



# Nikko AM Shenton Emerging Enterprise Discovery Fund (SEED Fund)

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Harvesting opportunities in Asia ex-Japan small  
and medium-sized companies

# Introducing Nikko AM Shenton Emerging Enterprise Discovery Fund (SEED Fund)

The investment objective of the Fund is to achieve medium to long-term capital appreciation. The Fund invests primarily in the listed equities of small to medium-sized companies in Asia ex-Japan, which in the Managers' opinion are undervalued. Small and medium-sized companies shall mean companies which are included in a market index for small and medium-sized companies, or companies that have a comparable market capitalisation. The Fund invests in developed markets and may also invest in emerging markets. The Fund does not focus on any particular industrial sector and no investments shall be made which would result in more than 25% of its net assets being invested in corporations, bodies or issuers with a market capitalisation of US\$5 billion or above.

## Fund characteristics

### As of 30 September 2023

- Stock selection drives alpha
- 45% of the portfolio are in non benchmark stocks
- 31% of the stocks have coverage by 5 or less sell-side analysts
- 38% of the portfolio has market cap < USD 1 billion
- 57% of the portfolio are in net cash companies

**This is an active Asia ex-Japan equity strategy that invests in small to medium-sized companies with a long-term track record using the following investment approach:**

1. Best ideas portfolio
2. Stock selections and stock weightings are driven by the fundamental view, not benchmark
3. Bottom-up stock selection: predominant tool for portfolio construction
4. Integrated Environment, Social and Governance (ESG) analysis in fundamental research
5. Investible universe: Stocks of Asia ex-Japan small and medium-sized companies, with preference for liquid stocks
6. Stock selections are made using a three-year time horizon

## Why Invest in the SEED Fund?



**Long track record of investment in Asia ex-Japan Small and medium-sized companies**



**Investing in small and medium-sized companies is akin to searching for acorns with the potential to grow into big trees**



**On the ground interviews with management of small and medium-sized companies**



**Supported by coverage of Asian in-house research**

# What determines the size of a company?

Market capitalisation indicates the value of a company in terms of its size. For small caps, it refers to small and medium-sized companies and they are included in a market index for small and medium-sized companies or companies with a comparable market capitalisation of around USD 200 million to USD 1.5 billion. Large caps are companies with a market capitalisation value of more than USD 10 billion (Source: MSCI, Investopedia).

Small caps present plenty of potential investment opportunities for an investor and not forgetting some large companies were once small companies.

## Why invest in Asia ex-Japan small and medium-sized companies?

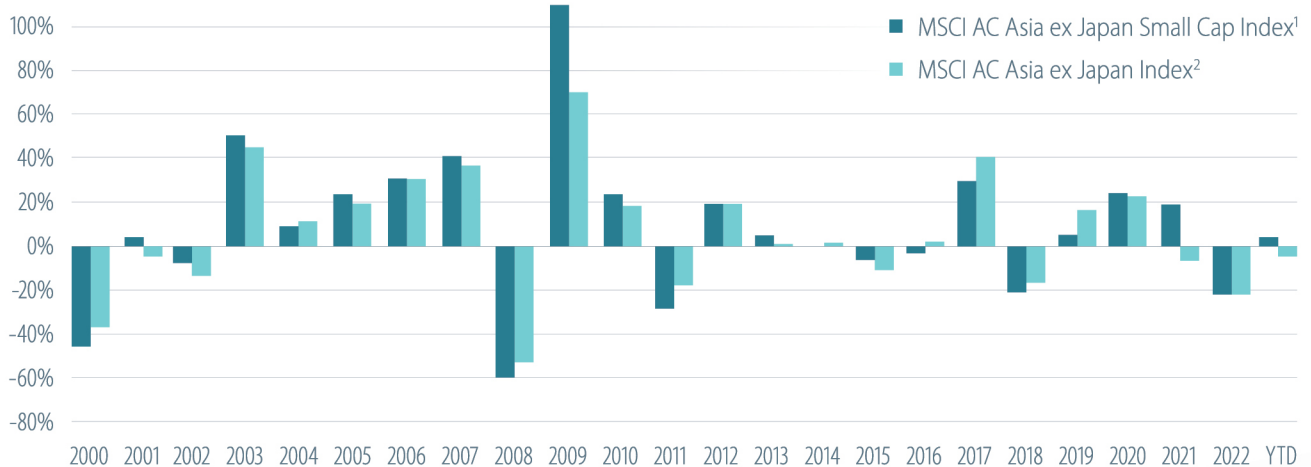
### 1. Small and medium-sized companies are more flexible and adaptable to change

The operating environment is changing today with various forces in play. In particular, given today's environment where big technology is under scrutiny, small and medium-sized companies will find themselves on a more even playing field with large companies. They may also have the upper hand because they are not restricted by legacy systems or old technology. This means they can exploit smart technology and deliver innovative products with greater personalisation while incurring lower costs. We believe that small and medium-sized companies are well positioned to react to changes given their flexibility and agility.

### 2. Smaller companies have outperformed larger companies 54% of the time since 2000\*

Compared to large companies, there are a higher number of small and medium-sized companies which signifies potential overlooked opportunities. Small and medium-sized companies are, in general, under researched, but studies have shown that they have outperformed large companies 54% of the time since 2000\*. As such, they represent alpha opportunities if identified with the right investment approach.

Since 2000\*, small and medium-sized companies have outperformed large companies 54% of the time



<sup>1</sup>MSCI AC AxJ Small Cap (small and medium-sized companies benchmark): Morgan Stanley Capital International All Country Asia excluding Japan Small Cap Index

<sup>2</sup>MSCI AC AxJ (large companies benchmark): Morgan Stanley Capital International All Country Asia excluding Japan Index

\*Source: Bloomberg, Nikko AM, August 2023

Past Performance is not indicative of future performance.

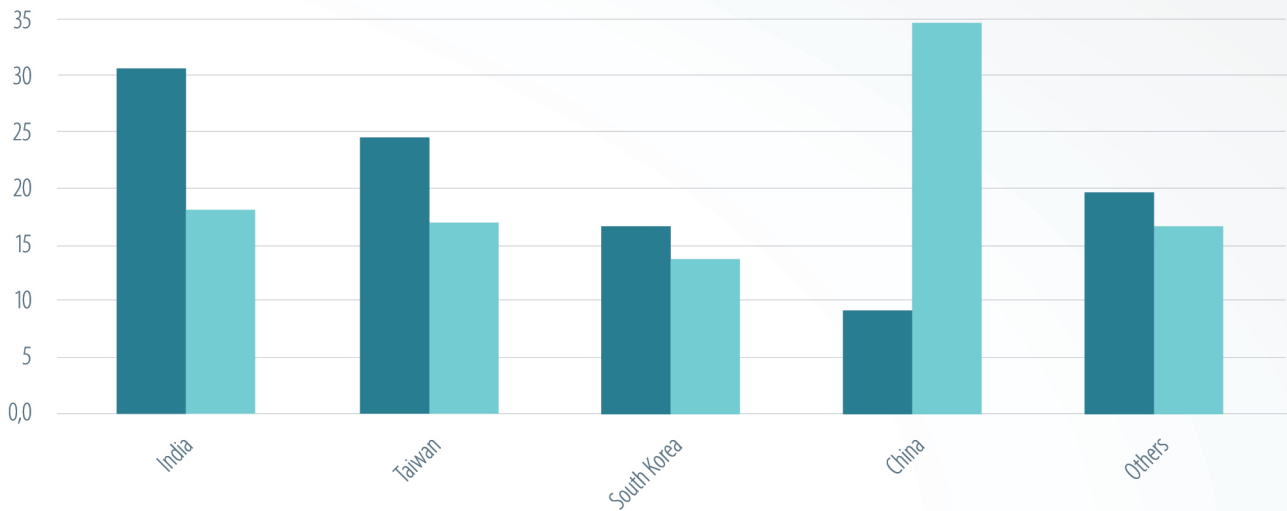
### 3. Diversification

Investing in small and medium-sized companies offer diversification from large companies. Large companies have a larger weight in China as compared to small and medium-sized companies. Large companies also have higher weights in Financials and Information Technology compared to smaller companies which has more in Industrials and Healthcare. Investing in small and medium sized companies, therefore, allow for greater diversification from other portfolio strategies.

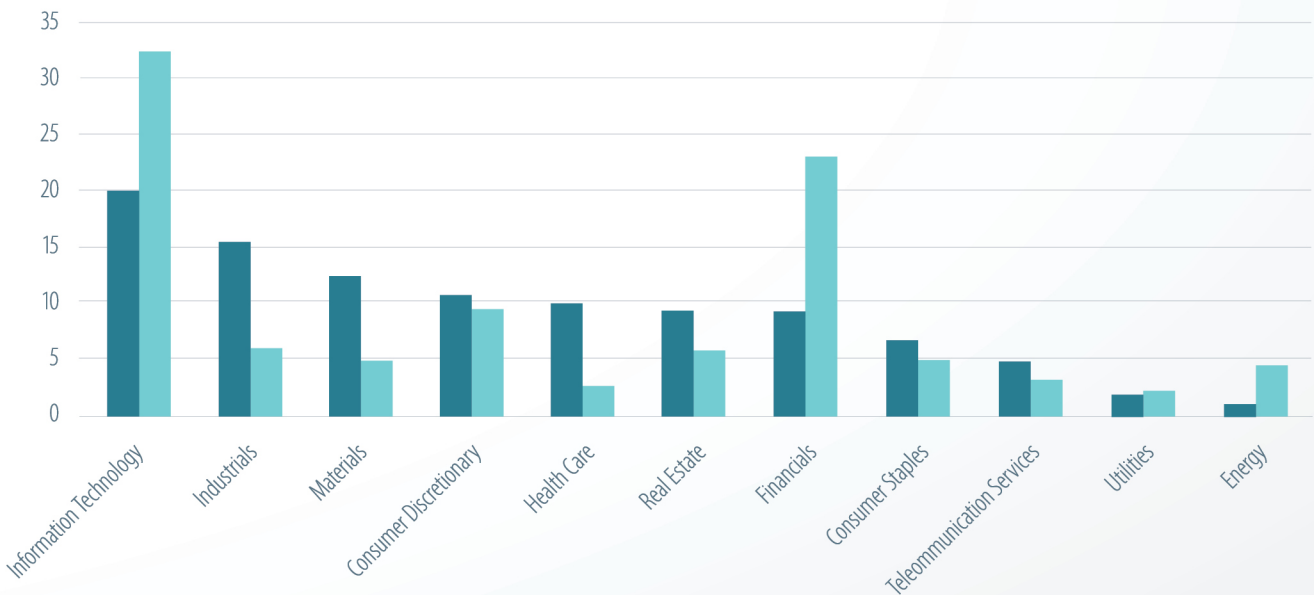
Country and sector weights are vastly different

■ MSCI AC Asia ex Japan Small Cap<sup>1</sup> ■ MSCI AC Asia ex Japan<sup>2</sup>

Index weights (%)



Index weights (%)



Source: MSCI, Nikko AM, 31 October 2023

Reference to any particular sectors or countries are purely for illustrative purposes only and does not constitute a recommendation or to be relied upon as financial advice in any way.

<sup>1</sup>MSCI AC Asia ex Japan Small Cap (small and medium-sized companies benchmark): Morgan Stanley Capital International All Country Asia excluding Japan Small Cap Index

<sup>2</sup>MSCI AC Asia ex Japan (large companies benchmark): Morgan Stanley Capital International All Country Asia excluding Japan Index



# Who is the Fund suitable for?

The Fund is only suitable for investors who

- seek medium to long-term capital appreciation;
- seek investment in small and medium sized companies in Asia ex-Japan; and
- are willing and able to accept that their principal will be at risk.

**You should consult your financial advisers if in doubt about whether this product is suitable for you.**

# What are the key risks of this Fund?

- market and credit risks
- liquidity risks
- product-specific risks
  - smaller companies may be riskier
  - foreign securities risk
  - financial derivatives risk

**You should be aware that investment in the Fund may be exposed to other risks of an exceptional nature from time to time.**

**Please refer to the Fund Prospectus and Product Highlights Sheet for further details.**

## Fund Details

Investment Objective	The investment objective of the Fund is to achieve medium to long term capital appreciation. The Fund invests primarily in the listed equities of small to medium-sized companies in Asia ex-Japan, which in the Managers' opinion are undervalued. Small and medium-sized companies shall mean companies which are included in a market index for small and medium-sized companies, or companies that have a comparable market capitalisation. The fund invests in developed markets and may also invest in emerging markets. The Fund does not focus on any particular industrial sector and no investments shall be made which would result in more than 25% of its net assets being invested in corporations, bodies or issuers with a market capitalisation of US\$5 billion or above.
Fund Inception	13 March 1998
Benchmark	MSCI Asia ex-Japan Small Cap Index (Net Total Return)
Mode of Subscription	Cash, SRS, Regular Savings Plan (RSP)
Minimum Investment	SGD 1,000 (Initial) SGD 100 (Subsequent)
Initial Sales Charge	Up to 5.0%
Management Fee	1.50% p.a.
ISIN Code	SG9999004311
Bloomberg Ticker	DBSSGAI SP



Find out more on <https://www.nikkoam.com.sg/funds/nikko-am-shenton-emerging-enterprise-discovery-fund-sgd-class>

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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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