



JAPAN FOCUS EQUITY STRATEGY

Investment Philosophy

The Japan Focus Equity Strategy is a high conviction Japanese equity strategy with no market capitalisation bias. It is built on the firm belief that stock selection should be carried out within the framework of long-term structural trends. Superior performance can be achieved by investing in companies that benefit from these structural trends, and have strong growth potential and/or a policy that supports shareholder returns.

Focus on long-term structural trends

A key feature of the strategy is its focus on long-term structural trends. The strategy starts by identifying lasting, secular trends of at least 3 to 5 years, and seeks companies that may benefit from these trends. By maintaining this longer term view, the strategy attempts to capture investment opportunities that near-sighted investors fail to see. The portfolio is diversified across these identified trends. Many of the portfolio stocks are expected to benefit from more than one long-term structural trend.

Established investment team with robust research platform

Nikko Asset Management benefits from the abundance of local expertise. Lead Portfolio Manager Yuki Watanabe, with over 19 years of experience in investment management, is based in Japan and fully understands the idiosyncratic risks of individual companies and sectors within Japan. The investment team places an emphasis on direct contact with company management. Nikko Asset Management's long-established reputation as one of the largest asset managers in Japan helps facilitate the dialogue with these companies.

The portfolio manager is supported by Nikko Asset Management's robust equity research platform. The centralised research effort, consisting of 14 experienced analysts, has strength across all sectors, company sizes and styles. In addition, the team is supported by a strategist with over 30 years of industry experience. The portfolio manager has formal and informal modes of communication with other portfolio managers within the Japanese Equity Fund Management Department. He can also draw on the insights of portfolio managers and analysts within the Nikko Asset Management network, located in offices around the globe.

Key characteristics

Analysis of long term structural trend

Focus on growth potential and shareholder returns

Experienced investment team

Concentrated "best idea" portfolio of approximately 30 stocks

Analysis of Structural Trends

The starting point of idea generation is the analysis of long-term, structural trends. The portfolio manager formulates a view that these trends will last at least 3 to 5 years and seeks to identify companies that benefit from them.

The Portfolio Manager develops these ideas based upon interactions with the other Portfolio Managers across the Nikko Asset Management group, proprietary research produced by Nikko Asset Management’s Equity Research Group and also external research including broker input, as well as direct interaction with company management.

Some examples of identified structural trends are listed below:

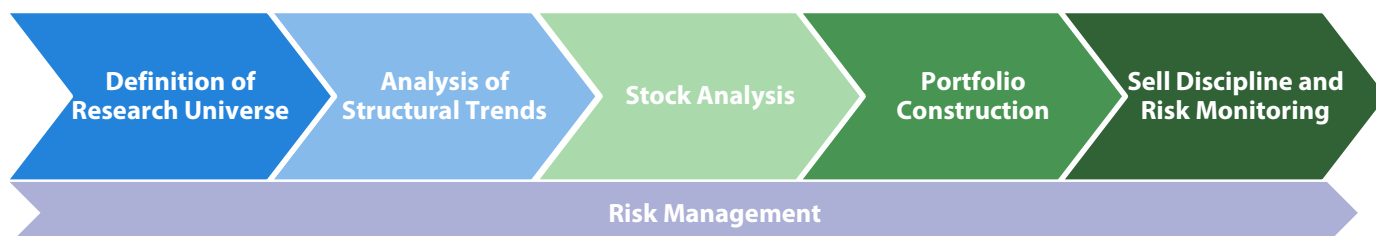
- Shift in demand to higher value-add products
- Rising purchasing power in emerging countries
- Change in demographics
- Change in consumption patterns
- Growth in infrastructure demand
- Improving corporate governance in Japan

Stock Analysis: Stock Evaluation Criteria

Companies that are expected to benefit from the identified structural trends undergo further fundamental evaluation. A company must possess at least one of the two following criteria to be considered for investment in the portfolio:

1. Potential for growth
 - Operating profits reaching a new high over the next 3 to 5 years
 - Growth steadily outperforming the market over the next 3 to 5 years
 - Earnings growth accelerating over the next 12 months
2. Potential to enhance shareholder returns
 - Management policies supportive of shareholder return enhancement

Investment Process



All listed stocks are screened for credit, liquidity and corporate governance risks to derive an investment universe of 1,000

Research universe narrowed to top 100 stocks by market cap, plus 100-200 stocks selected by sector analysts

PM's ideas outside of the analyst's universe are added

From 3,500 to 200-300 stocks

Investment ideas generated by analysing long-term, structural trends

Companies assessed for growth potential and shareholder return

Valuation gauges the relative attractiveness and avoids extreme overvaluation

Reduce to approx. 100 stocks

Stocks selected for "best ideas" portfolio

Weights driven by conviction level

Portfolio stock weights typically range between 2-5%

Select 30-50 stocks

Risk management embedded in entire process

Stocks monitored against clear selling criteria

Independent risk monitoring at stock and portfolio levels

Important Information

This document is prepared by Nikko Asset Management Co., Ltd. and/or its affiliates (**Nikko AM**) and is for distribution only under such circumstances as may be permitted by applicable laws. This document does not constitute investment advice or a personal recommendation and it does not consider in any way the suitability or appropriateness of the subject matter for the individual circumstances of any recipient.

This document is for information purposes only and is not intended to be an offer, or a solicitation of an offer, to buy or sell any investments or participate in any trading strategy. Moreover, the information in this material will not affect Nikko AM's investment strategy in any way. The information and opinions in this document have been derived from or reached from sources believed in good faith to be reliable but have not been independently verified. Nikko AM makes no guarantee, representation or warranty, express or implied, and accepts no responsibility or liability for the accuracy or completeness of this document. No reliance should be placed on any assumptions, forecasts, projections, estimates or prospects contained within this document. This document should not be regarded by recipients as a substitute for the exercise of their own judgment. Opinions stated in this document may change without notice.

In any investment, past performance is neither an indication nor guarantee of future performance and a loss of capital may occur. Estimates of future performance are based on assumptions that may not be realised. Investors should be able to withstand the loss of any principal investment. The mention of individual stocks, sectors, regions or countries within this document does not imply a recommendation to buy or sell.

Nikko AM accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this document, provided that nothing herein excludes or restricts any liability of Nikko AM under applicable regulatory rules or requirements.

All information contained in this document is solely for the attention and use of the intended recipients. Any use beyond that intended by Nikko AM is strictly prohibited.

Japan: The information contained in this document pertaining specifically to the investment products is not directed at persons in Japan nor is it intended for distribution to persons in Japan. Registration Number: Director of the Kanto Local Finance Bureau (Financial Instruments firms) No. 368 Member Associations: The Investment Trusts Association, Japan/Japan Investment Advisers Association/Japan Securities Dealers Association.

United Kingdom and rest of Europe: This document constitutes a financial promotion for the purposes of the Financial Services and Markets Act 2000 (as amended) (FSMA) and the rules of the Financial Conduct Authority (the FCA) in the United Kingdom (the FCA Rules).

This document is communicated by Nikko Asset Management Europe Ltd, which is authorised and regulated in the United Kingdom by the FCA (122084). It is directed only at (a) investment professionals falling within article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, (as amended) (the Order) (b) certain high net worth entities within the meaning of article 49 of the Order and (c) persons to whom this document may otherwise lawfully be communicated (all such persons being referred to as relevant persons) and is only available to such persons and any investment activity to which it relates will only be engaged in with such persons.

United States: This document is for information purposes only and is not intended to be an offer, or a solicitation of an offer, to buy or sell any investments. This document should not be regarded as investment advice. This document may not be duplicated, quoted, discussed or otherwise shared without prior consent. Any offering or distribution of a Fund in the United States may only be conducted via a licensed and registered broker-dealer or a duly qualified entity. Nikko Asset Management Americas, Inc. is a United States Registered Investment Adviser.

Singapore: This document is for information only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. 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. Nikko Asset Management Asia Limited is a regulated entity in Singapore.

Hong Kong: This document is for information only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. 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. The contents of this document have not been reviewed by the Securities and Futures Commission or any regulatory authority in Hong Kong. Nikko Asset Management Hong Kong Limited is a licensed corporation in Hong Kong.

Australia: Nikko AM Limited ABN 99 003 376 252 (**Nikko AM Australia**) is responsible for the distribution of this information in Australia. **Nikko AM Australia** holds Australian Financial Services Licence No. 237563 and is part of the Nikko AM Group. This material and any offer to provide financial services are for information purposes only. This material does not take into account the objectives, financial situation or needs of any individual and is not intended to constitute personal advice, nor can it be relied upon as such. This material is intended for, and can only be provided and made available to, persons who are regarded as Wholesale Clients for the purposes of section 761G of the Corporations Act 2001 (Cth) and must not be made available or passed on to persons who are regarded as Retail Clients for the purposes of this Act. If you are in any doubt about any of the contents, you should obtain independent professional advice.

New Zealand: Nikko Asset Management New Zealand Limited (Company No. 606057, FSP22562) is the licensed Investment Manager of Nikko AM NZ Investment Scheme and the Nikko AM NZ Wholesale Investment Scheme.

This material is for the use of researchers, financial advisers and wholesale investors (in accordance with Schedule 1, Clause 3 of the Financial Markets Conduct Act 2013 in New Zealand). This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this material, who are not wholesale investors, or the named client, or their duly appointed agent should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement or Fund Fact Sheet (available on our website www.nikkoam.co.nz).

Kingdom of Bahrain: The document has not been approved by the Central Bank of Bahrain which takes no responsibility for its contents. No offer to the public to purchase the Strategy will be made in the Kingdom of Bahrain and this document is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

Kuwait: This document is not for general circulation to the public in Kuwait. The Strategy has not been licensed for offering in Kuwait by the Kuwaiti Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the Strategy in Kuwait on the basis a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Strategy is being made in Kuwait, and no agreement relating to the sale of the Strategy will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Strategy in Kuwait.

Kingdom of Saudi Arabia: This document is communicated by Nikko Asset Management Europe Ltd (Nikko AME), which is authorised and regulated by the Financial Services and Markets Act 2000 (as amended) (FSMA) and the rules of the Financial Conduct Authority (the FCA) in the United Kingdom (the FCA Rules). This document should not be reproduced, redistributed, or sent directly or indirectly to any other party or published in full or in part for any purpose whatsoever without a prior written permission from Nikko AME.

This document does not constitute investment advice or a personal recommendation and does not consider in any way the suitability or appropriateness of the subject matter for the individual circumstances of any recipient. In providing a person with this document, Nikko AME is not treating that person as a client for the purposes of the FCA Rules other than those relating to financial promotion and that person will not therefore benefit from any protections that would be available to such clients.

Nikko AME and its associates and/or its or their officers, directors or employees may have or have had positions or material interests, may at any time make purchases and/or sales as principal or agent, may provide or have provided corporate finance services to issuers or may provide or have provided significant advice or investment services in any investments referred to in this document or in related investments. Relevant confidential information, if any, known within any company in the Nikko AM group or Sumitomo Mitsui Trust Bank group and not available to Nikko AME because of regulations or internal procedure is not reflected in this document. The investments mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors.

Oman: The information contained in this document neither constitutes a public offer of securities in the Sultanate of Oman as contemplated by the Commercial companies law of Oman (Royal decree 4/74) or the Capital Markets Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market law (issued by Decision No. 1/2009). This document is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the Sultanate of Oman.

Qatar (excluding QFC): The Strategies are only being offered to a limited number of investors who are willing and able to conduct an independent investigation of the risks involved in an investment in such Strategies. The document does not constitute an offer to the public and should not be reproduced, redistributed, or sent directly or indirectly to any other party or published in full or in part for any purpose whatsoever without a prior written permission from Nikko Asset Management Europe Ltd (Nikko AME). No transaction will be concluded in your jurisdiction and any inquiries regarding the Strategies should be made to Nikko AME.

United Arab Emirates (excluding DIFC): This document and the information contained herein, do not constitute, and is not intended to constitute, a public offer of securities in the United Arab Emirates and accordingly should not be construed as such. The Strategy is only being offered to a limited number of investors in the UAE who are (a) willing and able to conduct an independent investigation of the risks involved in an investment in such Strategy, and (b) upon their specific request.

The Strategy has not been approved by or licensed or registered with the UAE Central Bank, the Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the UAE. This document is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

No transaction will be concluded in the UAE and any inquiries regarding the Strategy should be made to Nikko Asset Management Europe Ltd.

Contact Us

UK—Nikko Asset Management Europe Ltd

Tel: +44 (0)20 7796 9866

Email: Emarketing@nikkoam.com

Singapore—Nikko Asset Management Asia Limited

Tel: +65-6500-5700 , 1-800-535-8025

Email (Intermediary Sales): SGContactUs@nikkoam.com

Email (Institutional Sales): sginstitbusinessdev@nikkoam.com

Australia—Nikko AM Limited

Tel: +61-2-8072-6300

Email: enquiries.au@nikkoam.com

USA—Nikko Asset Management Americas, Inc.

Tel: +1-212-610-6100

Email: USSalesinquiries@nikkoam.com

Japan—Nikko Asset Management Co., Ltd.

Tel: +81(0)3-6447-6000

Email: InternationalSalesPlanningDept@nikkoam.com

Hong Kong—Nikko Asset Management Hong Kong Limited

Tel: +852-3940-3900

Email: HKinstitbiz@nikkoam.com

New Zealand—Nikko Asset Management New Zealand Limited

Tel: +64-9-307-6363

Email: NZenquiries@nikkoam.com