

August 6, 2014

Press Release

Nikko Asset Management Co., Ltd.

Nikko AM to List Nikkei 225 Leveraged ETF

– Reduced tracking error fund has lowest fees for a leveraged ETF –

Capitalizing on the surging popularity of exchange-traded funds, Nikko Asset Management is listing its first leveraged ETF tracking the price movement of the Nikkei 225 leveraged index (Code: 1358), the company announced today. The ETF, which seeks to provide returns that are twice the price movement of the Nikkei 225, will be listed on the Tokyo Stock Exchange on August 26.



"We believe we are adding significant value to the ETF market in Japan through our new leveraged ETF," said Hideo Abe, executive vice chairman of Nikko Asset Management. "We were the first firm to offer ETFs at a minimum investment amount of 1,000 yen, and with our new product we are aiming to provide a better fund at a lower price, which is a good development for the market."

In managing the ETF, Nikko Asset Management has developed an investment mechanism that is expected to lead to reduced tracking error, or the divergence between the price of the ETF and the trading level of the underlying index. Some 70% of the ETF's assets will be invested in an existing Nikkei 225 ETF managed by the firm. To generate the performance of two-times the price movement of the index, the ETF's managers will invest approximately 30% of the ETF's assets in unsettled purchase contracts of Nikkei 225 futures. These two investments will be made in a proportion equaling about two times the ETF's total net assets, thereby generating two-times the performance of the Nikkei 225 index's price movement. By adopting this investment scheme, the firm aims to reduce the tracking error seen in similar funds that invest assets in Nikkei 225 futures at a ratio of 200% of the fund's assets. Currently there are two leveraged Nikkei 225 ETFs listed on the Tokyo Stock Exchange.

Nikko Asset Management's new ETF will charge a total of approximately 0.76% of managed assets in trust fees, which is approximately 9% lower than the average of the leveraged ETFs listed on the Tokyo Stock Exchange.

-ENDS-

■Fund Outline for Exchange Trading

Product Type	Open-end investment trust / Domestic / Equity / ETF / Index-type
Listed Exchange	Tokyo Stock Exchange
Date Listed	August 26, 2014 (scheduled)
Security code	1358
Trading Unit at the Exchange	1 unit
Trust Period	Unlimited (Launch date: August 25, 2014)
Closing Date	July 10 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 amount obtained after multiplying the total net assets by a rate of 0.7641% per annum (0.7075% before tax) shall be the actual trust fee payable.
 - * In addition to this fund's trust fees (no more than 0.594% per annum (0.55% before tax) of total net assets) a separate 0.1701% per annum (0.1575% before tax as of the date securities registration statement was filed) of total net assets is payable if the fund invests in the Listed Index Fund 225 or the Listed Index Fund Nikkei 225 (Mini). This is an estimate based on a 70% incorporation of the Listed Index Fund 225 or the Listed Index Fund Nikkei 225 (Mini).
 - * Actual trust fee rates will fluctuate depending on the incorporation ratio of listed investment trust securities.
 - 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 0.54* (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 1,000 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 amount obtained after multiplying the total net assets by a rate of 0.7641% per annum (0.7075% before tax) shall be the actual trust fee payable.
*In addition to this fund's trust fees (no more than 0.594% per annum (0.55% before tax) of total net assets) a separate 0.1701% per annum (0.1575% before tax as of the date securities registration statement was filed) of total net assets is payable if the fund invests in the Listed Index Fund 225 or the Listed Index Fund Nikkei 225 (Mini). This is an estimate based on a 70% incorporation of the Listed Index Fund 225 or the Listed Index Fund Nikkei 225 (Mini).
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 - 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.xxx% on the fund's daily net asset value.
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■ 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 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 the Listed Index Fund 225 and the rights of stock price index futures contracts and sometimes in other listed investment trust securities or stocks linked to the Nikkei 225, therefore, due to the effects of falls in stock prices or worsening financial standing or business results of stock issuers, it is possible that the NAV will fall and the fund may incur losses. Losses may also be incurred due to exchange rate fluctuations when investing in assets denominated in foreign currencies.

The principal risks of this Fund are as follows:

[Price Fluctuation Risk] [Liquidity Risk] [Credit Risk] [Foreign Currency Risk] [Derivatives Risk] [Leverage Risk] [Investment Policy Risk] [Risk involved in securities lending, etc.]

*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 Nikkei Leveraged Index” 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 August 6, 2014 and it will become effective as of August 22, 2014. 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)

■ Nikkei Stock Average (Nikkei 225)

- The “Nikkei 225” is a copyrighted work calculated through a method developed independently by the Nikkei and Nikkei Inc. holds the copyrights and all other intellectual property rights related to Nikkei 225 itself and its calculation method.
- All trademark rights and other intellectual property rights relating to the trademarks of “Nikkei” and “Nikkei 225” belong to Nikkei Inc.
- Management of the fund is the responsibility of the Management Company, and Nikkei Inc. and Nikkei Digital Media Inc. have no responsibility for its management or the transactions of the fund.
- Nikkei Inc. and Nikkei Digital Media Inc. have no obligation to continue to publish Nikkei 225, and are not responsible for mistakes, delays or suspensions in its announcement.
- Nikkei Inc. has the right to change the component shares, calculations method and other contents of Nikkei 225 and to cancel its announcement.

■ Nikkei 225 Leveraged Index

- The "Nikkei 225 Leveraged Index" is copyrighted work calculated through a method developed independently by Nikkei Inc. Nikkei Inc. holds the copyrights as well as any other intellectual property for the "Nikkei 225 Leveraged Index" itself, the calculation method of the "Nikkei 225 Leveraged Index", and the "Nikkei Stock Average", which is the foundation to calculate the "Nikkei 225 Leveraged Index".
- All trademark rights and other intellectual property rights relating to trademarks of the “Nikkei” and the “Nikkei 225 Leveraged Index” belong to Nikkei Inc.
- The fund is solely the responsibility of the investment trust service provider, and Nikkei Inc. has no responsibility for its management or transactions in regards to the fund.
- Nikkei Inc. has no obligation to continue to publish the "Nikkei 225 Leveraged Index" and the "Nikkei Stock Average" and is not responsible for mistakes, delays or suspensions in its publication.
- Nikkei Inc. has the right to stop the publication of and change the contents (i.e. calculation method) of the “Nikkei 225 Leveraged Index” and the “Nikkei Stock Average”.

About Nikko Asset Management

Nikko Asset Management (Nikko AM) is a leader in the Asian financial services industry, with \$158 billion in assets under management as of March 31, 2014. Established in 1959, the firm has representation across 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 270 investment professionals. In 2013 alone, Nikko AM won awards for excellence in asset management from Lipper, Morningstar, 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 March 2014. AUM figures are converted into US dollars using the month-end exchange rate.

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