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**This brochure gives information about Daiwa SB Investments (UK) Ltd. (“DSBI (UK)” – we may also refer to ourselves by “we,” “our” or similar terms) and its qualifications and business practices. If you have any questions about the contents of this brochure, please contact us using one of the methods listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.**

**Additional information about our firm is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2. Material Changes**

Material changes from prior filing of the SEC’s revised Form ADV Part 2A are duly noted within Item 4, Item 8 Equity Investment Philosophy and Primary Investment Management Products Offered and Item 10 of this report, which reflect respectively an update to the Firm’s assets under management as at 31 March 2012, company visits, addition of two new products and addition to the broker-dealer subsidiaries/affiliates list.

**Please retain a copy of this brochure for your records.**

**Daiwa SB Investments (UK) Ltd.**

**March 31, 2012**

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## **Item 4.        Advisory Business**

### *Advisory Firm*

DSBI (UK) was originally established in London in 1983 as Daiwa International Capital Management (U.K.) Ltd., (“DICAM (U.K.)”) to provide account management and client services to non-Japanese institutional investors in Europe, Middle East and Far East. DICAM (U.K.) was renamed Daiwa SB Investments (UK) Ltd. in 1999. DSBI (UK) is authorised by the UK regulatory authority the Financial Services Authority (“FSA”). DSBI (UK) is a wholly owned subsidiary of Daiwa SB Investments, Ltd. (“Daiwa SBI”), also an investment adviser registered with the SEC, which is organized and has its principal office and place of business in Tokyo, Japan with four sister companies based in Singapore, Hong Kong, UK and USA who are all involved with the investment advisory business and 2 representative offices in Seoul and Shanghai who provide information services. DSBI (UK’s) main shareholders are Daiwa Securities Group, Inc. and Sumitomo Mitsui Financial Group, Inc., each of which is a public company in Japan, each own 44% of Daiwa SBI and may be considered to jointly control DSBI (UK) together with T. Rowe Price Group and Sumitomo Mitsui Trust Bank, Limited also having a 10% and 2% shareholding respectively of Daiwa SBI. These entities are all involved in investment advisory business, and Sumitomo Mitsui Financial Group, Inc. is involved in banking business.

### *Advisory Services*

We are an active discretionary fund manager of global fixed income and equity products providing portfolio management services for non-Japanese institutional clients, primarily consisting of government pension funds, private corporate pension funds and related trusts. DSBI (UK) does not undertake custody services on behalf of its clients whereby clients appoint their own custodian to provide physical settlement, safekeeping and associated custodial activities. Daiwa SBI acts as our sub-manager in all our Japanese equity client engagements and provides the investment management services that we offer; in that connection DSBI (UK) utilizes the investment management services of other wholly owned subsidiaries of Daiwa SBI that are also registered as investment advisers with the SEC. However, we are named as the investment manager in our investment management agreements with our clients and remain responsible for the investment management services provided by Daiwa (UK) and our sister subsidiaries. We also assist Daiwa SBI in the marketing, servicing and administration of its sub-manager services. We do not provide investment advisory or management services to any individuals.

As of March 31<sup>st</sup> 2012, we had \$9,189 million of worldwide assets under management on a discretionary basis and approximately \$231 million of which was managed by DSBI (UK) and the rest delegated to Daiwa SBI and sister subsidiaries of Daiwa SBI. We do not manage assets on a non-discretionary basis.

The investment management services we offer are based on the individual mandate of the client and consist of the strategies described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Clients may impose restrictions on investment in particular securities or types of securities and may impose account-related position limits.

## **Item 5. Fees and Compensation**

Our usual charges for investment management services for equity accounts are computed on an annualized percentage of the total value of the assets managed on a sliding scale. Our fees are subject to negotiation depending on the size of the account under management and the nature of the services provided. Our usual fee is payable at an annual rate in accordance with the following table:

Fair Market Value of Investment Assets	Annual Rate
Initial \$20 million	0.6%
Next \$30 million	0.4%
Balance over \$50 million	0.2%

The annual charges for investment management services for fixed income accounts are tailored to the fixed income mandate type and asset size.

Our fees are for investment management services only and are independent of any fee or charges receivable by Associates (as defined by the FSA) of DSBI (UK), in connection with either custodial fees, which are charged by the custodian designated by the client, nor transaction fees or commissions incurred in connection with purchases and sales of securities for a client's account. Our practices relating to the selection of brokers and dealers and related fees are described below under "Brokerage Practices."

For most clients, our fee is paid against quarterly invoice, based on a total value of assets under management, at the end of every quarter, but a different payment schedule may be negotiated. The agreement may be terminated by either party giving the other party 30 days notice in writing and if termination occurs prior to the end of a calendar quarter, a final fee is normally payable on a pro-rata basis.

Our fees are paid either directly by our client or by the client's custodian upon authorization by the client. Although we typically prepare and submit an invoice to the client, our investment management agreements do not grant us the authority to require the client's custodian to pay us our fees without the client's direction. A client may also agree with us and the client's custodian that the custodian will calculate the fee or determine whether the fee we submit is properly calculated.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

We may also be paid a performance-based fees if agreed by a client with respect to whom a performance-based fee may be charged under Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act"). If agreed by our client, we may receive increased compensation with regard to unrealized appreciation as well as realized gains in the client's account. The specifics as to the terms and conditions of performance-based fee arrangements are determined by negotiation between us and the client.

We have a fiduciary duty, and have established written supervisory procedures, to treat all clients fairly and to avoid conflicts of interest.

## Item 7. Types of Clients

As noted above under “Advisory Business,” we provide investment management services only to non-Japanese institutional investors, primarily consisting of governmental pension funds, private corporate pension funds and related trusts. Generally the minimum account size we will agree to manage is \$50,000,000 and minimum fee schedule as per Item 5 above.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

All our Japanese and Asian equity accounts are sub-managed by Daiwa SBI, which together with its other registered investment advisory subsidiaries provides all asset management services in respect of equity products that we offer. However, all global fixed income accounts are managed by DSBI (UK). We describe here the investment philosophy, strategies and approach for each of the aforementioned product solutions.

### Equity Investment Philosophy

Daiwa SBI’s equity investment philosophy is to provide stable, maximum above benchmark returns over the medium-to-long term through active management, and by taking advantage of market inefficiencies, of investments in equity securities, as described further below. We seek to achieve these goals by analyzing fundamentals from a global perspective, investing actively through a well defined and structured process, maintaining a consistent investment style and conducting comprehensive risk management. Our philosophy is centered on our belief that a local Asian presence enables our managers and analysts to accurately interpret and predict the subtleties of the region’s market sentiment. As described further below, we manage diversified portfolios based on criteria specified by our clients.

For investments in the Japanese markets, our Tokyo-based portfolio managers conduct substantial company visits as referenced in table below, and we believe they are uniquely positioned to identify sector specific and macroeconomic opportunities in the Japanese markets.

Classification	FY2008	FY2009	FY2010	FY2011 1H
Company Visits	1,276	1,572	1,777	899
In-house Meetings	905	1,145	1,417	633
Public IR Meetings	3,032	3,875	4,119	2,010
Plant Tours	96	286	262	44
<b>Total</b>	<b>5,309</b>	<b>6,878</b>	<b>7,575</b>	<b>3,586</b>

Source: DSBI, as at 1 October 2011

Note: FY = Financial Year

Financial year is from 1 April to 31 March the following year.

We employ a Bottom-Up approach with a Top-Down overlay in the Japanese market, and aim to add value primarily through a mix of stock selection and sector allocation. By “Bottom-Up” we mean an approach that focuses on the fundamental analysis of the business and prospects of an individual company and the characteristics of its securities; and by a “Top-Down” overlay we mean an approach that focuses on macroeconomic factors and their impact on particular industries. Utilizing a proprietary valuation model, we believe our effective combination of quantitative and qualitative analyses enable us to identify high quality, value-oriented stocks.

In the rest of the Pacific Basin, we focus on an issuer’s growth prospects vis-à-vis an assessment of the price of its securities, while striving for long-term, consistent outperformance based on solid research and the cultivation of a greater respect for risk. Our style reflects our core philosophy, whereby our investments in quality growth companies are based on Bottom-Up, fundamental analysis, supported by both a disciplined investment process and active company visits by our portfolio managements teams in Hong Kong and Singapore. In general, most outperformance comes from stock selection; country allocation is also a significant factor.

### Global Fixed Income Investment Philosophy

Daiwa SBI’s investment policy for fixed income is to achieve high and steady income gain with risk controlled over the life of the fund by investing primarily in fixed income securities which are bonds, notes, bills or negotiable instruments issued or guaranteed by sovereign borrowers or supra-national agencies worldwide. In selecting securities and markets to be invested in, we will take into account the geographical and currency risk involved with a view to diversifying investment risk on top of their outlooks.

Our approach is effected through:

- Comprehensive economic and market analysis based on a global viewpoint
- Fusion of top-down and bottom-up approaches
- Focus on investor flows and other behavioural indicators
- Consistency of investment style and risk control

### Primary Investment Management Products Offered

- **Structured Fundamental Japan (Equity):** This value-oriented, active strategy seeks to identify and invest in large cap companies that have been identified as undervalued with slight to moderate growth potential. It aims to outperform the MSCI Japan Index by 2%-3% p.a. Our structured bottom-up process utilises our proprietary valuation model and strong fundamental research to formulate stock selection. With a top-down overlay and comprehensive risk controls, the portfolio is managed using a team-based approach.
- **Japan Equity Fundamental Active:** This strategy provides a mix of value and earnings momentum growth stocks to generate alpha. It aims to produce returns of 3% above the TOPIX on an annualized basis with a maximum tracking error of 10%. It is actively managed by employing rigorous quantitative disciplines and judgemental analysis with an element of sector overlay.

- Japan Mid/Small Cap “Free Active” Equity: This strategy adopts a GARP (Growth at a Reasonable Price) style which combines the tenets of growth and value investing to identify stocks with sustainable growth potential that are reasonably priced (i.e. low price/earnings ratio). Our extensive research capabilities are intrinsic to identifying overlooked micro cap stocks and undervalued small cap stocks with earnings growth potential and low valuations. This strategy aims to provide excess returns of above 3% p.a. against the Russell/Nomura Japan Small Cap Index.
- Japan Small Cap “Free Active” Equity: This strategy adopts a GARP (Growth at a Reasonable Price) style which combines the tenets of growth and value investing to identify stocks with sustainable growth potential that are reasonably priced (i.e. low price/earnings ratio). Our extensive research capabilities are intrinsic to identifying overlooked micro cap stocks and undervalued small cap stocks with earnings growth potential and low valuations. This strategy aims to provide excess returns of above 3% p.a. against the Russell/Nomura Japan Small Cap Index.
- Pacific Basin Equity: An actively managed synthesis of our Japanese and Asia ex-Japan strategies which employs an investment philosophy that reflects the different natures of these markets. In the more mature Japanese market, a Value-style approach is adopted to seek out undervalued stocks. For the faster growing Pacific Basin ex-Japan markets, the growth-style is more appropriate to identify quality growth companies. Both benefit from our intensive bottom-up fundamental analysis, supported by an active program of company visits. The portfolio aims to provide excess returns of 2%-3% p.a. against the MSCI Pacific Index and is managed using a team-based approach. There is flexibility to customize country-specific and/or emerging Asia strategies relative to our clients’ requirements.
- Asia Pacific ex-Japan Equity: This strategy employs a growth-oriented investment approach for the less mature markets of Asia. It relies on intense fundamental analysis and company visits to identify undervalued stocks whose intrinsic value will be reflected over time in the share price. It aims to provide excess returns of 2%-3% p.a. against the MSCI AC free ex-Japan index. This strategy is based on the premise that superior companies domiciled in these countries with high economic growth potential can add value to the management of our client’s portfolios. The portfolio is managed using a team based approach and can be customized to suit clients’ requirements.
- Global Fixed Income: The Global Fixed Income product is provided for central banks, government agencies and corporate clients. Portfolios are benchmarked against the main global bond indices, which may be customised to meet client’s particular currency or maturity requirements. Value is added by decisions on country selection and weighted duration, currency overlay, yield curve position and credit exposure. These portfolios are limited to developed markets, and to investment-grade securities.

### Research Capabilities

Daiwa SBI has an equity in-house research department who research companies, mainly in the Japanese markets, and produce investment ratings that are utilized for sector allocation and the creation of a master list of stocks. On an annual basis, a substantial number of company visits occur located in Japan and the Asia ex-Japan region.

In addition to the above research department, Daiwa SBI is also in the position of being able to utilize the resources and databases of our affiliates, the Daiwa Institute of Research (“DIR”) and Japan Research Institute (“JRI”), which are leading research companies in Japan.

DSBI (UK) also obtains research information from external sources such as Bloomberg, Reuters and outside brokers.

### Highly qualified professionals

DSBI (UK) adheres to high ethical standards. We prefer the recruitment of our portfolio managers to be of University Degree standard with at least 2 years investment experience. DSBI (UK) also prefers that the candidate has the UK regulator’s recognized exams i.e. IMC, CFA and has been registered if already working for an investment management house, with the FSA. If the candidate meets all of the above then a period of at least 1 month threshold competence will be completed for signing by the candidates immediate Head, the Managing Director and the Chief Administration Officer. Upon this sign-off the candidate will be registered with the FSA who will in turn confirm the registered status. Only then will the company allow the new Portfolio Manager etc. to carry out registerable activities i.e. trading, investment advice to clients. If, however, the new recruit has no professional exam, it will be a requirement of their employment to pass an exam such as the IMC before registration could be applied for.

### Investment Risks

Investing in securities of any kind involves risks of loss that clients must be willing to bear. There is no guarantee that the investment strategy selected by a client will result in the client’s investment objective being met, nor is there any guarantee of profit or protection from loss. Past performance is no guarantee of future results. Clients and potential clients should consider the following factors:

*Investment Selection:* We may select investments in part on the basis of information and data filed by the issuers of those securities with various government regulators or made directly available to us by the issuers of securities or through sources other than the issuers. Although we seek to evaluate that information and data and seek independent corroboration when we consider it appropriate and when it is reasonably available, we may not be in a position to confirm the completeness, genuineness or accuracy of that information and data, and in some cases, complete and accurate information will not be readily available. The likelihood that clients will realize income or gains largely depends on our skill and expertise.



*Non-U.S. Exchanges and Markets:* Our investment strategies can involve trading on non-U.S. exchanges and markets. Trading on such exchanges and markets may involve certain risks not applicable to trading on U.S. exchanges and is frequently less regulated. For example, certain of those exchanges may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants as do U.S. exchanges and regulation by the SEC. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges. Some non-U.S. exchanges, in contrast to U.S. exchanges, are “principals’ markets” in which settlement is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. Furthermore, trading on certain non-U.S. exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute certain trades and may also be subject to a variety of political influences and the possibility of direct government intervention. Investments in non-U.S. markets are also subject to the risk of fluctuations in the exchange rate between the local currency and the dollar and to the possibility of exchange controls. Foreign brokerage commissions and other fees are also generally higher than in the United States.

*Non-U.S. Investments:* Investment in non-U.S. issuers or securities principally traded outside the United States are likely to involve certain special risks due to economic, political and legal developments, including favourable or unfavourable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting reporting and disclosure requirements than U.S. issuers. The securities of some foreign companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets.

*Emerging Markets:* The risks of foreign investments described above apply to an even greater extent to investments in emerging markets, including investment in certain Pacific Basin countries such as Malaysia and Thailand. The securities markets of emerging market countries are generally smaller, less developed, less liquid and more volatile than the securities markets of the U.S. and developed foreign markets. Disclosure and regulatory standards in many respects are less stringent than in the United States and developed foreign markets. Accounting and auditing standards in many markets are different, and sometimes significantly differ from those applicable in the United States, Europe or Japan. In particular, the accounting standards with respect to inflation have to be clearly understood in order to analyze a balance sheet. There is substantially less publicly available information about companies located in emerging markets than there is about companies in other more developed jurisdictions. There also may be a lower level of monitoring and regulation of securities markets in emerging market countries, and the activities of investors in those markets and enforcement of existing regulations has been extremely limited.

Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of these countries also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of countries with emerging markets may also be predominantly based on only a few industries or dependent on revenues from particular commodities. In addition, custodial services and other costs relating to investment in foreign markets may be more expensive in emerging markets than in many developed foreign markets, which could reduce a client’s income from those securities.

In many cases, governments of emerging countries continue to exercise significant control over their economies, and government actions relative to the economy, as well as economic developments generally, may affect the capacity of issuers of emerging country debt instruments to make payments on their debt obligations, regardless of their financial condition. In addition, there is a heightened possibility of expropriation or confiscatory taxation, imposition of withholding taxes on interest payments or other similar developments that could affect investments in those countries. There can be no assurance that adverse political changes will not cause a client to suffer a loss of any or all of its investments and, in the case of fixed-income securities, interest thereon.

Many emerging countries are undergoing important political and economic changes that are making their economies more free-market oriented. However, there could be future political and economic changes that may return the situation to closed and centrally controlled economies with price and foreign exchange controls. Many of these countries lack the legal, structural and cultural basis for the establishment of a dynamic, orderly, market-oriented economy. Many of the promising changes that are being seen at present could be reversed, causing significant impact on a client's investment returns.

*Settlement Risk:* Settlement and clearance procedures in certain foreign markets differ significantly from those in the United States. Foreign settlement and clearance procedures and trade regulations also may involve certain risks (such as delays in payment for or delivery of securities) not typically associated with the settlement of U.S. investments. At times, settlements in certain foreign countries have not kept pace with the number of securities transactions. If we cannot arrange to settle a trade or settlement is delayed in a purchase of securities, a client may miss attractive investment opportunities and certain of its assets may be uninvested with no return earned thereon for some period. If we cannot arrange to settle or settlement is delayed in a sale of securities, a client may lose money if the value of the security then declines or, if it has contracted to sell the security to another party; the client could be liable for any losses incurred.

*Currency Risk:* The value of a client's account may be affected favourably or unfavourably by changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when a client's investments are changed from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. Such changes generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments.

*Investments in Smaller Companies:* Our Pacific Basin and Japan Mid/Small Cap “Free Active” Equity strategies contemplate investments in small and/or unseasoned companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification and competitive strengths of larger companies. These factors make smaller companies far more likely than their larger counterparts to experience significant operating and financial setbacks that threaten their short-term and long-term viability. In addition, in many instances the frequency and volume of trading in their securities is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations, and exiting investments in such securities at appropriate prices may be difficult, subject to substantial delay or impossible. When making large sales on behalf of a client, we may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities. While the nature of our strategies may reduce some of the risks associated with investing in less mature companies, these risks cannot be eliminated.

*Future Regulatory Change is Impossible to Predict.* The securities markets are subject to comprehensive statutes, regulations and margin requirements. In addition, regulatory authorities and securities exchanges are typically authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of securities is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on a client’s account is impossible to predict, but could be substantial and adverse.

*Foreign Taxes:* It is possible that certain dividends and interest directly or indirectly received by a client from sources within foreign countries will be subject to withholding taxes imposed by those countries. In addition, a client may be subject to capital gains taxes in some of the foreign countries where we purchase and sell securities on the client’s behalf. Tax treaties between certain countries and the UK may reduce or eliminate such taxes. Depending on the investment strategy selected it may be impossible to predict in advance the rate of foreign tax a client will directly or indirectly pay since the amount of the client’s assets to be invested in various countries may not be known. Clients that are subject to U.S. Federal income taxation generally will be entitled to claim either a credit (subject to various limitations) or a deduction for their share of such foreign taxes in computing their Federal income taxes. Tax-exempt clients, however, will not ordinarily benefit from any credits or deductions generally granted by the United States in respect of foreign taxes. Clients and potential clients should consult their own tax advisors concerning the consequences to them of utilizing one or more of the investment strategies we offer.

## **Item 9.           Disciplinary Information**

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a client’s evaluation of the advisory business or of the integrity of its management personnel. We do not have any disclosure items.

## **Item 10. Other Financial Industry Activities and Affiliations**

As previously noted, we are affiliated with Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group, Inc., each of which owns 44% of the voting stock of Daiwa SBI together with T. Rowe Price Group and Sumitomo Mitsui Trust Bank, Limited each having 10% and 2% of Daiwa SBI respectively.

Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group have the following broker-dealer subsidiaries/affiliates:

Daiwa Securities Co. Ltd.  
Daiwa Securities Capital Markets Co. Ltd.  
SMBC Friend Securities Co., Ltd.  
SMBC Nikko Securities Inc.  
Sumitomo Mitsui Banking Corporation

As noted below under “Brokerage Practices,” subject to a client’s consent we periodically have historically utilized the services of Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. in executing securities transactions on behalf of our clients. In addition, again subject to client consent, we may in the future utilize the services of any of the brokers named above in executing client transactions.

Separately, as noted above under “Investment Strategies, Methods of Analysis and Risk of Loss,” we utilize the research capabilities of DIR and JRI and compensate those organizations for their services. DIR is a wholly owned subsidiary of Daiwa Securities Group Inc, and JRI is a wholly owned subsidiary of Sumitomo Mitsui Financial Group, Inc.

Both Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group Inc. have many subsidiaries in the financial industry, including commercial banks and other investment advisers. We do not have relationships that are material to our business practices with any of those entities, and we, Daiwa SBI and its subsidiaries have firewalls and other procedures in place to prevent our advisory personnel from having knowledge of those entities’ activities or taking their interests and practices into account in connection with our management of client assets.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### *Code of Ethics*

We maintain a Code of Business Conduct and Ethics. The Code sets forth the standards of conduct and statement of policy which all employees are required to comply with and requires compliance with regulatory laws and addresses conflicts that arise from personal trading by employees. DSBI (UK) will provide a copy of this Code to clients and prospective clients upon request.

### Personal Trading

All employees and other specified persons (“Covered Persons”) who may be aware that one of our clients is purchasing or selling a particular security or has such a purchase or sale under consideration may not, as to any account which we or that Covered Person has a beneficial interest, engage in any transaction in that security or as to any security convertible into that security or any option or warrant relating to that security.

Each Covered Person is subject to certain reporting requirements in respect of purchases or sale of securities in which he or she had or acquired any direct indirect beneficial ownership.

Our Chief Administration Officer has been charged with the general duty of administration and application of the aforementioned requirements, subject to the direction and control of our Board of Directors.

In the event of any violation of our Code of Ethics, we may impose such sanctions as we deem appropriate (including, without limitation, a letter of censure or suspension or termination of employment).

### Principal Trades

Neither we nor Daiwa SBI including any of its subsidiaries buys or sells securities for its own account. However, our affiliates – i.e., banks and broker-dealers controlled by Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group Inc. – may act as dealers in securities that we determine to buy or sell for the account of our clients, and with a client’s consent we may engage in a “principal transaction” for such a security with such an affiliate for a client’s account. Before such a principal transaction is settled, we will disclose to the client in writing the capacity in which our affiliate is acting, including relevant information to allow the client to assess the desirability of the trade from the client’s perspective, and will obtain the consent of the client to such transaction. A conflict of interest may exist in a principal trade because of the incentive to generate a profit by buying or selling from inventory.

As a member of the Daiwa Securities Group, which is one of the most influential and oldest securities houses in Japan, DSBI is in a position of affiliation with a number of companies that may be used in relation to the management of both Equity and Fixed Income portfolios.

However, Daiwa SBI recognizes the conflict of interest concerns of our clients, and we have established a strict internal policy and clearly defined set of procedures to ensure that any possible conflicts of interest are managed and controlled. With respect to Daiwa Securities Group Inc., and Sumitomo Mitsui Financial Group, Inc., our listed and publicly traded affiliates, we will either confirm via formal investment guidelines or seek advance confirmation from our clients that we would be permitted to make the respective investment in these affiliated companies on behalf of the portfolio.

Regarding Daiwa Securities Co., Ltd., Daiwa Securities SMBC Co., Ltd. and SMBC Friend Securities Co., Ltd., where potential conflicts of interests are limited to trading and/or initial public offering issues, we will seek the same type of explicit pre-approval as mentioned above to either trade with these affiliates or deal with them on an initial public offering of which they are a manager and/or underwriter for the issue.

### Agency Cross Transactions

In general, we do not knowingly engage in agency cross transactions (i.e., transactions between clients in which we or one of our affiliates is paid a brokerage fee). Unless a client has granted consent to us to engage in such transactions, as described in the next paragraph, we will not engage in such a transaction without obtaining consent in the same manner that applies in the case of principal transactions.

Although we have not historically done so, we reserve the right to request a client to grant advance consent to agency cross transactions pursuant to Rule 206(3)-2 under the Advisers Act. Under that rule the client would execute a written consent prospectively; we would send each such client a written confirmation containing prescribed information; we would send to each such client, at least annually, a written disclosure statement identifying the transactions; each written disclosure and confirmation would include a conspicuous statement that the written consent may be revoked at any time; and no such transaction could be effected in which the same advisor recommended the transaction to both any seller and purchaser.

### Other Trading Activities of Our Affiliates

As noted above under “Other Financial Industry Activities and Affiliations,” both Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group Inc. have many subsidiaries in the financial industry, including commercial banks, other investment advisers and broker-dealers. Those entities may engage in transactions in the same securities that we buy and sell on behalf of our clients, both as principals for their own account and as brokers or advisers for other customers or clients. Those transactions may occur at or about the same time as the transactions we engage in for our clients. We do not have knowledge of those transactions, and those affiliates do not have knowledge of the transactions in which we engage on behalf of our clients. We, Daiwa SBI and its subsidiaries, and the subsidiaries of Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group Inc. have firewalls and other procedures in place to prevent our and their personnel from gaining or utilizing information about our and their respective principal and client transactions and transactions that are being considered, either as principals or on behalf of our or their respective clients.

## **Item 12. Brokerage Practices**

DSBI (UK)’s clients are free to place limitations on our authority to determine which securities are to be bought or sold, the total amount of securities which are to be bought or sold, and the broker or dealer through which securities are to be bought or sold along with trading on a VWAP basis.

The Heads of Bonds, FX and Equity determine the brokerage selection which is closely monitored by the Compliance section and also has in place an Order Execution Policy. The policy sets forth DSBI (UK’s) methodology for achieving the best possible result when executing orders for our clients. Brokers are selected on the following basis:-

- Research material (such as market outlook and company views)
- Quality of Strategists and analysts
- Execution (efficiency/ accuracy etc)
- Frequent contact by Sales people
- Financial condition and credit risk

Our clients may pay commissions higher than those obtainable from other brokers in return for better quality products, research and services they offer, but within the ambit of our regulator's Best Execution rules.

Portfolio Managers determine the selection of which of the approved brokers to use by considering the following execution factors: price; costs; speed; likelihood of execution and settlement; size of order; nature of order or any other relevant consideration.

The above is closely monitored by Compliance who has adopted guidelines for the evaluation of its execution venues and brokers. The evaluation process takes into account specific criteria: order/execution factors, settlement, macro micro market information, and industry stock specific information, price, costs and any other relevant considerations tailored to the requirements of particular clients, order types, financial instruments and markets. DSBI (UK) also has in place an Order Execution Policy. The policy sets forth DSBI (UK's) methodology for achieving the best possible result when executing orders for our clients and enables DSBI (UK) to comply with our obligations, in accordance with FSA COBS 11 of the UK regulator's Handbook, to take all reasonable steps to obtain the best possible result for our clients.

DSBI (UK) utilises many different market centres when executing transactions for client portfolios. The effective commission rates charged for execution through these different market centres varies according to the level of service provided. ECNs, for example, charge comparatively low commission rates but only provide access to the available liquidity on the network at that time. Full-service brokers charge higher commission rates but provide a higher level of service such as the use of their expertise in working orders, access to liquidity, provision of research services and the potential use of their own capital to facilitate a trade. DSBI (UK) assesses the reasonableness of commissions in light of the total value of the services provided by each particular broker/market centre. Commissions also vary according to the nature of the market for the security being traded. Commissions can vary according to the level of market liquidity and market development. Thus commission rates are generally lower when trading highly liquid large cap stocks than when trading less liquid small cap stocks, and are generally lower in mature markets than in emerging markets

Although rates are subject to the specifics of a particular trade, the approximate commission rate paid by DSBI (UK) are as follows:-

<i>Market / Asset Class</i>	<i>Approximate commission rate paid (in basis points or cents per share)</i>
<i>European equity</i>	<i>20 - 30 bp</i>
<i>European equity programme trading</i>	<i>4 bp</i>
<i>U.S./Canadian equity</i>	<i>5 cents/share, 20 - 25 bp</i>
<i>U.S. equity programme trading</i>	<i>4bp</i>

Commission recapture and direct commissions are not currently utilized in our business. However, should a client request such an arrangement the following policy will apply.

Certain clients of DSBI have given instructions that the execution of a portion of their trades should be directed to an agent offering commission recapture services. In this circumstance DSBI pays a broker in the agent's approved network its usual negotiated commission rate to execute the trade. A portion of that commission, agreed in advance between the client and their agent is then rebated back to the relevant client. DSBI does not run an in-house directed commission programme and does not therefore benefit from any recaptured commission.

### **Item 13. Review of Accounts**

We review our client accounts on a regular basis and conduct specific reviews on the schedule specified in our investment management agreements. Our agreements call for reviews and consultations with our clients at a minimum once per quarter, and we conduct internal reviews at least monthly. Market conditions that might cause a wide variance in the specified asset allocation, or other factors, could give rise to more frequent review. Client accounts are reconciled on a daily basis with clients' custodians.

Our reviews encompass currency and stock market transactions and are coordinated by our operations staff and overseen by our Chief Administration Officer. Our reviews include an examination of the client's portfolio holdings as well as an attribution analysis of the portfolio's performance. Risk control is monitored by the Compliance staff to ensure that our portfolio managers comply with both client-directed and regulatory guidelines.

Depending on individual client requirements, our marketing and client service team, led by our Head of Marketing, typically prepares written monthly, quarterly, semi annual and annual statements, including detailed attribution and performance data, market commentary and investment strategies. Depending on client specifications, we also typically conduct more formal in-person or teleconference review meetings between our clients and portfolio managers on at least a semi-annual basis, although ongoing market conditions or any other unusual events that could cause a wide variance in specified asset allocations, changes in investment direction or philosophy or a variety of other factors could necessitate more frequent reviews. These formal review meetings are coordinated by our Head of Marketing, with our Senior Portfolio Manager and Managing Director in attendance.

All clients also receive standard account statements from their custodian bank on a monthly basis at a minimum, or have access to portfolio via online access with the custodian bank.

### **Item 14. Client Referrals and Other Compensation**

DSBI (UK) has discretionary arrangements with DSBI (Singapore) and Daiwa Securities Capital Markets Co. Limited to compensate for client referrals.

### **Item 15. Custody**

Neither we nor any of our affiliates have or accept "custody" (as defined in Rule 206(4)-2 (the "custody rule") under the Advisers Act) of client assets for clients that are subject to the requirements of the custody rule.

### **Item 16. Investment Discretion**

Our clients grant us full discretion to trade their securities pursuant to a power of attorney that is granted by our investment advisory agreements, subject to limitations specified in the applicable agreement.



**Item 17. Voting Client Securities**

We are generally granted the power in our investment management agreements to vote our clients' securities on all matters presented unless the client directs otherwise in its investment management agreement. If a client specifies that it will vote its own portfolio securities, the client typically arranges with a third-party information provider to receive information concerning issues presented, the applicable record date and other relevant matters and arranges for proxy votes to be cast by the client's custodian, with no participation on our part.

DSBI (UK) delegates the exercising of proxy voting rights on behalf of its clients to its affiliated companies who have clear policies on voting and disclosure of voting activity whom have adopted policies that require voting proxies in the best economic interest of our clients, and not in the interest of our firm. While it is unlikely that we will have a material conflict when voting client proxies, a conflict could arise from time to time as a result of relationships between our affiliates and the issuers of securities in which we have invested on behalf of our clients. The policies require to resolve such conflicts, if they arise, in an appropriate manner, which can include (without limitation) (1) documenting that votes were cast in the interest of the client, (2) informing the client of the conflict and advising the client to obtain objective third party advice and instruct us as to how to vote and (3) obtaining the client's informed consent to vote a proxy in a specific manner. When seeking a client's consent, the client will be provided with sufficient information regarding the matter and the nature of the conflict to enable the client to make an informed decision. There may be times when refraining from voting a proxy is in the client's best interest, such as when the cost of voting exceeds the expected benefit to the client.

**Item 18. Financial Information**

We are not required to provide disclosure pursuant to this item.