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Press Release

Nikko Asset Management Co., Ltd.

Nikko Asset Management's New House View on Global Equities Moves to Neutral

- *Less optimistic view of U.S. corporate earnings moves global equities to neutral from overweight*
- *Shifts forecasted timing of Fed's credit tightening to October or December 2015*
- *China's economy continues to struggle, but does not appear to be in a hard landing*
- *Japanese and Eurozone equities expected to outperform over the next six months*

An overweight stance on global equities that was largely in place since September 2011 has been reduced to neutral by Nikko Asset Management's Global Investment Committee (GIC) as the committee members were less optimistic about the outlook of corporate earnings and share prices in the United States, according to the company's latest house view. The GIC noted that it has pushed back its forecasted timing of the U.S. Federal Reserve's credit tightening to October from September.

"We calculated that global equity valuations are at reasonably fair levels and that stocks can rise in Europe, Japan and Australia, but because we are less optimistic on the United States, we do not think it is worthwhile, especially with the recently increased volatility, to be aggressive on global equities overall," said John F. Vail, chief global strategist and head of the GIC. "We have been overweight global equities for U.S. dollar based investors, except for one neutral quarter, since September 2011 but we now believe that neutral is the proper stance."

The GIC members, who consist of senior investment professionals from the company's global offices, forecasted that U.S. equities will underperform over the next six months to March 2016, thus earning an underweight stance. The S&P 500 is now trading at 16.5 times NTM (next twelve month) bottom-up consensus earnings, which is high in a historical context. Still, the GIC noted that Europe and Japan will outperform over the next six months, with the committee lifting Eurozone equities to overweight after two successful quarters of underweighting.

"Eurozone equity prices should rebound after two quarters of weakness, with rising corporate earnings and continued regional economic growth being the main factors," Vail said. "Even though the euro in our forecast weakens against the U.S. dollar, we expect a 2.9 percent unannualized return in U.S. dollar terms through December and 5.1 percent through March so we will move to an overweight stance."

The GIC expects Japanese corporate earnings to rise over the next two quarters after their weak third quarter performance. The committee notes that Japanese equities are expected to produce a 5.5 percent unannualized return in U.S. dollar terms through March 2016.

"We believe that Abenomics is working well, especially for corporations, with the second quarter pretax profit margins soaring to historic highs for both manufacturing and non-manufacturing sectors," Vail said. "It is thus working well for equity investors too, and should continue to do so in our view."

Note: all dates in this report are Calendar Year (CY)-based unless otherwise specified.

The Tokyo-based firm's key investment committee has shifted its stance on the timing of the U.S. Federal Reserve's monetary tightening to October and expects Fed hikes of 25 basis points at alternating meetings. In June, the GIC committee expected the Fed's monetary tightening to take place in September.

"We believe the Fed was merely scared by the recent global turmoil and that they would later be harshly blamed if they hiked at the wrong time, so they just desired a bit more time to be sure that global markets would stabilize and not provoke an economic slowdown," Vail said. "Everyone knows now that October is a possible meeting for the first hike. As for December, it is very close to the holidays, so it is not an ideal time for a first hike, but we would suggest that if not October, then December would be likely."

Regarding the Chinese economy, the GIC noted that China does not appear to be in an overall hard landing despite the fact that the country continues to struggle during its transition to a more balanced economy.

"Certainly, the recent volatility in its equity market and the yuan has lessened confidence in the country's stability, but we expect it to achieve 6.4 percent HoH (half-on-half) SAAR (seasonally adjusted annual rate) growth in the next two quarters, which is moderately below consensus," Vail said.

Nikko Asset Management's GIC met on September 17th for its quarterly review of global economic conditions. Based on the findings of its senior investment professionals around the world, the company periodically reconsiders house views on the major global markets and asset classes.

The committee's main forecasts¹ at this time are:

Japan: Half-year GDP growth (October 2015 to March 2016) of 1.5 percent half-on-half, seasonally adjusted, with equities, as measured by the TOPIX, rising about 8.5 percent in yen terms over the next six months to March 2016.

U.S.: Half-year GDP growth of 2.6 percent half-on-half, seasonally adjusted, with equities, as measured by the S&P 500, falling 0.1 percent in dollar terms over the next six months to March 2016.

Eurozone: Half-year GDP growth of 1.9 percent half-on-half, seasonally adjusted, with equities, as measured by the MSCI Europe, rising 8.0 percent in euro terms over the next six months to March 2016.

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¹ In comparison against the base date of September 11, 2015.

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For more information, please visit <http://en.nikkoam.com/>

* Consolidated assets under management and sub-advisory of Nikko Asset Management and its subsidiaries as of June 30, 2015.

** As of June 30, 2015, including employees of Nikko Asset Management and its subsidiaries.

Nikko Asset Management Co., Ltd.

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