FUND PERFORMANCE UPDATE

September 2013

Nikko AM Shenton Global Property Securities Fund

Highlights

- During the month, the Fund gained 3.07%, underperforming its benchmark by 59 bps. The underweight in Japan was a key detractor over the month.
- Global property stocks gained in September, with the EPRA/NAREIT Global Index up 5.0% in USD terms. Property stocks in Europe gained the most, followed by those in the Asia Pacific region and America.
- On the recent US Federal Government's shutdown, we expect the political impasse to come to an end soon and do not expect the US to default on its debt obligations. On Europe, we continue to be pessimistic on the economic outlook of Southern Europe vis-à-vis Northern Europe and Scandinavia but have reduced our underweight given reduction in sovereign risk. UK's economic conditions continue to be positive. With Tokyo being awarded the 2020 Summer Olympics, we would be expecting additional infrastructural spending over the next few years for the event. We continue to be overweight the Asia-Pacific ex-Japan region, where we are overweight in Singapore, Hong Kong and Malaysia, and underweight in Australia.

Performance Review

	Currency	Performance		
		September 2013 (% change)	Year-to-Date (% change)	Since Inception (annualized)
Nikko AM Shenton Global Property Securities Fund (Net of fees)	SGD	3.07	4.21	0.81
Nikko AM Shenton Global Property Securities Fund (Net of fees and charges[1])	SGD	-2.08	-1.00	0.20
Benchmark (UBS Global Real Estate Investors Total Return Index)	SGD	3.66	6.60	10.30

Source: ©2012 Morningstar & Nikko Asset Management Asia Limited as of 30 September 2013. 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.

Since inception: 11 Apr 2005

Underperformed on underweight in Japan and stock selection in Europe, Hong Kong and cash

During the month, the Fund gained 3.07%, underperforming its benchmark which gained 3.66%, by 59 bps. The Fund's underweight allocation in Japan was a key detractor in September. Japan posted a very strong rally on the back of good news including the Tokyo being awarded the Summer 2020 Olympics. Our conservative stance hurt us as the entire market rallied. Stock selection in Europe, Hong Kong, and cash holdings also contributed negatively. On a stock level perspective, the Fund's holdings in Camden Property Trust and Langham Hospitality Invests detracted over the month. Underperformance was mitigated by allocation and selection in US & Canada. US outperformed on the back of our exposure to self-storage, healthcare and office names, which did well.

Market Review

Global property stocks gained in September

Global property stocks gained in September, with the EPRA/NAREIT Global Index up 5.0% in USD terms. Property stocks in Europe gained the most, followed by those in the Asia Pacific region and America.

US property stocks gained over the month

US property stocks gained 2.7% during the month in USD terms, according to the FTSE EPRA/NAREIT US Index. On economic news, the US Federal Reserve decided not to begin tapering its asset purchase program. ISM Manufacturing for September came in better than expected at 56.2. Consumer Confidence Index was reported at 79.7 in September, the fourth consecutive month above 75. The US Federal Government went into shutdown on account of congress not approving a budget. On notable company news, Empire State Realty Trust launched its USD 1bn IPO. Brookfield Property Partners offered to buy the remaining shares of Brookfield Office Properties for USD 5bn.

European property stocks gained on positive macro news and economic data

European property stocks gained in September, with the FTSE EPRA/NAREIT Eurozone Index up 7.7% in USD terms. Chancellor Merkel's Christian Democratic Union (CDU) increased their overall share in the German elections. The strong showing by her party would indicate continued German support towards the European Union. On economic news, Eurozone Retail Sales for August was down 0.3% year-on-year (YoY), slightly less than expected and was up 0.7% month-on-month (MoM), better than expected. In September, Eurozone Composite Purchasing Managers Index (PMI) was reported better than expected at 52.1. Eurozone August Consumer Price Index (CPI) was reported 1.3% YoY. On company news, Deutsche Wohnen shareholders approved the capital increase for the all share exchange offer for its competitor GSW. Alstria successfully let 3,700 sqm of office space for 8 years at EUR 15.75 psm/ month in Hamburg.

UK property stocks gained over the month

UK property stocks gained 8.0% in USD terms during the month, as measured by the FTSE EPRA/NAREIT UK Index. UK was also the second best market on an absolute basis. On economic news, Halifax house prices for July rose 0.4% MoM and was up 5.4% for the year. August's CPI fell to 2.7% from 2.8% a month before. PMI manufacturing for September was reported slightly lower than expected at 56.7. On company news, Segro sold West Cross Industrial Park for GBP 75m to L&G property at a net initial yield of 5.4% and a 10.2% premium to June 2013 book value. Central London office take-up for the first nine months of the year is over 7.4m sq ft, up 44% YoY.

Japanese property stocks rose over the month

Japanese property stocks rose 11.7% in USD terms in September, according to the FTSE EPRA/NAREIT Japan Index. Japan was the best performing market on an absolute basis and worst performing on a relative basis. On economic news, August's exports were up 16% YoY but it was slightly lower than expectations. National CPI for August was reported at 0.9% YoY. Retail Sales for August were up 0.9% MoM, slightly less than expected. Tokyo office vacancy for August was reported at 8.16%, which is a 13 bps improvement from a month ago. On company news, Mori Trust Sogo REIT launched a secondary offering to raise JPY 20bn. GLP J-REIT successfully raised JPY 23bn and Japan Retail Fund successfully raised JPY 38bn in a secondary offering to buy assets.

Asian property stocks mostly gained in September

Property stocks in the Asia Pacific ex-Japan region mostly gained in September. Hong Kong property stocks rose the most, with the Hang Seng Property Index up 5.1%. Singapore's FTSE ST Real Estate Index rose 3.6%, while Australia's S&P/ASX 200 A-REIT Index gained 1.0%, and Chinese property stocks traded mixed. During the month, Westfield Group sold seven non-core malls for USD 1.6bn and Sun Hung Kai Properties acquired a prime site in Shanghai for CNY 21.8bn. In China, primary home sales was buoyant over the traditional peak buying season, while home prices in September rose 1.07% MoM according to SouFun, faster than the 0.92% rise in August. In Singapore, sales of new private homes rose 54% MoM in August after slumping to a four-year low in July. Home prices rose 0.4% quarter-on-quarter (QoQ) in 3Q 2013, the slowest pace in six quarters.

Market Outlook and Strategy

US not likely to default on debt obligations; economic outlook remains positive

The spotlight this month has been on the current US Federal Government shutdown and the ongoing negotiations between Congress and the US President to raise the federal debt ceiling. We expect the political impasse to come to an end soon and do not expect the US to default on its debt obligations. On the monetary side, our view is that support of the Federal Reserve is not indefinite and that withdrawal is indicative of more normal economic growth which is a positive in the long run. We expect economic data to remain positive going into the last quarter which should drive the markets. The Canadian economy given its close linkages to the US economy as well as continued expansion of the resources industry should also see stable growth. But our bias is more towards the US.

Continue to be pessimistic about Southern Europe vis-à-vis Northern Europe and Scandinavia

Chancellor Merkel's winning of the German elections by a margin larger than the last election has been a positive. It reaffirmed the public's approval of her policies towards Europe. We expect German policies to remain supportive of one Europe. On the monetary side, we continue to expect the European Central Bank to ease. Our expectation continues to be that European growth should be sluggish in 2013/14. Southern European countries should continue to bear painful readjustments in their economy on the back of the austerity drive. We continue to be pessimistic on the economic outlook of Southern Europe vis-à-vis Northern Europe and Scandinavia but have reduced our underweight given reduction in sovereign risk. We think that the focus will return to growth in Europe.

UK economy continues to be positive

UK economic conditions continue to be positive. We expect the Bank of England governor, Mark Carney, to continue with an accommodative monetary policy. We expect the government's 'Help to Buy' program to further provide a positive boost to the housing market. The current weakness in the currency continues to make London an even more attractive place for capital. We continue to focus on names with London exposure.

Expect more infrastructural spending in Japan over the new few yeas

Prime Minister Abe decided to go ahead with the plan to raise the consumption tax from current 5% to 8% by April 2014. He also announced a stimulus plan worth JPY 5trn to help offset the effect of Tax increase. More details will be provided in December. The Bank of Japan continues to provide ample monetary support to the economy. From a fundamental perspective we feel that Grade A office vacancy should continue to improve through the year. On the industrial sector, the high-quality industrial space should continue to see stable demand. With Tokyo being awarded the 2020 Summer Olympics everyone in Japan is very excited. We expect additional infrastructural spending over the next few years for the event.

Continue to be positive on Asian REITs

Although the US Federal Reserve has unexpectedly delayed the start of tapering of quantitative easing, we believe that tapering will eventually begin in the following months. We continue to believe that in an environment where bond yields are rising due to stronger growth expectations, Asian REITs are likely to see healthier rental income, which should more than offset the effect of any increase in interest payments. This is especially so in the more cyclical real estate sectors, including office and hotels. We continue to think that there is room for compression in the spread between REIT yields and long bond yields, as investors gain greater visibility on the final impact of tapering on bond yields, and also the benefits of a healthier economic environment. We continue to be overweight the Asia-Pacific ex-Japan region, where we are overweight in Singapore, Hong Kong and Malaysia, and underweight in Australia.

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 2013, 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").

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