FUND PERFORMANCE UPDATE

September 2014

Nikko AM Global Dividend Equity Fund

Highlights

- The Fund fell 3.53% (in SGD terms) in the month of September and gained 2.75% (in SGD terms) for the year-to-date period.

- The MSCI All Country World Index lost 3.20% in September in USD terms. Japanese, US, Eurozone and Emerging Market equities had all declined. Geopolitical concerns over the Ukraine and unrest in the Middle East seemed to have quietened, whilst pro-democracy protests in Hong Kong caused some nervousness in Asian markets at the end of September. Meanwhile, deflationary concerns continue to plague Europe.

- Overall, we believe that central banks need to keep interest rates at what will be viewed in history as emergency levels as this is what the 'sub-par' recovery necessitates. At current levels, we believe equity markets are fairly valued and are in line with historic averages with subsequent returns to be strongly influenced by earnings and dividend growth rather than banking on higher valuations. We do not see a material change in our views over the past quarters on the fundamental economic and market outlooks.

Performance Review

	Performance		
	September 2014 (% change)	**Year-to-Date** (% change)	**Since Inception** (annualised)
Nikko AM Global Dividend Equity Fund SGD Hedged Accumulation Class Units (net of fees)	-3.53	2.75	0.76
Nikko AM Global Dividend Equity Fund SGD Hedged Accumulation Class Units (net of fees and charges[1])	-8.35	-2.39	0.42
Benchmark (MSCI All Country World Index[2])	-3.20	4.16	2.83

Source: ©2014 Morningstar & Nikko Asset Management Asia Limited as of 30 September 2014. Returns are calculated on a NAV-NAV basis and assuming all dividends and distributions are re-invested if any. Past performance is not indicative of future performance.

[1]Takes into account maximum sales and realisation charges, where applicable.

[2]The Fund's benchmark is MSCI All Country World Index and is stated in USD terms. The currency exposures of the "SGD Hedged Accumulation Share Class" is hedged from the Fund's base currency – USD to the Share Class currency - SGD, to remove the currency conversion risk from the Fund's base currency to the respective Share Classes' currency.

Note:
Nikko AM Global Dividend Equity Fund was reshaped from Horizon Global Equity Fund with effect from 16 December 2013.

Since inception: 2 August 1999

The Fund posted declined 3.53% in September
The Fund registered -3.53% (in SGD terms) bringing down the year-to-date performance to 2.75%. Growth marginally outperformed value over the month.

Small-cap stocks had however underperformed their large and mid-cap counterparts by a more considerable margin as they were hampered by global growth concerns, a pick-up in volatility and by the prospect of higher rates as these stocks tend to be more credit sensitive. Given the increase in volatility, quality generated positive performance during the month. In keeping with the underperformance of value, high yield underperformed during the month of September.

Within the developed markets' industry group, commodity price weakness and the strengthening dollar led to poor performance from energy and materials while the spectre of higher interest rates in the US led to the underperformance in real estate. Meanwhile, stock selection was disappointing in banks, pharmaceuticals and diversified financials. In banks, the underweight position in more growth-oriented banks such as the Bank of America and Citigroup detracted from performance as did the overweight position in defensive names such as CIBC and HSBC. The defensive positioning of the fund also led to underperformance in diversified financials as the underweight position in Goldman Sachs and Berkshire Hathaway detracted from performance.

Within the emerging markets, energy and materials struggled in the face of commodity price weakness as well as consumer cyclical groups such as auto and retail. Stock selection had also detracted from performance in technology hardware, transportation and materials. In technology hardware Taiwanese stock Inventec recorded a decline of 17.2% following the release of disappointing earnings. The company was adversely impacted by the softened consumer notebook sales and by the severe average selling price erosion in the notebook segment. Of note, Brazilian transport company Ecorodovias registered a decline of 23.4% during the period under review as the company released disappointing earnings results on the back of a deterioration in economic activity as the toll roads unit was hit by lower traffic volumes. Further, Mining company Vale also had a poor quarter recording a decline of 16.4% as it suffered from further declines in the iron ore price which is driven by stronger-than-expected inventory destocking by Chinese steel producers.

Dividend Yield and Dividend Growth

The Fund registered higher dividend yield and dividend growth

The Nikko AM Global Dividend Equity Fund had a dividend yield of 3.8% at the end of September compared with the benchmark's yield of 2.5%. Meanwhile, the dividend growth for the Fund was 12.2%, compared with the benchmark which is 10.3% at the end of September.

Market Review

Equity investors had a difficult month in September

September was a difficult month for equity investors. The MSCI AC World Equity Index decreased by 3.2%. From a regional perspective Japanese equities fell less with a decrease of -0.7%, the US market generated a return of -1.6%, Eurozone equities decreased with a return of -3.3%, and emerging markets fell by -7.4%. (all in USD terms). Geopolitical concerns over the Ukraine and unrest in the Middle East seemed to have quietened, whilst pro-democracy protests in Hong Kong caused some nervousness in Asian markets at the end of September. Meanwhile, deflationary concerns continue to plague Europe. On the currency front, the US Dollar weakened against the Yen by -0.5% and weakened against Sterling by -1.9%. Meanwhile, the Bloomberg Commodities index decreased by -6.2% in September.

Market Outlook & Strategy

We do not see any material change in views on the fundamental economic and market outlooks

While headwinds and challenges remain, we continue to focus on the economic outlook which we deem it as a key factor. We do not see a material change in our views over the past quarters on the fundamental economic and market outlooks. A fundamental part of our thesis remains as written in the previous quarter where we highlighted the slow return to "normalisation", with the nature of this economic recovery remaining similar to none other than being particularly 'sub-par' as we work through the excesses that caused the last downturn.

Central bank actions will be consistent with how they see their own specific economic area, but in a global interconnected world economy their impact is not isolated to their region. Indeed the more positive outlook for the US economy versus the Eurozone has already been reflected in the rapid weakening of the euro so the markets are already doing some of the central bank's work for them. Concerns about the Federal Reserve tightening are overdone and in particular by those with inflationary worries in mind. While there are reasons to worry about the potential deflation in Europe, there is not a corresponding argument to be over concerned about inflation in the US economy. In fact, far from worrying about the removal of liquidity support from global markets, we believe that central banks need to keep interest rates at what will be viewed in history as emergency levels as this is what the 'sub-par' recovery necessitates.

Geopolitical events remain constants in the world of investing with the frequency and scale of events oscillating from quarter to quarter. As an investor, it is best analysed in terms of whether any economic impact is adequately modelled in economists' forecasts and whether the risk is appropriately embedded in asset class valuations. At current levels, we believe equity markets are fairly valued and are in line with historic averages with subsequent returns to be strongly influenced by earnings and dividend growth rather than banking on higher valuations. The greater volatility and polarisation within market performance over recent months provides some very attractive investment opportunities for stocks or sectors that look to be overly punished by investors.

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 2014, 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").