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Nikko Asset Management

ANNUAL REPORT

For the financial year ended 30 June 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
Andrew Ross Long
Seet Oon Hui Eleanor
David Jonathan Semaya
Yu-Ming Wang

TRUSTEE & REGISTRAR

HSBC Institutional Trust Services (Singapore) Limited
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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	1.53	0.28	-11.11	-0.10	1.35	11.59
Nikko AM Singapore STI ETF[1]	1.41	0.07	-11.32	-0.52	0.92	10.72

Source: © 2016 Morningstar. All Rights Reserved., Bloomberg & Nikko Asset Management Asia Limited, returns as at 30 June 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). 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.

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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").

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)

REPORT OF THE TRUSTEE
For the financial year ended 30 June 2016

The Trustee is under a duty to take into custody and hold the assets of Nikko AM Singapore STI ETF (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap.289), 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 8 to 28, 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
HSBC Institutional Trust Services (Singapore) Limited

Authorised signatory

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

STATEMENT BY THE MANAGER
For the financial year ended 30 June 2016

In the opinion of the directors of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 8 to 28, 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 of Nikko AM Singapore STI ETF (the "Fund") as at 30 June 2016 and the total deficit and changes in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" 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

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF NIKKO AM SINGAPORE STI ETF

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

We have audited the accompanying financial statements of Nikko AM Singapore STI ETF (the "Fund") which comprise the Statement of Financial Position and Statement of Portfolio as at 30 June 2016, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 28.

Manager's Responsibility for the Financial Statements

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2016 and the total deficit for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

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

STATEMENT OF TOTAL RETURN
For the financial year ended 30 June 2016

	Note	**2016** **S$**	2015 S$
Income			
Dividends		**3,843,501**	3,704,712
Less: Expenses			
Audit fee		**25,118**	24,950
Management fee		**207,405**	225,340
Less: Management fee rebate		**(46,923)**	(33,802)
Trustee fee		**48,001**	55,342
Transaction costs		**70,961**	64,133
Other expenses		**125,459**	126,914
		430,021	462,877
Net income		**3,413,480**	3,241,835
Net gains or losses on value of investments			
Net (losses)/gains on investments		**(12,772,832)**	2,945,508
Net foreign exchange gains/(losses)		**104,590**	(20,612)
		(12,668,242)	2,924,896
Total (deficit)/return for the financial year before income tax		**(9,254,762)**	6,166,731
Less: Income tax	3	**(55,440)**	(45,799)
Total (deficit)/return for the financial year after income tax		**(9,310,202)**	6,120,932

The accompanying notes form an integral part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	**2016** **S$**	2015 S$
ASSETS			
Portfolio of investments		**128,713,701**	91,044,916
Sales awaiting settlement		**-**	647,664
Receivables	4	**43,127**	33,802
Prepayments		**1,015**	1,120
Cash and bank balances		**985,349**	462,348
Total assets		**129,743,192**	92,189,850
LIABILITIES			
Payables	5	**134,888**	787,601
Purchases awaiting settlement		**837,768**	151,648
Distribution payable		**1,508,316**	1,289,176
Total liabilities		**2,480,972**	2,228,425
EQUITY			
Net assets attributable to unitholders	7	**127,262,220**	89,961,425

The accompanying notes form an integral part of these financial statements.

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 year ended 30 June 2016

	Note	**2016** **S$**	2015 S$
Net assets attributable to unitholders at the beginning of financial year		**89,961,425**	123,439,506
Operations			
Change in net assets attributable to unitholders resulting from operations		**(9,310,202)**	6,120,932
Unitholders' contributions/(withdrawals)			
Creation of units		**49,680,810**	15,996,400
Cancellation of units		**-**	(52,601,140)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		**49,680,810**	(36,604,740)
Distributions	6	**(3,069,813)**	(2,994,273)
Total increase/(decrease) in net assets attributable to unitholders		**37,300,795**	(33,478,081)
Net assets attributable to unitholders at the end of financial year	7	**127,262,220**	89,961,425

The accompanying notes form an integral part of these financial statements.

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

STATEMENT OF PORTFOLIO
As at 30 June 2016

By Geography (Primary)	Holdings at 30 June 2016	Fair value at 30 June 2016 S$	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities			
HONG KONG SAR			
Hongkong Land Holdings Limited	**658,566**	**5,397,957**	**4.24**
Total Hong Kong SAR		**5,397,957**	**4.24**
ISLE OF MAN			
Genting Singapore PLC	**3,343,948**	**2,424,362**	**1.91**
Total Isle of Man		**2,424,362**	**1.91**
MAURITIUS			
Golden Agri-Resources Limited	**3,569,169**	**1,249,209**	**0.98**
Total Mauritius		**1,249,209**	**0.98**
SINGAPORE			
CapitaLand Limited	**1,418,353**	**4,354,344**	**3.42**
City Developments Limited	**332,437**	**2,706,037**	**2.13**
ComfortDelGro Corporation Limited	**1,140,109**	**3,135,300**	**2.46**
DBS Group Holdings Limited	**998,291**	**15,733,066**	**12.36**
Global Logistic Properties Limited	**1,663,162**	**3,002,007**	**2.36**
Hutchison Port Holdings Trust	**2,800,720**	**1,715,118**	**1.35**
Jardine Cycle & Carriage Limited	**61,641**	**2,249,897**	**1.77**
Keppel Corporation Limited	**800,609**	**4,403,350**	**3.46**
Oversea-Chinese Banking Corporation Limited	**1,819,670**	**15,812,932**	**12.43**
SATS Limited	**353,152**	**1,451,455**	**1.14**
Sembcorp Industries Limited	**494,733**	**1,395,147**	**1.10**
Sembcorp Marine Limited	**468,637**	**726,387**	**0.57**
SIA Engineering Company Limited	**121,996**	**448,945**	**0.35**
Singapore Airlines Limited	**282,828**	**3,014,946**	**2.37**
Singapore Exchange Limited	**461,351**	**3,515,495**	**2.76**
Singapore Press Holdings Limited	**893,022**	**3,527,437**	**2.77**
Singapore Technologies Engineering Limited	**865,815**	**2,727,317**	**2.14**
Singapore Telecommunications Limited	**4,094,177**	**16,908,951**	**13.29**
Starhub Limited	**330,690**	**1,253,315**	**0.98**
United Overseas Bank Limited	**673,307**	**12,402,315**	**9.75**
UOL Group Limited	**260,119**	**1,420,250**	**1.12**
Wilmar International Limited	**1,184,715**	**3,862,171**	**3.03**
Yangzijiang Shipbuilding Holdings Limited	**1,153,482**	**1,032,366**	**0.81**
Total Singapore		**106,798,548**	**83.92**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PORTFOLIO

As at 30 June 2016

By Geography (Primary) (continued)

	Holdings at 30 June 2016	Fair value at 30 June 2016 S$	Percentage of total net assets attributable to unitholders at 30 June 2016 %
Quoted Equities (continued)			
THAILAND			
Thai Beverage Public Company Limited	**5,478,816**	**4,985,723**	**3.92**
Total Thailand		**4,985,723**	**3.92**
Total Quoted Equities		**120,855,799**	**94.97**
Quoted Real Estate Investment Trusts (REITS)			
SINGAPORE			
Ascendas Real Estate Investment Trust	**1,225,764**	**3,039,895**	**2.39**
CapitaLand Commercial Trust Real Estate Investment Trust	**1,113,182**	**1,641,943**	**1.29**
CapitaLand Mall Trust Real Estate Investment Trust	**1,491,110**	**3,176,064**	**2.49**
Total Singapore		**7,857,902**	**6.17**
Total Quoted Real Estate Investment Trusts (REITS)		**7,857,902**	**6.17**
Portfolio of investments		**128,713,701**	**101.14**
Other net liabilities		**(1,451,481)**	**(1.14)**
Net assets attributable to unitholders		**127,262,220**	**100 .00**

The accompanying notes form an integral part of these financial statements.

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

STATEMENT OF PORTFOLIO
As at 30 June 2016

By Geography (Summary)	**Percentage of total net assets attributable to unitholders at 30 June 2016 %**	Percentage of total net assets attributable to unitholders at 30 June 2015 %
Quoted Equities		
Hong Kong SAR	**4.24**	15.61
Isle of Man	**1.91**	1.91
Mauritius	**0.98**	0.96
Singapore	**83.92**	76.36
Thailand	**3.92**	2.65
Total Quoted Equities	**94.97**	97.49
Quoted Real Estate Investment Trusts (REITS)		
Singapore	**6.17**	3.68
Total Quoted Real Estate Investment Trusts (REITS)	**6.17**	3.68
Quoted Derivatives		
Singapore	**-**	0.03
Total Quoted Derivatives	**-**	0.03
Portfolio of investments	**101.14**	101.20
Other net liabilities	**(1.14)**	(1.20)
Net assets attributable to unitholders	**100.00**	100.00

The accompanying notes form an integral part of these financial statements.

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

STATEMENT OF PORTFOLIO
As at 30 June 2016

By Industry (Secondary)	**Fair value at 30 June 2016 S$**	**Percentage of total net assets attributable to unitholders at 30 June 2016 %**	Percentage of total net assets attributable to unitholders at 30 June 2015 %
Agriculture	**5,111,380**	**4.01**	3.39
Airlines	**3,014,946**	**2.37**	1.90
Automotive	**2,249,897**	**1.77**	1.22
Banks & Finance	**47,463,808**	**37.30**	36.44
Brewery	**4,985,723**	**3.92**	2.65
Commercial Services	**448,945**	**0.35**	0.31
Diversified Resources	**-**	**-**	11.05
Engineering/Machine	**1,395,147**	**1.10**	1.24
Entertainment	**3,527,437**	**2.77**	2.31
Food & Beverage	**-**	**-**	0.33
Investment	**1,715,118**	**1.35**	1.55
Real Estate	**19,304,957**	**15.18**	14.36
Real Estate Investment Trust (REITS)	**7,857,902**	**6.17**	3.68
Ship Building	**6,162,103**	**4.84**	5.01
Technology	**2,727,317**	**2.14**	1.80
Telecom Service	**18,162,266**	**14.27**	11.70
Transport	**3,135,300**	**2.46**	2.26
Transport - Air	**1,451,455**	**1.14**	-
Portfolio of investments	**128,713,701**	**101.14**	101.20
Other net liabilities	**(1,451,481)**	**(1.14)**	(1.20)
Net assets attributable to unitholders	**127,262,220**	**100.00**	100.00

The accompanying notes form an integral part of these financial statements.

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

1. General

Nikko AM Singapore STI ETF (the "Fund") is a Singapore domiciled fund constituted by a Trust Deed dated 30 October 2008 as amended by Supplemental Deed (collectively referred to as the "Deeds"). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The Manager of the Fund is Nikko Asset Management Asia Limited (the "Manager").

2. Significant accounting policies

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 assets at fair value through profit or loss, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

(b) Recognition of income

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

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

2. Significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

The Fund qualifies as an authorised scheme under the Securities and Futures Act ("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 being denominated in Singapore dollars.

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

(ii) Transactions and balances

Foreign currency monetary assets and liabilities are translated into Singapore dollars 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. Transactions during the year are recorded in Singapore dollars at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

(d) Distributions

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

(e) 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.

2. Significant accounting policies (continued)

(e) Investments (continued)

(ii) Subsequent measurement

Investments are subsequently carried at fair value. Net change in fair value on investments are 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.

(f) Basis of valuation of investments

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

(g) 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.

3. Income tax

The Fund was granted the status of a Designated Unit Trust (DUT) in Singapore. Under the DUT Scheme, subject to certain conditions and reporting obligations being met, certain income of the DUT fund is not taxable in accordance with Sections 35(12) and 35(12A) of the Income Tax Act. 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);

(c) dividends derived from outside Singapore and received in Singapore;

(d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index;

(e) discount prepayment fee, 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 30 June 2016 and 2015 comprises:

	2016 **S$**	2015 S$
Overseas income tax	**-**	8,625
Singapore income tax	**55,440**	37,174
	55,440	45,799

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

4. Receivables

	2016	2015
	S$	S$
Other receivables	**43,127**	33,802
	43,127	33,802

5. Payables

	2016	2015
	S$	S$
Amount due to unitholders	**-**	674,680
Amount due to the Manager	**59,925**	47,823
Amount due to the Trustee	**5,895**	3,388
Provision for audit fee	**25,071**	24,953
Other payables	**43,997**	36,757
	134,888	787,601

Amount due to the Manager comprises management fee payable to Nikko Asset Management Asia Limited. Amount due to the Trustee comprises trustee fee payable to HSBC Institutional Trust Services (Singapore) Limited.

6. Distributions

	2016	2015
	S$	S$
Final distribution of S$4.52 per 100 units in respect of the financial year 30 June 2015	**1,561,497**	-
Interim distribution of S$3.44 per 100 units in respect of the financial year 30 June 2016	**1,508,316**	-
Final distribution of S$4.95 per 100 units in respect of the financial year 30 June 2014	**-**	1,705,097
Interim distribution of S$4.82 per 100 units in respect of the financial year 30 June 2015	**-**	1,289,176
	3,069,813	2,994,273

7. Units in issue

During the year ended 30 June 2016 and 30 June 2015 the number of units issued, redeemed and outstanding was as follow:

	2016	2015
Units at beginning of the financial year	**26,746,400**	37,346,400
Units created	**17,100,000**	4,700,000
Units cancelled	**-**	(15,300,000)
Units at end of the financial year	**43,846,400**	26,746,400
Net assets attributable to unitholders – S$	**127,262,220**	89,961,425
Net asset value per unit – S$	**2.9025**	3.3635

Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal or constructive obligation has been created, for the purpose of determining the accounting net asset values in the financial statements.

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:

	2016 **S$**	2015 S$
Net assets attributable to unitholders as per financial statements per unit	**2.9025**	3.3635
Effect of distribution per unit	**0.0344**	0.0482
Net assets attributable to unitholders for issuing/redeeming per unit	**2.9369**	3.4117

8. Financial risk management

The Fund's activities expose it to a variety of risk, including but not limited to market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk. The Manager is responsible for the implementation of 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.

8. Financial risk management (continued)

The Fund's primary objective is provide investors with investment returns that correspond closely to the total return of Straits Times Index (the "Index"), or other indices which track the performance of certain equity securities ("Index Shares") listed on the Singapore Exchange, before fees and expenses.

The Fund's assets principally consist of investments in Index Shares in substantially the same weightings as reflected in the Index, and cash. The Manager will rebalance the Fund's investment from time to time to reflect any changes to the composition of, or the weighting of securities in, the Index with a view to minimise tracking error of the Fund's overall returns relative to the performance of the Index.

The 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 the 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 changes in fundamentals and valuation. 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 is managed through diversification of investment portfolio exposure across various stocks traded on the Singapore Exchange.

As the Fund invests primarily in equities listed on the Singapore Exchange in substantially the same weightings as reflected in the Index, the Manager is of the view that the price risk the Fund is subject to is best reflected by movements in its benchmark of the Index.

As at 30 June 2016, an increase/decrease of the Index by 7% (2015: 10%), with all other variables remaining constant, the net asset attributable to unitholders for the year would increase/decrease by approximately 7% (2015: 10%). 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 management's current view on the market volatility and other relevant factors.

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 a 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.

	SGD S$	USD S$	Total S$
As at 30 June 2016			
Assets			
Portfolio of investments	**121,600,626**	**7,113,075**	**128,713,701**
Receivables	**43,127**	**-**	**43,127**
Prepayments	**1,015**	**-**	**1,015**
Cash and bank balances	**984,003**	**1,346**	**985,349**
Total assets	**122,628,771**	**7,114,421**	**129,743,192**
Liabilities			
Payables	**134,725**	**163**	**134,888**
Purchases awaiting settlement	**797,474**	**40,294**	**837,768**
Distribution payable	**1,508,316**	**-**	**1,508,316**
Total liabilities	**2,440,515**	**40,457**	**2,480,972**
Net currency exposure	**120,188,256**	**7,073,964**	

8. Financial risk management (continued)

(c) Market Risk - Currency risk (continued)

	SGD S$	USD S$	Total S$
As at 30 June 2015			
Assets			
Portfolio of investments	76,722,247	14,322,669	91,044,916
Sales awaiting settlement	488,980	158,684	647,664
Receivables	33,802	-	33,802
Prepayments	1,120	-	1,120
Cash and bank balances	461,006	1,342	462,348
Total assets	77,707,155	14,482,695	92,189,850
Liabilities			
Payables	787,353	248	787,601
Purchases awaiting settlement	106,045	45,603	151,648
Distribution payable	1,289,176	-	1,289,176
Total liabilities	2,182,574	45,851	2,228,425
Net currency exposure	75,524,581	14,436,844	

Portfolio of investment, 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 as part of price risk sensitivity analysis.

As of 30 June 2016 and 2015, 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. Consequently, 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 redemption size is set.

8. Financial risk management (continued)

(d) **Liquidity risk** (continued)

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 all the securities are listed on a recognised stock exchange.

The Fund's financial liabilities are analysed for maturity groupings using contractual undiscounted cashflows based on the remaining period at the Statement of Financial Position date to the contractual maturity date. As at 30 June 2016, all liabilities are either payable on demand or due in less than 3 months. The impact of discounting is not significant.

	Less than 3 months	
	As at 30 June 2016 S$	As at 30 June 2015 S$
Distribution payable	**1,508,316**	1,289,176
Payables	**134,888**	787,601
Purchases awaiting settlement	**837,768**	151,648
Contractual cash outflows (excluding gross settled derivatives)	**2,480,972**	2,228,425

(e) **Credit risk**

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

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

8. Financial risk management (continued)

(e) **Credit risk** (continued)

All trade settlements 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 also arises from cash and bank balances, and outstanding and committed transactions with brokers. The table below summarises the credit rating of the bank and custodian in which the Fund's assets are held 30 June 2016 and 30 June 2015.

	Credit rating as at 30 June 2016	Credit rating as at 30 June 2015	**Source of credit rating**
Bank balances			
- The Hong Kong and Shanghai Banking Corporation Limited	**AA-**	AA-	Standard & Poor's
Custodian			
- The Hong Kong and Shanghai Banking Corporation Limited	**AA-**	AA-	Standard & Poor's

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

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

(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.

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 30 June 2016 and 2015:

As at 30 June 2016	**Level 1 S$**	**Level 2 S$**	**Level 3 S$**	**Total S$**
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	**120,855,799**	**-**	**-**	**120,855,799**
- Quoted real estate investment trusts	**7,857,902**	**-**	**-**	**7,857,902**
	128,713,701	**-**	**-**	**128,713,701**

As at 30 June 2015	**Level 1 S$**	**Level 2 S$**	**Level 3 S$**	**Total S$**
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted equities	87,709,545	-	-	87,709,545
- Quoted real estate investment trusts	3,309,910	-	-	3,309,910
-Quoted derivatives	-	25,461		25,461
	91,019,455	25,461	-	91,044,916

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.

8. Financial risk management (continued)

(g) **Fair value estimation** (continued)

Financial instruments that trade in markets 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.

Except for cash and bank balances, fixed deposits and margin deposits which are classified as level 1, the Fund's assets and liabilities not measured at fair value at 30 June 2016 and 2015 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the Statement of Financial Position date.

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 a related party at terms agreed between the parties and within the provisions of the Deed:

	2016 **S$**	2015 S$
Bank balances held with related party of the Trustee	**985,349**	462,348

10. Financial ratios

Expense ratio

		2016	2015
Total operating expenses	S$	**359,060**	398,744
Average daily net asset value	S$	**103,693,965**	112,720,795
Total expense ratio[1]	%	**0.35**	0.35

Turnover ratio

		2016	2015
Lower of total value of purchases or sales	S$	**13,478,085**	18,482,364
Average daily net asset value	S$	**103,693,965**	112,720,795
Total turnover ratio[2]	%	**13.00**	16.40

10. Financial ratios (continued)

(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. 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 sales for the current year do not include brokerage and other transaction costs.

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 11 to 14.

2. Credit rating of debt securities

Nil.

3. Top 10 holdings

10 largest holdings at 30 June 2016

	Cost S$	Fair value S$	Percentage of total net assets attributable to unitholders %
Singapore Telecommunications Limited	**14,330,831**	**16,908,951**	**13.29**
Oversea-Chinese Banking Corporation Limited	**16,391,883**	**15,812,932**	**12.43**
DBS Group Holdings Limited	**15,363,161**	**15,733,066**	**12.36**
United Overseas Bank Limited	**12,885,430**	**12,402,315**	**9.75**
Hongkong Land Holdings Limited	**5,565,468**	**5,397,957**	**4.24**
Thai Beverage Public Company Limited	**3,681,943**	**4,985,723**	**3.92**
Keppel Corporation Limited	**6,415,502**	**4,403,350**	**3.46**
CapitaLand Limited	**4,304,420**	**4,354,344**	**3.42**
Wilmar International Limited	**4,803,780**	**3,862,171**	**3.03**
Singapore Press Holdings Limited	**3,462,405**	**3,527,437**	**2.77**

3. Top 10 holdings (continued)

10 largest holdings at 30 June 2015

	Cost S$	Fair value S$	Percentage of total net assets attributable to unitholders %
DBS Group Holdings Limited	8,260,511	11,682,464	12.99
Oversea-Chinese Banking Corporation Limited	9,290,947	10,193,886	11.33
Singapore Telecommunications Limited	7,567,657	9,768,737	10.86
United Overseas Bank Limited	7,395,098	8,835,856	9.82
Jardine Matheson Holdings Limited	5,002,136	5,921,540	6.58
Hongkong Land Holdings Limited	2,900,355	4,097,780	4.56
Keppel Corporation Limited	4,362,148	3,751,378	4.17
Jardine Strategic Holdings Limited	2,714,389	2,906,696	3.23
CapitaLand Limited	2,445,818	2,798,824	3.11
Global Logistic Properties Limited	2,152,700	2,446,204	2.72

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 11 to 14.

9. Borrowings

Nil.

10. Amount of units created and cancelled for the financial year ended 30 June 2016

	S$
Units created	**49,680,810**
Units cancelled	**-**

11. Turnover ratio

Please refer to Note 10 of the Notes to the financial statements on page 27.

12. Expense ratio

Please refer to Note 10 of the Notes to the financial statements on page 27.

13. Related party transactions

Please refer to Note 9 of the Notes to the financial statements on page 27.

14. 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 Phillip Securities.
Corporate Secretariat	: Boardroom Corporate & Advisory Services Pte Ltd
Auditor	: PricewaterhouseCoopers appointed on 02 Sep 08
Audit Partner	: Patrick Yeo
Tax Agent	: Ernst & Young Solutions LLP
Solicitors to Managers	: Allen & Gledhill LLP
Solicitors to Trustee	: WongPartnership LLP

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

Nil.

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