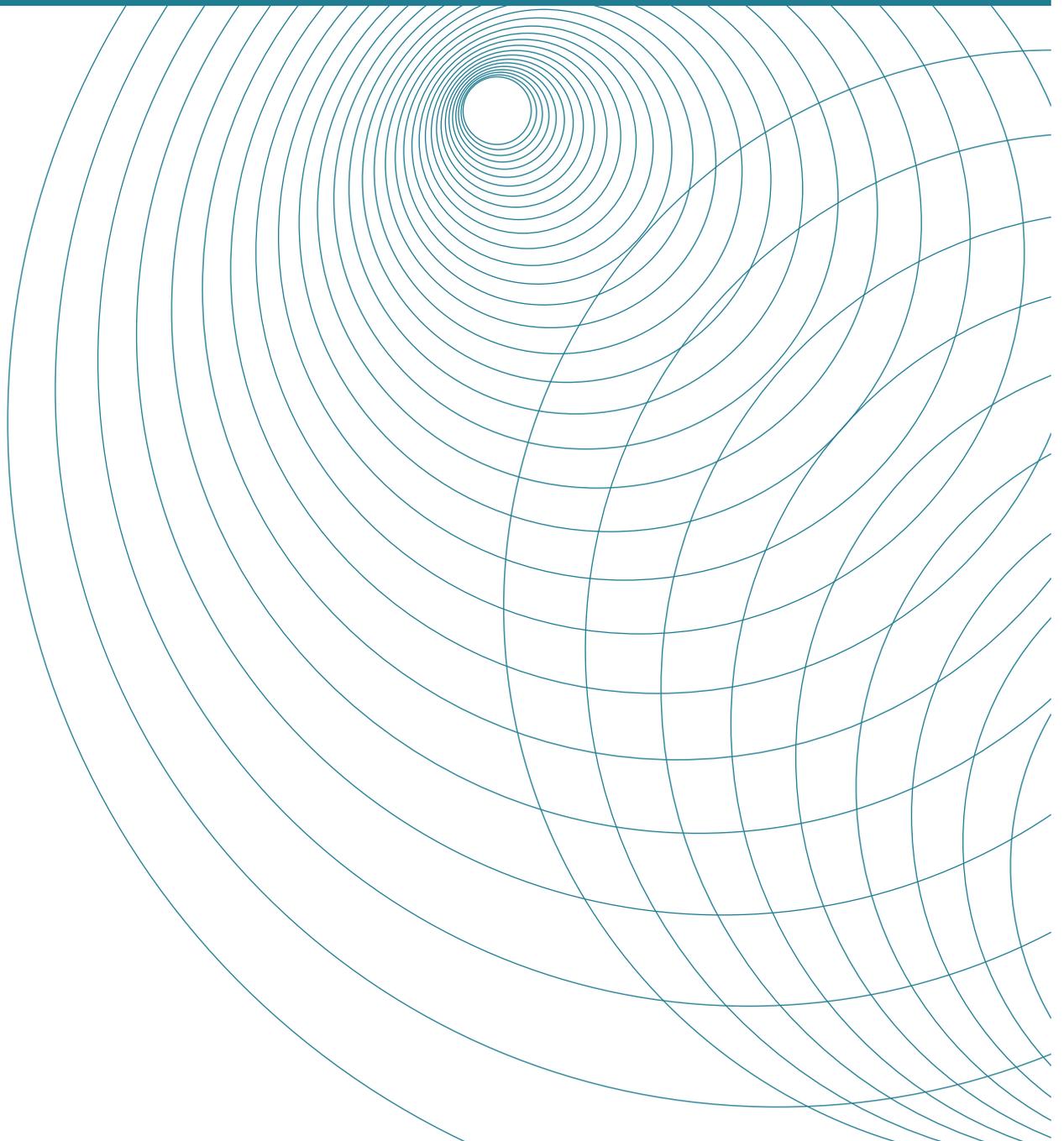

ANNUAL REPORT
Nikko AM Shenton Income Fund

Financial year ended 31 December 2023



MANAGERS

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Singapore 018961
Company Registration No. 198202562H

DIRECTORS OF THE MANAGERS

Seet Oon Hui Eleanor
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This report is also available on our website (www.nikkoam.com.sg)

PERFORMANCE SUMMARY

Nikko AM Shenton Income Fund (S\$)

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Nikko AM Shenton Income Fund - SGD Class	4.10	2.98	5.76	-1.52	1.58	1.98	3.84

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2023. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Nikko AM Shenton Income Fund - SGD Class	-1.10	-2.17	0.47	-3.19	0.54	1.45	3.68

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2023. Returns are calculated on a NAV-NAV basis, SGD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Inception date: 31 January 1989

Nikko AM Shenton Income Fund (US\$)

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Nikko AM Shenton Income Fund - USD Class	7.73	5.66	7.52	-1.45	2.23	1.53	3.53

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2023. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Nikko AM Shenton Income Fund - USD Class	2.35	0.38	2.14	-3.12	1.19	1.01	3.25

Source: Nikko Asset Management Asia Limited, returns as at 31 December 2023. Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any, and take into account of maximum initial sales charge and a realisation charge, currently nil, as and where applicable. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Inception date: 2 August 2004 (US\$ Class)

Note:

With effect from 17 October 2011, the Fund (formerly known as "Shenton Income Fund") has been renamed Nikko AM Shenton Income Fund. With effect from 2 January 2013, there is no benchmark for the fund as it is managed on an absolute return basis. Prior to that, the benchmark was 12-mth Singapore Dollar fixed deposit rate.

Portfolio Review

Fund generates returns of 5.76% in 2023

The Nikko AM Shenton Income Fund (the “Fund”) posted a return of 5.76% (in SGD terms, on a NAV-NAV basis) in the 12 months to end December 2023. As at the end of December 2023, the Fund had 56.10% of its assets invested in Asian local currency bonds, 25.61% invested in investment grade bonds, 14.95% invested in high-yield (HY) papers, and 1.05% in convertible bonds. The level of cash and cash equivalents as at the end of the period stood at 2.28%.

Market Review

A volatile year for US Treasuries (USTs)

US Treasury (UST) yields were volatile in 2023, in contrast to the consensus view of lower yields when the year opened. Throughout 2023, investors eagerly watched US jobs data and inflationary readings, debating the timing of the last rate hike. The resilience of major economies, particularly the US, prompted markets to embrace the “higher for longer” narrative for interest rates, prompting a significant increase in bond yields, with the 10-year point on the UST curve touching a 16-year high of 5.02% in October. However, concerns about high inflation and rising interest rates subsided in the last two months of the year, with the subsequent shift in tone from Fed officials who are among the most hawkish policymakers triggering a substantial leg down in UST yields.

The Fed raised interest rates four times in 2023. The US central bank messaged a pivot at its final policy meeting of the year. It acknowledged that growth and inflation were slowing and suggested that the policy rate was at or close to its peak level. The dot plot also showed members now expect 75 basis points (bps) worth of rate cuts over 2024, 100 bps over 2025, and an additional 75 bps over 2026. This dovish pivot, together with increased expectations of a US economic slowdown, prompted UST yields to continue their sharp descent.

At the end of 2023, the benchmark 2-year and 10-year UST yields settled at 4.25% and 3.88% respectively, 18 bps lower and 0.3 bps higher compared to end-December 2022.

Asian local government bonds rise while currencies register varied performances against the USD

Fed expectations was the primary driver of Asian government bond moves over the period. At the end of twelve months, yields of Asian government bonds mostly fell, on increasing expectations that Fed policy easing was finally approaching. On a total return basis, South Korean government bonds outperformed, while Thai government bonds underperformed. Separately, currencies in the region showed varied performances against the US dollar (USD), with the Singapore dollar (SGD) outperforming and the Malaysian ringgit (MYR) underperforming.

Headline inflation prints mostly moderate over the period

Headline inflation prints across the region largely moderated in the twelve months, helped in part by the deceleration of energy and food price inflation. In the latest reading, headline CPI inflation in Thailand printed -0.83% year-on-year (YoY) in December 2023, down from 5.89% in December 2022. In Singapore, the December 2023 CPI registered 3.7%, easing from a 6.5% rise a year ago. Inflationary pressures in Indonesia similarly moderated, with overall CPI coming in at 2.61% YoY in December 2023, from 5.51% in December 2022. This disinflation trend was also observed in South Korea, Malaysia and the Philippines.

Central banks took divergent monetary paths in the latter half of the period

Monetary authorities in Thailand, Indonesia and the Philippines continued to tighten monetary policy in the latter half of 2023. The Bank of Thailand (BoT) raised its key rate by a total of 50 bps to 2.50%

in the last six months of the year, with the belief that the policy rate is now at a 'neutral' level. In October 2023, Bank Indonesia increased rates by 25 bps, with Governor Perry Warjiyo declaring that the move was a "pre-emptive, forward-looking" measure to address imported inflation risks and stabilise the Indonesia rupiah. Separately, the Bangko Sentral ng Pilipinas' announced an off-cycle 25 bps rate hike in the same month, "to prevent supply-side price pressures from inducing additional second-round effects and further dislodging inflation expectations."

On the other hand, central banks in South Korea, India and Malaysia maintained their policy rates over the six months. The Monetary Authority of Singapore (MAS) also opted to keep the SGD NEER slope, centre and band width unchanged during this period.

Countries register decent growth in the fourth quarter of 2023

China's economy expanded by 5.2% in the fourth quarter and for the full year in 2023. However, concerns about growth momentum persist as December's activity data registered mixed. In Singapore, advance estimates revealed the economy registered a YoY expansion of 2.8% in the fourth quarter of 2023, surpassing the downwardly revised 1.0% growth in the July to September period. For the whole of 2023, the economy grew by 1.2%, slower than the 3.6% growth in 2022. In Malaysia, preliminary estimates revealed that Malaysia's economy grew by 3.4% in the fourth quarter of 2023, with the full-year growth reaching 3.8%, slightly below the central bank's initial projection of 4%. In the Philippines, economic growth for the fourth quarter of 2023 decelerated to 5.6% YoY, down from the upwardly revised 6.0% rise in the July to September period. Full-year growth for 2023 also stood at 5.6%, below the government's target range of 6.0-7.0%, and a slowdown from the 7.6% rise recorded in 2022.

Asia Credits

Asian credits registered gains in 2023

Asian credits returned +7.02% (in USD terms) over the twelve months, as credit spreads tightened by 34 bps. Asian investment-grade (IG) returned +7.42% (in USD terms) as spreads tightened 32 bps, outperforming Asian high-yield (HY) which gained 4.76% (in USD terms) as spreads narrowed 6 bps.

Asian credit spreads tightened steadily at the start of 2023, buoyed by optimism that the US has moved beyond peak inflation, and on expectations of robust Chinese economic recovery with the effective removal of essentially all COVID restrictions. However, the swift collapse of Silicon Valley Bank (SVB) and the complete write-down of Credit Suisse's (CS) Additional Tier 1 bonds (AT1s) — part of the takeover deal by UBS — triggered an outsized negative reaction in the financial community. A semblance of calm was subsequently restored in markets, following assurances by major banking regulators that AT1 securities are placed above common equity instruments in their jurisdictions. As global banking sector fears ebbed, sovereign bond and credit markets stabilised.

Spreads subsequently stayed range-bound amid mixed, but relatively benign, global macro news, with issues such as the sustainability of China's recovery and uncertainty over US monetary policy negatively affecting sentiment. Meanwhile, the sell-off in Chinese property credits intensified amid negative issuer-specific headlines and softening new housing sales momentum, portending lingering challenges facing the sector. Positive sentiment emerged as US debt ceiling negotiations progressed, and speculation about a significant Chinese stimulus package grew. However, the actual stimulus fell short of expectations, leading to a reversal in risk tone, particularly in Chinese credits. Concerns about repayment abilities of a handful of Chinese property companies led to a meaningful widening in HY credit spreads. The Politburo's acknowledgment of "new difficulties and challenges" for the economy in July and subsequent stimulus measures sparked a rally in risk assets including Asia credit, but credit spreads resumed its widening path after reports revealed policy tools have so far been ineffective

at rekindling Chinese growth. On top of this, news of missed payments on some of the country's shadow banking-linked trust products further spooked markets. In response to the significantly weak data, the Chinese central bank lowered several policy rates and government announced measures aimed at reviving the economy and boosting investor confidence. However, sentiment stayed weak as regulators stuck to a targeted approach.

Towards end-August, policymakers announced bolder property easing measures. Markets cheered the nationwide measures, spurring a substantial rally in Chinese property credits. Positive sentiment persisted after the Chinese government announced that it would issue CNY 1 trillion additional sovereign debt, effectively lifting the 2023 fiscal deficit ratio well above the 3% set in March. Global risk sentiment improved with lower global rates, as markets priced in a more dovish path for the US central bank. The cooling of tensions between US and China further boosted market confidence. These, together with reports suggesting that Chinese policymakers were preparing additional measures to support the real estate industry, led to a significant tightening of Asian credit spreads.

Market Outlook and Strategy

Favourable Asia macro backdrop and stable credit fundamentals offering decent buffer creates historical opportunity to lock in yields

The current macro and market backdrop may see little or minor change, with growth expectations for major economies remaining low and some inflation stickiness resurfacing as we head into 2024.

The fundamentals backdrop for Asian credit remains supportive. In China, the recent step up in fiscal measures suggests that policy makers are aware of the challenging environment. This further supports expectations for Chinese policymakers to deliver additional measures to help broaden out the recovery and boost economic growth in 2024. Meanwhile, macro and corporate credit fundamentals across Asia ex-China are expected to stay resilient with fiscal buffers despite slower economic growth expectation in the first half of 2024. While non-financial corporates may experience a slight weakening in leverage and interest coverage ratios stemming from lower earnings growth and incrementally higher funding costs, we believe there is adequate ratings buffer for most, especially the IG corporates. Asian banking systems remain robust, with stable deposit base, robust capitalisation, and strong pre-provision profitability providing buffers against moderately higher credit costs ahead.

Technically, Asia credit is expected to remain well supported with lower net new supply as issuers continue to access cheaper onshore funding. Meanwhile, demand remains strong for high quality bonds driven by strong onshore support and pension funds as well as life insurance companies looking to lock in attractive yields. Moreover, the consistent outperformance of Asia IG on a risk-adjusted basis should boost demand and make Asia credit attractive amid the region's favourable macro backdrop and sufficient fundamental buffer. Nevertheless, following the sharp rally in the past two months, these positive factors have been largely priced in, and the materialisation of some negative risk factors such as a weaker-than-expected economy may exert some widening pressure on the valuation of Asia IG credit.

2024 to be a year of higher returns and lower volatility for Asian local government bonds

2024 is likely to be a year of higher returns and lower volatility for Asian local government bonds with US Treasury yields expected to stabilise and start easing. We expect sentiment toward Asia's bond markets to turn increasingly positive, attracting capital inflows, and providing technical support that was largely lacking in 2023. We have an upbeat view of long Indian government bonds due to their attractive carry and favourable technicals. The inclusion of Indian government bonds into JP Morgan's Government Bond Index — Emerging Markets Index (GBI-EM) from June 2024 is expected to provide support for these bonds.

We believe the broad theme of stronger Asian currencies versus the dollar will dominate in 2024, as we see waning demand for the greenback as the Fed rate hiking cycle comes to an end.

The key downside risks to our investment thesis are worse-than-expected Chinese GDP growth, higher-than-expected energy prices and greater geopolitical uncertainty.

This document is purely for informational purposes only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. It should not be relied upon as financial advice. Any securities mentioned herein are for illustration purposes only and should not be construed as a recommendation for investment. **You should seek advice from a financial adviser before making any investment. In the event that you choose not to do so, you should consider whether the investment selected is suitable for you.** Investments in funds are not deposits in, obligations of, or guaranteed or insured by Nikko Asset Management Asia Limited (“Nikko AM Asia”).

Past performance or any prediction, projection or forecast is not indicative of future performance. The Fund or any underlying fund may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website (www.nikkoam.com.sg) before deciding whether to invest in the Fund.

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(Where relevant – for funds included under CPFIS) The Central Provident Fund (“CPF”) Ordinary Account (“OA”) interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks’ interest rates, whichever is higher, reviewed quarterly. The interest rate for Special Account (“SA”) is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whichever is higher, reviewed quarterly. Only monies in excess of \$20,000 in OA and \$40,000 in SA can be invested under the CPF Investment Scheme (“CPFIS”). Please refer to the website of the CPF Board for further information. Investors should note that the applicable interest rates for the CPF accounts and the terms of CPFIS may be varied by the CPF Board from time to time.

For Hong Kong Investors

The Fund may only be offered to professional investors in Hong Kong and is not authorised by the Securities and Futures Commission. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents, you should obtain independent professional advice.

Nikko Asset Management Asia Limited. Registration Number 198202562H

NIKKO AM SHENTON INCOME FUND

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

REPORT OF THE TRUSTEE

For the financial year ended 31 December 2023

The Trustee is under a duty to take into custody and hold the assets of Nikko AM Shenton Income Fund (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act 2001, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 13 to 44, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

Authorised signatory
27 March 2024

NIKKO AM SHENTON INCOME FUND

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

STATEMENT BY THE MANAGER

For the financial year ended 31 December 2023

In the opinion of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 13 to 44, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of Nikko AM Shenton Income Fund (the "Fund") as at 31 December 2023, and the financial performance and movements in unitholders' funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

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

Authorised signatory
27 March 2024

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

Our Opinion

In our opinion, the accompanying financial statements of Nikko AM Shenton Income Fund (the "Fund"), are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" issued by the Institute of Singapore Chartered Accountants ("RAP 7"), so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 31 December 2023, and the financial performance and movements of unitholders' funds for the financial year ended on that date.

What we have audited

The financial statements of the Fund comprise:

- the Statement of Total Return for the financial year ended 31 December 2023;
- the Statement of Financial Position as at 31 December 2023;
- the Statement of Movements of Unitholders' Funds for the financial year then ended;
- the Statement of Portfolio as at 31 December 2023; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

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

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

Independence

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

Other Information

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

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

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

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

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of RAP 7 and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 27 March 2024

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2023*

	Note	2023 S\$	2022 S\$
Income			
Dividends		1,734,177	1,985,531
Interest on cash and cash equivalents		205,624	63,768
Other income		10,054	19,654
		1,949,855	2,068,953
Less: Expenses			
Management fee		1,218,065	1,413,787
Management fee rebate		(357,477)	(418,365)
Transfer agent fee		30,701	39,326
Custody fee		19,893	16,788
Audit fee		19,751	18,358
Valuation fee		24,361	28,264
Transaction costs		40,686	51,972
Other expenses*		40,449	29,110
		1,036,429	1,179,240
Net income		913,426	889,713
Net gains or losses on value of investments and financial derivatives			
Net gains/(losses) on investments		5,032,368	(11,871,237)
Net foreign exchange gains/(losses)		501,970	(599,552)
Net gains on financial derivatives		314,853	2,554,124
		5,849,191	(9,916,665)
Total return/(deficit) for the financial year before income tax		6,762,617	(9,026,952)
Less: Income tax	4	(130,194)	(146,586)
Total return/(deficit) for the financial year after income tax		6,632,423	(9,173,538)

*The balances include non-audit related fees paid to a network firm of the Fund's Auditor which amounted to Nil for 2023 (2022: SGD 4,125).

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 31 December 2023*

	Note	2023 S\$	2022 S\$
ASSETS			
Portfolio of investments		112,066,929	121,265,680
Receivables	5	302,275	59,989
Cash and cash equivalents		1,580,678	4,025,919
Margin and collateral accounts	9	352	16,870
Financial derivatives at fair value	7	1,751,009	1,116,507
Total assets		115,701,243	126,484,965
LIABILITIES			
Payables	6	812,179	587,429
Distributions payable	10	372,027	415,068
Financial derivatives at fair value	7	265,011	71,181
Total liabilities		1,449,217	1,073,678
EQUITY			
Net assets attributable to unitholders	8	114,252,026	125,411,287

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 31 December 2023*

	Note	2023 S\$	2022 S\$
Net assets attributable to unitholders at the beginning of the financial year		125,411,287	158,344,911
Operations			
Change in net assets attributable to unitholders resulting from operations		6,632,423	(9,173,538)
Unitholders' contributions/(withdrawals)			
Creation of units		9,459,983	11,249,584
Cancellation of units		(22,390,352)	(29,389,757)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(12,930,369)	(18,140,173)
Distributions	10	(4,861,315)	(5,619,913)
Total decreases in net assets attributable to unitholders		(11,159,261)	(32,933,624)
Net assets attributable to unitholders at the end of the financial year	8	114,252,026	125,411,287

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2023***By Geography (Primary)**

	Holdings at 31 December 2023	Fair value at 31 December 2023 S\$	Percentage of total net assets attributable to unitholders at 31 December 2023 %
Quoted Fixed Income Securities			
AUSTRALIA			
Australia & New Zealand Banking Group Limited 6.742% due 08/12/2032	2,000,000	2,827,775	2.48
NSW Electricity Networks Finance PTY Limited 2.543% due 23/09/2030	3,000,000	2,240,175	1.96
Westpac Banking Corporation 7.199% due 15/11/2038	1,200,000	1,168,941	1.02
Total AUSTRALIA		6,236,891	5.46
BRITAIN			
HSBC Holdings Public Listed Company 6.547% due 20/06/2034	2,000,000	2,763,766	2.42
Prudential Funding Asia Public Listed Company 4.875% due 31/12/2049	1,220,000	1,343,774	1.18
Standard Chartered Public Listed Company 4.866% due 15/03/2033	2,400,000	2,983,280	2.61
Total BRITAIN		7,090,820	6.21
BRITISH VIRGIN ISLANDS			
Elect Global Investments Limited 4.85% due 31/12/2060	3,000,000	2,767,223	2.42
Panther Ventures Limited 3.38% due 30/03/2171	3,000,000	2,061,536	1.80
Panther Ventures Limited 3.5% due 31/12/2060	2,000,000	1,569,016	1.37
Phoenix Lead Limited 4.85% due 31/12/2061	2,000,000	2,097,379	1.84
Studio City Finance Limited 6.5% due 15/01/2028	2,000,000	2,450,438	2.14
Wing Tai Properties Finance Limited 4.35% due 31/12/2049	1,000,000	817,678	0.72
Total BRITISH VIRGIN ISLANDS		11,763,270	10.29
CAYMAN ISLANDS			
Meituan 0% due 27/04/2027	1,000,000	1,206,982	1.06
PCGI Intermediate Holdings II Limited 5.5% due 22/11/2024	1,200,000	1,501,803	1.31
Total CAYMAN ISLANDS		2,708,785	2.37
FRANCE			
Credit Agricole SA 7.875% due 29/12/2049	1,750,000	2,310,777	2.02
Total FRANCE		2,310,777	2.02
GERMANY			
Commerzbank AG 6.5% due 24/04/2034	2,000,000	2,089,690	1.83
Total GERMANY		2,089,690	1.83
HONG KONG SAR			
AIA Group Limited 2.7% due 31/12/2061	2,000,000	2,405,219	2.10
Total HONG KONG SAR		2,405,219	2.10
INDONESIA			
Bank Negara Indonesia Persero TBK PT 4.3% due 31/12/2061	1,200,000	1,404,354	1.23
Bank Tabungan Negara Persero TBK PT 4.2% due 23/01/2025	3,000,000	3,878,173	3.39
Total INDONESIA		5,282,527	4.62

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2023***By Geography (Primary) (continued)**

	Holdings at 31 December 2023	Fair value at 31 December 2023 S\$	Percentage of total net assets attributable to unitholders at 31 December 2023 %
Quoted Fixed Income Securities (continued)			
JAPAN			
Sumitomo Mitsui Financial Group Incorporation 6.184% due 13/07/2043	1,000,000	1,473,746	1.29
Total JAPAN		1,473,746	1.29
MAURITIUS			
Diamond II Limited 7.95% due 28/07/2026	2,000,000	2,657,999	2.33
Total MAURITIUS		2,657,999	2.33
SINGAPORE			
ESR-Logos REIT 5.5% due 09/12/2170	2,000,000	1,869,575	1.64
Singapore Government Bond 2% due 01/02/2024	800,000	798,560	0.70
Singapore Government Bond 3% due 01/08/2072	3,370,000	3,617,695	3.17
Starhub Limited 3.95% due 31/12/2049	1,500,000	1,445,910	1.26
Total SINGAPORE		7,731,740	6.77
SOUTH KOREA			
Shinhan Bank Company Limited 5% due 30/08/2028	2,500,000	2,091,858	1.83
Total SOUTH KOREA		2,091,858	1.83
SUPRANATIONAL			
European Bank for Reconstruction and Development 6.3% due 26/10/2027	100,000,000	1,565,633	1.37
International Bank for Reconstruction and Development 6.85% due 24/04/2028	120,000,000	1,908,056	1.67
Total SUPRANATIONAL		3,473,689	3.04
SWITZERLAND			
Julius Baer Group Limited 4.75% due 31/12/2049	1,000,000	1,233,312	1.08
Total SWITZERLAND		1,233,312	1.08
THAILAND			
Thaioil Treasury Center Company Limited 3.5% due 17/10/2049	1,000,000	892,837	0.78
Thaioil Treasury Center Company Limited 4.875% due 23/01/2043	1,000,000	1,143,612	1.00
TMBThanachart Bank Public Company Limited 4.9% due 31/12/2059	1,200,000	1,549,290	1.36
Total THAILAND		3,585,739	3.14
UNITED STATES OF AMERICA			
Resorts World Las Vegas LLC 8.45% due 27/07/2030	2,600,000	3,515,453	3.08
United States Treasury Note 2.75% due 15/02/2024	2,250,000	2,958,649	2.59
Total UNITED STATES OF AMERICA		6,474,102	5.67
Accrued interest receivable on quoted fixed income securities		1,080,625	0.95
Total Quoted Fixed Income Securities		69,690,789	61.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2023***By Geography (Primary) (continued)**

	Holdings at 31 December 2023	Fair value at 31 December 2023 S\$	Percentage of total net assets attributable to unitholders at 31 December 2023 %
Quoted Investment Funds			
SINGAPORE			
Nikko AM China Onshore Bond Fund	22,362,420	17,730,619	15.52
Nikko AM Shenton Asia Bond Fund	33,946,999	24,645,521	21.57
Total SINGAPORE		42,376,140	37.09
Total Quoted Investment Funds		42,376,140	37.09
Portfolio of investments		112,066,929	98.09
Other net assets		2,185,097	1.91
Net assets attributable to unitholders		114,252,026	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON INCOME FUND

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

STATEMENT OF PORTFOLIO

As at 31 December 2023

By Geography (Summary)	Percentage of total net assets attributable to unitholders at 31 December 2023 %	Percentage of total net assets attributable to unitholders at 31 December 2022 %
Quoted Fixed Income Securities		
Australia	5.46	2.54
Britain	6.21	1.26
British Virgin Islands	10.29	14.63
Cayman Islands	2.37	6.19
France	2.02	-
Germany	1.83	0.76
Hong Kong SAR	2.10	2.19
Indonesia	4.62	3.55
Isle of Man	-	0.77
Japan	1.29	4.02
Mauritius	2.33	-
New Zealand	-	2.08
Singapore	6.77	7.98
South Korea	1.83	7.08
Supranational	3.04	1.27
Switzerland	1.08	-
Thailand	3.14	3.75
United States of America	5.67	3.46
Accrued interest receivables on quoted fixed income securities	0.95	0.78
Total Quoted Fixed Income Securities	61.00	62.31
Quoted Investment Funds		
Singapore	37.09	34.38
Total Quoted Investment Funds	37.09	34.38
Portfolio of investments	98.09	96.69
Other net assets	1.91	3.31
Net assets attributable to unitholders	100.00	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2023*

By Industry (Secondary)	Fair value at 31 December 2023 S\$	Percentage of total net assets attributable to unitholders at 31 December 2023 %	Percentage of total net assets attributable to unitholders at 31 December 2022 %
Airlines	-	-	2.18
Banks	24,541,650	21.48	24.53
Debt Fund	42,376,140	37.09	34.38
Diversified Financial Services	1,233,312	1.08	2.05
Electric	4,898,174	4.29	-
Engineering and Construction	2,097,379	1.84	5.65
Entertainment	3,515,453	3.08	-
Insurance	5,250,796	4.59	4.33
Internet	1,206,982	1.06	-
Lodging	2,450,438	2.14	6.12
Multi-National	3,473,689	3.04	1.27
Oil and Gas	2,036,449	1.78	-
Real Estate	9,085,028	7.95	4.00
Real Estate Investment Trusts (REITS)	-	-	2.38
Sovereign	7,374,904	6.45	7.13
Telecommunications	1,445,910	1.27	-
Transportation	-	-	1.89
Accrued interest receivables on quoted fixed income securities	1,080,625	0.95	0.78
Portfolio of investments	112,066,929	98.09	96.69
Other net assets	2,185,097	1.91	3.31
Net assets attributable to unitholders	114,252,026	100.00	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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

1. General

Nikko AM Shenton Income Fund (the "Fund") is a Singapore domiciled fund, constituted under a Trust Deed dated 30 December 1988, as amended by Supplemental Deeds and Amended and Restated Deeds (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is BNP Paribas Trust Services Singapore Limited (the "Trustee"). The Manager of the Fund is Nikko Asset Management Asia Limited (the "Manager").

There are currently three Classes of Units established within the Fund, namely SGD Class, USD Class and RMB Class.

The Classes differ in terms of their Class Currency, the minimum subscription amounts applicable and the availability of the option to elect for the automatic reinvestment of distributions.

As of 31 December 2023 and 2022, only units in the SGD Class and USD Class have been issued.

The Fund is single priced and the NAV of the Fund may fall as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such Investments caused by subscriptions, redemptions, switches and/or exchanges of units in the Fund. To protect unitholders' interests, the Manager shall, in consultation with the Trustee, have the discretion to apply dilution adjustment or swing pricing in certain circumstances which the Manager deem appropriate. Swing Pricing involves making upwards or downwards adjustments in the calculation of the NAV per unit of the Fund or Class on a particular Dealing Day so that such transaction costs and dealing spreads in respect of the underlying investments are, as far as practicable, passed on to the investors who are subscribing, realising, switching and/or exchanging units on that Dealing Day.

The NAV is adjusted if the net subscription or realisation (including switches and/or exchanges) on a particular Dealing Day reaches or exceeds a certain percentage (the "Swing Threshold") of the size of the Fund as of such relevant Dealing Day.

Any dilution adjustment as at the last dealing day of the year will be disclosed under Units in issue.

During the financial year ended 31 December 2023 and 2022, the Fund did not reach the swing threshold and no swing pricing has been applied.

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instrument at fair value, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" ("RAP 7") issued and revised by the Institute of Singapore Chartered Accountants in August 2023 for the financial year beginning on or after 1 January 2023.

The adoption of the revised RAP 7 did not result in substantial changes to the accounting policies of the Fund and had no material effect on the amounts reported for the current or prior years.

(b) Recognition of income

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

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

(c) Distributions

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

(d) Investments

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

(i) *Initial recognition*

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

(ii) *Subsequent measurement*

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

(iii) *Derecognition*

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

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

(e) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market prices used for fixed income securities held by the Fund is the mid-market price for both financial asset and financial liabilities. Accrued interest or discount or premium on fixed income securities at financial year end date is included in the fair value of fixed income securities. Interest income on fixed income securities is presented within "Net gains/(losses) on investments" in the Statement of Total Return. The fair value of investments held in the underlying funds is the quoted net asset value of the underlying funds as determined by the underlying funds' administrator.

(f) Receivables

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

(g) Sales and purchases awaiting settlement

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

(h) Payables

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

(i) Cash and cash equivalents

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

(j) Foreign currency translation

(i) Functional and presentation currency

The Fund qualifies as an authorised scheme under the Securities and Futures Act 2001 ("SFA") of Singapore and is offered to retail investors in Singapore. The Fund's activities are substantially based in Singapore, with subscriptions and redemptions of the units of the Fund denominated in Singapore Dollar ("SGD") and United States Dollar ("USD").

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

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

(j) Foreign currency translation (continued)

(ii) *Transactions and balances*

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

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

(l) Margin and collateral accounts

Cash margin provided by the Fund is identified in the Statement of Financial Position as margin and collateral accounts and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its Statement of Financial Position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the Notes to the Financial Statements.

(m) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Fund considers all of their investments in other funds (the "Underlying Funds") to be investments in unconsolidated structured entities. The Fund invests in the Underlying Funds whose objectives range from achieving short to long term capital growth and whose investment strategy does not include the use of leverage. The Underlying Funds apply various investment strategies to accomplish their respective investment objectives. The Underlying Funds finance its operations by issuing redeemable units which are puttable at the unitholder's option and entitles the unitholder to a proportional stake in the respective Underlying Funds' net assets. The Fund holds redeemable units in the Underlying Funds.

The change in fair value of the Underlying Funds are included in the Statement of Total Return in "Net (losses)/gains on investments".

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

(n) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Deeds.

Financial derivatives outstanding at the end of the financial year are valued at forward rates or at current market prices using the “mark-to-market” method, as applicable, and the resultant gains and losses are taken up in the Statement of Total Return.

When a financial derivative expires, or is sold or terminated, the gains or losses are taken up in the Statement of Total Return.

(o) Expenses

Expenses are recognised in the Statement of Total Return as the related services are performed.

(p) Management fee

Management fee expense is recognised on an accrual basis and in accordance with the Prospectus. Management fee is recognised as an expense over the period for which the service is provided. The management fee charged on any investment in other unit trusts managed by the Manager is rebated back to the Fund, where applicable.

(q) Creation and cancellation of units

Units are issued and redeemed at the prices based on the Fund's net asset value per unit at the time of issue or redemption for each respective class. The Fund's net asset value per unit is calculated by dividing the net asset attributable to the unitholders of each class of units.

3. Critical accounting estimates and assumptions

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Uncertain tax positions

The Fund invests in securities issued by entities which are domiciled in countries other than Singapore. Many of these foreign countries have tax laws that indicate that capital gains taxes and interest income taxes may be applicable to non-residents, such as the Fund. Typically, these taxes are required to be determined on a self-assessment basis; therefore, such taxes may not be deducted by the bond issuer on a ‘withholding’ basis.

At 31 December 2023 and 2022, the Fund has provided for uncertain tax liabilities with respect to foreign capital gains taxes and foreign interest income taxes. The exposure to the Fund is disclosed under Note 6 Payables in “Provision for tax liabilities”.

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

4. Income tax

The Fund has been approved by the Monetary Authority of Singapore (“MAS”) under the Enhanced-Tier Fund (“ETF”) Scheme (Section 13U of the Income Tax Act and the relevant Regulations). Subject to certain conditions being met on an annual basis, the Fund may enjoy Singapore corporate income tax exemption on “specified income” derived from “designated investments” for the life of the Fund. The tax exemption does not apply in the year when the relevant conditions are not met. Losses from “designated investments” are correspondingly disregarded. The terms “specified income” and “designated investments” are defined in the relevant income tax Regulations. The Manager and the Trustee of the Fund will ensure that the Fund fulfils its reporting obligations under the ETF Scheme.

Income tax for the financial year ended 31 December 2023 and 2022 comprises:

	2023	2022
	S\$	S\$
Singapore income tax	130,194	142,892
Capital gains tax	-	3,683
Overseas income tax	-	11
	130,194	146,586

The Singapore income tax represents mainly tax charge on distribution from Singapore unit trusts. The overseas income tax represents tax deducted for interest earned derived from outside Singapore. Capital gains tax comprises of the tax on realised capital gains and provisions for potential capital gains tax outside Singapore.

5. Receivables

	2023	2022
	S\$	S\$
Receivable from unitholders for creation of units	302,275	59,989

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

6. Payables

	2023	2022
	S\$	S\$
Payable to unitholders for cancellation of units	380,920	157,083
Amount due to the Manager	227,360	248,634
Valuation fee payable	19,582	6,827
Transfer agent fee payable	7,323	2,428
Provision for audit fee	20,196	18,833
Custody fee payable	16,257	8,691
Provision for tax liabilities	133,967	137,740
Other payables	6,574	7,193
	812,179	587,429

Amount due to the Manager comprises of management fee and is payable to Nikko Asset Management Asia Limited. Trustee fee is payable out of the management fees by Nikko Asset Management Asia Limited to BNP Paribas Trust Services Singapore Limited. Custody fee and valuation fee are payable to BNP Paribas, acting through its Singapore Branch. Transfer agent fee is payable to BNP Paribas, acting through its Singapore Branch with effect from 1 April 2023.

7. Financial derivatives

Financial derivatives comprise of forward foreign exchange contracts for purchases and sales of foreign currencies. The year-end positive and negative fair values represent the unrealised gains and losses respectively on revaluation of forward foreign exchange contracts at the Statement of Financial Position date. The contract or underlying principal amounts of these financial derivatives and their corresponding gross positive or negative fair values at Statement of Financial Position date are analysed below.

	Contract or underlying principal amount		Year-end positive fair value		Year-end negative fair value	
	2023	2022	2023	2022	2023	2022
	S\$	S\$	S\$	S\$	S\$	S\$
Forward foreign exchange contracts	83,789,079	78,588,451	1,751,009	1,116,507	(265,011)	(71,181)

The Fund also restricts its exposure to credit losses on the trading derivative instruments it holds by entering into master netting arrangements with approved brokers with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of Statement of Financial Position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments, subject to a master netting arrangement, can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2023***7. Financial derivatives (continued)**

Financial assets and financial liabilities which are subject to enforceable master netting agreements or similar agreements for the year ended 31 December 2023 and 2022 are detailed in the following table.

(i) Offsetting financial assets

	Gross amounts of recognised financial assets S\$	Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position S\$	Net amounts of financial assets presented in the Statement of Financial Position S\$	Related accounts not set-off in the Statement of Financial Position		
				Financial instruments S\$	Cash collateral S\$	Net exposure S\$
2023						
Forward foreign exchange contracts	244,389	-	244,389	23,203	-	221,186

	Gross amounts of recognised financial assets S\$	Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position S\$	Net amounts of financial assets presented in the Statement of Financial Position S\$	Related accounts not set-off in the Statement of Financial Position		
				Financial instruments S\$	Cash collateral S\$	Net exposure S\$
2022						
Forward foreign exchange contracts	1,116,507	-	1,116,507	-	-	1,116,507

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

7. Financial derivatives (continued)

(ii) Offsetting financial liabilities

The Fund has no financial liabilities which are subject to enforceable master netting agreements or similar agreements for the year ended 31 December 2022.

2023	Gross amounts of recognised financial liabilities S\$	Gross amounts of recognised financial assets set-off in the Statement of Financial Position S\$	Net amounts of financial liabilities presented in the Statement of Financial Position S\$	Related accounts not set-off in the Statement of Financial Position		
				Financial instruments S\$	Cash collateral S\$	Net exposure S\$
Forward foreign exchange contracts	264,277	-	264,277	23,203	-	241,074

8. Units in issue

During the financial year ended 31 December 2023 and 2022, the number of units issued, redeemed and outstanding were as follows:

<u>SGD Class</u>	2023	2022
Units at beginning of the financial year	116,551,318	133,093,099
Units created	8,819,707	10,021,365
Units cancelled	(20,779,624)	(26,563,146)
Units at end of the financial year	104,591,401	116,551,318
Net assets attributable to unitholders - S\$	112,395,267	123,248,040
Net asset value per unit - S\$	1.0746	1.0575
<u>USD Class</u>	2023	2022
Units at beginning of the financial year	2,045,803	2,105,692
Units created	76,470	73,937
Units cancelled	(394,445)	(133,826)
Units at end of the financial year	1,727,828	2,045,803
Net assets attributable to unitholders - S\$	1,856,759	2,163,247
Net asset value per unit - S\$	1.0746	1.0574

A reconciliation of the net asset value as reported in the Statement of Financial Position to the net asset value as determined for the purpose of processing unit subscription and redemption is provided below:

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

8. Units in issue (continued)

<u>SGD Class</u>	2023 S\$	2022 S\$
Net assets attributable to unitholders per financial statements per unit	1.0746	1.0575
Effects of distribution per unit	0.0035	0.0035
Effect for movement in the net assets value between the last dealing date and the end of the reporting period ^	-*	-*
Effects of adjustment on valuation of investment in the Underlying Funds	(0.0003)	(0.0004)
Net assets attributable to unitholders for issuing/redeeming per unit	1.0778	1.0606
<u>USD Class</u>	2023 S\$	2022 S\$
Net assets attributable to unitholders per financial statements per unit	1.0746	1.0574
Effects of distribution per unit	0.0035	0.0035
Effect for movement in the net assets value between the last dealing date and the end of the reporting period ^	-*	-*
Effects of adjustment on valuation of investment in the Underlying Funds	(0.0003)	(0.0004)
Net assets attributable to unitholders for issuing/redeeming per unit	1.0778	1.0605

^ The net asset value for the purposes of processing unit subscription and redemption was established in accordance with the methodology indicated in the Fund's Prospectus. This item reflects the movement in net asset value between the last dealing date and the end of reporting period due to accrual of operating expenses.

* Effect is less than 0.0001.

9. Margin and collateral accounts

	2023 S\$	2022 S\$
Margin accounts	352	16,870

Margin accounts represents margin deposits held in respect of open exchange-traded futures contracts held with BNP Paribas, operating through its Singapore Branch. As of 31 December 2023 and 2022, there is no open exchange-traded futures.

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2023*

10. Distributions

	2023	2022
	S\$	S\$
January interim distribution of S\$0.36 (SGD Class) & US\$0.27 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	424,639	-
February interim distribution of S\$0.36 (SGD Class) & US\$0.27 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	422,064	-
March interim distribution of S\$0.36 (SGD Class) & US\$0.26 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	418,204	-
April interim distribution of S\$0.36 (SGD Class) & US\$0.27 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	417,417	-
May interim distribution of S\$0.36 (SGD Class) & US\$0.27 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	418,227	-
June interim distribution of S\$0.36 (SGD Class) & US\$0.27 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	418,086	-
July interim distribution of S\$0.35 (SGD Class) & US\$0.27 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	403,720	-
August interim distribution of S\$0.35 (SGD Class) & US\$0.26 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	399,766	-
September interim distribution of S\$0.35 (SGD Class) & US\$0.26 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	396,960	-
October interim distribution of S\$0.35 (SGD Class) & US\$0.25 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	393,622	-
November interim distribution of S\$0.35 (SGD Class) & US\$0.26 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	376,583	-
December final distribution of S\$0.35 (SGD Class) & US\$0.26 (USD Class) per 100 units in respect of the financial year ended 31 December 2023	372,027	-

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2023***10. Distributions (continued)**

	2023	2022
	S\$	S\$
January interim distribution of S\$0.39 (SGD Class) & US\$0.29 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	522,153
February interim distribution of S\$0.38 (SGD Class) & US\$0.29 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	505,951
March interim distribution of S\$0.38 (SGD Class) & US\$0.27 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	500,028
April interim distribution of S\$0.38 (SGD Class) & US\$0.28 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	497,649
May interim distribution of S\$0.37 (SGD Class) & US\$0.27 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	480,549
June interim distribution of S\$0.37 (SGD Class) & US\$0.27 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	477,391
July interim distribution of S\$0.36 (SGD Class) & US\$0.26 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	459,890
August interim distribution of S\$0.37 (SGD Class) & US\$0.27 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	470,009
September interim distribution of S\$0.36 (SGD Class) & US\$0.26 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	452,735
October interim distribution of S\$0.35 (SGD Class) & US\$0.25 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	422,165
November interim distribution of S\$0.35 (SGD Class) & US\$0.25 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	416,325
December final distribution of S\$0.35 (SGD Class) & US\$0.26 (USD Class) per 100 units in respect of the financial year ended 31 December 2022	-	415,068
	4,861,315	5,619,913

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial risk management

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

The Fund's investment objective is to provide regular income distributions while seeking to achieve returns in excess of 4% per annum over the medium to long term. The Fund will invest in a portfolio of bonds, money market instruments and currencies both in Singapore and in other global markets, taking into consideration the need for capital preservation.

These financial instruments are held in accordance with the published investment policies of the Fund and managed accordingly to achieve the investment objectives.

(a) Market risk - Price risk

Price risk is the risk that arises from uncertainties about future prices of financial instruments.

The Fund's investment is substantially dependent on the changes of market prices. The Fund's overall market positions are monitored regularly so as to assess any deviation from the Fund's investment objective. However, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the net asset value of the Fund.

The Fund's market price risk is managed through diversification of the investment portfolio across various geographies and industries globally.

The market prices of financial assets held by the Fund are dependent on prevailing market interest rates, as the Fund invests in bonds issued by governments and corporations. No separate price risk sensitivity analysis is prepared as it is covered as part of interest rate risk sensitivity analysis.

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial risk management (continued)

(b) Market risk - Interest rate risk

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

The Manager will regularly assess the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk. The Fund's overall market positions are monitored frequently and are reviewed formally on a quarterly basis by the Manager.

The tables below summarise the Fund's exposure to interest rate risks. They include the Fund's assets and liabilities categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 December 2023

	Floating rate S\$	Fixed rate			Non-interest bearing S\$	Total S\$
		Up to 1 year S\$	1-5 years S\$	Over 5 years S\$		
Assets						
Portfolio of investments	22,041,792	5,259,012	15,759,139	25,550,221	43,456,765	112,066,929
Receivables	-	-	-	-	302,275	302,275
Cash and cash equivalents	1,580,678	-	-	-	-	1,580,678
Margin and collateral accounts	352	-	-	-	-	352
Financial derivatives at fair value	-	-	-	-	1,751,009	1,751,009
Total assets	23,622,822	5,259,012	15,759,139	25,550,221	45,510,049	115,701,243
Liabilities						
Payables	-	-	-	-	812,179	812,179
Distributions payable	-	-	-	-	372,027	372,027
Financial derivatives at fair value	-	-	-	-	265,011	265,011
Total liabilities	-	-	-	-	1,449,217	1,449,217

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2023***11. Financial risk management (continued)****(b) Market risk - Interest rate risk (continued)**

As at 31 December 2022

	<u>Floating rate</u>	<u>Fixed rate</u>			<u>Non-interest bearing</u>	<u>Total</u>
		<u>Up to 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>		
	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>
Assets						
Portfolio of investments	29,203,322	10,823,317	25,628,985	11,512,033	44,098,023	121,265,680
Receivables	-	-	-	-	59,989	59,989
Cash and cash equivalents	4,025,919	-	-	-	-	4,025,919
Margin and collateral accounts	16,870	-	-	-	-	16,870
Financial derivatives at fair value	-	-	-	-	1,116,507	1,116,507
Total assets	33,246,111	10,823,317	25,628,985	11,512,033	45,274,519	126,484,965
Liabilities						
Payables	-	-	-	-	587,429	587,429
Distributions payable	-	-	-	-	415,068	415,068
Financial derivatives at fair value	-	-	-	-	71,181	71,181
Total liabilities	-	-	-	-	1,073,678	1,073,678

As at 31 December 2023 and 2022, an increase/decrease of interest rates 1% (2022: 1%), with all other variables remaining constant, would result in a decrease/increase of the net assets attributable to unitholders by approximately 6% (2022: 4%). Reasonable possible changes in interest rate are revised annually depending on the Manager's current view of market volatility and other factors.

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial risk management (continued)

(c) Market risk - Currency risk

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

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

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

As at 31 December 2023	SGD S\$	USD S\$	INR S\$	CNY S\$	AUD S\$	Others S\$	Total S\$
Assets							
Portfolio of investments	37,469,146	47,719,280	3,580,738	17,730,619	5,567,146	-	112,066,929
Receivables	300,967	1,308	-	-	-	-	302,275
Cash and cash equivalents	539,528	687,885	10,716	559	340,211	1,779	1,580,678
Margin and collateral accounts	-	352	-	-	-	-	352
Total assets	38,309,641	48,408,825	3,591,454	17,731,178	5,907,357	1,779	113,950,234
Liabilities							
Payables	812,179	-	-	-	-	-	812,179
Distributions payable	366,070	5,957	-	-	-	-	372,027
Total liabilities	1,178,249	5,957	-	-	-	-	1,184,206
Net off-balance sheet derivative financial instruments	69,073,901	(44,755,248)	-	(17,283,653)	(5,549,002)	-	
Net currency exposure	106,205,293	3,647,620	3,591,454	447,525	358,355	1,779	

NIKKO AM SHENTON INCOME FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2023***11. Financial risk management (continued)****(c) Market risk - Currency risk (continued)**

As at 31 December 2022	SGD S\$	USD S\$	INR S\$	CNY S\$	Others S\$	Total S\$
Assets						
Portfolio of investments	40,987,979	60,531,385	1,606,941	18,139,375	-	121,265,680
Receivables	59,989	-	-	-	-	59,989
Cash and cash equivalents	3,970,054	30,221	10,959	13,172	1,513	4,025,919
Margin and collateral accounts	-	16,870	-	-	-	16,870
Total assets	45,018,022	60,578,476	1,617,900	18,152,547	1,513	125,368,458
Liabilities						
Payables	587,429	-	-	-	-	587,429
Distributions payable	407,930	7,138	-	-	-	415,068
Total liabilities	995,359	7,138	-	-	-	1,002,497
Net off-balance sheet derivative financial instruments	78,580,424	(59,490,927)	-	(18,044,171)	-	-
Net currency exposure	122,603,087	1,080,411	1,617,900	108,376	1,513	-

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial risk management (continued)

(c) Market risk - Currency risk (continued)

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

As of 31 December 2023 and 2022, the Fund does not hold substantial monetary assets/liabilities denominated in foreign currencies. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Fund. Hence, no separate sensitivity analysis on foreign currency risk has been presented.

(d) Liquidity risk

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

The Fund is exposed to daily cash redemptions from unitholders. However, in accordance with the Fund's prospectus, minimum holdings and redemption size are set.

To manage the liquidity risk, a cash buffer is maintained in the Fund and monitored for minimum cash balances to prevent any extensive disposition of assets which may occur at lower prices and overdraft situations to meet trade settlements and obligations.

The Fund's financial liabilities are analysed using contractual undiscounted cash flows for maturity groupings based on the remaining year at the Statement of Financial Position date to the contractual maturity date. As at 31 December 2023 and 2022, all liabilities are either payable upon demand or due in less than 3 months. The impact of discounting is not significant.

	<u>Less than 3 months</u>	
	As at	As at
	31 December	31 December
	2023	2022
	S\$	S\$
Payables	812,179	587,429
Distributions payable	372,027	415,068
Contractual cash outflows		
(excluding gross settled derivatives)	1,184,206	1,002,497

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial risk management (continued)

(d) Liquidity risk (continued)

The table below analyses the Fund's derivative financial instruments in a loss position that will be settled on a gross basis into relevant maturity groupings based on the period at the Statement of Financial Position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 3 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 3 months	
	As at	As at
	31 December	31 December
	2023	2022
	S\$	S\$
Currency forwards		
- Outflow	(12,947,182)	(18,044,171)
- Inflow	12,682,171	17,972,990
Net outflow	<u>(265,011)</u>	<u>(71,181)</u>

(e) Credit risk

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

Concentrations of credit risk are minimised primarily by:

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

The Fund is also exposed to counterparty credit risk on its financial assets held at amortised cost. As at 31 December 2023 and 2022, the Fund's financial assets held at amortised cost as disclosed in the Statement of Financial Position are realised within three months. The Manager considers the probability of default to be insignificant as the counterparties generally have a strong capacity to meet their contractual obligations in the near term. Hence, no loss allowance has been recognised based on the 12 month expected credit losses as any such impairment would be insignificant to the Fund.

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial risk management (continued)

(e) Credit risk (continued)

The table below analyses the Fund's investments by credit ratings. The credit ratings are reviewed regularly.

	Fair value at 31 December 2023		Fair value at 31 December 2022	
	Floating rate securities S\$	Fixed rate securities S\$	Floating rate securities S\$	Fixed rate securities S\$
Aaa *	-	9,282,960	-	9,419,301
A1	-	-	5,045,575	-
A2	2,405,219	5,104,298	-	5,597,085
A3	-	1,343,774	4,189,064	1,079,132
Baa1	3,932,707	7,686,856	5,197,478	-
Baa2	2,983,280	2,240,175	4,707,504	9,644,527
Baa3	2,089,690	3,243,431	953,500	-
Ba1	1,233,312	-	1,179,454	-
Ba3	2,953,644	6,536,172	-	6,461,895
B1	-	2,450,438	-	-
Not rated **	6,443,940	8,680,268	7,930,747	15,762,395
Accrued interest receivables on quoted fixed income securities	171,578	909,047	404,188	569,469
	22,213,370	47,477,419	29,607,510	48,533,804

* The balance includes securities that are issued by government agencies of governments that have a Aaa rating as rated by Moody's.

** Not rated securities are supported by internal and other rating agencies credit ratings but are not disclosed due to licencing restrictions.

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

Credit risk arises from cash and cash equivalents and outstanding and committed transactions from brokers. The table below summarises the credit rating of bank and custodian in which the Fund's assets are held as at 31 December 2023 and 2022.

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial risk management (continued)

(e) Credit risk (continued)

	Credit rating as at 31 December 2023	Credit rating as at 31 December 2022	Source of credit rating
Bank and custodian			
- BNP Paribas, acting through its Singapore Branch	Aa3	Aa3	Moody's
Counterparties of forward foreign exchange contracts			
- ANZ Bank	Aa3	Aa3	Moody's
- Goldman Sachs	A1	A2	Moody's
- ING Baring	N.A.	Baa1	Moody's
- HSBC Bank	Aa3	A3	Moody's
- Standard Chartered Bank	A1	N.A.	Moody's

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

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

(f) Capital management

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

(g) Fair value estimation

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

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

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial risk management (continued)

(g) Fair value estimation (continued)

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2023 and 2022:

As at 31 December 2023	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
Assets				
Portfolio of investments:				
- Quoted fixed income securities	4,465,020	65,225,769	-	69,690,789
- Quoted investment funds	42,376,140	-	-	42,376,140
Financial derivatives at fair value	-	1,751,009	-	1,751,009
	46,841,160	66,976,778	-	113,817,938
Liabilities				
Financial derivatives at fair value	-	265,011	-	265,011
As at 31 December 2022				
	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
Assets				
Portfolio of investments:				
- Quoted fixed income securities	3,484,838	74,656,476	-	78,141,314
- Quoted investment funds	43,124,366	-	-	43,124,366
Financial derivatives at fair value	-	1,116,507	-	1,116,507
	46,609,204	75,772,983	-	122,382,187
Liabilities				
Financial derivatives at fair value	-	71,181	-	71,181

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include investment funds and Singapore Government Bonds and Treasury Bills. Investments in open-ended investment funds whose net asset values are struck daily, price information is published and readily available and units are subscribed and redeemable on demand at the published price, are classified within Level 1. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include bonds issued by governments and corporations within the Asia Pacific region and over-the-counter derivatives.

The assets and liabilities included in the Statement of Financial Position except portfolio of investments are carried at amortised cost; their carrying values are reasonable approximation of fair value.

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Financial risk management (continued)

(h) Interests in unconsolidated structured entities

The Fund's investments in the Underlying Funds are subject to the terms and conditions of the respective Underlying Funds' offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Underlying Funds. The Manager makes investment decisions after extensive due diligence of the Underlying Funds, its strategy and the overall quality of the Underlying Funds' manager. The Underlying Funds in the Statement of Portfolio is managed by the Manager who are compensated by the respective Underlying Funds for their services. Such compensation generally consists of an asset based fee and is reflected in the valuation of the Fund's investments in each of the Underlying Funds.

The Fund has the right to request redemption of its investments in the Underlying Funds on a daily basis.

The exposure to investments in the Underlying Funds at fair value is disclosed under the Statement of Portfolio. These investments are included in "Portfolio of investments" in the Statement of Financial Position.

The Fund's holdings in the Underlying Fund, as a percentage of the Underlying Fund's total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the Underlying Fund's level. It is possible that the Fund may, at any point in time, hold a majority of the Underlying Fund's total units in issue.

The Fund's maximum exposure to loss from its interests in the Underlying Funds is equal to the total fair value of its investments in the Underlying Funds.

Once the Fund has disposed of its units in the Underlying Fund, the Fund ceases to be exposed to any risk from that Underlying Funds.

12. Related party transactions

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

	2023 S\$	2022 S\$
Bank balances held with related party of the Trustee	1,580,678	4,025,919
Margin balances held with related party of the Trustee	<u>352</u>	<u>16,870</u>

NIKKO AM SHENTON INCOME FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

13. Financial ratios

Expense ratio

		2023	2022
SGD Class			
Total operating expenses	S\$	978,031	1,109,382
Average daily net asset value	S\$	119,727,043	138,914,958
Total expense ratio¹ (including the Underlying Funds' expense ratio)	%	1.29	1.23
Weighted average of the Underlying Funds' unaudited expense ratio	%	0.47	0.43

		2023	2022
USD Class			
Total operating expenses	S\$	16,659	17,879
Average daily net asset value	S\$	2,036,847	2,238,154
Total expense ratio¹ (including Underlying Funds' expense ratio)	%	1.29	1.23
Weighted average of the Underlying Funds' unaudited expense ratio	%	0.47	0.43

Turnover ratio

		2023	2022
Lower of total value of purchases or sales	S\$	211,342,490	233,281,963
Average daily net asset value	S\$	121,763,890	141,153,112
Total turnover ratio²	%	173.57	165.27

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

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

NIKKO AM SHENTON INCOME FUND

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

REPORT TO UNITHOLDERS

For the financial year ended 31 December 2023

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 16 to 20.

2. Credit rating of debt securities

	Fair value at 31 December 2023 S\$	Percentage of total net assets attributable to unitholders at 31 December 2023 %
Aaa	9,282,960	8.12
A2	7,509,517	6.57
A3	1,343,774	1.18
Baa1	11,619,563	10.17
Baa2	5,223,455	4.57
Baa3	5,333,121	4.67
Ba1	1,233,312	1.08
Ba3	9,489,816	8.31
B1	2,450,438	2.14
Not rated	15,124,208	13.24
Accrued interest receivables on quoted fixed income securities	1,080,625	0.95
Total	69,690,789	61.00

NIKKO AM SHENTON INCOME FUND

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

REPORT TO UNITHOLDERS

For the financial year ended 31 December 2023

3. Top 10 holdings

10 largest holdings at 31 December 2023

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Nikko AM Shenton Asia Bond Fund	24,645,521	21.57
Nikko AM China Onshore Bond Fund	17,730,619	15.52
Bank Tabungan Negara Persero TBK PT 4.2% due 23/01/2025	3,878,173	3.39
Singapore Government Bond 3% due 01/08/2072	3,617,695	3.17
Resorts World Las Vegas LLC 8.45% due 27/07/2030	3,515,453	3.08
Standard Chartered Public Listed Company 4.866% due 15/03/2033	2,983,280	2.61
United States Treasury Note 2.75% due 15/02/2024	2,958,649	2.59
Australia & New Zealand Banking Group Limited 6.742% due 08/12/2032	2,827,775	2.48
Elect Global Investments Limited 4.85% due 31/12/2060	2,767,223	2.42
HSBC Holdings Public Listed Company 6.547% due 20/06/2034	2,763,766	2.42

10 largest holdings at 31 December 2022

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Nikko AM Shenton Asia Bond Fund	24,984,991	19.92
Nikko AM China Onshore Bond Fund	18,139,375	14.46
Minor International Public Company Limited 2.7% due 31/12/2061	4,707,504	3.75
1MDB Global Investments Limited 4.4% due 09/03/2023	4,598,791	3.67
Woori Bank 4.75% due 30/04/2024	4,490,767	3.58
Bank Tabungan Negara Persero TBK PT 4.2% due 23/01/2025	4,451,937	3.55
United States Treasury Note/Bond 4% due 15/11/2052	4,337,452	3.46
Phoenix Lead Limited 4.85% due 31/12/2061	3,063,979	2.44
Mitsubishi UFJ Financial Group Incorporation 5.063% due 12/09/2025	2,933,175	2.34
Cathay Pacific MTN Financing HK Limited 3.375% due 22/01/2023	2,739,688	2.18

NIKKO AM SHENTON INCOME FUND

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

REPORT TO UNITHOLDERS

For the financial year ended 31 December 2023

4. Exposure to financial derivatives

	Fair value at 31 December 2023 S\$	Percentage of total net assets attributable to unitholders at 31 December 2023 %	Unrealised gains/(losses) S\$	Realised gains/(losses) S\$
Forward foreign exchange contracts	1,485,998	1.30	1,485,998	(766,644)
Futures contracts	-	-	-	(404,501)

5. Global exposure to financial derivatives

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

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

6. Collateral

Please refer to Note 9 of the Notes to the Financial Statements on page 30.

7. Securities lending or repurchase transactions

Nil.

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

Please refer to the Statement of Portfolio on pages 16 to 20.

9. Borrowings

Nil.

10. Amount of units created and cancelled for the financial year ended 31 December 2023

	S\$
Units created	9,459,983
Units cancelled	(22,390,352)

NIKKO AM SHENTON INCOME FUND

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REPORT TO UNITHOLDERS

For the financial year ended 31 December 2023

11. Turnover ratio

Please refer to Note 13 of the Notes to the Financial Statements on page 44.

12. Expense ratio

Please refer to Note 13 of the Notes to the Financial Statements on page 44.

13. Related party transactions

Please refer to Note 12 of the Notes to the Financial Statements on page 43.

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

Nil.

15. Soft dollar commissions/arrangements

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

Intentionally left blank.

