nikko am
Nikko Asset Management

YOUR GOALS,
OUR COMMITMENT.

Global Investment Committee's outlook

Consensus-like slow global economic growth but less monetary dovishness

By John Vail, Chief Global Strategist
21 December 2023

"High for longer" for the Fed and ECB should disappoint equities and bonds in the 1Q, although Japan has a more positive story.

Our September meeting's overall theme of "**Good but rocky rebound from a weak 3Q, with a rising yen**" seems to have been, so far, somewhat too cautious on overall global economic growth. Regarding recent growth in the Eurozone, the current consensus is lower than our consensus-like view at the time, but the converse is true for the US, Japan and China, where consensus is slightly higher than before. Our consensus-like call for central banks through September 2024 appears so far quite correct for the ECB, but consensus now for the Fed is much more dovish than expected, whereas the BOJ situation is unclear. We expected significant deceleration in global inflation, and current consensus for the US CPI nearly exactly matches our targets, but central banks and markets deemed such to be excellent progress, so they enthusiastically expect continued deceleration. As for bonds, US and Eurozone yields fell in 4Q much more than we expected (while our BOJ forecasts were close to our target) and our 6-month view of declining US and Eurozone yields was in the right direction. Meanwhile, the USD was weaker than our expected "mixed"/ flattish trend, but we accurately emphasised that the yen would start a significant rising trend in the coming quarters, estimating 142 in June. Our geopolitical backdrop has seemed correct so far, with no market-shaking political upheavals. Obviously, the Israeli-Hamas war was a surprise, yet it has not greatly affected markets after a short downdraft. As for markets, MSCI World rose much more than our rather optimistic stance, but this was almost entirely due to a strong US market, while our forecasts for the other markets were fairly accurate. We expected healthy gains for WGBI, but such turned out even higher, partly due to the weaker USD. Global equities greatly outperformed bonds, as we expected. Meanwhile, commodities declined much more than our modestly negative forecast through the 4Q, with oil sinking, while most other commodities were flat or down.

Looking forward, on 19 December, our committee narrowly decided on a macro-economic scenario (among the six presented) in which the global economy matches the current sluggish consensus, but that the Fed and ECB are slower to cut rates than the market expects. We also expect geopolitical risk to negatively affect markets in the coming quarters and that economies and trade will be partially disrupted by such. As an important sidenote, the scenario that was close to being chosen was the fully consensus-like scenario, with rather aggressive ECB and Fed rate cuts, coupled with much less geopolitical risk, so if our scenario choice is wrong, global equity and bond markets will likely be much stronger than we expect.

There are many reasons, which we agree with, for the rather sluggish consensus forecasts for global economic growth ahead. In Europe, part of the problem lies with the restructuring of the economy relating to the Ukraine war, while in the US, high interest rates, resumed student loan repayments and a partial government shutdown should continue to dampen growth in the 1Q. Although greatly forgotten in recent weeks, the financial and real estate sectors' troubles in the West continue to play a role in weakening the economy and restraining business optimism. As for other credit-related issues, private lending, private equity, commercial real estate (including CMBS and bank lending to such) will likely encounter continued trouble and default rates more broadly are expected by rating agencies to continue increasing. Of course, markets are now more attuned to the risks in commercial real estate, but given that it is fairly opaque, with booked prices often lagging reality, and that it is one of the largest asset classes in Western economies that is deeply entwined with both large and small banks, it is highly likely that the risks are underappreciated, especially as conditions in several of its subsectors are further worsening to distressing levels, at least in the office sector, in the US and Europe. Other property sectors' pricing is also hit by higher interest costs as well as higher cap rates, although clearly, the recent decline in bond yields is helpful. The risks are even more serious now that bank regulators will finally be more diligent regarding the pricing of assets and the sectoral concentration of risks, while banks will very likely be turning much more cautious anyway and forced to charge higher rates to clients given that funding costs are rising. On the positive side, we expect global labour market tightness to ease somewhat and oil prices to decline a bit further. However, one way that the Fed and ECB will likely justify for their slower cuts is that labour costs are not decelerating enough, likely due to major recent wage agreements (and minimum wage hikes) in recent months (and perhaps more to come). These clearly have second-round effects that also must be carefully monitored. It is also possible that the Fed will be wary of cutting rates too much in the 2H lest it be accused of influencing the elections.

Given this backdrop, our scenario predicts that globally, GDP will virtually match consensus in the next four quarters. Thus, we forecast: US GDP up 1.1% on a Half on Half Seasonally Adjusted Annualised Rate (HoH SAAR, as used in all references below) in the 1H24 period and 0.7% in the 2H24 period; Eurozone GDP at 0.4% and 1.0%, Japan at 1.2% and 1.2%, and China at 4.9% and 4.8%, respectively. For CY23 GDP growth, the US, the Eurozone, Japan and China should be 2.3%, 0.5%, 2.2% and 5.2%, respectively, with CY24 at 1.5%, 0.5%, 1.1% and 4.8%. Clearly, consensus remains quite subdued for the G-3 economy, with several major firms' economists still predicting recessions. As for China, we continue to expect a moderate amount of economic stimulus ahead, with the central government also alleviating the debt burden for local governments, but not "spoiling" consumers with fiscal largesse. The property market is clearly a very large concern, especially given the large number of empty units held for investment, but we see some stabilisation ahead, with the government now deeply committed to preventing a larger problem, especially now that such is continuing to cause visible problems in the trust and wealth management industries. Unfortunately, as explained below, continued economic growth does not mean that geopolitical relations will be stable. Indeed, such will cause continued mutual inefficiencies, trade retaliation efforts and other unhelpful aspects for both the OECD and China.

Geopolitics

Not only will the Ukraine conflict continue to be a major problem, but North Korea, China/Taiwan and the Middle East require close monitoring. Taiwan's election in January is likely to be a major pothole, as a firm anti-reunification candidate is very likely to win, thus upsetting China. Although we usually expect geopolitical issues to only cause market volatility and worrisome rhetoric, the election is likely to cause deeper and longer economic ructions and curtail business and investor confidence globally, as both Taiwan and China are obviously key cylinders in the global economic engine. While an invasion or blockade is very unlikely, rather significant other disruptions to their relationship, and that with the OECD, are quite likely. Meanwhile, Middle East problems are also disrupting trade to some extent and could well continue to do so.

As for US political risk, the country remains mired in conflict, and we expect continued turbulence. House Republicans will continue to investigate President Biden, which will likely prove very unsettling, and the upcoming election will likely be fraught with shocks. The net result of all of this should make risk markets and business leaders somewhat wary, but normally, as long as the economy and corporate profits are not impacted by political turbulence, US markets should not overreact too much. We expect annual fiscal appropriations to squeak through just like the debt limit did, but it will likely be a very ugly process, with some period of shutdown for the federal government. European political affairs should also be somewhat turbulent, and markets seem complacent about the prospect of a UK Labour government. War and immigration weariness is spreading and the election of relatively right-wing governments, including now in the Netherlands, should keep political divisions very high, which is further amplified by the unrest caused by the Israel-Hamas war, given the large Muslim populations now existing in Europe. We discuss Japan's political situation in its equity section below.

Our detailed forecasts:

Scenario 5	Dec 15 2023	Mar2024	Jun 2024	Sep 2024	Dec 2024
JP Uncollateral Call	-0.10%	0.00%	0.20%	0.40%	0.60%
US FF Rate	5.50%	5.50%	5.25%	5.00%	4.75%
ECB Policy Rate	4.50%	4.50%	4.25%	4.00%	3.75%
UK Policy Rate	5.25%	5.25%	5.00%	4.75%	4.50%
JP 10Y Bond	0.70%	0.80%	0.90%	1.00%	1.10%
US 10Y Bond	3.95%	4.00%	3.90%	3.80%	3.70%
Euro 10Y Bond	2.01%	2.15%	2.05%	1.95%	1.85%
UK 10Y Bond	3.69%	3.85%	3.75%	3.65%	3.55%
AUD 10Y Bond	4.14%	4.20%	4.10%	4.00%	3.90%
USD/JPY	142.15	140.00	138.00	136.00	134.00
EUR/USD	1.09	1.09	1.08	1.07	1.07
GBP/USD	1.27	1.27	1.26	1.25	1.25
AUD/USD	0.67	0.66	0.65	0.64	0.64
SPX	4719	4455	4583	4705	4831
Euro STOXX	476	455	445	450	455
FTSE	7576	7120	6950	6950	6950
TPX	2332	2,390	2,470	2,530	2,570
Nikkei 225	32970	33,700	34,800	35,700	36,300
Hang Seng	16792	17632	17632	18471	18471
ASX	7443	7250	7050	7000	7000
Oil Brent	77	75	75	74	73
Gold	2035	2100	2150	2200	2200
BBG Commod (DJ UBS)	99	97	97	96	95

Central banks: Fed and ECB less dovish than consensus, while BOJ tightens

Our new view on monetary policy is much less dovish than consensus, as we expect the Fed and ECB to cut only 25 bps in the 2Q and 50 bps in the 2H. We are, however, closer to consensus regarding the BOJ, with it likely ending YCC soon, ending ZIRP in the 1Q, then raising 20 bps in 2Q and 40 bps in the 2H. Furthermore, the Fed and the ECB will proceed with QT as currently planned. Besides the wage and second-round effect concerns mentioned above, the Fed and ECB will likely need to keep real rates somewhat higher than normal to counter the debt sustainability and other factors that are mentioned below.

US and European bond yields to tick up in 1Q, and then decline, with the yen stronger and JGB yields rising

We expect a surprisingly negative 1Q as the Fed and ECB guides markets, as they have already slowly started doing, away from strong dovishness. For bonds globally, this will push up yields slightly in the 1Q from mid-December levels. After this, however, low economic growth, financial sector and credit accidents, coupled with a continuing decline in inflation should help restrain yields, especially given the eventual ECB and Fed cuts. However, continuing QT and high issuance certainly will prove to be headwinds and we expect increased fears about debt sustainability, at witnessed by recent credit rating agency warnings, coupled with increased supply due to huge fiscal deficits to prevent bond yields from falling too fast. Furthermore, if there are large geopolitical tensions like we expect, some countries, like China, may wish to reduce exposure to long-duration USD assets. In sum, for US and German 10-year bonds, we expect rates to rise to 4.0% and 2.15%, respectively, by end March, but to decline 10 bps in each following quarter. Due to its converse monetary policy, those for Japan will likely rise gradually to 1.1% by the 4Q. Regarding forex, we expect the USD to be quite stable in the 1Q vs. the EUR but decline to 140 vs. the yen. Thereafter we expect moderate weakness vs. the EUR and **the yen to rise to 134 by the 4Q** for these reasons: 1) the BOP trade deficit in goods and services consistently returns to surplus (in October, it had its first in more than two years), with a further surge in tourism receipts as group tours from China resume (which used to account for about 50% of tourists, but has only slightly recovered so far), 2) a continued increase in foreign investment in Japanese equities, 3) a narrowing differential with the USD policy rate and longer-term (inflation-expectations adjusted) interest rates. One possible, but uncertain, headwind to yen strength is that Japanese investors, particularly in the newly expanded NISA tax-sheltered investment accounts, may invest large sums abroad.

In sum, we forecast that the FTSE WGBI (index of global bonds) should produce in USD terms a 0.1% unannualised total return from our base date of 15 December through March, 1.0% at end-June and 3.3% through December. Thus, we are not particularly positive on bonds over the full period. For yen-based investors, however, this index in yen terms should return -1.4%, -2.0% and -2.6% through those respective periods due to yen strength, which is quite unattractive. Meanwhile, with JGBs returning -0.8%, -1.5% and -3.0% in yen terms, respectively, a preference for short-duration yen assets seems quite apparent.

The Brent oil price will likely be very volatile but should decline to around USD 75 at the end of the next two quarters, with slight declines afterwards. The recent price decline after the Israel-Hamas war has been remarkable but speaks to the interest in global economic and financial stability by key OPEC producers. Gasoline prices in the US have been very weak too, which likely also reflects decreased consumption due to higher EV penetration and some reduction in transport usage. Of course, geopolitical questions loom large, both geopolitically and as regards global oil supply, but we think that supply will adjust to any troublesome conditions in relatively short order. We also expect that OPEC will hesitate pushing prices higher than USD 85 or so, lest a rapid shift to alternative energy occurs. Other commodity prices should decline mildly, in our view.

We expect US headline and core CPI to undershoot consensus estimates, with considerable deceleration ahead to 2.3% and 2.0% in June and December, respectively, for the former, and for the latter to 2.5% and 2.0%. Although this makes future real interest rates appear high, as mentioned above, such is likely necessary to counter debt sustainability and other factors. As for further details, housing rent will likely continue to decelerate, with airfares, apparel, home furnishings and many services prices softening too due to slower demand and lower input prices. Eurozone and Japanese CPIs should decelerate greatly ahead too, although the Eurozone will take even longer to approach the ECB's target, as second round effects and labour strikes continue to be quite pervasive.

Equities should rebound after a weak 1Q

Our scenario entails some true headwinds for global equities, **so we reduce our very positive view to a negative one for most of the 1H, but then a positive one for the 2H, with an overall neutral one for those investors who cannot make quarterly changes.** Aggregating our national forecasts from our base date, we forecast that the MSCI World Total Return Index in USD terms will return -4.2% through March, -1.8% through June and +3.7% through December (-5.7%, -4.7% and -2.2% in yen terms).

In the US, our equity team thinks this scenario will shock the market in the 1Q, with a decent recovery in the 2Q, followed by quite a strong 2H a to new high. The 1Q shock is due to the 4Q's surge to a very high valuation based on an aggressively dovish Fed policy that we estimate will be reversed. Indeed, the SPX's PER on its CY24 consensus EPS estimate is very high at 19.4, and, moreover, we see 2024 earnings disappointing consensus in this scenario. Continued credit accidents and geopolitical ructions will also hurt sentiment, especially in the 1H. Thus, in sum, we forecast the SPX as follows: down to 4,455 (-5.2% total unannualised total return from our base date) at end-March, then to 4,583 at end-June (-2.1% return) and to 4,831 at end-December (3.9% return), with yen-based returns of -6.6%, -4.9% and -2.0%, respectively. **We expect the US to underperform global markets in the 1H, but perform inline in the 2H**.

Even after a strong 4Q like we forecasted, European equities' PER is only 12.7 times CY24 EPS consensus estimates, which is a bit below its historical average. A key factor for performance (along with, of course, the Russia-Ukraine situation) will be how pervasive labour strikes and the resulting wage increases are. We are a bit pessimistic on that front, given the confrontational socialist backdrop there, but we believe this problem will likely peak soon. Meanwhile, there could be some additional problems (after the recent collapse of one of the largest companies) associated with Europe's commercial and residential property sectors that would likely cause some financial system troubles. In sum, similar to the US, given our more hawkish than consensus ECB forecast, we expect the Euro Stoxx index to fall to 455 at end-March and FTSE to 7,120, which translates to a total return of -3.8% (unannualised from our base date) for MSCI Europe in USD terms (with the Euro stable for this period). Further out, we expect 445 and 6,950, respectively, with MSCI Europe -6.0% through June (with a slightly stronger Euro), and -3.7%, through December, which argues for an **overall underweight of the region but with some preference during the 1Q.**

In USD terms, Japanese equities rose, but somewhat underperformed in the 4Q after doing fairly well earlier in the year. Importantly, corporate profit margins continue to hit new highs, greatly due to pricing power and continued improvement in corporate governance. Meanwhile, inflation, which has greatly worried consumers, looks set to decline ahead, especially given our anticipated rebound in the yen. Furthermore, we expect the oil price to fall further, which should also help consumer, business and investor sentiment. The auto sector, which is a major portion of the stock market and economy, is further recovering, with profits abroad helped by a weaker yen and the UAW strike pushing up costs for its Detroit competitors (as well as curtailing their production). Meanwhile, global tech sector demand is recovering, which should continue be a boon to Japan's exports. China's continued economic growth should also help Japan's exports and its factories there. As noted above, tourism will likely be boosted by increased numbers from the crucial origin of China. Meanwhile, Japan has low political risk despite the possibility of new leadership ahead. The Kishida government has performed well in most respects, but consumer dissatisfaction about lower living standards may not be alleviated soon enough to save his government. However, the LDP will still likely control government (along with the ministries) and structural reform seems embedded in its veins, although the pace of such is uncertain. Because he is a very popular political figure among the public (although less powerful within the LDP), there is even a chance that Minister Taro Kono could lead the next government, which would accelerate reforms greatly. Thus, it seems relatively safe not to worry too much about politics in Japan (and our team is not much concerned about geopolitical effects on the market) and TOPIX's PER is now 14.2 times its CY24 consensus EPS, which remains attractive. Meanwhile, our BOJ view is near consensus and thus, BOJ gradual tightening should not be a surprise. Also supporting the market are strong share buybacks and the market's dividend yield, which at 2.3% remains extremely attractive vs. bonds. Thus, we forecast TOPIX to rise to 2,390 at end- March, 2,470 at end-June and 2,570 at end-December for total unannualised returns of 4.8% in USD terms (3.2% in yen terms), 10.4% in USD terms (7.2% in yen terms) and 19.5% (12.6% in yen terms), respectively, from our base date. As for the Nikkei, it should hit 33,700, 34,800 and 36,300, respectively. **These returns are clearly very attractive for both domestic and global investors, so we have a heavy overweight stance on the market.**

Developed Pacific-ex Japan MSCI: Australia will likely be hampered by declining commodity prices and less dovish global monetary policy, and our view is that trade ructions with China vs. the OECD will greatly impact investor sentiment and corporate profits in Australia. Thus, we expect the market to decline in the 1H and mostly stabilise in in the 2H. Meanwhile, our Asian equity team estimates a moderate gain in Hong Kong's stock market in the 1Q, a stable 2Q and an increase in the 2H. The currently pervasively negative sentiment should lift due to China muddling through its current problems, and extremely low equity valuations should support the equity market. Hong Kong is also benefitting from a revival in tourism. In sum, we expect the region's MSCI index returns in USD terms (total unannualised) at 0.0% through March, -1.8% through June and 0.4% through December. Thus, **Developed Pacific ex Japan has some attraction relative to global equities in the 1H, but should be underweighted in the 2H.**

Investment strategy concluding view

We expect poor 1Q returns for MSCI World after the 4Q surge, but a more positive trend for the rest of the year. Regionally, we much prefer Japan in the year ahead. Our view on global bonds for USD-based investors is that they are preferred during much of the 1H, but only marginally attractive in the 2H. Overall, this clearly leads to an underweight view for MSCI World during much of the 1H, then upgrading to an overweight view in the 2H. Our stronger yen scenario means, however, that Japan's investors should overweight their own stock market, not only vs. JGBs and global bonds, but vs. overseas equities, as well. Meanwhile, returns from JGBs should be negative for Japanese investors, so short- duration yen assets should be preferred. As always, we can provide forecasts for our alternate scenarios upon request and remind our readers once again that the scenario that we were next closest to choosing was the fully consensus-like scenario, with rather aggressive ECB and Fed rate cuts, coupled with much less geopolitical risk; thus, if our scenario choice is wrong, global equity and bond markets will likely be much stronger than we expect.

Important information: This document is prepared by Nikko Asset Management Co., Ltd. and/or its affiliates (Nikko AM) and is for distribution only under such circumstances as may be permitted by applicable laws. This document does not constitute personal investment advice or a personal recommendation and it does not consider in any way the objectives, financial situation or needs of any recipients. All recipients are recommended to consult with their independent tax, financial and legal advisers prior to any investment.

This document is for information purposes only and is not intended to be an offer, or a solicitation of an offer, to buy or sell any investments or participate in any trading strategy. Moreover, the information in this document will not affect Nikko AM's investment strategy in any way. The information and opinions in this document have been derived from or reached from sources believed in good faith to be reliable but have not been independently verified. Nikko AM makes no guarantee, representation or warranty, express or implied, and accepts no responsibility or liability for the accuracy or completeness of this document. No reliance should be placed on any assumptions, forecasts, projections, estimates or prospects contained within this document. This document should not be regarded by recipients as a substitute for the exercise of their own judgment. Opinions stated in this document may change without notice.

In any investment, past performance is neither an indication nor guarantee of future performance and a loss of capital may occur. Estimates of future performance are based on assumptions that may not be realised. Investors should be able to withstand the loss of any principal investment. The mention of individual securities, sectors, regions or countries within this document does not imply a recommendation to buy or sell.

Nikko AM accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this document, provided that nothing herein excludes or restricts any liability of Nikko AM under applicable regulatory rules or requirements.

All information contained in this document is solely for the attention and use of the intended recipients. Any use beyond that intended by Nikko AM is strictly prohibited.

Japan: The information contained in this document pertaining specifically to the investment products is not directed at persons in Japan nor is it intended for distribution to persons in Japan. 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.

United Kingdom: This document is communicated by Nikko Asset Management Europe Ltd, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority (the FCA) (FRN 122084). This document constitutes a financial promotion for the purposes of the Financial Services and Markets Act 2000 (as amended) (FSMA) and the rules of the FCA in the United Kingdom, and is directed at professional clients as defined in the FCA Handbook of Rules and Guidance.

Luxembourg and Germany: This document is communicated by Nikko Asset Management Luxembourg S.A., which is authorised and regulated in the Grand Duchy of Luxembourg by the Commission de Surveillance du Secateur Financier (the CSSF) as a management company authorised under Chapter 15 of the Law of 17 December 2010 (No S00000717) and as an alternative investment fund manager according to the Law of 12 July 2013 (No. A00002630).

United States: This document may not be duplicated, quoted, discussed or otherwise shared without prior consent. Any offering or distribution of a Fund in the United States may only be conducted via a licensed and registered broker-dealer or a duly qualified entity. Nikko Asset Management Americas, Inc. is a United States Registered Investment Adviser.

Singapore: This document is for information to institutional investors as defined in the Securities and Futures Act (Chapter 289), and intermediaries only. Nikko Asset Management Asia Limited (Co. Reg. No. 198202562H) is regulated by the Monetary Authority of Singapore.

Hong Kong: This document is for information to professional investors as defined in the Securities and Futures Ordinance, and intermediaries only. The contents of this document have not been reviewed by the Securities and Futures Commission or any regulatory authority in Hong Kong. Nikko Asset Management Hong Kong Limited is a licensed corporation in Hong Kong.

New Zealand: This document is issued in New Zealand by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP22562). It is for the use of wholesale clients, researchers, licensed financial advisers and their authorised representatives only.

Kingdom of Bahrain: The document has not been approved by the Central Bank of Bahrain which takes no responsibility for its contents. No offer to the public to purchase the Strategy will be made in the Kingdom of Bahrain and this document is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

Kuwait: This document is not for general circulation to the public in Kuwait. The Strategy has not been licensed for offering in Kuwait by the Kuwaiti Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the Strategy in Kuwait on the basis a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Strategy is being made in Kuwait, and no agreement relating to the sale of the Strategy will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Strategy in Kuwait.

Kingdom of Saudi Arabia: This document is communicated by Nikko Asset Management Europe Ltd (Nikko AME), which is authorised and regulated by the Financial Services and Markets Act 2000 (as amended) (FSMA) and the rules of the Financial Conduct Authority (the FCA) in the United Kingdom (the FCA Rules). This document should not be reproduced, redistributed, or sent directly or indirectly to any other party or published in full or in part for any purpose whatsoever without a prior written permission from Nikko AME.

This document does not constitute investment advice or a personal recommendation and does not consider in any way the suitability or appropriateness of the subject matter for the individual circumstances of any recipient. In providing a person with this document, Nikko AME is not treating that person as a client for the purposes of the FCA Rules other than those relating to financial promotion and that person will not therefore benefit from any protections that would be available to such clients.

Nikko AME and its associates and/or its or their officers, directors or employees may have or have had positions or material interests, may at any time make purchases and/or sales as principal or agent, may provide or have provided corporate finance services to issuers or may provide or have provided significant advice or investment services in any investments referred to in this document or in related investments. Relevant confidential information, if any, known within any company in the Nikko AM group or Sumitomo Mitsui Trust Holdings group and not available to Nikko AME because of regulations or internal procedure is not reflected in this document. The investments mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors.

Oman: The information contained in this document nether constitutes a public offer of securities in the Sultanate of Oman as contemplated by the Commercial companies law of Oman (Royal decree 4/74) or the Capital Markets Law of Oman (Royal Decree80/98, nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market law (issued by Decision No. 1/2009). This document is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the Sultanate of Oman.

Qatar (excluding QFC): The Strategies are only being offered to a limited number of investors who are willing and able to conduct an independent investigation of the risks involved in an investment in such Strategies. The document does not constitute an offer to the public and should not be reproduced, redistributed, or sent directly or indirectly to any other party or published in full or in part for any purpose whatsoever without a prior written permission from Nikko Asset Management Europe Ltd (Nikko AME). No transaction will be concluded in your jurisdiction and any inquiries regarding the Strategies should be made to Nikko AME.

United Arab Emirates (excluding DIFC): This document and the information contained herein, do not constitute, and is not intended to constitute, a public offer of securities in the United Arab Emirates and accordingly should not be construed as such. The Strategy is only being offered to a limited number of investors in the UAE who are (a) willing and able to conduct an independent investigation of the risks involved in an investment in such Strategy, and (b) upon their specific request.

The Strategy has not been approved by or licensed or registered with the UAE Central Bank, the Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the UAE. This document is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

No transaction will be concluded in the UAE and any inquiries regarding the Strategy should be made to Nikko Asset Management Europe Ltd.

Republic of Korea: This document is being provided for general information purposes only, and shall not, and under no circumstances is, to be construed as, an offering of financial investment products or services. Nikko AM is not making any representation with respect to the eligibility of any person to acquire any financial investment product or service. The offering and sale of any financial investment product is subject to the applicable regulations of the Republic of Korea. Any interests in a fund or collective investment scheme shall be sold after such fund is registered under the private placement registration regime in accordance with the applicable regulations of the Republic of Korea, and the offering of such registered fund shall be conducted only through a locally licensed distributor.