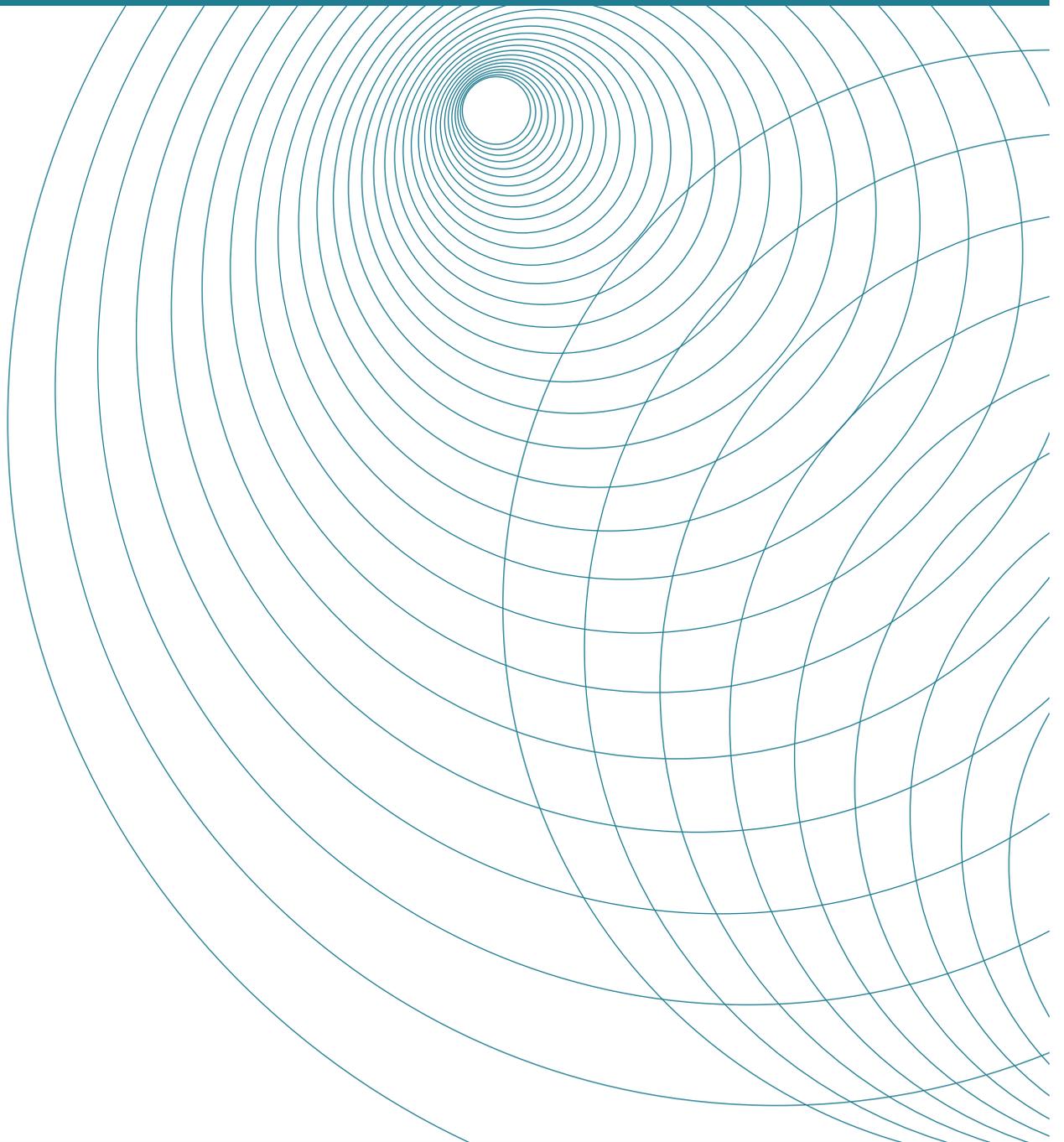

ANNUAL REPORT
Nikko AM Shenton Japan Fund

Financial year ended 31 December 2023



MANAGERS

Nikko Asset Management Asia Limited
12 Marina View, #18-02 Asia Square Tower 2
Singapore 018961
Company Registration No. 198202562H

DIRECTORS OF THE MANAGERS

Seet Oon Hui Eleanor
Yutaka Nishida
Hiroshi Yoh
Allen Yan

TRUSTEE & REGISTRAR

BNP Paribas Trust Services Singapore Limited
20 Collyer Quay, #01-01
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AUDITORS

PricewaterhouseCoopers LLP
7 Straits View, Marina One,
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CUSTODIAN

BNP Paribas, acting through its Singapore Branch
20 Collyer Quay, #01-01
Singapore 049319

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 Japan Fund - SGD Class ¹ | 1.53 | 5.09 | 17.27 | 4.21 | 7.75 | 5.50 | 2.42 |
| Benchmark ² | 4.35 | 4.28 | 17.61 | 0.65 | 5.75 | 4.90 | -0.09 |

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 Japan Fund - SGD Class ¹ | -3.54 | -0.16 | 11.41 | 2.45 | 6.65 | 4.96 | 2.28 |
| Benchmark ² | 4.35 | 4.28 | 17.61 | 0.65 | 5.75 | 4.90 | -0.09 |

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 December 1986

Note:

- (1) With effect from 17 October 2011, the Fund (formerly known as "DBS Japan Growth Fund") has been renamed as Nikko AM Shenton Japan Fund.

The following changes were made to the Fund with effect from 7 July 2014 (the "Effective Date"):

- the sub-manager of the Fund was changed from Daiwa SB Investments Ltd to Nikko Asset Management Co., Ltd.;
- the base currency of the Fund was changed from the Singapore dollar ("SGD") to Japanese yen ("JPY"); and
- classes of units (each a "Class" and collectively the "Classes") were established within the Fund. In this connection, the existing units in the Fund were re-designated into a SGD Class and three new Classes were established within the Fund, namely a SGD hedged Class, a United States dollar ("USD") Class and a USD hedged Class. For the avoidance of any doubt, please note that the currency exposure of the assets of the Fund that attributable to the SGD Class on and after the Effective Date will continue not to be hedged. Further, please note that while the SGD hedged Class, USD Class and USD hedged Class were established on the Effective Date, such Classes will only be launched at such date(s) as may be determined by the Managers.

- (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 June 2004, the benchmark was changed from Nikkei 225 Stock Average to TOPIX Index.

Portfolio Review

Fund returned 17.27% during the period under review

The Nikko AM Shenton Japan Fund (the “Fund”) returned 17.27% (in SGD terms, on a NAV-NAV basis) over the twelve months ended 31 December 2023, underperforming the benchmark by 0.34% in SGD terms. In the January-March quarter, the portfolio underperformed the benchmark due to the uncertainty surrounding the financial system in the US and Europe in March which led to risk-off sentiment and a favourable market for highly fiscally sound growth names, thereby creating a challenging environment for our value investment strategy. In the April-June quarter, the portfolio outperformed the benchmark. Despite unfavourable conditions for our investment strategy in May when large-cap growth names rose sharply, our outperformance for the quarter was thanks to stronger guidance from the Tokyo Stock Exchange in regard to stocks trading below their book values drawing investors’ attention to undervalued names in April as well as value stocks outperforming in June amidst very strong performance for Japanese equities overall. This was followed by an even stronger outperformance in the July-September quarter due not only to the favourable market environment for value stocks, but also thanks to accumulated alpha from our stock selection. The portfolio outperformed every month during the quarter, with tailwinds including investors flocking to cyclical stocks and bank stocks in light of the rise in US long-term interest rates, the Bank of Japan’s (BOJ) tweak to its yield curve control policy, and rising commodity prices in July, and many undervalued domestic demand-driven stocks undergoing valuation re-rating in August. However, the portfolio underperformed the benchmark in the October-December quarter when our value investment strategy faced strong headwinds as growth stocks rebounded against a backdrop of lower US long-term interest rates and receding expectations for the normalisation of the BOJ’s monetary policy. During the period, we maintained the portfolio fully invested with the Fund’s equity weighting in the 97-99% range. As of the end of December, the Fund consisted of 85 names.

Stocks that made large positive contributions in the period included sportswear manufacturer Asics, which rose on strong earnings momentum as the firm appeared on track to record historically high profits; homebuilder Sumitomo Forestry, which rebounded after overly pessimistic concerns regarding short-term earnings dissipated, and glass fibre maker Nitto Boseki, which rose on higher expectations for earnings to bottom out based on the firm’s earnings guidance upgrade, in addition to investors’ view that the company is poised to benefit from the generative artificial intelligence (AI) boom that is driving demand for the type of high-grade semiconductors which utilise the firm’s products. Similarly, semiconductor package manufacturer Ibiden contributed positively as its stock gained on the back of rising recognition of the potential for demand for the company’s products to expand in line with the sudden rise of the generative AI industry. Auto components maker Ryobi was another positive contributor as its stock rose on the back of an earnings recovery stemming from the rebound in auto production and an increase in sales of battery cases and other parts for both fully electric and hybrid vehicles.

In contrast, names which detracted from performance during the period included outdoor apparel and gear maker Snow Peak, which declined on weak short-term earnings after a fall off in pandemic-era demand prompted inventory adjustments; non-ferrous metals smelter Sumitomo Metal Mining, which declined after downgrading its FY2023 earnings guidance owing to falling prices of metals including nickel and copper; and electronic component maker Nissha, which also declined following an earnings guidance downgrade. Comprehensive industrial machinery manufacturer Kawasaki Heavy Industries also contributed negatively as its stock underwent correction in fiscal fourth quarter, pulling back after having gained 17% since the start of the year, in addition to declining after downgrading its fiscal year earnings guidance (and the resulting reduction in dividends) due to incurring costs associated with inspections of potentially faulty aircraft engines. Another negative contributor was major plant and engineering firm JGC Holdings as its stock underwent correction in fiscal fourth quarter, pulling back after having gained 24% since the start of the year, in addition to declining on lower crude oil prices and deteriorating short-term earnings due to the emergence of increased costs at some of its construction projects.

Market Review

The Japanese equity market rallied in calendar year 2023, supported by the weak Japanese yen, rising expectations for the Japanese economy to exit deflation, and the positive effects of the Tokyo Stock Exchange's request that companies whose stocks are trading below book value make moves to improve corporate management. Equities moved upward every month of the year except October and December. October was the only significant dip, when stocks were weighed down by an outlook for the continuation of US monetary tightening as well as risk-off sentiment due to the intensification of the conflict in the Middle East. In contrast, the strongest gains were in January and June, which were both months when the BOJ signalled that it would maintain its monetary easing policy, as well as November when Japanese long-term bond yields declined, making Japanese equities appear less richly valued in comparison. As a result, the TOPIX (including dividends) ended the year up 28.26%, while the Nikkei 225 (including dividends) rose 30.96% (both in JPY terms).

Market Outlook

On 1 January 2024, Japan's Noto Peninsula was devastated by a powerful 7.6-magnitude earthquake with almost 200 confirmed deaths to-date. The Noto Peninsula is an isolated area located about 300 kilometres from Tokyo and is known for its agricultural, finishing and tourist industries. Although we are greatly saddened by this natural disaster, Tokyo and other major Japanese cities have not been directly affected due to the Noto Peninsula's distant location. The impact on the country's economy is also expected to be minor given that Ishikawa Prefecture—where the Noto Peninsula is located—accounts for only 0.9% of Japan's GDP. At present, there are also no stocks held in the portfolio which are likely to be significantly impacted directly. Based on our understanding that Japan is prone to natural disasters such as earthquakes and flooding, we have put in place hedges against such risks in the portfolio by, for example, overweighting the construction sector.

We believe that Japanese equities will see further gains in 2024. However, in the near term, there is likely to be bouts of volatility. While Japanese corporate earnings have been solid, uncertainty remains regarding repercussions from the rate hikes thus far and the direction of the global economy, particularly the US.

In 2023 as a whole, the environment was especially favourable to large-cap value stocks, largely influenced by changes in macroeconomic indicators such as foreign exchange rates and long-term interest rates. However, in 2024, we think it is highly probable that stock performance will be primarily driven by the individual names' earnings rather than by their value and growth characteristics. Since October this year, growth stocks have continued to see a rebound while the market environment remains unfavourable for value stocks. This is partly due to a pullback from the July-September quarter when value stocks strongly outperformed, as well as due to the rising view that US long-term interest rates have peaked out, but we believe this rotation to growth will be short in duration.

Overall, our view remains unchanged that a major shift is taking place as the Japanese economy appears to be exiting a long period of deflation. Against a backdrop of mild inflation supported by continued wage hikes, we believe conditions will remain advantageous for our value investment strategy in the medium term.

Portfolio Strategy

Based on the following criteria, we will continue to invest in stocks of companies that appear undervalued from a profitability standpoint following changes in their earnings and that are viewed positively thanks to their high dividend yields and solid financial structures.

1. Investing in undervalued companies with a great deal of potential for revaluation based on products, technologies and know-how they deploy both in Japan and overseas.
2. Investing in undervalued companies with a great deal of potential for revaluation due to their strong business organisations which are unmatched by rivals.
3. Investing in undervalued companies which have room to be re-evaluated by the market as they are close to completing sweeping structural reforms.

Given the highly volatile market environment, the risk factors we need to pay attention to may change. However, those we are currently keeping in mind as we manage the portfolio are as follows:

1. Expansion of geopolitical risk stemming from the conflict in Ukraine and the Middle East or other events
2. Changes in monetary policy
3. Political trends around the world
4. China's response to its structural issues
5. Developments in the US-China struggle for supremacy
6. The direction of emerging market economies

The indices including TOPIX (Tokyo Stock Price Index), calculated and published by JPX Market Innovation & Research, Inc. (hereinafter referred to as "TOPIX") Value and the TOPIX Marks are subject to the proprietary rights owned by JPX Market Innovation & Research, Inc. or affiliates of JPX Market Innovation & Research, Inc. (hereinafter collectively referred to as "JPX") and JPX owns all rights and know-how relating to TOPIX such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Marks. JPX shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the TOPIX Index Value.

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 JAPAN 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 Japan 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 12 to 33, 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 JAPAN 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 12 to 33, 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 Japan 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 JAPAN 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 Japan 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 JAPAN 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 JAPAN 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 JAPAN 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 JPY'000 | 2022 JPY'000 |
|--|------|------------------|-----------------|
| Income | | | |
| Dividends | | 180,242 | 175,017 |
| Interest on cash and cash equivalents | | 4,165 | 1,011 |
| | | 184,407 | 176,028 |
| Less: Expenses | | | |
| Management fee | | 67,924 | 59,913 |
| Transfer agent fee | | 2,016 | 2,269 |
| Custody fee | | 865 | 564 |
| Audit fee | | 1,687 | 1,460 |
| Valuation fee | | 1,367 | 1,227 |
| Transaction costs | | 6,507 | 6,308 |
| Other expenses | | 4,721 | 1,576 |
| | | 85,087 | 73,317 |
| Net income | | 99,320 | 102,711 |
| Net gains or losses on value of investments and financial derivatives | | | |
| Net gains/(losses) on investments | | 1,487,260 | (47,940) |
| Net foreign exchange gains | | 5,871 | 15,846 |
| Net gains on financial derivatives | | 3,030 | - |
| | | 1,496,161 | (32,094) |
| Total return for the financial year before income tax | | 1,595,481 | 70,617 |
| Less: Income tax | 3 | (27,604) | (26,804) |
| Total return for the financial year after income tax | | 1,567,877 | 43,813 |

The accompanying notes form an integral part of these financial statements

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

| | Note | 2023 JPY'000 | 2022 JPY'000 |
|--|------|------------------|------------------|
| ASSETS | | | |
| Portfolio of investments | | 7,540,339 | 5,590,027 |
| Sales awaiting settlement | | 13,068 | 9,337 |
| Receivables | 4 | 72,533 | 17,807 |
| Cash and cash equivalents | | 274,725 | 177,363 |
| Financial derivatives at fair value | 6 | 245 | - |
| Total assets | | 7,900,910 | 5,794,534 |
| LIABILITIES | | | |
| Payables | 5 | 110,282 | 19,868 |
| Purchases awaiting settlement | | 12,092 | 29,649 |
| Total liabilities | | 122,374 | 49,517 |
| EQUITY | | | |
| Net assets attributable to unitholders | 7 | 7,778,536 | 5,745,017 |

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON JAPAN 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 JPY'000 | 2022 JPY'000 |
|--|------|--------------------|-----------------|
| Net assets attributable to unitholders at the beginning of the financial year | | 5,745,017 | 5,870,691 |
| Operations | | | |
| Change in net assets attributable to unitholders resulting from operations | | 1,567,877 | 43,813 |
| Unitholders' contributions/(withdrawals) | | | |
| Creation of units | | 2,221,064 | 1,855,353 |
| Cancellation of units | | (1,755,422) | (2,024,840) |
| Change in net assets attributable to unitholders resulting from net creation and cancellation of units | | 465,642 | (169,487) |
| Total increase/(decrease) in net assets attributable to unitholders | | 2,033,519 | (125,674) |
| Net assets attributable to unitholders at the end of the financial year | 7 | 7,778,536 | 5,745,017 |

The accompanying notes form an integral part of these financial statements

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

| By Industry (Primary) | Holdings at 31 December 2023 | Fair value at 31 December 2023 JPY'000 | Percentage of total net assets attributable to unitholders at 31 December 2023 % |
|--|------------------------------------|---|--|
| Quoted Equities | | | |
| AEROSPACE/DEFENSE | | | |
| Kawasaki Heavy Industries Limited | 41,000 | 127,879 | 1.64 |
| Total Aerospace/Defense | | 127,879 | 1.64 |
| APPAREL | | | |
| ASICS Corporation | 10,500 | 46,389 | 0.60 |
| Total Apparel | | 46,389 | 0.60 |
| AUTO MANUFACTURERS | | | |
| Honda Motor Company Limited | 32,000 | 46,912 | 0.60 |
| Isuzu Motors Limited | 52,000 | 94,432 | 1.21 |
| Mazda Motor Corporation | 22,000 | 33,517 | 0.43 |
| Toyota Motor Corporation | 88,000 | 227,964 | 2.93 |
| Total Auto Manufacturers | | 402,825 | 5.17 |
| AUTO PARTS & EQUIPMENT | | | |
| Musashi Seimitsu Industry Company Limited | 21,000 | 31,710 | 0.41 |
| Stanley Electric Company Limited | 29,500 | 78,264 | 1.01 |
| Toyoda Gosei Company Limited | 18,500 | 48,942 | 0.63 |
| Total Auto Parts & Equipment | | 158,916 | 2.05 |
| BANKS | | | |
| Fukuoka Financial Group Incorporated | 8,500 | 28,280 | 0.36 |
| Mitsubishi UFJ Financial Group Incorporated | 218,000 | 264,107 | 3.40 |
| Mizuho Financial Group Incorporated | 47,000 | 113,388 | 1.46 |
| Resona Holdings Incorporated | 83,000 | 59,470 | 0.76 |
| Sumitomo Mitsui Financial Group Incorporated | 29,500 | 202,960 | 2.61 |
| Total Banks | | 668,205 | 8.59 |
| BUILDING MATERIALS | | | |
| Asia Pile Holdings Corporation | 60,000 | 42,180 | 0.54 |
| Total Building Materials | | 42,180 | 0.54 |
| CHEMICALS | | | |
| KH Neochem Company Limited | 18,000 | 40,842 | 0.53 |
| Mitsubishi Gas Chemical Company Incorporated | 67,000 | 151,119 | 1.94 |
| Mitsui Chemicals Incorporated | 18,000 | 75,276 | 0.97 |
| Nitto Denko Corporation | 11,000 | 116,050 | 1.49 |
| Total Chemicals | | 383,287 | 4.93 |
| COMMERCIAL SERVICES | | | |
| Nomura Company Limited | 66,000 | 58,080 | 0.75 |
| Total Commercial Services | | 58,080 | 0.75 |
| COMPUTERS | | | |
| Fujitsu Limited | 6,500 | 138,288 | 1.78 |
| Total Computers | | 138,288 | 1.78 |

The accompanying notes form an integral part of these financial statements

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

| | Holdings at 31 December 2023 | Fair value at 31 December 2023 JPY'000 | Percentage of total net assets attributable to unitholders at 31 December 2023 % |
|---|------------------------------------|---|--|
| Quoted Equities (continued) | | | |
| DISTRIBUTION/WHOLESALE | | | |
| Mitsubishi Corporation | 42,000 | 94,647 | 1.22 |
| Mitsui & Company Limited | 5,000 | 26,490 | 0.34 |
| Yondoshi Holdings Incorporated | 13,000 | 26,351 | 0.34 |
| Total Distribution/Wholesale | | 147,488 | 1.90 |
| DIVERSIFIED FINANCIAL SERVICES | | | |
| Nomura Holdings Incorporated | 183,000 | 116,699 | 1.50 |
| SBI Holdings Incorporated | 36,500 | 115,778 | 1.49 |
| Total Diversified Financial Services | | 232,477 | 2.99 |
| ELECTRIC | | | |
| Chubu Electric Power Company Incorporated | 49,500 | 90,164 | 1.16 |
| Total Electric | | 90,164 | 1.16 |
| ELECTRICAL COMPONENT & EQUIPMENT | | | |
| SWCC Corporation | 16,500 | 47,174 | 0.61 |
| Total Electrical Component & Equipment | | 47,174 | 0.61 |
| ELECTRONICS | | | |
| Anritsu Corporation | 64,000 | 87,072 | 1.12 |
| Ibiden Company Limited | 11,000 | 85,965 | 1.11 |
| Nippon Electric Glass Company Limited | 34,000 | 103,054 | 1.32 |
| Nissha Company Limited | 30,500 | 44,927 | 0.58 |
| TDK Corporation | 22,500 | 151,133 | 1.94 |
| Wacom Company Limited | 41,000 | 26,937 | 0.35 |
| Total Electronics | | 499,088 | 6.42 |
| ENGINEERING AND CONSTRUCTION | | | |
| JGC Holdings Corporation | 69,000 | 112,298 | 1.44 |
| Kumagai Gumi Company Limited | 25,500 | 91,928 | 1.18 |
| Mirait One Corporation | 20,500 | 38,110 | 0.49 |
| Penta-Ocean Construction Company Limited | 81,000 | 64,144 | 0.83 |
| Totetsu Kogyo Company Limited | 19,000 | 60,230 | 0.77 |
| Yokogawa Bridge Holdings Corporation | 13,000 | 32,981 | 0.43 |
| Total Engineering and Construction | | 399,691 | 5.14 |
| FOOD | | | |
| Morinaga & Company Limited | 34,000 | 86,989 | 1.12 |
| Nissui Corporation | 171,000 | 129,806 | 1.67 |
| San-A Company Limited | 13,000 | 59,215 | 0.76 |
| Total Food | | 276,010 | 3.55 |
| HAND/MACHINE TOOLS | | | |
| DMG Mori Company Limited | 24,500 | 66,162 | 0.85 |
| Total Hand/Machine Tools | | 66,162 | 0.85 |

The accompanying notes form an integral part of these financial statements

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

| | Holdings at 31 December 2023 | Fair value at 31 December 2023 JPY'000 | Percentage of total net assets attributable to unitholders at 31 December 2023 % |
|--|------------------------------------|---|--|
| Quoted Equities (continued) | | | |
| HEALTHCARE-PRODUCTS | | | |
| Fujifilm Holdings Corporation | 24,000 | 203,352 | 2.61 |
| Total Healthcare-Products | | <u>203,352</u> | <u>2.61</u> |
| HOME BUILDERS | | | |
| Sekisui Chemical Company Limited | 39,500 | 80,284 | 1.03 |
| Sumitomo Forestry Company Limited | 22,000 | 92,466 | 1.19 |
| Total Home Builders | | <u>172,750</u> | <u>2.22</u> |
| HOME FURNISHINGS | | | |
| Maxell Limited | 21,500 | 33,540 | 0.43 |
| Panasonic Holdings Corporation | 93,000 | 129,875 | 1.67 |
| Sony Group Corporation | 27,500 | 368,775 | 4.74 |
| Total Home Furnishings | | <u>532,190</u> | <u>6.84</u> |
| INTERNET | | | |
| LY Corporation | 294,000 | 146,912 | 1.89 |
| Total Internet | | <u>146,912</u> | <u>1.89</u> |
| IRON/STEEL | | | |
| Japan Steel Works Limited | 18,500 | 45,325 | 0.58 |
| Total Iron/Steel | | <u>45,325</u> | <u>0.58</u> |
| LEISURE TIME | | | |
| Globeride Incorporated | 14,000 | 28,098 | 0.36 |
| Total Leisure Time | | <u>28,098</u> | <u>0.36</u> |
| MACHINERY-CONSTRUCTION & MINING | | | |
| Hitachi Limited | 19,000 | 193,230 | 2.48 |
| Mitsubishi Heavy Industries Limited | 14,000 | 115,374 | 1.48 |
| Total Machinery-Construction & Mining | | <u>308,604</u> | <u>3.96</u> |
| MACHINERY-DIVERSIFIED | | | |
| Ebara Corporation | 13,000 | 108,524 | 1.40 |
| Kubota Corporation | 50,000 | 106,125 | 1.36 |
| Sumitomo Heavy Industries Limited | 13,000 | 46,215 | 0.59 |
| Total Machinery-Diversified | | <u>260,864</u> | <u>3.35</u> |
| MEDIA | | | |
| Sky Perfect JSAT Holdings Incorporated | 85,000 | 59,330 | 0.76 |
| Total Media | | <u>59,330</u> | <u>0.76</u> |
| METAL FABRICATE/HARDWARE | | | |
| Ryobi Limited | 15,000 | 39,870 | 0.51 |
| Total Metal Fabricate/Hardware | | <u>39,870</u> | <u>0.51</u> |

The accompanying notes form an integral part of these financial statements

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

| | Holdings at 31 December 2023 | Fair value at 31 December 2023 JPY'000 | Percentage of total net assets attributable to unitholders at 31 December 2023 % |
|--|------------------------------------|---|--|
| Quoted Equities (continued) | | | |
| MINING | | | |
| Dowa Holdings Company Limited | 8,500 | 43,792 | 0.56 |
| Sumitomo Metal Mining Company Limited | 32,500 | 137,995 | 1.77 |
| Total Mining | | <u>181,787</u> | <u>2.33</u> |
| OFFICE/BUSINESS EQUIPMENT | | | |
| Canon Marketing Japan Incorporated | 15,500 | 66,278 | 0.85 |
| Sato Holdings Corporation | 13,500 | 28,566 | 0.37 |
| Total Office/Business Equipment | | <u>94,844</u> | <u>1.22</u> |
| OIL AND GAS | | | |
| INPEX Corporation | 85,000 | 161,883 | 2.08 |
| Total Oil and Gas | | <u>161,883</u> | <u>2.08</u> |
| PHARMACEUTICALS | | | |
| Santen Pharmaceutical Company Limited | 30,000 | 42,150 | 0.54 |
| Takeda Pharmaceutical Company Limited | 23,000 | 93,242 | 1.20 |
| Tsumura & Company | 4,000 | 10,626 | 0.14 |
| Total Pharmaceuticals | | <u>146,018</u> | <u>1.88</u> |
| REAL ESTATE | | | |
| Mitsubishi Estate Company Limited | 45,500 | 88,407 | 1.14 |
| Nomura Real Estate Holdings Incorporated | 21,000 | 77,889 | 1.00 |
| Tokyu Fudosan Holdings Corporation | 112,000 | 100,957 | 1.30 |
| Total Real Estate | | <u>267,253</u> | <u>3.44</u> |
| RETAIL | | | |
| Iwatani Corporation | 4,000 | 25,732 | 0.33 |
| J Front Retailing Company Limited | 49,000 | 62,867 | 0.81 |
| Kojima Company Limited | 40,000 | 31,280 | 0.40 |
| Snow Peak Incorporated | 38,000 | 35,150 | 0.45 |
| United Arrows Limited | 4,000 | 7,552 | 0.10 |
| Total Retail | | <u>162,581</u> | <u>2.09</u> |
| SEMICONDUCTORS | | | |
| Rohm Company Limited | 48,000 | 129,720 | 1.67 |
| SUMCO Corporation | 36,500 | 77,179 | 0.99 |
| Total Semiconductors | | <u>206,899</u> | <u>2.66</u> |
| TELECOMMUNICATIONS | | | |
| KDDI Corporation | 15,000 | 67,290 | 0.87 |
| Nippon Telegraph & Telephone Corporation | 545,000 | 93,904 | 1.21 |
| Softbank Group Corporation | 15,500 | 97,542 | 1.25 |
| Total Telecommunications | | <u>258,736</u> | <u>3.33</u> |

The accompanying notes form an integral part of these financial statements

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

| | Holdings at 31 December 2023 | Fair value at 31 December 2023 JPY'000 | Percentage of total net assets attributable to unitholders at 31 December 2023 % |
|---|------------------------------------|---|--|
| Quoted Equities (continued) | | | |
| TEXTILES | | | |
| Nitto Boseki Company Limited | 14,000 | 64,330 | 0.83 |
| Total Textiles | | <u>64,330</u> | <u>0.83</u> |
| TOYS/GAMES/HOBBIES | | | |
| Nintendo Company Limited | 41,000 | 301,719 | 3.88 |
| Total Toys/Games/Hobbies | | <u>301,719</u> | <u>3.88</u> |
| TRANSPORTATION | | | |
| Nishi-Nippon Railroad Company Limited | 23,000 | 54,959 | 0.71 |
| Seibu Holdings Incorporated | 29,500 | 57,732 | 0.74 |
| Total Transportation | | <u>112,691</u> | <u>1.45</u> |
| Total Quoted Equities | | <u>7,540,339</u> | <u>96.94</u> |
| Portfolio of investments | | 7,540,339 | 96.94 |
| Other net assets | | 238,197 | 3.06 |
| Net assets attributable to unitholders | | <u>7,778,536</u> | <u>100.00</u> |

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON JAPAN FUND

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

STATEMENT OF PORTFOLIO

As at 31 December 2023

| By Industry (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 % |
|---|--|--|
| Aerospace/Defense | 1.64 | 1.61 |
| Apparel | 0.60 | 2.00 |
| Auto Manufacturers | 5.17 | 7.27 |
| Auto Parts & Equipment | 2.05 | 3.57 |
| Banks | 8.59 | 8.88 |
| Building Materials | 0.54 | 0.84 |
| Chemicals | 4.93 | 3.54 |
| Commercial Services | 0.75 | 0.60 |
| Computers | 1.78 | 2.09 |
| Distribution/Wholesale | 1.90 | 5.66 |
| Diversified Financial Services | 2.99 | 1.54 |
| Electric | 1.16 | 1.24 |
| Electrical Component & Equipment | 0.61 | 0.47 |
| Electronics | 6.42 | 4.66 |
| Engineering and Construction | 5.14 | 4.50 |
| Food | 3.55 | 2.01 |
| Forest Products & Paper | - | 0.45 |
| Hand/Machine Tools | 0.85 | 0.73 |
| Healthcare-Products | 2.61 | - |
| Home Builders | 2.22 | - |
| Home Furnishings | 6.84 | 6.23 |
| Internet | 1.89 | 1.04 |
| Iron/Steel | 0.58 | 0.91 |
| Leisure Time | 0.36 | 1.23 |
| Machinery-Construction & Mining | 3.96 | 3.38 |
| Machinery-Diversified | 3.35 | 3.18 |
| Media | 0.76 | 0.97 |
| Metal Fabricate/Hardware | 0.51 | 0.36 |
| Mining | 2.33 | 2.50 |
| Office/Business Equipment | 1.22 | 0.97 |
| Oil and Gas | 2.08 | 1.23 |
| Pharmaceuticals | 1.88 | 3.38 |
| Real Estate | 3.44 | 2.94 |
| Retail | 2.09 | 4.21 |
| Semiconductors | 2.66 | 2.04 |
| Telecommunications | 3.33 | 5.12 |
| Textiles | 0.83 | - |
| Toys/Games/Hobbies | 3.88 | 4.39 |
| Transportation | 1.45 | 1.56 |
| | 96.94 | 97.30 |
| Portfolio of investments | 96.94 | 97.30 |
| Other net assets | 3.06 | 2.70 |
| Net assets attributable to unitholders | 100.00 | 100.00 |

As the Fund is invested wholly into Japanese equities, it is not meaningful to classify the investments into geography.

The accompanying notes form an integral part of these financial statements

NIKKO AM SHENTON JAPAN 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 Japan Fund (the "Fund") is a Singapore domiciled fund constituted under a Trust Deed dated 3 December 1985, 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"). The Sub-Manager of the Fund is Nikko Asset Management Co., Ltd., domiciled in Japan.

There are five classes of units established within the Fund, namely the SGD Class, SGD Hedged Class, USD Class, USD Hedged Class and RMB Class. The classes may differ in terms of their class currency, the minimum subscription amounts applicable and the hedging features applicable to certain classes.

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 JAPAN 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 equities securities 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 JAPAN 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 Japanese Yen. The Manager considers the Japanese Yen as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are expressed in Japanese Yen, which is the Fund's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency monetary assets and liabilities are translated into Japanese Yen 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 Japanese Yen at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

(j) 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.

NIKKO AM SHENTON JAPAN 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)

(k) 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.

(l) Expenses

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

(m) 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.

(n) 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;

NIKKO AM SHENTON JAPAN 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

3. Income tax (continued)

- (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 JPY'000 | 2022 JPY'000 |
|---------------------|-----------------|-----------------|
| Overseas income tax | <u>27,604</u> | <u>26,804</u> |

The overseas income tax represents tax deducted at source on dividend derived from outside Singapore.

4. Receivables

| | 2023 JPY'000 | 2022 JPY'000 |
|---|-----------------|-----------------|
| Receivable from unitholders for creation of units | 59,704 | 9,283 |
| Dividends receivable | 12,829 | 8,524 |
| | <u>72,533</u> | <u>17,807</u> |

5. Payables

| | 2023 JPY'000 | 2022 JPY'000 |
|--|-----------------|-----------------|
| Payable to unitholders for cancellation of units | 84,703 | 1,874 |
| Amount due to the Manager | 21,187 | 15,771 |
| Valuation fee payable | 1,157 | 316 |
| Transfer agent fee payable | 953 | 302 |
| Provision for audit fee | 1,632 | 1,367 |
| Custody fee payable | 612 | 233 |
| Other payables | 38 | 5 |
| | <u>110,282</u> | <u>19,868</u> |

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.

NIKKO AM SHENTON JAPAN 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. 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 JPY'000 | 2022 JPY'000 | 2023 JPY'000 | 2022 JPY'000 | 2023 JPY'000 | 2022 JPY'000 |
| Forward foreign exchange contracts | 50,636 | - | 245 | - | - | - |

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.

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

As at 31 December 2022, there is no position of financial assets which are subject to enforceable master netting agreements or similar agreements

| | Gross amounts of recognised financial assets JPY'000 | Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position JPY'000 | Net amounts of financial assets presented in the Statement of Financial Position JPY'000 | Related accounts not set-off in the Statement of Financial Position | | |
|------------------------------------|---|---|---|---|----------------------------|-------------------------|
| | | | | Financial instruments JPY'000 | Cash collateral JPY'000 | Net exposure JPY'000 |
| Forward foreign exchange contracts | 245 | - | 245 | - | - | 245 |

(ii) Offsetting financial liabilities

As at 31 December 2023 and 2022, there is no position of financial liabilities which are subject to enforceable master netting agreements or similar agreements

NIKKO AM SHENTON JAPAN 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. 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 | 43,112,152 | 44,325,074 |
| Units created | 13,587,943 | 13,934,879 |
| Units cancelled | (10,893,314) | (15,147,801) |
| Units at end of the financial year | 45,806,781 | 43,112,152 |
| Net assets attributable to unitholders - JPY'000 | 7,778,536 | 5,745,017 |
| Net asset value per unit - JPY | 169.812 | 133.257 |

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 |
|--|----------------|-------------|
| | JPY | JPY |
| Net assets attributable to unitholders per financial statements per unit | 169.812 | 133.257 |
| Effect for movement in the net assets value between the last dealing date and the end of the reporting period [^] | 0.011 | 0.005 |
| Net assets attributable to unitholders for issuing/redeeming per unit | 169.823 | 133.262 |

[^] 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.

NIKKO AM SHENTON JAPAN 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. 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 primary objective is to achieve medium to long term capital appreciation by investing in a diversified portfolio of equity investments listed in Japan.

The Manager will seek to add value by selectively over/under weighting benchmark components to achieve relative out performance and blending the mix with a selection of non benchmark components to deliver absolute outperformance.

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 industries in Japan.

The benchmark against which the Fund's performance is measured is the TOPIX Index (Net Total Return) (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: 15%). 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 JAPAN 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. 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.

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

| As at 31 December 2023 | JPY JPY'000 | SGD JPY'000 | USD JPY'000 | Total JPY'000 |
|---|------------------|-----------------|----------------|------------------|
| Assets | | | | |
| Portfolio of investments | 7,540,339 | - | - | 7,540,339 |
| Sales awaiting settlement | 13,068 | - | - | 13,068 |
| Receivables | 12,829 | 59,704 | - | 72,533 |
| Cash and cash equivalents | 95,264 | 179,346 | 115 | 274,725 |
| Total assets | 7,661,500 | 239,050 | 115 | 7,900,665 |
| Liabilities | | | | |
| Payables | - | 110,282 | - | 110,282 |
| Purchases awaiting settlement | 12,092 | - | - | 12,092 |
| Total liabilities | 12,092 | 110,282 | - | 122,374 |
| Net off-balance sheet derivative financial instruments | 50,690 | (50,445) | - | |
| Net currency exposure | 7,700,098 | 78,323 | 115 | |
| As at 31 December 2022 | | | | |
| Assets | | | | |
| Portfolio of investments | 5,590,027 | - | - | 5,590,027 |
| Sales awaiting settlement | 9,337 | - | - | 9,337 |
| Receivables | 8,524 | 9,283 | - | 17,807 |
| Cash and cash equivalents | 88,804 | 88,450 | 109 | 177,363 |
| Total assets | 5,696,692 | 97,733 | 109 | 5,794,534 |
| Liabilities | | | | |
| Payables | - | 19,868 | - | 19,868 |
| Purchases awaiting settlement | 29,649 | - | - | 29,649 |
| Total liabilities | 29,649 | 19,868 | - | 49,517 |
| Net currency exposure | 5,667,043 | 77,865 | 109 | |

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

8. 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, 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 |
| | JPY'000 | JPY'000 |
| Payables | 110,282 | 19,868 |
| Purchases awaiting settlement | 12,092 | 29,649 |
| Contractual cash outflows | 122,374 | 49,517 |

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

8. 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.

Although the Fund does not have a concentration of credit risk that arises from exposure to a single counterparty, the Fund has material exposure to Japan that might potentially be subjected to economic, political and regulatory risks. 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 |
| Counterparties of forward foreign exchange contracts | | | |
| - ING Baring | Baa1 | 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

8. 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 JPY'000 | Level 2 JPY'000 | Level 3 JPY'000 | Total JPY'000 |
|-------------------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| Assets | | | | |
| Portfolio of investments: | | | | |
| - Quoted equities | 7,540,339 | - | - | 7,540,339 |
| Financial derivatives at fair value | - | 245 | - | 245 |
| | <u>7,540,339</u> | <u>245</u> | <u>-</u> | <u>7,540,584</u> |
| As at 31 December 2022 | Level 1 JPY'000 | Level 2 JPY'000 | Level 3 JPY'000 | Total JPY'000 |
| Assets | | | | |
| Portfolio of investments: | | | | |
| - Quoted equities | 5,590,027 | - | - | 5,590,027 |

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities. 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 over-the-counter derivatives.

The assets and liabilities included in the Statement of Financial Position except portfolio of investments and financial derivatives 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

9. 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 | 2022 |
|--|----------------|---------|
| | JPY'000 | JPY'000 |
| Bank balances held with related party of the Trustee | 274,725 | 177,363 |

10. Financial ratios

Expense ratio

| | | 2023 | 2022 |
|--|----------|------------------|-----------|
| <u>SGD Class</u> | | | |
| Total operating expenses | JPY'000 | 78,303 | 66,820 |
| Average daily net asset value | JPY'000 | 6,814,727 | 5,903,724 |
| Total expense ratio¹ | % | 1.15 | 1.13 |

Turnover ratio

| | | 2023 | 2022 |
|--|----------|------------------|-----------|
| Lower of total value of purchases or sales | JPY'000 | 2,253,373 | 1,912,206 |
| Average daily net asset value | JPY'000 | 6,814,727 | 5,903,724 |
| Total turnover ratio² | % | 33.07 | 32.39 |

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.

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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 15 to 20.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 largest holdings at 31 December 2023

| | Fair value JPY'000 | Percentage of total net assets attributable to unitholders % |
|--|-----------------------|--|
| Sony Group Corporation | 368,775 | 4.74 |
| Nintendo Company Limited | 301,719 | 3.88 |
| Mitsubishi UFJ Financial Group Incorporated | 264,107 | 3.40 |
| Toyota Motor Corporation | 227,964 | 2.93 |
| Fujifilm Holdings Corporation | 203,352 | 2.61 |
| Sumitomo Mitsui Financial Group Incorporated | 202,960 | 2.61 |
| Hitachi Limited | 193,230 | 2.48 |
| INPEX Corporation | 161,883 | 2.08 |
| TDK Corporation | 151,133 | 1.94 |
| Mitsubishi Gas Chemical Company Incorporated | 151,119 | 1.94 |

10 largest holdings at 31 December 2022

| | Fair value JPY'000 | Percentage of total net assets attributable to unitholders % |
|--|-----------------------|--|
| Sony Group Corporation | 260,910 | 4.54 |
| Nintendo Company Limited | 204,684 | 3.56 |
| Mitsui & Company Limited | 200,356 | 3.49 |
| Hitachi Limited | 194,039 | 3.38 |
| Mitsubishi UFJ Financial Group Incorporated | 191,135 | 3.33 |
| Toyota Motor Corporation | 184,875 | 3.22 |
| Sumitomo Mitsui Financial Group Incorporated | 148,288 | 2.58 |
| Nippon Telegraph & Telephone Corporation | 127,908 | 2.23 |
| Asics Corporation | 115,103 | 2.00 |
| Takeda Pharmaceutical Company Limited | 106,886 | 1.86 |

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REPORT TO UNITHOLDERS

For the financial year ended 31 December 2023

4. Exposure to financial derivatives

| | Fair value at 31 December 2023 JPY'000 | Percentage of total net assets attributable to unitholders at 31 December 2023 % | Unrealised gains/(losses) JPY'000 | Realised gains/(losses) JPY'000 |
|---------------------------------------|---|--|---|---------------------------------------|
| Forward foreign exchange contracts | 245 | - | 245 | 2,785 |

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:

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

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

| | JPY'000 |
|-----------------|-------------|
| Units created | 2,221,064 |
| Units cancelled | (1,755,422) |

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REPORT TO UNITHOLDERS

For the financial year ended 31 December 2023

11. Turnover ratio

Please refer to Note 10 of the Notes to the Financial Statements on page 33.

12. Expense ratio

Please refer to Note 10 of the Notes to the Financial Statements on page 33.

13. Related party transactions

Please refer to Note 9 of the Notes to the Financial Statements on page 33.

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.

The Sub-Managers of the Fund do not receive or intend to receive any soft dollars commissions, or enter into soft dollars arrangements, in respect of the Fund.

