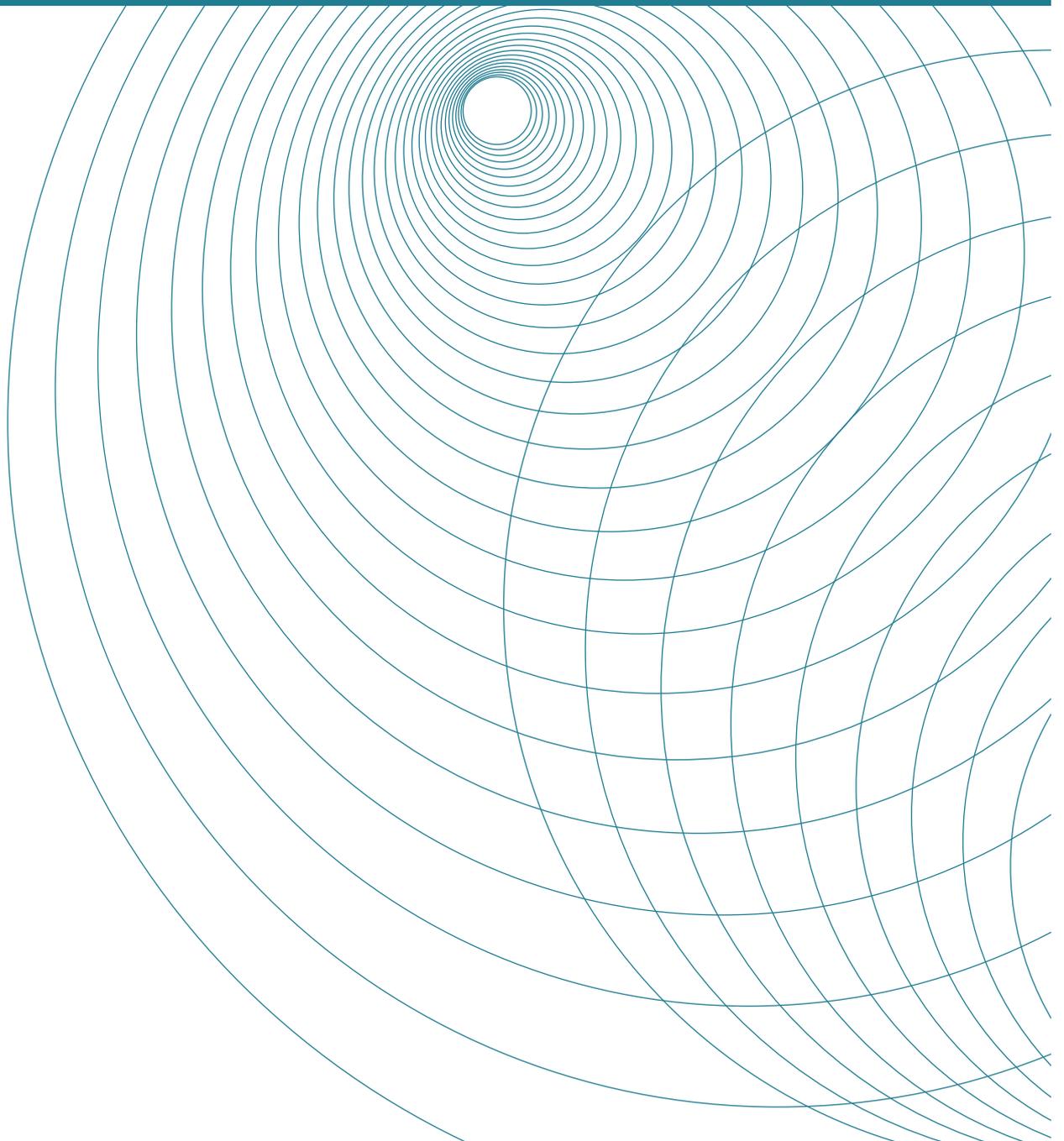

ANNUAL REPORT
Nikko AM Shenton Emerging Enterprise Discovery Fund
Financial year ended 31 December 2023



MANAGERS

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Singapore 018961
Company Registration No. 198202562H

DIRECTORS

Seet Oon Hui Eleanor
Yutaka Nishida
Hiroshi Yoh
Allen Yan

TRUSTEE & REGISTRAR

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AUDITORS

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CUSTODIAN

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

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Nikko AM Shenton Emerging Enterprise Discovery Fund - SGD Class ¹	2.04	5.56	17.63	1.17	15.21	7.67	5.99
Benchmark ²	5.00	8.77	19.57	5.27	8.89	4.88	4.49

Source: Nikko Asset Management Asia Limited and MSCI. 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 Emerging Enterprise Discovery Fund - SGD Class ¹	-3.06	0.28	11.75	-0.54	14.03	7.12	5.78
Benchmark ²	5.00	8.77	19.57	5.27	8.89	4.88	4.49

Source: Nikko Asset Management Asia Limited and MSCI. 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: 13 March 1998

Note:

- (1) With effect from 17 October 2011, the Fund (formerly known as "Shenton Global Advantage Fund") was renamed as Nikko AM Shenton Global Advantage Fund. With effect from 1 October 2012, the investment focus and approach of the Fund was changed and the Fund was re-named Nikko AM Shenton Emerging Enterprise Discovery Fund.
- (2) Prior to 1 May 2017, the performance returns of the benchmark was calculated using price index methodology. With effect from 1 May 2017, it is calculated using net total return index methodology. With effect from 1 October 2012, the benchmark was changed from MSCI World Small Cap Index to MSCI AC Asia ex Japan Small Cap Index.

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Portfolio Review

Fund returned 17.63% in 2023

For the 12-month period ended 31 December 2023, the Nikko AM Shenton Emerging Enterprise Discovery Fund (the "Fund") posted a return of 17.63% (SGD terms, on a NAV-NAV basis), underperforming the benchmark which returned 19.57% for the period. Some of the contributors included Hanmi Semiconductor, Gold Circuit Electronics, Clio Cosmetics and HPSP. Detractors included Wilcon Depot and CS Wind. The largest detractor was Ecopro Co, an electric vehicle "meme" stock which we did not own that single handedly led to a 1.7% of underperformance.

Starting our review in South Korea, Clio Cosmetics was one of the top ten contributors. Clio is one of the leading cosmetic companies. The company delivered stellar growth of 21% year-on-year (YoY) in sales and 170% growth in net profit in 2023. The strong growth was delivered due to their strong product portfolio. The company ranked first in colour make up and fifth in skincare (from 11th in 2022) in Korea's fastest-growing channel Olive Young. In addition, Clio launched a new product line Twinkle Pop targeted at the alpha generation. Moving forward, the company is also expanding into new categories such as inner beauty for further growth. The company trades at 15x price-to-earnings (P/E) ratio FY24 with a 26% net profit growth.

Another company that contributed significantly was HPSP, a Korean technology equipment company. HPSP is an exclusive manufacturer and supplier of high-pressure hydrogen annealing equipment to semiconductor foundry companies and memory makers. The company benefits from technology migration as advanced processes will use their products. The company trades at 48x P/E ratio FY24 with a 12% net profit growth.

Across in Taiwan, Accton Technology continued to deliver positive returns. The company benefits from the growth in artificial intelligence (AI) through increasing demand for high speed switches and smart network interface cards. While there exists slight slowdown in enterprise server demand due to excess inventory, we think that the situation will be manageable and the strong tailwind from AI will be able to offset the decline.

While the Fund has been done well in many instances, there were hard decisions that we had to undertake. In South Korea, we cut our exposure to Hansol Chemical, a manufacturer and distributor of fine chemicals. We had originally thought that demand for the chemicals would recover but it took longer than expected and margins continued to be under pressure. Across in Singapore, we cut losses from Seatrium, an engineering company that provides offshore and marine services. The company reported weaker-than-expected results on the back of larger-than-expected write-downs. This is not an exhaustive review of the activities the Fund undertook during 2023, but an overview of some of the ideas that materialised from our meetings with company management, regular research and our endeavour to identify suitable investments for the Fund.

Market Review

Asian stocks largely rose in 2023, with the MSCI Asia ex-Japan Small Cap Index (Net Total Return) returning 21.6% in US dollar (USD) terms.

Regional stocks kicked off the year trading higher, supported by a rebound in investor sentiment towards Chinese equities due to policy pivots in areas including COVID-19, housing and internet regulation. Asian stocks shrugged off the market volatility created by the US banking turmoil and ongoing monetary policy tightening by the US Federal Reserve (Fed), turning in decent gains in the first quarter of 2023. However, regional equities lost momentum and retreated in the second quarter

due to growing concerns that the recovery in the Chinese economy is losing steam. Asian equities continued to trend lower in the third quarter due to a surge in longer-term government bond yields, higher oil prices and lacklustre macroeconomic data out of China amid renewed stress in the country's debt-laden property sector. Market sentiment, however, improved heading into 2024 as markets adjusted to the fact that US interest rates may have peaked. Eventually, December saw the Fed send its clearest message yet that its aggressive hiking campaign has ended by forecasting a series of rate cuts in 2024.

Within the region, the stock markets of Taiwan, South Korea and India were the best performers (as measured by the MSCI indices in USD terms), while those of Hong Kong, China and Thailand underperformed.

Market Outlook and Strategy

Small-cap companies in Asia continue to look attractive, with the MSCI Asia ex Japan Small Cap Index trading at a 13.07x FY24 P/E multiple, below the mid-cycle valuations of 15.5x P/E. 2024 is an exciting year with elections happening in multiple countries across the region, from Taiwan to Indonesia, India and Korea. The US elections will also be of focus, and we think that geopolitical risks will continue to be of focus. We continue to be bottom-up focused and concentrate on companies with sustainable earning growth which display positive fundamental change that are undervalued. We continue to be focused on the core fundamentals of companies, constructing the portfolio from a bottom-up perspective, while staying cognisant of macroeconomic risks. Areas that we like include the technology sector which benefits from the growth in AI as well as selected areas within the consumer space.

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 EMERGING ENTERPRISE DISCOVERY 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 Emerging Enterprise Discovery 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 11 to 31, 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 EMERGING ENTERPRISE DISCOVERY 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 11 to 31, 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 Emerging Enterprise Discovery 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 EMERGING ENTERPRISE DISCOVERY 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 Emerging Enterprise Discovery 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 EMERGING ENTERPRISE
DISCOVERY 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 RAP7 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 EMERGING ENTERPRISE
DISCOVERY 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 EMERGING ENTERPRISE DISCOVERY 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		485,702	690,967
Interest on cash and cash equivalents		34,202	11,326
Other income		13,231	-
		<u>533,135</u>	<u>702,293</u>
Less: Expenses			
Management fee		373,277	390,408
Transfer agent fee		11,298	15,336
Trustee fee		24,885	26,027
Custody fee		11,418	9,553
Audit fee		11,396	10,402
Valuation fee		11,207	11,839
Transaction costs		160,964	198,367
Other expenses*		43,700	25,254
		<u>648,145</u>	<u>687,186</u>
Net (losses)/income		<u>(115,010)</u>	<u>15,107</u>
Net gains or losses on value of investments			
Net gains/(losses) on investments		4,136,482	(7,638,212)
Net foreign exchange losses		(63,662)	(85,435)
		<u>4,072,820</u>	<u>(7,723,647)</u>
Total return/(deficit) for the financial year before income tax		<u>3,957,810</u>	<u>(7,708,540)</u>
Less: Income tax	3	<u>(67,373)</u>	<u>(88,695)</u>
Total return/(deficit) for the financial year after income tax		<u>3,890,437</u>	<u>(7,797,235)</u>

* The balances include non-audit related fees paid to a network firm of the Fund's Auditor which amounted to SGD 3,716 for 2023 (2022: SGD 17,734).

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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		26,589,236	20,011,834
Receivables	4	97,414	48,498
Cash and cash equivalents		1,949,242	1,436,065
Total assets		28,635,892	21,496,397
LIABILITIES			
Payables	5	583,710	145,661
Purchases awaiting settlement		77,182	-
Total liabilities		660,892	145,661
EQUITY			
Net assets attributable to unitholders	6	27,975,000	21,350,736

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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		21,350,736	40,854,828
Operations			
Change in net assets attributable to unitholders resulting from operations		3,890,437	(7,797,235)
Unitholders' contributions/(withdrawals)			
Creation of units		8,290,323	4,021,261
Cancellation of units		(5,556,496)	(15,728,118)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		2,733,827	(11,706,857)
Total increase/(decrease) in net assets attributable to unitholders		6,624,264	(19,504,092)
Net assets attributable to unitholders at the end of the financial year	6	27,975,000	21,350,736

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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 Equities			
CHINA			
ClouDr Group Limited	80,300	92,921	0.33
Giant Biogene Holding Company Limited	21,400	128,698	0.45
JNBY Design Limited	207,500	368,057	1.32
Meitu Incorporated	212,000	128,928	0.46
Remegen Company Limited	26,000	164,487	0.59
Shenzhen Fuanna Bedding and Furnishing Company Limited	83,700	138,775	0.50
Shenzhou International Group Holdings Limited	20,200	274,356	0.98
Sunjuice Holdings Company Limited	42,500	441,145	1.58
Yangzijiang Shipbuilding Holdings Limited	95,700	142,593	0.51
Total CHINA		1,879,960	6.72
HONG KONG SAR			
China State Construction Development Holdings Limited	698,000	271,201	0.97
China Water Affairs Group Limited	260,000	188,425	0.67
Stella International Holdings Limited	131,000	203,816	0.73
Total HONG KONG SAR		663,442	2.37
INDIA			
ABB India Limited	3,996	296,127	1.06
Aegis Logistics Limited	38,666	215,692	0.77
Ashok Leyland Limited	91,706	263,342	0.94
Cera Sanitaryware Limited	3,586	446,082	1.59
CreditAccess Grameen Limited	18,476	467,601	1.67
Dixon Technologies India Limited	3,870	401,825	1.44
Eureka Forbes Limited	23,199	187,388	0.67
Federal Bank Limited	136,208	337,479	1.21
Five-Star Business Finance Limited	26,290	306,311	1.09
Godrej Consumer Products Limited	16,746	300,286	1.07
Godrej Properties Limited	10,735	341,534	1.22
Indian Hotels Company Limited	65,186	452,960	1.62
KEI Industries Limited	7,389	379,503	1.36
Krishna Institute of Medical Sciences Limited	10,745	337,117	1.21
Mrs Bectors Food Specialities Limited	7,704	136,357	0.49
PB Fintech Limited	24,489	308,619	1.10
Phoenix Mills Limited	14,025	499,041	1.78
Rainbow Children's Medicare Limited	21,702	407,853	1.46
RITES Limited	46,874	373,307	1.33
UNO Minda Limited	33,780	368,759	1.32
Vijaya Diagnostic Centre Private Limited	38,719	413,131	1.48
Total INDIA		7,240,314	25.88
INDONESIA			
PT Arwana Citramulia TBK	3,917,800	223,207	0.80
PT Map Aktif Adiperkasa	4,065,500	285,609	1.02
PT Medikaloka Hermina TBK	2,191,800	279,789	1.00
Total INDONESIA		788,605	2.82

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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 Equities (continued)			
MALAYSIA			
Genetec Technology Berhad	184,900	125,268	0.45
Total MALAYSIA		125,268	0.45
SINGAPORE			
BRC Asia Limited	119,600	214,084	0.77
First Resources Limited	178,800	255,684	0.91
Genting Singapore Limited	143,600	143,600	0.51
Total SINGAPORE		613,368	2.19
SOUTH KOREA			
Clio Cosmetics Company Limited	15,214	479,945	1.72
Cosmax Incorporated	3,147	407,419	1.46
Dreamtech Company Limited	29,476	392,171	1.40
EO Technics Company Limited	1,581	247,592	0.89
Fine M-Tec Company Limited	30,674	283,069	1.01
Hanmi Semiconductor Company Limited	7,290	460,691	1.65
HPSP Company Limited	11,428	513,260	1.83
Hyundai Mipo Dockyard Company Limited	2,992	260,176	0.93
iFamilySC Company Limited	12,650	340,756	1.22
Intellian Technologies Incorporated	2,817	209,181	0.75
Jeisys Medical Incorporated	43,207	464,223	1.66
Kolmar Korea Company Limited	5,866	322,036	1.15
Lunit Incorporated	3,033	254,421	0.91
Myoung Shin Industrial Company Limited	8,812	171,575	0.61
Nextin Incorporated	2,646	188,082	0.67
Openedges Technology Incorporated	7,880	207,019	0.74
SPG Company Limited	4,052	149,406	0.53
ST Pharm Company Limited	4,278	297,076	1.06
Sunjin Beauty Science Company Limited	29,360	246,886	0.88
T&L Company Limited	8,743	358,194	1.28
Total SOUTH KOREA		6,253,178	22.35

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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 Equities (continued)			
TAIWAN			
Accton Technology Corporation	16,000	359,664	1.29
Andes Technology Corporation	22,000	453,879	1.62
Bafang Yunji International Company Limited	44,000	322,443	1.15
Chailease Holding Company Limited	43,293	359,129	1.28
Chief Telecom Incorporated	33,800	475,051	1.70
CTCI Corporation	226,000	409,432	1.46
DR Wu Skincare Company Limited	80,000	522,648	1.87
eMemory Technology Incorporated	3,000	315,910	1.13
Global PMX Company Limited	49,000	270,629	0.97
Gold Circuit Electronics Limited	59,700	559,380	2.00
Great Tree Pharmacy Company Limited	20,877	313,611	1.12
Lite-On Technology Corporation	79,000	397,273	1.42
Powertech Technology Incorporated	47,000	284,835	1.02
Sinbon Electronics Company Limited	34,000	436,944	1.56
Sporton International Incorporated	49,777	515,610	1.84
Taiwan Taxi Company Limited	71,000	341,784	1.22
Teco Electric and Machinery Company Limited	127,000	255,461	0.91
Tong Hsing Electronic Industries Limited	50,420	341,318	1.22
Unimicron Technology Corporation	46,000	347,974	1.24
Universal Vision Biotechnology Company Limited	39,464	469,847	1.68
Visual Photonics Epitaxy Company Limited	55,000	379,414	1.36
Winway Technology Company Limited	4,000	144,244	0.53
Total TAIWAN		8,276,480	29.59
UNITED STATES OF AMERICA			
Parade Technologies Limited	7,000	361,040	1.29
Samsonite International SA	89,100	387,581	1.39
Total UNITED STATES OF AMERICA		748,621	2.68
Total Quoted Equities		26,589,236	95.05
Portfolio of investments		26,589,236	95.05
Other net assets		1,385,764	4.95
Net assets attributable to unitholders		27,975,000	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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 Equities		
China	6.72	10.83
Hong Kong SAR	2.37	4.45
India	25.88	20.79
Indonesia	2.82	2.57
Malaysia	0.45	-
Philippines	-	2.72
Singapore	2.19	3.03
South Korea	22.35	18.56
Taiwan	29.59	23.26
Thailand	-	3.01
United States of America	2.68	2.39
Total Quoted Equities	95.05	91.61
Quoted Real Estate Investment Trusts		
Philippines	-	0.96
Singapore	-	1.16
Total Quoted Real Estate Investment Trusts	-	2.12
Portfolio of investments	95.05	93.73
Other net assets	4.95	6.27
Net assets attributable to unitholders	100.00	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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 %
Agriculture	255,684	0.91	1.24
Apparel	1,233,810	4.41	5.91
Auto Manufacturers	263,342	0.94	1.02
Auto Parts & Equipment	810,963	2.90	2.69
Banks	337,479	1.21	1.69
Beverages	441,145	1.58	2.36
Biotechnology	164,487	0.59	1.33
Building Materials	1,223,559	4.37	3.47
Chemicals	-	-	2.90
Commercial Services	888,917	3.18	3.68
Computers	992,490	3.55	3.02
Cosmetics/Personal Care	2,407,918	8.62	6.08
Diversified Financial Services	1,133,041	4.05	2.09
Electrical Component & Equipment	675,630	2.42	-
Electronics	2,102,548	7.52	6.18
Energy-Alternate Sources	-	-	2.38
Engineering and Construction	409,432	1.46	1.63
Entertainment	143,600	0.51	2.32
Environmental Control	375,813	1.34	1.07
Food	136,357	0.49	0.48
Food Service	322,443	1.15	-
Healthcare-Products	1,292,264	4.62	5.60
Healthcare-Services	1,530,811	5.47	0.99
Home Furnishings	397,273	1.42	2.35
Household Products/Wares	138,775	0.50	-
Internet	128,928	0.46	1.60
Iron/Steel	214,084	0.77	1.01
Leisure Time	-	-	0.37
Lodging	452,960	1.62	2.37
Machinery-Diversified	255,461	0.91	0.92
Mining	-	-	1.25
Oil and Gas	-	-	0.72
Packaging & Containers	-	-	1.23
Pharmaceuticals	297,076	1.06	0.90
Real Estate	840,575	3.00	4.42
Real Estate Investment Trusts (REITS)	-	-	2.12
Retail	939,976	3.36	4.70
Semiconductors	3,690,265	13.19	6.50
Shipbuilding	402,769	1.44	0.91
Software	563,040	2.01	1.49
Storage/Warehousing	215,692	0.77	-
Telecommunications	568,845	2.03	1.29
Transportation	341,784	1.22	1.45
Portfolio of investments	26,589,236	95.05	93.73
Other net assets	1,385,764	4.95	6.27
Net assets attributable to unitholders	27,975,000	100.00	100.00

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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 Emerging Enterprise Discovery Fund (the "Fund") is a Singapore domiciled fund, constituted by a Trust Deed dated 20 October 1997 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 three classes of units established within the Fund, namely the SGD Class, USD Class and RMB Class.

The classes may differ in terms of their class currency and the minimum subscription amounts applicable.

As of 31 December 2023 and 2022, only units in the SGD 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, the Fund did not reach the swing threshold and no swing pricing has been applied. For the financial year ended 31 December 2022, the Fund had reached the swing threshold and swing pricing had been applied on some Dealing Day.

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 instruments 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.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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)

(a) Basis of preparation (continued)

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) 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.

(d) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for investments held by the Fund is the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

(e) Receivables

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

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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)

(f) Sales and purchases awaiting settlement

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

(g) Payables

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

(h) Cash and cash equivalents

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

(i) 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").

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.

(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.

(j) Expenses

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

(k) 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.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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)

(l) 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. Income tax

The Manager and Trustee of the Fund have assessed and are satisfied that the Fund has met the requisite conditions under the Designated Unit Trust (DUT) scheme for the current financial year. The Manager and Trustee of the Fund will ensure that the Fund fulfils its reporting obligations under the DUT Scheme.

Under the DUT Scheme, certain income of the DUT fund is not taxable in accordance to Sections 35(12) and 35(12A) of the Income Tax Act 1947. Such income includes:

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act 1947);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index;
- (e) discount prepayment fees, redemption premium and break cost from qualifying debt securities issued during the prescribed period; and
- (f) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

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

	2023 S\$	2022 S\$
Singapore income tax	541	785
Overseas income tax	66,832	87,910
	67,373	88,695

The Singapore income tax represents tax deducted at source for Singapore sourced dividends. The overseas income tax represents tax deducted at source on dividends derived from outside Singapore.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

4. Receivables

	2023 S\$	2022 S\$
Receivable from unitholders for creation of units	80,460	27,008
Dividends receivable	16,954	21,490
	97,414	48,498

5. Payables

	2023 S\$	2022 S\$
Payable to unitholders for cancellation of units	420,211	37,564
Amount due to the Manager	112,231	85,646
Amount due to the Trustee	20,897	5,710
Valuation fee payable	9,404	2,712
Transfer agent fee payable	3,663	1,214
Provision for audit fee	11,340	10,486
Custody fee payable	5,964	2,329
	583,710	145,661

Amount due to the Manager comprises management fee payable to Nikko Asset Management Asia Limited. Trustee fee is payable 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.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

6. 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	5,987,269	8,657,114
Units created	2,061,166	1,003,935
Units cancelled	(1,380,457)	(3,673,780)
Units at end of the financial year	6,667,978	5,987,269
Net assets attributable to unitholders - S\$	27,975,000	21,350,736
Net asset value per unit - S\$	4.195	3.566

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:

<u>SGD Class</u>	2023	2022
	S\$	S\$
Net assets attributable to unitholders per financial statements per unit	4.195	3.566
Effect of adjustment of bid-ask prices per unit	0.001	0.002
Effect for movement in the net assets value between the last dealing date and the end of the reporting period [^]	0.001	-*
Net assets attributable to unitholders for issuing/redeeming per unit	4.197	3.568

[^] 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 0.001.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

7. 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 objective is to achieve medium to long-term capital appreciation by investing primarily in listed equities of small to medium sized companies in Asia ex Japan, which in the Managers' opinion are undervalued.

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 exposure across various geographies and industries in Asia ex Japan.

The benchmark against which the performance of the Fund is measured is the MSCI Asia ex Japan Small Cap Index (the "Benchmark").

As at 31 December 2023, an increase/decrease of the index component within the Benchmark by 15% (2022: 16%), with all other variables remaining constant, the net assets attributable to unitholders for the year would increase/decrease by approximately 14% (2022: 14%). The analysis was based on the assumptions that the index components within the Benchmark increased/decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Fund's investments moved according to the beta. Reasonable possible changes in market index percentage are revised annually depending on the Manager's current view on market volatility and other relevant factors.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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 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).

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly.

However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect. Hence, no sensitivity analysis has been presented separately.

(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.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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 risk management (continued)

(c) Market risk - Currency risk (continued)

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

As at 31 December 2023	SGD S\$	USD S\$	HKD S\$	INR S\$	IDR S\$	KRW S\$	TWD S\$	Others S\$	Total S\$
Assets									
Portfolio of investments	755,961	-	2,208,470	7,240,314	788,605	6,253,178	9,078,665	264,043	26,589,236
Receivables	80,460	-	-	-	-	13,973	2,981	-	97,414
Cash and cash equivalents	1,312,592	822	33	37,734	-	1	598,060	-	1,949,242
Total assets	2,149,013	822	2,208,503	7,278,048	788,605	6,267,152	9,679,706	264,043	28,635,892
Liabilities									
Payables	583,710	-	-	-	-	-	-	-	583,710
Purchases awaiting settlement	-	-	-	-	-	77,182	-	-	77,182
Total liabilities	583,710	-	-	-	-	77,182	-	-	660,892
Net currency exposure	1,565,303	822	2,208,503	7,278,048	788,605	6,189,970	9,679,706	264,043	

As at 31 December 2022	SGD S\$	USD S\$	HKD S\$	PHP S\$	INR S\$	IDR S\$	KRW S\$	THB S\$	TWD S\$	Others S\$	Total S\$
Assets											
Portfolio of investments	894,556	-	2,940,323	787,289	4,439,764	548,760	3,962,666	640,825	5,639,328	158,323	20,011,834
Receivables	27,008	-	-	3,554	-	-	17,936	-	-	-	48,498
Cash and cash equivalents	1,370,476	5	33	-	-	-	1	-	65,550	-	1,436,065
Total assets	2,292,040	5	2,940,356	790,843	4,439,764	548,760	3,980,603	640,825	5,704,878	158,323	21,496,397
Liabilities											
Payables	145,661	-	-	-	-	-	-	-	-	-	145,661
Total liabilities	145,661	-	-	-	-	-	-	-	-	-	145,661
Net currency exposure	2,146,379	5	2,940,356	790,843	4,439,764	548,760	3,980,603	640,825	5,704,878	158,323	

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

7. 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 equities and real estate 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 securities are considered readily realisable, as the majority of the securities are listed on recognised stock exchanges.

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	583,710	145,661
Purchases awaiting settlement	77,182	-
Contractual cash outflows	660,892	145,661

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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 risk management (continued)

(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.

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.

	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

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.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

7. Financial risk management (continued)

(g) Fair value estimation

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

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

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 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 equities	26,589,236	-	-	26,589,236
As at 31 December 2022	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
Assets				
Portfolio of investments:				
- Quoted equities	19,558,531	-	-	19,558,531
- Quoted real estate investment trusts	453,303	-	-	453,303
	20,011,834	-	-	20,011,834

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities and real estate investment trusts. The Fund does not adjust the quoted price for these instruments.

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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

8. 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	<u>1,949,242</u>	<u>1,436,065</u>

9. Financial ratios

Expense ratio

		2023	2022
<u>SGD Class</u>			
Total operating expenses	S\$	487,008	488,815
Average daily net asset value	S\$	24,903,232	25,956,645
Total expense ratio¹	%	<u>1.96</u>	<u>1.88</u>

Turnover ratio

		2023	2022
Lower of total value of purchases or sales	S\$	17,896,164	13,557,355
Average daily net asset value	S\$	24,903,232	25,956,645
Total turnover ratio²	%	<u>71.86</u>	<u>52.23</u>

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

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

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY 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 14 to 18.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 largest holdings at 31 December 2023

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Gold Circuit Electronics Limited	559,380	2.00
DR Wu Skincare Company Limited	522,648	1.87
Sporton International Incorporated	515,610	1.84
HPSP Company Limited	513,260	1.83
Phoenix Mills Limited	499,041	1.78
Clio Cosmetics Company Limited	479,945	1.72
Chief Telecom Incorporated	475,051	1.70
Universal Vision Biotechnology Company Limited	469,847	1.68
CreditAccess Grameen Limited	467,601	1.67
Jeisys Medical Incorporated	464,223	1.66

10 largest holdings at 31 December 2022

	Fair value S\$	Percentage of total net assets attributable to unitholders %
Phoenix Mills Limited	559,977	2.62
Sinbon Electronics Company Limited	540,008	2.53
Indian Hotels Company Limited	505,152	2.37
Sunjuice Holdings Company Limited	503,516	2.36
Universal Vision Biotechnology Company Limited	448,082	2.10
Clio Cosmetics Company Limited	441,475	2.07
Bata India Limited	397,307	1.86
Jeisys Medical Incorporated	393,915	1.84
Sporton International Incorporated	388,990	1.82
Gold Circuit Electronics Limited	373,845	1.75

4. Exposure to financial derivatives

Nil.

NIKKO AM SHENTON EMERGING ENTERPRISE DISCOVERY FUND

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

REPORT TO UNITHOLDERS

For the financial year ended 31 December 2023

5. Global exposure to financial derivatives

Nil.

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

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

Nil.

9. Borrowings

Nil.

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

S\$

Units created

8,290,323

Units cancelled

(5,556,496)

11. Turnover ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 31.

12. Expense ratio

Please refer to Note 9 of the Notes to the Financial Statements on page 31.

13. Related party transactions

Please refer to Note 8 of the Notes to the Financial Statements on page 31.

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.

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