

ANNUAL REPORT

For the financial year ended 30 June 2019

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
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,
East Tower, Level 12,
Singapore 018936

CUSTODIAN

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

This report is also available on our website (www.nikkoam.com.sg)

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Nikko AM Shenton Short Term Bond Fund (S\$) - SGD Class ¹	1.16	2.14	3.39	2.00	2.03	2.59	2.29
Benchmark ²	0.49	0.95	1.78	1.32	1.13	0.77	1.20

Source: Nikko Asset Management Asia Limited, 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.

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Nikko AM Shenton Short Term Bond Fund (S\$) - SGD Class ¹	0.15	1.12	2.35	1.66	1.83	2.49	2.24
Benchmark ²	0.49	0.95	1.78	1.32	1.13	0.77	1.20

Source: Nikko Asset Management Asia Limited, 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: 29 September 2000

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Nikko AM Shenton Short Term Bond Fund (S\$) - AUD Hedged Class ¹	1.15	2.11	3.46	2.74	2.98	N/A	3.70
Benchmark ²	0.49	0.95	1.78	1.32	1.13	N/A	0.86

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2019. 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 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
Nikko AM Shenton Short Term Bond Fund (S\$) - AUD Hedged Class ¹	0.14	1.08	2.43	2.40	2.77	N/A	3.56
Benchmark ²	0.49	0.95	1.78	1.32	1.13	N/A	0.86

Source: Nikko Asset Management Asia Limited, returns as at 30 June 2019. 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
Nikko AM Shenton Short Term Bond Fund (S\$) - USD Hedged Class ¹	1.30	2.49	3.92	N/A	N/A	N/A	1.88
Benchmark ²	0.49	0.95	1.78	N/A	N/A	N/A	1.36

Source: Nikko Asset Management Asia Limited, 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.

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Nikko AM Shenton Short Term Bond Fund (S\$) - USD Hedged Class ¹	0.29	1.47	2.88	N/A	N/A	N/A	1.52
Benchmark ²	0.49	0.95	1.78	N/A	N/A	N/A	1.36

Source: Nikko Asset Management Asia Limited, 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: 15 September 2016**Note:**

- (1) (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 outperformed the benchmark over the past 12 months***

The Nikko AM Shenton Short Term Bond Fund (S\$) (the “Fund”) delivered a gain of 3.39% (in SGD terms, on a NAV-NAV basis) for the 12 months ending 30 June 2019, outperforming the benchmark which returned 1.78%. 2-year US Treasury (UST) yields fell by 77 basis points (bps), while 1 to 3 year SOR rates were down by about 11bps to 54bps over the same period. The outperformance was supported by positive contribution from income, spread and duration management. Meanwhile,

our holdings in Commonwealth Bank of Australia 3.375% 20 Oct 2026, Fubon Bank (Hong Kong) Ltd. 6.125% 30 Nov 2020 and Keppel Land Financial Services Pte. Ltd. 3.259% 11 Dec 2019 were among the top performers.

Changes to Fund characteristics

As of 30 June 2019, the Fund's weighted average duration* and weighted average yield-to-maturity** were at 1.36 years and 2.94% (hedged in SGD terms), respectively. The average credit rating of the Fund is at A-. The Fund is diversified across 128 bonds, with 106 issuers from 14 countries, with an average weight of 0.90% per issuer. During the month, the level of cash and cash equivalents was at 4.82%.

Market Review

Yields of USTs plummeted over the year in review

The start of the period saw UST yields rising, on the back of the positive trajectory of the US economy and hawkish comments from US Federal Reserve (Fed) Chairman Jerome Powell. The rise in yields proved to be short-lived, as the continuation of the US-China trade war, weak economic numbers from China, coupled with a precipitous decline in global oil prices dissuaded investors from adding on risk. Moreover, a slew of disappointing earnings results from US companies caused a significant correction in US equities thereafter, causing UST yields to slide. In December 2018, risk assets came under continued pressure from a multitude of factors including growth concerns in major economies, an increased likelihood of a no deal Brexit, US government shutdown and a sharp decline in risk assets and energy prices. Despite these developments, the Fed raised rates anew, sending equity indices to the year's lows. As markets began to price out any rate hikes in 2019, yields moved lower. UST yields traded largely sideways in the first quarter of 2019. However, as major central banks turned decidedly dovish and trade negotiations between US and China deteriorated, yields started falling steeply. Overall, 2-year and 10-year yields ended the period at 1.76% and 2.01% respectively, about 77bps and 86bps lower compared to end-June 2018.

Asian credits registered positive total returns

Gains in Asia credits were driven mainly by the rally in USTs, although credit spreads also tightened marginally. The period started with risk aversion as idiosyncratic concerns in Turkey and Argentina adversely affected sentiment. The resulting sharp falls in some Emerging Market (EM) currencies including the Indian Rupee (INR) and Indonesian Rupiah (IDR) added to investor concerns and pushed overall credit spreads wider. Risk sentiment saw a drastic improvement in the latter half of the period, prompted by further policy easing in China and the increasingly dovish lean by major central banks around the world. Reassurance from Chinese policymakers that targeted policies to support domestic growth will be pursued, coupled with overall better-than-expected earnings by Asian corporates also contributed to the steady tightening in spreads in the latter half of the period. Meanwhile, strong inflows into EM hard currency bond funds provided a firm demand backdrop.

Market Outlook & Strategy

Expect further monetary easing which will partially offset the negative development on trade; modest widening in spreads likely in the near-term

In another twist to the trade negotiations between the US and China, US President Trump announced, on 1 August, the imposition of 10% tariffs on roughly USD 300 billion of Chinese imports into the US effective from 1 September 2019. While we had been of the view that a final resolution to the trade conflict remains uncertain and unlikely to materialise in the near-term, this particular move was largely unexpected by the market, and is clearly negative for risk sentiment. However, with this escalation in the trade conflict, coupled with continued softness in global manufacturing sentiment,

the major central banks are likely to maintain or strengthen their dovish lean. The expectation of further monetary easing will provide some offset to the negative development on the trade front, although overall we are still expecting a modest widening in Asian credit spreads near-term, especially as valuations have turned less attractive.

NOTE:

*Weighted Average Duration (years) is an average duration weighted with capitalisation, and the figure is for reference only and would vary from time to time due to market conditions.

**Weighted Average Yield to Maturity (%) is an average yield calculated by weighting each security presently held by the fund at time of calculation with capitalisation and duration. Yield to Maturity and Yield to Call measures are used in the calculation for non-callable and callable bonds respectively. The figure is for reference only and would vary from time to time due to market conditions and it does not represent the fund's distribution yield or actual rate of return.

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 reporting or 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 or ETFs 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.

The information contained herein may not be copied, reproduced or redistributed without the express consent of Nikko AM Asia. While reasonable care has been taken to ensure the accuracy of the information as at the date of publication, Nikko AM Asia does not give any warranty or representation, either express or implied, and expressly disclaims liability for any errors or omissions. Information may be subject to change without notice. Nikko AM Asia accepts no liability for any loss, indirect or consequential damages, arising from any use of or reliance on this document. This publication has not been reviewed by the Monetary Authority of Singapore.

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 2019, 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

In their management of the Nikko AM Shenton Short Term Bond Fund (S\$), the Managers currently do not receive or enter into any soft dollar commissions or arrangements.

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 2019

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 13 to 46, 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 2019

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 2019

In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 13 to 46, 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 2019, 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 2019

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 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 then 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 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 the Manager either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF NIKKO AM SHENTON 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 2019

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 2019

	Note	2019 S\$	2018 S\$
Income			
Interest income	3	160,123	118,108
Other income		4,062	-
		<u>164,185</u>	<u>118,108</u>
Less: Expenses			
Management fee		1,193,730	1,209,921
Registrar fee		48,371	43,279
Trustee fee		61,613	62,184
Custody fee		81,181	79,645
Audit fee		18,158	19,431
Valuation fee		177,338	179,053
Transaction costs		62,483	61,044
Other expenses		11,835	79,153
		<u>1,654,709</u>	<u>1,733,710</u>
Net losses		<u>(1,490,524)</u>	<u>(1,615,602)</u>
Net gains or losses on value of investments and financial derivatives			
Net gains on investments		14,640,861	2,944,623
Net foreign exchange (loss)/gain		(474,736)	162,780
Net gains on financial derivatives		325,449	1,194,455
		<u>14,491,574</u>	<u>4,301,858</u>
Total return for the financial year before income tax		13,001,050	2,686,256
Income tax credit/(expense)	4	<u>893</u>	<u>(446)</u>
Total return for the financial year after income tax		<u>13,001,943</u>	<u>2,685,810</u>

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 2019

	Note	2019 S\$	2018 S\$
ASSETS			
Portfolio of investments		398,462,729	321,405,547
Sales awaiting settlement		2,104,968	-
Receivables	5	2,787,195	2,988,968
Cash and bank balances		15,904,076	27,614,275
Margin accounts	9	-	91,779
Financial derivatives at fair value	7	1,939,173	39,172
Total assets		421,198,141	352,139,741
LIABILITIES			
Payables	6	833,651	1,014,273
Purchases awaiting settlement		1,350,118	3,362,337
Financial derivatives at fair value	7	13,950	1,036,345
Total liabilities		2,197,719	5,412,955
EQUITY			
Net assets attributable to unitholders	8	419,000,422	346,726,786

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 2019

	Note	2019 S\$	2018 S\$
Net assets attributable to unitholders at the beginning of the financial year		346,726,786	408,531,578
Operations			
Change in net assets attributable to unitholders resulting from operations		13,001,943	2,685,810
Unitholders' contributions/(withdrawals)			
Creation of units		251,227,609	169,051,283
Cancellation of units		(191,955,916)	(233,541,885)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		59,271,693	(64,490,602)
Total increase/(decrease) in net assets attributable to unitholders		72,273,636	(61,804,792)
Net assets attributable to unitholders at the end of the financial year	8	419,000,422	346,726,786

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 2019

By Geography (Primary)

	Holdings at 30 June 2019	Fair value at 30 June 2019 S\$	Percentage of total net assets attributable to unitholders at 30 June 2019 %
Quoted Fixed Income Securities			
AUSTRALIA			
Australia & New Zealand Banking Group Limited 3.75% due 23/03/2027	6,000,000	6,068,994	1.45
Baosteel Financing 2015 PTY Limited 3.875% due 28/01/2020	1,200,000	1,631,633	0.39
Commonwealth Bank of Australia 3.375% due 20/10/2026	5,079,000	6,925,431	1.65
Macquarie Bank Limited 6.625% due 07/04/2021	2,225,000	3,215,397	0.77
Optus Finance PTY Limited 4.625% due 15/10/2019	1,017,000	1,385,632	0.33
Sydney Airport Finance Company PTY Limited 5.125% due 22/02/2021	1,321,000	1,859,145	0.44
Total AUSTRALIA		21,086,232	5.03
BRITAIN			
Standard Chartered Public Listed Company 4.4% due 23/01/2026	4,000,000	4,083,945	0.97
Total BRITAIN		4,083,945	0.97
BRITISH VIRGIN ISLANDS			
Bright Galaxy International Limited 3.375% due 03/11/2021	1,487,000	1,979,640	0.47
Central Plaza Development Limited 3.875% due 25/01/2020	1,400,000	1,898,581	0.45
Central Plaza Development Limited 3.875% due 30/01/2021	2,000,000	2,720,857	0.65
Chang Development International Limited 5.7% due 08/11/2021	2,225,000	3,114,189	0.74
Charming Light Investments Limited 3.75% due 03/09/2019	2,835,000	3,841,178	0.92
China Great Wall International Holdings III Limited 2.75% due 31/08/2020	2,000,000	2,702,549	0.65
China Shenhua Overseas Capital Company Limited 3.125% due 20/01/2020	1,030,000	1,395,815	0.33
Double Rosy Limited 3.625% due 18/11/2019	4,627,000	6,280,196	1.50
Guangzhou Metro Investment Finance BVI Limited 3.375% due 03/12/2020	1,000,000	1,361,394	0.32
Haitong International Finance Holdings 2015 Limited 3.5% due 21/04/2020	2,000,000	2,714,435	0.65
Huarong Finance 2017 Company Limited 4.23238% due 27/04/2020	1,100,000	1,493,066	0.36
Huarong Finance 2017 Company Limited 3.2% due 27/04/2021	3,000,000	2,981,250	0.71
Huarong Finance Company Limited 4% due 17/07/2019	1,100,000	1,488,874	0.36
Huarong Finance II Company Limited 3.25% due 03/06/2021	1,000,000	1,358,878	0.32
Inventive Global Investments Limited 3.2685% due 19/09/2021	1,000,000	1,357,761	0.32
King Power Capital Limited 3.875% due 03/11/2019	2,500,000	3,396,796	0.81
Lingang Wings Incorporation 4.625% due 05/09/2021	950,000	1,308,446	0.31

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 2019

By Geography (Primary) (continued)

	Holdings at 30 June 2019	Fair value at 30 June 2019 S\$	Percentage of total net assets attributable to unitholders at 30 June 2019 %
Quoted Fixed Income Securities (continued)			
BRITISH VIRGIN ISLANDS (continued)			
Minmetals Bounteous Finance BVI Limited 3.125% due 27/07/2021	1,000,000	1,359,935	0.33
Shanghai Electric Power Finance Limited 3.625% due 11/08/2020	1,072,000	1,458,789	0.35
Voyage Bonds Limited 3.375% due 28/09/2022	4,000,000	5,408,722	1.29
Yieldking Investment Limited 4.8% due 18/10/2021	5,000,000	6,896,917	1.65
Total BRITISH VIRGIN ISLANDS		56,518,268	13.49
CANADA			
Manulife Financial Corporation 3.85% due 25/05/2026	5,500,000	5,590,030	1.33
Total CANADA		5,590,030	1.33
CAYMAN ISLANDS			
Azure Nova International Finance Limited 2.25% due 01/11/2019	1,800,000	2,430,550	0.58
CCBL Cayman Corporation Limited 3.25% due 28/07/2020	2,500,000	3,401,176	0.81
CDBL Funding 1 3.25% due 02/12/2019	3,115,000	4,220,613	1.01
CDBL Funding 2 2.625% due 01/08/2020	1,000,000	1,348,143	0.32
China Overseas Grand Oceans Finance IV Cayman Limited 4.875% due 01/06/2021	2,000,000	2,781,932	0.66
DIB Sukuk Limited 3.664% due 14/02/2022	4,000,000	5,475,254	1.31
HPHT Finance 15 Limited 2.875% due 17/03/2020	1,231,000	1,669,638	0.40
QIB Sukuk Limited 4.01963% due 19/08/2019	2,000,000	2,708,988	0.65
QIB Sukuk Limited 2.754% due 27/10/2020	2,000,000	2,706,762	0.65
Sun Hung Kai Properties Capital Market Limited 4% due 02/11/2020	2,020,000	2,785,287	0.66
Total CAYMAN ISLANDS		29,528,343	7.05
CHINA			
Anhui Provincial Investment Group Holding Company Limited 4.875% due 18/10/2021	3,000,000	4,151,775	0.99
Bank of Communications Company Limited 4.5% due 03/10/2024	4,273,000	5,799,258	1.38
China Construction Bank Corporation 3.875% due 13/05/2025	5,450,000	7,427,774	1.77
China Construction Bank Corporation 2.643% due 21/09/2020	1,750,000	1,766,188	0.42
Guangxi Communications Investment Group Company Limited 3% due 04/11/2019	2,900,000	3,918,675	0.94
Industrial & Commercial Bank of China Limited 3.48688% due 21/02/2022	1,700,000	2,314,631	0.55
Jiangxi Railway Investment Group Corporation 4.85% due 21/02/2022	3,400,000	4,725,842	1.13

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 2019

By Geography (Primary) (continued)

	Holdings at 30 June 2019	Fair value at 30 June 2019 S\$	Percentage of total net assets attributable to unitholders at 30 June 2019 %
Quoted Fixed Income Securities (continued)			
CHINA (continued)			
Powerchina Real Estate Group Limited 4.5% due 06/12/2021	2,000,000	2,784,471	0.67
Shenzhen Expressway Company Limited 2.875% due 18/07/2021	1,500,000	2,018,339	0.48
Sichuan Railway Investment Group Company Limited 3.8% due 27/06/2022	1,700,000	2,308,654	0.55
Sunshine Life Insurance Corporation Limited 3.15% due 20/04/2021	1,980,000	2,648,302	0.63
Xi'An Municipal Infrastructure Construction Investment Group Corporation Limited 4% due 24/06/2022	1,360,000	1,855,664	0.45
Total CHINA		41,719,573	9.96
FRANCE			
Societe Generale SA 4.3% due 19/05/2026	3,250,000	3,302,304	0.79
Total FRANCE		3,302,304	0.79
HONG KONG SAR			
Bank of East Asia Limited 4.25% due 20/11/2024	2,000,000	2,717,210	0.65
Beijing State-Owned Assets Management Hong Kong Company Limited 3% due 26/05/2020	1,605,000	2,170,581	0.52
Bank of East Asia Limited 4% due 03/11/2026	2,000,000	2,738,679	0.65
Bocom Leasing Management Hong Kong Company Limited 4% due 22/01/2022	2,000,000	2,774,410	0.66
China Construction Bank Asia Corporation Limited 4.25% due 20/08/2024	5,659,000	7,669,476	1.83
Chong Hing Bank Limited 3.876% due 26/07/2027	550,000	742,964	0.18
CITIC Limited 6.375% due 10/04/2020	2,000,000	2,777,671	0.66
CMB Wing Lung Bank Limited 3.75% due 22/11/2027	2,547,000	3,438,094	0.82
CNAC HK Finbridge Company Limited 3% due 19/07/2020	1,700,000	2,305,010	0.55
CNAC HK Finbridge Company Limited 3.85% due 22/12/2020	3,000,000	4,090,332	0.98
Dah Sing Bank Limited 4.25% due 30/11/2026	2,900,000	4,000,639	0.95
Dah Sing Bank Limited 6.625% due 11/02/2020	2,000,000	2,767,111	0.66
Far East Horizon Limited 4.5955% due 03/07/2021	1,000,000	1,359,300	0.32
Fubon Bank Hong Kong Limited 6.125% due 30/11/2020	3,672,000	5,179,749	1.24
Industrial & Commercial Bank of China Asia Limited 5.125% due 30/11/2020	1,400,000	1,957,292	0.47
ICBCIL Finance Company Limited 3.468% due 15/05/2021	1,430,000	1,929,899	0.46
ICBCIL Finance Company Limited 3.65% due 05/03/2022	3,000,000	4,137,522	0.99
Mapletree North Asia Commercial Treasury Company HKSAR Limited 3.43% due 09/03/2022	4,000,000	4,086,609	0.98
Shanghai Commercial Bank Limited 3.75% due 29/11/2027	3,000,000	4,085,523	0.97

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 2019

By Geography (Primary) (continued)

	Holdings at 30 June 2019	Fair value at 30 June 2019 S\$	Percentage of total net assets attributable to unitholders at 30 June 2019 %
Quoted Fixed Income Securities (continued)			
HONG KONG SAR (continued)			
Sino Trendy Investment Limited 3.875% due 25/01/2021	2,500,000	3,366,635	0.80
Standard Chartered Bank Hong Kong Limited 5.875% due 24/06/2020	2,580,000	3,599,388	0.86
Swire Properties MTN Financing Limited 2.75% due 07/03/2020	1,400,000	1,898,148	0.45
Weichai International Hong Kong Energy Group Company Limited 4.125% due 30/09/2020	1,400,000	1,920,004	0.46
Total HONG KONG SAR		71,712,246	17.11
INDIA			
Bharat Petroleum Corporation Limited 4.375% due 24/01/2022	1,250,000	1,750,241	0.42
Total INDIA		1,750,241	0.42
JAPAN			
Mizuho Financial Group Incorporation 3.46063% due 28/02/2022	1,800,000	2,456,481	0.59
Total JAPAN		2,456,481	0.59
LUXEMBOURG			
SPIC Luxembourg Latin America Renewable Energy Investment Company Sarl 4.25% due 30/10/2021	3,000,000	4,171,444	1.00
Total LUXEMBOURG		4,171,444	1.00
MALAYSIA			
AmBank (M) Berhad 3.125% due 03/07/2019	5,000,000	6,764,870	1.61
Axiata SPV2 Berhad 3.466% due 19/11/2020	2,245,000	3,073,770	0.73
Cagamas Global Public Listed Company 2.745% due 10/12/2019	2,000,000	2,712,682	0.65
Danga Capital Berhad 3.725% due 11/08/2020	4,000,000	4,051,965	0.97
Malayan Banking Berhad 3.905% due 29/10/2026	3,190,000	4,386,746	1.05
Petronas Capital Limited 5.25% due 12/08/2019	3,000,000	4,072,472	0.97
RHB Bank Berhad 3.088% due 03/10/2019	2,100,000	2,844,281	0.68
SSG Resources Limited 4.25% due 04/10/2022	5,700,000	8,007,688	1.91
Total MALAYSIA		35,914,474	8.57
SINGAPORE			
Ascendas Private Limited 2.965% due 16/03/2021	2,250,000	2,261,158	0.54
Ascendas Real Estate Investment Trust 2.95% due 03/08/2020	4,500,000	4,524,556	1.08
Ascendas Real Estate Investment Trust 3.2% due 03/06/2022	2,500,000	2,549,154	0.61
Breadtalk Group Limited 4% due 17/01/2023	3,250,000	3,271,918	0.78
Capitaland Mall Trust 3.08% due 20/02/2021	400,000	404,280	0.10
Capitamalls Asia Treasury Limited 3.7% due 29/08/2022	2,500,000	2,571,453	0.61

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 2019

By Geography (Primary) (continued)

	Holdings at 30 June 2019	Fair value at 30 June 2019 S\$	Percentage of total net assets attributable to unitholders at 30 June 2019 %
Quoted Fixed Income Securities (continued)			
SINGAPORE (continued)			
Capitaland Retail China Trust 3.25% due 04/07/2022	3,000,000	3,029,790	0.72
CCT MTN Private Limited 2.96% due 13/08/2021	4,250,000	4,279,722	1.02
DBS Group Holdings Limited 3.101% due 16/07/2019	1,600,000	2,165,339	0.52
ESR-MTN Private Limited 3.95% due 21/05/2020	3,500,000	3,506,649	0.84
FCOT Treasury Private Limited 2.625% due 28/02/2020	2,500,000	2,500,127	0.60
FCOT Treasury Private Limited 2.835% due 11/08/2021	1,500,000	1,501,367	0.36
FCT MTN Private Limited 3% due 21/01/2020	2,500,000	2,512,306	0.60
FH-REIT Treasury Private Limited 2.63% due 06/07/2022	3,000,000	2,971,109	0.71
Great Eastern Life Assurance Company Limited 4.6% due 19/01/2026	6,000,000	6,206,940	1.48
Keppel Corporation Limited 3.145% due 14/02/2022	3,000,000	3,029,010	0.72
Lend Lease Retail Investments 3 Private Limited 3.28% due 03/09/2021	1,000,000	1,001,016	0.24
Mapletree Commercial Trust Treasury Company Private Limited 3.2% due 12/04/2021	2,000,000	2,021,973	0.48
Mapletree Commercial Trust Treasury Company Private Limited 3.6% due 24/08/2020	2,500,000	2,531,599	0.60
Monetary Authority of Singapore Bill 0% due 05/07/2019	2,000,000	1,999,590	0.48
Monetary Authority of Singapore Bill 0% due 12/07/2019	2,000,000	1,998,850	0.48
Monetary Authority of Singapore Bill 0% due 19/07/2019	2,000,000	1,998,110	0.48
Monetary Authority of Singapore Bill 0% due 26/07/2019	2,000,000	1,997,370	0.48
NTUC Income Insurance Co-Operative Limited 3.65% due 23/08/2027	5,500,000	5,669,536	1.35
Oversea-Chinese Banking Corporation Limited 4% due 15/10/2024	4,000,000	5,429,691	1.30
Singapore Airlines Limited 3.22% due 09/07/2020	3,500,000	3,529,444	0.84
Singtel Group Treasury Private Limited 3.4875% due 08/04/2020	1,500,000	1,512,426	0.36
Starhub Limited 3.08% due 12/09/2022	5,000,000	5,042,772	1.20
Suntec REIT MTN Private Limited 3.025% due 16/03/2022	1,500,000	1,506,894	0.36
United Overseas Bank Limited 3.75% due 19/09/2024	4,411,000	5,970,287	1.42
United Overseas Bank Limited 3.5% due 22/05/2026	1,250,000	1,261,975	0.30
United Overseas Bank Limited 3.5% due 16/09/2026	2,531,000	3,465,176	0.83
Total SINGAPORE		94,221,587	22.49
SOUTH KOREA			
Export-Import Bank of Korea 3.41025% due 17/03/2021	2,200,000	3,003,565	0.72
KEB Hana Bank 3.1995% due 13/06/2024	1,330,000	1,803,429	0.43
Korea Hydro & Nuclear Power Company Limited 2.375% due 28/10/2019	1,050,000	1,421,415	0.34
Korea South-East Power Company Limited 2.375% due 12/04/2020	2,000,000	2,705,437	0.65

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 2019

By Geography (Primary) (continued)

	Holdings at 30 June 2019	Fair value at 30 June 2019 S\$	Percentage of total net assets attributable to unitholders at 30 June 2019 %
Quoted Fixed Income Securities (continued)			
SOUTH KOREA (continued)			
Korea Western Power Company Limited 2.625% due 22/09/2019	2,850,000	3,871,934	0.92
Shinhan Bank Company Limited 3.875% due 07/12/2026	1,500,000	2,075,100	0.49
Woori Bank 3.29188% due 21/05/2024	1,500,000	2,038,469	0.49
Total SOUTH KOREA		16,919,349	4.04
THAILAND			
Bangkok Bank Public Company Limited 4.8% due 18/10/2020	1,000,000	1,393,259	0.33
TMB Bank Public Company Limited 3.108% due 01/10/2021	2,350,000	3,194,853	0.77
Total THAILAND		4,588,112	1.10
UNITED ARAB EMIRATES			
Emirates NBD PJSC 4.13238% due 26/01/2020	1,000,000	1,361,320	0.32
Total UNITED ARAB EMIRATES		1,361,320	0.32
Accrued interest receivable on quoted fixed income securities		3,538,780	0.84
Total Quoted Fixed Income Securities		398,462,729	95.10
Portfolio of investments		398,462,729	95.10
Other net assets		20,537,693	4.90
Net assets attributable to unitholders		419,000,422	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 2019

By Geography (Summary)	Percentage of total net assets attributable to unitholders at 30 June 2019 %	Percentage of total net assets attributable to unitholders at 30 June 2018 %
Quoted Fixed Income Securities		
Australia	5.03	3.65
Bermuda Islands	-	0.71
Britain	0.97	1.17
British Virgin Islands	13.49	15.36
Canada	1.33	0.96
Cayman Islands	7.05	8.94
China	9.96	3.81
France	0.79	0.94
Hong Kong SAR	17.11	13.43
India	0.42	3.01
Indonesia	-	0.69
Japan	0.59	0.71
Luxembourg	1.00	-
Malaysia	8.57	0.88
Mexico	-	0.59
Singapore	22.49	26.03
South Korea	4.04	8.15
Thailand	1.10	2.09
United Arab Emirates	0.32	0.40
United States of America	-	0.39
Accrued interest receivable on quoted fixed income securities	0.84	0.79
Total Quoted Fixed Income Securities	95.10	92.70
Portfolio of investments	95.10	92.70
Other net assets	4.90	7.30
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 2019

By Industry (Secondary)	Fair value at 30 June 2019 S\$	Percentage of total net assets attributable to unitholders at 30 June 2019 %	Percentage of total net assets attributable to unitholders at 30 June 2018 %
Airlines	3,529,444	0.84	0.15
Auto Manufacturers	-	-	0.39
Auto Parts & Equipment	1,920,004	0.46	0.55
Banks	150,504,468	35.92	23.78
Chemicals	6,395,342	1.53	1.83
Coal	1,395,815	0.33	-
Commercial Services	3,687,977	0.88	1.26
Distribution/Wholesale	4,151,775	0.99	-
Diversified Financial Services	47,493,978	11.34	14.43
Electric	13,629,019	3.25	5.62
Engineering and Construction	10,310,998	2.46	0.54
Food	3,271,918	0.78	2.18
Gas	1,855,664	0.44	-
Holding Companies-Diversified	6,896,917	1.65	1.56
Home Builders	1,308,446	0.31	-
Home Furnishings	-	-	0.78
Insurance	20,114,808	4.80	4.93
Internet	-	-	1.67
Investment Companies	14,283,283	3.41	2.23
Iron/Steel	7,040,355	1.68	1.43
Leisure Time	3,396,796	0.81	0.98
Lodging	-	-	0.72
Metal Fabricate/Hardware	4,725,842	1.13	-
Mining	1,359,935	0.33	0.59
Oil and Gas	5,822,713	1.39	2.43
Real Estate	26,983,099	6.44	11.96
Real Estate Investment Trusts (REITS)	35,413,829	8.45	7.41
Sovereign	7,055,530	1.68	2.00
Telecommunications	11,014,600	2.63	2.16
Transportation	1,361,394	0.33	0.33
Accrued interest receivable on quoted fixed income securities	3,538,780	0.84	0.79
Portfolio of investments	398,462,729	95.10	92.70
Other net assets	20,537,693	4.90	7.30
Net assets attributable to unitholders	419,000,422	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 2019

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 Amended and Restated Deeds (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Manager of the Fund is Nikko Asset Management Asia Limited (the "Manager").

There are currently five classes of units established within the Fund, namely SGD Class, AUD Hedged Class, USD Class, USD 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 AUD Hedged Class and the USD Hedged Class, the Manager intend to hedge the currency exposure of the assets of the Scheme attributable to (a) the AUD Hedged Class into AUD and (b) the USD Hedged Class into USD, through the use of currency forwards. Consequently, the NAV per Unit of each of the AUD Hedged Class and the USD 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 2019, only units in SGD Class, AUD Hedged Class and USD 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 2019

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.

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 2019

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) Sales and purchases awaiting settlement

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

(g) Cash and cash equivalents

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

(h) Payables

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

(i) Foreign currency translation

(i) *Functional and presentation currency*

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

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.

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 2019

2. Significant accounting policies (continued)

(i) Foreign currency translation (continued)

(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.

(j) 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.

(k) Expenses charged to the fund

Management fees are charged directly to each share class as follows:

SGD Class and USD Hedged Class: 0.3% per annum

AUD Hedged Class: 0.5% per annum

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.

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 2019

2. Significant accounting policies (continued)

(l) 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.

(m) 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

	2019	2018
	S\$	S\$
Interest income on cash and bank balances	160,123	118,108

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.

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 2019

4. Income Tax (continued)

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 2019 and 2018 comprises:

	2019	2018
	S\$	S\$
Singapore income tax		
- Current year	-	446
- Overprovision of prior years	(893)	-

Singapore income tax comprises of tax on other income derived from outside Singapore.

5. Receivables

	2019	2018
	S\$	S\$
Receivable from unitholders for creation of units	2,787,195	2,988,968

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 2019

6. Payables

	2019	2018
	S\$	S\$
Payable to unitholders for cancellation of units	385,606	602,150
Amount due to the Manager	340,463	304,681
Valuation fees payable	49,580	44,067
Trustee fees payable	17,194	15,356
Provision for audit fee	18,556	19,903
Other payables	22,252	28,116
	833,651	1,014,273

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.

	Contract or underlying principal amount		Year-end positive fair value		Year-end negative fair value	
	2019	2018	2019	2018	2019	2018
	S\$	S\$	S\$	S\$	S\$	S\$
Forward foreign exchange contracts	220,995,573	274,931,793	1,939,173	39,172	13,950	1,036,345

Financial assets and financial liabilities which are subject to enforceable master netting agreements or similar agreements for the year ended 30 June 2019 and 2018 are detailed in the following tables:

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 2019

7. Financial derivatives at fair value (continued)

(i) Offsetting financial assets

2019				Related accounts not set-off in the Statement of Financial Position		
	Gross amounts of recognised financial assets S\$	Gross amounts of recognised financial 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	251,466	-	251,466	13,950	-	237,516

2018				Related accounts not set-off in the Statement of Financial Position		
	Gross amounts of recognised financial assets S\$	Gross amounts of recognised financial 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

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 2019

7. Financial derivatives at fair value (continued)

(ii) Offsetting financial liabilities

2019	Related accounts not set-off in the Statement of Financial Position					
	Gross amounts of recognised financial liabilities	Gross assets set off in the Statement of Financial Position	Net amounts of financial liabilities presented in the Statement of Financial Position	Financial Instruments	Cash collateral	Net exposure
	S\$	S\$	S\$	S\$	S\$	S\$
Forward foreign exchange contracts	13,950	-	13,950	13,950	-	-
<hr/>						
2018	Related accounts not set-off in the Statement of Financial Position					
	Gross amounts of recognised financial liabilities	Gross assets set off in the Statement of Financial Position	Net amounts of financial liabilities presented in the Statement of Financial Position	Financial Instruments	Cash collateral	Net exposure
	S\$	S\$	S\$	S\$	S\$	S\$
Forward foreign exchange contracts	971,376	-	971,376	-	-	971,376
<hr/>						

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 2019

8. Units in issue

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

	2019	2018
<u>SGD Class</u>		
Units at beginning of the financial year	229,008,776	270,740,026
Units created	166,326,526	111,718,862
Units cancelled	(125,111,832)	(153,450,112)
Units at end of the financial year	270,223,470	229,008,776

Net assets attributable to unitholders - S\$	413,369,795	338,816,993
Net asset value per unit - S\$	1.52973	1.47949

	2019	2018
<u>AUD Hedged Class</u>		
Units at beginning of the financial year	4,954,315	6,064,331
Units created	1,383,729	1,636,872
Units cancelled	(3,220,204)	(2,746,888)
Units at end of the financial year	3,117,840	4,954,315

Net assets attributable to unitholders - S\$	3,948,086	6,433,693
Net asset value per unit - S\$	1.26629	1.29860

	2019	2018
<u>USD Hedged Class</u>		
Units at beginning of the financial year	1,067,879	2,121,756
Units created	139,461	1,538,883
Units cancelled	(26,998)	(2,592,760)
Units at end of the financial year	1,180,342	1,067,879

Net assets attributable to unitholders - S\$	1,682,541	1,476,100
Net asset value per unit - S\$	1.42547	1.38227

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:

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 2019

8. Units in issue (continued)

<u>SGD Class</u>	2019 S\$	2018 S\$
Net assets attributable to unitholders as per financial statements per unit	1.52973	1.47949
Effect of movement in the net asset value between the last dealing date and the end of the reporting period [^]	(0.00023)	(0.00009)
Net assets attributable to unitholders for issuing/redeeming per unit	1.52950	1.47940
 <u>AUD Hedged Class</u>	 2019 S\$	 2018 S\$
Net assets attributable to unitholders per financial statements	1.26629	1.29860
Effect of movement in the net asset value between the last dealing date and the end of the reporting period [^]	(0.00014)	(0.00010)
Net assets attributable to unitholders for issuing/redeeming per unit	1.26615	1.29850
 <u>USD Hedged Class</u>	 2019 S\$	 2018 S\$
Net assets attributable to unitholders per financial statements	1.42547	1.38227
Effect of movement in the net asset value between the last dealing date and the end of the reporting period [^]	(0.00025)	(0.00010)
Net assets attributable to unitholders for issuing/redeeming per unit	1.42522	1.38217

[^] 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.

9. Margin account

	2019 S\$	2018 S\$
Margin account	-	91,779

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 2019

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.

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 2019

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 2019

	<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	123,048,020	91,904,034	179,971,895	-	3,538,780	398,462,729
Sales awaiting settlement	-	-	-	-	2,104,968	2,104,968
Receivables	-	-	-	-	2,787,195	2,787,195
Cash and bank balances	15,904,076	-	-	-	-	15,904,076
Financial derivatives at fair value	-	-	-	-	1,939,173	1,939,173
Total assets	138,952,096	91,904,034	179,971,895	-	10,370,116	421,198,141
Liabilities						
Payables	-	-	-	-	833,651	833,651
Purchases awaiting settlement	-	-	-	-	1,350,118	1,350,118
Financial derivatives at fair value	-	-	-	-	13,950	13,950
Total liabilities	-	-	-	-	2,197,719	2,197,719

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 2019

10. Financial risk management (continued)

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

As at 30 June 2018

	<u>Floating rate</u> S\$	up to 1 year S\$	Fixed rate 1-5 years S\$	Over 5 years S\$	<u>Non-interest bearing</u> S\$	Total 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

As at 30 June 2019 and 2018, an increase/decrease of interest rates by 1% (2018: 1%), with all other variables remaining constant, would result in a decrease/increase of the net assets attributable to unitholders by approximately 1% (2018: 1%). Reasonable possible changes in interest rates are revised annually depending on management's current view of market volatility and other factors.

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 2019

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 2019	USD S\$	SGD S\$	AUD S\$	Total S\$
Assets				
Portfolio of investments	288,234,532	110,228,197	-	398,462,729
Sales awaiting settlement	1,350,388	754,580	-	2,104,968
Receivables	-	2,787,043	152	2,787,195
Cash and bank balances	2,474,300	13,025,563	404,213	15,904,076
Total assets	292,059,220	126,795,383	404,365	419,258,968
Liabilities				
Payables	-	800,626	33,025	833,651
Purchases awaiting settlement	1,350,118	-	-	1,350,118
Total liabilities	1,350,118	800,626	33,025	2,183,769
Net off-balance sheet derivative financial instruments	(287,799,290)	285,743,065	3,981,448	
Net currency exposure	2,909,812	411,737,822	4,352,788	

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 2019

10. Financial risk management (continued)

(c) Market risk - Currency risk (continued)

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	

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.

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 2019

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 2019 and 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	As at
	30 June 2019	30 June 2018
	S\$	S\$
Liabilities		
Payables	833,651	1,014,273
Purchases awaiting settlement	1,350,118	3,362,337
Contractual cash outflows (excluding gross settled derivatives)	2,183,769	4,376,610

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 2019

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 2019	30 June 2018
	S\$	S\$
Currency forwards		
- Outflow	(1,661,716)	(266,983,786)
- Inflow	1,647,766	265,947,441
Net outflow	<u>(13,950)</u>	<u>(1,036,345)</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.

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 2019

10. Financial risk management (continued)

(e) Credit risk (continued)

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

	Fair value at 30 June 2019		Fair value at 30 June 2018	
	Floating rate securities S\$	Fixed rate securities S\$	Floating rate securities S\$	Fixed rate securities S\$
AAA*	-	7,993,920	-	-
AA	-	7,998,786	2,732,854	9,882,632
A+	13,679,905	4,297,713	9,080,729	1,530,511
A	3,968,368	7,289,342	1,947,304	7,287,655
A-	8,046,511	24,251,469	5,792,637	17,616,388
BBB+	22,164,827	37,392,200	22,003,338	45,977,362
BBB	20,683,475	16,793,384	7,733,264	31,117,579
BBB-	10,899,134	2,781,932	4,067,444	15,830,813
AAu	-	-	-	2,083,562
A *-	-	1,395,815	-	-
BBB+u	3,465,176	-	5,397,328	-
BBB- *+	-	3,194,853	-	-
Aa2	5,168,904	-	3,976,970	3,943,992
A1	3,672,392	-	2,327,336	4,095,350
A2	-	10,843,691	273,529	6,996,272
A3	5,446,843	19,413,421	1,377,812	7,026,026
Baa1	5,493,705	25,488,315	1,514,256	10,940,671
Baa2	11,107,570	13,389,485	4,580,158	7,117,677
Baa3	-	3,918,675	-	7,144,240
Baa2 *+	-	-	4,405,642	-
Baa3u	-	3,506,649	-	9,030,157
Not rated	9,251,210	81,926,279	4,841,942	48,979,269
Accrued interest receivable on quoted fixed income securities	995,000	2,543,780	760,050	1,992,798
	124,043,020	274,419,709	82,812,593	238,592,954

* The balance includes securities that are issued by government agencies of governments that have a AAA rating as rated by Standard & Poor's.

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 2019

10. Financial risk management (continued)

(e) Credit risk (continued)

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 2019 and 30 June 2018.

	Credit rating as at 30 June 2019	Credit rating as at 30 June 2018	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
Citibank N.A Singapore	BBB+	BBB+	Standard & Poor's
JP Morgan Chase & Company	A-	A-	Standard & Poor's
UBS AG Singapore Branch	N.A.	A+	Standard & Poor's

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

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

(f) Capital management

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

NIKKO AM SHENTON 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 2019

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 2019 and 2018:

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
As at 30 June 2019				
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted fixed income securities	- 398,462,729		- 398,462,729	
- Financial derivatives at fair value	- 1,939,173		- 1,939,173	
	- 400,401,902		- 400,401,902	
Liabilities				
Financial liabilities designated at fair value through profit or loss at inception:				
- Financial derivatives at fair value	- 13,950		- 13,950	
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 liabilities designated at fair value through profit or loss at inception:				
- Financial derivatives at fair value	- 1,036,345		- 1,036,345	

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 2019

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 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.

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:

	2019	2018
	S\$	S\$
Bank balances held with related party of the Trustee	<u>15,904,076</u>	<u>27,614,275</u>

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 2019

12. Financial ratios

Expense ratio

		2019	2018
<u>SGD Class</u>			
Total operating expenses	S\$	1,543,536	1,595,046
Average daily net asset value	S\$	386,500,880	387,752,553
Total expense ratio¹	%	0.40	0.41

		2019	2018
<u>AUD Hedged Class</u>			
Total operating expenses	S\$	39,450	55,966
Average daily net asset value	S\$	5,830,319	8,165,534
Total expense ratio¹	%	0.68	0.69

		2019	2018
<u>USD Hedged Class</u>			
Total operating expenses	S\$	9,131	14,497
Average daily net asset value	S\$	1,579,825	2,045,904
Total expense ratio¹	%	0.58	0.71

Turnover ratio

		2019	2018
Lower of total value of purchases or sales	S\$	125,503,466	143,098,281
Average daily net asset value	S\$	393,911,024	397,963,991
Total turnover ratio²	%	31.86	35.96

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.

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 2019

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 16 to 23.

2. Credit rating of debt securities

	Fair value at 30 June 2019 S\$	Percentage of total net assets attributable to unitholders at 30 June 2019 %
AAA	7,993,920	1.91
AA	7,998,786	1.91
A+	17,977,618	4.29
A	11,257,710	2.69
A-	32,297,980	7.71
BBB+	59,557,027	14.21
BBB	37,476,859	8.94
BBB-	13,681,066	3.27
A *-	1,395,815	0.33
BBB- *+	3,194,853	0.76
BBB+u	3,465,176	0.83
Aa2	5,168,904	1.23
A1	3,672,392	0.88
A2	10,843,691	2.59
A3	24,860,264	5.93
Baa1	30,982,020	7.39
Baa2	24,497,055	5.85
Baa3	3,918,675	0.94
Baa3u	3,506,649	0.84
Not rated	91,177,489	21.76
Accrued interest receivable on quoted fixed income securities	3,538,780	0.84
Total	398,462,729	95.10

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 2019

3. Top 10 holdings

10 Largest holdings at 30 June 2019

	Fair value S\$	Percentage of total net assets attributable to unitholders %
SSG Resources Limited 4.25% due 04/10/2022	8,007,688	1.91
China Construction Bank Asia Corporation Limited 4.25% due 20/08/2024	7,669,476	1.83
China Construction Bank Corporation 3.875% due 13/05/2025	7,427,774	1.77
Commonwealth Bank of Australia 3.375% due 20/10/2026	6,925,431	1.65
Yieldking Investment Limited 4.8% due 18/10/2021	6,896,917	1.65
AmBank (M) Berhad 3.125% due 03/07/2019	6,764,870	1.61
Double Rosy Limited 3.625% due 18/11/2019	6,280,196	1.50
Great Eastern Life Assurance Company Limited/The 4.6% due 19/01/2026	6,206,940	1.48
Australia & New Zealand Banking Group Limited 3.75% due 23/03/2027	6,068,994	1.45
United Overseas Bank Limited 3.75% due 19/09/2024	5,970,287	1.42

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 2019

4. Exposure to financial derivatives

	Fair value at 30 June 2019 S\$	Percentage of total net assets attributable to unitholders 30 June 2019 %	Unrealised gains/(losses) S\$	Realised gains/(losses) S\$
Forward foreign exchange contracts	1,925,223	0.46	1,925,223	(1,619,046)
Futures contracts	-	-	-	19,272

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 34.

7. Securities lending or repurchase transactions

Nil.

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

Nil

9. Borrowings

Nil.

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 2019

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

	S\$
Units created	251,227,609
Units cancelled	(191,955,916)

11. Turnover ratio

Please refer to Note 12 of the Notes to the Financial Statements on page 46.

12. Expense ratio

Please refer to Note 12 of the Notes to the Financial Statements on page 46.

13. Related party transactions

Please refer to Note 11 of the Notes to the Financial Statements on page 45.

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

Nil.

Intentionally left blank.

Intentionally left blank.

12 Marina View, #18-02 Asia Square Tower 2, Singapore 018961
Intermediaries Hotline: 1800 535 8025 / 65 6535 8025
Website: www.nikkoam.com.sg

Company registration number 198202562H