

Monthly Outlook

December 2011

Financial markets around the world took a bit of a breather in December, as volatility abated amid slower year-end trading conditions, and China's policy fine-tuning, coupled with better U.S. economic data, offset continued concerns in the Eurozone. Market sentiment also appeared to have stabilized somewhat, following further efforts by Eurozone countries to tackle the fiscal situation and the European Central Bank acting to provide liquidity to European banks.

The Asia Pacific ex-Japan Index traded in a cautious range throughout the month before closing up 1.2% in SGD terms. Within the region, credits and local currency government bonds also generally closed in the positive territory, while currencies were mixed against the USD.

We expect sentiment in the Asian financial markets to remain cautious in the coming months but unlikely to relapse into panic mode. The recent improvement in China's Purchasing Manager Index affirms that the Chinese economy should be able to avoid a hard landing, which is critical in ensuring the Asia region remains resilient against weakness in the EU.

Asian Rates: IndoGBs outperformed on the back of credit upgrade

Sentiment regarding Eurozone improved

Although the Eurozone debt situation remained the focus of investor concerns in December, market sentiment appeared to have stabilized somewhat, as Eurozone policymakers took further proactive steps towards addressing the ongoing debt crisis. During the month, the EU summit resulted in an inter-governmental agreement that will strengthen fiscal discipline in the EU, and the European Central Bank (ECB) provided much-needed liquidity to Euro-area banks via a 3-year long-term refinancing operation (LTRO).

Asian government bonds were generally positive

Asian local currency government bonds generally posted gains in the month of December, with Indonesian Government Bonds (IndoGBs) outperforming significantly following Fitch's upgrade of Indonesia's sovereign credit rating to investment grade (BBB-). IndoGB yields closed about 30-70bp lower along the curve (between 2- to 10-year) for the month. During the month, both the Bank of Thailand and Bank Negara announced their issuance calendars for 2012. While Thailand's new supply exceeded previous issuances in both size and average maturity, Malaysia's was broadly the same as before. Yields on Thailand Government Bonds (ThaiGBs) and Malaysian Government Securities (MGS) ended slightly lower in December. Meanwhile, in North Korea, although the death of leader Kim Jong Il on 19 December triggered a knee-jerk sell-off in Korean Treasury Bonds (KTBs) and the KRW on fears of renewed political tensions, the losses were mostly retraced in subsequent days.

Cautiously optimistic on EU debt situation; favour government bonds from Malaysia

Given the recent developments in the EU situation, and the fact that leaders there have still not exhausted available options in the use of European Financial Stability Facility (EFSF) and IMF funds, as well as the ECB's unlimited liquidity arsenal, we are optimistic that the positive sentiment will carry into the new year. Nonetheless, we will remain cautious of negative developments in the EU which could again trigger another bout of risk aversion. In the coming months, we are cautious on ThaiGBs due to supply concerns and IndoGBs following to the recent run up in prices. We continue to favour MGS on the benign supply outlook, stable inflation and rate cut expectations. We expect a smooth leadership succession in North Korea, and maintain a cautiously optimistic view on the outlook for KTBs.

Asian FX: CNY outperformed regional peers

Asian currencies were mixed against USD

Asian currencies were mixed against the USD in December. The CNY was the outperformer among the regional currencies, appreciating 1.3% against the USD, on speculation the central bank will permit appreciation to help prevent capital outflows. The IDR, MYR and TWD also fared well, while the rest of the regional currencies weakened against the USD. We remain cautious on the Asian currencies in the near term given the slower growth outlook, but remain longer-term constructive as economic fundamentals remain strong.

Asian Credits: High-yield outperformed high-grade

Asian credits gained in range-bound December

On the back of an improvement in sentiment over the Eurozone, and amid thin year-end liquidity conditions, Asian credits traded in a narrow range for most of December before closing moderately higher for the month. Asian high-yield credits outperformed high-grade peers due mainly to the former's higher carry, with high-yield credits gaining 1.36% on a total return basis as spreads narrowed 110bp, and high-grade credits closing up 0.57% as spreads widened 7bp.

Chinese high-yield credits rebounded on the back of improved risk sentiment

During the month, the Chinese government's signal that it is shifting its concern from inflation to growth and the continued downtrend in CPI raised expectations of more broad-based policy easing. Consequently, risk sentiment improved during the month and helped trigger a rebound in Chinese high-yield property and industrial bonds. Separately, Indonesian high-yield corporate bonds closed the month firmer by around 1-2% following Fitch's upgrade of Indonesia's sovereign credit rating to investment grade.

Remain cautious near term; continue to prefer high-grade over high-yield

Going into 2012, although the situation in Europe has stabilized somewhat following the previous month's developments, we remain cautious as uncertainties persist. In China, we continue to expect further moderation in growth in the near term unless the government eases policy aggressively. Given this backdrop, we will maintain a defensive portfolio stance in the near term, favouring Asian high-grade credits over high-yield peers, as the former will likely provide superior risk-adjusted returns. Although valuations in the Asian high-yield space have become quite attractive, we believe that better entry levels could present themselves in the coming months, and will be looking out for buying opportunities during periods of market weakness.

Asian Equities: Closed modestly higher after trading in cautious range

Asian stocks edged up as better U.S. data offset Eurozone concerns

Asia Pacific ex-Japan equity markets traded within a cautious range throughout the month of December, as investors weighed China's policy fine-tuning and better U.S. economic data against continued concerns in the Eurozone. The Asia Pacific ex-Japan Index edged up 1.2% in SGD terms for the month. Within Asia, economic data was generally benign and continued to point to a soft landing - inflation was relatively tame (except for India) and growth moderated further but did not stall. The stock markets in Malaysia and the Philippines outperformed Asian peers, gaining 5.0% and 4.8%, respectively, in SGD terms.

Focus shift to economic growth boosted Chinese stocks

The Hang Seng China Enterprises Index (HSCEI) climbed 3.7% in SGD terms in December. Despite ongoing Eurozone debt concerns, better U.S. data and the Chinese government's signal that it is shifting its concern from inflation to growth helped lift sentiment. On the economic front, the official Purchasing Managers Index (PMI) expanded to 50.3 in December from 49.0 in the preceding month, and exceeded consensus forecast of 49.1, thus allaying fears that China will suffer a hard landing. CPI continued to moderate to 4.2% YOY in November from 5.5% in October.

Remain cautious, but believe Asian equities can rebound further in coming month

In the coming month, we expect financial markets to remain cautious, particularly over developments in Europe, but unlikely to relapse into panic mode. In this context, there is a good chance Asia Pacific ex-Japan equity markets can rebound further, though a dramatic rally is unlikely given that policymakers and central bankers in the U.S., EU and Asia are reluctant or politically stymied in their ability to act aggressively. Nonetheless, we believe that stock markets in Asia Pacific ex-Japan remain well supported given our view that the slower growth outlook has already been largely priced in, and that easing inflation will provide more leeway for policymakers to loosen monetary policy further, particularly in China.

In light of this, we reviewed performance and provide our Investment Managers' strategy and outlook for the following funds:

- Nikko AM Shenton Thrift Fund
- Nikko AM Shenton Twin City Fund
- Nikko AM Shenton Income Fund
- Nikko AM Shenton Global Opportunities Fund
- Nikko AM Shenton Asia Pacific Fund
- Nikko AM Shenton Asia Bond Fund
- Nikko AM Shenton Asia Knowledge Fund
- Nikko AM Shenton Global Property Securities Fund
- Nikko AM Shenton Short Term Bond Fund
- MyHome Fund – HomeBalanced
- MyHome Fund – HomeGrowth
- MyHome Fund – HomeSteady

FUND PERFORMANCE UPDATE

December 2011

Nikko AM Shenton Thrift Fund

Highlights

- The Fund declined 2.00% in December. Singapore stocks traded in a cautious range as China's policy fine-tuning and better U.S. economic data offset continued concerns over the Eurozone debt crisis.
- We will continue to emphasize the theme of resilient cash flows as uncertainty over the Eurozone debt situation persists. However, we are cautiously optimistic that the Eurozone debt crisis will continue to stabilize further following recent developments. We remain positive on the agricultural commodity sector given the tight supply outlook and growing demand in Asia.
- In December, Singapore stocks declined 2.08%, as the government unexpectedly announced further property cooling measures. Singapore exports and retail sales rebounded, while manufacturing shrank more than expected. CPI Inflation continued to climb to 5.7% YOY.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualised)
Nikko AM Shenton Thrift Fund (Net of fees)	SGD	-2.00%	-19.77%	+4.86%
Nikko AM Shenton Thrift Fund (Net of fees and charges ¹)	SGD	-6.90%	-23.78%	+4.64%
Benchmark (FSSTI Index)	SGD	-2.08%	-17.04%	+2.49%

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.

¹Takes into account sales and realization charges, where applicable.

Since inception: 31 Aug 1987

Fund declined 2.00% in December

The Fund declined 2.00% in December on continued concerns about the Eurozone debt crisis and its spillover impact on the Asian economies. The FSTE Straits Times Index (FSSTI) traded within a cautious range during the month, as China's policy fine-tuning and better U.S. economic data were offsetting factors in an otherwise downbeat environment. In Singapore, the property sector suffered another setback as the government imposed further cooling measures targeted primarily at foreign buyers.

Market Outlook & Strategy*

Maintain cautious stance as Europe continues to dictate market direction

We continue to expect market sentiment to remain fragile and dependent on developments in Europe, and global economic growth to slow further, in the coming months. However, we maintain our stance of cautious optimism in Asia as we believe stocks have largely priced in the slower growth outlook; moreover, given that inflation has peaked in most of the Asian countries, policymakers will have more leeway to loosen monetary policy, particularly in China. Nonetheless, as macroeconomic uncertainties persist, we will continue to emphasize the theme of resilient cash flows in the coming quarter.

Expect EU situation to stabilize further; stand ready to reposition portfolio

Despite lingering concerns over the Eurozone debt crisis, we are optimistic that, following the European Central Bank's (ECB's) recent move to provide much-needed liquidity to banks and further efforts by the EU countries to tackle the fiscal situation, the situation will continue to stabilize further. The probability of financial markets relapsing into panic mode is now relatively low, we believe, unless EU nations backtrack on recent fiscal commitments. We will be looking to reposition the portfolio for a market recovery when we have more confidence that the situation in Europe is stabilizing.

Maintain overweight in the agriculture commodity sector

Agriculture commodity plays remain a key longer-term investment theme for our portfolio and we remain positive on this sector given the tight supply outlook and growing demand in Asia. In addition, we are optimistic that stocks with China exposure, such as Capitamalls Asia, will do well as more signs of an economic soft landing emerge, particularly if Chinese policymakers start to loosen monetary policy.

Market Review

% Change [^]	Month	YTD
STI Index	-2.08%	-17.04%
FTSE ST Mid-Cap Index	-1.47%	-27.20%
FTSE ST Small-Cap Index	-1.84%	-34.00%
FTSE ST China Index	-0.37%	-32.63%

Source: Bloomberg, 31 Dec 2011(^In SGD, price return basis)

Property cooling measures hurt Singapore stocks

Singapore stocks were worse hit than most of its regional peers in December, with the FSTE Straits Times Index (FSSTI) sliding 2.1%, as the government unexpectedly introduced another round of property cooling measures. News on the economic front was mixed. November NODX rose a higher-than-expected 1.6% YOY (versus October's -16.3%), led by the electronics sector, and October retail sales jumped 8.5% YOY (versus September's 0.2%). However, headline Purchasing Manager's Index (PMI) fell more than expected to 48.7 in November from October's 49.5, and Industrial Production (IP) dropped sharply by 9.6% YOY from a gain of 22.2% in October. Meanwhile, CPI inflation continued to climb to 5.7% YOY in November, higher than expectations of 5.3% and October's print of 5.4%.

Asian stocks edged up as better U.S. data offset Eurozone concerns

Asia Pacific ex-Japan equity markets traded within a cautious range throughout the month of December, as investors weighed China's policy fine-tuning and better U.S. economic data against continued concerns in the Eurozone. Within Asia, economic data was generally benign and continued to point to a soft landing - inflation was relatively tame and growth moderated further but did not stall. Following its annual Central Economic Work Conference, China signalled that economic growth has replaced inflation as Beijing's foremost concern for 2012. The Asia Pacific ex-Japan Index ended the month relatively unchanged, edging up 1.2% in SGD terms. The stock markets in Malaysia and the Philippines outperformed Asian peers, gaining 5.0% and 4.8%, respectively, in SGD terms.

Nikko AM Shenton Twin City Fund

Highlights

- The Fund's NAV gained 1.85% in December, outperforming the benchmark by 98bp.
- We are cautiously optimistic that the stock markets in Singapore and Hong Kong, along with regional peers, can rebound further in the coming month, and have increased our weighting in the cyclical sectors.
- In December, Singapore stocks declined 2.1%, as the government unexpectedly announced further property cooling measures. Hong Kong stocks rebounded 2.5% (SGD terms) as sentiment improved on the back of the Chinese government's signal that it was shifting its focus to growth from inflation.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualised)
Nikko AM Shenton Twin City Fund (Net of fees)	SGD	+1.85%	-20.43%	+4.88%
Nikko AM Shenton Twin City Fund (Net of fees and charges ¹)	SGD	-8.33%	-28.39%	+4.30%
Benchmark (FSSTI + HSI Composite Index)	SGD	+0.87%	-17.85%	+4.35%

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.

¹Takes into account sales and realization charges, where applicable.

Since inception: 5 Mar 1993

Fund outperformed due to favourable stock selection

The Fund's NAV gained 1.85% in December, outperforming the benchmark by 98bp. Positive stock selection was the main driver of performance, particularly our Hong-Kong listed Chinese technology stocks which, due to its cyclical characteristics, rallied more than the broad market as sentiment improved. In Singapore, the underweight in the property sector added value as property counters underperformed on the back of new property curbs, and the overweight in consumer discretionary also contributed positively on improved sentiment in the sector following news of significant share buybacks by a major shareholder in Osim. However, the higher cash level in the portfolio hurt performance, and detracted from the gains somewhat.

Market Outlook & Strategy*

Cautiously optimistic of further rebound in coming month

In the coming month, we expect financial markets to remain cautious, particularly over developments in Europe, but unlikely to relapse into panic mode. In this context, there is a good chance the equity markets in Singapore and Hong Kong can rebound further, though a dramatic rally is unlikely given that policymakers and central bankers in the U.S., EU and Asia are reluctant or politically stymied in their ability to act aggressively. Nonetheless, we believe the stock markets in Singapore and Hong Kong, along with Asia ex-Japan peers, remain well supported given our view that the slower growth outlook has already been largely priced in. Moreover, easing inflation in the region will provide more leeway for policymakers to loosen monetary policy further, particularly in China, which bodes well for the Asian economies and intra-regional trade.

Added to cyclical sectors; continue to emphasize sector and tactical allocation

Against this backdrop, we have increased our weighting in the cyclical sectors on attractive valuations, focusing on selected materials and consumer discretionary stocks. On the other hand, we have reduced our weighting in the defensive telco sector. Meanwhile, we will continue to emphasize sector allocation and rotation in managing the portfolio. We reduced cash levels to take advantage of value opportunities which have emerged as some market sectors corrected. We expect volatility to remain elevated in the near term, and will tactically trade our stock positions while continuing to look out for opportunities to enter at attractive prices.

Market Review*

Singapore

% Change^	Month	YTD
STI Index	-2.08%	-17.04%
MSCI Small-Cap Index	-0.97%	-10.48%

Property cooling measures hurt Singapore stocks

Singapore stocks were worse hit than most of its regional peers in December, with the FSTE Straits Times Index (FSSTI) sliding 2.1%, as the government unexpectedly introduced another round of property cooling measures. News on the economic front was mixed. November NODX rose a higher-than-expected 1.6% YOY (versus October's -16.3%), led by the electronics sector, and October retail sales jumped 8.5% YOY (versus September's 0.2%). However, headline Purchasing Manager's Index (PMI) fell more than expected to 48.7 in November from October's 49.5, and Industrial Production (IP) dropped sharply by 9.6% YOY from a gain of 22.2% in October. Meanwhile, CPI inflation continued to climb to 5.7% YOY in November, higher than expectations of 5.3% and October's print of 5.4%.

Hong Kong

% Change^	Month	YTD
HSI Index	3.82%	-18.93%
HSCEI Index	5.87%	-20.69%

Hong Kong stocks rebounded in December

The Hang Seng Index (HSI) climbed 3.8% in SGD terms in December, as China's policy fine-tuning and better U.S. economic data offset continued concerns over the Eurozone debt crisis. During the month, sentiment also improved on the back of the Chinese government's signal that it was shifting its focus from inflation to growth. However, economic data continued to point to slowing economic activities in Hong Kong, with November's headline Purchasing Managers Index (PMI) easing for the fourth straight month to 48.7, from 49.0 in October. Unemployment also edged up to 3.4% in November, from 3.3% the previous month. Inflation moderated slightly in November, with the Consumer Price Index (CPI) rising 5.7% YOY in November from 5.8% in October.

* Data Source: Bloomberg as of end December 2011.

FUND PERFORMANCE UPDATE

December 2011

Nikko AM Shenton Income Fund

Highlights

- The Fund gained 1.00% in December.
- We are optimistic on Asian local currency bonds on policy easing expectations, and will look to extend duration during periods of market weakness. As macro headwinds remain, we maintain our bias for high-grade over high-yield credits.
- Asian government bonds were generally positive, with IndoGBs outperforming on the back of an upgrade by Fitch to BBB-. Asian credits traded in a narrow range before rebounding modestly for the month, helped by the decline in UST yields. High-yield credits outperformed high-grade, due mainly to the former's higher carry.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualised)
Nikko AM Shenton Income Fund (Net of fees)	SGD	+1.00%	+1.82%	+4.56%
Nikko AM Shenton Income Fund (Net of fees and charges ¹)	SGD	-4.05%	-3.27%	+4.33%
Benchmark (DBS 12m SGD Fixed Deposit Rate for 20k to 50k)	SGD	+0.01%	+0.31%	+2.31%

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.

¹Takes into account sales and realization charges, where applicable.

Since inception: 31 Jan 1989

Fund gained in December

The Fund gained 1.00% in December, benefiting from an improvement in sentiment on the back of the ECB's 3-year long term refinancing operation (LTRO) which provided much-needed liquidity to Euro-area banks. Market liquidity was generally thin and volatility abated amid slower year-end trading conditions.

Market Outlook & Strategy*

Look to extend duration in Asian government bonds; maintain strategic exposure to Asian currencies

We remain optimistic on the local currency government bonds in Asia. These markets have continued to benefit from strong inflows of foreign funds throughout 2011; moreover, expectations of further policy easing by Asian governments have risen on the back of continued uncertainty in Europe, concerns over slowing growth in Asia, particularly China, and easing inflation across the region. This will lend support to yield curves in Asia and we will look to extend duration during periods of market weakness. On the Asian currencies front, we remain cautious on the slower growth outlook in the near term, but remain longer-term constructive as fundamentals in the regional economies remain strong. We continue to maintain a strategic exposure in the Asian currencies.

Continue to prefer high-grade credits over high-yield

Although the situation in the Eurozone has stabilized somewhat over the month, we remain wary of negative developments which could again trigger another bout of risk aversion. In China, we continue to expect further moderation in growth in the near term unless the government eases policy aggressively. Given this backdrop, we will maintain our bias for high-grade credits over high-yield, as the former will likely provide superior risk-adjusted returns. Although valuations in the Asian high-yield space have become quite attractive, we believe that better entry levels could present themselves in the coming months, and will be looking out for buying opportunities during periods of market weakness. Within both the high-grade and high-yield space, we will avoid corporates which require a significant amount of refinancing in 2012 and those with limited credit access to local and global capital markets. We will also avoid high-grade credits rated BBB-, and high-yield credits rated B+ and below, given the potential of deteriorating credit profiles and continued volatility.

Market Review***Asia Rates & FX*****Sentiment improved following ECB's long term refinancing operation***

Market sentiment appeared to have stabilized somewhat in December, as Eurozone policymakers took further proactive steps towards addressing the ongoing debt crisis. In addition to its current weekly USD liquidity-providing operations, the European Central Bank (ECB), in an unprecedented move, offered EUR489.2b in cheap three-year loans to Euro-area banks via a long term refinancing operation (LTRO).

Asian government bonds were generally positive

Asian local currency government bonds were mostly positive for the month of December, with IndoGBs outperforming significantly on the back of an upgrade by Fitch to investment grade (BBB-). IndoGB yields declined about 30-70bp lower along the curve (between 2- to 10-year). During the month, both the Bank of Thailand and Bank Negara announced their issuance calendars for 2012. While Thailand's new supply exceeded previous issuances in both size and average maturity, Malaysia's was broadly the same as before. Both ThaiGB and MGS yields ended slightly lower for the month. Meanwhile, in North Korea, although the death of leader Kim Jong Il on 19 December triggered a knee-jerk sell off in Korean Treasury Bonds (KTBs) and the KRW on fears renewed political tensions in the region, the losses were mostly retraced in subsequent days.

Asian Credits***Asian credits gained in range-bound December***

Risk sentiment was slightly improved in December, as the EU summit resulted in an inter-governmental agreement that will strengthen fiscal discipline in the EU, and the ECB provided much-needed liquidity to Euro-area banks via a 3-year long term refinancing operation (LTRO). Amid thin year-end liquidity conditions, Asian credit spreads traded in a narrow range for most of the month. Asian high-grade credits closed up 0.57% on a total return basis, with spreads widening 7bp, and high-yield credits gained 1.36%, with spreads narrowing 110bp. The Chinese government's signal that it is shifting its concern from inflation to growth and the continued downtrend in CPI also raised expectations of further policy easing and helped lift sentiment during the month; consequently, Chinese high-yield property names and industrial bonds performed well after the previous month's correction. Separately, Indonesian high-yield corporate bonds closed the month firmer by around 1-2% following Fitch's upgrade of Indonesia's sovereign credit rating to investment grade.

**Data Source: Bloomberg as of end December 2011.*

FUND PERFORMANCE UPDATE

December 2011

Nikko AM Shenton Global Opportunities Fund

Highlights

- The Fund gained 2.30% in December, outperforming the benchmark by 1.27%.
- We are cautiously optimistic that equity markets around the world could rebound further in the coming month, given the stabilization in the EU debt situation and improved U.S. and Chinese data. However, we will maintain a defensive portfolio stance in the near term given lingering market uncertainty, particularly over the situation in Europe.
- The MSCI World Index edged up 1.0% (SGD terms) in December, as better U.S. economic data offset ongoing concerns over the Eurozone debt crisis. The ECB's move to provide liquidity to European banks helped to stabilize sentiment in the Eurozone. In the U.S., better-than-expected employment and consumer confidence data added to signs that the recovery there is finally gaining traction.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualised)
Nikko AM Shenton Global Opportunities Fund (Net of fees)	SGD	+2.30%	-13.38%	+0.32%
Nikko AM Shenton Global Opportunities Fund (Net of fees and charges ¹)	SGD	-2.82%	-17.71%	-0.08%
Benchmark (MSCI World Free Index)	SGD	+1.03%	-6.49%	-2.06%

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.
¹Takes into account sales and realization charges, where applicable.
 Since inception: 5 Mar 1999

Fund gained 2.30% in December

The Fund gained 2.30% in the month of December, outperforming the benchmark by 1.27%. The Fund's top-performing sectors in December were consumer staples (0.88%), utilities (0.38%) and financials (0.37%), while the worst-performing were consumer discretionary (0.04%), basic materials (-0.14%) and energy (-0.32%). The Fund's overweight in the defensive sectors, namely, consumer staples, healthcare, utilities and communication, contributed to the bulk of the outperformance.

Market Outlook & Strategy*

Cautiously optimistic that equity markets could rebound further

In the coming month, we expect financial markets to remain cautious, but unlikely to relapse into panic mode. We are hopeful that equity markets globally could rebound further supported by stabilization in the EU and a slow but steady recovery in the U.S. The recent improvement in China's Purchasing Manager Index data and continued selective easing by the Chinese government should also allay fears of a hard landing in the Chinese economy. Moreover, easing inflation in the Asian economies will provide more leeway for policymakers to loosen monetary policy further, and keep the regional stock markets well supported. Nevertheless, we will remain wary amid lingering market uncertainty -

particularly the possibility of negative developments in Europe, which could again trigger a renewed bout of risk aversion.

Maintain defensive portfolio stance in the near term

Against this backdrop, we will maintain a cautious portfolio stance, with a bias towards stocks which exhibit defensive characteristics like stable growth, quality earnings and low risk. We will also increase our sector allocation to cyclical sectors which stand to benefit from a sustained recovery of the U.S. economy (e.g. consumer discretionary, financials and industrials), as well as policy easing in China and Asia ex-Japan (e.g. materials and industrials).

Market Review*

% Change^	Month	YTD
S&P 500 Index	2.06%	1.21%
MSCI Europe Index	-0.42%	-12.77%
MSCI Japan Index	1.92%	-15.20%
MSCI Asia ex Japan	1.72%	-18.18%

Source: Bloomberg, 31 Dec 2011 (^In SGD, price return basis)

Global equities edged up as better U.S. data offset Eurozone concerns

Global equities edged up slightly in December, with the MSCI World Index gaining 1.0% (SGD terms), as investors weighed better U.S. economic data against ongoing concerns over the debt crisis in Europe. Sentiment also appeared to be stabilizing, following further efforts by Eurozone countries to tackle the fiscal situation, and the European Central Bank (ECB) acting to provide liquidity to European banks. Boosted by better-than-expected employment and consumer confidence data, U.S. stocks outperformed European peers in December, with the S&P 500 up 2.0% versus the MSCI Europe Index's slight decline of 0.4% (both in SGD terms). Meanwhile, the Asia Pacific ex-Japan Index rebounded 1.2% in SGD terms, on the back of generally benign economic data and moderating inflation. In China, the official Purchasing Managers Index (PMI) expanded more than expected to 50.3 in December from 49.0 in the preceding month, thus allaying fears that the Chinese economy will suffer a hard landing.

FUND PERFORMANCE UPDATE

December 2011

Nikko AM Shenton Asia Pacific Fund

Highlights

- The Fund declined marginally against its benchmark by 0.35% in December.
- We remain cautious over developments in Europe, but do not expect markets to relapse into panic mode. We are optimistic Asia Pacific ex-Japan equities can rebound further in the coming month.
- The MSCI Asia Pacific ex-Japan Index edged up 1.2% in December, as markets traded within a cautious range amid Eurozone concerns, better U.S. data and hopes of policy easing in China.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualised)
Nikko AM Shenton Asia Pacific Fund (Net of fees)	SGD	+0.88%	-22.63%	+4.11%
Nikko AM Shenton Asia Pacific Fund (Net of fees and charges ¹)	SGD	-4.16%	-26.50%	+3.84%
Benchmark (MSCI AC Daily TR Net Asia Pacific ex-Japan Index)	SGD	+1.23%	-15.44%	+3.07%

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.

¹Takes into account sales and realization charges, where applicable.

Since inception: 31 Aug 1992

Fund marginally underperformed benchmark in December

The Fund declined marginally against its benchmark by 0.35% in December. The rebound in Hong Kong-listed China stocks and the underweight in India contributed positively to performance, while resource-related stocks were a drag due to anticipation of slower demand from China and Europe. In particular, gold miner Newcrest declined sharply on the back of the correction in gold prices. In Korea and Taiwan, index heavyweights Samsung Electronics and TSMC outperformed their respective markets in the cautious environment; however, we did not hold these as their valuations were not as attractive compared to other stock options when we consider a longer term investment horizon.

Market Outlook & Strategy*

Remain cautious, but believe Asian equities can rebound further in coming month

In the coming month, we expect financial markets to remain cautious, particularly over developments in Europe, but unlikely to relapse into panic mode. In this context, there is a good chance Asia Pacific ex-Japan equity markets can rebound further, though a dramatic rally is unlikely given that policymakers and central bankers in the U.S., EU and Asia are reluctant or politically stymied in their ability to act aggressively. Nonetheless, we believe that stock markets in Asia Pacific ex-Japan remain well supported given our view that the slower growth outlook has already been largely priced in, and easing inflation will provide more leeway for policymakers to loosen monetary policy further, particularly in China.

Investment activities during the month

The portfolio's cash levels were raised by about 3%, to almost 7%, during the month, mainly via the sale of stocks deemed lacking in near-term positive catalysts, which include resource stocks such as Oil Search in Australia and Posco in Korea. We also took profit on stocks such as railway locomotive maker CSR in China, and Chinatrust Financial in Taiwan. Some of the proceeds were deployed into Hong Kong-listed Citic Securities, which is well positioned for the long-term growth of China's capital market, and Hyundai Heavy Industries, which has a backlog of orders for LNG tankers and offshore production equipment. We also added some defensive exposures, including higher dividend-paying stocks such as Kangwon Land in Korea and Petrochina in Hong Kong.

Market Review*

MSCI AC Price Returns (% Change in SGD Terms)		
	Dec-11	YTD 2011
Malaysia	5.02%	-1.74%
Philippines	4.80%	-1.99%
New Zealand	4.53%	2.30%
Indonesia	4.49%	5.30%
Taiwan	4.21%	-22.36%
China	3.70%	-19.37%
Thailand	3.61%	-4.41%
Hong Kong	2.96%	-17.40%
AC Far East ex-Japan	2.39%	-15.77%
AC Asia ex-Japan	1.72%	-18.18%
AC Asia Pacific ex Japan	1.15%	-16.98%
Australia	-0.49%	-13.81%
Korea	-0.54%	-11.78%
Singapore	-1.82%	-20.00%
India	-4.88%	-37.22%

Source: Bloomberg, 30 December 2011

Asian stocks edged up as better U.S. data offset Eurozone concerns

Asia Pacific ex-Japan equity markets traded within a cautious range throughout the month of December, as investors weighed China's policy fine-tuning and better U.S. economic data against continued concerns in the Eurozone. The Asia Pacific ex-Japan Index edged up 1.2% in SGD terms for the month. Within Asia, economic data was generally benign and continued to point to a soft landing - inflation was relatively tame (except for India) and growth moderated further but did not stall. The stock markets in Malaysia and the Philippines outperformed Asian peers, gaining 5.0% and 4.8%, respectively, in SGD terms.

Focus shift to economic growth boosted Chinese stocks

The Hang Seng China Enterprises Index (HSCEI) climbed 5.9% in SGD terms in December. Despite ongoing Eurozone debt concerns, better U.S. data and the Chinese government's signal that it is shifting its concern from inflation to growth helped lift sentiment. On the economic front, the official Purchasing Managers Index (PMI) expanded to 50.3 in December from 49.0 in the preceding month, and exceeded consensus forecast of 49.1, thus allaying fears that China will suffer a hard landing. CPI continued to moderate to 4.2% YOY in November from 5.5% in October.

* Data Source: Bloomberg as of end December 2011.

Nikko AM Shenton Asia Bond Fund

Highlights

- The Fund posted a gain of 1.1% in December.
- We are cautious on ThaiGBs due to supply concerns and IGBs following to the recent run up in prices. We continue to favour MGS on the benign supply outlook, stable inflation and rate cut expectations. We are cautiously optimistic on the outlook for KTBs.
- Market sentiment stabilized somewhat in December following developments in the Eurozone debt crisis. During the month, the upcoming new supply calendar was announced for both ThaiGBs and MGS, and Indonesia's sovereign credit rating was upgraded to investment grade by Fitch.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualised)
Nikko AM Shenton Asia Bond Fund (Net of fees)	SGD	+1.10%	+1.86%	+1.44%
Nikko AM Shenton Asia Bond Fund (Net of fees and charges ¹)	SGD	-3.96%	-3.23%	+0.63%
Benchmark (HSBC Asian Local Bond Index (ALBI)) ²	SGD	+1.97%	N/A	N/A

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.

¹Takes into account sales and realization charges, where applicable.

²Benchmark started on 1 Oct 2011

Since inception: 1 Aug 2005

Fund gained 1.1% in December

The Fund posted a gain of 1.1% in December, with government bonds from Indonesia and Thailand contributing to the bulk of the performance. Indonesian government bonds (IndoGBs) outperformed Asian peers on the back of a credit rating upgrade by Fitch, and Thai government bonds (ThaiGBs) also performed well on expectation of a rate cut in January and speculation of a delay in new supply. Asian currencies were mixed in the month as risk sentiment remained fragile on Eurozone concerns.

Market Outlook & Strategy*

Cautious on ThaiGBs and IndoGBs; stay at short end of curve

We have turned cautious on ThaiGBs as we expect the heavy new supply pipeline in 2012 to exert upward pressure on yields, especially at the longer end of the curve. As we also have little incentive to extend duration given that the curve is currently flat, and given expectations of a rate cut in January, we will stay invested in the short end of the curve (less than 3 years). We are also defensive on Indonesia and will maintain the bulk of our IndoGB exposure at the short end of the curve, given the recent sharp run up in prices. However, we remain constructive on IndoGBs in the longer term, given that Indonesia has the highest real interest rate in Asia and on expectation of further credit upgrades from S&P and Moody's following that by Fitch. These upgrades will enable IndoGBs to be included into benchmark bond indices, which bodes well for foreign inflows into the bond market and the rupiah.

Overweight Malaysia on benign supply outlook

We are currently overweight Malaysian Government Securities (MGS) and will look for opportunities to extend duration. We favour the MGS market given the benign new supply outlook, stable inflation and rate cut expectations, though we will maintain some degree of caution due to the high level of foreign ownership, volatility of the ringgit and upcoming general election in 2012.

Cautiously optimistic on KTBs while remaining watchful of political developments

While uncertainty remains due to the lack of transparency in North Korea's regime, we believe the power succession to the deceased leader's youngest son, Kim Jong Un, will be a smooth one, and the probability of a military coup or revolt is low. Hence, we remain cautiously optimistic that there will be limited impact on South Korea's long-term fundamentals, and continue to favour Korean Treasury Bonds (KTBs), especially given the benign supply outlook for 2012. Net supply is expected to remain mostly unchanged from 2011 given continued fiscal consolidation.

Market Review****Sentiment improved following ECB's long term refinancing operation***

Market sentiment appeared to have stabilized somewhat in December, as Eurozone policymakers took further proactive steps towards addressing the ongoing debt crisis. In addition to its current weekly USD liquidity-providing operations, the European Central Bank (ECB), in an unprecedented move, offered EUR489.2b in cheap three-year loans to Euro-area banks via a long term refinancing operation (LTRO).

Thailand and Malaysian announced upcoming new supply

Towards month end, the Bank of Thailand announced its issuance calendar for 1Q12, which triggered a partial correction in ThaiGBs, as the total issuance size and an average maturity significantly exceeded those of previous issuances. As the ThaiGB market had rallied for most of the month on expectations of a January rate cut and speculation that the heavy new supply pipeline will be delayed till 2Q12, it still closed moderately higher for the month. Bank Negara also released the MGS auction calendar for 2012. The gross issuance is roughly the same as 2011's, and average maturity will be slightly shorter; both were in line with market expectations.

Indonesia upgraded to investment grade by Fitch

In December, Fitch upgraded Indonesia to investment grade, raising the country's sovereign rating by one notch to BBB-, with a stable outlook. According to Fitch, the upgrade reflected Indonesia's strong and resilient economic growth, low and declining public debt ratios, strengthened external liquidity and a prudent overall macro policy framework. Indonesia bonds gained on the back of the positive news with yields falling 10-20bp.

KRW and KTBs dipped on news of leader's death, but losses retraced before month end

The death of North Korea's leader, Kim Jong Il, on 19 December triggered a knee-jerk sell off in Korea's financial markets on fears renewed political tensions in the region. The KRW weakened 1.4% against the USD and the yield on 10-year KTBs spiked 10bp on the day of announcement, but both retraced losses in subsequent days.

*Data Source: Bloomberg as of end December 2011.

Nikko AM Shenton Asia Knowledge Fund

Highlights

- The Fund gained 2.46% in December.
- We remain cautious over developments in Europe, but do not expect markets to relapse into panic mode. We are optimistic Asia Pacific ex-Japan equities can rebound further in the coming month.
- The MSCI Asia Pacific ex-Japan Index edged up 1.2% in December, as markets traded within a cautious range amid Eurozone concerns, better U.S. data and hopes of policy easing in China.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualised)
Nikko AM Shenton Asia Knowledge Fund (Net of fees)	SGD	+2.46%	-21.79%	+1.95%
Nikko AM Shenton Asia Knowledge Fund (Net of fees and charges ¹)	SGD	-2.66%	-25.70%	+1.57%
Benchmark (MSCI AC FE ex-Japan Index)	SGD	+2.39%	-15.77%	+1.10%

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.

¹Takes into account sales and realization charges, where applicable.

Since inception: 28 Apr 2000

Fund gained 2.46% during the month

The Fund gained 2.46% in December, marginally outperforming its benchmark by 7bp, as Hong Kong-listed China stocks rebounded on expectation of more broad-based policy easing in China. Our overweight in the technology, banking and industrials sectors was the main driver of the Fund's outperformance during the month. Strong stock selection in the ASEAN region, especially Thailand, also added value. Top-performing stocks in December were Bank of China, Tencent and ICBC.

The Fund declined marginally against its benchmark by 0.23% in December. The rebound in Hong Kong-listed China stocks and the underweight in India contributed positively to performance, while resource-related stocks were a drag due to anticipation of slower demand from China and Europe. In particular, gold miner Newcrest declined sharply on the back of the correction in gold prices. In Korea and Taiwan, index heavyweights Samsung Electronics and TSMC outperformed their respective markets in the cautious environment; however, we did not hold these as their valuations were not as attractive compared to other stock options when we consider a longer term investment horizon.

Market Outlook & Strategy*

Remain cautious, but believe Asian equities can rebound further in coming month

In the coming month, we expect financial markets to remain cautious, particularly over developments in Europe, but unlikely to relapse into panic mode. In this context, there is a good chance Asia Pacific ex-Japan equity markets can rebound further, though a dramatic rally is unlikely given that policymakers and central bankers in the U.S., EU and Asia are reluctant or politically stymied in their ability to act aggressively. Nonetheless, we believe that stock markets in Asia Pacific ex-Japan remain well supported given our view that the slower growth outlook has already been largely priced in, and easing inflation will provide more leeway for policymakers to loosen monetary policy further, particularly in China.

Investment activities during the month

The portfolio's cash levels were raised by about 3%, to almost 7%, during the month, mainly via the sale of stocks deemed lacking in near-term positive catalysts, particularly Posco in Korea. We also took profit on stocks such as railway locomotive maker CSR in China, and Chinatrust Financial in Taiwan. Some of the proceeds were deployed into Hong Kong-listed Citic Securities, which is well positioned for the long-term growth of China's capital market, and Hyundai Heavy Industries, which has a backlog of orders for LNG tankers and offshore production equipment. We also added some defensive exposures, including higher dividend-paying stocks such as Kangwon Land in Korea and Petrochina in Hong Kong.

Market Review

MSCI AC Price Returns (% Change in SGD Terms)		
	Dec-11	YTD 2011
Malaysia	5.02%	-1.74%
Philippines	4.80%	-1.99%
New Zealand	4.53%	2.30%
Indonesia	4.49%	5.30%
Taiwan	4.21%	-22.36%
China	3.70%	-19.37%
Thailand	3.61%	-4.41%
Hong Kong	2.96%	-17.40%
AC Far East ex-Japan	2.39%	-15.77%
AC Asia ex-Japan	1.72%	-18.18%
AC Asia Pacific ex Japan	1.15%	-16.98%
Australia	-0.49%	-13.81%
Korea	-0.54%	-11.78%
Singapore	-1.82%	-20.00%
India	-4.88%	-37.22%

Source: Bloomberg, 30 December 2011

Asian stocks edged up as better U.S. data offset Eurozone concerns

Asia Pacific ex-Japan equity markets traded within a cautious range throughout the month of December, as investors weighed China's policy fine-tuning and better U.S. economic data against continued concerns in the Eurozone. The Asia Pacific ex-Japan Index edged up 1.2% in SGD terms for the month. Within Asia, economic data was generally benign and continued to point to a soft landing - inflation was relatively tame (except for India) and growth moderated further but did not stall. The stock markets in Malaysia and the Philippines outperformed Asian peers, gaining 5.0% and 4.8%, respectively, in SGD terms.

Focus shift to economic growth boosted Chinese stocks

The Hang Seng China Enterprises Index (HSCEI) climbed 5.9% in SGD terms in December. Despite ongoing Eurozone debt concerns, better U.S. data and the Chinese government's signal that it is shifting its concern from inflation to growth helped lift sentiment. On the economic front, the official Purchasing Managers Index (PMI) expanded to 50.3 in December from 49.0 in the preceding month, and exceeded consensus forecast of 49.1, thus allaying fears that China will suffer a hard landing. Consumer Price Index (CPI) inflation continued to moderate to 4.2% YOY in November from 5.5% in October.

* Data Source: Bloomberg as of end December 2011.

FUND PERFORMANCE UPDATE

December 2011

Nikko AM Shenton Global Property Securities Fund

Highlights

- The Fund delivered a return of 2.70% in December, marginally underperforming the benchmark by 3bp. Our cash holdings were the main drag on performance; however, stock selection in Europe, where we had a defensive posture and were focused on London-centric names, contributed positively.
- In the U.S., we continue to be cautiously optimistic about the economy. In Europe, we continue to favour Northern Europe and Scandinavia. In the UK, we remain focused on specialist names and major London landlords. We expect the Japanese economic recovery to continue over the next quarter. We remain modestly overweight the Asia Pacific ex-Japan region.
- Global property stocks were broadly unchanged in December, with the EPRA/NAREIT Global Index gaining 0.2% in USD terms. Stocks in the Americas again fared best, while those in the Asia Pacific region and Europe lagged.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualized)
Nikko AM Shenton Global Property Securities Fund (Net of fees)	SGD	+2.70%	-2.22%	-1.76%
Nikko AM Shenton Global Property Securities Fund (Net of fees and charges ¹)	SGD	-2.43%	-7.11%	-2.51%
Benchmark (UBS Global Real Estate Investors Total Return Index)	SGD	+2.73%	+1.19%	+8.80%

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.

¹ Takes into account sales and realization charges, where applicable.

Since inception: 11 Apr 2005

Portfolio performed mostly in line with benchmark

During the month, the Fund delivered a return of 2.70%, marginally underperforming the benchmark by 3bp. Our cash holdings were the main drag on performance; however, stock selection in Europe, where we had a defensive posture and were focused on London-centric names, contributed positively. Stock selection in Singapore also helped performance somewhat.

Market Outlook and Strategy

Cautiously optimistic in North America

In the U.S., we continue to be cautiously optimistic about the economy. Our concerns continue to be dominated by political actions which might result in unintended negative consequences. Also, the upcoming Presidential elections this year could provide some clarity on various economic issues. We continue to expect the Federal Reserve to maintain an accommodative monetary policy in the near future. In Canada, we continue to see positive fundamentals in western Canada primarily driven by the continued expansion in the oil industry.

The sovereign crisis will continue in Europe, we believe

The immediate crisis in Europe has eased somewhat with the European Central Bank opening a new three-year lending facility, the Long Term Refinancing Operation, to help banks with their liquidity needs. However, we believe that even though the step taken is helpful, it does not mark the end of the sovereign crisis. Hence we continue to favour Northern Europe and Scandinavia, as we think that the sovereign debt crisis is still a cause for concern. We continue to be underweight Southern Europe currently as we also expect that the effect of austerity measures will be felt more broadly in 2012.

UK should do better than Europe

We continue to expect the UK to do better than Europe. We expect that economic data in 2012 will start showing the impact of austerity measures, but this should be counterbalanced by the positive impact from the 2012 Summer Olympics to be held in London. We continue to focus on specialist names and major London landlords.

Continued return to normalcy in Japan

Japanese economic recovery should continue over the next quarter. The Bank of Japan's asset purchase program as well as loose monetary policy remain positive factors. We expect suburban retail sales to recover to pre-quake levels and also expect more secondary offerings by the Japanese REITs (J-REITs). We expect office vacancy to rise as more supply comes on the market. As such, we do not expect a quick recovery in rents. The slowdown in global growth remains a negative given the export-oriented nature of the economy.

Asian growth remains healthier than developed peers

We continue to believe that the economies in the Asia Pacific ex-Japan region will likely grow at a healthier pace, compared with their developed global peers. This should be broadly supportive of commercial real estate values and rents. Any areas of weakness, for example in Hong Kong (HK) and Singapore office rents, should be mild in our opinion. In addition, we believe that valuations for Asian property stocks in general remain attractive. We remain modestly overweight the Asia Pacific ex-Japan region in our portfolio. We remain underweight Australia, and overweight Singapore, Thailand and HK.

Market Review

Property stocks broadly unchanged in December

Global property stocks were broadly unchanged in December, with the EPRA/NAREIT Global Index gaining 0.2% in USD terms. Stocks in the Americas again fared best, while those in the Asia Pacific region and Europe lagged. Global property stocks performed in line with general equities, with the MSCI World Index also down 0.2% during the month.

U.S. property stocks higher on better economic data

U.S. property stocks gained 4.0% during the month in USD terms, according to the FTSE EPRA/NAREIT U.S. Index. Stocks were driven by positive economic data. The University of Michigan Confidence Index for December came in at 69.9, while the ISM Manufacturing Purchasing Managers' Index (PMI) for December was 53.9. Both data-points were slightly ahead of expectations. In December, the unemployment rate dropped to 8.5%, which was also seen as a positive. Companies continue to actively trade their portfolios; Duke Realty completed the sale of a USD1b suburban office portfolio to Blackstone, while Equity One sold a portfolio of 36 shopping centers for USD473m, also to Blackstone.

European property stocks fell again as economic data remained weak

European property stocks fell again in December, with the FTSE EPRA/NAREIT Eurozone Index down 3.5% in USD terms. The Eurozone Manufacturing PMI rose in December to 46.9 from 46.4 in November, but was below 50 for the fifth month, indicating continued contraction. EU new car registrations for November eased 3.5% YOY. German November factory orders dropped 4.8% MOM, which was worse than expected. In property news, Wihlborgs acquired a fully let logistic property in Copenhagen for

SEK26m, equivalent to an 8.0% yield. Casse de Depots and its subsidiary Icade submitted a binding offer to Groupama, with the view of combining Icade and Silic, which is 44% owned by Groupama. The combination will create the first French business park and office REIT with assets of more than EUR9b.

UK property stocks fell in December

UK property stocks fell 6.1% in USD terms during the month, as measured by the FTSE EPRA/NAREIT UK Index. UK Manufacturing PMI for December came in better than expected at 49.6, while the Services PMI was also better than expected at 54. However, the current account balance of payments for 3Q11 came in worse than expected at a deficit of GBP15.2b. In property news, Segro and Moorfield Real Estate Fund II acquired a UK portfolio of 14 warehouses for GBP315m, equivalent to a 6.3% yield. London and Stamford sold its Triangle portfolio of logistics assets to Blackstone for GBP265m.

Japanese property stocks fell despite a continued return to normalcy

Japanese property stocks fell 5.5% in USD terms in December, according to the FTSE EPRA/NAREIT Japan Index. During the month, the Bank of Japan continued to maintain an accommodative monetary stance. Nationwide department stores sales fell 1.9% YOY in November but vehicle production grew 4.5% YOY. Industrial production (IP) for November was down only 4.0% YOY, indicating a return to relative normalcy. In company news, two hotel-focused REITs, Japan Hotel and Resort and Nippon Hotel Fund, decided to merge to form a larger and more liquid entity.

A-REITs underperformed general equities

Australian REITs (A-REITs) fell 4.2% in AUD terms during the month, according to the S&P/ASX 200 A-REIT Index. The REITs underperformed Australian equities, which fell 1.5%, as measured by the S&P/ASX 200 Index. During the month, the Reserve Bank of Australia cut the cash rate for the second month in a row by 25bp to 4.25%, citing risks to the global economy from sovereign debt stress. In corporate news, Centro Retail Australia, the entity formed from the restructuring of Centro Properties Group, commenced trading. BWP Trust, Abacus Property Group and FKP Property all announced new debt or debt refinancing at longer tenures and lower all-in debt costs.

HK property stocks gained even though home sales slowed

HK property stocks gained 4.9% in HKD terms during the month, according to the Hang Seng Property Index. In December, HK home prices softened 1.7% according to the Centa-City Leading Index. According to JP Morgan, new home sales slowed to 594 units, from 1,293 units in November. Developers have been offering discounts and staged payment options to encourage sales. A hotel site in Hung Hom was sold to Shangri-La Asia for HKD2.33b, 13% below the lowest estimated sale price. A residential plot in Lantau was sold to Sino Land for HKD55m, 35% below the lowest estimate. Fortune REIT proposed to buy Belvedere Garden and Provident Centre from Cheung Kong at HKD1.25b and HKD650m, respectively. Link REIT agreed to buy Maritime Bay Mall from Sino Land for HKD588m.

Chinese property stocks gained as home sales recovered

Chinese property stocks mostly gained in December. New home sales in eight major cities during the month rose 40% MOM, but fell 46% YOY, according to data compiled by JP Morgan. Sales was encouraged by price reductions, as well as greater availability of mortgages and at lower rates, which followed the 50bp cut in banks' Reserve Requirement Ratio (RRR), effective from 5 December. According to news reports, China's Ministry of Housing and Urban-Rural Development (MOHURD) will roll out a home ownership database covering 40 key cities by June 2012. After the roll-out, the government can substitute administrative restrictions with longer-term measures like property tax, said MOHURD chief Jiang Weixin.

Singapore property stocks fell on further policy tightening

Singapore property stocks fell in December, with the FTSE ST Real Estate Index down 4.4% in SGD terms. During the month, the government announced that an Additional Buyer's Stamp Duty (ABSD) will be imposed on certain categories of residential property purchases. Foreigners will pay an ABSD of 10%; permanent residents 3% for second and subsequent homes; and Singaporeans 3% for third and subsequent homes. The Urban Redevelopment Authority also announced that the Government Land Sales program for 1H12 will feature 14 Confirmed List sites potentially yielding 7,020 units, 15% less than what was offered under the 2H11 program. Developers sold 1,854 new homes in November, up 12.9% MOM.

Content Source: Nikko Asset Management Asia Limited and Urdang Securities Management, Inc., December 2011.

Note:

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 2012, after which a 2.5% minimum rate will apply. From 1 January 2008, an extra 1% interest will be 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").

Nikko AM Shenton Short Term Bond Fund

Highlights

- The Fund posted a gain of 0.09% in December 2011, marginally outperforming the benchmark which returned 0.03%. Year-to-date, the Fund gained 1.54% on a total return basis, outperforming the benchmark, which returned 0.39%.
- The Fund retains its bias for Asia-Pacific investment-grade credits – which currently accounts for about 90% of the Fund - given the region’s stronger fundamentals and attractive valuations. We continue to prefer issuers with high credit quality and strong liquidity positions as well as USD-denominated bonds (on a hedged basis).
- Asian credits traded in a narrow range before rebounding modestly for the month, helped by the decline in UST yields. High-yield outperformed high-grade credits, due mainly to the former’s higher carry.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualised)
Nikko AM Shenton Short Term Bond Fund (Net of fees)	SGD	+0.09%	+1.54%	+2.20%
Nikko AM Shenton Short Term Bond Fund (Net of fees and charges ¹)	SGD	-0.91%	+0.52%	+2.11%
Benchmark (3M SIBOR)	SGD	+0.03%	+0.39%	+1.42%

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.

¹Takes into account sales and realization charges, where applicable.

Since inception: 29 Sep 2000

Fund declined marginally in December

The Fund posted a gain of 0.09% in December 2011, marginally underperforming the benchmark which returned 0.02%. However, the fact that the Fund held up relatively well despite a 7bp widening in Asian high-grade corporate spreads highlights its resilient nature. Year-to-date, the Fund gained 1.54% on a total return basis, outperforming the benchmark, which returned 0.39%.

Fund’s characteristics mostly unchanged

As of 30 December 2011, the Fund’s overall duration (see Note 1) and estimated yield (see Note 2) increased slightly to 1.44 year and 3.05% (hedged in SGD terms), respectively. The average credit rating of the Fund remained at A-. The Fund is diversified across 129 bonds, with 89 issuers from 11 countries, with an average weight of 1.25% per issuer. During the month, the level of cash and cash equivalents was maintained at around 9.27%.

Market Outlook & Strategy*

Remain cautious of near-term headwinds

Although the situation in the Eurozone has stabilized somewhat over the month, we remain wary of negative developments, e.g. a sharp deterioration of Europe's economic conditions, more sovereign downgrades, political discord, etc., which could again trigger another bout of risk aversion. In China, we continue to expect further moderation in growth in the near term unless the government eases policy aggressively – in which case it will still take a few months before improvements filter through, in our view. Hence we expect volatility to continue into the new year, and will remain cautious and watchful over developments in the EU and China.

Asia Pacific remains primary focus

The Fund's allocation to credits from Asia-Pacific issuers currently stands at 90%. We look to roughly maintain this weightage given the region's stronger fundamentals and attractive valuations. We remain cautious amid lingering market uncertainty, and maintain a bias for issuers with high credit quality and strong liquidity positions. We are also positive on USD-denominated bonds, on a hedged basis.

Market Review*

Asian credits gained in range-bound December

Risk sentiment was slightly improved in December, as the EU summit resulted in an inter-governmental agreement that will strengthen fiscal discipline in the EU, and the ECB provided much-needed liquidity to Euro-area banks via a 3-year long term refinancing operation (LTRO). Amid thin year-end liquidity conditions, Asian credit spreads traded in a narrow range for most of the month. Asian high-grade credits closed up 0.57% on a total return basis, with spreads widening 7bp, and high-yield credits gained 1.36%, with spreads narrowing 110bp. Total returns were driven by carry and declines in U.S. Treasury (UST) yields. Asian high-grade and high-yield credits underperformed their respective peers from both the U.S. and Europe in December. Primary activity in the Asian credit markets slowed from November, with only three high-grade issues amounting to USD1.6b being issued.

Asian high-yield outperformed high-grade

Asian high-yield credits outperformed high-grade counterparts in December, due mainly to former's higher carry. Despite continued signs of slowing economic activities, as well as cooling prices and slower sales in the property sector, most benchmark Chinese high-yield property names and industrial bonds gained for the month. The Chinese government's signal that it is shifting its concern from inflation to growth, as well as continued easing in inflation, raised expectations of policy easing and helped lift sentiment during the month. Separately, Indonesian high-yield corporate bonds closed the month firmer by around 1-2% following Fitch's upgrade of Indonesia's sovereign credit rating to investment grade.

2011 was a year of two halves for Asian credits

2011 was a year of two halves for the Asian credit markets: 1H saw robust risk appetites which led to tighter credit spreads, while in 2H, sentiment headed south and spreads gapped much wider amid the deteriorating EU debt crisis and global recession fears. During the year, volatility reached extreme levels not seen since the global financial crisis. For full-year 2011, high-grade credits gained 4.92% on a total return basis from carry and steep declines in UST yields, despite spreads widening 93bp. High-yield did not fare as well, with total returns declining 5.85% and spreads widening 324bp, due mainly to weakness and corporate governance issues in Chinese high-yield bonds from the property and industrial sectors.

*Data Source: Bloomberg as of end December 2011.

Note 1: Duration is defined as the weighted average of duration to maturity or call date, whichever is lower, of the Fund.

Note 2: Yield is defined as the weighted average of yield to maturity or call date, whichever is lower, of the Fund.

Note 3: Non-Credit AAA is defined as issuers that are AAA sovereigns, AAA Supranationals and Singapore statutory boards. Such issuers typically do not carry any meaningful credit spread component as their expected default risks are very low.

Note:

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 2012, after which a 2.5% minimum rate will apply. From 1 January 2008, an extra 1% interest will be 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").

FUND PERFORMANCE UPDATE

December 2011

MYHOME FUND – HomeBalanced

Highlights

- The Fund returned -1.22% for the month.
- We will continue to emphasize the theme of resilient cash flows as uncertainty over the Eurozone debt situation persists. However, we are cautiously optimistic that the Eurozone debt crisis will continue to stabilize further following recent developments. We remain positive on the agricultural commodity sector given the tight supply outlook and growing demand in Asia.
- In our view, the ECB's recent LTRO move signals a more proactive stance towards addressing the ongoing debt crisis, and we expect the positive sentiment to carry into 2012. However, we will remain watchful for any signs of negative developments in the situation which could trigger a renewed bout of risk aversion. The key strategy for this Fund remains tracking error discipline.
- Risk sentiment saw a moderate improvement in December following the ECB's long term refinancing operation to provide much-needed liquidity to banks.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualised)
MyHome Fund – HomeBalanced (Net of fees)	SGD	-1.22%	-6.13%	+2.46%
MyHome Fund – HomeBalanced (Net of fees and charges ¹)	SGD	-5.17%	-9.89%	+0.61%

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.

¹Takes into account sales and realization charges, where applicable.

Since inception: 2 Oct 2009

The Fund returned -1.22% for the month. In the month of December 2011, holdings in the Nikko AM Singapore STI ETF contributed 0.91% negatively while ABF Singapore Bond Index Fund contributed 0.21% negatively.

Strategy

MyHome Fund – HomeBalanced seeks to provide moderate capital appreciation through largely Singapore-dollar denominated assets. The investment focus is to passively invest the assets of the Fund in Singapore-dollar denominated fixed income securities and Singapore-listed equities (or in one or more different mutual fund(s) and unit trust(s) reflecting an underlying investment in such fixed income securities and equities) in the proportion of 50:50.

Market Commentary

% Change^	Month	YTD
Singapore Straits Times Index	-2.08%	-17.04%
iBoxx ABF Singapore Bond Index	-0.03%	+6.53%

Source: ©2011 Morningstar & Bloomberg, 31 December 2011 (^in local currency, price return basis)

Equity

Property cooling measures hurt Singapore stocks

Singapore stocks were worse hit than most of its regional peers in December, with the FSTE Straits Times Index (FSSTI) sliding 2.1%, as the government unexpectedly introduced another round of property cooling measures. News on the economic front was mixed. November NODX rose a higher-than-expected 1.6% YOY (versus October's -16.3%), led by the electronics sector, and October retail sales jumped 8.5% YOY (versus September's 0.2%). However, headline Purchasing Manager's Index (PMI) fell more than expected to 48.7 in November from October's 49.5, and Industrial Production (IP) dropped sharply by 9.6% YOY from a gain of 22.2% in October. Meanwhile, CPI inflation continued to climb to 5.7% YOY in November, higher than expectations of 5.3% and October's print of 5.4%.

Asian stocks edged up as better U.S. data offset Eurozone concerns

Asia Pacific ex-Japan equity markets traded within a cautious range throughout the month of December, as investors weighed China's policy fine-tuning and better U.S. economic data against continued concerns in the Eurozone. Within Asia, economic data was generally benign and continued to point to a soft landing - inflation was relatively tame and growth moderated further but did not stall. Following its annual Central Economic Work Conference, China signalled that economic growth has replaced inflation as Beijing's foremost concern for 2012. The Asia Pacific ex-Japan Index ended the month relatively unchanged, edging up 1.2% in SGD terms. The stock markets in Malaysia and the Philippines outperformed Asian peers, gaining 5.0% and 4.8%, respectively, in SGD terms.

Fixed Income

Sentiment improved following ECB's long term refinancing operation

Market sentiment appeared to have stabilized somewhat in December, as Eurozone policymakers took further proactive steps towards addressing the ongoing debt crisis. In addition to its current weekly USD liquidity-providing operations, the European Central Bank (ECB), in an unprecedented move, offered EUR489.2b in cheap three-year loans to Euro-area banks via a long term refinancing operation (LTRO). The improvement in risk sentiment helped to reverse some of the recent bull flattening seen in U.S. Treasuries (USTs). In particular, although the 2-year/10-year UST yield spread ended the month 18bp tighter, it had widened about 6bp from the month's low of 158bp seen on 19 December.

Singapore's inflation remained stubbornly high

In contrast with its Asian neighbours where inflation has been easing due to weaker growth, Singapore's CPI rose 5.7% YOY in November, higher than expectations of 5.3% and October's print of 5.4%. Core inflation, which excludes accommodation and private transport, also rose 2.4% YOY (0.2% MOM) from October's 2.3% YOY. The main drivers of inflation were again housing and transport costs.

FUND PERFORMANCE UPDATE

December 2011

MYHOME FUND – HomeGrowth

Highlights

- The Fund returned -1.62% for the month.
- We will continue to emphasize the theme of resilient cash flows as uncertainty over the Eurozone debt situation persists. However, we are cautiously optimistic that the Eurozone debt crisis will continue to stabilize further following recent developments. We remain positive on the agricultural commodity sector given the tight supply outlook and growing demand in Asia.
- In our view, the ECB's recent LTRO move signals a more proactive stance towards addressing the ongoing debt crisis, and we expect the positive sentiment to carry into 2012. However, we will remain watchful for any signs of negative developments in the situation which could trigger a renewed bout of risk aversion. The key strategy for this Fund remains tracking error discipline.
- Risk sentiment saw a moderate improvement in December following the ECB's long term refinancing operation to provide much-needed liquidity to banks.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualised)
MyHome Fund – HomeGrowth (Net of fees)	SGD	-1.62%	-11.99%	+1.54%
MyHome Fund – HomeGrowth (Net of fees and charges ¹)	SGD	-5.55%	-15.51%	-0.29%

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.
¹Takes into account sales and realization charges, where applicable.

Since inception: 2 Oct 2009

The Fund returned -1.62% for the month. In the month of December 2011 holdings in the Nikko AM Singapore STI ETF contributed 1.42% negatively while ABF Singapore Bond Index Fund contributed 0.09% negatively.

Strategy

MyHome Fund – HomeGrowth seeks capital growth through largely Singapore-dollar denominated assets. The investment focus is to passively invest the assets of the Fund in Singapore-dollar denominated fixed income securities and Singapore-listed equities (or in one or more different mutual fund(s) and unit trust(s) reflecting an underlying investment in such fixed income securities and equities) in the proportion of 20:80.

Market Commentary

% Change [^]	Month	YTD
Singapore Straits Times Index	-2.08%	-17.04%
iBoxx ABF Singapore Bond Index	-0.03%	+6.53%

Source: ©2011 Morningstar & Bloomberg, 31 December 2011 ([^]in local currency, price return basis)

Equity

Property cooling measures hurt Singapore stocks

Singapore stocks were worse hit than most of its regional peers in December, with the FSTE Straits Times Index (FSSTI) sliding 2.1%, as the government unexpectedly introduced another round of property cooling measures. News on the economic front was mixed. November NODX rose a higher-than-expected 1.6% YOY (versus October's -16.3%), led by the electronics sector, and October retail sales jumped 8.5% YOY (versus September's 0.2%). However, headline Purchasing Manager's Index (PMI) fell more than expected to 48.7 in November from October's 49.5, and Industrial Production (IP) dropped sharply by 9.6% YOY from a gain of 22.2% in October. Meanwhile, CPI inflation continued to climb to 5.7% YOY in November, higher than expectations of 5.3% and October's print of 5.4%.

Asian stocks edged up as better U.S. data offset Eurozone concerns

Asia Pacific ex-Japan equity markets traded within a cautious range throughout the month of December, as investors weighed China's policy fine-tuning and better U.S. economic data against continued concerns in the Eurozone. Within Asia, economic data was generally benign and continued to point to a soft landing - inflation was relatively tame and growth moderated further but did not stall. Following its annual Central Economic Work Conference, China signalled that economic growth has replaced inflation as Beijing's foremost concern for 2012. The Asia Pacific ex-Japan Index ended the month relatively unchanged, edging up 1.2% in SGD terms. The stock markets in Malaysia and the Philippines outperformed Asian peers, gaining 5.0% and 4.8%, respectively, in SGD terms.

Fixed Income

Sentiment improved following ECB's long term refinancing operation

Market sentiment appeared to have stabilized somewhat in December, as Eurozone policymakers took further proactive steps towards addressing the ongoing debt crisis. In addition to its current weekly USD liquidity-providing operations, the European Central Bank (ECB), in an unprecedented move, offered EUR489.2b in cheap three-year loans to Euro-area banks via a long term refinancing operation (LTRO). The improvement in risk sentiment helped to reverse some of the recent bull flattening seen in U.S. Treasuries (USTs). In particular, although the 2-year/10-year UST yield spread ended the month 18bp tighter, it had widened about 6bp from the month's low of 158bp seen on 19 December.

Singapore's inflation remained stubbornly high

In contrast with its Asian neighbours where inflation has been easing due to weaker growth, Singapore's CPI rose 5.7% YOY in November, higher than expectations of 5.3% and October's print of 5.4%. Core inflation, which excludes accommodation and private transport, also rose 2.4% YOY (0.2% MOM) from October's 2.3% YOY. The main drivers of inflation were again housing and transport costs.

FUND PERFORMANCE UPDATE

December 2011

MYHOME FUND – HomeSteady

Highlights

- The Fund returned -1.11% for the month.
- We will continue to emphasize the theme of resilient cash flows as uncertainty over the Eurozone debt situation persists. However, we are cautiously optimistic that the Eurozone debt crisis will continue to stabilize further following recent developments. We remain positive on the agricultural commodity sector given the tight supply outlook and growing demand in Asia.
- In our view, the ECB's recent LTRO move signals a more proactive stance towards addressing the ongoing debt crisis, and we expect the positive sentiment to carry into 2012. However, we will remain watchful for any signs of negative developments in the situation which could trigger a renewed bout of risk aversion. The key strategy for this Fund remains tracking error discipline.
- Risk sentiment saw a moderate improvement in December following the ECB's long term refinancing operation to provide much-needed liquidity to banks.

Performance Review

	Currency	Performance		
		December 2011 (% change)	Year-to-Date (% change)	Since Inception (annualised)
MyHome Fund – HomeSteady (Net of fees)	SGD	-1.11%	+1.13%	+3.91%
MyHome Fund – HomeSteady (Net of fees and charges ¹)	SGD	-5.06%	-2.91%	+1.33%

Source: ©2011 Morningstar & Nikko Asset Management Asia Limited as of 31 December 2011. All returns are calculated on a NAV-NAV basis and on the assumption that all dividends and distributions are re-invested if any.

¹Takes into account sales and realization charges, where applicable.

Since inception: 2 Oct 2009

The Fund returned -0.91% for the month. In the month of December 2011, holdings in the Nikko AM Singapore STI ETF contributed 0.34% negatively while ABF Singapore Bond Index Fund contributed 0.39% negatively.

Strategy

MyHome Fund – HomeSteady seeks to provide capital preservation with a mild element of capital appreciation in largely Singapore-dollar denominated assets. The investment focus is to passively invest the assets of the Fund in Singapore-denominated fixed income securities and Singapore-listed equities in the proportion of approximately 80:20.

Market Commentary

% Change^	Month	YTD
Singapore Straits Times Index	-2.08%	-17.04%
iBoxx ABF Singapore Bond Index	-0.03%	+6.53%

Source: ©2011 Morningstar & Bloomberg, 31 December 2011 (^in local currency, price return basis)

Equity

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Fixed Income

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