

March 7, 2014

Press Release

Nikko Asset Management Co., Ltd.

Nikko AM Decreases Risk, Reduces Overweight on Global Equities

A long-running overweight stance on global equities is being trimmed by Nikko Asset Management's Global Investment Committee (GIC), the company announced today. The GIC has been able to shoulder all the various global risks since September 2011 and still maintain an overweight stance on global equities, but earlier this week in an ad-hoc meeting, it voted to recommend slightly decreasing risk to a neutral stance.

A major reason was the Ukraine tensions, but other factors also played a role in the GIC's concern. It has long maintained a cautious stance on China, and there are increasing signs of shadow banking defaults and declining residential property prices. Many other reforms are accelerating there, and while positive in the long-run, such will likely cause overall uncertainty and difficulties in the short term. On the other hand, certain segments of the economy will benefit strongly from the reforms even in the short term, and the GIC is by no means calling for a hard landing; rather, that economic growth will moderately disappoint consensus expectations.

As for other factors, fairly elevated US equity valuations and the strong rise in US equity prices over the last year also contributed to the GIC's concern, especially as earnings growth will likely be hampered by the recent weather calamities.

As for the Ukraine, the GIC agreed that Putin is not likely to invade other parts of Ukraine, but that, quietly, the West likely assumed that Russia would not give up Crimea. Thus, most of the complaints from the West are mostly rhetoric and perhaps intended to make Putin look "tough". Going forward, a stalemate and long negotiations are the most likely outcome, with the West essentially controlling 95% of Ukraine, but also needing to keep decent relations with Russia (for energy, primarily). Thus, a "Finlandization" of the Ukraine (without becoming a full EU or NATO member), with an autonomous Crimea, is the most likely outcome in the years ahead. There is always the chance, however, that the local populations begin to fight with each other, which would escalate geo-political tensions greatly. Hopefully, they will realize that the Yugoslavian break-up is not a good model and that ethnic cooperation is essential.

In sum, it is extremely rare that we make ad-hoc decisions like this, and it is meant to be temporary until we meet on March 27th in full session to make a final decision.

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About Nikko Asset Management

Nikko Asset Management (Nikko AM) is a leader in the Asian financial services industry, with over \$160 billion in assets under management as of December 31, 2013. Established in 1959, the firm has 22 offices in 10 countries and enjoys one of the largest distributor networks in the region, serving both retail and institutional clients. More than 300 banks, brokers, financial advisors and life insurance companies distribute the company's products.

Nikko AM manages a wide range of equity and fixed income strategies in both active and passive formats, leveraging the talents of more than 250 investment professionals. In 2013 alone, Nikko AM won awards for excellence in asset management from Lipper, Mercer, AsianInvestor, R&I, among others.

The company's management team is highly diverse and experienced, and is committed to running the company according to international best practices. Nikko AM's independence from the limitations imposed on many captive asset management companies allows it to focus on the interests of clients. At the same time, the company enjoys a stable base of shareholders, with majority ownership held by Sumitomo Mitsui Trust Holdings and a smaller stake by DBS Bank.

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

* Consolidated assets under management and sub-advisory of Nikko AM and its subsidiaries as of 31 December 2013.