

ANNUAL REPORT

For the financial year ended 30 June 2018

Nikko AM Shenton Short Term Bond Fund (S\$)

MANAGERS

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

DIRECTORS

Hou Wey Fook
Lim Soon Chong
Junichi Sayato
Seet Oon Hui Eleanor
Yu-Ming Wang

TRUSTEE & REGISTRAR

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

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CUSTODIAN

BNP Paribas Securities Services, operating through its Singapore branch
20 Collyer Quay, #01-01
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This report is also available on our website (www.nikkoam.com.sg)

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ²	0.37	0.70	1.26	1.09	0.85	0.67	1.17
Nikko AM Shenton Short Term Bond Fund (S\$) ¹	0.26	0.19	0.78	1.63	1.95	2.07	2.23

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2018. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for periods in excess of 1 year are annualised. Past performance is not indicative of future performance.

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ²	0.37	0.70	1.26	1.09	0.85	0.67	1.17
Nikko AM Shenton Short Term Bond Fund (S\$) ¹	-0.75	-0.81	-0.23	1.29	1.74	1.97	2.17

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2018. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Inception date: 29 September 2000

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ²	0.37	0.70	1.26	1.09	0.85	N/A	0.73
Nikko AM Shenton Short Term Bond Fund (S\$) - A\$ Hedged ¹	0.40	0.40	1.23	2.45	3.21	N/A	3.73

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2018. Returns are calculated on a NAV-NAV basis, AUD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for periods in excess of 1 year are annualised. Past performance is not indicative of future performance.

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ²	0.37	0.70	1.26	1.09	0.85	N/A	0.73
Nikko AM Shenton Short Term Bond Fund (S\$) - A\$ Hedged ¹	-0.60	-0.60	0.22	2.11	3.01	N/A	3.58

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2018. Returns are calculated on a NAV-NAV basis, AUD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Inception date: 23 September 2011

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ²	0.37	0.70	1.26	N/A	N/A	N/A	1.12
Nikko AM Shenton Short Term Bond Fund (S\$) - US\$ Hedged ¹	-0.14	-0.33	0.39	N/A	N/A	N/A	0.76

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2018. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Benchmark ²	0.37	0.70	1.26	N/A	N/A	N/A	1.12
Nikko AM Shenton Short Term Bond Fund (S\$) - US\$ Hedged ¹	-1.14	-1.33	-0.62	N/A	N/A	N/A	0.20

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2018. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Inception date: 15 September 2016**Note:**

- (1) With effect from 17 October 2011, the Trust (formerly known as "DBS Enhanced Income Funds") has been renamed "Nikko AM Shenton Short Term Bond Funds" and the Fund (formerly known as "DBS Enhanced Income Fund (S\$)") has been renamed "Nikko AM Shenton Short Term Bond Fund (S\$)".
- (2) The Fund's benchmark is 3-Months SIBOR. For hedged currency share classes only, the benchmark reflected is in the base currency.

Portfolio Review***The Fund underperformed the benchmark over the past 12 months***

The Nikko AM Shenton Short Term Bond Fund (S\$) (the "Fund") delivered 0.78% returns (SGD terms, NAV-NAV basis) for the 12 months ending 30 June 2018, underperforming the benchmark which returned 1.26%. The underperformance was prompted mainly by the sharp rise in the short-end rates over the one-year period.

Changes to Fund characteristics

As of 30 June 2018, the Fund's overall duration and estimated yield were at 1.39 years and 3.31% (hedged in SGD terms), respectively. The average credit rating of the Fund is at A-. The Fund is diversified across 121 bonds, with 93 issuers from 16 countries, with an average weight of 0.99% per issuer. The Fund's level of cash and cash equivalents as at end-June was at 7.79%.

Market Review

US Treasury (UST) yields surged over the year in review

There was a steep rise in US Treasury (UST) yields over the period. Optimism on the global economy, as positive macro news from both developed and emerging markets fueled expectations that global growth could remain well above trend, prompted the rise in risk-free rates. Subsequent firmer inflation readings coupled with rising oil prices supported another leg-up in yields. The US Fed raised interest rates by a total of 75 basis points (bps) over the period. The rate rise in June 2018 was accompanied by a more hawkish tone, supporting higher short-term rates. Over in Europe, although the European Central Bank laid out plans to wind down its bond-buying programme by end of the year, it declared that interest rates will remain unchanged “at least through the summer of 2019.” Towards the end of the period, markets’ focus was on the escalation in Sino-US trade tensions. Overall, the UST yield curve flattened, with 2-year and 10-year yields settling at 2.53% and 2.86% respectively, as at end June 2018, up by about 115bps and 56bps compared to end-June 2017 levels.

Asian credits ended lower in the year

The Asian credit market generated negative total returns in the twelve months ended 30 June 2018, as widening credit spreads added to downward pressure from higher UST yields. The latter half of 2017’s strong global growth dynamics and still conducive liquidity environment supported strong demand for higher-yielding assets such as Emerging Market (EM) credits despite tightening valuations and the start of monetary policy normalisation in the developed economies. The strong inflows into EM bond funds supported spread tightening across Asia credits. However, firmer inflation readings in early 2018 prompted fears of swifter global liquidity withdrawal. This triggered outflows from EM assets. The resulting sharp falls in some EM currencies including the Indian Rupee and Indonesian Rupiah added to investor concerns and led to significant credit spread widening. Rising treasury yields and oil prices, together with expectations for elevated new issuance further dented sentiment. Towards the end of the period, the ratcheting up of tensions over US-Sino trade, and concerns that China’s deleveraging efforts have started to tighten financial conditions onshore and weigh on domestic growth, supported further risk aversion in markets.

Market Outlook & Strategy

Spreads to remain volatile as the focus returns to trade tensions and other macro risks

Spreads should remain volatile in the coming months. While spreads are unlikely to re-test the widening seen in early July 2018, they are also unlikely to tighten meaningfully going forward. In China, the recent measures announced should ease refinancing concerns that had risen in recent months. However, the intensifying and increasingly protracted trade tensions between China and the US as well as the broader impact to other Asian countries remain a worry. With the US GDP data reflecting still robust growth and a tight labour market, the Federal Reserve (Fed) remains on the tightening path. This should remain a headwind for fixed income returns. The floodgates of new issuances that was halted by the weak sentiment until mid-July 2018 should return in the coming months. This should limit any scope for spread tightening in the secondary market.

The Fund may use or invest in financial derivatives. Where the Fund feeds into the underlying funds which use or invest in financial derivatives, there is a possibility that the Fund's NAV may be subject to volatility due to usage or investment in financial derivatives.

This document is for information only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. Any securities mentioned herein are for illustration purposes only and should not be construed as a recommendation for investment. You should seek advice from a financial adviser before making any investment. In the event that you choose not to do so, you should consider whether the investment selected is suitable for you. Investments in unit trusts are not deposits in, obligations of, or guaranteed or insured by Nikko Asset Management Asia Limited ("**Nikko AM Asia**").

Past performance or any prediction, projection or forecast is not indicative of future performance. The funds may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the funds are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus and product highlights sheet obtainable from appointed distributors of Nikko AM Asia or our website (www.nikkoam.com.sg) before investing.

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The CPF interest rate for the Ordinary Account ("OA") is based on the 12-month fixed deposit and month-end savings rates of major local banks, subject to a minimum 2.5% interest per annum. The interest rate for Special, Medisave and Retirement Accounts ("SMRA") is pegged to the 12-month average yield of 10-year Singapore Government Securities yield plus 1%. A 4% floor rate will be maintained for interest earned on SMRA until 31 December 2018, after which a 2.5% minimum rate will apply. An extra 1% interest is paid on the first S\$60,000 of a member's combined balances, including up to S\$20,000 in the OA. The first S\$20,000 in the OA and the first S\$40,000 in the Special Account ("SA") cannot be invested under the CPF Investment Scheme ("CPFIS").

For Hong Kong Investors

The fund is only offered to professional investors and is not authorized by the Securities and Futures Commission in Hong Kong. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents, you should obtain independent professional advice.

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

Appointment of soft dollar brokers

The Managers will only appoint soft dollar brokers onto their broker panel after they have ensured that:

- a) full disclosure of the practice of accepting soft dollars is made;
- b) the commission rates charged are comparable with the market rates;
- c) there is no conflict of interest;
- d) the soft dollar credits are used only for clearly defined services;
- e) at all times trades are executed through the respective brokers only on the basis of best execution regardless whether soft dollar benefits will accrue. Best execution shall include competitive prices with smooth execution ability; and
- f) relevant regulations and guidelines are complied with.

The procedures for the appointment of the brokers shall be no different from that of normal full service brokers.

Execution and allocation

If the Trustee objects to the use of the soft dollar brokers, the trades of the Fund shall be segregated from the rest of the trades that are executed through the relevant soft dollar broker(s). The Managers will execute trades for such accounts only with authorised full service brokers.

The Managers are responsible for ensuring that the allocation quotas are adhered to. In addition, the Managers will monitor the execution ability of the soft dollar brokers and assign the business strictly on a "best execution" basis.

Subject to the provisions of the Code*, in their management of the Fund, the Managers may receive soft dollar commissions from, or may enter into soft dollar arrangements with, stockbrokers who execute trades on behalf of the Fund and the soft dollars received would be restricted to the following kinds of services:

- a) specific advice as to the advisability of dealing in, or of the value of any investments;
- b) research and advisory services;
- c) economic and political analysis;
- d) portfolio analysis including valuation and portfolio measurements;
- e) market analysis;
- f) data and quotation services;
- g) computer hardware or software that are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis; and
- h) custodial services in relation to the investments managed for clients.

The following are, however, prohibited:

- a) travel, accommodation and entertainment expenses;
- b) general administrative goods and services including office equipment and premises;
- c) membership fees;
- d) employee salaries; and
- e) direct money payments / rebates.

The Managers will retain the records of the payments made using soft dollar commissions.

The Managers of the Nikko AM Shenton Short Term Bond Fund (S\$) (the "Fund") will not accept or enter into soft-dollar commissions / arrangements unless:

- such soft-dollar commissions / arrangements can in the opinion of the Managers, reasonably be expected to assist in the Managers' provision of investment advice or related services to the Fund or assist the Managers in their management of the Fund;
- the Managers shall ensure at all times that best execution is carried out for the transactions; and
- no unnecessary trades are entered into in order to achieve a sufficient volume of transactions to qualify for such soft-dollar commissions / arrangements.

The Managers will comply with applicable regulatory and industry standards on soft dollars.

Please note that with effect from 25 January 2018, the Managers have ceased to receive soft dollar commissions, or enter into soft dollar arrangements, in their management of the Fund.

* The "Code" means the Code on Collective Investment Schemes issued by the Authority pursuant to the Securities and Futures Act, as may be amended, modified, or supplemented from time to time by the Authority.

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT OF THE TRUSTEE
For the financial year ended 30 June 2018

The Trustee is under a duty to take into custody and hold the assets of Nikko AM Shenton Short Term Bond Fund (S\$) (the “Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 12 to 44, 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

Authorised signatory
27 September 2018

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT BY THE MANAGER
For the financial year ended 30 June 2018

In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 12 to 44, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of Nikko AM Shenton Short Term Bond Fund (S\$) (the "Fund") as at 30 June 2018, and the financial performance and movements in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager
Nikko Asset Management Asia Limited

Authorised signatory
27 September 2018

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

Our Opinion

In our opinion, the accompanying financial statements of Nikko AM Shenton Short Term Bond Fund (S\$) (the "Fund"), are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 30 June 2018, and of 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 30 June 2018;
- the Statement of Financial Position as at 30 June 2018;
- the Statement of Movements of Unitholders' Funds for the financial year then ended 30 June 2018;
- the Statement of Portfolio as at 30 June 2018; 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 and will 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 on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(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, 27 September 2018

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF TOTAL RETURN
For the financial year ended 30 June 2018

	Note	2018 S\$	2017 S\$
Income			
Interest income	3	118,108	5,864
		118,108	5,864
Less: Expenses			
Management fee		1,209,921	1,186,791
Registrar fee		43,279	34,247
Trustee fee		62,184	61,111
Custody fee		79,645	78,352
Audit fee		19,431	22,642
Valuation fee		179,053	176,809
Transaction costs		61,044	37,035
Other expenses		79,153	96,331
		1,733,710	1,693,318
Net losses		(1,615,602)	(1,687,454)
Net gains or losses on value of investments and financial derivatives			
Net gains on investments		2,944,623	14,746,302
Net foreign exchange gains		162,780	939,928
Net gains/(losses) on financial derivatives		1,194,455	(5,384,884)
		4,301,858	10,301,346
Total return for the financial year before income tax		2,686,256	8,613,892
Less: Income tax	4	(446)	(1,103)
Total return for the financial year after income tax		2,685,810	8,612,789

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 S\$	2017 S\$
ASSETS			
Portfolio of investments		321,405,547	376,896,329
Receivables	5	2,988,968	5,144,234
Cash and bank balances		27,614,275	26,557,168
Margin accounts	9	91,779	1
Financial derivatives at fair value	7	39,172	1,119,037
Total assets		352,139,741	409,716,769
LIABILITIES			
Payables	6	1,014,273	1,066,077
Purchases awaiting settlement		3,362,337	-
Financial derivatives at fair value	7	1,036,345	119,114
Total liabilities		5,412,955	1,185,191
EQUITY			
Net assets attributable to unitholders	8	346,726,786	408,531,578

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 30 June 2018

	Note	2018 S\$	2017 S\$
Net assets attributable to unitholders at the beginning of the financial year		408,531,578	342,709,767
Operations			
Change in net assets attributable to unitholders resulting from operations		2,685,810	8,612,789
Unitholders' contributions/(withdrawals)			
Creation of units		169,051,283	340,701,672
Cancellation of units		(233,541,885)	(283,492,650)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(64,490,602)	57,209,022
Total (decrease)/increase in net assets attributable to unitholders		(61,804,792)	65,821,811
Net assets attributable to unitholders at the end of the financial year	8	346,726,786	408,531,578

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 30 June 2018

By Geography (Primary)

	Holdings at 30 June 2018	Fair value at 30 June 2018 S\$	Percentage of total net assets attributable to unitholders at 30 June 2018 %
Quoted Fixed Income Securities			
AUSTRALIA			
Baosteel Financing 2015 PTY Limited 3.875% due 28/01/2020	1,200,000	1,638,429	0.47
Commonwealth Bank of Australia 3.375% due 20/10/2026	3,363,000	4,458,646	1.29
Macquarie Bank Limited 6.625% due 07/04/2021	2,225,000	3,253,181	0.94
Optus Finance PTY Limited 4.625% due 15/10/2019	1,017,000	1,410,927	0.41
Sydney Airport Finance Company PTY Limited 5.125% due 22/02/2021	1,321,000	1,857,883	0.54
Total AUSTRALIA		12,619,066	3.65
BERMUDA ISLANDS			
CGN New Energy Holdings Company Limited 4% due 19/08/2018	1,800,000	2,454,930	0.71
Total BERMUDA ISLANDS		2,454,930	0.71
BRITAIN			
Standard Chartered Public Listed Company 4.4% due 23/01/2026	4,000,000	4,067,444	1.17
Total BRITAIN		4,067,444	1.17
BRITISH VIRGIN ISLANDS			
Bluestar Finance Holdings Limited 3.125% due 30/09/2019	3,000,000	4,059,695	1.17
Central Plaza Development Limited 3.875% due 25/01/2020	1,400,000	1,890,416	0.55
Century Master Investment Company Limited 4.75% due 19/09/2018	1,750,000	2,392,377	0.69
China Great Wall International Holdings III Limited 2.75% due 31/08/2020	2,000,000	2,663,930	0.77
CICC Hong Kong Finance 2016 MTN Limited 2.75% due 18/05/2019	2,000,000	2,710,196	0.78
Double Rosy Limited 3.625% due 18/11/2019	3,227,000	4,375,205	1.26
Guangzhou Metro Investment Finance BVI Limited 2.875% due 03/12/2018	850,000	1,155,089	0.33
Haitong International Finance 2014 Limited 3.99% due 11/09/2019	2,300,000	3,141,116	0.91
Haitong International Finance Holdings 2015 Limited 3.5% due 21/04/2020	2,000,000	2,704,835	0.78
Haitong International Finance Holdings Limited 3.95% due 29/10/2018	3,000,000	4,095,350	1.18
Horse Gallop Finance Limited 3.51563% due 28/06/2021	200,000	273,529	0.08
Huarong Finance 2017 Company Limited 3.2% due 27/04/2021	3,000,000	2,965,500	0.86
Huarong Finance 2017 Company Limited 4.01561% due 27/04/2020	1,100,000	1,514,256	0.44

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 30 June 2018

By Geography (Primary) (continued)

	Holdings at 30 June 2018	Fair value at 30 June 2018 S\$	Percentage of total net assets attributable to unitholders at 30 June 2018 %
Quoted Fixed Income Securities (continued)			
BRITISH VIRGIN ISLANDS (continued)			
Huarong Finance Company Limited 4% due 17/07/2019	1,100,000	1,502,578	0.43
Huarong Finance II Company Limited 2.75% due 03/06/2019	2,000,000	2,700,947	0.78
Huarong Finance II Company Limited 2.875% due 19/11/2018	1,000,000	1,359,948	0.39
King Power Capital Limited 3.875% due 03/11/2019	2,500,000	3,412,983	0.98
Midea Investment Development Company Limited 2.375% due 03/06/2019	2,000,000	2,700,284	0.78
Shanghai Electric Power Finance Limited 3.625% due 11/08/2020	1,072,000	1,453,338	0.42
Sinochem Overseas Capital Company Limited 4.5% due 12/11/2020	1,000,000	1,387,774	0.40
Sino-Ocean Land Treasure Finance I Limited 4.625% due 30/07/2019	3,500,000	4,797,275	1.38
Total BRITISH VIRGIN ISLANDS		53,256,621	15.36
CANADA			
Manulife Financial Corporation 3.85% due 25/05/2026	3,250,000	3,317,665	0.96
Total CANADA		3,317,665	0.96
CAYMAN ISLANDS			
CCBL Cayman Corporation Limited 3.25% due 28/07/2020	2,500,000	3,370,665	0.97
CDBL Funding 1 3.25% due 02/12/2019	3,115,000	4,222,947	1.22
CDBL Funding 2 2.625% due 01/08/2020	1,000,000	1,331,903	0.38
China Mengniu Dairy Company Limited 3.5% due 27/11/2018	3,150,000	4,318,849	1.25
China Overseas Finance Cayman III Limited 3.375% due 29/10/2018	1,000,000	1,368,519	0.39
China Overseas Grand Oceans Finance II Cayman Limited 5.125% due 23/01/2019	3,400,000	4,659,877	1.34
China Overseas Grand Oceans Finance IV Cayman Limited 4.875% due 01/06/2021	2,000,000	2,721,319	0.78
China Resources Land Limited 4.375% due 27/02/2019	1,800,000	2,468,143	0.71
HPHT Finance 15 Limited 2.875% due 17/03/2020	1,231,000	1,664,147	0.48
QIB Sukuk Limited 3.83125% due 18/08/2019	2,000,000	2,758,480	0.80
Sun Hung Kai Properties Capital Market Limited 3.375% due 25/02/2024	1,555,000	2,120,130	0.62
Total CAYMAN ISLANDS		31,004,979	8.94
CHINA			
China Construction Bank Corporation 3.875% due 13/05/2025	2,000,000	2,710,300	0.78
Industrial & Commercial Bank of China Limited 3.29625% due 21/02/2022	1,700,000	2,327,336	0.67
Shougang Group Company Limited 3.95% due 04/04/2019	1,000,000	1,367,586	0.39

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 30 June 2018

By Geography (Primary) (continued)

	Holdings at 30 June 2018	Fair value at 30 June 2018 S\$	Percentage of total net assets attributable to unitholders at 30 June 2018 %
Quoted Fixed Income Securities (continued)			
CHINA (continued)			
Sunshine Life Insurance Corporation Limited 2.5% due 20/04/2019	3,500,000	4,713,967	1.36
Sunshine Life Insurance Corporation Limited 3.15% due 20/04/2021	1,600,000	2,106,115	0.61
Total CHINA		13,225,304	3.81
FRANCE			
Societe Generale SA 4.3% due 19/05/2026	3,250,000	3,274,618	0.94
Total FRANCE		3,274,618	0.94
HONG KONG SAR			
Bao-Trans Enterprises Limited 3.75% due 12/12/2018	1,430,000	1,960,679	0.57
Beijing State-Owned Assets Management Hong Kong Company Limited 3% due 26/05/2020	1,605,000	2,153,927	0.62
China Construction Bank Asia Corporation Limited 4.25% due 20/08/2024	3,350,000	4,580,158	1.32
Chong Hing Bank Limited 3.876% due 26/07/2027	550,000	721,332	0.20
CITIC Limited 6.375% due 10/04/2020	2,000,000	2,845,953	0.82
CNAC HK Finbridge Company Limited 3% due 19/07/2020	1,700,000	2,273,033	0.66
Dah Sing Bank Limited 5.25% due 29/01/2024	3,210,000	4,405,642	1.27
Far East Horizon Limited 4.33575% due 03/07/2021	1,000,000	1,362,130	0.39
Fubon Bank Hong Kong Limited 6.125% due 30/11/2020	3,672,000	5,236,429	1.51
ICBCIL Finance Company Limited 2.375% due 19/05/2019	2,842,000	3,836,053	1.11
ICBCIL Finance Company Limited 3.2925% due 15/05/2021	1,430,000	1,947,304	0.56
Industrial & Commercial Bank of China Asia Limited 4.5% due 10/10/2023	3,300,000	4,504,800	1.30
Industrial & Commercial Bank of China Asia Limited 5.125% due 30/11/2020	1,400,000	1,968,187	0.57
Standard Chartered Bank Hong Kong Limited 5.875% due 24/06/2020	1,580,000	2,242,667	0.65
Swire Properties MTN Financing Limited 2.75% due 07/03/2020	1,400,000	1,889,602	0.54
Vanke Real Estate Hong Kong Company Limited 3.95% due 23/12/2019	2,000,000	2,734,198	0.79
Weichai International Hong Kong Energy Group Company Limited 4.125% due 30/09/2020	1,400,000	1,913,129	0.55
Total HONG KONG SAR		46,575,223	13.43
INDIA			
Adani Ports & Special Economic Zone Limited 3.5% due 29/07/2020	2,000,000	2,696,885	0.78
Bank of Baroda 4.875% due 23/07/2019	1,700,000	2,346,965	0.68
Oil India Limited 3.875% due 17/04/2019	2,000,000	2,733,964	0.79
ONGC Videsh Limited 3.25% due 15/07/2019	1,934,000	2,629,864	0.76
Total INDIA		10,407,678	3.01

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 30 June 2018

By Geography (Primary) (continued)

	Holdings at 30 June 2018	Fair value at 30 June 2018 S\$	Percentage of total net assets attributable to unitholders at 30 June 2018 %
Quoted Fixed Income Securities (continued)			
INDONESIA			
Perusahaan Penerbit SBSN Indonesia III 3.4% due 29/03/2022	1,800,000	2,400,605	0.69
Total INDONESIA		2,400,605	0.69
JAPAN			
Mizuho Financial Group Incorporation 3.25938% due 28/02/2022	1,800,000	2,474,972	0.71
Total JAPAN		2,474,972	0.71
MALAYSIA			
Axiata SPV2 Berhad 3.466% due 19/11/2020	2,245,000	3,052,514	0.88
Total MALAYSIA		3,052,514	0.88
MEXICO			
Minera Y Metalurgica Del Boleo SA DE CV 2.875% due 07/05/2019	1,500,000	2,040,675	0.59
Total MEXICO		2,040,675	0.59
SINGAPORE			
Ascendas Private Limited 2.965% due 16/03/2021	2,250,000	2,254,602	0.65
Ascendas Real Estate Investment Trust 2.95% due 03/08/2020	4,500,000	4,519,023	1.30
Ascendas Real Estate Investment Trust 3.2% due 03/06/2022	2,500,000	2,507,003	0.72
Ascott Capital Private Limited 3.78% due 16/08/2019	1,000,000	1,014,680	0.29
Breadtalk Group Limited 4% due 17/01/2023	3,250,000	3,247,335	0.94
Capitaland Mall Trust 3.08% due 20/02/2021	400,000	404,102	0.12
Capitaland Retail China Trust 3.25% due 04/07/2022	2,000,000	2,000,000	0.58
Capitaland Treasury Limited 4.3% due 31/08/2020	2,000,000	2,071,998	0.60
Capitaland Treasury Limited 4.35% due 31/10/2019	2,000,000	2,046,563	0.59
Capitamalls Asia Treasury Limited 3.7% due 29/08/2022	2,500,000	2,559,945	0.74
CCT MTN Private Limited 2.96% due 13/08/2021	3,750,000	3,755,259	1.08
CDL Properties Limited 1.98% due 18/04/2019	2,500,000	2,482,547	0.72
City Developments Limited 3% due 02/04/2020	2,500,000	2,510,981	0.72
DBS Group Holdings Limited 2.84769% due 16/07/2019	1,600,000	2,184,520	0.63
ESR-MTN Private Limited 3.5% due 05/11/2018	3,000,000	3,008,036	0.87
ESR-MTN Private Limited 3.95% due 21/05/2020	1,500,000	1,498,125	0.43
FCOT Treasury Private Limited 2.625% due 28/02/2020	1,000,000	987,860	0.28
FCOT Treasury Private Limited 2.835% due 11/08/2021	1,000,000	995,248	0.29
FCT MTN Private Limited 2.9% due 10/04/2019	2,250,000	2,261,276	0.65
FCT MTN Private Limited 3% due 21/01/2020	2,250,000	2,261,081	0.65
Great Eastern Life Assurance Company Limited 4.6% due 19/01/2026	3,250,000	3,384,973	0.98
Keppel Corporation Limited 3.1% due 12/10/2020	3,000,000	3,018,000	0.87
Keppel Corporation Limited 3.145% due 14/02/2022	1,000,000	998,811	0.29

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 30 June 2018

By Geography (Primary) (continued)

	Holdings at 30 June 2018	Fair value at 30 June 2018 S\$	Percentage of total net assets attributable to unitholders at 30 June 2018 %
Quoted Fixed Income Securities (continued)			
SINGAPORE (continued)			
Keppel Land Financial Services Private Limited 3.259% due 11/12/2019	5,140,000	6,959,169	2.01
NTUC Income Insurance Co-Operative Limited 3.65% due 23/08/2027	3,500,000	3,575,626	1.03
Oversea-Chinese Banking Corporation Limited 4% due 15/10/2024	4,000,000	5,476,334	1.58
Singapore Airlines Limited 3.22% due 09/07/2020	500,000	505,210	0.15
Singtel Group Treasury Private Limited 3.4875% due 08/04/2020	1,500,000	1,530,511	0.44
Starhub Limited 3.08% due 12/09/2022	1,500,000	1,503,757	0.43
Suntec REIT MTN Private Limited 2.83% due 12/11/2018	2,000,000	2,001,638	0.58
Suntec REIT MTN Private Limited 3.025% due 16/03/2022	1,500,000	1,494,587	0.43
Suntec REIT MTN Private Limited 3.35% due 10/02/2020	2,500,000	2,522,358	0.73
United Overseas Bank Limited 3.5% due 16/09/2026	4,031,000	5,397,328	1.56
United Overseas Bank Limited 3.5% due 22/05/2026	1,250,000	1,267,110	0.37
United Overseas Bank Limited 3.75% due 19/09/2024	4,411,000	6,016,312	1.73
Total SINGAPORE		90,221,908	26.03
SOUTH KOREA			
Export-Import Bank of Korea 3.01938% due 26/05/2019	2,000,000	2,732,854	0.79
Export-Import Bank of Korea 3.33469% due 17/03/2021	1,300,000	1,792,450	0.52
Korea East-West Power Company Limited 2.625% due 27/11/2018	1,530,000	2,083,562	0.60
Korea Hydro & Nuclear Power Company Limited 2.375% due 28/10/2019	1,050,000	1,416,167	0.41
Korea Hydro & Nuclear Power Company Limited 2.875% due 02/10/2018	2,920,000	4,000,001	1.15
Korea Midland Power Company Limited 2.75% due 11/02/2019	2,900,000	3,943,992	1.14
Korea National Oil Corporation 2.75% due 23/01/2019	250,000	340,250	0.10
Korea Western Power Company Limited 2.625% due 22/09/2019	2,850,000	3,853,806	1.11
Korea Western Power Company Limited 2.875% due 10/10/2018	200,000	272,408	0.08
Shinhan Bank Company Limited 3.875% due 07/12/2026	1,500,000	2,028,482	0.58
SK Broadband Company Limited 2.875% due 29/10/2018	4,260,000	5,804,890	1.67
Total SOUTH KOREA		28,268,862	8.15

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 30 June 2018

By Geography (Primary) (continued)

	Holdings at 30 June 2018	Fair value at 30 June 2018 S\$	Percentage of total net assets attributable to unitholders at 30 June 2018 %
Quoted Fixed Income Securities (continued)			
THAILAND			
Bangkok Bank Public Company Limited 4.8% due 18/10/2020	1,000,000	1,400,460	0.40
PTT Exploration & Production Public Company Limited 3.707% due 16/09/2018	2,000,000	2,729,836	0.79
TMB Bank Public Company Limited 3.108% due 01/10/2021	2,350,000	3,122,868	0.90
Total THAILAND		7,253,164	2.09
UNITED ARAB EMIRATES			
Emirates NBD PJSC 3.91167% due 26/01/2020	1,000,000	1,377,812	0.40
Total UNITED ARAB EMIRATES		1,377,812	0.40
UNITED STATES OF AMERICA			
Hyundai Capital America 2.55% due 06/02/2019	1,000,000	1,358,659	0.39
Total UNITED STATES OF AMERICA		1,358,659	0.39
Accrued interest receivable on quoted fixed income securities		2,752,848	0.79
Total Quoted Fixed Income Securities		321,405,547	92.70
Portfolio of investments		321,405,547	92.70
Other net assets		25,321,239	7.30
Net assets attributable to unitholders		346,726,786	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 30 June 2018

By Geography (Summary)	Percentage of total net assets attributable to unitholders at 30 June 2018 %	Percentage of total net assets attributable to unitholders at 30 June 2017 %
Quoted Fixed Income Securities		
Australia	3.65	4.56
Bahamas	-	0.34
Bermuda Islands	0.71	0.61
Britain	1.17	2.56
British Virgin Islands	15.36	16.69
Canada	0.96	0.82
Cayman Islands	8.94	6.93
China	3.81	5.67
France	0.94	0.51
Hong Kong SAR	13.43	8.19
India	3.01	4.46
Indonesia	0.69	-
Japan	0.71	1.69
Malaysia	0.88	3.08
Mexico	0.59	-
Singapore	26.03	26.85
South Korea	8.15	3.93
Switzerland	-	1.72
Thailand	2.09	1.09
United Arab Emirates	0.40	0.34
United States of America	0.39	1.47
Accrued interest receivable on quoted fixed income securities	0.79	0.75
Total Quoted Fixed Income Securities	92.70	92.26
Portfolio of investments	92.70	92.26
Other net assets	7.30	7.74
Net assets attributable to unitholders	100.00	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 30 June 2018

By Industry (Secondary)	Fair value at 30 June 2018 S\$	Percentage of total net assets attributable to unitholders at 30 June 2018 %	Percentage of total net assets attributable to unitholders at 30 June 2017 %
Airlines	505,210	0.15	0.13
Auto Manufacturers	1,358,659	0.39	1.22
Auto Parts & Equipment	1,913,129	0.55	0.49
Banks	82,448,336	23.78	33.11
Chemicals	6,332,728	1.83	1.70
Coal	-	-	0.84
Commercial Services	4,361,032	1.26	0.64
Diversified Financial Services	50,013,617	14.43	7.35
Electric	19,478,204	5.62	2.00
Electronics	-	-	0.34
Engineering and Construction	1,857,883	0.54	1.36
Food	7,566,184	2.18	1.09
Gas	-	-	0.27
Holding Companies-Diversified	5,404,585	1.56	2.15
Home Furnishings	2,700,284	0.78	0.67
Insurance	17,098,346	4.93	4.04
Internet	5,804,890	1.67	1.72
Investment Companies	7,717,400	2.23	3.26
Iron/Steel	4,966,694	1.43	0.07
Leisure Time	3,412,983	0.98	0.35
Lodging	2,510,981	0.72	0.96
Mining	2,040,675	0.59	-
Oil and Gas	8,433,914	2.43	2.62
Real Estate	41,455,019	11.96	13.40
Real Estate Investment Trusts (REITS)	25,693,239	7.41	6.20
Sovereign	6,925,909	2.00	2.01
Telecommunications	7,497,709	2.16	1.53
Transportation	1,155,089	0.33	1.99
Accrued interest receivable on quoted fixed income securities	2,752,848	0.79	0.75
Portfolio of investments	321,405,547	92.70	92.26
Other net assets	25,321,239	7.30	7.74
Net assets attributable to unitholders	346,726,786	100.00	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Nikko AM Shenton Short Term Bond Fund (S\$) (the "Fund") is a Singapore domiciled fund, constituted as a sub-fund of the Nikko AM Shenton Short Term Bond Funds, pursuant to the Trust Deed dated 26 June 2000 as amended by Supplemental Deeds and Restated Deeds (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Manager of the Fund is Nikko Asset Management Asia Limited (the "Manager").

There are currently five classes of units established within the Fund, namely S\$ Class, A\$ Hedged Class, US\$ Class, US\$ Hedged Class and RMB Class.

The classes differ in terms of their class currency, the management fees, the minimum subscription amounts applicable, the periods for payments of realisation proceeds and the hedging features applicable to certain classes as described below.

The NAV of each class within the Fund will be valued in its respective class currency.

For the A\$ Hedged Class and the US\$ Hedged Class, the Managers intend to hedge the currency exposure of the assets of the Scheme attributable to (a) the A\$ Hedged Class into AUD and (b) the US\$ Hedged Class into USD, through the use of currency forwards. Consequently, the NAV per Unit of each of the A\$ Hedged Class and the US\$ Hedged Class will take into account any gains or losses arising from the use of the currency forwards in respect of the relevant Class.

As of 30 June 2018, only units in S\$ Class, A\$ Hedged Class and US\$ Hedged Class have been issued.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

(a) Basis of preparation

The financial statements have been prepared under the historical-cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, and in accordance with the recommendations of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“RAP 7”) issued by the Institute of Singapore Chartered Accountants.

(b) Recognition of income

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

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

(c) Investments

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

(i) *Initial recognition*

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

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments are 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 investment are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statement of Total Return.

(d) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for fixed income securities held by the fund is the mid-market price for both financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

(e) Receivables

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

(f) Foreign currency translation

(i) *Functional and presentation currency*

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

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.

(g) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Deeds.

Financial derivatives outstanding at the end of the financial year are valued at forward rates or at current market prices using the "mark-to-market" method, as applicable, and the resultant gains and losses are taken up in the Statement of Total Return.

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

2. Significant accounting policies (continued)

(h) Expenses charged to the fund

Class specific expenses – management fees and registrar fees are charged directly to each class as follows:

Management fees

S\$ Class and US\$ Class: 0.3% per annum

A\$ Hedged Class: 0.5% per annum

Registrar fees

S\$ Class: Minimum: S\$ 11,000 per annum

A\$ Hedged Class and US\$ Hedged Class: Minimum: S\$ 4,500 per annum for each class

All other expenses relate to the Fund as a whole and are further allocated to each share class based on the respective asset under management proportion.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) Collateral

Cash collateral provided by the Fund is identified in the Statement of Financial Position as margin account and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its Statement of Financial Position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the Notes to the Financial Statements.

3. Interest income

	2018	2017
	S\$	S\$
Interest income on cash and bank balances	118,108	5,864

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

4. Income Tax

The Fund was granted the status of a Designated Unit Trust (DUT) in Singapore. The Manager and Trustee of the Fund will ensure that the Fund fulfills its reporting obligation under the DUT scheme.

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

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

Income tax for the financial year ended 30 June 2018 and 2017 comprises:

	2018	2017
	S\$	S\$
Singapore income tax	446	1,103

The Fund incurs withholding taxes imposed by certain countries on bond interest income. Singapore income tax comprises of tax on other income derived from outside Singapore.

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

5. Receivables

	2018	2017
	S\$	S\$
Receivable from unitholders for creation of units	<u>2,988,968</u>	<u>5,144,234</u>

6. Payables

	2018	2017
	S\$	S\$
Payable to unitholders for cancellation of units	602,150	626,376
Amount due to the Manager	304,681	327,888
Valuation fees payable	44,067	48,697
Trustee fees payable	15,356	16,899
Provision for audit fee	19,903	23,433
Other payables	28,116	22,784
	<u>1,014,273</u>	<u>1,066,077</u>

Amount due to the Manager comprises of management fee payable to Nikko Asset Management Asia Limited. Trustee fee and registrar fee are payable to BNP Paribas Trust Services Singapore Limited. Valuation fee and custody fee are payable to BNP Paribas Securities Services operating through its Singapore Branch. Registrar fee and custody fee are classified under other payables.

7. Financial derivatives at fair value

Financial derivatives contracts comprise forward foreign exchange contracts and future contracts for purchases and sales of foreign currencies. The year-end positive and negative fair values represent the unrealised gains and losses respectively on revaluation of derivative financial instruments at the Statement of Financial Position date. The contract or underlying principal amounts of these derivative financial instruments and their corresponding gross positive or negative fair values at Statement of Financial Position date are analysed below.

	<u>Contract or underlying</u> <u>principal amount</u>		<u>Year-end positive</u> <u>fair value</u>		<u>Year-end negative</u> <u>fair value</u>	
	2018	2017	2018	2017	2018	2017
	S\$	S\$	S\$	S\$	S\$	S\$
Forward foreign exchange contracts	<u>274,931,793</u>	<u>290,877,700</u>	<u>39,172</u>	<u>1,119,037</u>	<u>1,036,345</u>	<u>119,114</u>

Financial assets and Financial liabilities which are subject to enforceable master netting agreements or similar agreements for the year ended 30 June 2018 and 2017 are detailed in the following tables in the following page:

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

7. Financial derivatives at fair value (continued)

(i) Offsetting financial assets

2018	Related accounts not set-off in the Statement of Financial Position					
	Gross amounts of recognised financial assets S\$	Gross liabilities set off in the Statement of Financial Position S\$	Net amounts of financial assets presented in the Statement of Financial Position S\$	Financial Instruments S\$	Cash collateral S\$	Net exposure S\$
Forward foreign exchange contracts	38,901	-	38,901	-	-	38,901

2017	Related accounts not set-off in the Statement of Financial Position					
	Gross amounts of recognised financial assets S\$	Gross liabilities set off in the Statement of Financial Position S\$	Net amounts of financial assets presented in the Statement of Financial Position S\$	Financial Instruments S\$	Cash collateral S\$	Net exposure S\$
Forward foreign exchange contracts	471,740	-	471,740	119,114	-	352,626

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

7. Financial derivatives at fair value (continued)

(ii) Offsetting financial liabilities

2018				Related accounts not set-off in the Statement of Financial Position		
	Gross amounts of recognised financial liabilities S\$	Gross assets set off in the Statement of Financial Position S\$	Net amounts of financial liabilities presented in the Statement of Financial Position S\$	Financial Instruments S\$	Cash collateral S\$	Net exposure S\$
Forward foreign exchange contracts	971,376	-	971,376	-	-	971,376

2017				Related accounts not set-off in the Statement of Financial Position		
	Gross amounts of recognised financial liabilities S\$	Gross assets set off in the Statement of Financial Position S\$	Net amounts of financial liabilities presented in the Statement of Financial Position S\$	Financial Instruments S\$	Cash collateral S\$	Net exposure S\$
Forward foreign exchange contracts	119,114	-	119,114	119,114	-	-

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
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8. Units in issue

During the year ended 30 June 2018 and 30 June 2017, the numbers of units issued, redeemed and outstanding were as follows:

	2018	2017
<u>S\$ Class</u>		
Units at beginning of the financial year	270,740,026	232,724,292
Units created	111,718,862	199,729,671
Units cancelled	(153,450,112)	(161,713,937)
Units at end of the financial year	229,008,776	270,740,026
Net assets attributable to unitholders - S\$	338,816,993	397,426,936
Net asset value per unit - S\$	1.47949	1.46793

	2018	2017
<u>A\$ Hedged Class</u>		
Units at beginning of the financial year	6,064,331	5,947,118
Units created	1,636,872	4,473,934
Units cancelled	(2,746,888)	(4,356,721)
Units at end of the financial year	4,954,315	6,064,331
Net assets attributable to unitholders - S\$	6,433,693	8,154,675
Net asset value per unit - S\$	1.29860	1.34469

	2018	2017
<u>US\$ Hedged Class</u>		
Units at beginning of the financial year	2,121,756	-
Units created	1,538,883	32,147,571
Units cancelled	(2,592,760)	(30,025,815)
Units at end of the financial year	1,067,879	2,121,756
Net assets attributable to unitholders - S\$	1,476,100	2,949,967
Net asset value per unit - S\$	1.38227	1.39034

A reconciliation of the net asset 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 in the following page:

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

8. Units in issue (continued)

<u>S\$ Class</u>	2018 S\$	2017 S\$
Net assets attributable to unitholders as per financial statements per unit	1.47949	1.46793
Effect of movement in the net asset value between the last dealing date and the end of the reporting period	(0.00009)	0.00001
Net assets attributable to unitholders for issuing/redeeming per unit	1.47940	1.46794
<u>A\$ Hedged Class</u>	2018 S\$	2017 S\$
Net assets attributable to unitholders per financial statements	1.29860	1.34469
Effect of movement in the net asset value between the last dealing date and the end of the reporting period	(0.00010)	0.00001
Net assets attributable to unitholders for issuing/redeeming	1.29850	1.34470
<u>US\$ Hedged Class</u>	2018 S\$	2017 S\$
Net assets attributable to unitholders per financial statements	1.38227	1.39034
Effect of movement in the net asset value between the last dealing date and the end of the reporting period	(0.00010)	0.00001
Net assets attributable to unitholders for issuing/redeeming	1.38217	1.39035

9. Margin account

	2018 S\$	2017 S\$
Margin account	91,779	1

Margin account represents margin deposits held in respect of open exchange-traded futures contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

10. Financial risk management

The Fund's activities expose it to a variety of risk, including but not limited to market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk. The Manager is responsible for implementation of 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 primary objective is to seek preservation of capital, liquidity and consistent with these objectives, to outperform the Singapore Interbank Offered Rate (SIBOR) by investing in a diversified portfolio of good quality, short term bonds and money market instruments.

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 and industries globally.

The market prices of financial assets held by the Fund are primarily dependent on prevailing market interest rates, as the Fund invests in global bonds issued by governments and corporations. Consequently, no separate price risk sensitivity analysis is prepared as it is covered in the interest rate risk sensitivity analysis.

(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).

The Manager regularly accesses the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of the interest rate risk. The Fund's overall market positions are monitored frequently and are reviewed formally on a quarterly basis by the Manager.

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For the financial year ended 30 June 2018

10. Financial risk management (continued)

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

The tables below summarise the Fund's exposure to interest rate risks. They include the Fund's assets and liabilities categorised by the earlier of contractual re-pricing or maturity dates.

As at 30 June 2018

	<u>Floating rate</u>	Up to 1 year	Fixed rate	Over 5 years	<u>Non-interest bearing</u>	Total
	S\$	S\$	1-5 years S\$	S\$	S\$	S\$
Assets						
Portfolio of investments	82,052,543	79,324,528	157,275,628	-	2,752,848	321,405,547
Receivables	-	-	-	-	2,988,968	2,988,968
Cash and bank balances	27,614,275	-	-	-	-	27,614,275
Margin accounts	-	-	-	-	91,779	91,779
Financial derivatives at fair value	-	-	-	-	39,172	39,172
Total assets	109,666,818	79,324,528	157,275,628	-	5,872,767	352,139,741
Liabilities						
Payables	-	-	-	-	1,014,273	1,014,273
Purchases awaiting settlement	-	-	-	-	3,362,337	3,362,337
Financial derivatives at fair value	-	-	-	-	1,036,345	1,036,345
Total liabilities	-	-	-	-	5,412,955	5,412,955

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For the financial year ended 30 June 2018

10. Financial risk management (continued)

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

As at 30 June 2017	<u>Floating rate</u> S\$	<u>Fixed rate</u>			<u>Non-interest bearing</u> S\$	Total S\$
		Up to 1 year S\$	1-5 years S\$	Over 5 years S\$		
Assets						
Portfolio of investments	115,521,805	87,235,283	167,964,122	3,094,102	3,081,017	376,896,329
Receivables	-	-	-	-	5,144,234	5,144,234
Cash and bank balances	26,557,168	-	-	-	-	26,557,168
Margin accounts	-	-	-	-	1	1
Financial derivatives at fair value	-	-	-	-	1,119,037	1,119,037
Total assets	142,078,973	87,235,283	167,964,122	3,094,102	9,344,289	409,716,769
Liabilities						
Payables	-	-	-	-	1,066,077	1,066,077
Financial derivatives at fair value	-	-	-	-	119,114	119,114
Total liabilities	-	-	-	-	1,185,191	1,185,191

As at 30 June 2018, an increase/decrease of interest rates by 1% (2017: 1%), with all other variables remaining constant, would result in a decrease/increase of the net assets attributable to unitholders by approximately 1% (2017: 1%). Reasonable possible changes in interest rates are revised annually depending on management's current view of market volatility and other factors.

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NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

10. Financial risk management (continued)

(c) Market risk - Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of 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.

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

As at 30 June 2018	USD S\$	SGD S\$	AUD S\$	Total S\$
Assets				
Portfolio of investments	242,852,043	78,553,504	-	321,405,547
Receivables	-	2,988,968	-	2,988,968
Cash and bank balances	13,834,782	12,951,480	828,013	27,614,275
Margin accounts	91,779	-	-	91,779
Total assets	256,778,604	94,493,952	828,013	352,100,569
Liabilities				
Payables	-	1,014,273	-	1,014,273
Purchases awaiting settlement	1,362,337	2,000,000	-	3,362,337
Total liabilities	1,362,337	3,014,273	-	4,376,610
Net off-balance sheet derivative financial instruments	(251,937,037)	244,378,581	6,561,283	
Net currency exposure	3,479,230	335,858,260	7,389,296	

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

10. Financial risk management (continued)

(c) Market risk - Currency risk (continued)

As at 30 June 2017	USD S\$	SGD S\$	AUD S\$	GBP S\$	Total S\$
Assets					
Portfolio of investments	252,430,108	119,216,020	-	5,250,201	376,896,329
Receivables	-	3,031,920	2,112,314	-	5,144,234
Cash and bank balances	10,036,655	15,986,820	399,555	134,138	26,557,168
Margin accounts	1	-	-	-	1
Total assets	262,466,764	138,234,760	2,511,869	5,384,339	408,597,732
Liabilities					
Payables	-	1,025,222	40,855	-	1,066,077
Total liabilities	-	1,025,222	40,855	-	1,066,077
Net off-balance sheet derivative financial instruments	(254,240,019)	254,273,371	6,085,561	(5,118,990)	
Net currency exposure	8,226,745	391,482,909	8,556,575	265,349	

The Manager does not consider the Fund to be exposed to significant currency risk as the Fund's net foreign currency exposure is not significant. Hence, no separate sensitivity analysis on foreign currency risk has been presented. Reasonable possible shifts in foreign exchange rate are revised annually depending on management's current view of market volatility and other relevant factors.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

10. Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk of loss arising from the inability of the Fund to meet its obligations as 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 is set.

To manage the liquidity risk, a cash buffer is maintained in the Fund and monitored for minimum cash balances to prevent any extensive disposition of assets which may occur at lower prices and overdraft situations to meet trade settlements and obligations.

The Fund's securities are considered readily realisable, as the majority of the securities are listed on recognised stock exchanges.

The Fund's financial liabilities and net settled derivative financial liabilities are analysed using contractual undiscounted cashflows for maturity groupings on the remaining year at the Statement of Financial Position date to the contractual maturity date. As at 30 June 2018, all liabilities are payable in less than 3 months. The impact of discounting is not significant.

	<u>Less than 3 months</u>	
	As at 30 June 2018 S\$	As at 30 June 2017 S\$
Liabilities		
Payables	1,014,273	1,066,077
Purchases awaiting settlement	3,362,337	-
Contractual cash outflows (excluding gross settled derivatives)	4,376,610	1,066,077

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

10. Financial risk management (continued)

(d) **Liquidity risk** (continued)

The table below analyse the Fund's derivative financial instruments in a loss position that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 3 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Less than 3 months</u>	
	As at	As at
	30 June 2018	30 June 2017
	S\$	S\$
Currency forwards		
- Outflow	(266,983,786)	(14,285,544)
- Inflow	265,947,441	14,166,430
Net outflow	<u>(1,036,345)</u>	<u>(119,114)</u>

(e) **Credit risk**

Credit risk is the risk that a counterparty will be unable to fulfil its obligations to the Fund in part or in full as and when they fall due.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties as well as the respective credit limits are approved;
- ensuring there are controls in place to identify and assess the creditworthiness of counterparties and review such controls on a semi-annual basis; and
- ensuring that transactions are undertaken with a large number of counterparties.

All trade settlement with approved counterparties are on Delivery versus Payment and/or Receipt versus Payment basis, with the exception of initial public offerings, new issues and placement transactions.

The Fund invests in financial assets, which have an investment grade as rated by Standard & Poor's and/or Moody's. The credit ratings are reviewed regularly.

The table below analyses the Fund's investments by credit ratings:

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10. Financial risk management (continued)

(e) Credit risk (continued)

	Fair value at 30 June 2018		Fair value at 30 June 2017	
	Floating rate securities S\$	Fixed rate securities S\$	Floating rate securities S\$	Fixed rate securities S\$
AA	2,732,854	9,882,632	2,765,008	3,005,019
AA-	-	-	1,378,002	3,182,570
A+	9,080,729	1,530,511	20,824,889	5,024,205
A	1,947,304	7,287,655	-	12,159,509
A-	5,792,637	17,616,388	8,582,273	21,923,399
BBB+	22,003,338	45,977,362	38,796,912	33,176,195
BBB	7,733,264	31,117,579	7,455,739	35,324,032
BBB-	4,067,444	15,830,813	1,998,252	18,333,078
AAu	-	2,083,562	-	2,119,800
A /*-	-	-	-	2,003,000
BBB+u	5,397,328	-	-	-
Aa2	3,976,970	3,943,992	3,175,683	-
Aa3	-	-	4,810,042	-
A1	2,327,336	4,095,350	5,803,419	10,121,638
A2	273,529	6,996,272	-	4,930,424
A3	1,377,812	7,026,026	1,377,602	15,088,573
Baa1	1,514,256	10,940,671	1,532,589	8,989,461
Baa2	4,580,158	7,117,677	9,276,191	8,084,568
Baa3	-	7,144,240	1,520,020	16,657,138
Baa2 *+	4,405,642	-	-	-
Baa3u	-	9,030,157	-	-
A2 /*-	-	-	3,450,593	-
A3 /*-	-	-	-	2,774,053
Not rated	4,841,942	48,979,269	2,774,591	55,396,845
Accrued interest receivable on quoted fixed income securities	760,050	1,992,798	1,036,536	2,044,481
	82,812,593	238,592,954	116,558,341	260,337,988

Credit risk arises from cash and bank balances, fixed deposits and committed transactions with brokers. The table below summarises the credit rating of banks and custodians in which the Fund's assets are held as at 30 June 2018 and 30 June 2017.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

10. Financial risk management (continued)

(e) **Credit risk** (continued)

	Credit rating as at 30 June 2018	Credit rating as at 30 June 2017	Source of credit rating
Bank balance			
- BNP Paribas Securities Services, operating through its Singapore Branch	A	A	Standard & Poor's
Custodian			
- BNP Paribas Securities Services, operating through its Singapore Branch	A	A	Standard & Poor's
Financial derivatives			
Australia and New Zealand Bank	AA-	AA-	Standard & Poor's
BNP Paribas Securities Services, operating through its Singapore Branch	A	A	Standard & Poor's
Commonwealth Bank of Australia	N.A.	AA-	Standard & Poor's
Citibank N.A Singapore	BBB+	-	Standard & Poor's
ING Amsterdam	N.A.	A-	Standard & Poor's
JP Morgan Chase & Company	A-	A-	Standard & Poor's
UBS AG Singapore Branch	A+	A+	Standard & Poor's

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

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

(f) **Capital management**

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

10. 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 30 June 2018 and 2017:

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
As at 30 June 2018				
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted fixed income securities	- 321,405,547		- 321,405,547	
- Financial derivatives at fair value	- 39,172		- 39,172	
	- 321,444,719		- 321,444,719	
Liabilities				
- Financial derivatives at fair value	- 1,036,345		- 1,036,345	
As at 30 June 2017				
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted fixed income securities	- 376,896,329		- 376,896,329	
- Financial derivatives at fair value	- 1,119,037		- 1,119,037	
	- 378,015,366		- 378,015,366	
Liabilities				
- Financial derivatives at fair value	- 119,114		- 119,114	

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

10. Financial risk management (continued)

(g) **Fair value estimation** (continued)

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate bonds and over-the-counter derivatives.

Except for cash and bank balances and margin accounts which are classified as level 1. The Fund's assets and liabilities not measured at fair value at 30 June 2018 and 2017 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.

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

	2018	2017
	S\$	S\$
Bank balances held with related party of the Trustee	<u>27,614,275</u>	<u>26,557,168</u>

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

12. Financial ratios

Expense ratio

		2018	2017
<u>S\$ Class</u>			
Total operating expenses	S\$	1,595,046	1,519,686
Average daily net asset value	S\$	387,752,553	365,273,755
Total expense ratio¹	%	0.41	0.42

		2018	2017
<u>A\$ Hedged Class</u>			
Total operating expenses	S\$	55,966	51,469
Average daily net asset value	S\$	8,165,534	7,398,999
Total expense ratio¹	%	0.69	0.70

		2018	2017
<u>US\$ Hedged Class</u>			
Total operating expenses	S\$	14,497	84,329
Average daily net asset value	S\$	2,045,904	22,956,046
Total expense ratio¹	%	0.71	0.46

Turnover ratio

		2018	2017
Lower of total value of purchases or sales	S\$	143,098,281	107,408,730
Average daily net asset value	S\$	397,963,991	392,072,329
Total turnover ratio²	%	35.96	27.40

¹ 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.

² 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.

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REPORT TO UNITHOLDERS

For the financial year ended 30 June 2018

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 15 to 22.

2. Credit rating of debt securities

	Fair value at 30 June 2018 S\$	Percentage of total net assets attributable to unitholders at 30 June 2018 %
AA	12,615,486	3.64
A+	10,611,240	3.06
A	9,234,959	2.66
A-	23,409,025	6.75
BBB+	67,980,700	19.61
BBB	38,850,843	11.21
BBB-	19,898,257	5.75
AAu	2,083,562	0.60
BBB+u	5,397,328	1.56
Aa2	7,920,962	2.29
A1	6,422,686	1.85
A2	7,269,801	2.10
A3	8,403,838	2.42
Baa1	12,454,927	3.59
Baa2	11,697,835	3.37
Baa3	7,144,240	2.06
Baa2 *+	4,405,642	1.27
Baa3u	9,030,157	2.60
Not rated	53,821,211	15.52
Accrued interest receivable on quoted fixed income securities	2,752,848	0.79
Total	321,405,547	92.70

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT TO UNITHOLDERS

For the financial year ended 30 June 2018

3. Top 10 holdings

10 Largest holdings at 30 June 2018

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Keppel Land Financial Services Private Limited 3.259% due 11/12/2019	6,959,169	2.01
United Overseas Bank Limited 3.75% due 19/09/2024	6,016,312	1.74
SK Broadband Company Limited 2.875% due 29/10/2018	5,804,890	1.67
Oversea-Chinese Banking Corporation Limited 4% due 15/10/2024	5,476,334	1.58
United Overseas Bank Limited 3.5% due 16/09/2026	5,397,328	1.56
Fubon Bank Hong Kong Limited 6.125% due 30/11/2020	5,236,429	1.51
Sino-Ocean Land Treasure Finance I Limited 4.625% due 30/07/2019	4,797,275	1.38
Sunshine Life Insurance Corporation Limited 2.5% due 20/04/2019	4,713,967	1.36
China Overseas Grand Oceans Finance II Cayman Limited 5.125% due 23/01/2019	4,659,877	1.34
China Construction Bank Asia Corporation Limited 4.25% due 20/08/2024	4,580,158	1.32

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT TO UNITHOLDERS

For the financial year ended 30 June 2018

3. Top 10 holdings (continued)

10 Largest holdings at 30 June 2017	Fair value S\$	Percentage of total net assets attributable to unitholders %
UBS AG 4.75% due 22/05/2023	7,031,785	1.72
Eastern Creation II Investment Holdings Limited 2.625% due 20/11/2017	6,893,448	1.69
Bestgain Real Estate Limited 2.625% due 13/03/2018	6,014,945	1.47
China State Construction Finance Cayman I Limited 3.125% due 02/04/2018	5,555,195	1.36
QNB Finance Limited 2.57172% due 20/05/2018	4,810,042	1.18
United Overseas Bank Limited 3.75% due 19/09/2024	4,798,004	1.17
China Construction Bank Asia Corporation Limited 4.25% due 20/08/2024	4,718,542	1.15
Westpac Banking Corporation 3.625% due 28/02/2023	4,718,139	1.15
Ascendas Real Estate Investment Trust 2.95% due 03/08/2020	4,565,916	1.12
Dah Sing Bank Limited 5.25% due 29/01/2024	4,557,649	1.12

4. Exposure to financial derivatives

	Fair value at 30 June 2018 S\$	Percentage of total net assets attributable to unitholders 30 June 2018 %	Unrealised gains/(losses) S\$	Realised gains/(losses) S\$
Forward foreign exchange contract	(997,173)	(0.29)	(997,173)	2,130,757
Futures contracts	-	-	-	60,871

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT TO UNITHOLDERS

For the financial year ended 30 June 2018

5. Global exposure to financial derivatives

The global exposure to financial derivatives is computed using the commitment approach which is calculated as the sum of:

- a. the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangement;
- b. the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c. the sum of the values of cash collateral received pursuant to:
 - i. the reduction of exposure to counterparties of OTC financial derivatives; and
 - ii. EPM techniques relating to securities lending and repurchase transactions, and that are reinvested.

6. Collateral

Please refer to Note 9 of the Notes to the Financial Statements on page 32.

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 30 June 2018

S\$

Units created	169,051,283
Units cancelled	(233,541,885)

11. Turnover ratio

Please refer to Note 12 of the Notes to the Financial Statements on page 44.

NIKKO AM SHENTON SHORT TERM BOND FUND (S\$)
(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT TO UNITHOLDERS
For the financial year ended 30 June 2018

12. Expense ratio

Please refer to Note 12 of the Notes to the Financial Statements on page 44.

13. Related party transactions

Please refer to Note 11 of the Notes to the Financial Statements on page 43.

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

Nil.

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