

**Nomura Asset Management Co., Ltd.****(“NAM-Tokyo”)**

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**Part 2A of Form ADV: Firm Brochure****Annual Update**

June 28, 2016

This brochure provides information about the qualifications and business practices of Nomura Asset Management Co., Ltd. If you have any questions about the contents of this brochure, please contact our U.S. subsidiary, Nomura Asset Management U.S.A. Inc., at 212-667-1414 or at [compliance@nomura-asset.com](mailto:compliance@nomura-asset.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Nomura Asset Management Co., Ltd. is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information which you use to determine to hire or retain an adviser.

Additional information about Nomura Asset Management Co., Ltd. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Nomura Asset Management Co., Ltd. is 110814.Item

**ITEM 2: MATERIAL CHANGES**

This brochure (“Brochure”) is dated June 28, 2016 and is the annual updating amendment to the prior brochure, dated June 26, 2015.

There have been no material changes from the last annual update. However, NAM-Tokyo has updated and expanded disclosures in the following areas:

- Item 8, Section B - Material Risks Associated with NAM-Tokyo’s Strategies
- Item 17, Proxy

NAM-Tokyo will provide you with a new Brochure at any time upon request without charge. You may request a Brochure by contacting your client service representative or by calling the Nomura Asset Management U.S.A. Inc., Compliance Department at (212) 667-1414 or via postal request addressed to:

Attention: Chief Compliance Officer  
Nomura Asset Management U.S.A. Inc.  
Worldwide Plaza  
309 West 49<sup>th</sup> Street  
New York, New York 10019

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## ITEM 4: ADVISORY BUSINESS

### A. Firm Description

Nomura Asset Management Co., Ltd. (“NAM-Tokyo,” “firm,” “we,” “us,” or “our”) is a one of Japan’s leading asset management firms. The firm was established in October 1997 through a consolidated company formed by the merger between Nomura Securities Investment Trust Co., Ltd. (established in 1959) and Nomura Investment Management Co., Ltd. (established in 1981). We are 100% owned by Nomura Holdings, Inc. (“NHI”). NHI, together with its affiliates, is known as “Nomura.”

In addition to being registered as an investment adviser with the SEC, NAM-Tokyo is authorized as an investment trust management company under the Japan Financial Instruments and Exchange Act. In Japan, NAM-Tokyo is registered for Type II Financial Instruments Business, Investment Management Business (mutual funds and discretionary business) and Investment Advisory and Agency Business, and is regulated by the Financial Services Agency.

We are one of Japan’s largest investment trust managers and have developed a significant institutional management business, both in Japan and globally. While we manage a broad array of fixed income and equity mandates, in North America we specialize in managing, on a discretionary basis, equity mandates (with a focus on investments in Japan and the Pacific Basin) for segregated institutional client portfolios and investment vehicles. We provide these services through arrangements with our wholly-owned subsidiary Nomura Asset Management U.S.A. Inc. (“NAM-USA”). NAM-USA is a U.S. SEC-registered investment adviser. Under these arrangements, we act as a sub-adviser.

### B. Description of Advisory Services

Our advice to North American clients is limited to equity securities. Equity securities include, among other things, common stock, preferred stock, warrants, rights, depository receipts, REITs, limited partnership interests, membership interests in a limited liability company, shares of fund vehicles and equity-related instruments and derivatives.

As a sub-adviser to our North American clients, we are granted discretionary authority by NAM-USA, and are authorized to buy, sell and trade in securities in accordance with the investment guidelines and restrictions contained in the investment advisory agreement between NAM-USA and the client. Our North American clients who entrust us with managing their assets include well known pension plans and investment funds. These include U.S. closed-end funds, and Canadian mutual funds.

### C. Availability of Customized Services to Individual Clients

We tailor our advisory services to the individual needs of our clients. Clients may impose reasonable restrictions on investing in certain securities or types of securities, depending on their investment objectives, risk tolerance and other various suitability requirements. These restrictions must be in writing and must accompany the investment management agreement.

Clients should be aware, however, that certain restrictions can limit our ability to act and as a result, an account's performance may differ from and may be less successful than other accounts that have not limited our discretion. Where NAM-Tokyo is the investment adviser or sub-adviser to a pooled investment vehicle, the investment objectives, guidelines and any investment restrictions followed are not tailored to the needs of individual investors in those vehicles.

**D. Wrap Fee Programs**

NAM-Tokyo does not provide portfolio management services in connection with any wrap fee programs.

**E. Assets Under Management**

<b>As of March 31, 2016</b>	<b>USD Assets Under management</b>	<b>USD Regulatory Assets Under Management</b>
Assets Managed on a Discretionary Basis	\$313,145,270,341	\$367,605,306,105
Assets Managed on a Non-Discretionary Basis	\$4,440,869,000	\$4,440,869,000
<b>Total Assets</b>	<b>\$317,586,139,341</b>	<b>\$372,046,175,105</b>

## ITEM 5: FEES AND COMPENSATION

### A. Advisory Fees and Compensation

NAM-Tokyo's fee schedule is omitted because this brochure is delivered only to qualified purchasers as defined in the Investment Company Act of 1940, as amended.

### B. Payment of Fees

We receive asset-based management fees. All management fees are subject to negotiation. Fee structures may be modified where a new account is expected to grow rapidly, where a relationship already exists with a current client or where the client retains us to provide services with respect to multiple investment mandates.

The differing levels of basic fees across investment types take into account such factors as the degree of investment management activity and supervision required, the nature of the discretionary or non-discretionary service provided and the types of investment guidelines and restrictions imposed upon the management of the accounts. In addition, there may be specialized investment strategies with individualized fee arrangements in place as well as historical fee schedules with long-standing clients that may differ from those applicable to new client relationships.

NAM-Tokyo may, in its sole discretion, reduce and/or waive management fees for a client at any time.

The specific manner in which advisory fees are charged is established in the client's written agreement with NAM-USA. NAM-USA generally bills its fees on a quarterly basis, although fees for various fund vehicles are often paid monthly. Clients may elect to be billed in advance or in arrears. NAM-USA does not directly debit fees from client accounts.

Management fees shall be prorated for each capital contribution and withdrawal made during the applicable billing period (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a billing period will be charged a prorated fee.

Our services may be terminated pursuant to the provisions of each advisory contract. The termination provisions of any particular contract are subject to negotiation. If a client pays fees in advance, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

NAM-Tokyo may also manage accounts that provide for compensation on the basis of a share of the capital gains upon, or the capital appreciation of, the client's assets (a "performance fee"). Performance fees may be billed quarterly, semi-annually or annually. Please see Item 6 below for further discussion of performance fees.

### Sub-Advisory Fees

NAM-USA charge asset-based management fees (“management fees”) for all their North American clients. NAM-USA pays NAM-Tokyo its sub-advisory fees out of the management fees it receives from those clients sub-advised by NAM-Tokyo. To the extent that performance fees are paid to NAM-USA for a particular account, NAM-USA pays NAM-Tokyo its portion out of the fees it receives from those clients sub-advised by NAM-Tokyo.

### U.S. Registered Funds – Management Fees

NAM-Tokyo may receive management fees from its U.S. registered fund clients as described above and/or as described in the relevant U.S. registered fund prospectus or annual report.

### **C. Additional Fees and Expenses**

NAM-USA’s fees (a portion of which may be paid to a sub-adviser, such as NAM-Tokyo) are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties, such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. U.S. registered funds also charge internal operational fees, which are disclosed in a fund’s prospectus.

Item 12 describes the factors that NAM-Tokyo considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

### Underlying Fund Fees

NAM-Tokyo may invest client assets in money market funds, exchange traded funds or other types of fund vehicles managed by our affiliates or by a third party. In addition to NAM-USA’s management fee and any performance fee paid, clients will also incur, relative to investments in fund vehicles, normal expenses and advisory fees imposed by the funds held in the account.

### **D. Prepayment of Fees**

North American clients of NAM-Tokyo are generally not required to pre-pay fees.

### **E. Additional Compensation and Conflicts of Interest**

NAM-Tokyo may invest client assets in money market funds, exchange traded funds or other types of fund vehicles managed by our affiliates or by a third party. In addition to the management fee and any performance fee paid, clients will also incur, relative to investments in fund vehicles, normal expenses and advisory fees imposed by the funds held in the account.

If you invest in a fund vehicle that we manage under a direct or a sub-advisory arrangement, please refer to the fund's offering memorandum, subscription agreements and other offering documents for additional/supplementary information on the fund, including its fees and expenses.



## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As discussed in Item 5 above, NAM-Tokyo may manage accounts that pay performance fees. For North American clients, these arrangements shall only be with “qualified clients” as defined under Rule 205-3(d) under the Investment Advisers Act of 1940, as amended (“Advisers Act”). Such fees are subject to individualized negotiation with each such client.

In measuring clients' assets for the calculation of performance-based fees, we shall include realized and unrealized capital gains and losses. Performance-based fee arrangements may create an incentive for NAM-Tokyo to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. These fee arrangements also create an incentive for NAM-Tokyo to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

NAM-Tokyo has procedures designed and implemented to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients. Please see Item 12 for a discussion of NAM-Tokyo's trade allocation policy and procedures.

## **ITEM 7: TYPES OF CLIENTS**

We provide investment advisory services globally to a broad range of institutional investors, including pension funds, government agencies and central banks, and financial institutions, including banks and insurance companies, and U.S. registered funds. We also provide investment advisory services to pooled investment vehicles, including private funds and Japanese investment trusts.

In North America, NAM-Tokyo provides portfolio management services on a sub-advisory basis, through arrangements with NAM-USA, to corporate and public pension plans, U.S. registered closed-end funds, , and Canadian mutual funds.

In general, NAM-Tokyo has a minimum initial amount for separately managed accounts of \$10 million. We may waive conditions based on the complexities of the situation and/or the needs of the client. Fund vehicles managed by us impose their own minimums regarding account size and subscription amounts.

In Japan, our investment trust business offers a wide range of products that enables us to respond to the diversified needs of our customers through a broad array of distribution channels, including Nomura Securities Co., Ltd. and other brokerage houses, commercial banks, Japan Post Bank, and post offices throughout the country.

**ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS****A. Methods of Analysis and Investment Strategies****Our Investment Strategies**

The core elements of our investment philosophy are outlined below:

*Active management focusing on fundamental research*

Our philosophy is founded on the belief that capital markets are not always efficient and market prices sometimes deviate from fair values but eventually reflect fundamentals. We place great emphasis on fundamental research and market analysis to exploit value added from market inefficiencies.

*A team approach*

Our philosophy recognizes that stable and consistent results are more likely to be delivered from an approach that is team based rather than one that is centered on an individual or a single software which can handle only narrow range of the events. A team approach ensures greater consistency and flexibility in responding to the ever changing market circumstances. It also serves to reduce each individual portfolio's exposure to "key-manager" specific risk.

*Thorough risk/return assessment*

Since our clients demand stable and consistent performance for their portfolios, we are able to meet their expectations by a thorough risk/return assessment. We believe it is important to know and fully understand the risks to which portfolios are exposed at any point of time. Therefore, we believe that portfolio risk control techniques should be at the very heart of our investment management process. Appropriate risk control through quantified risk measures enables deliverance of consistent performance in the long-run.

Through our arrangements with NAM-USA, we offer several foreign equity strategies to North American clients (specializing in Japanese and Pacific Basin mandates) and in doing so may invest, in the following equity securities or instruments: common stock, preferred stock, REITs, depository receipts, warrants, rights, restricted shares, exchange-traded funds, investment company securities, structured notes, futures contracts, derivatives, and private placements. Investments will be exchange-traded or traded over-the-counter. Certain investments may be in the securities of smaller and less seasoned issuers.

We offer a broad range of equity strategies, including "core", "value", and "growth."

The investment approach of the "core" strategy combines a "bottom-up", relative value approach with rigorous fundamental research on individual stocks and a "top-down" overlay. The investment process is designed to add value in all market conditions over a medium- to long-term horizon.

The "value" strategy is purely a "bottom-up" approach without sector constraints where the quality of stock selection is paramount. We aim to add value by investing in stocks we consider to be undervalued with potential and strength. The investment process is based on a combination of rigorous quantitative screening based on valuation factors with liquidity consideration and qualitative analysis on firms' fundamentals.

The “growth” strategy focuses on return on equity (“ROE”) level and sustainability and fundamental strength. The growth fund management team identifies companies which have the ability to achieve and sustain higher level of ROE than the industry average over the long-term, as well as to maintain effective business strategies, management capabilities and competitive advantages relative to their peers.

We also offer strategies focusing on specific capitalization ranges (i.e., small cap), sectors and countries or particular geographic regions. In addition, we utilize our quantitative data base and screening systems to complement our portfolio construction and stock selection process. The implementation of certain strategies for certain client accounts may involve frequent trading of securities.

Although bottom-up factors are emphasized in our investment approach, portfolios of some strategies are constructed within guidelines defined by our top-down analysis. In this way we are able to combine both top-down and bottom-up views in our decision making process. Over-time, we believe that bottom-up activities will contribute most to value added in reasonably efficient markets nevertheless top-down considerations are still important in controlling portfolio risk.

We have implemented a committee structure where the combined knowledge and judgment of our experienced teams can be shared. The Investment Policy Committee (“IPC”), chaired by the firm’s EVP is our core investment decision making platform. The IPC supervises the entire investment decision process for all asset classes and coordinates the views of a number of sub-committees to produce our global investment framework.

#### Sources of Information

In conducting our investment decisions, we utilize a broad spectrum of information, including financial publications, third-party research materials, annual reports, prospectuses, regulatory filings, company press releases, corporate rating services, inspections of corporate activities and meetings with management of various companies.

#### **Please Note: Investing in securities involves risk of loss that clients should be prepared to bear.**

Clients should understand that due to the volatile nature and risks involved when investing in these types of securities, the actual return and value of a client’s account may fluctuate and at any point in time be worth more or less than the amount originally invested.

#### **B. Material Risks Associate with NAM-Tokyo’s Strategies**

The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the investments of the North American clients sub-advised by NAM-Tokyo. This summary does not attempt to describe all of the risks associated with any investment.

Although no summary can fully describe all of the associated risks, the prospectus and statement of additional information for a U.S. registered fund or the confidential offering memorandum for a private investment fund managed by NAM-Tokyo contains a more complete description of the risks associated with an investment in

the particular vehicle. If you invest in a fund vehicle that we manage, please refer to the fund's offering memorandum, subscription agreements and other offering documents for additional risk information.

#### General Risks Associated with all Investment Strategies

##### *Cyber Security Risk*

With the increased use of technologies such as the Internet to conduct business, a portfolio is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and are not limited to, gaining unauthorized access to digital systems, and misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches by a third party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

##### *Key Personnel Risk*

The success of a client account may rely on certain key personnel of NAM-Tokyo or its affiliates, including NAM-Tokyo's investment team. The departure of any of such key personnel or their inability to fulfill certain duties may adversely affect the ability of NAM-Tokyo to effectively implement the investment programs of client accounts.

##### *Liquidity Risk*

Liquidity risk exists when particular investments are difficult to purchase or sell. A client's account may, at any given time, include securities and other financial instruments or obligations which are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and such investments may be extremely difficult to value with any degree of certainty. Further, due to potential limitations on investments on illiquid securities and the difficulty in purchasing and selling such securities or instruments, an account may be unable to achieve its desired level of exposure to a certain sector.

##### *Market Risk*

The profitability of a significant portion of a client's account depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that we will be able to predict accurately these price movements. Although NAM-Tokyo may attempt to mitigate market risk through the use of long and short positions or other methods, there is always some, and occasionally a significant, degree of market risk.

##### *Model Risk*

When executing an investment strategy using various proprietary or investment models, securities or other financial instruments selected may perform differently than expected, or from the market as a whole, as a result of a model's component factors, the weight placed on each factor, changes from the factors' historical

trends, and technical issues in the construction, implementation and maintenance of the models (e.g., data problems, software issues, etc.). There can be no assurance that a model will achieve its objective.

#### *Portfolio Turnover/Frequent Trading Risk*

A portfolio turnover is a change in the securities held by an account. Higher portfolio turnover is a result of frequent trading and involves corresponding greater expenses to an account, including brokerage commissions or dealer markups and other transaction costs on the sale and reinvestment of securities. In addition, frequent trading is likely to result in short-term capital gains tax treatment. As a result, the trading costs and the tax risk associated with portfolio turnover may adversely affect an account's performance.

#### *Settlement Risk*

Settlement Risk is the risk that a counterparty does not deliver the security (or its value) in accordance with the agreed terms after the other counterparty has already fulfilled its part of the agreement to so deliver. Settlement risk increases where different legs of the transaction settle in different time zones or in different settlement systems where netting is not possible. This risk is particularly acute in foreign exchange transactions and currency swap transactions.

### Risks Generally Associated with Equity Investments

#### *Equity Securities Risk*

The value of a company's equity securities may fall as a result of factors directly relating to that company, such as decisions made by its management or lower demand for the company's products or services. The value of an equity security may also fall because of factors affecting not just the company, but also companies in the same industry or in a number of different industries, such as increases in production costs. The value of a company's equity securities may also be affected by changes in financial markets that are relatively unrelated to the company or its industry, such as changes in interest rates or currency exchange rates or adverse circumstances involving the credit markets. In addition, because a company's equity securities rank junior in priority to the interests of bond holders and other creditors, a company's equity securities will usually react more strongly than its bonds and other debt to actual or perceived changes in the company's financial condition or prospects. To the extent a client account invests in equity related instruments it will also be subject to these risks.

#### *Growth and Value Investing Risk*

We invest in equity securities of companies that our portfolio managers believe will experience relatively rapid earnings growth (growth securities) or that their portfolio managers believe are selling at a price lower than their true value (value securities). Growth securities typically trade at higher multiples of current earnings than other securities. Therefore, the value of growth securities may be more sensitive to changes in current or expected earnings than the value of other securities. Companies that issue value securities may have experienced adverse business developments or may be subject to special risks that have caused their securities to be out of favor. If a portfolio manager's assessment of a company's prospects is wrong, or if the market does not recognize the value of the company, the price of its securities may decline or may not approach the value that the portfolio manager anticipates.

### *Smaller Companies Risk*

The general risks associated with investing in equity securities are particularly pronounced for securities of companies with smaller market capitalizations (and, to a greater extent, less seasoned companies). These companies may have limited product lines, markets or financial resources or they may depend on a few key employees. Securities of smaller companies may trade less frequently and in lesser volume than more widely held securities, and their values may fluctuate more sharply than other securities. They may also trade in the over-the-counter market or on a regional exchange, or may otherwise have limited liquidity. Companies with medium-sized market capitalizations also have substantial exposure to these risks.

### *Warrants Risk*

Warrants are instruments that entitle the holder to buy an equity security at a specific price for a specific period of time. Changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying security. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater potential for capital appreciation as well as capital loss. Warrants do not entitle a holder to dividends or voting rights with respect to the underlying security and do not represent any rights in the assets of the issuing company. A warrant ceases to have value if it is not exercised prior to its expiration date. These factors can make warrants more speculative than other types of investments.

### Risks Generally Associated with Non-U.S. Investments

#### *Currency Risk*

Foreign equity mandates invest directly in foreign (non-U.S.) currencies, and in securities that trade in, or receive revenues in, foreign currencies. These investments are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or non-U.S. governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, a client's exposure to foreign currencies, including investments in foreign currency-denominated securities, may reduce the returns of the client account.

#### *Emerging Markets Risk*

Foreign Investment Risk as discussed below may be particularly high to the extent that a client invests in emerging market securities, that is, securities of issuers tied economically to countries with developing economies. These securities may present market, credit, currency, liquidity, legal, political, technical and other risks different from, or greater than, the risks of investing in developed countries. In addition, the risks associated with investing in a narrowly-defined geographic area are generally more pronounced with respect to investments in emerging market countries. For example, to the extent a client invests in companies incorporated or doing significant business in China, which may be considered an emerging market, the risks associated with China-related investments may be more pronounced for such a client.

#### *Foreign Investment Risk*

A client account that invests in foreign (non-U.S.) securities may experience more rapid and extreme changes

in value than accounts that invest exclusively in securities of U.S. issuers or securities that trade exclusively in U.S. markets. The securities markets of many non-U.S. countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of non-U.S. securities are often not subject to the same degree of regulation as U.S. issuers. Reporting, accounting and auditing standards of non-U.S. countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, market disruption, political changes, security suspensions or diplomatic developments could adversely affect a client's investments in a non-U.S. country. In the event of nationalization, expropriation or other confiscation, a client could lose its entire investment in non-U.S. securities. To the extent that a client invests a significant portion of its assets in a particular currency or geographic area, the client will generally have more exposure to regional economic risks, including weather emergencies and natural disasters, associated with non-U.S. investments. For example, because certain of our client accounts may invest more than 25% of their assets in particular countries, these accounts may be subject to increased risks due to political, economic, social or regulatory events in those countries. Adverse developments in certain regions can also adversely affect securities of other countries whose economies appear to be unrelated. In addition, a client's investments in non-U.S. securities may be subject to withholding and other taxes imposed by countries outside the U.S., which could reduce the return on the investment.

*Issuer Concentration, Geographic Concentration and Country Risk*

Because certain client accounts may invest a higher percentage of their assets in a relatively small number of issuers, the accounts may be more susceptible to any singular event affecting those issuers than is a more broadly diversified account. A small number of companies and industries may represent a large portion of the market in a particular country or region, and these companies and industries can be sensitive to adverse social, political, economic or regulatory developments in that country or region. Because certain client accounts concentrate their investments in individual countries or regions, their performance is expected to be closely tied to economic and political conditions in those countries and/or regions. In addition, natural disasters might have substantial economic impacts on affected regions, at least temporarily. Because certain client accounts will have concentrated investments in Asia, the performance of those accounts may be closely tied to the economic, political and geopolitical conditions in Asia.

*Market Exchange and Frequent Trading Risk*

Foreign markets may differ widely in trading and execution capabilities, liquidity and expenses, including brokerage and transaction costs. In addition, active and frequent trading of securities involves higher expenses which could affect the account's performance over time. Higher rates of portfolio turnover could also affect the tax efficiency of the account by accelerating the realization of taxable income.

Risks Generally Associated with Alternative Investment Funds

*Applicable Law and Regulatory Developments*

Each alternative investment fund must comply with various legal requirements, including requirements that may be imposed by U.S. federal securities laws and tax laws, and regulations of the jurisdiction of the relevant fund and jurisdictions in which the fund invests. Should any of those laws or regulations change, the legal requirements to which the fund and its investors may be subject could differ materially from current requirements. The regulatory environment for alternative investment funds is evolving, and changes in the



regulation of such funds and their investments may adversely affect the value of investments held by the funds and their ability to pursue their investment strategy.

*Delegation of Control*

All decisions with respect to the investment and trading activities of each fund will be made by its investment manager or general partner. Investors will not take any part in the management or control of any fund.

*Different Terms Offered*

Certain investors may be permitted to invest on different terms than other investors, including with respect to liquidity, transparency, subscriptions and fees.

*Information Transparency*

Alternative investments are typically less transparent in terms of information and pricing than registered funds.

*Lack of Regulation*

Alternative investment funds are not registered under the Investment Company Act of 1940, as amended. Accordingly, the funds will not be subject to certain regulations applicable to registered funds.

*Liquidity and Volatility*

Investments in our alternative investment funds are considered illiquid, long-term commitments, as well as being speculative and involving a high degree of risk. There are significant restrictions on transferability and withdrawals of shares/interests in our funds. Investments in our alternative investment funds can be highly volatile and can result in significant risk of loss. Investors should be able to bear the financial risks and limited liquidity of these investments.

*Prime Broker Risk*

Bankruptcy, inadequate controls or fraud at an alternative investment fund's prime broker, which may hold the majority of that fund's assets, could impair the operational capabilities or the capital position of that fund. In addition, as an alternative investment fund may borrow money or securities or utilize operational leverage with respect to its assets, that alternative investment fund will post certain of its assets as collateral securing the obligations or leverage ("Margin Securities"). Some or all of the Margin Securities may be available to creditors of that fund's prime broker in the event of its insolvency. In addition, there may be substantial delays in the repayment of that fund's assets in the event that the prime broker was to become insolvent, as well as a risk of total loss of such assets.

*Risk Management*

We have established risk management processes to identify, measure and monitor risks associated with the investment activities undertaken by our alternative investment funds. The risk management processes are intended to assist in our investment decision making process, and to identify risk exposures that we may choose to hedge or otherwise mitigate. However, the risk management processes may fail to identify or anticipate a wide variety of risks that may adversely affect the funds, potentially exposing the funds to material unanticipated losses.

*Substantial Fees and Expenses Payable Regardless of Profits*

Each fund will incur obligations to pay its expenses (which may include, without limitation, management fees, performance fees or allocations, transaction costs, operating, accounting, auditing, research and due diligence expenses), which are payable regardless of whether any profits are realized.

**C. Risks Associated with Particular Types of Securities**

See Item 8.B for a summary of the risks associated with certain types of securities and asset classes.

**ITEM 9: DISCIPLINARY INFORMATION**

**A. Criminal or Civil Proceedings**

None

**B. Administrative Proceedings Before Regulatory Authorities**

None

**C. Self-Regulatory Organization (SRO) Proceedings**

None

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Broker-Dealer Registration**

NAM-Tokyo is not registered and does not have an application pending as a securities broker-dealer.

### **B. Futures Commission Merchant, Commodity Pool Operator (“CPO”), or Commodity Trading Advisor (“CTA”) Registration Status**

NAM-Tokyo is not registered and does not have an application pending as a futures commission merchant, commodity pool operator or commodity trading advisor.

### **C. Material Relationships or Arrangements With Our Investment Adviser Affiliates**

As discussed above, we manage assets for North American clients through sub-advisory arrangements that we have with NAM-USA our investment advisory subsidiary. In certain circumstances, the execution of portfolio transactions for client accounts we sub-advise will be made by affiliated sub-advisers.

We may also provide investment services to clients outside of North America through arrangements that we have with our other investment advisory subsidiaries, which include Nomura Asset Management U.K. Limited, Nomura Asset Management Singapore Limited, Nomura Asset Management Hong Kong Limited, Nomura Asset Management Deutschland KAG mbH, Nomura Global Alpha LLC, Nomura Asset Management Malaysia Sdn. Bhd. and Nomura Islamic Asset Management Sdn. Bhd. (“Affiliated Advisers”). Some of our personnel may serve on the boards of directors of our Affiliated Advisers, and our investment personnel may have access to the investment research produced by each of our Affiliated Advisers.

Although NAM-Tokyo does not expect such conflict to arise in certain circumstances the investment activities of the Affiliated Advisers could adversely affect the prices and/or availability of securities or instruments held by or potentially considered for one or more of the North American clients sub-advised by NAM-Tokyo. NAM-Tokyo has adopted policies designed to ensure that no client is treated unfairly, in relation to any other client in the allocation of securities or investment opportunities.

In addition, we have an arrangement with Nomura Corporate Research and Asset Management Inc. (“NCRAM”), an affiliated investment adviser registered in the U.S. NCRAM serves as a discretionary sub-adviser to several fixed income fund vehicles that we manage.

#### Our Investment Company Affiliates

We serve as a sub-adviser to two U.S. registered closed-end funds - Korea Equity Fund, Inc. and Japan Smaller Capitalization Fund, Inc. NAM-USA is the investment adviser or investment manager for each of these funds.

### Affiliated Custodians

We have relationships with two affiliated custodians: (1) Nomura Trust & Banking Co., Ltd. (“NTB”) acts as custodian and trustee for many of the Japanese investment trusts that we manage; and (2) Nomura Bank (Luxembourg) S.A. (“NBL”) acts a custodian for several offshore funds that we manage or serve as sub-adviser.

NBL may also provide administrative services to these funds. NTB and NBL also act, at times, as the counterparty for foreign exchange transactions that we execute.

Please note that NTB and NBL do not serve as custodians nor provide any other services to the North American client accounts that we manage.

### Our Management Personnel

Certain of our management persons may also hold positions with the Affiliated Advisers and/or other affiliates. In these positions, those management persons may have some responsibility with respect to the business of these affiliates and the compensation of these management persons may be based, in part, upon the profitability of other parts of NHI. Consequently, in carrying out their roles at NAM-Tokyo and these other entities, the management persons of NAM-Tokyo may be subject to the same or similar potential conflicts of interest that exist between NAM-Tokyo and the Affiliated Advisers.

In addition to trade allocation procedures, NAM-Tokyo has established a variety of restrictions, policies and procedures designed to address these potential conflicts, such as information barrier procedures and restrictions on personal trading.

### Other Affiliated Arrangements

NAM-Tokyo provides certain services to affiliates, which may include, auditing, electronic data processing and maintenance of a global order management system. In addition, Nomura may have ownership interests in trading venues and exchanges which may provide financial incentives to recommend brokers to clients who use these venues or exchanges for the execution of client trades

### **D. Material Conflicts of Interest Relating to Other Investment Advisers**

See Item 10.C above for a discussion of relationships that NAM-Tokyo has with other affiliated investment advisers. NAM-Tokyo may recommend or select non-affiliated investment advisers for its Non-North American clients.

## ITEM 11: CODE OF ETHICS

### A. Code of Ethics

As an investment adviser and a fiduciary to its clients, NAM-Tokyo places its clients' interests first and foremost. However, NAM-Tokyo employees may buy or sell securities for their own accounts that the firm buys or sells for its clients' accounts. We understand that this could create a conflict of interest, where the employee's interest may be at odds with the interest of our clients. To mitigate the appearance of or actual conflict, NAM-Tokyo has adopted a Code of Ethics ("Code") with which all Supervised Persons must comply.

#### Standards of Conduct

The following is a summary of the Code of Ethics' core principles and applies to all supervised persons within our firm:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, and prospective clients;
- Place the interests of clients first and above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position, even if clients are not harmed;
- Conduct all personal securities transactions in a manner consistent with the Code;
- Avoid actual and potential conflicts of interest;
- Preserve the confidentiality of clients' security holdings and transactions, financial circumstances and other client information that has been obtained within the scope of the manager-client relationship;
- Do not participate in any business relationship or accept gifts that could reasonably be expected to affect one's independence, objectivity, or loyalty to clients; and
- Comply with applicable provisions of the U.S. federal securities laws.

All of our Access Persons must acknowledge the terms of the Code, upon joining NAM-Tokyo, annually or as the Code is amended.

Clients, or prospective clients, may, upon request, receive a copy of our Code by contacting their client service representative or by calling the NAM-USA Compliance Department at (212) 667-1414 or via postal request addressed to:

Attention: Chief Compliance Officer  
Nomura Asset Management U.S.A. Inc.  
Worldwide Plaza  
309 West 49<sup>th</sup> Street  
New York, New York 10019

## **B. Securities that NAM-Tokyo or a Related Person Has a Material Financial Interest**

### Proprietary and Personal Trading

NAM-Tokyo anticipates that, in appropriate circumstances, consistent with clients' investment objectives, we will cause accounts over which we have management authority to effect, and will recommend to investment advisory clients, the purchase or sale of securities in which NAM-Tokyo, its affiliates and/or other clients, directly or indirectly, have a position of interest.

NAM-Tokyo's Supervised Persons are required to follow NAM-Tokyo's Code. Subject to satisfying this policy and applicable laws, officers, affiliated directors and employees of NAM-Tokyo ("NAM-Tokyo personnel") and its affiliates may trade for their own accounts in securities, including fund vehicles, which are recommended to and/or purchased for NAM-Tokyo's clients.

The Code is designed to assure that the personal securities transactions, activities and interests of NAM-Tokyo personnel will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing NAM-Tokyo personnel to invest for their own accounts.

The Code requires pre-clearance of many transactions, and for certain supervised persons, restricts trading in close proximity to client trading activity. In addition, holding period requirements apply to certain types of investments. Restrictions also exist on the ability of NAM-Tokyo personnel to acquire securities in an initial public offering and to participate in private placements. Nonetheless, because the Code in some circumstances would permit NAM-Tokyo personnel to invest in the same securities as clients, there is a possibility that such personnel might benefit from certain client market activity.

Personal trading is continually monitored under the Code, and procedures are in place to reasonably prevent conflicts of interest between NAM-Tokyo and its clients. For example, to assist NAM-Tokyo in ensuring NAM-Tokyo personnel comply with its personal trading policies and restrictions, Supervised Persons are required to report personal securities transactions on a quarterly basis and provide NAM-Tokyo with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) in which they have a direct or indirect beneficial interest.

Certain affiliated accounts (as described below) may trade in the same securities with client accounts on an aggregated basis when consistent with NAM-Tokyo's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. NAM-Tokyo will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will generally be allocated as specified in the initial trade order, unless an exception is necessary. Partially filled orders generally will be allocated on a pro rata basis.

NAM-Tokyo manages pooled investment vehicles in which its employees and/or affiliates may invest. NAM-Tokyo, its affiliates and its employees will benefit from the investment performance of these pooled

investment vehicles (“affiliated accounts”). These affiliated accounts will often invest in the same securities, at or around the same time, as other client accounts.

#### Material, Non-Public Information and Insider Trading

From time to time, NAM-Tokyo personnel may come into possession of material, non-public information which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, NAM-Tokyo personnel are prohibited from improperly disclosing such information, or using such information, for their personal benefit or for the benefit of a client, which could limit the ability of clients to buy, sell or hold certain investments. NAM-Tokyo shall have no obligation or responsibility to disclose such information, or use such information for the benefit of any person, including clients.

NAM-Tokyo has established “Information Barrier” procedures and other policies that prohibit the misuse of such information. Information barriers exist between different businesses within NHI. As a result of such information barriers, NAM-Tokyo will generally not have access, or will have limited access, to information and personnel in other areas of NHI, and generally will not be able to manage the client accounts with the benefit of information held by these other areas. Nomura may make decisions or take (or refrain from taking) actions with respect to investments of the kind held by NAM-Tokyo clients that may be adverse to NAM-Tokyo clients. Information barriers may also exist between businesses within NAM-Tokyo.

In addition, NAM-Tokyo and its affiliates maintain one or more restricted lists of companies whose securities are subject to certain trading prohibitions. NAM-Tokyo personnel may be restricted from trading in an issuer’s securities if the issuer is on the restricted lists or if we otherwise have material, non-public information about the issuer. A client account may be unable to buy or sell certain security of such issuers until the restriction is lifted, which could disadvantage the client.

#### **C. Conflicts of Interests in Trading and Management**

In making investment decisions for multiple client accounts, we may be faced with conflicts of interest. Below are descriptions of some of these potential conflicts. Clients should also read the discussions on potential conflicts in proxy voting, trade allocation and aggregation and personal trading.

##### *Affiliated Accounts*

NAM-Tokyo employees and affiliates may invest in certain fund vehicles that are offered to clients. NAM-Tokyo, its affiliates and its employees will benefit from the investment performance of these accounts and funds (“affiliated accounts”).

##### *Incentives to Favor Certain Accounts*

As discussed in Item 6 above, the management of accounts with different management fee rates and/or fee structures, including accounts with performance fees, may raise potential conflicts of interest by creating an incentive to favor higher-fee or performance fee accounts. In addition, we have an incentive to favor the affiliated accounts we manage. NAM-Tokyo attempts to address these potential conflicts of interest through various compliance policies generally intended to treat all clients fairly and equitably over time.



#### *Allocation of Investment Opportunities*

Other potential conflicts of interest may arise in purchasing and selling securities for multiple client accounts. NAM-Tokyo will use its best judgment to act in a manner it considers fair and reasonable in allocating investment opportunities among its clients (whether North American clients or other clients), particularly when there is limited availability of an investment.

In buying or selling the same securities for multiple client accounts contemporaneously, trade aggregation may create the potential for unfairness to client accounts if one account is favored over one another. Please see the discussion in Item 12 on “Trade Allocation and Aggregation Practices”.

Because client accounts have different mandates or investment restrictions, NAM-Tokyo may make different investment decisions for different accounts. As a result, we may buy or sell a security for some accounts even though it could have been bought or sold for other accounts. In addition we may purchase a security for one or more clients while selling and/or taking a short position in the same security for other clients. Such trading activity may disadvantage some clients, while benefitting others, including affiliated accounts.

NAM-Tokyo has implemented trade oversight and review procedures to avoid systematically advantaging certain clients over others. For example, trade allocations are sampled on a regular basis as part of our trade oversight procedures.

#### Participation or Interests in Client Transactions

Nomura is a global, full-service financial services firm. As such, Nomura provides a broad range of services to a diversified client base and is a major participant in global financial markets. Nomura has direct and indirect interests in equities and other markets, including possibly in securities and issuers in which NAM-Tokyo client accounts may invest. As a result, Nomura’s activities and dealings may affect NAM-Tokyo client accounts in ways that may disadvantage or restrict client accounts and/or benefit Nomura. The following describes some of the existing and potential conflicts of interest.

#### *Participating in Affiliated Underwritings*

Subject to applicable regulatory requirements, clients may participate in securities offerings where an affiliate of the registrant serves as lead manager or a member of the underwriting or selling syndicate (“affiliated underwritings”). Although it is our policy not to acquire securities from an affiliate in an affiliated underwriting, the affiliate still may benefit even if the securities are acquired through a non-affiliated underwriter. For example, if each syndicate member has proportionate liability for any securities remaining unsold, the successful sale of all securities, regardless of which member sold them, benefits all members including the affiliated underwriter.

#### *Cross Transactions*

It is our policy not to engage in buying or selling of securities from one client account to another (typically referred to as a “cross trade”).

### *Principal Transactions and Agency Cross Transactions*

It is our policy not to engage in principal transactions or agency cross transactions for our North American clients. Principal transactions occur where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated private fund and another client account.

An agency cross transaction occurs if an affiliate acts as broker for, and receives a commission from, a client account on one side of the transaction and a brokerage account on the other side of the transaction in connection with the purchase or sale of securities by the client account.

### Other Conflicts of Interests Related to Nomura's Activities

Nomura's global financial activities may have potential adverse effects on NAM-Tokyo's client accounts. For example, Nomura and its personnel may have interests in and/or advise accounts and funds that have investment objectives or portfolios similar to or opposed to those of a NAM-Tokyo client account and which engage in and compete for transactions in the same types of securities or instruments as those in which the client account invests. These interests may involve the same or differing investment strategies, which could have a negative impact on a client account. A client account and Nomura may also vote differently on or take different actions on proxies or corporate actions which may disadvantage the client account.

NAM-Tokyo might not engage in transactions for a client account in consideration of Nomura's activities outside the client account. For example, NAM-Tokyo may determine to restrict or limit the amount of a client account's investment where exceeding a certain aggregate amount could require a filing, a license, or other regulatory or corporate consent, which could, among other things, result in additional costs and disclosure obligation for Nomura, including NAM-Tokyo. We may also limit our activities, transactions and our exercise of rights on behalf of clients where Nomura is providing, or may provide, advice or services to an issuer, or is providing or may provide advice or services to another client that is or may be engaged in a transaction related to such issuer.

### *Gifts and Entertainment*

Employees of the firm may receive customary gifts and/or entertainment from service providers of the firm and from counterparties that are selected to execute transactions on behalf of client accounts. The firm has controls in place to monitor gifts and entertainment activity for conflicts of interest and violations of law.

### *Political Contributions*

NAM-Tokyo has a strict policy against making U.S. political contributions for the purpose of obtaining or retaining U.S. business with government entities. To help ensure compliance with SEC rules and state and local pay-to-play rules, all political contributions by an employee or members of their household are required to obtain pre-approval from the Compliance Department.

## **ITEM 12: BROKERAGE PRACTICES**

### **A. Factors NAM-Tokyo Considers in Selecting or Recommending Broker-Dealers for Client Transactions and Determining the Reasonableness of their Compensation**

#### Broker-Dealer Selection

NAM-Tokyo generally has discretionary authority to direct trades for the North American clients it sub-advises and selects broker-dealers to execute those trades. It is NAM-Tokyo's policy to seek to obtain best execution on all client transaction (which may or may not result in paying the lowest available brokerage commission or dealer spread). As a result, in selecting broker-dealers, NAM-Tokyo takes into account many factors, including but not limited to:

- The execution capability of the broker-dealer
- The desired timing of the trade and the broker-dealer's ability to meet our requested speed of execution
- The order size and market depth
- The broker-dealer's access to primary markets and quotation sources
- The broker-dealer's access to certain markets
- The trading characteristics of the security
- The creditworthiness of the broker-dealer
- The financial responsibility of the broker-dealer
- The ability of the broker-dealer to act on a confidential basis
- The ability of the broker-dealer to act with minimal market impact
- The ability of the broker-dealer to locate sources of liquidity and to effect transactions when a large block of securities is involved or where liquidity is limited
- The overall responsiveness of the broker-dealer
- The broker-dealer's ability and willingness to commit capital
- The broker-dealer's trade processing and settlement capabilities
- The broker-dealer's ability to engage in after-hours and cross-border trading
- Other factors that may bear on the overall evaluation of best price and execution

In addition, the brokerage and research services provided by a broker-dealer may be a significant factor in selecting a broker-dealer to execute transactions. For this purpose, we have established a voting process in which certain personnel rate broker-dealer services.

NAM-Tokyo may execute transactions through affiliated broker-dealers to the extent consistent with applicable law, client instruction, and its duty to seek best execution.

Our traders may only place orders with broker-dealers that are on the firm's Approved Broker-Dealer List. Our Broker Committee is responsible for approving broker-dealers and maintaining the Approved Broker-Dealer List. Our traders are responsible for continuously monitoring and evaluating the performance and execution capabilities of broker-dealers that transact orders for our client accounts to ensure consistent quality executions.

### Research and Soft Dollar Benefits

While NAM-Tokyo selects broker-dealers primarily on the basis of their execution capabilities, the direction of transactions to such broker-dealers may also be based on the quality and amount of proprietary research services they provide to us or our affiliates. These so-called soft dollar arrangements (in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended), are designed to augment the internal research and investment strategy capabilities of NAM-Tokyo or of our affiliated sub-advisers.

In accordance with SEC guidance, we regularly consider whether a given service provides lawful and appropriate assistance to the investment management process and make sure the cost of the service bears a reasonable relationship to the value of the research or service. Such research services may include information on securities markets, the economy and individual companies, pricing information and services, and other appropriate research products and services. NAM-Tokyo does not attempt to match a particular client's transactions with broker-dealers that have provided research services that have directly benefited the client's portfolio.

These soft dollar arrangements allow NAM-Tokyo and/or its affiliates to obtain a benefit because they do not have to produce or pay for the research and services. We also have an incentive to select broker-dealers based on our interest in receiving the research or other products or services, rather than based on our clients' best interests in receiving the most favorable execution. However, we believe that we are able to negotiate costs on client transactions that are competitive and consistent with our policy to seek best execution.

While our policy is to seek best execution, we may occasionally select a broker-dealer with relatively higher transaction costs than its competitors if we determine in good faith that the cost is reasonable in relation to the value of the brokerage and research services provided. We do not enter into agreements or understandings with any broker-dealers regarding the placement of securities transactions because of the research services they provide. However, we do have an internal procedure for allocating transactions in a manner consistent with NAM-Tokyo's Broker Review Committee procedures. The Committee has the principal oversight responsibility for periodically reviewing and evaluating the commission allocation process.

NAM-Tokyo currently has not entered into soft dollar arrangements where the broker-dealer provides us with third-party research and/or services ("third-party commission arrangements"). However, sub-advisers that manage client assets for NAM-Tokyo may enter into third-party commission arrangements. Such arrangements will meet U.S. regulatory requirements.

### Brokerage for Client Referrals

We do not consider referrals when we select broker-dealers.

### Directed Brokerage

We do allow clients to direct us to execute transactions through specified broker-dealers. Clients who direct us to use particular broker-dealers should be aware that we may be unable to negotiate commissions, block or batch client orders or otherwise achieve the benefits described above, including best execution, if you limit our brokerage discretion. Directed brokerage commission rates may be higher than the rates we might pay for transactions in non-directed accounts. Also, clients that restrict our brokerage discretion may be disadvantaged in obtaining allocations of new issues of securities that we purchase or recommend for purchase in other clients' accounts. As a general rule, we encourage each client to compare the possible costs or disadvantages of directed brokerage against the value of the custodial or other services provided by the broker to the client.

### **B. Trade Allocation and Aggregation Practices**

When we trade the same security in more than one client account, we generally attempt to batch or "bunch" the trades in order to create a "block transaction." Generally, buying and selling in blocks helps create trading efficiencies, prompt attention and desired price execution. We will determine in advance a trade's proposed allocation among our clients. When we fill a block order in its entirety, each participating client account generally will receive the average share price for all such purchase or sales executed during the trading day. When we partially fill a block order, we will generally allocate pro rata on the basis of the client's participation in the transaction. Each client account generally will receive the average price obtained on all such purchases or sales made during such trading day. Orders may be aggregated when permitted in accordance with applicable law.

In certain cases, we may determine that pro rata allocation is not appropriate and will base the allocation upon relevant factors such as investment needs, portfolio styles, and existing holdings of clients. NAM-Tokyo may decide not to aggregate trades with the same broker-dealer if we feel that the decision is in the best interests of our clients. In addition, we may or may not purchase or sell the same security for each client that could transact in the security under the account's investment objectives, depending on various factors, including the size of the accounts, cash availability in each account and each account's investment restrictions and investment strategies. The securities acquired through an initial public offering ("IPO") will generally be allocated to participating clients in accordance with the processes described in the preceding paragraphs.

Instructions received by our trading department will generally be executed on a "first in first out" basis, unless the intended transaction fails pre-trading checks such as cash availability, stock availability or client restrictions. Orders may also be delayed where similar orders for the purchase or sale of the same security are expected imminently and it is felt that aggregating the orders may be more efficient.

Note that time zone differences, separate trading desks or portfolio management processes in a global organization among other factors, may result in separate, non-aggregated executions, with trades in the same stock being entered for client accounts managed in one region before trades in the same instruments for client accounts managed in other regions.

Although allocating orders among clients may create potential conflicts of interests because we may receive greater fees or compensation from some client accounts than other clients, or because we may be affiliated or have other relationships with certain clients, we will not make allocation decisions based on such interests, greater fees or compensation.

During the initial ramp-up investment period for a new account, NAM-Tokyo may overweight the account's allocation of securities or loan investments purchased in a bunched transaction due to the relatively high percentage of a new account's un-invested balance or the percentage of a new account's assets typically held in cash or short-term investments. Trade allocations are sampled on a regular basis as part of the Legal & Compliance Department's trade oversight and review procedures in an attempt to ensure fairness over time.

### **ITEM 13: REVIEW OF ACCOUNTS**

Each individual advisory account is reviewed on a regular basis by our portfolio team primarily responsible for the day-to-day management of the account. The number of reviewers varies depending on the number of members in the team. NAM-Tokyo's Performance Review Committee reviews the portfolios it manages on a regular basis. Our Legal & Compliance Department reviews daily client trading activity and performs a daily automated check of select investment guidelines. Exceptions are identified and investigated. Depending on the nature of the client's portfolio, the Legal & Compliance Department also performs a detailed review on a monthly or quarterly basis to ensure compliance with investment guidelines and limitations.

NAM-USA furnishes monthly accounting reports to our North American clients detailing, among other things: portfolio positions, security cost basis and market value, and cash and security transaction activity. In addition, we provide clients with a summary performance analysis report, which contains a portfolio analysis and the portfolio's current and historical performance. These reports are provided monthly and/or quarterly. In general, meetings with clients are held semi-annually or less frequently, according to the stated desires of each client. All reports are in addition to custodial statements and transaction confirmations received from the client's custodian.

**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION****A. Economic Benefits for Providing Services to Clients**

Neither NAM-Tokyo nor any of our employees receives any economic benefit, sales awards or other prizes from any outside parties for providing investment advice to our clients.

**B. Compensation to Financial Intermediaries, Consultants and Other Third Parties**

From time to time, we pay industry consultants for consulting and/or educational services. Our employees also periodically participate in and/or attend conferences sponsored by industry consultants. For some engagements, NAM-Tokyo and/or its affiliates may pay compensation to the consultant. These industry consultants may at times evaluate and/or recommend NAM-Tokyo to their other clients. In the event that we obtain a client through a consultant to which we have provided compensation for such services or conferences, or for which our employee has participated in such conferences, we will disclose the relationship to the client upon request.



**ITEM 15: CUSTODY**

NAM-Tokyo does not have custody of any U.S. separate account client assets.

NAM-Tokyo is deemed to have custody over the assets of certain U.S. domiciled alternative investment funds where it or related party serves as general partner or managing member. To comply with the requirements of the Advisers Act, NAM-Tokyo, among other things, provides each investor in the fund with audited financial statements that comply with U.S. generally accepted accounting practices (“GAAP”) within 120 days following the fund’s fiscal year end and 180 days for fund-of-funds.

## **ITEM 16: INVESTMENT DISCRETION**

We usually receive discretionary authority from our clients to select the identity and amount of securities to be bought or sold, although we do have non-discretionary authority for certain client accounts.

We have discretionary authority for all North American client accounts that we sub-advise.

Prior to assuming discretionary or non-discretionary authority, clients are provided an investment advisory agreement. By signing the agreement, clients grant NAM-Tokyo discretionary or non-discretionary investment authority over their accounts. For those North American clients, where the agreement is with NAM-USA, NAM-USA will provide the client with our current Form ADV Part 2A and Part 2B.

When selecting securities and determining amounts, we observe the investment objectives, policies, limitations and restrictions of our clients. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to us in writing.

## ITEM 17: VOTING CLIENT SECURITIES

### **Policies and Procedures Relating to Voting Client Securities**

NAM-Tokyo serves as an investment adviser to its clients, and bears fiduciary duty to enhance the returns for the firm's clients and beneficiaries. This policy reflects our duty as a fiduciary under various regulations to vote proxies in the best interests of our clients. We will engage with companies in which we invest on behalf of our clients based on our "Basic Principles for Corporate Governance of Investee Companies" in order to enhance our mutual understanding and to seek changes in their corporate practices so as to maintain and improve shareholders value in the long term.

We will closely examine the voting agenda of a company that meets one or more of the conditions listed below. Where we believe that a specific agenda item is not in the best interests of the company's shareholders, we will decide either to vote against or to abstain from voting on the item.

1. The company has violated the law, including engaging in criminal activities or fraudulent accounting practices. However, we do not exercise our proxy voting rights solely as a means to address specific social or political issues, irrespective of investment returns of the company.
2. The auditor's opinion on the company is qualified.
3. The company's disclosure is determined to be inadequate, and therefore, deemed harmful to shareholders' interests.
4. The company continuously reports sluggish business performance and poor investment returns, and where we consider management's efforts for improvement to be inadequate.
5. The company accumulates a large amount of financial assets which we believe are not used effectively and/or are not distributed to shareholders adequately.
6. The company's business and financial strategies are deemed to be not in the best interest of shareholders.
7. The composition and/or size of the company's board of directors or the composition of its statutory auditors is deemed to be inadequate, and not in the shareholders' best interests.
8. Extraordinary agenda items, such as amendments to the company's articles of incorporation, which we determine not to be in shareholders' best interests.

When conflicts of interest arise, NAM-Tokyo will act to prioritize client interests. We will determine whether voting in accordance with our guidelines is in the best interests of the client or other appropriate action should be taken. When exercising voting rights for affiliated companies, we shall vote based on recommendations made by third-party proxy voting service vendors in order to remain impartial when exercising proxy voting rights.

As for proxy voting, the Responsible Investment Committee (the "Committee") will decide the policy. We will strive to exercise proxy voting rights in a fair and neutral manner by making all decisions based on our proxy

voting policy, as well as through establishing a highly transparent organizational structure through the participation of independent outside directors on the Committee.

The Committee comprises a Chairperson appointed by the Executive Management Committee, and other members who have been appointed by the Chairperson. Operations in relation to proxy voting will be executed by each Department in charge of respective roles and tasks.

Clients can request information about how NAM-Tokyo voted any proxy in their accounts by contacting the Chief Compliance officer. Anyone interested can obtain a complete copy of our written proxy voting procedures by also contacting the Chief Compliance Officer. Please contact NAM-USA's Chief Compliance Officer at 212-667-1414 or via postal request addressed to:

Attn: Chief Compliance Officer  
Nomura Asset Management U.S.A. Inc.  
Worldwide Plaza,  
309 West 49<sup>th</sup> Street  
New York, New York 10019

Some of our institutional clients choose to vote their own proxies. If clients do not grant us proxy voting authority, then they will receive proxies and other solicitations directly from their custodians or a transfer agent. Clients who are voting their own proxies and have questions about any proposal may contact us at 212-667-1414 to discuss the proposal.

#### Class Action Settlements

From time to time, we may receive notices regarding class action lawsuits involving investments that are or were held in your portfolio. As a matter of policy, the client, not NAM-Tokyo, retains the authority to file claims related to class action settlements with respect to investments held in a client's portfolio. We specifically disclaim any legal responsibility to act in class actions for our clients, including separately managed accounts and discontinued or liquidated accounts.

**ITEM 18: FINANCIAL INFORMATION****A. Balance Sheet**

NAM-Tokyo does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

**B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients**

NAM-Tokyo is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

**C. Bankruptcy Filings**

NAM-Tokyo has not been the subject of a bankruptcy petition at any time during the past ten years.