

# ANNUAL REPORT

For the financial year ended 30 June 2019

**Nikko AM**  
**ASEAN Equity Fund**



**MANAGERS**

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

**DIRECTORS**

Hou Wey Fook  
Lim Soon Chong  
Kiyotaka Ryu  
Seet Oon Hui Eleanor  
Yu-Ming Wang

**TRUSTEE & REGISTRAR**

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

**AUDITORS**

PricewaterhouseCoopers LLP  
7 Straits View, Marina One,  
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Singapore 018936

**CUSTODIAN**

BNP Paribas Securities Services, operating through its Singapore Branch  
20 Collyer Quay, #01-01  
Singapore 049319

This report is also available on our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg))

## PERFORMANCE SUMMARY

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM ASEAN Equity Fund - SGD Class A	2.39	8.09	3.50	5.85	N/A	N/A	6.17
Benchmark <sup>1</sup>	5.24	9.86	10.97	8.18	N/A	N/A	7.75

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 30 June 2019. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM ASEAN Equity Fund - SGD Class A	-2.73	2.68	-1.68	4.06	N/A	N/A	4.68
Benchmark <sup>1</sup>	5.24	9.86	10.97	8.18	N/A	N/A	7.75

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 30 June 2019. 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: 12 November 2015

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM ASEAN Equity Fund - USD Class A	2.46	8.84	4.23	5.67	N/A	N/A	5.98
Benchmark <sup>1</sup>	5.36	10.67	11.84	8.00	N/A	N/A	7.67

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 30 June 2019. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

<b>Returns (%)</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>Since Inception</b>
Nikko AM ASEAN Equity Fund - USD Class A	-2.66	3.39	-0.98	3.88	N/A	N/A	4.32
Benchmark <sup>1</sup>	5.36	10.67	11.84	8.00	N/A	N/A	7.67

Source: Nikko Asset Management Asia Limited and MSCI. Returns as at 30 June 2019. 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: 4 April 2016

#### Note:

(1) With effect from January 2017, the benchmark MSCI South East Asia Index (Net total return) has been renamed as MSCI AC ASEAN Index (Net total return).

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## **Portfolio Review**

### ***Fund returned 3.50% in the year to end June 2019***

For the year to end June 2019, the Nikko AM ASEAN Equity Fund (the "Fund") returned 3.50% (SGD terms, on a NAV-NAV basis), underperforming the MSCI AC ASEAN Index (Net Total Return) which posted a corresponding return of 10.97%. Over the review period, stock selection in Indonesia and Malaysia were the biggest detractors from relative performance. Conversely, selection in Singapore and the Philippines mitigated losses.

## **Market Review**

### ***ASEAN markets rose in the twelve months to end June 2019***

The MSCI AC ASEAN Index (Net Total Return) gained 10.97% over the review period, outperforming its global counterparts amid significant volatility. Regional markets slumped in 2H 2018, on the back of concerns about slowing global growth, tightening US monetary policy and rising geopolitical tensions. At the beginning of the period, a strong USD, combined with a currency crisis in Argentina and US sanctions on Turkey, dampened risk appetite. The US Federal Reserve (Fed) raised interest rates in September and December, causing more market pessimism towards the year-end, while a US government shutdown further added to uncertainty.

ASEAN stocks, however, made a strong comeback in 1H 2019 due to optimism that the US and China could reach a much-needed compromise in their protracted trade negotiations. Regional stock markets were also lifted by the about-turn dovish stance of the Fed and rate cuts by regional central banks. The Fed first abandoned projections for any interest rate hikes in 1Q 2019 and subsequently signalled its intention to cut rates towards the end of 2Q 2019 to prevent the US-China trade war from stalling US economic growth. Within ASEAN, unexpected rate cuts, which were implemented in countries such as the Philippines and Malaysia to stem the negative impact from a slowing global economy, also supported regional equities.

The upturn in ASEAN stocks in 1H 2019, however, wasn't all smooth sailing. Regional equities had to withstand the flare up in US-China trade tensions in May 2019, when trade talks abruptly broke down between the two nations, which subsequently hurled fresh tariff measures at each other. Nonetheless, a scheduled meeting between US President Donald Trump and Chinese President Xi Jinping at the June-end G20 Summit in Osaka led to a relief rally at the end of 1H 2019 on hopes that US-China trade talks would resume. The Trump-Xi meeting didn't disappoint markets with the US and China agreeing to a temporary trade truce plus the resumption of trade talks.

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### ***Indonesia, Thailand and the Philippines outperformed, while Malaysia lagged***

Indonesia, Thailand and the Philippines were the best performing ASEAN equity markets over the reviewed period, buoyed by positive Indonesian and Thai election results as well as an interest rate cut by the Philippines central bank.

Sentiment towards Indonesia stocks were generally positive during the 12-month period ended 30 June 2019. In late 2018, the Indonesian government launched a stimulus package, which included tax cuts for commodity exporters, to support the rupiah and boost growth. Months later, incumbent President Joko Widodo clinched a second term in office, beating his opponent Prabowo Subianto in the April general elections.

In March, Thailand voted in its first general election since the 2014 coup and official election results released in May showed that the opposition Pheu Thai Party won the most seats. But Thailand's new parliament voted to elect Junta chief Prayuth Chan-ocha as Prime Minister after a month-long post-election period of backdoor deals and manoeuvres.

In 2Q 2019, the central bank of the Philippines cut its key interest rate by 25 basis points to 4.5%. The move lifted sentiment for stocks in the country. As for other ASEAN stock markets, Singapore turned in decent returns despite the country's lacklustre economic showing, while Malaysia lagged during the period as investors remained unenthused by the Malaysian government's policies.

### ***Vietnam stocks edged lower, but GDP growth remained robust***

It was a volatile year for Vietnamese equities, as concerns about global economic growth and the fallout of the US-China trade conflict continued to dominate sentiment. Vietnam's GDP growth remained resilient despite the global trade downturn. The economy grew 6.71% in 2Q19, bringing 1H19 growth to 6.76%. Processing and manufacturing, which covers goods exporters, was the fastest growing sector in 2Q19, posting a 9.14% rise. Exports also saw solid growth, rising 7.3% in 1H19 from a year earlier to USD122.7bn. Foreign direct investment (FDI) pledges into Vietnam reached USD18.47bn for the first six months of 2019, declining 9.2% year-on-year owing mainly to a number of large-scale projects that received licenses in June 2018. The manufacturing and processing industry is poised to receive the largest amount of investment, with USD13.15bn of pledged FDI.

## **Market Outlook and Strategy**

### ***Positive on ASEAN prospects as global growth and inflation taper***

We remain constructive on the ASEAN equity markets. In Vietnam, we see the greatest opportunities from rising middle class consumption and an acceleration of FDI. In the rest of ASEAN, we believe the resilience of domestic consumption coupled with the revival of infrastructure investments will continue to feature and support the regional growth story. We are most positive on Indonesia and Philippines and favour industrials and consumer companies in these markets which are best placed to ride this recovery.

We also argue that the relative growth proposition for ASEAN is improving and that the region's resilience in growth will become more apparent in 2019. This comes as increasing macro evidence points towards a moderation in global growth and a downshift in inflation expectations. With the risk of the global trade cycle weakening further in the months ahead, developed markets, notably export oriented economies which are exposed to trade, are particularly vulnerable. In contrast, we believe ASEAN's domestic defensiveness should stand out, and we expect GDP growth to improve amid the global tide of deceleration.

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***Dovish shift in policy to support performance in ASEAN***

We are modestly positive on how the Fed cuts both present and future could help ASEAN markets. In previous episodes where rate cuts took place amid generally resilient growth backdrops, ASEAN markets have reacted positively with Indonesia and Thailand posting the strongest returns following the mid-cycle easing episodes. Within ASEAN, Indonesia has the most room for policy easing while Thailand and Malaysia might also adopt rate cuts in their upcoming policy meetings at the end of 3Q2019 to help stimulate growth. We remain overweight in Indonesia, Thailand and Philippines.

***Maintain positive outlook on Vietnam***

We remain positive on Vietnamese stocks, and continue to expect robust GDP growth, with FDI into manufacturing- and export-driven industries still a key driver. With the re-escalation of US-China trade tensions, we think that Vietnam's position as one of the best alternatives to China as Asia's low cost manufacturing hub, becomes even more prominent. Recent indications are that Vietnam's trade surplus with the US could make it a target for US tariffs. While this is a potential risk, we believe that the degree of tension is unlikely to match that of the actions against China, as the dispute against China has taken on additional dimensions including a contest for dominance in tech and global influence. We believe that these are unlikely to become issues in the relationship between the US and Vietnam. Despite the rebound in stock prices over the year to-date we continue to see valuations for the Vietnam market as being attractive. Our stock selection continues to focus on beneficiaries of robust consumption growth, including companies in the food and beverage, retail and real estate sectors.

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Nikko Asset Management Asia Limited. Registration Number 198202562H



## **SOFT DOLLAR COMMISSIONS/ARRANGEMENTS**

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

## **NIKKO AM ASEAN EQUITY FUND**

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

### **REPORT OF THE TRUSTEE**

*For the financial year ended 30 June 2019*

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

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 13 to 32, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee  
BNP Paribas Trust Services Singapore Limited

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Authorised signatory  
27 September 2019

**NIKKO AM ASEAN EQUITY FUND**

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

**STATEMENT BY THE MANAGER**

*For the financial year ended 30 June 2019*

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In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 13 to 32, 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 ASEAN Equity Fund (the "Fund") as at 30 June 2019, and the financial performance and movements in unitholders' funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

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

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Authorised signatory  
27 September 2019

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

***Our Opinion***

In our opinion, the accompanying financial statements of Nikko AM ASEAN Equity Fund (the "Fund"), are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, so as to present fairly, the financial position and portfolio holdings of the Fund as at 30 June 2019, 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 2019;
- the Statement of Financial Position as at 30 June 2019;
- the Statement of Movements of Unitholders' Funds for the financial year ended 30 June 2019;
- the Statement of Portfolio as at 30 June 2019; and
- the notes to the financial statements, including a summary of significant accounting policies.

***Basis for Opinion***

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

We are independent of the Fund in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

***Other Information***

The Fund's Manager (the "Manager") is responsible for the other information. The other information comprises all sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

***Responsibilities of the Manager for the Financial Statements***

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

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore, 27 September 2019

**NIKKO AM ASEAN EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 30 June 2019*

	Note	2019 US\$	2018 US\$
<b>Income</b>			
Dividends		418,724	411,157
Interest on cash and bank balances		10,834	7,497
		<u>429,558</u>	<u>418,654</u>
<b>Less: Expenses</b>			
Management fee		232,190	246,032
Registrar fee		7,152	5,969
Trustee fee		4,151	4,458
Custody fee		7,579	7,844
Audit fee		7,909	9,096
Valuation fee		5,535	4,658
Transaction costs		98,612	109,375
Other expenses		12,300	34,623
		<u>375,428</u>	<u>422,055</u>
<b>Net income/(losses)</b>		<u>54,130</u>	<u>(3,401)</u>
<b>Net gains or losses on value of investments and financial derivatives</b>			
Net gains on investments		697,412	719,475
Net foreign exchange losses		(47,718)	(50,835)
		<u>649,694</u>	<u>668,640</u>
<b>Total return for the financial year before income tax</b>		<b>703,824</b>	665,239
<b>Less: Income tax</b>	3	<b>(39,266)</b>	(28,312)
<b>Total return for the financial year after income tax</b>		<b><u>664,558</u></b>	<b><u>636,927</u></b>

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

**NIKKO AM ASEAN EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 30 June 2019*

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	Note	2019 US\$	2018 US\$
<b>ASSETS</b>			
Portfolio of investments		15,360,197	14,909,055
Sales awaiting settlement		-	136,516
Receivables	4	28,826	69,404
Cash and bank balances		657,683	838,172
<b>Total assets</b>		<b>16,046,706</b>	<b>15,953,147</b>
<b>LIABILITIES</b>			
Payables	5	150,666	242,685
Purchases awaiting settlement		56,912	-
<b>Total liabilities</b>		<b>207,578</b>	<b>242,685</b>
<b>EQUITY</b>			
Net assets attributable to unitholders	6	15,839,128	15,710,462

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



**NIKKO AM ASEAN EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 30 June 2019*

	Note	2019 US\$	2018 US\$
<b>Net assets attributable to unitholders at the beginning of the financial year</b>		<b>15,710,462</b>	14,822,099
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		<b>664,558</b>	636,927
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		<b>1,046,309</b>	4,012,140
Cancellation of units		<b>(1,582,201)</b>	(3,760,704)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		<b>(535,892)</b>	251,436
Total increases in net assets attributable to unitholders		<b>128,666</b>	888,363
<b>Net assets attributable to unitholders at the end of the financial year</b>	6	<b>15,839,128</b>	15,710,462

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

**NIKKO AM ASEAN EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2019*

<b>By Geography (Primary)</b>	<b>Holdings at 30 June 2019</b>	<b>Fair value at 30 June 2019 US\$</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2019 %</b>
<b>Quoted Equities</b>			
<b>INDONESIA</b>			
Aneka Tambang TBK PT	4,574,900	273,636	1.73
Bank Central Asia TBK PT	188,600	400,162	2.53
Bank Mandiri Persero TBK PT	881,100	500,501	3.16
Bank Permata TBK PT	1,119,200	61,793	0.39
Bank Rakyat Indonesia Persero TBK PT	581,600	179,492	1.13
Buana Lintas Lautan TBK PT	14,931,700	211,385	1.33
Ciputra Development TBK PT	4,469,800	363,849	2.30
Distribusi Voucher Nusantara TBK PT	748,300	174,263	1.10
M Cash Integrasi PT	607,100	152,554	0.96
NFC Indonesia TBK PT	1,011,300	183,255	1.16
Ramayana Lestari Sentosa TBK PT	4,146,000	413,793	2.61
Semen Indonesia Persero TBK PT	521,600	427,359	2.70
Telekomunikasi Indonesia Persero TBK PT	1,135,300	332,695	2.10
Vale Indonesia TBK PT	1,592,900	351,785	2.22
<b>Total INDONESIA</b>		<b>4,026,522</b>	<b>25.42</b>
<b>MALAYSIA</b>			
ATA IMS Berhad	192,100	73,446	0.46
Hibiscus Petroleum Berhad	670,400	173,582	1.10
Leong Hup International Berhad	316,500	78,120	0.49
Serba Dinamik Holdings Berhad	233,500	227,708	1.44
Yinson Holdings Berhad	53,600	78,989	0.50
<b>Total MALAYSIA</b>		<b>631,845</b>	<b>3.99</b>
<b>PHILIPPINES</b>			
Ayala Land Incorporated	448,600	444,791	2.81
Cebu Air Incorporated	152,970	271,695	1.72
Century Pacific Food Incorporated	571,100	167,423	1.06
DM Wenceslao And Associates Incorporated	946,000	180,023	1.14
Eei Corporation	390,400	83,208	0.52
Nickel Asia Corporation	5,235,400	229,914	1.45
Robinsons Land Corporation	416,700	214,308	1.35
Shakey's Pizza Asia Ventures Incorporated	853,700	231,608	1.46
Wilcon Depot Incorporated	791,600	259,566	1.64
<b>Total PHILIPPINES</b>		<b>2,082,536</b>	<b>13.15</b>
<b>SINGAPORE</b>			
DBS Group Holdings Limited	23,800	456,664	2.88
Health Management International Limited	530,400	256,779	1.62
Keppel Corporation Limited	87,000	428,261	2.70
Oversea-Chinese Banking Corporation Limited	18,500	155,881	0.99
SATS Limited	43,700	168,604	1.07
Singapore Technologies Engineering Limited	142,300	435,432	2.75
Venture Corporation Limited	34,200	411,777	2.60
Wilmar International Limited	280,900	768,190	4.85
<b>Total SINGAPORE</b>		<b>3,081,588</b>	<b>19.46</b>

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

**NIKKO AM ASEAN EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2019*

<b>By Geography (Primary)</b> (continued)			<b>Percentage of total net assets attributable to unitholders at 30 June 2019 %</b>
	<b>Holdings at 30 June 2019</b>	<b>Fair value at 30 June 2019 US\$</b>	
<b>Quoted Equities</b> (continued)			
<b>THAILAND</b>			
Amata Corporation Public Company Limited	425,000	338,143	2.13
Bangkok Bank Public Company Limited	35,000	224,831	1.42
CH. Karnchang Public Company Limited	352,500	339,080	2.14
Charoen Pokphand Foods Public Company Limited	971,100	894,549	5.65
CP All Public Company Limited	85,700	240,326	1.52
Kasikornbank Public Company Limited	47,300	289,962	1.83
Land & Houses Public Company Limited	434,300	157,193	0.99
Major Cineplex Group Public Company Limited	255,100	243,309	1.54
Master Ad Public Company Limited	1,546,400	76,141	0.49
Precious Shipping Public Company Limited	277,600	73,321	0.46
PTT Public Company Limited	155,800	247,664	1.56
Somboon Advance Technology Public Company Limited	647,600	382,214	2.41
Tisco Financial Group Public Company Limited	53,000	161,588	1.02
Wha Corporation Public Company Limited	1,544,800	238,766	1.51
<b>Total THAILAND</b>		<b>3,907,087</b>	<b>24.67</b>
<b>VIETNAM</b>			
Ha Tien 1 Cement JSC	2	1	-
Hoa Phat Group JSC	3	3	-
Masan Group Corporation	35,820	127,572	0.81
Saigon Beer Alcohol Beverage Corporation	35,780	422,206	2.67
Vietnam Dairy Products JSC	29,714	156,826	0.99
Vietnam National Petroleum Group	91,220	232,894	1.47
Vietnam Technological & Commercial Joint Stock Bank	29,590	25,838	0.16
Vincom Retail JSC	195,866	284,071	1.79
Vingroup JSC	60,605	300,880	1.90
Vinhomes JSC	23,607	80,328	0.50
<b>Total VIETNAM</b>		<b>1,630,619</b>	<b>10.29</b>
<b>Total Quoted Equities</b>		<b>15,360,197</b>	<b>96.98</b>
<b>Quoted Derivatives</b>			
<b>INDONESIA</b>			
Buana Lintas Lautan TBK Rights 09/07/2019	5,599,387	-	-
<b>Total INDONESIA</b>		-	-
<b>Total Quoted Derivatives</b>		-	-
<b>Portfolio of investments</b>		<b>15,360,197</b>	<b>96.98</b>
<b>Other net assets</b>		<b>478,931</b>	<b>3.02</b>
<b>Net assets attributable to unitholders</b>		<b>15,839,128</b>	<b>100.00</b>

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

**NIKKO AM ASEAN EQUITY FUND**

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

**STATEMENT OF PORTFOLIO**

As at 30 June 2019

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**By Geography (Summary)**

	<b>Percentage of total net assets attributable to unitholders at 30 June 2019 %</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2018 %</b>
<b>Quoted Equities</b>		
Indonesia	<b>25.42</b>	19.56
Malaysia	<b>3.99</b>	11.68
Philippines	<b>13.15</b>	8.46
Singapore	<b>19.46</b>	29.16
Thailand	<b>24.67</b>	14.07
Vietnam	<b>10.29</b>	11.97
<b>Total Quoted Equities</b>	<b>96.98</b>	94.90
<b>Quoted Derivatives</b>		
Indonesia	-	-
<b>Total Quoted Derivatives</b>	-	-
<b>Portfolio of investments</b>	<b>96.98</b>	94.90
<b>Other net assets</b>	<b>3.02</b>	5.10
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	100.00

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

**NIKKO AM ASEAN EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2019*

<b>By Industry (Secondary)</b>	<b>Fair value at 30 June 2019 US\$</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2019 %</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2018 %</b>
Advertising	76,141	0.48	-
Agriculture	205,692	1.30	1.70
Airlines	271,695	1.72	3.82
Auto Manufacturers	-	-	0.97
Auto Parts & Equipment	382,214	2.41	-
Banks	2,295,124	14.49	16.37
Beverages	422,206	2.67	2.62
Building Materials	427,360	2.70	-
Coal	-	-	6.39
Commercial Services	227,708	1.44	-
Computers	152,554	0.96	1.22
Diversified Financial Services	161,588	1.02	1.74
Electronics	411,777	2.60	4.86
Engineering and Construction	1,454,585	9.18	8.89
Entertainment	243,309	1.54	1.65
Food	1,986,988	12.55	12.59
Healthcare-Services	256,779	1.62	1.47
Holding Companies-Diversified	-	-	5.14
Home Builders	395,959	2.50	-
Internet	183,255	1.16	-
Investment Companies	-	-	0.50
Lodging	-	-	1.74
Mining	855,335	5.40	-
Machinery Construction & Mining	-	-	1.03
Miscellaneous Manufacture	73,449	0.46	2.07
Oil and Gas	654,140	4.13	4.48
Pharmaceuticals	-	-	1.09
Real Estate	2,206,393	13.93	5.89
Retail	1,145,293	7.23	1.19
Semiconductors	-	-	2.21
Shipbuilding	-	-	2.45
Software	174,263	1.10	-
Telecommunications	332,695	2.10	-
Transportation	363,695	2.29	2.82
<b>Portfolio of investments</b>	<b>15,360,197</b>	<b>96.98</b>	<b>94.90</b>
<b>Other net assets</b>	<b>478,931</b>	<b>3.02</b>	<b>5.10</b>
<b>Net assets attributable to unitholders</b>	<b>15,839,128</b>	<b>100.00</b>	<b>100.00</b>

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

## **NIKKO AM ASEAN EQUITY FUND**

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

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

*For the financial year ended 30 June 2019*

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

#### **1. General**

Nikko AM ASEAN Equity Fund (the "Fund") is a Singapore domiciled fund constituted by a Trust Deed dated 7 September 2015 as amended by Supplemental Deeds (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Manager of the Fund is Nikko Asset Management Asia Limited (the "Manager").

There are currently six classes of units established within the Fund, namely the Singapore Dollar ("SGD" or "\$") Class A Units (denominated in SGD), the SGD Class B Units (denominated in SGD), the USD Class A Units (denominated in USD), the USD Class B Units (denominated in USD), the Japanese Yen ("JPY") Class Units (denominated in JPY) and the Renminbi ("RMB") Class A Units (denominated in RMB).

The classes differ in terms of their currency of denomination, management fee, initial sales charge, minimum initial and subsequent investment amounts, minimum realisation amount, minimum holding and number of decimal places for rounding of the issue price and the realisation price per Unit.

As of 30 June 2019, only units in SGD Class A and USD Class A have been issued.

#### **2. Significant accounting policies**

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

##### **(a) Basis of preparation**

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

##### **(b) Recognition of income**

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

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

## NIKKO AM ASEAN EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

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

##### (c) Distributions

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

##### (d) Investments

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

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

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

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

Investments are subsequently carried at fair value. Net changes in fair value on investments are included in the Statement of Total Return in the period in which they arise.

###### (iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statement of Total Return.

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

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for investments held by the Fund is the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

##### (f) Receivables

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

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

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

## NIKKO AM ASEAN EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

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

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

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

##### (i) Payables

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

##### (j) Foreign currency translation

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

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

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

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

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

#### 3. Income tax

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

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

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
  - (b) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act);
  - (c) dividends derived from outside Singapore and received in Singapore;
-



## NIKKO AM ASEAN EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

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#### 3. Income Tax (continued)

- (d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities of 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 2019 and 2018 comprises:

	2019 US\$	2018 US\$
Overseas income tax	39,266	28,312
	<u>39,266</u>	<u>28,312</u>

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

#### 4. Receivables

	2019 US\$	2018 US\$
Receivable from unitholders for creation of units	106	36,314
Dividends receivable	28,720	33,090
	<u>28,826</u>	<u>69,404</u>

#### 5. Payables

	2019 US\$	2018 US\$
Payable to unitholders for cancellation of units	71,803	147,623
Amount due to the Manager	63,102	72,213
Valuation fee payable	1,482	1,691
Trustee fee payable	1,112	1,268
Registrar fee payable	440	450
Provision for audit fee	8,406	9,159
Amount due to custodian	1,053	1,184
Other payables	3,268	9,097
	<u>150,666</u>	<u>242,685</u>

Amount due to the Manager comprises management fee payable to Nikko Asset Management Asia Limited. Trustee fee and registrar fee are payable to BNP Paribas Trust Services Singapore Limited. Custody fee and valuation fee are payable to BNP Paribas Securities Services, operating through its Singapore Branch.

**NIKKO AM ASEAN EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2019***6. Units in issue**

During the financial year ended 30 June 2019 and 2018, the number of units issued, redeemed and outstanding were as follows:

	2019	2018
<b>SGD Class A</b>		
Units at beginning of the financial year	14,553,730	15,612,575
Units created	1,120,219	2,264,907
Units cancelled	(1,344,191)	(3,323,752)
Units at end of the financial year	<u>14,329,758</u>	<u>14,553,730</u>
Net assets attributable to unitholders - US\$	13,164,199	12,814,041
Net asset value per unit - US\$	<u>0.919</u>	<u>0.880</u>
<b>USD Class A</b>		
Units at beginning of the financial year	2,503,088	1,679,286
Units created	38,575	1,381,934
Units cancelled	(326,170)	(558,132)
Units at end of the financial year	<u>2,215,493</u>	<u>2,503,088</u>
Net assets attributable to unitholders - US\$	2,674,929	2,896,421
Net asset value per unit - US\$	<u>1.207</u>	<u>1.157</u>

For valuation purpose, preliminary expenses are amortised over a period of 36 months from date of commencement of operations while for reporting purpose these preliminary expenses are expensed in the period when they are incurred.

A reconciliation of the net asset attributable to unitholders per unit per the financial statements and the net asset value as attributable to unitholders as determined for the purpose of processing unit subscription and redemption is provided below:

<b>SGD Class A</b>	2019	2018
	US\$	US\$
Net assets attributable to unitholders as per financial statements per unit	0.919	0.880
Effect of expensing preliminary expenses per unit	-	0.001
Effect for movement in the net assets value between the last dealing date and the end of the reporting period <sup>^</sup>	<u>-</u>	<u>-</u>
Net assets attributable to unitholders for issuing/redeeming per unit	<u>0.919</u>	<u>0.881</u>

## NIKKO AM ASEAN EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

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

<b>USD Class A</b>	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>
Net assets attributable to unitholders per financial statements per unit	<b>1.207</b>	1.157
Effect of expensing preliminary expenses per unit	-	0.001
Effect for movement in the net assets value between the last dealing date and the end of the reporting period <sup>^</sup>	-	-
Net assets attributable to unitholders for issuing/redeeming per unit - US\$	<b>1.207</b>	<b>1.158</b>

<sup>^</sup>The net asset value for the purposes of processing unit subscription and redemption was established in accordance with the methodology indicated in the Fund's Prospectus. This item reflects the movement in net asset value between the last dealing date and the end of the reporting period due to accrual of operating expenses. In 2019 and 2018, the effect is less than 0.001.

#### 7. Financial risk management

The Fund's activities expose it to a variety of risk, including but not limited to market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk. The Manager is responsible for the implementation of the overall risk management programme, which seeks to minimise potential adverse effects on the Fund's financial performance. Specific guidelines on exposures to individual securities and certain industries and/or countries are in place as part of the overall financial risk management to reduce the Fund's exposures to these risks.

The Fund's primary objective is to achieve medium to long term capital appreciation by investing primarily in the equities of corporations listed on any recognised stock exchange in any part of the world and which carry on significant business in, or whose operations are in, or which derive substantial revenue from, or whose subsidiaries, related or associated corporations derive substantial revenue from, countries which are members of ASEAN (Association of Southeast Asian Nations).

The financial instruments are held in accordance with the published investment policies of the Fund and are 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.

## NIKKO AM ASEAN EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2019*

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

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

As the Fund invests primarily in South East Asian equities across different industries, the Manager is in the view that the price risk the Fund is subject to is best reflected by movements in its benchmark of the MSCI AC ASEAN Index (Net Total Return) (the "Benchmark").

As at 30 June 2019, an increase/decrease of the index components within the Benchmark by 13% (2018: 13%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 12% (2018: 12%). The analysis was based on the assumptions that the index components within the Benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Fund's investments moved according to the beta. Reasonable possible changes in market index percentages are revised annually depending on management's current view on market volatility and other relevant factors.

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates (fair value risk).

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

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

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

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates.

To minimise currency risk, the Fund mainly holds its excess cash in its functional currency. For hedging purposes, the Fund may also enter into forward foreign exchange contracts.

**NIKKO AM ASEAN EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2019***7. Financial risk management (continued)****(c) Market risk - Currency risk (continued)**

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

<b>As at 30 June 2019</b>	<b>IDR US\$</b>	<b>VND US\$</b>	<b>USD US\$</b>	<b>SGD US\$</b>	<b>PHP US\$</b>	<b>THB US\$</b>	<b>MYR US\$</b>	<b>Total US\$</b>
<b>Assets</b>								
Portfolio of investments	4,026,522	1,630,619	-	3,081,588	2,082,536	3,907,087	631,845	15,360,197
Receivables	-	10,177	-	106	18,543	-	-	28,826
Cash and bank balances	-	79,598	568,753	8,026	-	-	1,306	657,683
<b>Total assets</b>	<b>4,026,522</b>	<b>1,720,394</b>	<b>568,753</b>	<b>3,089,720</b>	<b>2,101,079</b>	<b>3,907,087</b>	<b>633,151</b>	<b>16,046,706</b>
<b>Liabilities</b>								
Payables	107	-	64,235	86,324	-	-	-	150,666
Purchases awaiting settlement	56,912	-	-	-	-	-	-	56,912
<b>Total liabilities</b>	<b>57,019</b>	<b>-</b>	<b>64,235</b>	<b>86,324</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>207,578</b>
<b>Net currency exposure</b>	<b>3,969,503</b>	<b>1,720,394</b>	<b>504,518</b>	<b>3,003,396</b>	<b>2,101,079</b>	<b>3,907,087</b>	<b>633,151</b>	

**NIKKO AM ASEAN EQUITY FUND***(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2019*

	As at 30 June 2018	IDR US\$	VND US\$	USD US\$	SGD US\$	PHP US\$	THB US\$	MYR US\$	Total US\$
<b>7. Financial risk management (continued)</b>									
<b>(c) Market risk - Currency risk (continued)</b>									
<b>As at 30 June 2018</b>									
<b>Assets</b>									
Portfolio of investments	3,073,721	1,881,290	-	4,732,912	1,328,716	2,058,049	1,834,367	14,909,055	
Sales awaiting settlement	136,516	-	-	-	-	-	-	136,516	
Receivables	3,267	14,132	16	36,298	5,801	-	9,890	69,404	
Cash and bank balances	-	25,884	803,213	7,918	-	-	1,157	838,172	
<b>Total assets</b>	<b>3,213,504</b>	<b>1,921,306</b>	<b>803,229</b>	<b>4,777,128</b>	<b>1,334,517</b>	<b>2,058,049</b>	<b>1,845,414</b>	<b>15,953,147</b>	
<b>Liabilities</b>									
Payables	-	-	217,414	25,271	-	-	-	242,685	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>217,414</b>	<b>25,271</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>242,685</b>	
<b>Net currency exposure</b>	<b>3,213,504</b>	<b>1,921,306</b>	<b>585,815</b>	<b>4,751,857</b>	<b>1,334,517</b>	<b>2,058,049</b>	<b>1,845,414</b>		

## NIKKO AM ASEAN EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

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

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

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

As of 30 June 2019 and 2018, the Fund does not hold substantial monetary assets/liabilities. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

##### (d) Liquidity risk

Liquidity risk is the risk of loss arising from the inability of the Fund to meet its obligations as and when they fall due without incurring unacceptable cost or losses.

The Fund is exposed to daily cash redemptions from unitholders. However, in accordance with the Fund's prospectus, minimum holdings and redemption size 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 are analysed using contractual undiscounted cash flows for maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. As at 30 June 2019 and 2018, all liabilities are either payable upon demand or due in less than 3 months. The impact of discounting is not significant.

	<b>Less than 3 months</b>	
	<b>As at</b>	<b>As at</b>
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>US\$</b>	<b>US\$</b>
Payables	<b>150,666</b>	242,685
Purchases awaiting settlement	<b>56,912</b>	-
<b>Contractual cash outflows</b>	<b>207,578</b>	<b>242,685</b>

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## NIKKO AM ASEAN EQUITY FUND

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

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

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

##### (e) Credit risk

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

Concentrations of credit risk are minimised primarily by:

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

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

Credit risk arises from cash and bank balances and outstanding and committed transactions 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 2019 and 2018.

	Credit rating as at 30 June 2019	Credit rating as at 30 June 2018	Source of credit rating
<b>Bank balance</b>			
- BNP Paribas Securities Services, operating through its Singapore Branch	A+	A	Standard & Poor's
<b>Custodian</b>			
- BNP Paribas Securities Services, operating through its Singapore Branch	A+	A	Standard & Poor's

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

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

##### (f) Capital management

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



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

##### (g) Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 30 June 2019 and 2018:

##### As at 30 June 2019

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
-Quoted equities	15,360,197	-	-	15,360,197
-Quoted derivatives	-	-*	-	-
	<u>15,360,197</u>	<u>-</u>	<u>-</u>	<u>15,360,197</u>

##### As at 30 June 2018

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	14,909,055	-	-	14,909,055
	<u>14,909,055</u>	<u>-</u>	<u>-</u>	<u>14,909,055</u>

\*The fair value of the derivative as of 30 June 2019 is zero.

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

Except for cash and bank balances which are classified as level 1, the Fund's assets and liabilities not measured at fair value at 30 June 2019 and 2018 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.

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#### 8. Related party transactions

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

	2019 US\$	2018 US\$
Bank balances held with related party of the Trustee	<u>657,683</u>	838,172

#### 9. Financial ratios

##### Expense ratio

SGD Class A		2019	2018
Total operating expenses	US\$	227,777	264,022
Average daily net asset value	US\$	12,740,873	13,875,699
<b>Total expense ratio<sup>1</sup></b>	%	<u>1.79</u>	1.90

USD Class A		2019	2018
Total operating expenses	US\$	49,039	48,654
Average daily net asset value	US\$	2,743,219	2,529,191
<b>Total expense ratio<sup>1</sup></b>	%	<u>1.79</u>	1.92

##### Turnover ratio

		2019	2018
Lower of total value of purchases or sales	US\$	14,203,584	15,655,763
Average daily net asset value	US\$	15,484,092	16,404,890
<b>Total turnover ratio<sup>2</sup></b>	%	<u>91.73</u>	95.43

<sup>1</sup> The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

<sup>2</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, divided by the average daily net asset value.

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### REPORT TO UNITHOLDERS

For the financial year ended 30 June 2019

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The following contains additional information relating to the Fund.

#### 1. Distribution of investments

Please refer to the Statement of Portfolio on pages 16 to 19.

#### 2. Credit rating of debt securities

Nil.

#### 3. Top 10 holdings

##### 10 Largest holdings at 30 June 2019

	Fair value US\$	Percentage of total net assets attributable to unitholders %
Charoen Pokphand Foods Public Company Limited	894,549	5.65
Wilmar International Limited	768,190	4.85
Bank Mandiri Persero TBK PT	500,501	3.16
DBS Group Holdings Limited	456,664	2.88
Ayala Land Incorporated	444,791	2.81
Singapore Technologies Engineering Limited	435,432	2.75
Keppel Corporation Limited	428,261	2.70
Semen Indonesia Persero TBK PT	427,359	2.70
Saigon Beer Alcohol Beverage Corporation	422,206	2.67
Ramayana Lestari Sentosa TBK PT	413,793	2.61

##### 10 Largest holdings at 30 June 2018

	Fair value US\$	Percentage of total net assets attributable to unitholders %
DBS Group Holdings Limited	948,478	6.04
Keppel Corporation Limited	807,556	5.14
Charoen Pokphand Foods Public Company Limited	621,545	3.96
Adaro Energy TBK PT	607,288	3.87
Singapore Airlines Limited	600,555	3.82
Wilmar International Limited	587,091	3.74
Precious Shipping Public Company Limited	443,531	2.82
Hana Microelectronics Public Company Limited	413,969	2.63
Bukit Asam TBK PT	396,612	2.52
Vingroup JSC	379,857	2.42

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**NIKKO AM ASEAN EQUITY FUND**

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**4. Exposure to financial derivatives**

	Fair value at 30 June 2019 US\$	Percentage of total net assets attributable to unitholders 30 June 2019 %	Unrealised gains/ (losses) US\$	Realised gains/ (losses) US\$
Derivatives – Rights security	-	-	-	-

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**5. Global exposure to financial derivatives**

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

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

**6. Collateral**

Nil.

**7. Securities lending or repurchase transactions**

Nil.

**8. Investment in unit trusts, mutual funds and collective investment schemes**

Nil.

**9. Borrowings**

Nil.

## **NIKKO AM ASEAN EQUITY FUND**

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### **REPORT TO UNITHOLDERS**

*For the financial year ended 30 June 2019*

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#### **10. Amount of units created and cancelled for the financial year ended 30 June 2019**

	<b>2019 US\$</b>
Units created	1,046,309
Units cancelled	(1,582,201)

#### **11. Turnover ratio**

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

#### **12. Expense ratio**

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

#### **13. Related party transactions**

Please refer to Note 8 of the Notes to the Financial Statements on page 32.

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

Nil.

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