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Press Release

Nikko Asset Management Co., Ltd.

Risk Factors Prompting Nikko Asset Management to Cut Equity Exposure Worsening

- *Ukraine and China remain most worrisome issues*

The volatile geopolitical situation in Eastern Ukraine and the prospect for prolonged negative news out of China continue to weigh on Nikko Asset Management's stance on global equities, which the Tokyo-based asset manager cut to neutral from overweight last month. In its latest research report, *Evolving Markets*, the firm's analysts provide detailed analysis of these risk factors as well as an overview of the most (and least) attractive emerging markets.

The situation in Eastern Ukraine may be more perilous than many realize because vital production facilities for military equipment, including missile, aircraft and naval engines are located in the region and which Russia is not likely to permit coming under the control of a hostile government.

"While we did not previously believe that Russia would invade Eastern Ukraine, we did expect ethnic violence to occur there," said John F. Vail, Chief Global Strategist and Chairman of the Global Investment Committee. "However, now we have to admit that some form of Russian presence, perhaps 'peacekeepers' requested by the separatists, is likely. Whether opponents of strong Russian control in Eastern Ukraine decide to fight these peacekeepers is a key question, but it clearly could become more unstable than the Crimean example."

Meanwhile, in China, Nikko Asset Management continues to believe the country will be able to avoid a hard landing even though negative news is accelerating on several fronts. Property price declines are spreading—with secondary prices starting to fall in many second- and third-tier cities—while the government is pushing even harder to rein in the shadow banking system, which provides funding to many struggling sectors of the economy.

"Falling property prices put a damper on investor sentiment, and also lead to less activity in the crucial housing construction industry," Vail said. "Rising defaults among the shadow banks will lead to a rise in banks' non-performing loans, but in the long run the government is doing the right thing in instilling some discipline in lending activity."

In the emerging markets, Nikko Asset Management's top investment professionals covering equities, fixed income and forex have updated their views on the relative attractiveness of several countries, based on a ranking of average scores across six categories: 1) the direction of the one-year interest rate, 2) the direction of the forex rate, 3) equity earnings growth, 4) equity valuations (based upon several measures), 5) political risk and 6) vulnerability to credit or property market downturns.

The most attractive emerging markets are India, Korea and Mexico, while the most unattractive markets are Chile, Egypt, Russia, South Africa, Thailand and Turkey. In the middle, average-scoring countries include China, Indonesia, Malaysia, Peru, the Philippines and Vietnam. Brazil scores slightly below average.

Overall, Nikko Asset Management is cautious on emerging markets equities as a whole, even though certain countries offer excellent prospects; nevertheless, investors should be cautious about the political risks associated with this asset class.

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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 representation in 24 locations in 12 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 over 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.