differ in terms of their class currency and the minimum subscription amounts applicable.

As of 31 December 2021 and 2020, only units in the SGD Class and USD Class 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 held at fair value through profit or loss, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in July 2020 for the financial year beginning on or after 1 July 2020.

The adoption of the revised RAP 7 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 years.

##### (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) 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.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

##### (c) Investments (continued)

###### (ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments is 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.

##### (d) 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 investments held by the Fund is the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

##### (e) 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.

##### (f) Sales and purchases awaiting settlement

Sales and purchases awaiting settlement represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost.

##### (g) Payables

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

##### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks which are subject to an insignificant risk of changes in value.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

##### (i) Foreign currency translation

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

The Fund qualifies as an authorised scheme under the Securities and Futures Act 2001 ("SFA") of Singapore and is offered to retail investors in Singapore. The Fund's activities are substantially based in Singapore, with subscriptions and redemptions of the units of the Fund denominated in United States Dollar ("USD") and Singapore Dollar ("SGD").

The performance of the Fund is measured and reported to the investors in United States Dollar. The Manager considers the United States Dollar as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are expressed in United States Dollar, which is the Fund's functional and presentation currency.

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

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

#### 3. Income tax

The Manager and Trustee of the Fund have assessed and are satisfied that the Fund has met the requisite conditions under the Designated Unit Trust (DUT) scheme for the current financial year. The Manager and Trustee of the Fund will ensure that the Fund fulfills its reporting obligations under the DUT Scheme.

Under the DUT Scheme, subject to certain conditions and reporting obligations being met, certain income of the DUT fund is not taxable in accordance to Sections 35(12) and 35(12A) of the Income Tax Act 1947. Such income includes:

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act 1947);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index;
- (e) discount prepayment fees, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (f) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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#### 3. Income tax (continued)

Income tax for the financial year ended 31 December 2021 and 2020 comprises:

	2021 US\$	2020 US\$
Singapore income tax	32	518
Overseas income tax	425,493	153,150
	<u>425,525</u>	<u>153,668</u>

The Singapore income tax represents mainly tax charge on other income received but derived from outside Singapore. The overseas income tax represents tax deducted at source on dividend derived from outside Singapore.

#### 4. Receivables

	2021 US\$	2020 US\$
Receivable from unitholders for creation of units	1,146,107	1,708,635
Dividends receivable	73,575	29,758
	<u>1,219,682</u>	<u>1,738,393</u>

#### 5. Payables

	2021 US\$	2020 US\$
Payable to unitholders for cancellation of units	301,269	258,308
Amount due to the Manager	725,601	365,249
Amount due to the Trustee	58,055	29,355
Valuation fee payable	26,125	13,210
Registrar fee payable	6,418	6,509
Provision for audit fee	11,128	8,328
Custody fee payable	8,324	4,092
Other payables	2,359	2,571
	<u>1,139,279</u>	<u>687,622</u>

Amount due to the Manager comprises 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, operating through its Singapore Branch.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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#### 6. Units in issue

During the year ended 31 December 2021 and 2020, the number of units issued, redeemed and outstanding were as follows:

<b>SGD Class</b>	<b>2021</b>	<b>2020</b>
Units at beginning of the financial year	<b>44,254,003</b>	47,557,750
Units created	<b>72,686,057</b>	35,648,904
Units cancelled	<b>(24,487,638)</b>	(38,952,651)
Units at end of the financial year	<b>92,452,422</b>	44,254,003
Net assets attributable to unitholders - US\$	<b>168,180,109</b>	69,898,506
Net asset value per unit - US\$	<b>1.819</b>	1.579
<b>USD Class</b>	<b>2021</b>	<b>2020</b>
Units at beginning of the financial year	<b>41,268,993</b>	1,428,366
Units created	<b>25,625,885</b>	56,016,248
Units cancelled	<b>(18,488,840)</b>	(16,175,621)
Units at end of the financial year	<b>48,406,038</b>	41,268,993
Net assets attributable to unitholders - US\$	<b>78,504,645</b>	58,113,837
Net asset value per unit - US\$	<b>1.622</b>	1.408

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 not presented as there is no difference to the net assets attributable to unitholders value per unit.

#### 7. Financial risk management

The Fund's activities expose it to a variety of risk, including but not limited to market risk (including price risk, interest rate risk and currency 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.

The Fund's objective is to achieve medium to long term capital appreciation by investing primarily in equities of developed and emerging markets.

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

The COVID-19 pandemic continues to evolve and develop. The situation is dynamic with various cities and countries around the world responding in different ways to address the pandemic. As a result of the COVID-19 pandemic, global financial markets have experienced significant volatility. Given the extent of the crisis, it is difficult to estimate the impact or duration of the volatility on the portfolio of the Fund. The Manager is closely monitoring the development of the COVID-19 pandemic and its related impact.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2021*

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

##### (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 deviation from the Fund's investment objective. 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 invests primarily in equities of developed and emerging markets across various geographies. The Benchmark against which the performance of the Fund is measured is MSCI AC World Index (Net Total Return) (the "Benchmark").

As at 31 December 2021, an increase/decrease of the index component within the Benchmark by 17% (2020: 20%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 15% (2020: 18%). The analysis was based on the assumptions that the index components within the Benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Fund's investments moved according to the beta. Reasonable possible changes in market index percentage are revised annually depending on the Manager's current view on market volatility and other relevant factors.

##### (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).

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly.

However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect. Hence, no sensitivity analysis has been presented separately.

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

Currency risk is the risk that the value of a 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.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

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

The tables below summarise the Fund's exposure to currency risks.

As at 31 December 2021	USD US\$	SGD US\$	EUR US\$	GBP US\$	JPY US\$	HKD US\$	TWD US\$	Others US\$	Total US\$
<b>Assets</b>									
Portfolio of investments	178,398,769	-	21,766,492	9,132,884	7,881,400	7,802,540	7,868,932	10,464,642	243,315,659
Receivables	545,778	646,107	-	-	-	-	27,797	-	1,219,682
Cash and cash equivalents	6,274,950	2,134,668	2,285	2,190	534	-	18,688	145	8,433,460
<b>Total assets</b>	<b>185,219,497</b>	<b>2,780,775</b>	<b>21,768,777</b>	<b>9,135,074</b>	<b>7,881,934</b>	<b>7,802,540</b>	<b>7,915,417</b>	<b>10,464,787</b>	<b>252,968,801</b>
<b>Liabilities</b>									
Payables	841,470	297,809	-	-	-	-	-	-	1,139,279
Purchases awaiting settlement	4,105,887	-	412,853	208,851	-	176,057	-	241,120	5,144,768
<b>Total liabilities</b>	<b>4,947,357</b>	<b>297,809</b>	<b>412,853</b>	<b>208,851</b>	<b>-</b>	<b>176,057</b>	<b>-</b>	<b>241,120</b>	<b>6,284,047</b>
<b>Net currency exposure</b>	<b>180,272,140</b>	<b>2,482,966</b>	<b>21,355,924</b>	<b>8,926,223</b>	<b>7,881,934</b>	<b>7,626,483</b>	<b>7,915,417</b>	<b>10,223,667</b>	
<b>As at 31 December 2020</b>									
	USD US\$	SGD US\$	EUR US\$	GBP US\$	JPY US\$	HKD US\$	TWD US\$	Others US\$	Total US\$
<b>Assets</b>									
Portfolio of investments	76,157,624	-	13,903,415	8,366,313	9,973,884	7,900,986	-	6,626,237	122,928,459
Receivables	18,693	1,708,635	-	11,065	-	-	-	-	1,738,393
Cash and cash equivalents	2,782,348	1,898,149	2,512	2,210	596	-	-	151	4,685,966
<b>Total assets</b>	<b>78,958,665</b>	<b>3,606,784</b>	<b>13,905,927</b>	<b>8,379,588</b>	<b>9,974,480</b>	<b>7,900,986</b>	<b>-</b>	<b>6,626,388</b>	<b>129,352,818</b>
<b>Liabilities</b>									
Payables	429,314	258,308	-	-	-	-	-	-	687,622
Purchases awaiting settlement	-	-	-	-	294,998	257,879	-	99,976	652,853
<b>Total liabilities</b>	<b>429,314</b>	<b>258,308</b>	<b>-</b>	<b>-</b>	<b>294,998</b>	<b>257,879</b>	<b>-</b>	<b>99,976</b>	<b>1,340,475</b>
<b>Net currency exposure</b>	<b>78,529,351</b>	<b>3,348,476</b>	<b>13,905,927</b>	<b>8,379,588</b>	<b>9,679,482</b>	<b>7,643,107</b>	<b>-</b>	<b>6,526,412</b>	

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

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

Portfolio of investments, which is a significant item in the Statement of Financial Position is exposed to currency risk and other price risk. The Manager has considered the impact of currency risk sensitivity on non-monetary assets as part of the price risk sensitivity analysis.

As of 31 December 2021 and 2020, the Fund does not hold substantial monetary assets/liabilities denominated in foreign currencies. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

##### (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 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 of the securities are listed on recognised stock exchanges.

The Fund's financial liabilities are analysed using contractual undiscounted cash flows for maturity groupings based on the remaining year at the Statement of Financial Position date to the contractual maturity date. As at 31 December 2021 and 2020, all liabilities are either payable upon demand or due in less than 3 months. The impact of discounting is not significant.

	<b><u>Less than 3 months</u></b>	
	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
Payables	<b>1,139,279</b>	687,622
Purchases awaiting settlement	<b>5,144,768</b>	652,853
<b>Contractual cash outflows</b>	<b><u>6,284,047</u></b>	<u>1,340,475</u>

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

##### (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.

The Fund is also exposed to counterparty credit risk on its financial assets held at amortised cost. As at 31 December 2021 and 31 December 2020, the Fund's financial assets held at amortised cost as disclosed in the Statement of Financial Position are realised within three months. The Manager considers the probability of default to be insignificant as the counterparties generally have a strong capacity to meet their contractual obligations in the near term. Hence, no loss allowance has been recognised based on the 12-month expected credit losses as any such impairment would be insignificant to the Fund.

All trade settlement with approved counterparties are 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 cash equivalents and outstanding and committed transactions from brokers. The table below summarises the credit rating of bank and custodians in which the Fund's assets are held as at 31 December 2021 and 2020.

	Credit rating as at 31 December 2021	Credit rating as at 31 December 2020	Source of credit rating
<b>Bank and custodian</b>			
- BNP Paribas Securities Services, operating through its Singapore Branch	A+	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.

##### (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.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

##### (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 31 December 2021 and 2020:

As at 31 December 2021	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	238,220,651	-	-	238,220,651
- Quoted real estate investment trusts	5,095,008	-	-	5,095,008
	<u>243,315,659</u>	-	-	<u>243,315,659</u>
<b>As at 31 December 2020</b>				
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	121,588,042	-	-	121,588,042
- Quoted real estate investment trusts	1,340,417	-	-	1,340,417
	<u>122,928,459</u>	-	-	<u>122,928,459</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities and real estate investment trusts. The Fund does not adjust the quoted price for these instruments.

Except for cash and cash equivalents which are classified as Level 1, the Fund's assets and liabilities not measured at fair value at 31 December 2021 and 2020 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.

#### 8. 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 the related party at terms agreed between the parties and within the provisions of the Deeds:

	2021 US\$	2020 US\$
Bank balances held with related party of the Trustee	<u>8,433,460</u>	4,685,966

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND**  
*(Constituted under a Trust Deed registered in the Republic of Singapore)*

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2021*

**9. Financial ratios**

**Expense ratio**

		<b>2021</b>	2020
<b>SGD Class</b>			
Total operating expenses	US\$	<b>1,571,082</b>	581,076
Average daily net asset value	US\$	<b>106,260,356</b>	39,126,569
<b>Total expense ratio<sup>1</sup></b>	<b>%</b>	<b>1.48</b>	1.49

		<b>2021</b>	2020
<b>USD Class</b>			
Total operating expenses	US\$	<b>1,123,386</b>	605,186
Average daily net asset value	US\$	<b>75,409,033</b>	40,190,569
<b>Total expense ratio<sup>1</sup></b>	<b>%</b>	<b>1.49</b>	1.51

**Turnover ratio**

		<b>2021</b>	2020
Lower of total value of purchases or sales	US\$	<b>75,744,129</b>	30,811,837
Average daily net asset value	US\$	<b>181,669,389</b>	79,317,138
<b>Total turnover ratio<sup>2</sup></b>	<b>%</b>	<b>41.69</b>	38.85

<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 GLOBAL OPPORTUNITIES FUND**  
*(Constituted under a Trust Deed registered in the Republic of Singapore)*

**REPORT TO UNITHOLDERS**

*For the financial year ended 31 December 2021*

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**

Nil.

**3. Top 10 holdings**

**10 largest holdings at 31 December 2021**

	Fair value US\$	Percentage of total net assets attributable to unitholders %
Microsoft Corporation	17,260,615	7.00
Accenture Public Listed Company	10,799,442	4.38
Carlisle Companies Incorporated	9,319,139	3.78
Amazon.com Incorporated	8,996,049	3.65
Abbott Laboratories	8,094,520	3.28
Sony Group Corporation	7,881,400	3.19
Taiwan Semiconductor Manufacturing Company Limited	7,868,932	3.19
Adobe Incorporated	7,725,762	3.13
Compass Group Public Listed Company	7,476,566	3.03
Emerson Electric Company	6,973,773	2.83

**10 largest holdings at 31 December 2020**

	Fair value US\$	Percentage of total net assets attributable to unitholders %
Microsoft Corporation	6,404,561	5.00
Amazon.com Incorporated	5,535,897	4.32
HelloFresh SE	4,549,378	3.55
Sony Corporation	4,144,083	3.24
Accenture Public Listed Company	3,701,507	2.89
LivaNova Public Listed Company	3,681,938	2.88
Coca-Cola Company	3,656,540	2.86
Housing Development Finance Corporation Limited	3,615,280	2.82
Palomar Holdings Incorporated	3,440,240	2.69
SVB Financial Group	3,374,428	2.64

**4. Exposure to financial derivatives**

Nil.

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND**  
(Constituted under a Trust Deed registered in the Republic of Singapore)

**REPORT TO UNITHOLDERS**

For the financial year ended 31 December 2021

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**5. Global exposure to financial derivatives**

Nil.

**6. Collateral**

Nil.

**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 31 December 2021**

	<b>US\$</b>
Units created	165,980,986
Units cancelled	(70,911,516)

**11. Turnover ratio**

Please refer to Note 9 of the Notes to the Financial Statements on page 30.

**12. Expense ratio**

Please refer to Note 9 of the Notes to the Financial Statements on page 30.

**13. Related party transactions**

Please refer to Note 8 of the Notes to the Financial Statements on page 29.

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

Nil.

**15. Soft dollar commissions/arrangements**

In their management of the Fund, the Managers currently do not receive or enter into any soft dollar commissions or arrangements.

The Sub-Managers of the Fund do not receive or intend to receive any soft dollars commissions, or enter into soft dollars arrangements, in respect of the Fund. NAM Americas also does not receive or intend to receive soft dollars in respect of the global equities trading that it carries out for the Fund.

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Company registration number 198202562H

# SEMI-ANNUAL REPORT

For the financial period ending 30 June 2021

**Nikko AM Shenton  
Global Opportunities Fund**



**MANAGERS**

Nikko Asset Management Asia Limited  
12 Marina View, #18-02, Asia Square Tower 2,  
Singapore 018961  
Company Registration No. 198202562H

**DIRECTORS**

Kiyotaka Ryu  
Seet Oon Hui Eleanor  
Hiroki Tsujimura

**TRUSTEE & REGISTRAR**

BNP Paribas Trust Services Singapore Limited  
20 Collyer Quay, #01-01  
Singapore 049319

**AUDITORS**

PricewaterhouseCoopers LLP  
7 Straits View, Marina One,  
East Tower, Level 12,  
Singapore 018936

**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 Global Opportunities Fund - SGD Class <sup>1</sup>	6.16	10.59	33.95	16.92	17.83	12.29	5.91
Benchmark <sup>2</sup>	7.44	14.22	34.19	14.15	14.29	10.26	3.51

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 30 June 2021. 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 Global Opportunities Fund - SGD Class <sup>1</sup>	0.86	5.06	27.25	14.94	16.63	11.72	5.67
Benchmark <sup>2</sup>	7.44	14.22	34.19	14.15	14.29	10.26	3.51

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 30 June 2021. 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, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

### Inception date: 5 March 1999

<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 Global Opportunities Fund - USD Class <sup>1</sup>	6.10	8.66	38.96	N/A	N/A	N/A	22.98
Benchmark <sup>2</sup>	7.39	12.30	39.26	N/A	N/A	N/A	19.99

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 30 June 2021. 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 Global Opportunities Fund - USD Class <sup>1</sup>	0.80	3.23	32.02	N/A	N/A	N/A	19.95
Benchmark <sup>2</sup>	7.39	12.30	39.26	N/A	N/A	N/A	19.99

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 30 June 2021. 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, currently nil, as and 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: 11 June 2019****Note:**

- (1) (1) With effect from 17 October 2011, the Fund (formerly known as “Shenton Global Opportunities Fund”) has been renamed Nikko AM Shenton Global Opportunities Fund.

The following changes were made to the Fund with effect from 16 March 2015:

- a. the appointment of Nikko Asset Management Co., Ltd (“NAM Japan”) as the investment adviser for the Fund has been terminated and Nikko Asset Management Europe Ltd (“NAM Europe”) has been appointed as the sub-manager of the Fund; and
- b. the base currency of the Fund was changed from Singapore dollars to United States dollars.

With effect from 22 April 2020, the Fund is included under the Central Provident Fund (“CPF”) Investment Scheme – Ordinary Account and is classified by the CPF Board under the category “Higher Risk – Broadly Diversified”.

- (2) With effect from 1 May 2019, the benchmark against which the performance of the Nikko AM Shenton Global Opportunities Fund is measured, i.e. the MSCI World Free Index (Net Total Return), has been changed to the MSCI AC World Index (Net Total Return). Prior to 1 May 2017, the performance returns of the benchmark was calculated using price index methodology. With effect from 1 May 2017, it is calculated using net total return index methodology.

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**Portfolio Review*****Fund returned 10.59% in 1H21***

For the six months ended 30 June 2021, the Nikko AM Shenton Global Opportunities Fund SGD Class (the “Fund”) returned 10.59% (SGD terms, on a NAV-NAV basis), underperforming the MSCI AC World Index which returned 14.22% over the same period.

The main contributors to performance included SVB Financial, Bio-Techne, LabCorp, Deere and Kingspan. SVB Financial outperformed on the back of better-than-expected results and positive sentiment towards banking shares, as bond yields rose. The company reported resilient operating trends including a Q4 earnings per share (EPS) beat in the first quarter, the addition of 1,500 new clients, and strong growth in capital call loans. 2021 guidance signals that SVB is on track for another impressive year, with expectations for strong growth in loans, deposits and net interest income. Bio-Techne released strong quarterly results, highlighting once again the booming demand for reagents and tools used in Life Sciences research. The company has also announced encouraging data for its liquid biopsy offering (ExoSome Dx). This nascent technology has enormous potential in identifying cancers earlier than more traditional, more invasive technologies. LabCorp outperformed as it became clearer that the emergence of new mutations of the coronavirus would require a rigorous testing regime in the US for longer than originally expected. The company also announced that it was exploring its strategic options in terms of the company’s structure. Shareholders have long questioned whether the full value of LabCorp’s Contract Research Organisation (Covance) is likely to be realised within the current structure and it appears that management may be listening. Many of Covance’s peers

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are listed and command much higher valuation multiples than LabCorp. Deere rose after publishing results that easily outstripped investor expectations and the accompanying outlook statement was encouraging, with a conservative approach taken to emerging inflationary headwinds in terms of raw materials and freight. The strength in revenue growth and profit margins was widespread across the business, with both agricultural and construction businesses growing more than 20% on last year. With customer fleets of equipment relatively old and in need of upgrading, improved traction for new technologies like precision agriculture and improving cyclical momentum in these areas, we remain convinced that the business will continue to deliver strong results. Kingspan recovered some of the ground lost in the lead up to and during the Grenfell Public Inquiry in the UK. Management action such as improving safety procedures within the company and hiring a senior executive to report on internal audit and safety processes directly to the board should make sure the mistakes made in the past are not replicated in the future. The 'headline' risk which has led to a severe de-rating for the shares is now behind us and the market can now look forward to a company with an improving culture, in a growing industry providing solutions for the built environment.

Conversely, Palomar, Daikin, SolarEdge, HDFC and Encompass were among the detractors from performance. Palomar suffered from increasing fears over the short-term impact of a bad storm season on its natural disaster catastrophe-related losses. Although these losses are short-term in nature and management has substantially reduced this risk via increased reinsurance coverage for future years, this saw the shares underperform. The rotation into more interest rate sensitive shares also likely contributed to the share's relative weakness. Daikin, the global leader in air conditioners, announced results that met expectations but suggested rising commodity prices, especially copper, will limit any upside to full year forecasts. These results and a lofty valuation as a starting point led to the shares consolidating and subsequently underperforming a rising market. We believe the company remains extremely well positioned to significantly grow as the changing climate and rising global incomes demand ever greater eco-friendly heating, ventilation and air conditioning (HVAC) products. SolarEdge failed to keep pace with the market as the shares continued to consolidate strong gains made in anticipation of a boost to demand for renewable energy, as a result of the Democratic victory in last year's US presidential election. HDFC has been weak as the coronavirus has only added to existing concerns over credit quality in the Indian economy. We remain confident that banks with the strongest capital positions (such as HFDC) will emerge stronger from the crisis, but sentiment towards the stock has been weak. Encompass failed to keep pace with the market after one of its peers (Amedisys) made comments at an investor conference, suggesting that patient volumes at its hospice business were recovering more slowly than in other care settings.

## **Market Review**

### ***Global equity markets gained in 1H21***

Global markets posted positive returns for the six straight months ending June 2021, albeit with ever decreasing magnitude. Underneath the surface there was significant rotation between sectors and styles. We started the year with Growth as the performing style only for Value to take over the lead as the reopening trade looked likely. That then flipped back to Growth in June owing to a combination of tightening in China and fears of further lockdowns as the Delta variant of COVID-19 took hold. Despite the turmoil, the MSCI AC World index climbed over 12% over the period in USD terms—reminding all that it pays to have a long-term perspective when investing.

The main driver for the rising market was the view that only equities will offer attractive returns against a backdrop of rising inflation expectations. Bond yields rose steadily over the quarter, however, the retracement of the 10-year US government bond in June was a reminder that the recovery may be erratic and a return to 'normal' uncertain.

Although COVID-19 infections are rising again in the US, the bigger picture remains encouraging, with widespread vaccination of the most at-risk populations meaning that hospitalisation and death rates remain under control. This picture is mirrored in the UK, though less so in Europe, where vaccination levels remain low.

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The standout sector so far this year is Energy (rising over 28% year-to-date) as both Brent crude oil and West Texas Intermediate (WTI) have bounced sharply, reflecting the liquidation of surplus inventory levels and the success of supply constraints imposed by OPEC+. Although there may be legs to the sector's recovery, the energy patch will continue to struggle to maintain high returns if history is a guide.

Other higher beta sectors also performed well, with Financials adding over 18% for the 6-month period. This reflected the optimism from the re-opening trade and the rising yield curve – although a little of that glow dissipated towards the end of June.

The picture within defensive sectors was also stark, with Healthcare, Utilities and Consumer Staples all underperforming, though utilities was by far the worst. There was some evidence of investor interest in growth parts of the market, as relative valuations have begun to look more interesting in recent months. Real estate was the exception among the defensive cohort, outperforming the market by over 2%.

The Information Technology (IT) sector performed in line to the market as investors weighed the sector's valuation relative to its growth in comparison to other sectors. Looking below the sector level, there was continued evidence of a bid for relative cyclical, with semiconductor stocks outperforming software and services – helped by semiconductor chip shortages, tensions between the West and China and the supply bottlenecks brought on by COVID-19.

The best performing major region was North America, helped by rising hopes of a fiscal stimulus package being passed by US Congress. The UK also outperformed, driven by the country's relatively well advanced COVID-19 vaccination programme and hopes for economic reopening. Most other major regions marginally underperformed with Emerging Markets in Asia suffering after strong performance in 2020 – likely undermined by the appreciation of the USD, monetary tightening in China and fears of a Delta variant explosion while low vaccination levels prevailed.

## **Market Outlook and Strategy**

### ***Continue to seek companies with future quality and superior returns***

Was the latest US Federal Reserve (Fed) meeting a bell-ringing turning point for the economy and the markets?

Equity investors reacted violently to the Fed's narrative, rotating into IT and growth stocks while selling most of the recent winners – with Energy being the exception. These are short term moves, though some of the largest following seven decades of Fed meetings. Investors clearly believe that the economy has become more rate-sensitive over time, no doubt because the debt-to-GDP ratio has marched ever higher. The US housing cycle, typically the epicentre of rate sensitivity, however looks to be resilient, with record-low inventories, a 20-year high in the first-time buyer share of activity and still decent affordability.

The outlook for interest rates matters much more today than in the past because more than a third of the equity market's capitalisation has been moving in sync with the bond market. That cohort includes all special purpose acquisition companies (SPACs), the FAANG (Facebook, Amazon, Apple, Netflix and Google) stocks and most of the growth segment. Is it possible that the high growth segment, with limited free cash flow generation or high return profile, might again lead the market higher? Today's starting point – a 60% price-to-earnings premium to the market - is high, suggesting the odds are against them.

With such uncertainty, we believe the appropriate approach is to have a balanced portfolio. Future Quality investing, paying close attention to valuation and balance sheet support, in addition to strong franchise and management qualities, provides that balance. The case for balance is strong, given the

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valuation starting point of the market and the many unknowns such as the sustainability of inflation. Much will be data-dependent and making macro calls today may be foolhardy.

Fortunately, we are stock pickers. As uncertainty rises, we dig deeper into the stocks to find answers. There, we continue to find many companies gaining market share, sustainably raising prices and margins, or, companies that are restructuring and on a clear path to improving returns, regardless of the macro 'noise'. Future quality provides us with focus when some are losing theirs.

Our valuation discipline remains anchored largely on the one aspect of a company's financial performance that is the most difficult to produce via accounting creativity - that is cold, hard cashflow generation. More specifically, we want our companies to be able to generate their own investment firepower and be able to sustainably invest this cash, with a high likelihood that the investment will deliver a higher return than the company is enjoying at the time of investment. These investments need to be able to stand the test of time and not see their value quickly undermined by either a tougher economic cycle, or by competitors making similar investments into identical products.

It is this latter point that keeps us underweight in the commodity sectors, though it would be fair to say that we are considering how long the current upcycle will last. Delivering on a future green economy will certainly be difficult, without first investing in a lot of copper and even oil. We remain believers that companies that solve today's key social and environmental problems will have the opportunity to deliver strong returns for all stakeholders, including shareholders. Reducing the cost of healthcare provision remains a great example of this and is the core reason behind our long-term overweight in the healthcare sector.

Where we find that share prices have become temporarily detached from our assessment of these cash flows, and the returns that management teams will be able to realise when investing them, we will continue to act. In recent months, we have continued to take profits in a number of compelling, long-term growth stocks, where we feel that their continued success is already reflected in today's share price. We continue to find Future Quality opportunities and add to those whose share prices have been consolidating before, we believe, heading higher.

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This document is purely for informational purposes only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. It should not be relied upon as financial advice. 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 funds 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 Fund or any underlying fund may use or invest in financial derivative instruments.** The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)) before deciding whether to invest in the Fund.

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The Central Provident Fund (“CPF”) Ordinary Account (“OA”) interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks’ interest rates, whichever is higher, reviewed quarterly. The interest rate for Special Account (“SA”) is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whichever is higher, reviewed quarterly. Only monies in excess of \$20,000 in OA and \$40,000 in SA can be invested under the CPF Investment Scheme (“CPFIS”). Please refer to the website of the CPF Board for further information. Investors should note that the applicable interest rates for the CPF accounts and the terms of CPFIS may be varied by the CPF Board from time to time.

### **For Hong Kong Investors**

The Fund may be offered to professional investors in Hong Kong. Hong Kong investors should note that the contents of this document have not been reviewed by any regulatory authority in Hong Kong and are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Nikko Asset Management Asia Limited. Registration Number 198202562H

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial period from 01 January 2021 to 30 June 2021 (unaudited)*

	<b>30 June 2021</b>	30 June 2020
	<b>US\$</b>	US\$
<b>Income</b>		
Dividends	<b>904,891</b>	382,384
Interest on cash and bank balances	-	3,331
Other Income	-	190
	<b>904,891</b>	<b>385,905</b>
<b>Less: Expenses</b>		
Management fee	<b>994,120</b>	375,718
Registrar fee	<b>14,032</b>	10,644
Trustee fee	<b>80,186</b>	29,467
Custody fee	<b>10,104</b>	2,569
Audit fee	<b>4,614</b>	3,957
Valuation fee	<b>36,084</b>	13,260
Transaction costs	<b>146,975</b>	79,471
Other expenses	<b>48,881</b>	18,727
	<b>1,334,996</b>	<b>533,813</b>
<b>Net losses</b>	<b>(430,105)</b>	<b>(147,908)</b>
<b>Net gains or losses on value of investments</b>		
Net gains on investments	<b>13,905,824</b>	436,006
Net foreign exchange losses	<b>(153,252)</b>	(38,297)
	<b>13,752,572</b>	<b>397,709</b>
<b>Total return for the financial period before income tax</b>	<b>13,322,467</b>	249,801
<b>Less: Income tax</b>	<b>(211,405)</b>	(76,389)
<b>Total return for the financial period after income tax</b>	<b>13,111,062</b>	<b>173,412</b>

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 30 June 2021 (unaudited)*

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	30 June 2021 US\$	31 December 2020 US\$
<b>ASSETS</b>		
Portfolio of investments	179,871,713	122,928,459
Receivables	2,135,265	1,738,393
Cash and bank balances	2,873,586	4,685,966
<b>Total assets</b>	<b>184,880,564</b>	<b>129,352,818</b>
<b>LIABILITIES</b>		
Payables	1,119,291	687,622
Purchases awaiting settlement	487,347	652,853
<b>Total liabilities</b>	<b>1,606,638</b>	<b>1,340,475</b>
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>183,273,926</b>	<b>128,012,343</b>

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**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial period from 01 January 2021 to 30 June 2021 (unaudited)*

---

	<b>30 June 2021</b>	31 December 2020
	<b>US\$</b>	US\$
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>128,012,343</b>	59,845,048
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>13,111,062</b>	24,232,513
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>75,306,974</b>	108,919,493
Cancellation of units	<b>(33,156,453)</b>	(64,984,711)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>42,150,521</b>	43,934,782
Total increases in net assets attributable to unitholders	<b>55,261,583</b>	68,167,295
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>183,273,926</b>	128,012,343

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**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2021 (unaudited)***By Geography (Primary)**

	Holdings at 30 June 2021	Fair value at 30 June 2021 US\$	Percentage of total net assets attributable to unitholders at 30 June 2021 %
<b>Quoted Equities</b>			
<b>BRITAIN</b>			
Compass Group Public Listed Company	264,885	5,569,354	3.04
Johnson Matthey Public Listed Company	61,767	2,622,116	1.43
Livanova Public Listed Company	61,995	5,214,399	2.85
Unilever Public Listed Company	46,505	2,717,842	1.48
<b>Total BRITAIN</b>		<b>16,123,711</b>	<b>8.80</b>
<b>CHINA</b>			
Tencent Holdings Limited	50,900	3,827,742	2.09
<b>Total CHINA</b>		<b>3,827,742</b>	<b>2.09</b>
<b>FRANCE</b>			
Schneider Electric SE	26,959	4,241,872	2.31
<b>Total FRANCE</b>		<b>4,241,872</b>	<b>2.31</b>
<b>GERMANY</b>			
HelloFresh SE	55,567	5,402,231	2.95
<b>Total GERMANY</b>		<b>5,402,231</b>	<b>2.95</b>
<b>HONG KONG SAR</b>			
AIA Group Limited	318,200	3,954,026	2.16
<b>Total HONG KONG SAR</b>		<b>3,954,026</b>	<b>2.16</b>
<b>INDIA</b>			
Housing Development Finance Corporation Limited	136,169	4,537,745	2.47
<b>Total INDIA</b>		<b>4,537,745</b>	<b>2.47</b>
<b>IRELAND</b>			
Accenture Public Listed Company	20,641	6,084,967	3.32
Kerry Group Public Listed Company	29,227	4,058,723	2.22
Kingspan Group Public Listed Company	38,879	3,671,932	2.00
<b>Total IRELAND</b>		<b>13,815,622</b>	<b>7.54</b>
<b>ISRAEL</b>			
SolarEdge Technologies Incorporated	7,845	2,168,123	1.18
<b>Total ISRAEL</b>		<b>2,168,123</b>	<b>1.18</b>
<b>JAPAN</b>			
Daikin Industries Limited	15,300	2,852,122	1.56
Sony Group Corporation	54,200	5,281,313	2.88
<b>Total JAPAN</b>		<b>8,133,435</b>	<b>4.44</b>
<b>NETHERLANDS</b>			
Koninklijke Philips NV	56,073	2,778,910	1.52
<b>Total NETHERLANDS</b>		<b>2,778,910</b>	<b>1.52</b>
<b>SWEDEN</b>			
Hexagon AB	250,214	3,709,841	2.02
<b>Total SWEDEN</b>		<b>3,709,841</b>	<b>2.02</b>

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2021 (unaudited)***By Geography (Primary) (continued)**

	Holdings at 30 June 2021	Fair value at 30 June 2021 US\$	Percentage of total net assets attributable to unitholders at 30 June 2021 %
<b>Quoted Equities (continued)</b>			
<b>UNITED STATES OF AMERICA</b>			
Abbott Laboratories	45,568	5,281,331	2.88
Adobe Incorporated	10,796	6,322,569	3.45
Amazon.com Incorporated	2,140	7,361,942	4.02
Anthem Incorporated	13,456	5,137,501	2.80
Aon Public Listed Company	15,901	3,796,523	2.07
Bio-Techne Corporation	9,329	4,200,476	2.29
Burford Capital Limited	125,660	1,291,525	0.71
Carlisle Companies Incorporated	27,696	5,297,968	2.89
Coca-Cola Company	87,689	4,744,852	2.59
Danaher Corporation	9,580	2,570,889	1.40
Deere & Company	9,839	3,469,035	1.89
Dolby Laboratories Incorporated	42,400	4,167,496	2.28
Encompass Health Corporation	49,611	3,869,658	2.11
Global Payments Incorporated	20,715	3,884,891	2.12
Laboratory Corporation of America Holdings	14,139	3,900,243	2.13
LHC Group Incorporated	24,926	4,991,681	2.72
LKQ Corporation	81,586	4,015,663	2.19
Microsoft Corporation	40,662	11,015,336	6.01
Palomar Holdings Incorporated	60,632	4,575,291	2.50
Progressive Corporation	53,806	5,284,287	2.88
SVB Financial Group	5,969	3,321,331	1.81
Tractor Supply Company	21,920	4,078,435	2.23
Transunion	44,334	4,868,317	2.66
<b>Total UNITED STATES OF AMERICA</b>		<b>107,447,240</b>	<b>58.63</b>
<b>Total Quoted Equities</b>		<b>176,140,498</b>	<b>96.11</b>
<b>Quoted Real Estate Investment Trusts</b>			
<b>UNITED STATES OF AMERICA</b>			
American Tower Corporation	13,805	3,731,215	2.03
<b>Total UNITED STATES OF AMERICA</b>		<b>3,731,215</b>	<b>2.03</b>
<b>Total Quoted Real Estate Investment Trusts</b>		<b>3,731,215</b>	<b>2.03</b>
<b>Portfolio of investments</b>		<b>179,871,713</b>	<b>98.14</b>
<b>Other net assets</b>		<b>3,402,213</b>	<b>1.86</b>
<b>Net assets attributable to unitholders</b>		<b>183,273,926</b>	<b>100.00</b>

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2021 (unaudited)***By Geography (Summary)**

	<b>Percentage of total net assets attributable to unitholders at 30 June 2021 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2020 %</b>
<b>Quoted Equities</b>		
Britain	<b>8.80</b>	8.69
China	<b>2.09</b>	3.85
France	<b>2.31</b>	2.39
Germany	<b>2.95</b>	3.55
Guernsey	-	0.72
Hong Kong SAR	<b>2.16</b>	2.33
India	<b>2.47</b>	2.82
Ireland	<b>7.54</b>	6.03
Israel	<b>1.18</b>	1.97
Japan	<b>4.44</b>	7.79
Netherlands	<b>1.52</b>	1.78
Sweden	<b>2.02</b>	2.35
United States of America	<b>58.63</b>	50.71
<b>Total Quoted Equities</b>	<b>96.11</b>	94.98
<b>Quoted Real Estate Investment Trusts</b>		
United States of America	<b>2.03</b>	1.05
<b>Total Quoted Real Estate Investment Trusts</b>	<b>2.03</b>	1.05
<b>Portfolio of investments</b>	<b>98.14</b>	96.03
<b>Other net assets</b>	<b>1.86</b>	3.97
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	100.00

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2021 (unaudited)*

<b>By Industry (Secondary)</b>	<b>Fair value at 30 June 2021 US\$</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2021 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2020 %</b>
Banks	3,321,331	1.81	2.64
Beverages	4,744,852	2.59	2.86
Building Materials	6,524,054	3.56	3.04
Chemicals	2,622,116	1.43	1.14
Commercial Services	8,753,208	4.78	3.83
Computers	6,084,967	3.32	2.89
Cosmetics/Personal Care	2,717,842	1.48	1.66
Distribution/Wholesale	4,015,663	2.19	-
Diversified Financial Services	5,829,270	3.18	3.54
Electrical Component & Equipment	4,241,872	2.31	2.39
Electronics	-	-	1.65
Energy-Alternate Sources	2,168,123	1.18	1.97
Food	9,460,954	5.16	5.71
Food Service	5,569,354	3.04	1.98
Healthcare-Products	20,046,005	10.94	8.20
Healthcare-Services	17,899,083	9.77	10.14
Home Furnishings	9,448,809	5.16	5.68
Insurance	17,610,127	9.61	10.96
Internet	11,189,684	6.11	8.17
Machinery-Diversified	7,178,876	3.92	4.52
Miscellaneous Manufacture	5,297,968	2.89	-
Real Estate Investment Trusts (REITS)	3,731,215	2.03	1.05
Retail	4,078,435	2.22	2.11
Software	17,337,905	9.46	7.41
Toys/Games/Hobbies	-	-	2.49
<b>Portfolio of investments</b>	<b>179,871,713</b>	<b>98.14</b>	<b>96.03</b>
<b>Other net assets</b>	<b>3,402,213</b>	<b>1.86</b>	<b>3.97</b>
<b>Net assets attributable to unitholders</b>	<b>183,273,926</b>	<b>100.00</b>	<b>100.00</b>

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2021 to 30 June 2021 (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 14.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 30 June 2021

	Fair value US\$	Percentage of total net assets attributable to unitholders %
Microsoft Corporation	11,015,336	6.01
Amazon.com Incorporated	7,361,942	4.02
Adobe Incorporated	6,322,569	3.45
Accenture Public Listed Company	6,084,967	3.32
Compass Group Public Listed Company	5,569,354	3.04
HelloFresh SE	5,402,231	2.95
Carlisle Companies Incorporated	5,297,968	2.89
Progressive Corporation	5,284,287	2.88
Abbott Laboratories	5,281,331	2.88
Sony Group Corporation	5,281,313	2.88

##### 10 Largest holdings at 30 June 2020

	Fair value US\$	Percentage of total net assets attributable to unitholders %
Microsoft Corporation	3,914,718	5.64
Amazon.com Incorporated	3,778,545	5.44
LHC Group Incorporated	2,588,303	3.73
Nintendo Company Limited	2,403,059	3.46
Adobe Incorporated	2,187,868	3.15
Accenture Public Listed Company	2,171,359	3.13
Progressive Corporation	2,133,519	3.07
Sony Corporation	2,053,297	2.96
Tencent Holdings Limited	2,052,175	2.95
Laboratory Corporation of America Holdings	1,961,261	2.83

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2021 to 30 June 2021 (unaudited)

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#### 4. Exposure to financial derivatives

Nil.

#### 5. Global exposure to financial derivatives

Nil.

#### 6. Collateral

Nil.

#### 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 11 to 14.

#### 9. Borrowings

Nil.

#### 10. Amount of units created and cancelled for the financial period ended 30 June 2021

US\$

Units created	75,306,974
Units cancelled	(33,156,453)

#### 11. Turnover ratio

		30 June 2021	30 June 2020
Lower of total value of purchases or sales	US\$	<b>40,308,276</b>	18,970,003
Average daily net asset value	US\$	<b>160,648,230</b>	60,487,491
<b>Total turnover ratio<sup>1</sup></b>	<b>%</b>	<b>25.09</b>	<b>31.36</b>

<sup>1</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 GLOBAL OPPORTUNITIES FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2021 to 30 June 2021 (unaudited)

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#### 12. Expense ratio

		30 June 2021	30 June 2020
<b><u>SGD Class</u></b>			
Total operating expenses	US\$	<b>1,025,881</b>	619,299
Average daily net asset value	US\$	<b>68,730,116</b>	39,985,807
<b>Total expense ratio<sup>2</sup></b>	<b>%</b>	<b>1.49</b>	1.55
<hr/>			
		30 June 2021	30 June 2020
<b><u>USD Class</u></b>			
Total operating expenses	US\$	<b>894,060</b>	258,550
Average daily net asset value	US\$	<b>59,872,464</b>	16,710,717
<b>Total expense ratio<sup>2</sup></b>	<b>%</b>	<b>1.49</b>	1.55

<sup>2</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 period 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.

#### 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. Trustee fee and registrar fee are payable to the Trustee. Custody fee and valuation fee are payable to a related company of the Trustee, BNP Paribas Securities Services operating 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:

	30 June 2021 US\$	31 December 2020 US\$
Bank balances held with related party of the Trustee	<b>2,873,586</b>	4,685,966

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

Nil.

## **NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND**

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

### **REPORT TO UNITHOLDERS**

*For the financial period from 01 January 2021 to 30 June 2021 (unaudited)*

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#### **15. Soft Dollar Commissions/Arrangements**

In their management of the Fund, the Managers currently do not receive or enter into any soft dollar commissions or arrangements.

The Sub-Managers of the Fund, Nikko Asset Management Europe Ltd., do not receive or intend to receive any soft dollars commissions, or enter into soft dollars arrangements, in respect of Nikko AM Shenton Global Opportunities Fund. Nikko Asset Management Americas, Inc. also does not receive or intend to receive soft dollars in respect of the global equities trading that it carries out for the Nikko AM Shenton Global Opportunities Fund.

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Website: [www.nikkoam.com.sg](http://www.nikkoam.com.sg)

Company registration number 198202562H

# ANNUAL REPORT

For the financial year ended 31 December 2020

## Nikko AM Shenton Global Opportunities Fund



**MANAGERS**

Nikko Asset Management Asia Limited  
12 Marina View, #18-02, Asia Square Tower 2,  
Singapore 018961  
Company Registration No. 198202562H

**DIRECTORS**

Hou Wey Fook (Resigned with effect from 15 January 2021)  
Lim Soon Chong (Resigned with effect from 15 January 2021)  
Kiyotaka Ryu  
Seet Oon Hui Eleanor  
Hiroki Tsujimura

**TRUSTEE & REGISTRAR**

BNP Paribas Trust Services Singapore Limited  
20 Collyer Quay, #01-01  
Singapore 049319

**AUDITORS**

PricewaterhouseCoopers LLP  
7 Straits View, Marina One,  
East Tower, Level 12,  
Singapore 018936

**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 Global Opportunities Fund - SGD Class <sup>1</sup>	12.45	21.13	26.56	16.50	14.04	10.48	5.56
Benchmark <sup>2</sup>	11.03	17.48	14.27	10.10	9.99	8.76	2.97

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2020. 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 Global Opportunities Fund - SGD Class <sup>1</sup>	6.82	15.07	20.23	14.52	12.88	9.92	5.32
Benchmark <sup>2</sup>	11.03	17.48	14.27	10.10	9.99	8.76	2.97

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2020. 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, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

### Inception date: 5 March 1999

<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 Global Opportunities Fund - USD Class <sup>1</sup>	16.17	27.88	28.82	N/A	N/A	N/A	24.52
Benchmark <sup>2</sup>	14.68	24.01	16.25	N/A	N/A	N/A	18.02

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2020. 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 Global Opportunities Fund - USD Class <sup>1</sup>	10.36	21.49	22.38	N/A	N/A	N/A	20.49
Benchmark <sup>2</sup>	14.68	24.01	16.25	N/A	N/A	N/A	18.02

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2020. 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, currently nil, as and 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: 11 June 2019****Note:**

- (1) With effect from 17 October 2011, the Fund (formerly known as “Shenton Global Opportunities Fund”) has been renamed Nikko AM Shenton Global Opportunities Fund.

The following changes were made to the Fund with effect from 16 March 2015:

- a. the appointment of Nikko Asset Management Co., Ltd (“NAM Japan”) as the investment adviser for the Fund has been terminated and Nikko Asset Management Europe Ltd (“NAM Europe”) has been appointed as the sub-manager of the Fund; and
- b. the base currency of the Fund was changed from Singapore dollars to United States dollars.

With effect from 22 April 2020, the Fund is included under the Central Provident Fund (“CPF”) Investment Scheme – Ordinary Account and is classified by the CPF Board under the category “Higher Risk – Broadly Diversified”.

- (2) With effect from 1 May 2019, the benchmark against which the performance of the Nikko AM Shenton Global Opportunities Fund is measured, i.e. the MSCI World Free Index (Net Total Return), has been changed to the MSCI AC World Index (Net Total Return). Prior to 1 May 2017, the performance returns of the benchmark was calculated using price index methodology. With effect from 1 May 2017, it is calculated using net total return index methodology.

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**Portfolio Review*****Fund returned 26.56% in 2020***

For the year ended 31 December 2020, the Nikko AM Shenton Global Opportunities Fund SGD Class (the “Fund”) returned 26.56% (SGD terms, on a NAV-NAV basis), outperforming the MSCI AC World Index which returned 14.27% over the same period.

The main contributors to performance included LHC Group, SolarEdge, Amazon, Microsoft and Adobe. LHC Group outperformed as optimism increased regarding the pace of recovery in home-based nursing. Elderly patients had been reluctant to allow even nurses into their homes at the start of the pandemic. Results from peers like Amedisys and Encompass Health in Q2 and Q3 confirmed that these visits were now taking place – almost to the same extent as before the virus struck. The tragically high prevalence of deaths in care homes (despite the incredible efforts of the staff in these facilities) could accelerate the already ongoing switch from care homes to looking after the elderly in their own homes. SolarEdge enjoyed a very strong year as investors grew increasingly confident regarding the growth trajectory of the business, and the solar energy industry in general. US politicians competed to announce the largest economic stimulus package, ahead of November’s presidential elections. Renewable energy is seen as a relatively uncontroversial beneficiary of these initiatives. Amazon, Microsoft and Adobe all benefitted from the ‘working from home’ measures introduced in an attempt to control the spread of the coronavirus. In each case, this resulted in a further acceleration in what were already compelling medium-term growth stories. This was true for the ongoing migration of data storage to the Cloud (helping Amazon and Microsoft), the success of ecommerce at the expense

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of physical retail (positive for Amazon) or the need for people to collaborate more over digital media (benefitting Microsoft and Adobe).

Conversely, Compass, LivaNova and Johnson Matthey were among the detractors from performance. Compass underperformed, as its high exposure to out of home consumption of food continued to pressure the share price. Investors fear offices, sports stadia and the education sector will remain closed for longer than anticipated with new coronavirus cases increasing again, particularly in the US and Western Europe. The company also announced a £2 billion rights issue earlier in the year. Although this provided management with strategic flexibility relative to its competitors, the dilution was a drag on the shares shorter-term. LivaNova underperformed after results showed the adverse impact of widespread postponement of elective surgical procedures during the pandemic. The company also lowered earnings guidance, to reflect the cost of the refinancing package agreed in June. Although these measures have removed any balance sheet risk and will allow the company to keep investing in future growth prospects, the short-term drag on earnings (from increased financial expenses) was greater than most expected. Johnson Matthey was weak in sympathy with its automotive original equipment manufacturer (OEM) customers. Global automotive production volumes were curtailed by both economic lockdowns and falling consumer confidence as a result of the coronavirus. This meant lower sales of Johnson Matthey's very profitable auto catalysts.

## **Market Review**

### ***Global equity markets gained in 2020***

2020 will be a year that lives long in the memory, for some obvious reasons. For most investors, COVID-19 started the year as a seemingly controllable, largely domestic Chinese issue. By the end of March, however, this view proved hopelessly optimistic. The virus continues to pose fundamental questions to society. Most critically, how long can (or should) we accept the economic pain necessary to gain a measure of control over its spread? And, what are the long-term consequences of such a tragic event? Whilst millions of people have suffered real loss, the disparity of the experiences seen by the economic 'haves' and 'have-nots' speaks to significant challenges that will persist – even after vaccines and (eventually) herd immunity have seen off the threat to public health.

The virus triggered significant volatility in markets throughout the year. In March, credit spreads blew out as government bond yields sunk to levels not even seen during the Global Financial Crisis as governments around the world announced large assistance programs. Global equity markets saw the fastest 30% drawdown in history, followed by the best month for 30 years.

One enduring positive for equity markets has been continued asset price support from central banks around the world. As we entered 2020, US Federal Reserve (Fed) Committee members were firmly in reverse gear, after having hiked interest rates and started to shrink their balance sheet in 2018. The coronavirus and the unprecedented economic strains that resulted from attempts to curtail its spread meaningfully accelerated these measures. By the end of the year, the Fed had more than USD 7 trillion on its balance sheet (having started the year at USD 4 billion).

After the initial shock of the virus, equity investors were quick to respond to this renewed monetary dovishness. Most cyclical sectors bottomed in June, well before any meaningful improvement in US or European economic activity (but definitely helped by faster rebounds in Asia's economies – where the virus has generally been better controlled).

Investor optimism then surged higher still in November. The catalyst for the renewed optimism was positive data regarding the efficacy of COVID vaccines from several drug companies, including Pfizer, Moderna and AstraZeneca. Although questions remain over the duration of the protection afforded by these drugs and logistics may prove challenging, the data was extremely positive, suggesting over 90% protection. This allowed investors to continue repositioning portfolios for a return to pre-COVID 'normal', buying stocks that had endured material demand destruction as a result of the virus and associated economic lockdowns.

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The biggest political change this year was undoubtedly the replacement of Donald Trump as US president by Joe Biden. After four years of unpredictable policy (often announced over Twitter), it is to be hoped that we will enjoy a somewhat quieter geopolitical 2021 although early pronouncements from the Biden camp suggest that the US attitude towards China may be slow to change.

The US dollar (USD) also saw significant volatility this year and this too had an impact on equity markets. Although seen as a relative safe haven during the early days of the pandemic, this picture had significantly changed by year end, as the Fed's easy monetary policy and huge infrastructure investments announced by US politicians served to weaken the US's balance sheet, relative to competitors like China. As the USD depreciated, traditional beneficiaries of a weaker dollar were quick to react, with commodity sectors notable beneficiaries (industrial metals and agricultural commodities more so than oil).

Looking at sector performance, Information Technology enjoyed returns far in excess of any other sector again this year. The sector provided market leadership fairly consistently throughout 2020. The sector offers both cyclical value and structural growth stocks and this has allowed it to remain in favour irrespective of the volatility observed in global geopolitics or monetary policy. Other cyclical sectors, such as Industrials and Consumer Discretionary, were the best of the rest. Consumer Discretionary was buoyed by exceptionally strong performance from index heavyweights Amazon and Tesla.

The exceptions to the pro-cyclical tilt were resource sectors Energy and Financials. Although their relative performance improved meaningfully post positive vaccine news later in the year, they could not recover the losses endured earlier in the year, as investors fretted over the demand destruction inflicted on these sectors by the coronavirus. Defensive sectors underperformed too this year as investors became more confident that the impact of the virus will be much lower in the coming months. Real Estate was worst affected, but Utilities, Staples and Healthcare all underperformed too.

Regionally, emerging Asia outperformed again this year, helped by its swift actions to control the spread of the virus, by the faster economic rebounds that this allowed and by the weakness of the USD. The US also outperformed, helped by its heavy exposure to the Technology sector. The UK, Europe and Japan underperformed, with the UK a notable laggard having endured a worse pandemic than most and with its tortuous exit from the EU a constant overhang.

With regards to portfolios, our Future Quality stock picking drives the overall shape of positioning with respect to geographies or sectors. Over the year these stock picks have continued to be reasonably dispersed across sectors and geographies.

## **Market Outlook and Strategy**

### ***Continue to seek companies with future quality and superior returns***

A new year is always a good opportunity to take stock, even if the turning of the calendar obviously has little impact on investment fundamentals. Last year's tragic events and the socioeconomic impacts of the coronavirus pandemic have probably, however, profound effects which are likely to be felt over both the short and longer-term. Our resolution remains not to overreact to some of these short duration impacts but instead to focus on where they present more enduring investment implications.

There is a sense in equity markets at present that it may be time for a changing of the guard, which could favour stocks and industries that endured the most torrid 2020. There are many justifications advanced for such a rotation within markets – some for which we have sympathy. For instance, we have written in the past about the stretched valuations being afforded to some business models that are yet to prove their ability to generate a meaningful cash return on investment. Such extreme starting points certainly make the rotation argument more appealing.

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Extra impetus has been given to this dynamic by high (and rising) investor confidence in ongoing monetary policy support. It does appear that asset prices (including equity markets) will enjoy a measure of central bank support for longer than has been the case in previous periods of economic recovery. Central bank policy has been carrying the can for supporting economic growth for a long time in many countries, especially in the face of political infighting but also fragile consumer and investor confidence. It is understandable that they would like politicians to pick up more of this responsibility. With governments having taken on record amounts of debt in recent months as the costs of the coronavirus have rocketed, the need not to strangle government spending through hiking short-term interest rates will be keenly felt.

The costs of the pandemic have not just been felt in terms of government finances. Instead, the public health crisis has driven wider the inequalities that already existed in many countries, with the better off generally faring much better in terms of both their employment and health. There is now an even more pressing need to address this socioeconomic imbalance and the recent US presidential election may mark a move in this direction. Although the extent of the policy shift remains unclear and the investment implications even more so, it does seem likely to us that we will see an increased tax take from both companies and the highest earning parts of society. Equity market moves since the outcome of the election became clear and suggest that the market expects these proceeds to be invested in both infrastructure programmes and (possibly) expanding healthcare coverage. Time will tell.

A major shift in government policy (in the US and elsewhere) has long been heralded as the driver of a change in the disinflationary environment that has been in place for many years and has favoured growth stocks. If major infrastructure bills are forthcoming and if these bills can quickly be turned into real contracts and real demand for physical products, there is a possibility that this could lead to some inflationary pressure in some parts of the economy. Supply can certainly be difficult to increase quickly in some capital-intensive industries and share prices are already anticipating a measure of price inflation in commodities such as steel, building materials and copper. Many of these sectors are not traditional sources of Future Quality and the inherent cyclical nature of their cash returns will not disappear but there may be some investment opportunities in related areas. Suffice to say, we will not lower our Future Quality criteria to accommodate investments in these parts of the market, just because it feels like the right thing to do now.

In conclusion, equity markets have started the year on a firm footing and real grounds for optimism remain. There is also continued evidence of a potential change in market leadership, away from the 'growth at any price' cohort. Cyclical stocks have been the main beneficiaries to date. Our portfolio continues to hold a combination of cyclicals and reasonably priced growth stocks, all of which we expect to deliver rising returns. With considerable uncertainty regarding the duration of some of the recent market moves, we believe that this balance will remain important going forward.

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**Past performance or any prediction, projection or forecast is not indicative of future performance. The Fund or any underlying fund may use or invest in financial derivative instruments.** The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)) before deciding whether to invest in the Fund.

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The Central Provident Fund (“CPF”) Ordinary Account (“OA”) interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks’ interest rates, whichever is higher, reviewed quarterly. The interest rate for Special Account (“SA”) is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whichever is higher, reviewed quarterly. Only monies in excess of \$20,000 in OA and \$40,000 in SA can be invested under the CPF Investment Scheme (“CPFIS”). Please refer to the website of the CPF Board for further information. Investors should note that the applicable interest rates for the CPF accounts and the terms of CPFIS may be varied by the CPF Board from time to time.

### **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

## **NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND**

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

### **REPORT OF THE TRUSTEE**

*For the financial year ended 31 December 2020*

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The Trustee is under a duty to take into custody and hold the assets of Nikko AM Shenton Global Opportunities 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 31, 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 March 2021

## **NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND**

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

### **STATEMENT BY THE MANAGER**

*For the financial year ended 31 December 2020*

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In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 13 to 31, 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 Global Opportunities Fund (the "Fund") as at 31 December 2020, and the financial performance and movements in unitholders' funds for the 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 March 2021

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF NIKKO AM SHENTON GLOBAL OPPORTUNITIES 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 Global Opportunities 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 31 December 2020, and 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 31 December 2020;
- the Statement of Financial Position as at 31 December 2020;
- the Statement of Movements of Unitholders' Funds for the financial year ended 31 December 2020;
- the Statement of Portfolio as at 31 December 2020; 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 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, 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 GLOBAL OPPORTUNITIES 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 the Manager 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.

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

- 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.

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 March 2021

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2020*

	Note	2020 US\$	2019 US\$
<b>Income</b>			
Dividends		728,516	553,796
Interest on cash and bank balances		3,331	16,147
Other Income		190	3,175
		<u>732,037</u>	<u>573,118</u>
<b>Less: Expenses</b>			
Management fee		986,455	605,265
Registrar fee		28,226	20,923
Trustee fee		79,302	48,421
Custody fee		8,892	9,253
Audit fee		7,923	8,176
Valuation fee		35,686	21,790
Transaction costs		145,514	72,164
Other expenses		39,797	42,118
		<u>1,331,795</u>	<u>828,110</u>
<b>Net losses</b>		<u>(599,758)</u>	<u>(254,992)</u>
<b>Net gains or losses on value of investments</b>			
Net gains on investments		24,887,174	11,204,211
Net foreign exchange gains/(losses)		98,765	(8,607)
		<u>24,985,939</u>	<u>11,195,604</u>
<b>Total return for the financial year before income tax</b>		24,386,181	10,940,612
<b>Less: Income tax</b>	3	(153,668)	(93,666)
<b>Total return for the financial year after income tax</b>		<u>24,232,513</u>	<u>10,846,946</u>

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 31 December 2020*

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	Note	2020 US\$	2019 US\$
<b>ASSETS</b>			
Portfolio of investments		<b>122,928,459</b>	57,532,622
Receivables	4	<b>1,738,393</b>	328,884
Cash and bank balances		<b>4,685,966</b>	2,424,488
<b>Total assets</b>		<b>129,352,818</b>	60,285,994
<b>LIABILITIES</b>			
Payables	5	<b>687,622</b>	440,946
Purchases awaiting settlement		<b>652,853</b>	-
<b>Total liabilities</b>		<b>1,340,475</b>	440,946
<b>EQUITY</b>			
Net assets attributable to unitholders	6	<b>128,012,343</b>	59,845,048

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 31 December 2020*

	Note	2020 US\$	2019 US\$
<b>Net assets attributable to unitholders at the beginning of the financial year</b>		<b>59,845,048</b>	32,318,835
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		<b>24,232,513</b>	10,846,946
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		<b>108,919,493</b>	26,618,158
Cancellation of units		<b>(64,984,711)</b>	(9,938,891)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		<b>43,934,782</b>	16,679,267
Total increases in net assets attributable to unitholders		<b>68,167,295</b>	27,526,213
<b>Net assets attributable to unitholders at the end of the financial year</b>	6	<b>128,012,343</b>	59,845,048

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2020***By Geography (Primary)**

	Holdings at 31 December 2020	Fair value at 31 December 2020 US\$	Percentage of total net assets attributable to unitholders at 31 December 2020 %
<b>Quoted Equities</b>			
<b>BRITAIN</b>			
Compass Group Public Listed Company	136,099	2,535,717	1.98
Johnson Matthey Public Listed Company	44,064	1,460,648	1.14
LivaNova Public Listed Company	55,610	3,681,938	2.88
Prudential Public Listed Company	71,506	1,316,619	1.03
Unilever Public Listed Company	35,382	2,124,197	1.66
<b>Total BRITAIN</b>		<b>11,119,119</b>	<b>8.69</b>
<b>CHINA</b>			
Meituan	44,400	1,686,930	1.32
Tencent Holdings Limited	44,500	3,236,834	2.53
<b>Total CHINA</b>		<b>4,923,764</b>	<b>3.85</b>
<b>FRANCE</b>			
Schneider Electric SE	21,102	3,054,429	2.39
<b>Total FRANCE</b>		<b>3,054,429</b>	<b>2.39</b>
<b>GERMANY</b>			
Hellofresh SE	58,554	4,549,378	3.55
<b>Total GERMANY</b>		<b>4,549,378</b>	<b>3.55</b>
<b>GUERNSEY</b>			
Buford Capital Limited	95,600	929,132	0.72
<b>Total GUERNSEY</b>		<b>929,132</b>	<b>0.72</b>
<b>HONG KONG SAR</b>			
AIA Group Limited	243,000	2,977,222	2.33
<b>Total HONG KONG SAR</b>		<b>2,977,222</b>	<b>2.33</b>
<b>INDIA</b>			
Housing Development Finance Corporation Limited	103,594	3,615,280	2.82
<b>Total INDIA</b>		<b>3,615,280</b>	<b>2.82</b>
<b>IRELAND</b>			
Accenture Public Listed Company	14,188	3,701,507	2.89
Kerry Group Public Listed Company	19,091	2,765,681	2.16
Kingspan Group Public Listed Company	17,779	1,248,651	0.98
<b>Total IRELAND</b>		<b>7,715,839</b>	<b>6.03</b>
<b>ISRAEL</b>			
Solaredge Technologies Incorporated	7,905	2,522,644	1.97
<b>Total ISRAEL</b>		<b>2,522,644</b>	<b>1.97</b>

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2020***By Geography (Primary) (continued)**

	Holdings at 31 December 2020	Fair value at 31 December 2020 US\$	Percentage of total net assets attributable to unitholders at 31 December 2020 %
<b>Quoted Equities (continued)</b>			
<b>JAPAN</b>			
Daikin Industries Limited	11,900	2,641,754	2.06
Nintendo Company Limited	5,000	3,188,047	2.49
Sony Corporation	41,600	4,144,083	3.24
<b>Total JAPAN</b>		<b>9,973,884</b>	<b>7.79</b>
<b>NETHERLANDS</b>			
Koninklijke Philips NV	42,622	2,285,276	1.78
<b>Total NETHERLANDS</b>		<b>2,285,276</b>	<b>1.78</b>
<b>SWEDEN</b>			
Hexagon AB	32,778	3,010,957	2.35
<b>Total SWEDEN</b>		<b>3,010,957</b>	<b>2.35</b>
<b>UNITED STATES OF AMERICA</b>			
Adobe Incorporated	6,152	3,076,738	2.40
Amazon.com Incorporated	1,700	5,535,897	4.32
Anthem Incorporated	10,240	3,287,962	2.57
Aon Public Listed Company	14,095	2,977,851	2.33
Bio-Techne Corporation	9,090	2,886,530	2.25
Coca-Cola Company	66,713	3,656,540	2.86
Danaher Corporation	7,373	1,637,838	1.28
Deere & Company	10,340	2,779,599	2.17
Dolby Laboratories Incorporated	32,260	3,133,414	2.45
Encompass Health Corporation	37,747	3,122,432	2.44
Laboratory Corporation of America Holdings	16,553	3,369,363	2.63
LHC Group Incorporated	14,988	3,197,240	2.50
Microsoft Corporation	28,826	6,404,561	5.00
Palomar Holdings Incorporated	38,724	3,440,240	2.69
Progressive Corporation	33,478	3,310,305	2.59
SVB Financial Group	8,710	3,374,428	2.64
TJX Companies Incorporation	39,611	2,706,224	2.11
Transunion	29,772	2,953,978	2.31
Verisk Analytics Incorporated	9,377	1,946,571	1.52
Woodward Incorporated	17,390	2,113,407	1.65
<b>Total UNITED STATES OF AMERICA</b>		<b>64,911,118</b>	<b>50.71</b>
<b>Total Quoted Equities</b>		<b>121,588,042</b>	<b>94.98</b>

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2020***By Geography (Primary) (continued)**

	Holdings at 31 December 2020	Fair value at 31 December 2020 US\$	Percentage of total net assets attributable to unitholders at 31 December 2020 %
<b>Quoted Real Estate Investment Trusts</b>			
<b>UNITED STATES OF AMERICA</b>			
American Tower Corporation	5,976	1,340,417	1.05
<b>Total UNITED STATES OF AMERICA</b>		<u>1,340,417</u>	<u>1.05</u>
<b>Total Quoted Real Estate Investment Trusts</b>		<u>1,340,417</u>	<u>1.05</u>
<b>Portfolio of investments</b>		122,928,459	96.03
<b>Other net assets</b>		5,083,884	3.97
<b>Net assets attributable to unitholders</b>		<u>128,012,343</u>	<u>100.00</u>

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2020***By Geography (Summary)**

	<b>Percentage of total net assets attributable to unitholders at 31 December 2020 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2019 %</b>
<b>Quoted Equities</b>		
Britain	8.69	15.33
China	3.85	2.25
France	2.39	-
Germany	3.55	-
Guernsey	0.72	-
Hong Kong SAR	2.33	2.37
India	2.82	2.59
Ireland	6.03	3.09
Israel	1.97	-
Italy	-	1.66
Japan	7.79	7.80
Netherlands	1.78	2.88
Sweden	2.35	1.90
United States of America	50.71	54.42
<b>Total Quoted Equities</b>	<b>94.98</b>	<b>94.29</b>
<b>Quoted Real Estate Investment Trusts</b>		
United States of America	1.05	1.80
<b>Total Quoted Real Estate Investment Trusts</b>	<b>1.05</b>	<b>1.80</b>
<b>Quoted Derivatives</b>		
United States of America	-	0.05
<b>Total Financial Derivatives</b>	<b>-</b>	<b>0.05</b>
<b>Portfolio of investments</b>	<b>96.03</b>	<b>96.14</b>
<b>Other net assets</b>	<b>3.97</b>	<b>3.86</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

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

**NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2020*

<b>By Industry (Secondary)</b>	<b>Fair value at 31 December 2020 US\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2020 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2019 %</b>
Banks	3,374,428	2.64	2.24
Beverages	3,656,540	2.86	1.66
Building Materials	3,890,405	3.04	-
Chemicals	1,460,648	1.14	2.79
Commercial Services	4,900,549	3.83	6.86
Computers	3,701,507	2.89	3.09
Cosmetics/Personal Care	2,124,197	1.66	4.67
Diversified Financial Services	4,544,412	3.54	3.52
Electrical Component & Equipment	3,054,429	2.39	-
Electronics	2,113,407	1.65	4.30
Energy-Alternate Sources	2,522,644	1.97	-
Food	7,315,059	5.71	2.62
Food Service	2,535,717	1.98	2.52
Healthcare-Products	10,491,582	8.20	11.22
Healthcare-Services	12,976,997	10.14	8.69
Home Furnishings	7,277,497	5.68	5.55
Insurance	14,022,237	10.96	8.50
Internet	10,459,661	8.17	5.92
Machinery-Diversified	5,790,556	4.52	5.03
Pharmaceuticals	-	-	1.11
Real Estate Investment Trusts (REITS)	1,340,417	1.05	1.79
Retail	2,706,224	2.11	2.46
Software	9,481,299	7.41	8.42
Toys/Games/Hobbies	3,188,047	2.49	3.18
<b>Portfolio of investments</b>	<b>122,928,459</b>	<b>96.03</b>	<b>96.14</b>
<b>Other net assets</b>	<b>5,083,884</b>	<b>3.97</b>	<b>3.86</b>
<b>Net assets attributable to unitholders</b>	<b>128,012,343</b>	<b>100.00</b>	<b>100.00</b>

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

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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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 Global Opportunities Fund (the "Fund") is a Singapore domiciled fund constituted by a Trust Deed dated 10 October 1996 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 Fund is Nikko Asset Management Asia Limited (the "Manager"). The Sub-Manager of the Fund is Nikko Asset Management Europe Ltd. The Sub-Manager has further appointed Nikko Asset Management Americas, Inc. ("NAM Americas") to carry out global equities trading for the Fund during business contingencies.

There are currently three classes of units established within the Fund, namely SGD Class, USD Class and RMB Class. The classes within each Scheme differ in terms of their class currency and the minimum subscription amounts applicable.

As of 31 December 2020, only units in the SGD Class and USD Class 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 held 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.

##### (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) 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 change in fair value on investments is included in the Statement of Total Return in the year in which they arise.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

##### (c) Investments (continued)

###### (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.

##### (d) 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 investments held by the Fund is the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

##### (e) 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.

##### (f) Sales and purchases awaiting settlement

Sales and purchases awaiting settlement represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost.

##### (g) Payables

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

##### (h) Cash and bank balances

Cash and bank balances comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

##### (i) Foreign currency translation

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

The Fund qualifies as an authorised scheme under the Securities and Futures Act ("SFA") of Singapore and is offered to retail investors in Singapore. The Fund's activities are substantially based in Singapore, with subscriptions and redemptions of the units of the Fund denominated in United States Dollar ("USD") and Singapore Dollar ("SGD").

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

##### (i) Foreign currency translation (continued)

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

The performance of the Fund is measured and reported to the investors in United States Dollar. The Manager considers the United States Dollar as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are expressed in United States Dollar, which is the Fund's functional and presentation currency.

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

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

#### 3. Income tax

The Manager and Trustee of the Fund have assessed and are satisfied that the Fund has met the requisite conditions under the Designated Unit Trust (DUT) scheme for the current financial year. The Manager and Trustee of the Fund will ensure that the Fund fulfills its reporting obligations under the DUT Scheme.

Under the DUT Scheme, subject to certain conditions and reporting obligations being met, certain income of the DUT fund is not taxable in accordance to Sections 35(12) and 35(12A) of the Income Tax Act. Such income includes:

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index;
- (e) discount prepayment fees, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (f) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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#### 3. Income Tax (continued)

Income tax for the financial year ended 31 December 2020 and 2019 comprises:

	2020 US\$	2019 US\$
Singapore income tax	518	119
Overseas income tax	153,150	93,547
	<u>153,668</u>	<u>93,666</u>

The Singapore income tax represents mainly tax charge on other income received but derived from outside Singapore. The overseas income tax represents tax deducted at source on dividend derived from outside Singapore.

#### 4. Receivables

	2020 US\$	2019 US\$
Receivable from unitholders for creation of units	1,708,635	311,293
Dividends receivable	29,758	17,591
	<u>1,738,393</u>	<u>328,884</u>

#### 5. Payables

	2020 US\$	2019 US\$
Payable to unitholders for cancellation of units	258,308	222,383
Amount due to the Manager	365,249	182,072
Amount due to the Trustee	29,355	14,589
Valuation fee payable	13,210	6,564
Registrar fee payable	6,509	3,068
Provision for audit fee	8,328	8,395
Custody fee payable	4,092	3,875
Other payables	2,571	-
	<u>687,622</u>	<u>440,946</u>

Amount due to the Manager comprises 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 operating through its Singapore Branch.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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#### 6. Units in issue

During the year ended 31 December 2020 and 2019, the number of units issued, redeemed and outstanding were as follows:

<b><u>SGD Class</u></b>	<b>2020</b>	<b>2019</b>
Units at beginning of the financial year	<b>47,557,750</b>	33,650,076
Units created	<b>35,648,904</b>	22,798,047
Units cancelled	<b>(38,952,651)</b>	(8,890,373)
Units at end of the financial year	<b>44,254,003</b>	47,557,750
Net assets attributable to unitholders - US\$	<b>69,898,506</b>	58,283,932
Net asset value per unit - US\$	<b>1.579</b>	1.226
<b><u>USD Class</u></b>	<b>2020</b>	<b>2019</b>
Units at beginning of the financial year	<b>1,428,366</b>	-
Units created	<b>56,016,248</b>	1,428,366
Units cancelled	<b>(16,175,621)</b>	-
Units at end of the financial year	<b>41,268,993</b>	1,428,366
Net assets attributable to unitholders - US\$	<b>58,113,837</b>	1,561,116
Net asset value per unit - US\$	<b>1.408</b>	1.093

A reconciliation of the net asset value as reported in the Statement of Financial Position to net asset value as determined for the purpose of processing unit subscription and redemption is not presented as there is no difference to the net assets attributable to unitholders per unit.

#### 7. 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.

The Fund's objective is to achieve medium to long term capital appreciation by investing primarily mainly in equities of developed and emerging markets.

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

The COVID-19 pandemic continues to evolve and develop. The situation is dynamic with various cities and countries around the world responding in different ways to address the pandemic. As a result of the COVID-19 pandemic, global financial markets have experienced significant volatility. Given the extent of the crisis, it is difficult to estimate the impact or duration of the volatility on the portfolio of the Fund. The Manager is closely monitoring the development of the COVID-19 pandemic and its related impact.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2020*

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

##### (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 deviation from the Fund's investment objective. 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 invests primarily in equities of developed and emerging markets across various geographies. The Benchmark against which the performance of the Fund is measured is MSCI AC World Index (Net Total Return) (the "Benchmark").

As at 31 December 2020 and 2019, an increase/decrease of the index component within the Benchmark by 20% (2019: 10%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 18% (2019: 10%). The analysis was based on the assumptions that the index components within the Benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Fund's investments moved according to the beta. Reasonable possible changes in market index percentage are revised annually depending on the Manager's current view on market volatility and other relevant factors.

##### (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).

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly.

However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect. Hence, no sensitivity analysis has been presented separately.

##### (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.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

The tables below summarise the Fund's exposure to currency risks.

As at 31 December 2020	USD US\$	SGD US\$	EUR US\$	GBP US\$	JPY US\$	HKD US\$	AUD US\$	Others US\$	Total US\$
<b>Assets</b>									
Portfolio of investments	76,157,624	-	13,903,415	8,366,313	9,973,884	7,900,986	-	6,626,237	122,928,459
Receivables	18,693	1,708,635	-	11,065	-	-	-	-	1,738,393
Cash and bank balances	2,782,348	1,898,149	2,512	2,210	596	-	39	112	4,685,966
<b>Total assets</b>	<b>78,958,665</b>	<b>3,606,784</b>	<b>13,905,927</b>	<b>8,379,588</b>	<b>9,974,480</b>	<b>7,900,986</b>	<b>39</b>	<b>6,626,349</b>	<b>129,352,818</b>
<b>Liabilities</b>									
Payables	429,314	258,308	-	-	-	-	-	-	687,622
Purchases awaiting settlement	-	-	-	-	294,998	257,879	-	99,976	652,853
<b>Total liabilities</b>	<b>429,314</b>	<b>258,308</b>	<b>-</b>	<b>-</b>	<b>294,998</b>	<b>257,879</b>	<b>-</b>	<b>99,976</b>	<b>1,340,475</b>
<b>Net currency exposure</b>	<b>78,529,351</b>	<b>3,348,476</b>	<b>13,905,927</b>	<b>8,379,588</b>	<b>9,679,482</b>	<b>7,643,107</b>	<b>39</b>	<b>6,526,373</b>	
<b>As at 31 December 2019</b>									
	USD US\$	SGD US\$	EUR US\$	GBP US\$	JPY US\$	HKD US\$	AUD US\$	Others US\$	Total US\$
<b>Assets</b>									
Portfolio of investments	36,415,526	-	2,718,404	8,280,901	4,670,781	2,764,263	-	2,682,747	57,532,622
Receivables	9,118	311,293	-	8,473	-	-	-	-	328,884
Cash and bank balances	1,619,831	799,487	2,322	2,142	566	-	36	104	2,424,488
<b>Total assets</b>	<b>38,044,475</b>	<b>1,110,780</b>	<b>2,720,726</b>	<b>8,291,516</b>	<b>4,671,347</b>	<b>2,764,263</b>	<b>36</b>	<b>2,682,851</b>	<b>60,285,994</b>
<b>Liabilities</b>									
Payables	218,563	222,383	-	-	-	-	-	-	440,946
<b>Total liabilities</b>	<b>218,563</b>	<b>222,383</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>440,946</b>
<b>Net currency exposure</b>	<b>37,825,912</b>	<b>888,397</b>	<b>2,720,726</b>	<b>8,291,516</b>	<b>4,671,347</b>	<b>2,764,263</b>	<b>36</b>	<b>2,682,851</b>	

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

Portfolio of investments, which is a significant item in the Statement of Financial Position is exposed to currency risk and other price risk. The Manager has considered the impact of currency risk sensitivity on non-monetary assets as part of the price risk sensitivity analysis.

As of 31 December 2020 and 2019, the Fund does not hold substantial monetary assets/liabilities denominated in foreign currencies. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

##### (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 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 of the securities are listed on recognised stock exchanges.

The Fund's financial liabilities are analysed using contractual undiscounted cash flows for maturity groupings based on the remaining year at the Statement of Financial Position date to the contractual maturity date. As at 31 December 2020 and 2019, all liabilities are either payable upon demand or due in less than 3 months. The impact of discounting is not significant.

	<b>Less than 3 months</b>	
	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Payables	<b>687,622</b>	440,946
Purchases awaiting settlement	<b>652,853</b>	-
<b>Contractual cash outflows</b>	<b>1,340,475</b>	440,946

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

##### (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.

All trade settlement with approved counterparties are 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 from brokers. The table below summarises the credit rating of bank and custodians in which the Fund's assets are held as at 31 December 2020 and 2019.

	Credit rating as at 31 December 2020	Credit rating as at 31 December 2019	Source of credit rating
<b>Bank balance</b>			
- BNP Paribas Securities Services, operating through its Singapore Branch	A+	A+	Standard & Poor's
<b>Custodian</b>			
- BNP Paribas Securities Services, operating through its Singapore Branch	A+	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.

##### (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.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

##### (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 31 December 2020 and 2019:

As at 31 December 2020	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	121,588,042	-	-	121,588,042
- Quoted real estate investment trusts	1,340,417	-	-	1,340,417
	<u>122,928,459</u>	-	-	<u>122,928,459</u>
<b>As at 31 December 2019</b>				
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	56,429,251	-	-	56,429,251
- Quoted real estate investment trusts	1,073,061	-	-	1,073,061
- Quoted derivatives	-	30,310	-	30,310
	<u>57,502,312</u>	<u>30,310</u>	-	<u>57,532,622</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and real estate investment trusts. The Fund does not adjust the quoted price for these instruments.

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.

Except for cash and bank balances which are classified as level 1, the Fund's assets and liabilities not measured at fair value at 31 December 2020 and 2019 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.

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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#### 8. 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 related party at terms agreed between the parties and within the provisions of the Deeds:

	2020 US\$	2019 US\$
Bank balances held with related party of the Trustee	<b>4,685,966</b>	2,424,488

#### 9. Financial ratios

##### Expense ratio

		2020	2019
<b><u>SGD Class</u></b>			
Total operating expenses	US\$	<b>581,076</b>	747,698
Average daily net asset value	US\$	<b>39,126,569</b>	47,981,182
<b>Total expense ratio<sup>1</sup></b>	<b>%</b>	<b>1.49</b>	1.56

		2020	2019
<b><u>USD Class</u></b>			
Total operating expenses	US\$	<b>605,186</b>	8,216
Average daily net asset value	US\$	<b>40,190,569</b>	929,307
<b>Total expense ratio<sup>1</sup> (annualised)</b>	<b>%</b>	<b>1.51</b>	1.58

##### Turnover ratio

		2020	2019
Lower of total value of purchases or sales	US\$	<b>30,811,837</b>	16,677,579
Average daily net asset value	US\$	<b>79,317,138</b>	48,910,489
<b>Total turnover ratio<sup>2</sup></b>	<b>%</b>	<b>38.85</b>	34.10

<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 GLOBAL OPPORTUNITIES FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2020

The following contains additional information relating to the Fund.

#### 1. Distribution of investments

Please refer to the Statement of Portfolio on pages 16 to 20.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 31 December 2020

	Fair value US\$	Percentage of total net assets attributable to unitholders %
Microsoft Corporation	6,404,561	5.00
Amazon.com Incorporated	5,535,897	4.32
Hellofresh SE	4,549,378	3.55
Sony Corporation	4,144,083	3.24
Accenture Public Listed Company	3,701,507	2.89
LivaNova Public Listed Company	3,681,938	2.88
Coca-Cola Company	3,656,540	2.86
Housing Development Finance Corporation Limited	3,615,280	2.82
Palomar Holdings Incorporated	3,440,240	2.69
SVB Financial Group	3,374,428	2.64

##### 10 Largest holdings at 31 December 2019

	Fair value US\$	Percentage of total net assets attributable to unitholders %
Microsoft Corporation	3,193,064	5.34
Transunion	2,261,031	3.78
Amazon.com Incorporated	2,199,658	3.68
Progressive Corporation	2,096,487	3.50
LHC Group Incorporated	2,009,092	3.36
Anthem Incorporated	1,915,953	3.20
Nintendo Company Limited	1,901,624	3.18
Accenture Public Listed Company	1,851,348	3.09
Adobe Incorporated	1,843,968	3.08
Sony Corporation	1,777,466	2.97

#### 4. Exposure to financial derivatives

	Fair value at 31 December 2020 US\$	Percentage of total net assets attributable to unitholders 31 December 2020 %	Unrealised gains/(losses) US\$	Realised gains/(losses) US\$
Rights	-	-	-	3,932

## NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2020

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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 arrangement;
- 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

Nil.

#### 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 20.

#### 9. Borrowings

Nil.

#### 10. Amount of units created and cancelled for the financial year ended 31 December 2020

	US\$
Units created	108,919,493
Units cancelled	(64,984,711)

#### 11. Turnover ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 31.

#### 12. Expense ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 31.

#### 13. Related party transactions

Please refer to Note 8 of the Notes to the Financial Statements on page 31.

## **NIKKO AM SHENTON GLOBAL OPPORTUNITIES FUND**

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

### **REPORT TO UNITHOLDERS**

*For the financial year ended 31 December 2020*

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

Nil.

**15. Soft Dollar Commissions/Arrangements**

In their management of the Fund, the Managers currently do not receive or enter into any soft dollar commissions or arrangements.

The Sub-Managers of the Nikko AM Shenton Global Opportunities Fund do not receive or intend to receive any soft dollars commissions, or enter into soft dollars arrangements, in respect of Nikko AM Shenton Global Opportunities Fund. NAM Americas also does not receive or intend to receive soft dollars in respect of the global equities trading that it carries out for the Nikko AM Shenton Global Opportunities Fund.

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