

PRESS RELEASE
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NIKKO ASSET MANAGEMENT CO., LTD.

Nikko Asset Management to Launch Japan's First Equity Long-Short Strategy ETF

"Listed Index Fund MSCI Japan Equity High Dividend Low Volatility (Beta Hedged)" to debut on TSE on March 13

Nikko Asset Management is offering an exchange traded fund to be managed using a long-short strategy that targets Japanese equities, the first of its kind in Japan.* This new ETF, Listed Index Fund MSCI Japan Equity High Dividend Low Volatility (Beta Hedged) (Code: 1490), will be launched on March 9 and listed on the Tokyo Stock Exchange on March 13.



The most important characteristic of the new ETF is its combination of investing in an equity portfolio made up of high dividend-yield Japanese equities that minimise volatility while also taking short positions on futures (beta hedging) in order to minimise price sensitivity (beta) to volatility in the overall market. The ETF is intended to secure stable returns by reducing the impact of volatility in the overall market through beta hedging while benefiting from high dividend yields.

The fund will be linked to the Long Short Strategy Index on MSCI Japan IMI Custom (Price) 85% + CASH (JPY) 15% Index, which as its name suggests is an index where the Japanese equity long-short strategy and the cash component are weighted in an 85:15 ratio. Its long-short strategy focuses on high-dividend and low-volatility Japanese equities. This strategy neutralises the portfolio to volatility exposure in the overall market by buying and holding (long) a mixture of shares with a certain liquidity and relatively high dividend yields, while at the same time utilising TOPIX futures to take short positions on the movement of the overall market. Another core characteristic is that the index excludes all financial stocks such as banks, insurers and brokerages, in addition to Japan's real estate investment trusts (J-REITs). The ETF's settlement takes place four times each year: in January, April, July, and October.

On top of the high-dividend, low-volatility equity (long) position, beta hedging is expected to reduce market risk. Thus, this ETF meets the diverse needs of a broad range of investors, from individual investors who are seeking to hold over the long term for the steady stream of high dividends, to institutional investors who desire both low volatility and stable returns. The ETF is also characterised by an extremely low correlation with other asset classes such as Japanese and foreign bonds and J-REITs, which makes it also suited for use as a Japanese equity component in a portfolio that stresses international diversification.

Having taken the initiative in creating a range of ETFs tailored to the needs of every investor, Nikko Asset Management continues to develop products to provide a broad range of investment opportunities.

* According to Nikko Asset Management's research.

About Nikko Asset Management

With US\$176.5 billion (17.88 trillion yen) under management, Nikko Asset Management is one of Asia's largest asset managers, providing high-conviction, active fund management across a range of Equity, Fixed Income, Multi-Asset and Alternative strategies. In addition, its complementary range of passive strategies covers more than 20 indices and includes some of Asia's largest exchange-traded funds (ETFs).

Headquartered in Asia for nearly 60 years, the firm represents more than 200 investment professionals and over 30 nationalities across 9 countries. More than 300 banks, brokers, financial advisors and life insurance companies around the world distribute the company's products.

The investment teams benefit from a unique global perspective complemented by the firm's historic Asian DNA, striving to deliver consistent excellence in performance. The firm also prides itself on its progressive solution-driven approach, which has led to many innovative funds launched for its clients.

For more information about Nikko Asset Management and to access our investment insights, please visit our [home page](#).

* Consolidated assets under management and sub-advisory of Nikko Asset Management and its subsidiaries as of September 30, 2016.

** As of September 30, 2016, including employees of Nikko Asset Management and its subsidiaries.

Nikko Asset Management Co., Ltd.

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

■ Fund Outline for Exchange Trading

Product Type	Open-end investment trust / Domestic / Equity / ETF / Index-type
Listed Exchange	Tokyo Stock Exchange
Date Listed	March 13, 2017 (scheduled)
Security code	1490
Trading Unit at the Exchange	10 units
Trust Period	Unlimited (Launch date: March 9, 2017)
Closing Date	8th of January, April, July, and October (every year)
Dividends	Dividends will be distributed four times per year based on a distribution policy. *The payment of future dividends and dividend amounts cannot be guaranteed.

■ Outline of Fees, etc.

Investors must bear the following expenses:

Fees charged at the time of trading at the Exchange

- Trading Fees: Fee as determined by the distributor. Inquire with the distributor for details.

Fees and expenses charged indirectly through the trust assets (i.e. paid by the Fund)

- Trust Fees: Trust fees will be the substantive amount of the fund's net asset value multiplied by a maximum of 0.486% (pre-tax 0.45%) per annum as calculated on a daily basis.
- Other Expenses: An amount no greater than the total multiplied over the trust period of the amount reached by multiplying an annual rate of 0.1% on the fund's daily net asset value.
The following expenses will be paid from trust assets at the times stipulated by the asset manager: (i) expenses for creating and delivering prospectuses, (ii) expenses for accounting and related services, (iii) expenses for producing summaries of accounts (including outsourcing fees if the services set forth in (i)–(iii) are outsourced), (iv) audit costs, (v) listing fees, and (iv) index royalties for the MSCI Japan IMI Custom Long-Short Strategy 85% + Yen Cash 15% Index.

* Audit costs are expenses for audits of the fund paid to an auditing firm, etc.

Brokerage commissions on securities in the portfolio, interest on borrowings, interest on advances, and fees related to securities lending are paid out of the fund's trust assets each time they are incurred (in the case of securities lending, the amount reached by multiplying a maximum of 0.54* (0.5 before tax) (0.5 before tax as of the securities registration statement submission date) on the lending fee).

*The rate or maximum amounts cannot be disclosed in advance because the actual amount will vary depending on the state of the assets managed.

For more detail, please refer to the investment trust explanatory document (prospectus distributed in advance of subscription).

■ Fund Outline

This is applicable to direct subscriptions and redemptions of the fund, and not applicable to those investors who trade on the exchange.

Acquisition and Conversion Processing Hours	In principle, it shall be no later than 2:00 p.m. on any business day of the distributor. *Deadlines may vary, therefore please contact your distributor for more details.
Subscription Value	NAV on the day the purchase subscription is received
Subscription Unit	Unit stipulated by the distributor that is at least 1,000 units * Inquire with the distributor or the asset manager for details.
Redemption Value	NAV on the day the redemption subscription is received
Redemption Unit	1 lot of at least 1,000 units

Fees charged at the time of purchase and conversion

- Purchase Fees: Fee as determined by the distributor. Inquire with the distributor for details.
Furthermore, an amount equivalent to the consumption tax levied on said fees will be included.
- Conversion Fees: When a beneficiary places a redemption request or purchases beneficiary rights, the distributor may collect fees that it has determined as well as the amount equivalent to the consumption tax levied on said fees.
* Inquire with the distributor for details.
- Amount Retained in Trust Assets: Not applicable.

Fees and expenses charged indirectly through the trust assets (i.e. paid by the Fund)

- Trust Fees: Trust fees will substantially be an amount roughly the fund's net asset value multiplied by a maximum of 0.486% (pre-tax 0.45%) per annum as calculated on a daily basis.
- Other Expenses: An amount limited to the total multiplied over the trust period of the amount reached by multiplying an annual rate of 0.1% on the fund's daily net asset value.
The following expenses will be paid from trust assets at the times stipulated by the asset manager: (i) expenses for creating and delivering prospectuses, (ii) expenses for accounting and related services, (iii) expenses for producing summaries of accounts (including outsourcing fees if the services set forth in (i)–(iii) are outsourced), (iv) audit costs, (v) listing fees, and (iv) index royalties for the MSCI Japan IMI Custom Long-Short Strategy 85% + Yen Cash 15% Index.

* Audit costs are expenses for audits of the fund paid to an audit corporation, etc.
Brokerage commissions on securities in the portfolio, interest on borrowings, interest on advances, and fees related to securities lending are paid out of the fund's trust assets each time they are incurred (in the case of securities lending, the amount reached by multiplying a maximum of 0.54* (0.5 before tax) (0.5 before tax as of the securities registration statement submission date) on the lending fee).

*The rate or maximum amounts cannot be disclosed in advance because the actual amount will vary depending on the state of the assets managed.

For more detail, please refer to the investment trust explanatory document (prospectus distributed in advance of subscription).

■ Risk Information

Invested principal is not guaranteed and may incur losses where the value of your investment principal will fall below par as the result of a decline in the NAV. All gains and losses from the management of the fund belong to the investor (beneficiary). This fund also differs from bank deposits.

Stocks and stock-price index futures trading rights are the main investment instrument of this fund. Thus, decreases in the prices of stocks and stock-price index futures trading rights, as well as declines in the financial standing of stock issuers or their earnings, can cause drops in the NAV that may incur losses. If the fund invests in any assets denominated in a foreign currency, losses may be incurred due to fluctuations in the exchange rate.

The main types of risk are set forth below.

[Price Fluctuation Risk] [Liquidity Risk] [Credit Risk] [Exchange Rate Fluctuation Risk] [Derivative Risk] [Beta Hedging Risk] [Securities Lending Risk]

*Factors for NAV fluctuation are not limited to those explained above.

■ Other Matters to Consider

- These materials were prepared by Nikko Asset Management for the purpose of promoting investors' understanding of "Listed Index Fund MSCI Japan Equity High Dividend Low Volatility (Beta Hedged)."
- Prior to investing in the fund, the distributor will deliver the investment trust explanatory document (prospectus distributed in advance of subscription). Please be sure to confirm its contents before making your own investment decision.

■ Long Short Strategy Index on MSCI Japan IMI Custom (Price) 85% + CASH (JPY) 15% Index

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This index is a custom index combining MSCI Japan IMI Custom Liquidity and Yield Low Volatility Index and MSCI Japan IMI based on the factors provided by Nikko AM.