nikko am
Nikko Asset Management

SEMI-ANNUAL REPORT

For the financial period ending 31 December 2016

Nikko AM Singapore STI ETF

MANAGERS

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

DIRECTORS

Lim Say Boon
Lim Soon Chong
Seet Oon Hui Eleanor
David Jonathan Semaya
Yu-Ming Wang

TRUSTEE & REGISTRAR

HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay, #13-02 HSBC Building
Singapore 049320

AUDITORS

PricewaterhouseCoopers LLP
8 Cross Street, #17-00 PWC Building
Singapore 048424

CUSTODIAN

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central, Hong Kong

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*	*Since Inception*
Straits Times Index	0.79	3.53	3.82	0.35	5.13	11.29
Nikko AM Singapore STI ETF[1]	0.71	3.21	3.28	-0.05	4.66	10.44

Source: © 2016 Morningstar. All Rights Reserved., FTSE International Ltd. & Nikko Asset Management Asia Limited, returns as at 31 December 2016. Benchmark returns are calculated on a total return basis. Returns are calculated on a NAV-NAV[2] basis, in SGD, and assuming 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.

Note:
(1) With effect from 17 October 2011, the Fund (formerly known as "DBS Singapore STI ETF") has been renamed "Nikko AM Singapore STI ETF".
(2) Nil subscription fee or preliminary charge.

Inception date: 24 February 2009

About Nikko AM Singapore STI ETF

The Nikko AM Singapore STI ETF (the "Fund") is an exchange traded fund ("ETF") and a collective investment scheme, authorised in Singapore and listed on the Singapore Stock Exchange.

The Fund's investment objective is to replicate as closely as possible, before expenses, the performance of the Straits Times Index (STI) or upon the Manager giving three (3) months' prior written notice to the Trustee and the Holders, such other index which tracks the performance of Singapore listed equity securities. The current benchmark for the Fund is the Straits Times Index (STI), in total returns. There can be no assurance that the Fund will achieve its investment objective.

The Fund will seek to achieve its investment objective by investing all, or substantially all, of its assets in Index Shares in substantially the same weightings as reflected in the Index (i.e. using a full replication strategy). Various circumstances may make it impossible or impracticable to purchase each component Index Share in the same weightings as reflected in the Index. In those circumstances, the Manager may employ a combination of one or more investment techniques in seeking to closely track the Index. In addition, given that Index Shares may be and are added to or removed from the Index from time to time, the Manager may sell or purchase securities that are not yet represented in the Index in anticipation of their removal from or addition to the Index.

The Fund is designed for investors who seek an "index-based" approach to investing in a portfolio of Singapore listed securities in a cost effective and easy to access manner. Units may also be used as an asset allocation tool or as a trading instrument.

Note: Investors are advised to refer to the Fund's prospectus for more details of the Fund.

IMPORTANT INFORMATION

This document is for information only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. 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 unit trusts 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 funds may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the funds are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus and product highlights sheet obtainable from appointed distributors of Nikko AM Asia or our website (www.nikkoam.com.sg) before investing.

The information contained herein may not be copied, reproduced or redistributed without the express consent of Nikko AM Asia. While reasonable care has been taken to ensure the accuracy of the information as at the date of publication, Nikko AM Asia does not give any warranty or representation, either express or implied, and expressly disclaims liability for any errors or omissions. Information may be subject to change without notice. Nikko AM Asia accepts no liability for any loss, indirect or consequential damages, arising from any use of or reliance on this document.

The performance of the ETF's price on the Singapore Stock Exchange ("SGX") may be different from the net asset value per unit of the ETF. The ETF may also be delisted from the SGX. Transaction in units of the ETF will result in brokerage commissions. Listing of the units does not guarantee a liquid market for the units. Units of the ETF may be bought or sold throughout trading hours of the SGX through any brokerage account. Investors should note that the ETF differs from a typical unit trust and units may only be created or redeemed directly by a participating dealer in large creation or redemption units. Investors may only redeem the units with Nikko AM Asia under certain specified conditions.

The CPF interest rate for the Ordinary Account ("OA") is based on the 12-month fixed deposit and month-end savings rates of major local banks, subject to a minimum 2.5% interest per annum. The interest rate for Special, Medisave and Retirement Accounts ("SMRA") is pegged to the 12-month average yield of 10-year Singapore Government Securities yield plus 1%. A 4% floor rate will be maintained for interest earned on SMRA until 31 December 2016, after which a 2.5% minimum rate will apply. An extra 1% interest is paid on the first S$60,000 of a member's combined balances, including up to S$20,000 in the OA. The first S$20,000 in the OA and the first S$40,000 in the Special Account ("SA") cannot be invested under the CPF Investment Scheme ("CPFIS").

The units of Nikko AM Singapore STI ETF are not in any way sponsored, endorsed, sold or promoted by FTSE International Limited ("FTSE"), the London Stock Exchange Plc (the "Exchange"), The Financial Times Limited ("FT") SPH Data Services Pte Ltd ("SPH") or Singapore Press Holdings Ltd ("SGP") (collectively, the "Licensor Parties") and none of the Licensor Parties make any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the Straits Times Index ("Index") and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE. None of the Licensor Parties shall be under any obligation to advise any person of any error therein.

"FTSE®", "FT-SE®" are trade marks of the Exchange and the FT and are used by FTSE under license. "STI" and "Straits Times Index" are trade marks of SPH and are used by FTSE under licence. All intellectual property rights in the ST index vest in SPH and SGP.

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

The primary objective of the Manager in placing orders for the purchase and sale of Index Shares and non-Index Shares, when adjusting the Nikko AM Singapore STI ETF (the "Fund") portfolio to reflect changes in the Index or in respect of a cash subscription or redemption, is to obtain the most favourable net results taking into account such factors as price, commission or spread and size of the order. Where it is consistent with this objective, it is the Manager's practice to place such orders with brokers/dealers who supply research, market information and quotations and statistical information to the Manager, which may be useful to the Manager in providing its services as manager of the Fund and/or may be useful to the Manager in providing services to other clients (including other funds managed by the Manager), other than as manager of the Fund.

Appointment of soft dollar brokers

The Manager will appoint soft dollar brokers onto its broker panel only after it has ensured that:
a) full disclosure of the practice of accepting soft dollars is made;
b) the commission rates charged are comparable with the market rates;
c) there is no conflict of interest;
d) the soft dollar credits are used only for clearly defined services;
e) at all times trades are executed through the respective brokers only on the basis of best execution regardless whether soft dollar benefits will accrue. Best execution shall include competitive prices with smooth execution ability; and
f) relevant regulations and guidelines are complied with.

The procedures for the appointment of the brokers shall be no different from that of normal full service brokers.

Execution and allocation

If the Trustee objects to the use of the soft dollar brokers, the trades of the Fund shall be segregated from the rest of the trades that are executed through the relevant soft dollar broker(s). The Manager will execute trades for such accounts only with authorised full service brokers.

It is the responsibility of the Manager to ensure that the allocation quotas are adhered to. In addition, the Manager will monitor the execution ability of the soft dollar brokers and assign the business strictly on a "best execution" basis.

Subject to the provisions of the CIS Code*, in its management of the Fund, the Manager may receive soft dollar commissions from, or may enter into soft dollar arrangements with, stockbrokers who execute trades on behalf of the Fund and the soft dollars received would be restricted to the following kinds of services:

a) specific advice as to the advisability of dealing in, or of the value of any investments;
b) research and advisory services;
c) economic and political analysis;
d) portfolio analysis including valuation and portfolio measurements;
e) market analysis;
f) data and quotation services;
g) computer hardware or software that are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis; and
h) custodial services in relation to the investments managed for clients.

The following are, however, prohibited:
a) travel, accommodation and entertainment expenses;
b) general administrative goods and services including office equipment and premises;
c) membership fees;
d) employee salaries;
e) direct money payments / rebates.

The Manager shall retain the records of the payments made using soft dollar commissions.

* The **"Code"** means the Code on Collective Investment Schemes issued by the Authority pursuant to the Securities and Futures Act, as may be amended, modified, or supplemented from time to time by the Authority.

NIKKO AM SINGAPORE STI ETF
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF TOTAL RETURN
For the financial period ended 31 December 2016 (Unaudited)

	31 December 2016 S$	31 December 2015 S$
Income		
Dividends	**2,818,801**	1,860,908
Less: Expenses		
Administrator fee	**12,619**	-
Audit fee	**12,533**	12,651
Management fee	**140,192**	95,358
Less: Management fee rebate	**(12,392)**	(6,211)
Trustee fee	**23,130**	21,455
Transaction costs	**41,247**	40,956
Other expenses	**82,022**	61,951
	299,351	226,160
Net income	**2,519,450**	1,634,748
Net gains or losses on value of investments		
Net gains/(losses) on investments	**1,834,160**	(12,516,334)
Net foreign exchange (losses)/gain	**(17,599)**	39,510
	1,816,561	(12,476,824)
Total return/(deficit) for the financial period before income tax	**4,336,011**	(10,842,076)
Less: Income tax	**(41,180)**	(26,448)
Total return/(deficit) for the financial period after income tax	**4,294,831**	(10,868,524)

NIKKO AM SINGAPORE STI ETF

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016 (Unaudited)

	31 December 2016 S$	30 June 2016 S$
ASSETS		
Portfolio of investments	**147,849,409**	128,713,701
Receivables	**306,348**	43,127
Prepayments	**1,015**	1,015
Cash and bank balances	**66,275**	985,349
Total assets	**148,223,047**	129,743,192
LIABILITIES		
Payables	**121,016**	134,888
Purchase awaiting settlement	**-**	837,768
Distribution payable	**2,986,563**	1,508,316
Total liabilities	**3,107,579**	2,480,972
EQUITY		
Net assets attributable to unitholders	**145,115,468**	127,262,220

NIKKO AM SINGAPORE STI ETF
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS
For the financial period ended 31 December 2016 (Unaudited)

	31 December 2016 S$	30 June 2016 S$
Net assets attributable to unitholders at the beginning of financial period/year	**127,262,220**	89,961,425
Operations		
Change in net assets attributable to unitholders resulting from operations	**4,294,831**	(9,310,202)
Unitholders' contributions/(withdrawals)		
Creation of units	**18,353,140**	49,680,810
Cancellation of units	**(1,808,160)**	-
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	**16,544,980**	49,680,810
Distributions	**(2,986,563)**	(3,069,813)
Total increase in net assets attributable to unitholders	**17,853,248**	37,300,795
Net assets attributable to unitholders at the end of financial period/year	**145,115,468**	127,262,220

NIKKO AM SINGAPORE STI ETF

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

STATEMENT OF PORTFOLIO

As at 31 December 2016 (Unaudited)

By Geography (Primary)	Holdings at 31 December 2016	Fair value at 31 December 2016 S$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Quoted Equities			
HONG KONG SAR			
Hongkong Land Holdings Limited	**695,566**	**6,360,917**	**4.38**
Jardine Matheson Holdings Limited	**122,000**	**9,738,000**	**6.71**
Total Hong Kong SAR		**16,098,917**	**11.09**
ISLE OF MAN			
Genting Singapore PLC	**3,561,148**	**3,222,839**	**2.22**
Total Isle of Man		**3,222,839**	**2.22**
MAURITIUS			
Golden Agri-Resources Limited	**3,774,669**	**1,623,108**	**1.12**
Total Mauritius		**1,623,108**	**1.12**
SINGAPORE			
CapitaLand Limited	**1,495,853**	**4,517,476**	**3.11**
City Developments Limited	**351,637**	**2,911,554**	**2.01**
ComfortDelGro Corporation Limited	**1,209,309**	**2,986,993**	**2.06**
DBS Group Holdings Limited	**1,051,391**	**18,231,120**	**12.56**
Global Logistic Properties Limited	**1,742,862**	**3,834,296**	**2.64**
Hutchison Port Holdings Trust	**3,005,820**	**1,888,991**	**1.30**
Jardine Cycle & Carriage Limited	**65,741**	**2,710,502**	**1.87**
Keppel Corporation Limited	**843,009**	**4,881,022**	**3.36**
Oversea-Chinese Banking Corporation Limited	**1,952,070**	**17,412,464**	**12.00**
SATS Limited	**370,352**	**1,796,207**	**1.24**
Sembcorp Industries Limited	**532,933**	**1,518,859**	**1.05**
SIA Engineering Company Limited	**132,096**	**445,164**	**0.31**
Singapore Airlines Limited	**300,428**	**2,905,139**	**2.00**
Singapore Exchange Limited	**486,051**	**3,480,125**	**2.40**
Singapore Press Holdings Limited	**945,022**	**3,335,928**	**2.30**
Singapore Technologies Engineering Limited	**917,515**	**2,963,574**	**2.04**
Singapore Telecommunications Limited	**4,322,877**	**15,778,501**	**10.87**
Starhub Limited	**351,990**	**989,092**	**0.68**
United Overseas Bank Limited	**713,207**	**14,549,423**	**10.03**
UOL Group Limited	**283,219**	**1,696,482**	**1.17**
Wilmar International Limited	**1,241,715**	**4,457,757**	**3.07**
Yangzijiang Shipbuilding Holdings Limited	**1,164,082**	**948,727**	**0.65**
Total Singapore		**114,239,396**	**78.72**

STATEMENT OF PORTFOLIO

As at 31 December 2016 (Unaudited)

By Geography (Primary) (continued)

	Holdings at 31 December 2016	Fair value at 31 December 2016 S$	Percentage of total net assets attributable to unitholders at 31 December 2016 %
Quoted Equities (continued)			
THAILAND			
Thai Beverage Public Company Limited	**5,817,716**	**4,945,059**	**3.41**
Total Thailand		**4,945,059**	**3.41**
Total Quoted Equities		**140,129,319**	**96.56**
Quoted Real Estate Investment Trusts (REITS)			
SINGAPORE			
Ascendas Real Estate Investment Trust	**1,323,664**	**3,004,717**	**2.07**
CapitaLand Commercial Trust Real Estate Investment Trust	**1,193,682**	**1,766,649**	**1.22**
CapitaLand Mall Trust Real Estate Investment Trust	**1,564,310**	**2,948,724**	**2.03**
Total Singapore		**7,720,090**	**5.32**
Total Quoted Real Estate Investment Trusts (REITS)		**7,720,090**	**5.32**
Portfolio of investments		**147,849,409**	**101.88**
Other net liabilities		**(2,733,941)**	**(1.88)**
Net assets attributable to unitholders		**145,115,468**	**100.00**

NIKKO AM SINGAPORE STI ETF
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF PORTFOLIO
As at 31 December 2016 (Unaudited)

By Geography (Summary)	**Percentage of total net assets attributable to unitholders at 31 December 2016 %**	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities		
Hong Kong SAR	**11.09**	4.24
Isle of Man	**2.22**	1.91
Mauritius	**1.12**	0.98
Singapore	**78.72**	83.92
Thailand	**3.41**	3.92
Total Quoted Equities	**96.56**	94.97
Quoted Real Estate Investment Trusts (REITS)		
Singapore	**5.32**	6.17
Total Quoted Real Estate Investment Trusts (REITS)	**5.32**	6.17
Portfolio of investments	**101.88**	101.14
Other net liabilities	**(1.88)**	(1.14)
Net assets attributable to unitholders	**100.00**	100.00

NIKKO AM SINGAPORE STI ETF
(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT OF PORTFOLIO
As at 31 December 2016 (Unaudited)

By Industry (Secondary)	**Fair value at 31 December 2016 S$**	**Percentage of total net assets attributable to unitholders at 31 December 2016 %**	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Agriculture	**15,818,865**	**10.90**	4.01
Airlines	**2,905,139**	**2.00**	2.37
Automotive	**2,710,502**	**1.87**	1.77
Banks & Finance	**53,673,132**	**36.99**	37.30
Brewery	**4,945,059**	**3.41**	3.92
Commercial Services	**445,164**	**0.31**	0.35
Engineering/Machine	**1,518,859**	**1.05**	1.10
Entertainment	**3,335,928**	**2.30**	2.77
Investment	**1,888,991**	**1.30**	1.35
Real Estate	**22,543,564**	**15.53**	15.18
Real Estate Investment Trust (REITS)	**7,720,090**	**5.32**	6.17
Ship Building	**5,829,749**	**4.01**	4.84
Technology	**2,963,574**	**2.04**	2.14
Telecom Service	**16,767,593**	**11.55**	14.27
Transport	**2,986,993**	**2.06**	2.46
Transport - Air	**1,796,207**	**1.24**	1.14
Portfolio of investments	**147,849,409**	**101.88**	101.14
Other net liabilities	**(2,733,941)**	**(1.88)**	(1.14)
Net assets attributable to unitholders	**145,115,468**	**100.00**	100.00

REPORT TO UNITHOLDERS

For the financial period ended 31 December 2016 (Unaudited)

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 8 to 11.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 largest holdings at 31 December 2016

	Cost S$	Fair value S$	Percentage of total net assets attributable to unitholders %
DBS Group Holdings Limited	**16,226,377**	**18,231,120**	**12.56**
Oversea-Chinese Banking Corporation Limited	**17,502,055**	**17,412,464**	**12.00**
Singapore Telecommunications Limited	**15,448,525**	**15,778,501**	**10.87**
United Overseas Bank Limited	**13,627,773**	**14,549,423**	**10.03**
Jardine Matheson Holdings Limited	**10,091,299**	**9,738,000**	**6.71**
Hongkong Land Holdings Limited	**5,929,506**	**6,360,917**	**4.38**
Thai Beverage Public Company Limited	**4,135,112**	**4,945,059**	**3.41**
Keppel Corporation Limited	**6,451,676**	**4,881,022**	**3.36**
CapitaLand Limited	**4,556,677**	**4,517,476**	**3.11**
Wilmar International Limited	**4,908,725**	**4,457,757**	**3.07**

3. Top 10 holdings (continued)

10 largest holdings at 31 December 2015

	Cost S$	Fair value S$	Percentage of total net assets attributable to unitholders %
DBS Group Holdings Limited	12,247,216	13,131,291	12.95
Oversea-Chinese Banking Corporation Limited	13,249,253	12,627,886	12.45
Singapore Telecommunications Limited	11,115,043	11,880,550	11.72
United Overseas Bank Limited	10,358,257	10,424,362	10.28
Hongkong Land Holdings Limited	4,405,456	5,177,541	5.11
Keppel Corporation Limited	5,572,868	4,113,259	4.06
CapitaLand Limited	3,423,323	3,771,015	3.72
Thai Beverage Public Company Limited	2,808,489	2,987,515	2.95
Global Logistic Properties Limited	2,932,251	2,860,401	2.82
Singapore Exchange Limited	2,688,318	2,810,238	2.77

4. Exposure to financial derivatives

Nil.

5. Global exposure financial derivatives

Nil.

6. Collateral

Nil.

7. Securities lending or repurchase transactions

Nil.

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

Please refer to the Statement of Portfolio on pages 8 to 11.

9. Borrowings

Nil.

10. Amount of redemptions and subscriptions for the financial period ended 31 December 2016

	S$
Units cancelled	**(1,808,160)**
Units created	**18,353,140**

11. Financial ratios

Expense ratio

		31 December 2016	31 December 2015
Total operating expenses	S$	**434,375**	353,122
Average daily net asset value	S$	**126,064,594**	99,918,334
Total expense ratio[1]	%	**0.34**	0.35

Turnover ratio

		31 December 2016	31 December 2015
Lower of total value of purchases or sales	S$	**13,051,795**	10,621,914
Average daily net asset value	S$	**139,212,443**	94,681,551
Total turnover ratio[2]	%	**9.38**	11.22

(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 31 December 2016 was based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include 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 and sales of the underlying investments, divided by the average daily net asset value. In line with Statement of Recommended Accounting Practice 7 “Reporting framework for Unit Trusts” (“RAP 7”) issued by the Institute of Singapore Chartered Accountants in June 2012, total value of purchases or sale for the current period do not include brokerage and other transaction costs.

12. Related party transactions

	31 December 2016 S$	30 June 2016 S$
Bank balances held with a related party of the Trustee	**66,275**	985,349

13. Additional information

Service Providers:

Fund Manager	: Nikko Asset Management Asia Limited appointed on 30 Oct 08;
Remuneration Basis	: 0.2% p.a. on NAV
Trustee/Custodian/ Valuation Agent/	: HSBC Institutional Trust Services (Singapore) Limited
Fund Registrar	: HSBC Institutional Trust Services (Singapore) Limited
Market Makers	: Commerzbank AG (Hong Kong), BNP Paribas Arbitrage SNC
Participating Dealers	: DBS Vickers Securities Pte Ltd, Societe General Bank & Trust (Hong Kong), Flow Traders Asia Pte Ltd, Commerzbank AG (Hong Kong) & BNP Paribas Securities Services and Philip Securities
Corporate Secretariat	: Boardroom Corporate & Advisory Services Pte Ltd
Auditor	: PricewaterhouseCoopers appointed on 02 Sep 08
Audit Partner	: Justin Ong
Tax Agent	: Ernst & Young Solutions LLP
Solicitors to Managers	: Allen & Gledhill LLP
Solicitors to Trustee	: WongPartnership LLP

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

Nil.

Intentionally left blank.

12 Marina View, #18-02 Asia Square Tower 2, Singapore 018961
Intermediaries Hotline: 1800 535 8025 / 65 6535 8025
Website: www.nikkoam.com.sg

Company registration number 198202562H