

PRESS RELEASE

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NIKKO ASSET MANAGEMENT CO., LTD.

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## Nikko Asset Management Maintains Overweight Stance on Global Equities

- *Continues positive stance on global equities, driven by continued economic reflation*
- *Underweight stance on global bonds also maintained*
- *US tax reform legislation expected to pass*

Nikko Asset Management's ("Nikko AM") Global Investment Committee (GIC) maintains its bullish stance on global equities despite geopolitical uncertainty in its latest House View, due to increasing confidence in economic growth amongst consumers and corporations in much of the developed world. The GIC also maintains a moderately underweight stance on global bonds, as yields are expected to gradually rise.

Nikko AM Chief Global Strategist and GIC Chairman John Vail said, "There is great market uncertainty about Trump and the Republican Party's legislative success, but we still believe that a good portion of his plans will eventuate in the 2H17 or soon thereafter. Essentially, Republican legislators are in control of the agenda now, and they are desperate to overcome their internal divisions so as to achieve some success before the next legislative elections eighteen months hence."

The Committee projects firm US GDP growth of 2.3% (HoH SAAR) in the second half of 2017 driven by increased personal consumption, fixed asset investment, government spending and inventories. US equities are expected to benefit over the intermediate term - the GIC forecasts the S&P 500 to stand at 2,499 at the end of September and 2,687 at the end of June 2018 for an anticipated total return of 3.2% and 12.5% respectively. The Committee believes the US market is less expensive than it appears because analysts have not adjusted their EPS forecasts for the expected Republican tax cuts.

The Committee maintains an overweight stance on global equities, particularly for the US and Pacific ex Japan. It is expected that Hong Kong will continue to benefit from China's capital outflows while Australian equities from China's continuing demand for commodities and services.

European equities are expected to perform well, with the Euro Stoxx rising to 398 and the FTSE to 7620 at the end of September for an anticipated total return of 4.0% and 3.3% respectively. Fears of a banking crisis have diminished and global growth will drive consensus profit estimates higher. Uncertainty around the terms of BREXIT is likely to increase, contributing to the expected underperformance of UK equities relative to the rest of the region.

Japanese equities are expected to gain as well with the TOPIX hitting 1,633 by September end and 1,717 by June 2018 for an anticipated total return of 1.7% and 4.6% in USD terms respectively (2.9% and 9.6% in yen terms). Driving these returns is the continued improvement in corporate governance and improved consumer and corporate sentiment, as well as likely improvements in net trade as the global economy, especially China, continues to grow.

As for currencies, the GIC remains bullish on the U.S. dollar despite recent weakness due to lower confidence in US growth coupled with increased confidence in Europe and Japan. The yen and the euro are expected to weaken to 114 and 1.09 respectively against the U.S. dollar by the end of December.

For bonds, the GIC expects G-3 (Japan, the Eurozone and the U.S.) yields to rise in the second half of 2017. For U.S. 10-year Treasuries, the committee's forecast for the end of December is 2.4 percent, while those for 10-year Japanese government bonds and German bunds are 0.1 percent and 0.6 percent, respectively.

The Committee met on June 20 for its quarterly review of global economic conditions. Based on the findings of its senior investment professionals around the world, the firm periodically reconsiders House Views on major global markets and asset classes.

The Committee's main forecasts at this time are:

U.S.: Half-year GDP growth (July to December 2017) of 2.3 percent half-on-half seasonally adjusted annual rate (HoH SAAR), with the S&P 500 rising 6.4 percent in dollar terms\* over the next six months to December 2017.

Japan: Half-year GDP growth of 1.4 percent HoH SAAR, with TOPIX rising 5.4 percent in yen terms\* over the next six months to December 2017.

Eurozone: Half-year GDP growth of 1.7 percent HoH SAAR, with MSCI Europe rising 6.6 percent\* in euro terms over the next six months to December 2017.

\* Total return from the base date of June 16, 2017

Nikko Asset Management's entire house view, with further details on this outlook, can be found [here](#).

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

## About Nikko Asset Management

With US\$182.7 billion (20.36 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 since 1959, the firm represents more than 200\*\* investment professionals and over 30 nationalities across 11 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 its investment insights, please visit the firm's [homepage](#).

\* Consolidated assets under management and sub-advisory of Nikko Asset Management and its subsidiaries as of March 31, 2017.

\*\* As of March 31, 2017, including employees of Nikko Asset Management and its subsidiaries.

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