

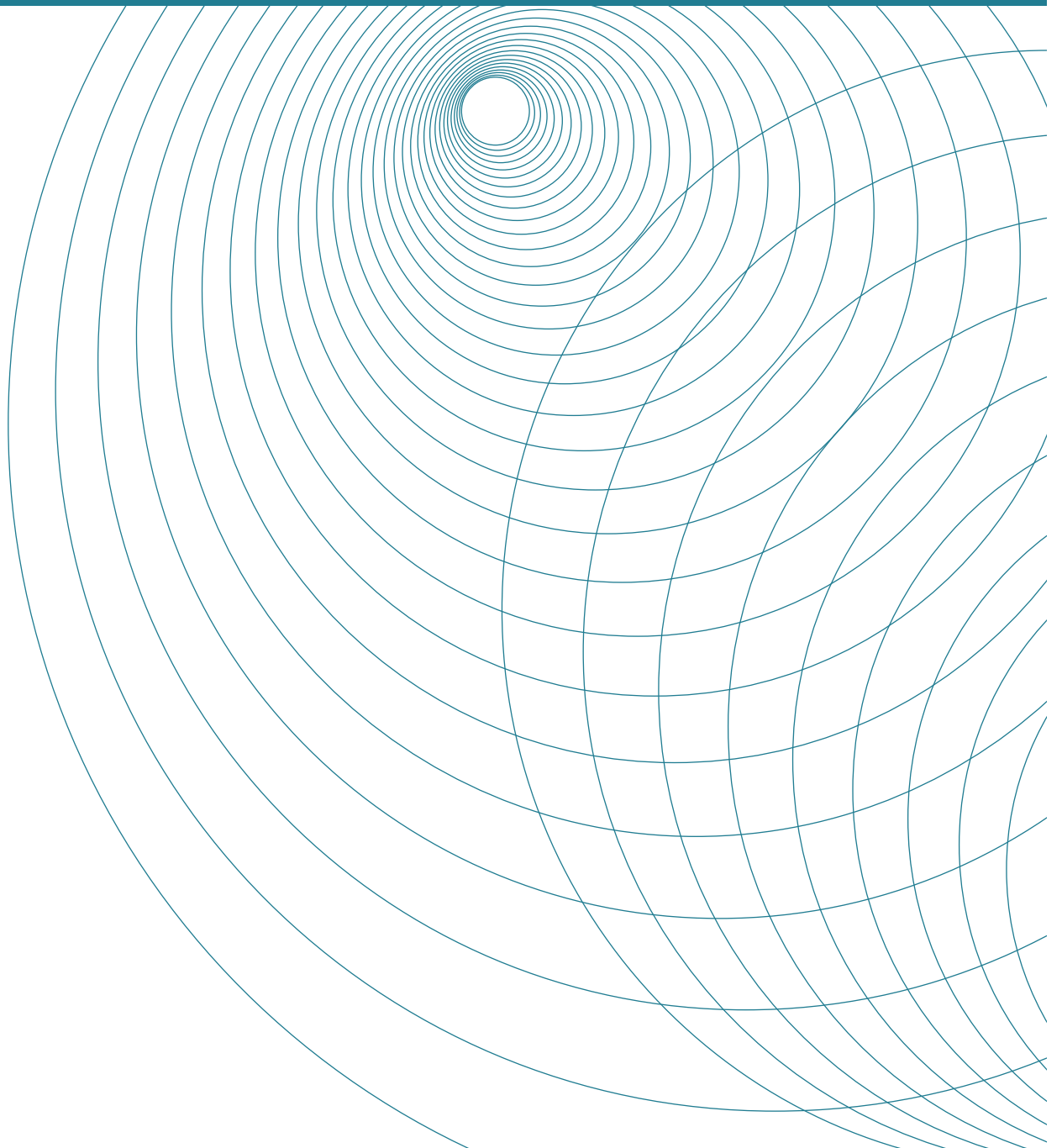
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# **ANNUAL REPORT**

## **Nikko AM Asia Healthcare Fund**

**Financial year ended 31 December 2023**

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**MANAGERS**

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

**DIRECTORS OF THE MANAGERS**

Seet Oon Hui Eleanor  
Yutaka Nishida  
Hiroshi Yoh  
Allen Yan

**TRUSTEE & REGISTRAR**

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

**AUDITORS**

PricewaterhouseCoopers LLP  
7 Straits View, Marina One,  
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**CUSTODIAN**

BNP Paribas, acting 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

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<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Asia Healthcare Fund - JPY Class	-0.89	4.25	0.66	-4.91	7.92	N/A	0.49
MSCI AC Asia ex Japan Health Care Index	0.97	5.05	3.59	-7.16	4.72	N/A	2.06

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2023. Returns are calculated on a NAV-NAV basis, JPY, 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 Asia Healthcare Fund - JPY Class	-5.85	-0.96	-4.37	-6.52	6.82	N/A	-0.09
MSCI AC Asia ex Japan Health Care Index	0.97	5.05	3.59	-7.16	4.72	N/A	2.06

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2023. Returns are calculated on a NAV-NAV basis, JPY, 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. Currently, there is no sales charge for JPY Class.

### **Inception date: 16 January 2015**

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### **Portfolio Review**

#### ***The Fund returns 0.66% in 2023***

For the 12-month period ended 31 December 2023, the Nikko AM Asia Healthcare Fund (the "Fund") returned 0.66% (JPY terms, on a NAV-NAV basis), whereas the MSCI AC Asia ex Japan Health Care Index returned 3.59%.

Our allocation to India, South Korea and Thailand contributed positively to performance over the review period. Indian pharmaceuticals benefitted from lower price erosion in their base portfolio in the US generics market and domestic pharmaceutical growth continued to be stable at the 10% level, with low input cost pressures. However, we continue to avoid lower quality Indian healthcare companies which have run ahead of fundamentals, fuelled by multiple expansion, rather than

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earnings improvement. South Korea was another positive contributor due to the outperformance of the Celltrion Group as the merger between its largest two listed operating companies successfully concluded, and biosimilars from its development pipeline won approval from the US Food and Drug Administration (FDA). Thailand also contributed positively as Thai hospitals continue to see higher-than-expected patient flows. We note more patients seeking higher-intensity medical treatment, which translates to higher average revenues per operating bed. Furthermore, our timely move to underweight Thai hospitals in the third quarter also added alpha as Thai hospitals suffered from profit-taking after the spectacular rally over the past two years.

## **Market Review**

### ***Asian healthcare sector ekes out gains in 2023***

Asian equities and Asian healthcare stocks made a strong start to 2023, supported by a rebound in investor sentiment towards Chinese equities due to policy pivots in areas including COVID-19, housing and internet regulation. Travel and consumption spending surged over the first Lunar New Year holiday since the country emerged from its zero-COVID slumber.

However, the enthusiasm began to fade in February as hotter-than-expected economic releases in the US, including data on labour market and consumer spending, led investors to shift their expectations on inflation and monetary policy. The shocking collapse of three US banks, major lenders to the technology sector and cryptocurrency, and the subsequent downfall of Credit Suisse, which was later acquired by UBS, sent shock waves through global financial markets. Although swift action from US regulators calmed nerves and brought some respite, Asian healthcare markets retreated, especially in China where contract organisations (CXOs) were hit hard as investors feared their biotech clients would face funding woes post the banking collapses and amid generally poor funding conditions given tightening liquidity. Growing concerns over the uneven pace of the economic recovery in the world's second-largest economy, as well as persistent US-China tensions also weighed down Chinese equity markets.

The second half of 2023 was marked by periodic sentiment swings between the two ends of "hope" and "fear". Investor optimism rose on softer-than-expected US inflation data, on hopes that rates might not have much further to climb and that the aggressive tightening cycle from the US Federal Reserve (Fed) was ending. However, any strong GDP or employment data print, whilst undercutting widespread expectations that the US was heading towards a recession, also gave rise to fears of "higher for longer" rates. Furthermore, rising government bond yields and persistent hawkish comments from the Fed that it remained open to additional hikes, if necessary, resulted in a market that was devoid of any sort of conviction.

The situation was further complicated by the sluggish Chinese economy. In July, the Chinese market rallied sharply after its top leaders pledged to roll out more policy support to shore up the nation's fledgling economy, with a focus to boost domestic demand and aid the ailing property market. However, the market gave back almost all gains in August as worries over the continued flagging economy, as well as the lack of vigorous stimulus measures from Beijing, weighed down investment sentiment. Subsequently, towards the year-end, improving economic data and promises of more monetary stimulus from the People's Bank of China helped to mitigate losses for Chinese equities.

For the period under review, the Asian healthcare markets lagged the broader Asia ex Japan markets. India was the best performing healthcare market. Within India, pharmaceuticals outperformed as they benefitted from lower price erosion in their base portfolio in the US generics market and domestic pharmaceutical growth continued to be stable at the 10% level, with low input cost pressures. In the first half of 2023, lower quality Indian pharmaceutical companies also outperformed as the pause on

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rate hikes by the Reserve Bank of India brought relief to the market. Korean healthcare markets saw a respectable rally too. Korean biotech, in particular, Celltrion Group, outperformed as the merger between its operating companies was successfully concluded, streamlining the group's operations and removing intercompany transactions. In addition, the approval of key biosimilars from its development pipeline by the US FDA bodes well for earnings in 2024. China was the worst performing healthcare market in 2023. In early December, Wuxi Biologics, a leading biologics contract development and manufacturing organisation (CDMO) player in China, guided down full-year revenue and earnings growth, attributing the lower growth to a slowdown of its global CDMO business due to a weak funding environment, as well as a delay in three mega projects from Big Pharma due to delays in regulatory approval. As a result, the CXO sector in China took another leg down, leading to an overall lacklustre performance in the China healthcare sector.

## **Market Outlook & Strategy**

### ***Fundamental thesis for investing in Asian healthcare remains solid***

The relatively benign market condition the world has experienced since the Global Financial Crisis is being unwound, and this new phase of "quantitative tightening" drains liquidity away from financial markets. At the same time, we appear to be near a peak in monetary tightening, and recent data points indicate inflation is in retreat. These suggest that a turning point is approaching, although it is still too early to celebrate as there remains the spectre of a US recession (though typically this provides a reset for an early-cycle asset class such as Asia). What we do know is this: the Fed has paused, the dollar is weakening, and some emerging market central banks have pivoted ahead of the US to take the lead in cutting interest rates.

On the other hand, geopolitics offers few signs of stability, with the Middle East the latest addition to uncertainty. Looking into the year ahead, there are many elections to get through in 2024, kicking off with Taiwan in January (which saw the Democratic Progressive Party remaining in power) and finishing with the US in November. With the likelihood of a possible second presidential term for Donald Trump in the US, it seems the stage is set for an eventful year. However, we would add that although election rhetoric during the course of a campaign may bring volatility, historically, there is scant evidence demonstrating their impact on an economy or market. As the saying goes, "years ago, fairy tales all began with 'Once upon a time...' now we know they all begin with 'if I am elected...'".

Turning our attention to Asia, the region has the potential to outgrow developed markets, driven by increases in output and consumer spending as confidence recovers in addition to supportive government policies targeted at enhancing business climates. Balance sheets are robust, valuations appealing and investor capitulation in the past year has made room for incremental exposure.

Two themes have dominated investing in the past year. First, the emergence of artificial intelligence (AI), led by ChatGPT, OpenAI's text-generating AI chatbot. Second, the energy transition away from fossil fuels to renewable energy sources. This has led to the outperformance of both the technology and energy sectors.

Healthcare has lagged, with China the key detractor. Hence, we ask ourselves: can China healthcare markets recover? We are optimistic for a recovery and keenly watch three key catalysts: one, we have seen Big Pharma ink large license-in deals in Chinese Antibody Drug Conjugates in the oncology space this year, with the latest deal worth nearly nine billion dollars in potential milestones and royalties. We expect data readouts in the coming year to result in pipelines rerating. Two, the blazing success of weight-loss drugs globally has electrified the pursuit of new treatments for obesity. The first obesity drug developed domestically is expected to complete clinical trials and submit for approval in 2024. Three, the expected turning point in the rate cycle could signal a change in macro winds, marking an

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end to biotech's stock market malaise. In the US, the closely-watched XBI biotech index has recovered from more than 20% below to slightly above last year end's close, and we are starting to see the opening of the IPO market for biotech. This bodes well for the Chinese biotech and CXO sector.

In Korea, we continue to closely follow the launch trajectory of Alzheimer's drugs as well as HUMIRA biosimilars. In addition, we have invested in emerging Korean ideas in the fields of AI medical diagnostics, cell and gene therapies and medical aesthetics. We will continue to add to these growth segments in 2024.

In India, we perceive few drivers or catalysts for Indian pharmaceutical companies given their stretched valuation, but we remain positive on Indian hospitals, driven by structural domestic demand. In 2024, growth should continue to sustain as Indian hospitals improve their case mix by increasing their share of higher-end procedures, raising their share of insurance patients and upgrading operating efficiency.

Longer term, we believe that the fundamental thesis for investing in Asian Healthcare remains solid. Over the past five years, we have witnessed tremendous market expansion: healthcare reforms towards medical innovation have deepened in markets such as China and Korea, resulting in the emergence of new subsectors, for example, biotech, CXO and AI, greatly enhancing the opportunities for investing in Asian healthcare. We believe the evolution of Asian healthcare holds much potential for higher returns for investors. We urge investors to take the opportunity of any retreat to buy into this structural growth sector.

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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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(Where relevant – for funds included under CPFIS) 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 only be offered to professional investors in Hong Kong and is not authorised by the Securities and Futures Commission. 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 ASIA HEALTHCARE FUND**

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

### **REPORT OF THE TRUSTEE**

*For the financial year ended 31 December 2023*

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The Trustee is under a duty to take into custody and hold the assets of Nikko AM Asia Healthcare 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 12 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  
27 March 2024

## **NIKKO AM ASIA HEALTHCARE FUND**

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

### **STATEMENT BY THE MANAGER**

*For the financial year ended 31 December 2023*

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In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 12 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 Asia Healthcare Fund (the "Fund") as at 31 December 2023, and the financial performance and movements in unitholders' funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for 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  
27 March 2024

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

**Our Opinion**

In our opinion, the accompanying financial statements of Nikko AM Asia Healthcare 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 ("RAP 7"), so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 31 December 2023, 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 2023;
- the Statement of Financial Position as at 31 December 2023;
- the Statement of Movements of Unitholders' Funds for the financial year then ended;
- the Statement of Portfolio as at 31 December 2023; and
- the notes to the financial statements, including material accounting policy information.

**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 ASIA HEALTHCARE 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 RAP 7 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 ASIA HEALTHCARE FUND**  
*(Constituted under a Trust Deed registered in the Republic of Singapore)*

**Auditor's Responsibilities for the Audit of the Financial Statements** (continued)

- 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, 27 March 2024

**NIKKO AM ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2023*

	Note	2023 S\$	2022 S\$
<b>Income</b>			
Dividends		601,428	646,190
Interest on cash and cash equivalents		91,991	36,337
		<b>693,419</b>	<b>682,527</b>
<b>Less: Expenses</b>			
Management fee		379,213	449,404
Transfer agent fee		2,380	2,462
Trustee fee		17,650	20,877
Custody fee		23,565	28,231
Audit fee		29,851	28,559
Valuation fee		23,534	27,836
Transaction costs		124,366	225,645
Other expenses*		83,988	72,559
		<b>684,547</b>	<b>855,573</b>
<b>Net income/(loss)</b>		<b>8,872</b>	<b>(173,046)</b>
<b>Net gains or losses on value of investments</b>			
Net losses on investments		(4,755,502)	(17,369,193)
Net foreign exchange losses		(196,566)	(144,399)
		<b>(4,952,068)</b>	<b>(17,513,592)</b>
<b>Total deficit for the financial year before income tax</b>		<b>(4,943,196)</b>	<b>(17,686,638)</b>
<b>Less: Income tax</b>	3	<b>(50,816)</b>	<b>(57,940)</b>
<b>Total deficit for the financial year after income tax</b>		<b>(4,994,012)</b>	<b>(17,744,578)</b>

\* The balances include non-audit related fees paid to a network firm of the Fund's Auditor which amounted to Nil for 2023 (2022: SGD 9,208).

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

**NIKKO AM ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 31 December 2023*

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	Note	2023 S\$	2022 S\$
<b>ASSETS</b>			
Portfolio of investments		57,585,948	68,572,314
Sales awaiting settlement		191,833	257,559
Receivables	4	11,372	17,965
Cash and cash equivalents		1,301,751	4,553,278
<b>Total assets</b>		<b>59,090,904</b>	<b>73,401,116</b>
<b>LIABILITIES</b>			
Payables	5	219,766	165,315
<b>Total liabilities</b>		<b>219,766</b>	<b>165,315</b>
<b>EQUITY</b>			
Net assets attributable to unitholders	6	58,871,138	73,235,801

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

**NIKKO AM ASIA HEALTHCARE 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 2023*

	Note	2023 S\$	2022 S\$
<b>Net assets attributable to unitholders at the beginning of the financial year</b>		<b>73,235,801</b>	98,280,636
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		<b>(4,994,012)</b>	(17,744,578)
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		-	-
Cancellation of units		<b>(9,370,651)</b>	(7,300,257)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		<b>(9,370,651)</b>	(7,300,257)
Total decreases in net assets attributable to unitholders		<b>(14,364,663)</b>	(25,044,835)
<b>Net assets attributable to unitholders at the end of the financial year</b>	6	<b>58,871,138</b>	73,235,801

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



**NIKKO AM ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2023***By Geography (Primary)**

	Holdings at 31 December 2023	Fair value at 31 December 2023 S\$	Percentage of total net assets attributable to unitholders at 31 December 2023 %
<b>Quoted Equities</b>			
<b>CHINA</b>			
AIER Eye Hospital Group Company Limited	252,648	740,429	1.26
CanSino Biologics Incorporated	123,000	489,332	0.83
ClouDr Group Limited	255,000	295,079	0.50
CSPC Pharmaceutical Group Limited	2,929,680	3,593,058	6.10
Hangzhou Tigermed Consulting Company Limited	51,894	528,450	0.90
IMEIK Technology Development Company Limited	10,600	577,965	0.98
Innovent Biologics Incorporated	467,000	3,372,566	5.73
JD Health International Incorporated	137,350	907,220	1.54
Jiangsu Hengrui Pharmaceuticals Company Limited	282,417	2,366,349	4.02
Keymed Biosciences Incorporated	100,500	833,595	1.42
RemeGen Company Limited	46,000	291,016	0.50
Shanghai MicroPort MedBot Group Company Limited	167,000	588,207	1.00
Shenzhen Mindray Bio-Medical Electronics Company Limited	39,800	2,142,595	3.64
Sinopharm Group Company Limited	240,400	830,492	1.41
WuXi AppTec Company Limited – Class A	117,000	1,577,030	2.68
WuXi AppTec Company Limited – Class H	73,800	990,507	1.68
WuXi Biologics Cayman Incorporated	615,500	3,077,706	5.23
WuXi XDC Cayman Incorporated	125,774	679,905	1.15
Yixintang Pharmaceutical Group Company Limited	170,266	730,513	1.24
<b>Total CHINA</b>		<b>24,612,014</b>	<b>41.81</b>
<b>HONG KONG SAR</b>			
China Medical System Holdings Limited	762,000	1,781,552	3.03
HUTCHMED China Limited	374,000	1,813,263	3.08
Sino Biopharmaceutical Limited	899,750	527,423	0.89
<b>Total HONG KONG SAR</b>		<b>4,122,238</b>	<b>7.00</b>
<b>INDIA</b>			
Cipla Limited	83,178	1,646,855	2.80
Divi's Laboratories Limited	18,114	1,122,157	1.91
Dr Reddy's Laboratories Limited	18,730	1,722,365	2.92
Krishna Institute of Medical Sciences Limited	24,762	776,891	1.32
Rainbow Children's Medicare Limited	34,747	653,013	1.11
Sun Pharmaceutical Industries Limited	250,000	4,993,386	8.48
Torrent Pharmaceuticals Limited	16,014	583,167	0.99
<b>Total INDIA</b>		<b>11,497,834</b>	<b>19.53</b>
<b>INDONESIA</b>			
Kalbe Farma TBK PT	6,945,700	958,044	1.63
Medikaloka Hermina TBK PT	4,756,600	607,192	1.03
<b>Total INDONESIA</b>		<b>1,565,236</b>	<b>2.66</b>
<b>SOUTH KOREA</b>			
Celltrion Incorporated	27,529	5,681,498	9.65
Jeisys Medical Incorporated	100,840	1,083,442	1.84
Lunit Incorporated	7,327	614,621	1.05
Samsung Biologics Company Limited	6,337	4,932,814	8.38
ST Pharm Company Limited	14,778	1,026,225	1.74
<b>Total SOUTH KOREA</b>		<b>13,338,600</b>	<b>22.66</b>

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

**NIKKO AM ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2023***By Geography (Primary) (continued)**

	Holdings at 31 December 2023	Fair value at 31 December 2023 S\$	Percentage of total net assets attributable to unitholders at 31 December 2023 %
<b>Quoted Equities (continued)</b>			
<b>THAILAND</b>			
Bangkok Dusit Medical Services Public Company Limited	654,300	701,699	1.19
<b>Total THAILAND</b>		<u>701,699</u>	<u>1.19</u>
<b>UNITED STATES OF AMERICA</b>			
BeiGene Limited	94,000	1,748,327	2.97
<b>Total UNITED STATES OF AMERICA</b>		<u>1,748,327</u>	<u>2.97</u>
<b>Unquoted Equity</b>			
<b>CHINA</b>			
China Animal Healthcare Limited	1,246,000	-	-
<b>Total CHINA</b>		<u>-</u>	<u>-</u>
<b>Total Unquoted Equity</b>		<u>-</u>	<u>-</u>
<b>Total</b>		<u>57,585,948</u>	<u>97.82</u>
<b>Portfolio of investments</b>		57,585,948	97.82
<b>Other net assets</b>		1,285,190	2.18
<b>Net assets attributable to unitholders</b>		<u>58,871,138</u>	<u>100.00</u>

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

## NIKKO AM ASIA HEALTHCARE FUND

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

### STATEMENT OF PORTFOLIO

As at 31 December 2023

<b>By Geography (Summary)</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2023 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2022 %</b>
<b>Quoted Equities</b>		
China	41.81	44.84
Hong Kong SAR	7.00	4.90
India	19.53	11.50
Indonesia	2.66	-
South Korea	22.66	19.91
Thailand	1.19	6.21
United States of America	2.97	6.27
<b>Total Quoted Equities</b>	<b>97.82</b>	<b>93.63</b>
<b>Portfolio of investments</b>	<b>97.82</b>	<b>93.63</b>
<b>Other net assets</b>	<b>2.18</b>	<b>6.37</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 ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2023*

<b>By Industry (Secondary)</b>	<b>Fair value at 31 December 2023 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2023 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2022 %</b>
Biotechnology	12,347,555	20.97	20.94
Commercial Services	528,450	0.90	2.20
Healthcare-Products	5,595,796	9.51	7.44
Healthcare-Services	9,419,546	16.00	19.94
Pharmaceuticals	27,442,247	46.61	39.49
Retail	1,637,733	2.78	3.62
Software	614,621	1.05	-
<b>Portfolio of investments</b>	<b>57,585,948</b>	<b>97.82</b>	<b>93.63</b>
<b>Other net assets</b>	<b>1,285,190</b>	<b>2.18</b>	<b>6.37</b>
<b>Net assets attributable to unitholders</b>	<b>58,871,138</b>	<b>100.00</b>	<b>100.00</b>

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

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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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 Asia Healthcare Fund (the "Fund") is a Singapore domiciled fund, constituted by a Trust Deed dated 12 January 2015 as amended by Supplemental 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").

There are five classes of units established within the Fund, namely the SGD Class A (denominated in SGD), the United States Dollar ("USD") Class A (denominated in USD), the USD Class B (denominated in USD), the Renminbi ("RMB") Class A (denominated in RMB) and the Japanese Yen ("JPY") Class (denominated in JPY). The classes differ in terms of their currency of denomination, management fee, initial sales charge, minimum initial and subsequent investment amounts, minimum holding amount, minimum realisation amount, method of subscription, distribution policy, use of forwards, the time period for payment of cancellation or realisation proceeds and number of decimal places for rounding of the issue price and realisation price per unit.

As of 31 December 2023 and 2022, only units in the JPY Class have been issued.

The Fund is single priced and the NAV of the Fund may fall as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such Investments caused by subscriptions, redemptions, switches and/or exchanges of units in the Fund. To protect unitholders' interests, the Manager shall, in consultation with the Trustee, have the discretion to apply dilution adjustment or swing pricing in certain circumstances which the Manager deem appropriate. Swing Pricing involves making upwards or downwards adjustments in the calculation of the NAV per unit of the Fund or Class on a particular Dealing Day so that such transaction costs and dealing spreads in respect of the underlying investments are, as far as practicable, passed on to the investors who are subscribing, realising, switching and/or exchanging units on that Dealing Day.

The NAV is adjusted if the net subscription or realisation (including switches and/or exchanges) on a particular Dealing Day reaches or exceeds a certain percentage (the "Swing Threshold") of the size of the Fund as of such relevant Dealing Day.

Any dilution adjustment as at the last dealing day of the year will be disclosed under Units in issue.

During the financial year ended 31 December 2023 and 2022, the Fund did not reach the swing threshold and no swing pricing has been applied.

#### 2. Material accounting policy information

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 instruments at fair value and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" ("RAP 7") issued and revised by the Institute of Singapore Chartered Accountants in August 2023 for the financial year beginning on or after 1 January 2023.

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## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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#### 2. Material accounting policy information (continued)

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

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) Distributions

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

##### (d) Investments

Investments are classified as financial assets at fair value through profit or loss.

###### (i) *Initial recognition*

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

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

Investments are subsequently carried at fair value. Net 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.

##### (e) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for equities securities 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.

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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#### 2. Material accounting policy information (continued)

(f) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

(g) 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.

(h) Payables

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

(i) Cash and cash equivalents

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

(j) 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 Japanese Yen ("JPY").

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

(ii) *Transactions and balances*

Foreign currency monetary assets and liabilities are translated into Singapore Dollar at the rates of exchange prevailing at the date of the Statement of Financial Position. The net unrealised gain or loss is taken to the Statement of Total Return within the net foreign exchange gain or loss. Transactions during the year are recorded in Singapore Dollar at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

(k) Expenses

Expenses are recognised in the Statement of Total Return as the related services are performed.

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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#### 2. Material accounting policy information (continued)

##### (l) Management fee

Management fee expense is recognised on an accrual basis and in accordance with the Prospectus. Management fee is recognised as an expense over the period for which the service is provided. The management fee charged on any investment in other unit trusts managed by the Manager is rebated back to the Fund, where applicable.

##### (m) Creation and cancellation of units

Units are issued and redeemed at the prices based on the Fund's net asset value per unit at the time of issue or redemption for each respective class. The Fund's net asset value per unit is calculated by dividing the net asset attributable to the unitholders of each class of units.

#### 3. Income tax

The Fund has been approved by the Monetary Authority of Singapore ("MAS") under the Enhanced-Tier Fund ("ETF") Scheme (Section 13U of the Income Tax Act 1947 and the relevant Regulations). Subject to certain conditions being met on an annual basis, the Fund may enjoy Singapore corporate income tax exemption on "specified income" derived from "designated investments" for the life of the Fund. The tax exemption does not apply in the year when the relevant conditions are not met. Losses from "designated investments" are correspondingly disregarded. The terms "specified income" and "designated investments" are defined in the relevant income tax Regulations. The Manager and the Trustee of the Fund will ensure that the Fund fulfils its reporting obligations under the ETF Scheme.

Income tax for the financial year ended 31 December 2023 and 2022 comprises:

	2023 S\$	2022 S\$
Overseas income tax	<u>50,816</u>	57,940

The overseas income tax represents tax deducted at source on dividend derived from outside Singapore.

#### 4. Receivables

	2023 S\$	2022 S\$
Dividends receivable	11,372	17,947
Other receivables	-	18
	<u>11,372</u>	<u>17,965</u>



## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

#### 5. Payables

	2023 S\$	2022 S\$
Amount due to the Manager	96,557	109,796
Amount due to the Trustee	13,813	5,115
Valuation fee payable	18,418	6,820
Transfer agent fee payable	1,830	606
Provision for audit fee	30,887	29,532
Custody fee payable	6,583	3,873
Other payables	51,678	9,573
	<b>219,766</b>	<b>165,315</b>

Amount due to the Manager comprises of management fee and is payable to Nikko Asset Management Asia Limited. Trustee fee is payable to BNP Paribas Trust Services Singapore Limited. Custody fee and valuation fee are payable to BNP Paribas, acting through its Singapore Branch. Transfer agent fee is payable to BNP Paribas operating through its Singapore Branch with effect from 1 April 2023.

#### 6. Units in issue

During the financial year ended 31 December 2023 and 2022, the number of units issued, redeemed and outstanding were as follows:

<u>JPY Class</u>	2023	2022
Units at beginning of the financial year	7,004,687,150	7,678,151,874
Units created	-	-
Units cancelled	<b>(928,384,396)</b>	<b>(673,464,724)</b>
Units at end of the financial year	<b>6,076,302,754</b>	<b>7,004,687,150</b>
Net assets attributable to unitholders - S\$	<b>58,871,138</b>	73,235,801
Net asset value per unit - S\$	<b>0.009689</b>	0.0104553

A reconciliation of the net asset value as reported in the Statement of Financial Position to the net asset value as determined for the purpose of processing unit subscription and redemption is provided below:

<u>JPY Class</u>	2023 S\$	2022 S\$
Net assets attributable to unitholders per financial statements per unit	<b>0.009689</b>	0.0104553
Effect of adjustments of bid-ask prices per unit	-*	0.0000010
Effect for movement in the net assets value between the last dealing date and the end of the reporting period <sup>^</sup>	-*	0.0000002
Net assets attributable to unitholders for issuing/redeeming per unit	<b>0.009689</b>	0.0104565

<sup>^</sup> The net asset value for the purposes of processing unit subscription and redemption was established in accordance with the methodology indicated in the Fund's Prospectus. This item reflects the movement in net asset value between the last dealing date and the end of reporting period due to accrual of operating expenses.

\* Effect is less than 0.000001

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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#### 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 investment objective is to provide capital appreciation over the medium to long term. The Fund invests primarily in equities of companies which are principally involved in the development, production and/or distribution of health care products and services in Asia (excluding Japan) or are otherwise related to health care in Asia (excluding Japan).

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

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

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

The Fund's investment is substantially dependent on the changes of market prices. The Fund's overall market positions are monitored regularly so as to assess any 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's market price risk is managed through diversification of the investment portfolio across various geographies globally.

The Fund is actively managed and uses the MSCI AC Asia ex Japan Health Care Index (the "Benchmark") as a benchmark for performance comparison purposes only. There are no restrictions on the extent to which the Fund's portfolio and performance may deviate from the Benchmark.

As at 31 December 2023, an increase/decrease of the index component within the Benchmark by 18% (2022: 21%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 16% (2022: 19%). 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.

## **NIKKO AM ASIA HEALTHCARE FUND**

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

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

*For the financial year ended 31 December 2023*

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

##### **(b) Market risk - Interest rate risk (continued)**

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 ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

#### 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 2023	JPY S\$	SGD S\$	HKD S\$	INR S\$	CNY S\$	KRW S\$	USD S\$	Others S\$	Total S\$
<b>Assets</b>									
Portfolio of investments	-	-	21,819,248	11,497,834	8,663,331	13,338,600	-	2,266,935	57,585,948
Sales awaiting settlement	-	-	-	-	-	191,833	-	-	191,833
Receivables	-	-	-	-	-	11,372	-	-	11,372
Cash and cash equivalents	446,873	67,549	129	-	1	-	787,199	-	1,301,751
<b>Total assets</b>	<b>446,873</b>	<b>67,549</b>	<b>21,819,377</b>	<b>11,497,834</b>	<b>8,663,332</b>	<b>13,541,805</b>	<b>787,199</b>	<b>2,266,935</b>	<b>59,090,904</b>
<b>Liabilities</b>									
Payables	-	219,766	-	-	-	-	-	-	219,766
<b>Total liabilities</b>	<b>-</b>	<b>219,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>219,766</b>
<b>Net currency exposure</b>	<b>446,873</b>	<b>(152,217)</b>	<b>21,819,377</b>	<b>11,497,834</b>	<b>8,663,332</b>	<b>13,541,805</b>	<b>787,199</b>	<b>2,266,935</b>	
<b>As at 31 December 2022</b>									
	JPY S\$	SGD S\$	HKD S\$	INR S\$	CNY S\$	KRW S\$	USD S\$	Others S\$	Total S\$
<b>Assets</b>									
Portfolio of investments	-	-	32,692,565	8,426,231	8,330,364	14,580,896	-	4,542,258	68,572,314
Sales awaiting settlement	-	-	257,559	-	-	-	-	-	257,559
Receivables	-	-	-	-	-	17,947	18	-	17,965
Cash and cash equivalents	486,873	25,070	14	-	-	-	4,041,321	-	4,553,278
<b>Total assets</b>	<b>486,873</b>	<b>25,070</b>	<b>32,950,138</b>	<b>8,426,231</b>	<b>8,330,364</b>	<b>14,598,843</b>	<b>4,041,339</b>	<b>4,542,258</b>	<b>73,401,116</b>
<b>Liabilities</b>									
Payables	-	165,315	-	-	-	-	-	-	165,315
<b>Total liabilities</b>	<b>-</b>	<b>165,315</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>165,315</b>
<b>Net currency exposure</b>	<b>486,873</b>	<b>(140,245)</b>	<b>32,950,138</b>	<b>8,426,231</b>	<b>8,330,364</b>	<b>14,598,843</b>	<b>4,041,339</b>	<b>4,542,258</b>	

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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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, which include listed equities, as part of the price risk sensitivity analysis.

As of 31 December 2023 and 2022, 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 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 2023 and 2022, 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>2023</b>	<b>2022</b>
	<b>S\$</b>	<b>S\$</b>
Payables	<b>219,766</b>	165,315
<b>Contractual cash outflows</b>	<b>219,766</b>	<b>165,315</b>

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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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 2023 and 2022, 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 custodian in which the Fund's assets are held as at 31 December 2023 and 2022.

	<b>Credit rating as at 31 December 2023</b>	Credit rating as at 31 December 2022	<b>Source of credit rating</b>
<b>Bank and custodian</b>			
- BNP Paribas, acting through its Singapore Branch	<b>Aa3</b>	Aa3	Moody's

The credit ratings are based on Local Long-Term Bank Deposits published by the rating agency.

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

##### (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 ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

#### 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 2023 and 2022:

As at 31 December 2023	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
<b>Assets</b>				
Portfolio of investments:				
- Quoted equities	57,585,948	-	-	57,585,948
- Unquoted equity	-	-	-	-
	<u>57,585,948</u>	<u>-</u>	<u>-</u>	<u>57,585,948</u>
<b>As at 31 December 2022</b>	<b>Level 1 S\$</b>	<b>Level 2 S\$</b>	<b>Level 3 S\$</b>	<b>Total S\$</b>
<b>Assets</b>				
Portfolio of investments:				
- Quoted equities	68,572,314	-	-	68,572,314
- Unquoted equity	-	-	-	-
	<u>68,572,314</u>	<u>-</u>	<u>-</u>	<u>68,572,314</u>

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

The assets and liabilities included in the Statement of Financial Position except portfolio of investments are carried at amortised cost; their carrying values are reasonable approximation of fair value.

There is no transfer in or out of Level 3 instruments for the financial year ended 31 December 2023 and 2022.

Investments classified within Level 3 have significant unobservable inputs as there are no readily available quoted market prices. As of 31 December 2023 and 2022, investment classified as Level 3 consists of 1 equity security for China Animal Healthcare Limited (the "Company"), which was suspended from trading on the relevant exchanges on 30 March 2015 due to delay in publication of its annual results for financial year ended 31 December 2014 as a result of unresolved audit matters. Given the lack of information and prolonged suspension, the Manager had deemed it prudent to write down the fair value of this security to zero value since the financial year ended 31 December 2016 and was classified as an Unquoted equity. On 30 January 2020, the listing of the shares of the Company has been cancelled on the Stock Exchange of Hong Kong Limited.

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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

	2023 S\$	2022 S\$
Bank balances held with related party of the Trustee	<u>1,301,751</u>	<u>4,553,278</u>

#### 9. Financial ratios

##### Expense ratio

		2023	2022
<b><u>JPY Class</u></b>			
Total operating expenses	S\$	558,860	628,915
Average daily net asset value	S\$	65,282,965	77,262,536
<b>Total expense ratio<sup>1</sup></b>	<b>%</b>	<b><u>0.86</u></b>	<b><u>0.81</u></b>

##### Turnover ratio

		2023	2022
Lower of total value of purchases or sales	S\$	18,499,394	31,719,922
Average daily net asset value	S\$	65,282,965	77,262,536
<b>Total turnover ratio<sup>2</sup></b>	<b>%</b>	<b><u>28.34</u></b>	<b><u>41.05</u></b>

<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 ASIA HEALTHCARE FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2023

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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 15 to 18.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 largest holdings at 31 December 2023

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Celltrion Incorporated	5,681,498	9.65
Sun Pharmaceutical Industries Limited	4,993,386	8.48
Samsung Biologics Company Limited	4,932,814	8.38
CSPC Pharmaceutical Group Limited	3,593,058	6.10
Innovent Biologics Incorporated	3,372,566	5.73
WuXi Biologics Cayman Incorporated	3,077,706	5.23
Jiangsu Hengrui Pharmaceuticals Company Limited	2,366,349	4.02
Shenzhen Mindray Bio-Medical Electronics Company Limited	2,142,595	3.64
HUTCHMED China Limited	1,813,263	3.08
China Medical System Holdings Limited	1,781,552	3.03

##### 10 largest holdings at 31 December 2022

	Fair value S\$	Percentage of total net assets attributable to unitholders %
WuXi Biologics Cayman Incorporated	6,931,829	9.47
Celltrion Incorporated	5,769,974	7.88
Samsung Biologics Company Limited	4,895,646	6.68
BeiGene Limited	4,593,732	6.27
CSPC Pharmaceutical Group Limited	4,128,173	5.64
Sun Pharmaceutical Industries Limited	4,052,957	5.53
Bangkok Dusit Medical Services Public Company Limited	3,365,840	4.60
Innovent Biologics Incorporated	2,993,450	4.09
Shenzhen Mindray Bio-Medical Electronics Company Limited	2,437,751	3.33
WuXi AppTec Company Limited – Class H	2,432,679	3.32

#### 4. Exposure to financial derivatives

Nil.

## NIKKO AM ASIA HEALTHCARE FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2023

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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**

Nil.

**9. Borrowings**

Nil.

**10. Amount of units created and cancelled for the financial year ended 31 December 2023**

**S\$**

Units created

-

Units cancelled

(9,370,651)

**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 30.

**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.





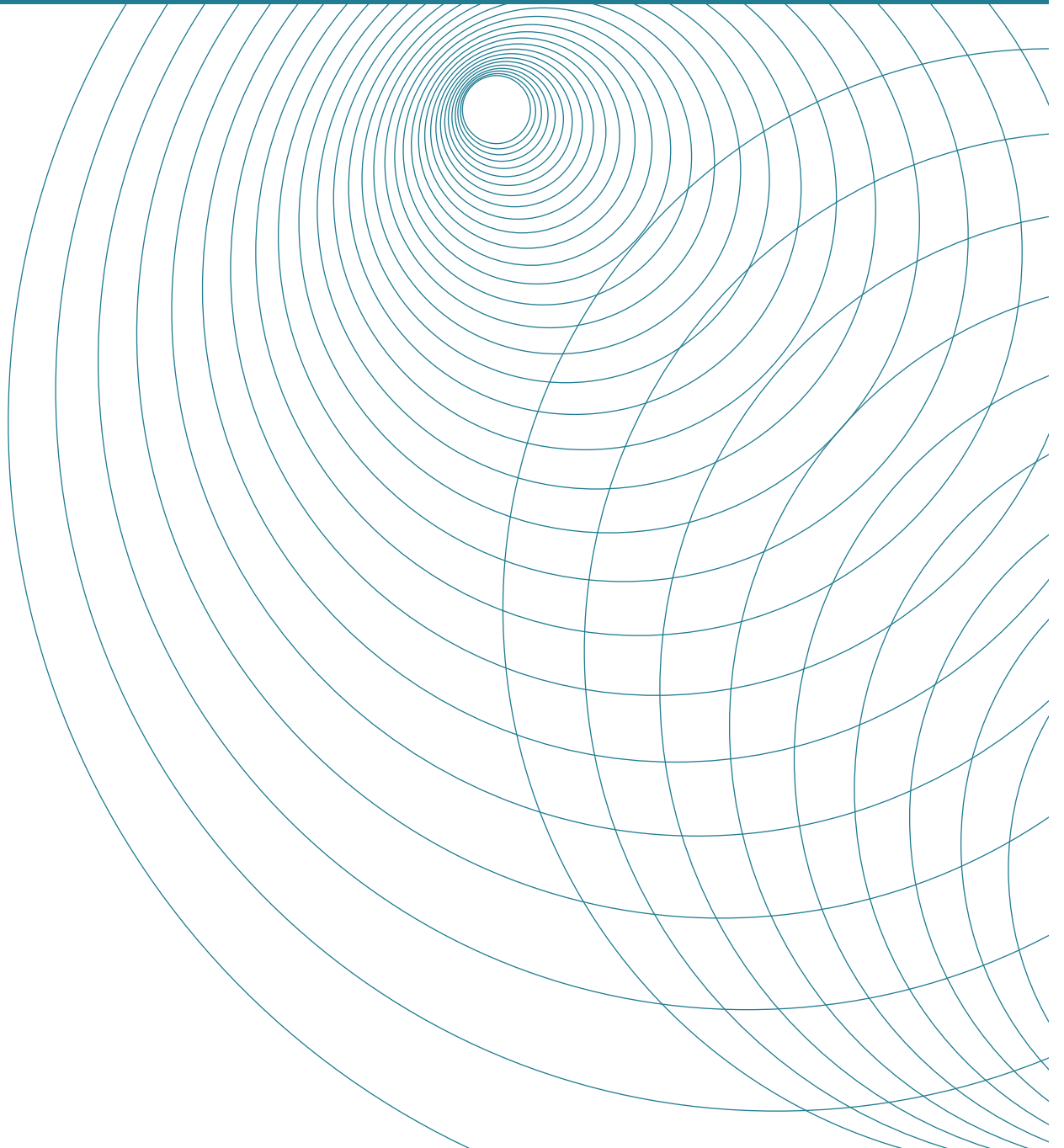
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# **SEMI-ANNUAL REPORT**

## **Nikko AM Asia Healthcare Fund**

**Financial period ending 30 June 2023**

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**MANAGERS**

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

**DIRECTORS OF THE MANAGERS**

Kiyotaka Ryu  
Seet Oon Hui Eleanor

**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, acting through its Singapore Branch  
20 Collyer Quay, #01-01  
Singapore 049319

## PERFORMANCE SUMMARY

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<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Asia Healthcare Fund - JPY Class	0.54	-3.44	-6.24	-0.41	1.99	N/A	0.02
MSCI AC Asia ex Japan Health Care Index	3.15	-1.39	-7.25	-3.66	-1.68	N/A	1.59

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 30 June 2023. Returns are calculated on a NAV-NAV basis, JPY, 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 Asia Healthcare Fund - JPY Class	-4.49	-8.27	-10.93	-2.10	0.95	N/A	-0.58
MSCI AC Asia ex Japan Health Care Index	3.15	-1.39	-7.25	-3.66	-1.68	N/A	1.59

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 30 June 2023. Returns are calculated on a NAV-NAV basis, JPY, 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. Currently, there is no sales charge for JPY Class.

### **Inception date: 16 January 2015**

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

### **Portfolio Review**

#### ***The Fund returned -3.44% in the first half of 2023 (1H23)***

For the six-month period ended 30 June 2023, the Nikko AM Asia Healthcare Fund (the "Fund") returned -3.44% (JPY terms, on a NAV-NAV basis), whereas the MSCI AC Asia ex Japan Health Care Index returned -1.39%.

Our allocation to India, South Korea and Thailand contributed positively to performance over the review period. India was the most positive contributor to absolute return for the period. Lower-quality Indian healthcare companies outperformed as the pause on interest rate hikes by the Reserve Bank of India (RBI) brought relief. South Korea was the second most significant positive contributor due to the outperformance of aesthetic medical device related sector due to an increase in demand for aesthetic procedures and new product launches in key markets. One of our portfolio companies in this sector,



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Jeisys Medical Inc, rose more than 20% on the back of better-than-expected earnings report and news of a private equity buyout of its peer at a premium valuation. Thailand also contributed positively as Thai hospitals continue to see higher-than-expected patient flows. We note more patients seeking higher-intensity medical treatment, which translates to higher average revenues per operating bed. In China, strength in pharmaceuticals and distributors as well as more domestic-focused biotechnology (biotech) companies were offset by weaker performance in Chinese contract services organisations (CXOs) and more international-focused biotech companies on the gloomy outlook for biotech funding environment as well as geopolitical tensions. (A CXO refers to a company that provides contract outsourced services for the biopharmaceutical industry.)

## **Market Review**

### ***Asian healthcare sector lags the broader Asia ex Japan markets in 1H23***

Asian equities and Asian healthcare stocks made a strong start to 2023, supported by a rebound in investor sentiment towards Chinese equities due to policy pivots in areas including COVID-19, housing and internet regulation. Travel and consumption spending surged over the first Lunar New Year holiday since the country emerged from its zero-COVID slumber. Initial jitters of reopening also eased after preliminary signs suggested that the virus outbreak could peak quickly in several cities.

However, the enthusiasm began to fade and gains started unravelling in February as hotter-than-expected economic releases in the US, including data on labour market and consumer spending, led investors to shift their expectations on inflation and monetary policy. Rising diplomatic tensions with the US, after the uproar over an alleged spy balloon which was eventually shot down by the US military, did nothing to ease market concerns. Adding fuel to fire, the shocking collapse of three US banks, major lenders to the technology sector and cryptocurrency, and the subsequent downfall of Credit Suisse, which was later acquired by UBS, rattled global financial markets. Although swift action from US regulators calmed nerves and brought some respite, Asian healthcare markets retreated, especially in China where CXOs were hit hard as investors feared their biotech clients would face funding woes post the banking collapses and amid generally poor funding conditions given tightening liquidity. Growing concerns over the uneven pace of the economic recovery in the world's second largest economy, as well as persistent US-China tensions also weighed down Chinese equity markets.

For the period under review, the Asian healthcare markets lagged the broader Asia ex Japan markets. India was the best performing healthcare market. Lower quality Indian pharmaceutical companies outperformed as the pause on rate hikes by the RBI brought relief to the market. Thailand's healthcare markets treaded water as investors weighed stretched valuations against another stellar set of robust earnings on higher-than-expected patient flows and higher revenue intensity per patient. South Korean healthcare markets also traded sideways, ending the period with a flat performance as key catalysts for the year were mostly backend loaded. In the Chinese healthcare markets, the rally that began in late 2022 lost steam, making China the worst performing healthcare market in 1H23.

## **Market Outlook & Strategy**

### ***Fundamental thesis for investing in Asian healthcare remains solid***

As the developed world continues to struggle with inflation and a lack of growth, Asia stands out as the bright spot, with inflation well in check and monetary cycles peaking ahead of the West. Growth in Asia should outperform the West over the next few years, reversing a decade-long trend of developed world growth outperformance. Consumption is also expected to grow structurally on the back of a burgeoning middle class and large savings pool. Innovation in healthcare will continue to give rise to a large pool of high-quality companies with high sustainable returns and positive fundamental changes. Cheaper valuations now mean these companies are more attractive than ever.

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It is becoming evident that the economic recovery in China is going to be more gradual than the market had expected. In contrast to the pandemic recovery in the US, Chinese consumers did not benefit from a fiscal wealth transfer, and the country is still in the midst of moderating excesses in the property and financial markets. Cognisant of the inflationary consequences of the aggressive fiscal policy in the US, the Chinese government is adopting a policy approach characterised by pro-business pragmatism but is determined not to repeat the same mistakes and prefer to think long term. While this approach is positive for the long-term sustainability of the economy, the trade-off is a weaker near-term recovery. What is certain, however, is that Chinese consumers will play a much more important role within the economy, as the country rebalances towards consumption. China is the world's second largest pharmaceutical market. We expect China's pharmaceutical market to grow twice faster than its GDP over the next five years, driven by its growing aging population and rising health expenditure. The sector's risk-reward profile has turned attractive, policy has turned supportive, earnings will recover from a low base and risk sentiment can rebound as the US Federal Reserve reaches the end of its tightening cycle. As we mentioned in our last report, we expect China to become a key driver of regional growth towards the second half of 2023. We maintain our overweight position in China.

In South Korea, we await the two major drivers highlighted in our previous report. Firstly, South Korean biologic contract manufacturing organisations (CMOs) will continue to see secular growth driven by the likely imminent approval of Alzheimer's drugs which require large antibody manufacturing capacity, as well as the US' goal to reduce reliance on Chinese biomanufacturing. Secondly, 2023 will see the launch of HUMIRA biosimilars (HUMIRA sales in the US hit \$17 billion in 2021). South Korean biosimilar companies are expected to roll out HUMIRA biosimilars in July 2023. We maintain our overweight position in South Korea.

In India, we see few drivers or catalysts for Indian pharmaceutical companies, but we are becoming more positive on Indian hospitals, driven by structural domestic demand. At 15 beds per 10,000 people, India ranks among the lowest in the world. The situation is similar in Indonesia, where the ratio is even lower at 12 beds per 10,000 people. But it is not just about the lack of hospital beds, it is also about human resources. For a long time, the availability of specialist doctors was the key bottleneck for hospital expansion in Indonesia. We are closely monitoring the implementation of a national transformation plan as well as the omnibus health bill which if passed, could result in significant positive fundamental change for the Indonesian healthcare space. On the other hand, we have taken profit from Thai hospitals and moved to an underweight position as we believe Thai hospitals as a reopening play post COVID has played out.

Longer term, we believe that the fundamental thesis for investing in Asian healthcare remains solid. Over the past five years, we have witnessed tremendous market expansion: Healthcare reforms towards medical innovation have deepened in markets such as China and South Korea, resulting in the emergence of new subsectors, for example, biotech, contract development and manufacturing organisations or CDMOs/CMOs/contract research organisations or CROs and internet healthcare, all of which greatly enhance the opportunities for investing in Asian healthcare. We believe the evolution of Asian healthcare holds much potential for higher returns for investors. We urge investors to take the opportunity of any correction to buy into this structural growth sector.

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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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Where relevant – for funds included under CPFIS) 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 ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial period from 01 January 2023 to 30 June 2023 (unaudited)*

	30 June 2023	30 June 2022
	S\$	S\$
<b>Income</b>		
Dividends	364,169	398,405
Interest on cash and cash equivalents	56,286	1,398
	<u>420,455</u>	<u>399,803</u>
<b>Less: Expenses</b>		
Management fee	200,464	235,938
Transfer agent fee	1,246	1,233
Trustee fee	9,325	10,955
Custody fee	12,188	15,002
Audit fee	14,939	14,645
Valuation fee	12,433	14,607
Transaction costs	58,042	142,035
Other expenses	30,136	21,707
	<u>338,773</u>	<u>456,122</u>
<b>Net income/loss</b>	<u>81,682</u>	<u>(56,319)</u>
<b>Net gains or losses on value of investments</b>		
Net losses on investments	(7,553,094)	(14,738,959)
Net foreign exchange losses	(83,058)	(14,625)
	<u>(7,636,152)</u>	<u>(14,753,584)</u>
<b>Total (deficit) for the financial period before income tax</b>	<u>(7,554,470)</u>	<u>(14,809,903)</u>
<b>Less: Income tax</b>	<u>(32,559)</u>	<u>(38,629)</u>
<b>Total (deficit) for the financial period after income tax</b>	<u>(7,587,029)</u>	<u>(14,848,532)</u>

**NIKKO AM ASIA HEALTHCARE FUND**

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

**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2023 (unaudited)

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	30 June 2023	31 December 2022
	S\$	S\$
<b>ASSETS</b>		
Portfolio of investments	58,506,375	68,572,314
Sales awaiting settlement	-	257,559
Receivables	69,536	17,965
Cash and cash equivalents	3,496,021	4,553,278
<b>Total assets</b>	<b>62,071,932</b>	<b>73,401,116</b>
<b>LIABILITIES</b>		
Payables	165,364	165,315
Purchases awaiting settlement	673,413	-
<b>Total liabilities</b>	<b>838,777</b>	<b>165,315</b>
<b>EQUITY</b>		
Net assets attributable to unitholders	<b>61,233,155</b>	<b>73,235,801</b>

**NIKKO AM ASIA HEALTHCARE 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 2023 to 30 June 2023 (unaudited)*

	<b>30 June 2023</b>	31 December 2022
	<b>S\$</b>	S\$
<b>Net assets attributable to unitholders at the beginning of the financial period/year</b>	<b>73,235,801</b>	98,280,636
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>(7,587,029)</b>	(17,744,578)
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	-	-
Cancellation of units	<b>(4,415,617)</b>	(7,300,257)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>(4,415,617)</b>	(7,300,257)
Total decreases in net assets attributable to unitholders	<b>(12,002,646)</b>	(25,044,835)
<b>Net assets attributable to unitholders at the end of the financial period/year</b>	<b>61,233,155</b>	73,235,801

**NIKKO AM ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2023 (unaudited)***By Geography (Primary)**

	Holdings at 30 June 2023	Fair value at 30 June 2023 S\$	Percentage of total net assets attributable to unitholders at 30 June 2023 %
<b>Quoted Equities</b>			
<b>CHINA</b>			
CanSino Biologics Incorporated	86,800	391,989	0.64
ClouDr Group Limited	255,000	343,052	0.56
CSPC Pharmaceutical Group Limited	2,929,680	3,445,481	5.63
Hangzhou Tigermed Consulting Company Limited	70,394	845,187	1.38
Huadong Medicine Company Limited	162,561	1,311,577	2.14
Innovent Biologics Incorporated	467,000	2,387,213	3.90
JD Health International Incorporated	137,350	1,172,945	1.92
Jiangsu Hengrui Pharmaceuticals Company Limited	282,417	2,516,601	4.11
Jinxin Fertility Group Limited	731,500	522,995	0.85
RemeGen Company Limited	105,000	621,058	1.01
Shanghai MicroPort MedBot Group Company Limited	167,000	700,818	1.14
Shenzhen Mindray Bio-Medical Electronics Company Limited	39,800	2,219,743	3.63
Sinopharm Group Company Limited	420,000	1,777,043	2.90
Tofflon Science & Technology Group Company Limited	150,200	635,681	1.04
WuXi AppTec Company Limited - Class A	44,300	513,511	0.84
WuXi AppTec Company Limited – Class H	146,400	1,580,170	2.58
WuXi Biologics Cayman Incorporated	789,500	5,119,702	8.36
<b>Total CHINA</b>		<b>26,104,766</b>	<b>42.63</b>
<b>HONG KONG SAR</b>			
China Medical System Holdings Limited	762,000	1,679,145	2.74
HUTCHMED China Limited	374,000	1,191,009	1.95
Sino Biopharmaceutical Limited	899,750	529,857	0.87
<b>Total HONG KONG SAR</b>		<b>3,400,011</b>	<b>5.56</b>
<b>INDIA</b>			
Divi's Laboratories Limited	18,114	1,071,737	1.75
Dr Reddy's Laboratories Limited	29,344	2,491,904	4.07
Krishna Institute of Medical Sciences Limited	10,674	314,493	0.51
Rainbow Children's Medicare Limited	19,444	309,539	0.51
Sun Pharmaceutical Industries Limited	250,000	4,325,286	7.06
Torrent Pharmaceuticals Limited	24,400	766,790	1.25
<b>Total INDIA</b>		<b>9,279,749</b>	<b>15.15</b>
<b>INDONESIA</b>			
Kalbe Farma TBK PT	5,283,100	977,636	1.60
<b>Total INDONESIA</b>		<b>977,636</b>	<b>1.60</b>
<b>SOUTH KOREA</b>			
Celltrion Incorporated	33,894	5,322,785	8.69
Jeisys Medical Incorporated	100,840	1,071,968	1.75
Samsung Biologics Company Limited	6,002	4,586,459	7.49
ST Pharm Company Limited	12,159	960,357	1.57
Yuhan Corporation	26,107	1,619,581	2.65
<b>Total SOUTH KOREA</b>		<b>13,561,150</b>	<b>22.15</b>
<b>THAILAND</b>			
Bangkok Dusit Medical Services Public Company Limited	1,153,000	1,221,303	1.99
<b>Total THAILAND</b>		<b>1,221,303</b>	<b>1.99</b>

**NIKKO AM ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2023 (unaudited)***By Geography (Primary) (continued)**

	<b>Holdings at 30 June 2023</b>	<b>Fair value at 30 June 2023 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2023 %</b>
<b>Quoted Equities (continued)</b>			
<b>UNITED STATES OF AMERICA</b>			
BeiGene Limited	213,600	3,961,760	6.47
<b>Total UNITED STATES OF AMERICA</b>		<u>3,961,760</u>	<u>6.47</u>
<b>Unquoted Equities</b>			
<b>CHINA</b>			
China Animal Healthcare Limited	1,246,000	-	-
<b>Total CHINA</b>		<u>-</u>	<u>-</u>
<b>Total Unquoted Equities</b>		<u>-</u>	<u>-</u>
<b>Total Equities</b>		<u>58,506,375</u>	<u>95.55</u>
<b>Portfolio of investments</b>		58,506,375	95.55
<b>Other net assets</b>		2,726,780	4.45
<b>Net assets attributable to unitholders</b>		<u>61,233,155</u>	<u>100.00</u>



## NIKKO AM ASIA HEALTHCARE FUND

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

### STATEMENT OF PORTFOLIO

As at 30 June 2023 (unaudited)

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#### By Geography (Summary)

	Percentage of total net assets attributable to unitholders at 30 June 2023 %	Percentage of total net assets attributable to unitholders at 31 December 2022 %
<b>Quoted Equities</b>		
China	42.63	44.84
Hong Kong SAR	5.56	4.90
India	15.15	11.50
Indonesia	1.60	-
South Korea	22.15	19.91
Thailand	1.99	6.21
United States of America	6.47	6.27
<b>Total Quoted Equities</b>	<b>95.55</b>	<b>93.63</b>
<b>Portfolio of investments</b>	<b>95.55</b>	<b>93.63</b>
<b>Other net assets</b>	<b>4.45</b>	<b>6.37</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

**NIKKO AM ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2023 (unaudited)***By Industry (Secondary)**

	<b>Fair value at 30 June 2023 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2023 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2022 %</b>
Biotechnology	11,948,479	19.51	20.94
Commercial Services	845,187	1.38	2.20
Healthcare-Products	6,307,355	10.30	7.44
Healthcare-Services	9,924,765	16.21	19.94
Pharmaceuticals	28,307,644	46.23	39.49
Retail	1,172,945	1.92	3.62
<b>Portfolio of investments</b>	<b>58,506,375</b>	<b>95.55</b>	<b>93.63</b>
<b>Other net assets</b>	<b>2,726,780</b>	<b>4.45</b>	<b>6.37</b>
<b>Net assets attributable to unitholders</b>	<b>61,233,155</b>	<b>100.00</b>	<b>100.00</b>

## NIKKO AM ASIA HEALTHCARE FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2023 to 30 June 2023 (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 9 to 12.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 30 June 2023

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Celltrion Incorporated	5,322,785	8.69
WuXi Biologics Cayman Incorporated	5,119,702	8.36
Samsung Biologics Company Limited	4,586,459	7.49
Sun Pharmaceutical Industries Limited	4,325,286	7.06
Beigene Limited	3,961,760	6.47
CSPC Pharmaceutical Group Limited	3,445,481	5.63
Jiangsu Hengrui Pharmaceuticals Company Limited	2,516,601	4.11
Dr Reddy's Laboratories Limited	2,491,904	4.07
Innovent Biologics Incorporated	2,387,213	3.90
Shenzhen Mindray Bio-Medical Electronics Company Limited	2,219,743	3.63

##### 10 Largest holdings at 30 June 2022

	Fair value S\$	Percentage of total net assets attributable to unitholders %
WuXi Biologics Cayman Incorporated	7,315,737	9.14
Celltrion Incorporated	6,235,513	7.79
Samsung Biologics Company Limited	4,533,585	5.67
Sino Biopharmaceutical Limited	4,306,567	5.38
Bangkok Dusit Medical Services Public Company Limited	3,683,932	4.60
Sun Pharmaceutical Industries Limited	3,661,086	4.58
Innovent Biologics Incorporated	3,218,640	4.02
WuXi AppTec Company Limited – H shares	3,182,220	3.98
Hansoh Pharmaceutical Group Company Limited	2,640,746	3.30
Jiangsu Hengrui Medicine Company Limited	2,380,005	2.97

#### 4. Exposure to financial derivatives

Nil.

## NIKKO AM ASIA HEALTHCARE FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2023 to 30 June 2023 (unaudited)

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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

Nil.

#### 9. Borrowings

Nil.

#### 10. Amount of units created and cancelled for the financial period ended 30 June 2023

S\$

Units created	-
Units cancelled	(4,415,617)

#### 11. Turnover ratio

		30 June 2023	30 June 2022
Lower of total value of purchases or sales	S\$	8,408,192	21,342,699
Average daily net asset value	S\$	69,533,992	81,838,448
<b>Total turnover ratio<sup>1</sup></b>	%	<b>12.09</b>	<b>26.08</b>

#### 12. Expense ratio

		30 June 2023	30 June 2022
<b><u>JPY Class</u></b>			
Total operating expenses	S\$	595,325	773,580
Average daily net asset value	S\$	71,232,862	98,302,322
<b>Total expense ratio<sup>2</sup></b>	%	<b>0.84</b>	<b>0.79</b>

1 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.

2 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.

## NIKKO AM ASIA HEALTHCARE FUND

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

### REPORT TO UNITHOLDERS

For the financial period from 01 January 2023 to 30 June 2023 (unaudited)

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#### 13. Related party transactions

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

Management fee is payable to the Manager. Trustee fee is payable to the Trustee. Custody fee and valuation fee are payable to a related company of the Trustee, BNP Paribas acting through its Singapore Branch. Transfer agent fee is payable to BNP Paribas, acting through its Singapore Branch with effect from 1 April 2023.

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

	<b>30 June 2023</b>	31 December 2022
	<b>S\$</b>	S\$
Bank balances held with related party of the Trustee	<b><u>3,496,021</u></b>	<u>4,553,278</u>

#### 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.









# ANNUAL REPORT

For the financial year ended 31 December 2022

**Nikko AM**  
**Asia Healthcare Fund**



**MANAGERS**

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

**DIRECTORS OF THE MANAGERS**

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, operating through its Singapore Branch  
20 Collyer Quay, #01-01  
Singapore 049319

## PERFORMANCE SUMMARY

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<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM Asia Healthcare Fund - JPY Class	9.31	-2.90	-5.93	10.36	2.93	N/A	0.46
MSCI AC Asia ex Japan Health Care Index	4.95	-5.95	-12.63	6.01	-0.51	N/A	1.87

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2022. Returns are calculated on a NAV-NAV basis, JPY, 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 Asia Healthcare Fund - JPY Class	3.84	-7.75	-10.64	8.49	1.88	N/A	-0.18
MSCI AC Asia ex Japan Health Care Index	4.95	-5.95	-12.63	6.01	-0.51	N/A	1.87

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 31 December 2022. Returns are calculated on a NAV-NAV basis, JPY, 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. Currently, there is no sales charge for JPY Class.

### **Inception date: 16 January 2015**

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

### **Portfolio Review**

#### ***The Fund returned -5.93% in 2022***

For the 12-month period ended 31 December 2022, the Nikko AM Asia Healthcare Fund (the "Fund") returned -5.93% (JPY terms, on a NAV-NAV basis), outperforming the MSCI AC Asia ex Japan Health Care Index which returned -12.63%.

Our allocation to China, Thailand and South Korea contributed positively to performance over the review period. Our timely move to add to China healthcare at its lows in the second half of 2022 (2H22) enabled our China exposure to achieve a positive contribution for the year. Thailand was also a key positive contributor as Thai hospitals continued to see higher-than-expected patient volumes, bed utilisation and robust non-COVID revenues from both international and domestic patients. South Korea was another a significant positive contributor as the market turned hopeful in 2H22 over biosimilar companies' ability to gain market share in developed markets.

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## **Market Review**

### ***Asian healthcare sector fell in 2022***

In the first half of 2022 (1H22), Asian healthcare stocks declined sharply. Escalating Russia-Ukraine tensions culminated in a full invasion by Russia, resulting in a downturn in global financial markets. Lingering concerns over inflation also weighed on stocks, with the US Federal Reserve (Fed) and several Asian central banks hiking interest rates aggressively to curb rising consumer prices.

Regionally, the overall macro environment in 1H22 in China was weak, owing to the many lockdowns across key cities such as Shanghai and Beijing as China grappled with the outbreak of the Omicron variant. In addition, China's biotechnology and healthcare sectors sold off amid concerns over the prospect of worsening Sino-US relations. In South Korea, we saw a marked bifurcation of performance; whilst Korean pharmaceuticals and biologic contract manufacturing organisations (CMOs), such as Samsung Biologics, traded largely sideways, COVID-19 beneficiaries, such as vaccine developers and diagnostic companies, declined on the World Health Organisation's comment in early February that the "acute phase" of the pandemic could end by the middle of the year if 70% of the world is vaccinated. Many countries removed or eased COVID-19 pandemic-related restrictions, reassured by the comment. On that same note, Malaysian glovemakers extended their decline after reporting disappointing earnings due to a sharp decline in average selling prices and low-capacity utilisation levels as demand for rubber gloves collapsed. On a brighter note, Thai hospitals reported two quarters of higher-than-expected patient volumes, bed utilisation and robust non-COVID revenues from domestic patients, leading to strong top-line growth and improving margins that were ahead of consensus estimates. Initial signs of the rebound of international patients due to the easing of travel restrictions in Thailand lifted optimism as pent-up demand from the postponement of medical procedures and treatment from medical tourists in the coming quarters are expected to boost the industry.

In 2H22, two major themes dominated healthcare markets. First, fears of a probable recession and multi-decade high inflation data rippled through various economies. The Fed raised interest rates by the largest extent in 25 years, whilst preparing the market to expect aggressive interest rate hikes at future meetings. The tight US labour market kept up the pressure for more rate hikes and market uncertainty was further intensified as US GDP declined for two consecutive quarters, slipping into a technical recession. However, towards the year end, global markets found optimism that the Fed would slow its pace of monetary policy tightening going forward given October's lower-than-expected inflation print. The other closely watched event was China's 20th National Party Congress (NPC), where Chinese President Xi Jinping was granted a third term. President Xi reiterated a focus on "high quality development" and the need to bolster capability and innovation in areas critical to China's national interests, including biopharma. Post the NPC, Chinese markets saw a dramatic recovery, as the Chinese government made steps toward moving beyond its dynamic zero-COVID policy to a COVID-coexistence strategy. Chinese authorities announced two rounds of measures to implement COVID prevention measures, based on scientific principles, and removed unnecessary testing and lockdowns while shortening quarantine periods.

Adding to the positive momentum, Sino-US geopolitical tensions eased after US President Joe Biden and President Xi held their first in-person meeting at the G20 summit in Bali and pledged to keep channels of communication open between both sides. Given these developments, it was not surprising that China healthcare markets strongly outperformed in the last two months of the year, erasing part of the underperformance in 2022.

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Overall, Asian healthcare markets turned in marginal losses, outperforming the broader region. Thailand was the best performing market after Thai healthcare companies announced very robust earnings on faster-than-expected international patient traffic (some hospitals exceeding pre-COVID levels) as well as higher revenue intensity per patient, as borders reopened. The Indian healthcare markets also outperformed but to a lesser degree. The relative strength in Indian pharma as opposed to other markets is possibly explained by the relative outperformance of India in general (even though Indian pharma has underperformed the Indian market). Korean healthcare markets traded sideways. Headline news on the success of an experimental Alzheimer's drug in slowing cognitive decline in patients in September is likely to add to global demand for biologics manufacturing capacity, benefitting Samsung Biologic, a leading global biologic CMO with newly added capacity. Given the lack of therapeutic options, a new and effective Alzheimer's drug is expected to have blockbuster potential.

### **Market Outlook & Strategy**

#### ***Asian healthcare sector will see significant improvement in 2023***

Most economists expect Asia to lead global economic growth in 2023, whilst the US and Europe are likely to face recession. Slowing inflation as commodity prices flatline or decline and stabilising currencies should allow Asian central banks to stop hiking interest rates in early 2023. In fact, some Asian central banks have already started slowing the pace of rate hikes, suggesting we are likely headed towards the end of a tightening cycle. This setup bodes well for the outperformance of Asia as a region.

We have been watching for signs of a change in narrative regarding China's COVID policy post its 20th NPC. In November, we saw concrete signs suggesting a significant shift in its COVID policy, starting with the removal of unnecessary nucleic acid testing, a vaccination/booster campaign targeting the elderly and immunocompromised, various state-owned media outlets pushing back on fear of the virus, and eventually allowing the spread of infections starting with densely populated mega cities, such as Beijing, with limited lockdowns.

The policy direction to reopen is clear; what is uncertain is whether China can reopen safely without overwhelming its healthcare system. Already, there is pressure on the hospital system (infected healthcare workers are recalled for duty) and temporary medicine shortages in Beijing (fever, cough and cold medicines and Vitamin C), although so far, no unrest has been reported. We are concerned that lower-tier cities may be harder hit given poorer medical infrastructure and coinciding with the winter flu season. Despite these rapid changes in COVID policy, we believe reopening will likely take several quarters, pausing to "flatten the curve" as hospital capacity becomes stretched. We expect China to further ease border controls sometime towards the middle of next year or later. With the pivot away from the zero-COVID policy, and as reopening gets underway, we expect China to become a key driver of regional growth, especially towards the second half of 2023.

The Asian healthcare sector should maintain strong earnings growth in 2023. Whilst the ongoing infection wave is likely to impact hospitals' normal operations in the next two to three months, we expect to see a significant recovery in Chinese patient volumes after the infection wave, leading to higher surgeries, medical treatment (similar to what we saw in Thai hospitals in 2022) as well as resumption of clinical trials. We maintain our overweight position in China.

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South Korean healthcare will see two major drivers in 2023. Firstly, Korean biologic CMOs will continue to see secular growth driven by the approval of Alzheimer's drugs, which require large antibody manufacturing capacity, as well as the US' goal to reduce reliance on Chinese biomanufacturing. Secondly, 2023 will see the launch of HUMIRA biosimilars (HUMIRA sales in the US hit USD 21 billion in 2022). Korean biosimilar companies are expected to roll out HUMIRA biosimilars in July 2023. We have a slight overweight position in Korea.

Our overweight positions in China and Korea are funded by underweights in India and ASEAN where we see few catalysts for growth in 2023.

The Asian healthcare sector has seen much volatility over the past three years, following the pandemic. However, we believe the sector will see significant improvement heading into 2023, underpinned by long-term structural drivers, such as an ageing population accompanied with the prevalence of chronic diseases, the rise of healthcare innovation in Asia and the defensive nature of healthcare.

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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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(Where relevant – for funds included under CPFIS) 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 only be offered to professional investors in Hong Kong and is not authorised by the Securities and Futures Commission. 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 ASIA HEALTHCARE FUND**

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

### **REPORT OF THE TRUSTEE**

*For the financial year ended 31 December 2022*

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The Trustee is under a duty to take into custody and hold the assets of Nikko AM Asia Healthcare 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 12 to 29, 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 2023

## **NIKKO AM ASIA HEALTHCARE FUND**

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

### **STATEMENT BY THE MANAGER**

*For the financial year ended 31 December 2022*

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In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 12 to 29, 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 Asia Healthcare Fund (the "Fund") as at 31 December 2022, 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 2023

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

**Our Opinion**

In our opinion, the accompanying financial statements of Nikko AM Asia Healthcare 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 2022, 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 2022;
- the Statement of Financial Position as at 31 December 2022;
- the Statement of Movements of Unitholders' Funds for the financial year ended 31 December 2022;
- the Statement of Portfolio as at 31 December 2022; 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 ASIA HEALTHCARE 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 ASIA HEALTHCARE 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 2023

**NIKKO AM ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2022*

	Note	2022 S\$	2021 S\$
<b>Income</b>			
Dividends		646,190	898,754
Interest on cash and cash equivalents		36,337	-
		<u>682,527</u>	<u>898,754</u>
<b>Less: Expenses</b>			
Management fee		449,404	754,445
Registrar fee		2,462	2,760
Trustee fee		20,877	35,077
Custody fee		28,231	47,442
Audit fee		28,559	28,452
Valuation fee		27,836	46,770
Transaction costs		225,645	434,144
Other expenses		72,559	82,052
		<u>855,573</u>	<u>1,431,142</u>
<b>Net losses</b>		<u>(173,046)</u>	<u>(532,388)</u>
<b>Net gains or losses on value of investments</b>			
Net losses on investments		(17,369,193)	(19,333,913)
Net foreign exchange losses		(144,399)	(121,668)
		<u>(17,513,592)</u>	<u>(19,455,581)</u>
<b>Total deficit for the financial year before income tax</b>		<u>(17,686,638)</u>	<u>(19,987,969)</u>
<b>Less: Income tax</b>	3	<u>(57,940)</u>	<u>(103,192)</u>
<b>Total deficit for the financial year after income tax</b>		<u>(17,744,578)</u>	<u>(20,091,161)</u>

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

**NIKKO AM ASIA HEALTHCARE FUND**

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

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

	Note	2022 S\$	2021 S\$
<b>ASSETS</b>			
Portfolio of investments		68,572,314	94,772,128
Sales awaiting settlement		257,559	-
Receivables	4	17,965	57,143
Cash and cash equivalents		4,553,278	3,672,497
<b>Total assets</b>		<b>73,401,116</b>	<b>98,501,768</b>
<b>LIABILITIES</b>			
Payables	5	165,315	221,132
<b>Total liabilities</b>		<b>165,315</b>	<b>221,132</b>
<b>EQUITY</b>			
Net assets attributable to unitholders	6	73,235,801	98,280,636

The accompanying notes form an integral part of these financial statements

**NIKKO AM ASIA HEALTHCARE 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 2022*

	Note	2022 S\$	2021 S\$
<b>Net assets attributable to unitholders at the beginning of the financial year</b>		<b>98,280,636</b>	163,663,018
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		<b>(17,744,578)</b>	(20,091,161)
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		-	-
Cancellation of units		<b>(7,300,257)</b>	(45,291,221)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		<b>(7,300,257)</b>	(45,291,221)
Total decreases in net assets attributable to unitholders		<b>(25,044,835)</b>	(65,382,382)
<b>Net assets attributable to unitholders at the end of the financial year</b>	6	<b>73,235,801</b>	98,280,636

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



**NIKKO AM ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2022***By Geography (Primary)**

	Holdings at 31 December 2022	Fair value at 31 December 2022 S\$	Percentage of total net assets attributable to unitholders at 31 December 2022 %
<b>Quoted Equities</b>			
<b>CHINA</b>			
CanSino Biologics Incorporated	35,800	410,637	0.56
China Medical System Holdings Limited	762,000	1,607,967	2.19
CSPC Pharmaceutical Group Limited	2,929,680	4,128,173	5.64
Hangzhou Tigermed Consulting Company Limited	79,394	1,612,907	2.20
Hansoh Pharmaceutical Group Company Limited	592,000	1,509,661	2.06
Huadong Medicine Company Limited	162,561	1,474,765	2.01
Innovent Biologics Incorporated	520,000	2,993,450	4.09
JD Health International Incorporated	137,350	1,684,017	2.30
Jiangsu Hengrui Pharmaceuticals Company Limited	282,417	2,109,358	2.88
RemeGen Company Limited	103,000	1,024,801	1.40
Shenzhen Mindray Bio-Medical Electronics Company Limited	39,800	2,437,751	3.33
Sinopharm Group Company Limited	524,000	1,786,474	2.44
WuXi AppTec Company Limited – Class A	44,300	695,583	0.95
WuXi AppTec Company Limited – Class H	171,700	2,432,679	3.32
WuXi Biologics Cayman Incorporated	674,000	6,931,829	9.47
<b>Total CHINA</b>		<b>32,840,052</b>	<b>44.84</b>
<b>HONG KONG SAR</b>			
Alibaba Health Information Technology Limited	846,000	966,754	1.32
HUTCHMED China Limited	344,000	1,418,710	1.94
Sino Biopharmaceutical Limited	1,532,750	1,203,681	1.64
<b>Total HONG KONG SAR</b>		<b>3,589,145</b>	<b>4.90</b>
<b>INDIA</b>			
Alkem Laboratories Limited	14,044	682,354	0.93
Cipla Limited	60,854	1,061,631	1.45
Dr Reddy's Laboratories Limited	29,344	2,016,553	2.75
Sun Pharmaceutical Industries Limited	250,000	4,052,957	5.53
Torrent Pharmaceuticals Limited	24,400	612,736	0.84
<b>Total INDIA</b>		<b>8,426,231</b>	<b>11.50</b>
<b>SOUTH KOREA</b>			
Celltrion Incorporated	33,894	5,769,974	7.88
Jeisys Medical Incorporated	155,210	1,402,605	1.92
Samsung Biologics Company Limited	5,622	4,895,646	6.68
ST Pharm Company Limited	9,996	928,766	1.27
Yuhan Corporation	26,107	1,583,905	2.16
<b>Total SOUTH KOREA</b>		<b>14,580,896</b>	<b>19.91</b>
<b>THAILAND</b>			
Bangkok Dusit Medical Services Public Company Limited	2,997,200	3,365,840	4.60
Bumrungrad Hospital Public Company Limited	143,300	1,176,418	1.61
<b>Total THAILAND</b>		<b>4,542,258</b>	<b>6.21</b>

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

**NIKKO AM ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2022***By Geography (Primary) (continued)**

	Holdings at 31 December 2022	Fair value at 31 December 2022 S\$	Percentage of total net assets attributable to unitholders at 31 December 2022 %
<b>Quoted Equities (continued)</b>			
<b>UNITED STATES OF AMERICA</b>			
BeiGene Limited	199,200	4,593,732	6.27
<b>Total UNITED STATES OF AMERICA</b>		<u>4,593,732</u>	<u>6.27</u>
<b>Unquoted Equities</b>			
<b>CHINA</b>			
China Animal Healthcare Limited	1,246,000	-	-
<b>Total CHINA</b>		<u>-</u>	<u>-</u>
<b>Total Unquoted Equities</b>		<u>-</u>	<u>-</u>
<b>Total</b>		<u>68,572,314</u>	<u>93.63</u>
<b>Portfolio of investments</b>		68,572,314	93.63
<b>Other net assets</b>		4,663,487	6.37
<b>Net assets attributable to unitholders</b>		<u>73,235,801</u>	<u>100.00</u>

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

## NIKKO AM ASIA HEALTHCARE FUND

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

### STATEMENT OF PORTFOLIO

As at 31 December 2022

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#### By Geography (Summary)

	Percentage of total net assets attributable to unitholders at 31 December 2022 %	Percentage of total net assets attributable to unitholders at 31 December 2021 %
<b>Quoted Equities</b>		
China	44.84	41.83
Hong Kong SAR	4.90	11.52
India	11.50	14.82
Singapore	-	1.45
South Korea	19.91	19.34
Thailand	6.21	7.47
United States of America	6.27	-
<b>Total Quoted Equities</b>	<b>93.63</b>	<b>96.43</b>
<b>Portfolio of investments</b>	<b>93.63</b>	<b>96.43</b>
<b>Other net assets</b>	<b>6.37</b>	<b>3.57</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

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The accompanying notes form an integral part of these financial statements

**NIKKO AM ASIA HEALTHCARE FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2022*

<b>By Industry (Secondary)</b>	<b>Fair value at 31 December 2022 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2022 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2021 %</b>
Biotechnology	15,336,976	20.94	24.33
Commercial Services	1,612,907	2.20	1.00
Healthcare-Products	5,448,323	7.44	7.01
Healthcare-Services	14,602,349	19.94	24.70
Pharmaceuticals	28,920,988	39.49	35.82
Retail	2,650,771	3.62	3.57
<b>Portfolio of investments</b>	<b>68,572,314</b>	<b>93.63</b>	<b>96.43</b>
<b>Other net assets</b>	<b>4,663,487</b>	<b>6.37</b>	<b>3.57</b>
<b>Net assets attributable to unitholders</b>	<b>73,235,801</b>	<b>100.00</b>	<b>100.00</b>

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

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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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 Asia Healthcare Fund (the "Fund") is a Singapore domiciled fund, constituted by a Trust Deed dated 12 January 2015 as amended by Supplemental 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").

There are five classes of units established within the Fund, namely the SGD Class A (denominated in SGD), the United States Dollar ("USD") Class A (denominated in USD), the USD Class B (denominated in USD), the Renminbi ("RMB") Class A (denominated in RMB) and the Japanese Yen ("JPY") Class (denominated in JPY).

The classes differ in terms of their currency of denomination, management fee, initial sales charge, minimum initial and subsequent investment amounts, minimum holding amount, minimum realisation amount, method of subscription, distribution policy, use of forwards, the time period for payment of cancellation or realisation proceeds and number of decimal places for rounding of the issue price and realisation price per unit.

As of 31 December 2022 and 2021, only units in the JPY 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.

(b) Recognition of income

Dividend income from investments is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

(c) Distributions

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

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

##### (d) Investments

Investments are classified as financial assets at fair value through profit or loss.

##### (i) *Initial recognition*

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

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

Investments are subsequently carried at fair value. Net 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.

##### (e) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for equities securities 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.

##### (f) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

##### (g) 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.

##### (h) Payables

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

##### (i) 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 ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

##### (j) 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 Japanese Yen ("JPY").

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

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

Foreign currency monetary assets and liabilities are translated into Singapore Dollar at the rates of exchange prevailing at the date of the Statement of Financial Position. The net unrealised gain or loss is taken to the Statement of Total Return. Transactions during the year are recorded in Singapore Dollar at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

#### 3. Income tax

The Fund has been approved by the Monetary Authority of Singapore ("MAS") under the Enhanced-Tier Fund Scheme (Section 13U of the Income Tax Act 1947 and the relevant Regulations). Subject to certain conditions being met on an annual basis, the Fund may enjoy Singapore corporate income tax exemption on "specified income" derived from "designated investments" for the life of the Fund. The tax exemption does not apply in the year when the relevant conditions are not met. Losses from "designated investments" are correspondingly disregarded. The terms "specified income" and "designated investments" are defined in the relevant income tax Regulations. The Manager and the Trustee of the Fund will ensure that the Fund fulfils its reporting obligations under the ETF Scheme.

Income tax for the financial year ended 31 December 2022 and 2021 comprises:

	2022	2021
	S\$	S\$
Overseas income tax	<u>57,940</u>	<u>103,192</u>

The overseas income tax represents tax deducted at source on dividend derived from outside Singapore.

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 4. Receivables

	2022	2021
	S\$	S\$
Dividends receivable	17,947	19,675
Other receivable	18	-
Prepayments	-	37,468
	<u>17,965</u>	<u>57,143</u>

#### 5. Payables

	2022	2021
	S\$	S\$
Amount due to the Manager	109,796	165,217
Amount due to the Trustee	5,115	7,665
Valuation fee payable	6,820	10,222
Registrar fee payable	606	606
Provision for audit fee	29,532	29,532
Custody fee payable	3,873	5,484
Other payables	9,573	2,406
	<u>165,315</u>	<u>221,132</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, operating through its Singapore Branch.

#### 6. Units in issue

During the year ended 31 December 2022 and 2021, the number of units issued, redeemed and outstanding were as follows:

<u>JPY Class</u>	2022	2021
Units at beginning of the financial year	7,678,151,874	10,621,751,875
Units created	-	-
Units cancelled	<u>(673,464,724)</u>	<u>(2,943,600,001)</u>
Units at end of the financial year	<u>7,004,687,150</u>	<u>7,678,151,874</u>
Net assets attributable to unitholders - S\$	73,235,801	98,280,636
Net asset value per unit - S\$	<u>0.0104553</u>	<u>0.012800</u>

A reconciliation of the net asset value as reported in the Statement of Financial Position to the net asset value as determined for the purpose of processing unit subscription and redemption is provided below:



## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 6. Units in issue (continued)

<u>JPY Class</u>	2022 S\$	2021 S\$
Net assets attributable to unitholders per financial statements per unit	0.0104553	0.012800
Effect of adopting bid prices at fair value per unit	0.0000010	0.000003
Effect for movement in the net assets value between the last dealing date and the end of the reporting period ^	0.0000002	-
Net assets attributable to unitholders for issuing/redeeming per unit	<u>0.0104565</u>	<u>0.012803</u>

^ The net asset value for the purposes of processing unit subscription and redemption was established in accordance with the methodology indicated in the Fund's Prospectus. This item reflects the movement in net asset value between the last dealing date and the end of reporting period due to accrual of operating expenses.

#### 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 investment objective is to provide capital appreciation over the medium to long term. The Fund invests primarily in equities of companies which are principally involved in the development, production and/or distribution of health care products and services in Asia (excluding Japan) or are otherwise related to health care in Asia (excluding Japan).

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

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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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's market price risk is managed through diversification of the investment portfolio across various geographies globally.

The Fund is actively managed and uses the MSCI AC Asia ex Japan Health Care Index (the "Benchmark") as a benchmark for performance comparison purposes only. There are no restrictions on the extent to which the Fund's portfolio and performance may deviate from the Benchmark.

As at 31 December 2022, an increase/decrease of the index component within the Benchmark by 21% (2021: 18%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 19% (2021: 16%). 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 ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 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 2022	JPY S\$	SGD S\$	HKD S\$	INR S\$	CNY S\$	KRW S\$	USD S\$	Others S\$	Total S\$
<b>Assets</b>									
Portfolio of investments	-	-	32,692,565	8,426,231	8,330,364	14,580,896	-	4,542,258	68,572,314
Sales awaiting settlement	-	-	257,559	-	-	-	-	-	257,559
Receivables	-	-	-	-	-	17,947	18	-	17,965
Cash and cash equivalents	486,873	25,070	14	-	-	-	4,041,321	-	4,553,278
<b>Total assets</b>	<b>486,873</b>	<b>25,070</b>	<b>32,950,138</b>	<b>8,426,231</b>	<b>8,330,364</b>	<b>14,598,843</b>	<b>4,041,339</b>	<b>4,542,258</b>	<b>73,401,116</b>
<b>Liabilities</b>									
Payables	-	165,315	-	-	-	-	-	-	165,315
<b>Total liabilities</b>	<b>-</b>	<b>165,315</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>165,315</b>
<b>Net currency exposure</b>	<b>486,873</b>	<b>(140,245)</b>	<b>32,950,138</b>	<b>8,426,231</b>	<b>8,330,364</b>	<b>14,598,843</b>	<b>4,041,339</b>	<b>4,542,258</b>	
<b>As at 31 December 2021</b>									
	JPY S\$	SGD S\$	HKD S\$	INR S\$	CNY S\$	KRW S\$	USD S\$	Others S\$	Total S\$
<b>Assets</b>									
Portfolio of investments	-	1,421,238	35,802,784	14,562,834	11,519,358	19,011,656	5,111,228	7,343,030	94,772,128
Receivables	-	-	-	-	-	19,675	37,468	-	57,143
Cash and cash equivalents	561,874	70,152	14	-	-	-	3,040,457	-	3,672,497
<b>Total assets</b>	<b>561,874</b>	<b>1,491,390</b>	<b>35,802,798</b>	<b>14,562,834</b>	<b>11,519,358</b>	<b>19,031,331</b>	<b>8,189,153</b>	<b>7,343,030</b>	<b>98,501,768</b>
<b>Liabilities</b>									
Payables	-	221,132	-	-	-	-	-	-	221,132
<b>Total liabilities</b>	<b>-</b>	<b>221,132</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>221,132</b>
<b>Net currency exposure</b>	<b>561,874</b>	<b>1,270,258</b>	<b>35,802,798</b>	<b>14,562,834</b>	<b>11,519,358</b>	<b>19,031,331</b>	<b>8,189,153</b>	<b>7,343,030</b>	

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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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, which include listed equities, as part of the price risk sensitivity analysis.

As of 31 December 2022 and 2021, 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 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 2022 and 2021, 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>2022</b>	<b>2021</b>
	<b>S\$</b>	<b>S\$</b>
Payables	<b>165,315</b>	221,132
<b>Contractual cash outflows</b>	<b>165,315</b>	221,132

## NIKKO AM ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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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 2022 and 2021, 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 custodian in which the Fund's assets are held as at 31 December 2022 and 2021.

	Credit rating as at 31 December 2022	Credit rating as at 31 December 2021
<b>Bank and custodian</b>		
- BNP Paribas, operating through its Singapore Branch	<b>Aa3</b>	<b>A+</b>

As at 31 December 2022, the credit ratings are based on Local Long-Term Bank Deposits from Moody's (2021: Long-Term Local Issuer Ratings from a well-known 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 ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 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 2022 and 2021:

<b>As at 31 December 2022</b>	<b>Level 1 S\$</b>	<b>Level 2 S\$</b>	<b>Level 3 S\$</b>	<b>Total S\$</b>
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	<b>68,572,314</b>	-	-	<b>68,572,314</b>
<b>As at 31 December 2021</b>				
	<b>Level 1 S\$</b>	<b>Level 2 S\$</b>	<b>Level 3 S\$</b>	<b>Total S\$</b>
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	<b>94,772,128</b>	-	-	<b>94,772,128</b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities. 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 2022 and 2021 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 ASIA HEALTHCARE FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

##### (g) Fair value estimation (continued)

There is no transfer in or out of Level 3 instruments for the year ended 31 December 2022 and 31 December 2021.

Investments classified within Level 3 have significant unobservable inputs as there are no readily available quoted market prices. As of 31 December 2022 and 2021, investment classified as Level 3 consists of 1 equity security for China Animal Healthcare Limited (the "Company"), which was suspended from trading on the relevant exchanges on 30 March 2015 due to delay in publication of its annual results for year ended 31 December 2014 as a result of unresolved audit matters. Given the lack of information and prolonged suspension, the Manager had deemed it prudent to write down the fair value of this security to zero value since the financial year ended 31 December 2016. On 30 January 2020, the listing of the shares of the Company has been cancelled on the Stock Exchange of Hong Kong Limited.

#### 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:

	2022 S\$	2021 S\$
Bank balances held with related party of the Trustee	<b>4,553,278</b>	3,672,497

#### 9. Financial ratios

##### Expense ratio

		2022	2021
<b><u>JPY Class</u></b>			
Total operating expenses	S\$	<b>628,915</b>	996,335
Average daily net asset value	S\$	<b>77,262,536</b>	129,604,432
<b>Total expense ratio<sup>1</sup></b>	<b>%</b>	<b>0.81</b>	0.77

##### Turnover ratio

		2022	2021
Lower of total value of purchases or sales	S\$	<b>31,719,922</b>	45,833,674
Average daily net asset value	S\$	<b>77,262,536</b>	129,604,432
<b>Total turnover ratio<sup>2</sup></b>	<b>%</b>	<b>41.05</b>	35.36

<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 ASIA HEALTHCARE FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2022

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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 15 to 18.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 largest holdings at 31 December 2022

	Fair value S\$	Percentage of total net assets attributable to unitholders %
WuXi Biologics Cayman Incorporated	6,931,829	9.47
Celltrion Incorporated	5,769,974	7.88
Samsung Biologics Company Limited	4,895,646	6.68
BeiGene Limited	4,593,732	6.27
CSPC Pharmaceutical Group Limited	4,128,173	5.64
Sun Pharmaceutical Industries Limited	4,052,957	5.53
Bangkok Dusit Medical Services Public Company Limited	3,365,840	4.60
Innovent Biologics Incorporated	2,993,450	4.09
Shenzhen Mindray Bio-Medical Electronics Company Limited	2,437,751	3.33
WuXi AppTec Company Limited – Class H	2,432,679	3.32

##### 10 largest holdings at 31 December 2021

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Samsung Biologics Company Limited	7,698,979	7.83
WuXi Biologics Cayman Incorporated	7,649,791	7.78
Sun Pharmaceutical Industries Limited	6,429,349	6.54
Bangkok Dusit Medical Services Public Company Limited	4,791,463	4.88
Sino Biopharmaceutical Limited	4,612,848	4.69
Innovent Biologics Incorporated	3,487,537	3.55
Divi's Laboratories Limited	3,415,349	3.48
HUTCHMED China Limited	3,328,075	3.39
Jiangsu Hengrui Medicine Company Limited	3,323,216	3.38
Celltrion Incorporated	3,252,346	3.31

#### 4. Exposure to financial derivatives

Nil.



## NIKKO AM ASIA HEALTHCARE FUND

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

### REPORT TO UNITHOLDERS

For the financial year ended 31 December 2022

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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**

Nil.

**9. Borrowings**

Nil.

**10. Amount of units created and cancelled for the financial year ended 31 December 2022**

**S\$**

Units created

-

Units cancelled

(7,300,257)

**11. Turnover ratio**

Please refer to Note 9 of the Notes to the Financial Statements on page 29.

**12. Expense ratio**

Please refer to Note 9 of the Notes to the Financial Statements on page 29.

**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.

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