

PRESS RELEASE

13 JULY 2018

NIKKO ASSET MANAGEMENT CO., LTD.

Nikko AM to List Yen-Hedged ETF Linked to S&P 500 Index

ETF to debut on TSE on 3 August

Nikko Asset Management (Nikko AM) today announces a new exchange traded fund (ETF) linked to the S&P 500 Index with a currency hedge for the yen. The ETF will launch on 31 July and be listed on the Tokyo Stock Exchange on 3 August .

The “Listed Index Fund US Equity (S&P500) Currency Hedge” [Ticker: 2521] is an ETF with a yen hedge on the US dollar–denominated value of the S&P 500, a core US equity index. The new fund will be the first Japan-listed ETF of its kind.

Nikko AM’s current ETF offerings include the “Listed Index Fund US Equity (S&P500)” [Ticker: 1547], which is linked to a yen-converted S&P 500. The new ETF was developed in response to requests from institutional investors who want exposure to US equities that is not vulnerable to currency fluctuations. The price fluctuations of the new ETF and that of the existing unhedged offering differ greatly. The two funds have a low correlation*, which makes the new ETF effective for investors seeking diversification in their investment portfolio.

Listed Index Fund US Equity (S&P500) Currency Hedge is a cash creation/cash redemption type ETF, in which cash payments are made into the fund at its creation or time of subscription and payouts are made at the time of redemption or cancellation. Compared to an in-kind type of ETF that pays out cash equities at the time of creation and receives cash equities at the time of exchange, this type of instrument is convenient for financial institutions and other institutional investors because the minimum cash requirements at the time of creation and redemption are relatively low and there are relatively few days when transactions can’t be executed.

Nikko AM has proactively developed various types of ETFs to meet the needs of investors and will continue to build a diversified and robust portfolio of investment products that provide clients with a broad range of opportunities.

*Correlation coefficient between the two linked indices (July 1, 2013 to June 29, 2018) = 0.04

Fund Outline for Exchange Trading

Product Type	Open-Ended Fund / Overseas / Stocks/ REIT / ETF / Index Fund
Listed Exchange	Tokyo Stock Exchange
Date Listed	August 3, 2018 (scheduled)
Security code	2521
Trading Unit at the Exchange	10 units
Trust Period	Unlimited (Launch date: July 31, 2018)
Closing Date	20th of January (every year)
Dividends	Dividends will be distributed once a year based on a distribution policy. ※As a general rule, the trustee will transfer dividends into the bank account designated in advance by the beneficiary on the day specified by the management company, which will be within 40 days of the end of each accounting period. In addition, if the beneficiary has entered into a revenue-sharing agreement with a separate handling company, dividends will be distributed in accordance with that contract.

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 are subject to Japan's consumption tax.

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

Trust Fees: Approximately 0.162% per year (0.15% excluding tax) of the NAV

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 (vi) fees for using the S&P500 Index (yen hedged) symbol.

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

Brokerage fee for securities purchased, interest on borrowings and interest on advance payment are paid from trust assets.

*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 details, 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	As a general rule, orders will be processed on the same business day if all administrative procedures prescribed by the distributor are completed by 2:00 p.m.
Subscription Value	NAV on the next business day of the day the purchase subscription is received
Subscription Unit	Unit stipulated by the distributor that is at least 5,000 units * Inquire with the distributor or the asset manager for details.
Redemption Value	Value determined by subtracting value of amount retained in trust assets from fund's base value (NAV) on the next business day after the day the redemption application was received.
Redemption Unit	5,000 units ✕ May vary depending on distributor. ✕ If the number of beneficiary rights held is less than the minimum trading unit specified by the financial instruments exchange, investors can still apply for purchase of their holdings. Inquire with the distributor for details.

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 Upper limit of 0.3%

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

Trust Fees: Approximately 0.162% per year (0.15% excluding tax) of the NAV

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, (vi) fees for using the S&P500 Index (yen hedged) symbol.
* Audit costs are expenses for audits of the fund paid to an audit corporation, etc.

Brokerage fee for securities purchased, interest on borrowings and interest on advance payment are paid from trust assets.

*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 the investor may incur a loss when the fund's base value (NAV) falls below the invested principal amount. All gains and losses stemming from management of the fund are attributed to the investor (beneficiary). This fund is different from bank deposits.

This fund invests mainly in equities. Accordingly, share price declines and deterioration in the finances and business results of the companies that issued the stocks held by the fund can cause drops in the fund's base value (NAV) that result in losses for the investor. Also, investing in foreign currency-denominated assets exposes the investor to the risk of potential losses caused by forex fluctuations.

The main types of risk are set forth below.

[Price Fluctuation Risk] [Liquidity Risk] [Credit Risk] [Exchange Rate Fluctuation Risk]

* As the value of the investment trust securities that are the investment targets of the fund are exposed to price fluctuations caused by the above factors, the fund itself is also exposed to these risks.

* 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 US Equity (S&P500) Currency Hedge."

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.

■ S&P500 index

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About Nikko Asset Management

With US\$220.1 billion (23.41 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 nearly 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 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 31 March 2018.

** As of 31 March 2018, including employees of Nikko Asset Management and its subsidiaries.

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