

## Press Release

Nikko Asset Management Co., Ltd.

### Listed Index Fund TOPIX Ex-Financials to Meet Capital Policy, Investment Needs of Financial Institutions

– With trading in units as small as JPY 1,000, cash creation-type fund also meets the needs of institutional investors –

Nikko Asset Management Co., Ltd. (Nikko AM) has announced the launch of the **Listed Index Fund TOPIX Ex-Financials (Code: 1586)**, a new exchange traded fund (ETF) to be listed on the Tokyo Stock Exchange (TSE). It aims to track the movements of TOPIX Ex-Financials, a new index to be unveiled by the TSE on September 2, 2013. The fund will be launched on September 24 and listed on September 26.



The TOPIX Ex-Financials index, to which the **Listed Index Fund TOPIX Ex-Financials** will be linked, is to be comprised of TSE First Section-listed stocks of Japanese firms which make up 29 of the 33 sectors of the Tokyo Stock Price Index (TOPIX). The Ex-Financials index excludes stocks from the TOPIX's four finance-related sectors (*Banks, Securities and Commodities Futures, Insurance and Other Financing Business*).

The **Listed Index Fund TOPIX Ex-Financials** has been developed to meet the capital policy needs of financial institutions. Currently, the global regulatory requirements on capital adequacy ratios (Basel III) and related laws stipulate that, in principle, when calculating the amount of their capital, Japanese financial institutions must deduct the amount of their investments in other financial institutions. Therefore, if a financial institution holds ETFs linked to the TOPIX, for example, the total amount linked to the TOPIX's four financial sectors, which comprise around 15% of the index, must be deducted from capital – an undesirable scenario for financial institutions in terms of capital policy. It is for this very reason that the TOPIX Ex-Financials index, which excludes the four finance sectors, has been developed. As it aims to track the movements of this index, the **Listed Index Fund TOPIX Ex-Financials** is a first-of-its-kind product that meets the capital policy and investment management needs of financial institutions who wish to capture the overall movements in the Japanese equity market while restricting investments in financial institutions.

Trading in the **Listed Index Fund TOPIX Ex-Financials** will be in units of one with an initial subscription price of JPY 1,000 per unit. This will ensure that investors can flexibly trade in small amounts starting from JPY 1,000.

The **Listed Index Fund TOPIX Ex-Financials** is a cash creation/redemption-type ETF. In contrast, all ETFs linked to the TOPIX currently listed in Japan are in-kind redemption-type funds where contributions and exchanges are performed with real assets (basket of equities). When engaging in large lot trading, a cash creation-type ETF that does not require real assets for subscription and redemption allows for more flexibility than an in-kind redemption-type fund. These product attributes can meet the needs of institutional investors engaged in such large-lot transactions.

Nikko AM continues to lead the way in developing different types of ETFs to meet the needs of investors, by enhancing its products and offering a broad range of investment opportunities.

### ■Fund Outline for Exchange Trading

Product Type	Open-end investment trust / Domestic / Equity / ETF / Index-type
Listed Exchange	Tokyo Stock Exchange
Date Listed	September 26, 2013 (scheduled)
Security code	1586
Trading Unit at the Exchange	1 unit
Trust Period	Unlimited (Launch date: September 24, 2013)
Closing Date	January 8 and July 8 every year
Dividends	In principle, all revenue from dividends, etc., arising from the trust assets will be paid as dividends for every calculation period, after deducting expenses, etc. *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 Commission: As stipulated by the brokers. Please contact your broker for details.

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

- Trust Fees: The trust fee is calculated by multiplying the total net asset value by up to 0.0924% per annum (0.088% before tax).
- Other Expenses: Expenses for creating and delivering prospectuses, accounting expenses (including outsourcing fees), audit costs, listing fees and index royalties, will be paid out of the fund's trust assets with an amount reached by multiplying an annual rate of no greater than 0.1% on the fund's daily net asset value.  
Brokerage commissions on securities in the portfolio, interest on borrowings and 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 0.525 (0.5 before tax) on the lending fee).  
\*The rate or maximum amounts applicable to brokerage commissions on securities in the portfolio and other expenses cannot be disclosed in advance because the actual amount will vary depending on the state of the assets managed.

- \* The total amount of fees charged to the Fund will vary depending on the length of investment period and other factors. Therefore, we cannot give a specific total.
- \* 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.]

Business Hours for Subscription and Redemption	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 Price	NAV as of the business day following the application date.
Subscription Unit	No less than 10000 units, and as stipulated by the distributor. Please contact the distributor or management company for information on subscription units.
Redemption Price	NAV as of the redemption application date.
Payment of Redemption Proceeds	In principle, payment after 4 business days following the day of receiving the application for redemption.

### < Fees charged at the time of subscription and redemption >

- Purchase Application Fees: As stipulated by the distributors. Please contact your distributor for details.  
A tax equivalent will also be added to this amount.
- Redemption Fees: The distributors may charge beneficiaries a fee determined by each distributor, together with consumption tax thereon, upon redemption or repurchase of beneficiary interests.  
\* Please contact your 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: The trust fee is calculated by multiplying the total net asset value by up to 0.0924% per annum (0.088% before tax).
- Other Expenses: Expenses for creating and delivering prospectuses, accounting expenses (including outsourcing fees), audit costs, listing fees and index royalties, will be paid out of the fund's trust assets with an amount reached by multiplying an annual rate of no greater than 0.1% on the fund's daily net asset value.  
Brokerage commissions on securities in the portfolio, interest on borrowings and 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 0.525 (0.5 before tax) on the lending fee).  
\*The rate or maximum amounts applicable to brokerage commissions on securities in the portfolio and other expenses cannot be disclosed in advance because the actual amount will vary depending on the state of the assets managed.

- \* The total amount of fees charged to the Fund will vary depending on the length of investment period and other factors. Therefore, we cannot give a specific total.
- \* 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 market price or the NAV. All gains and losses from the management of the fund belong to the investor (beneficiary). This fund also differs from bank deposits.

This Fund will invest mainly in equity. The NAV of the Fund may fall and you may suffer a loss for reasons such as a drop in the price of equities or deterioration in the financial conditions and business performance of an issuer of stocks.

The principal risks of this Fund are as follows:

[Price Fluctuation Risk][Liquidity Risk][Credit Risk][Foreign Currency Risk] [Risk involved in securities lending, etc.][Price Discrepancies Between TOPIX Ex-Financials and NAV]

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

## ■ Other Matters to Consider

- These materials were prepared for the purpose of providing information on “ Listed Index Fund TOPIX Ex-Financials” offered by Nikko AM and promoting investors’ understanding of this Fund.
- The provisions stipulated in Article 37-6 of the Financial Instruments and Exchange Act (the cooling-off period) do not apply to transactions of the Fund.
- Unlike bank deposits or insurance policies, investment trusts are not protected by the Deposit Insurance Corporation or the Insurance Policyholders Protection Corporations. In addition, when purchased from registered financial institutions such as banks, investment trusts are not eligible for payments from the Japan Investor Protection Fund.
- In accordance with the provisions of Article 5 of the Financial Instruments and Exchange Law (Act No. 25 of 1948), Nikko AM filed a security registration statement with the Head of the Kanto Local Finance Bureau on September 4, 2013 and it will become effective as of September 20, 2013. The content of the statement may be subject to change before becoming effective.
- Any profit or loss derived from the management of investment trusts belongs to all the beneficiaries. Please read the related contract prior to investing in the Funds.

## ■ Management Company and Other Related Companies

Management Company: Nikko Asset Management Co., Ltd.

Trustee: Sumitomo Mitsui Trust Bank, Limited

Sub-Trustee: Japan Trustee Services Bank, Ltd.)

Distributor: Please contact below to inquire about distributors.

Nikko Asset Management Co., Ltd.

Website: <http://www.nikkoam.com/>

Call Center: 0120-25-1404 (9a.m. – 5p.m., excluding Saturdays, Sundays and public holidays)

#### ■ TOPIX Ex-Financials

- The TOPIX Ex-Financials index price and TOPIX trademarks are intellectual property rights owned by Tokyo Stock Exchange, Inc. All rights and know-how relating to TOPIX Ex-Financials, including calculation, publication and use of the index price, as well as those relating to TOPIX trademarks, belong to Tokyo Stock Exchange, Inc.
- Tokyo Stock Exchange, Inc. reserves the right to change the methods of calculation or publication, to cease the calculation or publication of the TOPIX Ex-Financials index price or to modify TOPIX trademarks or cease the use thereof.
- Tokyo Stock Exchange, Inc. makes no warranty or representation as to the results derived from the use of the TOPIX Ex-Financials index price and TOPIX trademarks, as well the TOPIX Ex-Financials index price of a particular date.
- Tokyo Stock Exchange, Inc. does not guarantee the accuracy or completeness of the TOPIX Ex-Financials index price and data contained therein. Tokyo Stock Exchange, Inc. shall also not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the TOPIX Ex-Financials index price.
- This product is not in any way sponsored, endorsed or promoted by Tokyo Stock Exchange, Inc.
- Tokyo Stock Exchange, Inc. assumes no obligation to provide explanations on this product or investment advice to purchasers of the fund or the general public.
- Tokyo Stock Exchange, Inc. does not take into account the needs of Nikko AM or the purchasers of the fund when calculating the constituent stocks and index price of the TOPIX Ex-Financials.
- Including but not limited to the foregoing, Tokyo Stock Exchange, Inc. shall not be responsible for any damage resulting from the subscription in, sale and marketing of this fund.

## About Nikko Asset Management

Established in 1959, the Nikko Asset Management group (Nikko AM) has grown to become the largest regional asset management company headquartered in Asia, with total AUM of US\$156 billion\* and one of the largest distributor networks across the Asia-Pacific region, comprising over 300 banks, brokers, IFAs and life insurance companies.

Nikko AM manages a wide range of Asian equity and Asian fixed income strategies for retail and institutional investors around the world. The company has been recognised by industry peers for outstanding performance, product innovation and market leadership across the Asia-Pacific region, winning a number of prestigious awards, including “Asia-Based Asset Manager of the Year” in 2012 and “Best Japan Onshore Fund Manager” in 2013, 2012 and 2011, both from *AsianInvestor*.

Nikko AM also offers specialist third-party expertise – currently from over 40 fund managers – through the World Series Fund Platform®, operating a “best-in-class” approach across a broad range of asset classes.

Nikko AM’s senior management team has significant experience across Asian as well as global markets. The team combines local knowledge with internationally recognised standards of investment practice, transparency and corporate governance to achieve growth across the business. The company adopts a “multi local” approach – giving local management teams a high degree of autonomy to address local market conditions and client servicing needs.

Nikko AM’s head office is in Tokyo and the firm has an extensive footprint across the Asia-Pacific region that includes offices in Singapore, Hong Kong, Sydney, Melbourne, Brisbane and Auckland. Offices in New York and London with full service teams provide support to investors in the US, Europe and the Middle East.

Nikko AM’s strong Asian presence is cemented with stakes in several joint venture companies. Rongtong Fund Management is one of the largest Sino-foreign joint venture fund management firms in China, while Hwang Investment Management Berhad and Asian Islamic Investment Management Sdn. Bhd. are leading investment management firms in Malaysia. Recent additions Ambit Investment Advisory Private Limited in Mumbai and Ambit Mauritius Investment Management Private Limited provide Indian equity expertise to Nikko AM’s global clients.

Nikko AM is an independently managed asset management company, majority owned by Sumitomo Mitsui Trust Holdings and with DBS Bank as the second largest shareholder.

For more information, please visit [www.nikkoam.com/english](http://www.nikkoam.com/english)

\* Consolidated assets under management and advice of Nikko AM and its subsidiaries as at 31 December 2012. “Largest” based on AUM sourced from Asia, including Australia and New Zealand, using third party published AUM figures as of June 30, 2012. “Regional” excludes firms with more than 75% of AUM sourced from a single country.

### **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