**IMPORTANT ANNOUNCEMENT – WAIVERS FROM COMPLIANCE WITH CERTAIN RULES OF THE SGX-ST LISTING MANUAL**

We, **Nikko Asset Management Asia Limited** (the "**Manager**"), the manager of Nikko AM SGD Investment Grade Corporate Bond ETF (the "**Fund**") wish to announce that pursuant to an application made by us on 18 May 2018 to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the SGX-ST granted waivers in respect of the Fund from compliance with the following rules under the listing manual (the "**Rules**") of the SGX-ST on 11 July 2018. The waivers granted by the SGX-ST and the reasons for seeking the waivers are set out below:

**(1) Rule 404(1)(a)**

Rule 404(1)(a) of the Listing Manual states that an investment fund denominated in Singapore Dollar must have a minimum asset size of at least S$20 million.

The amount to be raised by the Fund would depend on, among others, the issue price of the Units, the prevailing market conditions during the initial offer period and the levels of subscription. Under such circumstances, it would not be possible to determine, until the close of the initial offer period, whether the Fund has a minimum asset size of at least S$20 million.

In view of the above, the SGX-ST granted a waiver from compliance with Rule 404(1)(a), subject to the appointment of at least one designated market maker (approved by the Member Supervision function of the SGX-ST) to make market in the Fund's units to ensure there will be a ready market for the trading of the Fund's units.

**(2) Rule 404(3)(a)**

Rule 404(3)(a) of the Listing Manual states that an investment fund denominated in Singapore Dollar must limit its investments in companies which are related to the investment fund's substantial shareholders, investment managers or management companies, to a maximum of 10% of gross assets.

The investment fund may invest in companies which are related to the Fund's substantial shareholders and subject always to compliance with the relevant requirements under the Code on Collective Investment Schemes (the "**Code**").

In view of the above, the SGX-ST granted a waiver from compliance with Rule 404(3)(a) under the circumstances where the Fund invests in companies which are related to the Fund's substantial shareholders, subject to compliance with the relevant requirements under the Code.

**(3) Rule 404(3)(c)**

Rule 404(3)(c) states that the investment fund must restrict investments in unlisted securities to 30% of gross assets.

It is currently envisaged that the initial portfolio of the Index will comprise mainly of unlisted bonds traded over-the-counter (OTC). In following the methodology of the Index by representative sampling, the Manager will likely have to invest the Fund's assets in unlisted bonds as well.

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The Fund will however comply with the relevant requirements under the Code. Under paragraph 1 of the Appendix 1 of the Code, the Fund may invest in transferable securities (TS) (including bonds and other securitised debt instruments) which satisfy the requirements for TS in the Code.

In view of the above, the SGX-ST granted a waiver from compliance with Rule 404(3)(c), subject to compliance with the relevant requirements under the Code.

**(4) Rules 404(4) and 617**

Rule 404(4) of the Listing Manual states that a newly formed investment fund must not change its investment objective and policy in the first three years unless approved by a special resolution of the shareholders in a general meeting.

Rule 617 of the Listing Manual requires (among others), in the case of a newly formed investment fund, a statement in the prospectus that the investment policy will be adhered to for at least three years following the issue of the prospectus, unless otherwise agreed by the shareholders of the investment fund by a special resolution in general meeting.

Whilst the Manager does not currently intend to change the investment objective of the Fund during its first three years, there may be instances where the investment policy of the Fund may need to change pursuant to the requirement of any regulatory authorities or as a result of a change in the applicable laws and regulations or due to changes in market environment or changes in relation to the Index (e.g. the Index ceases to be compiled or published or if the licence agreement with respect to the Index is terminated for any reason).

Under the Code, the manager of a Singapore authorised collective investment scheme ("**CIS**")) is required to inform the Monetary Authority of Singapore (the "**Authority**") and existing participants of the scheme of any significant change to be made to the scheme (including a change of investment focus of the scheme or investment approach of the manager) not later than one month before the change is to take effect. To require a special resolution by unitholders in general meeting to approve any change of investment objective or investment policy to comply with applicable laws or for non-material changes is administratively cumbersome, time consuming and costly to the Fund.

In view of the above, the SGX-ST granted a waiver from compliance with Rules 404(4) and 617, to the extent that unitholders' approval should be sought unless (i) the change of the investment objective or policy is required pursuant to the requirement of any regulatory authority in Singapore or elsewhere or pursuant to the change in the laws and regulations in any jurisdiction or (ii) if the change of the investment objective or policy is not material.

**(5) Rules 705(1), 705(3)(b) and 705(4)**

These Rules provide (among others) that an issuer must announce the financial statements for the first half and the full financial year immediately after the figures are available, but in any event not later than 45 or 60 days respectively after the relevant financial period.

The financial year end of the Fund is 30 June every year. As provided in the prospectus and in accordance with the relevant provisions of the Code, when available, unitholders may obtain electronic copies of (i) the annual accounts and the annual report of the Fund for the relevant financial year from the Manager's website and such annual accounts and annual report will be made available on the Manager's website within 3 months of the financial year-end of the Fund; and (ii) the semi-annual accounts and semi-annual report will be made available on the

Manager's website within 2 months of the end of the period covered by the relevant report and accounts.

As the Fund is a collective investment scheme authorised under section 286 of the SFA, it will be required to comply with the financial reporting requirements under the Code.

The Code sets out the time period within which accounts and reports of an authorised collective investment scheme have to be sent to unitholders under paragraph 2.3(b) of the Code and the content of the accounts and reports of an authorised collective investment scheme are set out in Chapter 5 of the Code.

Under paragraph 2.3(b) of the Code:

(i) the semi-annual accounts and semi-annual report relating to an authorised collective investment scheme must be sent to participants within two months from the end of the period covered by the accounts and report; and

(ii) the annual accounts, report of the auditors on the annual accounts and annual report relating to an authorised collective investment scheme must be sent to participants within three months from the end of each financial year of the authorised collective investment scheme.

Under paragraph 5.1 of the Code, the half-yearly financial statements and the audited financial statements of an authorised collective investment scheme should be prepared in the manner prescribed by the Institute of Certified Public Accountants in Statement of Recommended Accounting Practice 7: Reporting Framework for Unit Trusts. The contents of the semi-annual report and annual report of an authorised collective scheme are also required to comply with paragraph 5.2 of the Code.

In addition to complying with the financial reporting requirements under the Code, the Manager will also arrange for the Net Asset Value per Unit of the Fund to be published on its website on the business day following each dealing day.

It is expected that the following information relating to the Fund will also be published on the Manager's website:

- monthly holdings, the closing Net Asset Value and Net Asset Value per Unit and monthly fund performance information.

The Manager is of the view that compliance with the financial reporting requirements under the Code and publication of the above information on the Manager's website will provide investors with information on the financial performance of the Fund on a timely basis.

In view of the above, the SGX-ST granted a waiver from compliance with Rules 705(1), 705(3)(b) and 705(4) provided that the Fund must announce via SGXNET its semi-annual and full year financial results within two months and three months after the end of the relevant financial period respectively.

**(6) <u>Rule 723</u>**

Rule 723 of the Listing Manual states that an issuer must ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.

The Manager believes that non-compliance with Rule 723 will not necessarily result in a disorderly market in the Units or a cornered situation in the trading of the Units, as market makers will be appointed to create liquidity for investors. Further, Rule 404(9)(a)(xiii) expressly exempts an exchange traded fund from Rule 724, which apply in the event that Rule 723 is not complied with.

In view of the above, the SGX-ST granted a waiver from compliance with Rule 723, subject to the appointment of at least one designated market maker (approved by the Member Supervision function of the SGX-ST) to make market in the Fund's units to ensure there will be a ready market for the trading of the Fund's units.

**(7) Rule 725**

Rule 725 of the Listing Manual states that an issuer must appoint two authorised representatives who must be either directors or a director and the company secretary.

The Fund does not have a board or any appointment holders and since the Fund will not have any directors or company secretary whom it can appoint as authorised representative.

As such, the SGX-ST granted a waiver from compliance with Rule 725 provided that the SGX-ST will be notified of any proposed change of the Manager's representative, together with the name(s) and relevant particulars of the replacement(s), prior to the change being effective and SGX-ST reserves the right to require the Manager to appoint a replacement if any representative is not fulfilling his or her responsibilities.

**(8) Rule 748(1)**

Rule 748(1) of the Listing Manual provides that an investment fund must announce via SGXNET its net tangible assets per share or per unit at the end of each week.

The Manager will post the net asset value per Unit of the Fund for each dealing day on its website by the next business day after such dealing day.

In view of the above, the SGX-ST granted a waiver from compliance with Rule 748(1), subject to the Manager providing the net asset value per unit, the sale and redemption price of units and the dealing days to which the net asset value per unit and the prices relate, at the website of the Manager and an announcement on the net asset value per unit on SGXNET at the end of each week.

**(9) Rule 748(4)**

Rule 748(4) of the Listing Manual states that an investment fund must seek shareholders' approval for any change of the investment manager.

Under Clause 31.2 of the draft Trust Deed, unitholders have the right to remove the Manager. However, the Manager may also be removed by notice in writing given by the Trustee under the following circumstances:

(a) if the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms notified in writing to the Trustee two (2) months before the effective date of the liquidation) or shall be adjudged a bankrupt or insolvent or appoints a liquidator or if a judicial manager or a receiver shall be appointed in respect of the property or undertaking of the Manager or any part thereof or the Manager is the subject of any analogous proceedings or procedure in each case under

the law of Singapore or such other law as may be applicable in the circumstances;

(b) following a material breach of the Manager's obligations under this Deed which, if the breach is capable of remedy, the Manager fails to remedy within 30 days of being specifically required in writing so to do by the Trustee, and the Trustee is of the opinion and so states in writing to the Manager that a change of Manager is desirable in the interests of Holders; or

(c) if the Authority directs the Trustee to remove the Manager.

The purpose of permitting the removal of the Manager without unitholders' approval under the circumstances set out above is to allow the Trustee and the Authority to effectively safeguard the interests of unitholders in a timely manner in situations where the Manager is no longer in a capacity to discharge its duties in respect of the Fund.

It is also intended that the Manager shall have the power to retire in favour of some other person considered by the Trustee to be suitably qualified and eligible to be the manager of the Fund and who is acceptable to the Authority, by giving three months' prior notice in writing to that effect to the Trustee. It is submitted that it is reasonable to allow, and unitholders' interest will not be prejudiced by allowing, the Manager to retire in favour of some other person who is considered by the Trustee to be suitably qualified and eligible, and who is acceptable to the Authority.

In view of the above, the SGX-ST granted a waiver from compliance with Rule 748(4), subject to the Manager providing an undertaking that, where unitholders' approval is not required for any change of the investment manager in the situations provided for in the Trust Deed or pursuant to the Code, prior notification will nonetheless be given to investors via SGXNET and to the Authority.

**Issued by Nikko Asset Management Asia Limited (as manager of the Fund)**

**14 August 2018**

**Important**: The SGX-ST takes no responsibility for the accuracy of any of the statements or opinions made in this announcement. This announcement is published for your information only. **If you are in any doubt about this announcement, you should consult your stockbroker, bank manager, solicitor, professional accountant or other independent advisers.**

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