

# Nomura Asset Management U.S.A. Inc.

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## Form ADV, Part 2A Brochure

March 29, 2012

This brochure provides information about the qualifications and business practices of Nomura Asset Management U.S.A. Inc. If you have any questions about the contents of this Brochure, please contact us 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 U.S.A. Inc. is a registered investment adviser with the SEC. Such registration does not imply any level of skill or training.

Additional information about Nomura Asset Management U.S.A. Inc. 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 U.S.A. Inc. is 108222.

## **MATERIAL CHANGES**

**Revised March 29, 2012**

Since our last filing on June 30, 2012, we have changed our Form ADV Part 2A to reflect the current assets under management of the firm as of 1/31/12. Further, on December 29, 2011, the Nomura Partners Funds, Inc. Global Alpha Equity Fund closed.

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## Item 4 – Advisory Business

Nomura Asset Management U.S.A. Inc. (“NAM-USA,” “firm,” “we,” “us,” or “our”) has been managing assets for institutional clients through its predecessor firm since 1976 and is one of several wholly-owned investment advisory subsidiaries of Nomura Asset Management Co., Ltd., (“NAM-Tokyo”). NAM-Tokyo is one of the largest asset management firms in Japan. Each NAM-Tokyo subsidiary is responsible for providing investment management services in local markets and promoting the global fund management expertise of NAM-Tokyo and its subsidiaries. NAM-Tokyo is a wholly-owned subsidiary of 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-USA is also registered as an adviser in several Canadian provinces.

We specialize in managing equity mandates for segregated institutional client portfolios and investment vehicles. Equity securities include, among other things, common stock, preferred stock, warrants, rights, depository receipts, real estate investment trusts, limited partnership interests, membership interests in a limited liability company, shares of fund vehicles and equity-related instruments and derivatives. Our advice is limited to equity securities. 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.

The clients of our firm who entrust us with managing their assets include well known U.S. and Canadian pension plans, and investment funds operating in North America and Japan. This includes two U.S. registered closed-end investment companies and a family of U.S. mutual funds known as Nomura Partners Funds, Inc. (“U.S. Registered Funds”). For our global and international equity mandates, we delegate investment discretion and trading authority to affiliated or third party sub-advisers.

We manage North American equity portfolios primarily for investment trusts sold in Japan. We carry out these services as a sub-adviser or both a discretionary and non-discretionary basis.

In addition to managing equity mandates, NAM-USA markets the investment advisory capabilities of three affiliated SEC registered investment advisers – Nomura Corporate Research and Asset Management Inc. (“NCRAM”), Nomura Global Alpha LLC (“NGA”) and Nomura Funds Research and Technologies America, Inc., (“NFR&TA”). We also provide corporate services to these affiliates which may include corporate accounting, operations, compliance, technology, and human resources support.

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.

Affiliated and third party sub-advisers appointed by NAM-USA on behalf of clients are responsible for making investment decisions consistent with the investment guidelines and restrictions developed by NAM-USA. Where NAM-USA is the investment adviser to a pooled investment vehicle, the investment objectives, guidelines and any investment restrictions followed are those of the vehicle (as described in its prospectus or other relevant offering document) and are not tailored to the needs of individual investors in those vehicles.

As of January 31, 2012, NAM-USA had approximately \$1.2 billion in assets under management, all of which are managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

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

### **Separately Managed Accounts**

We charge asset-based management fees for all our clients. 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 NAM-USA 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. We may, in our sole discretion, reduce and/or waive management fees for a client at any time.

The specific manner in which NAM-USA charges fees 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. We do 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.

We may entertain requests by clients to enter into an advisory agreements 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 on Performance Fees.

### **Additional Costs**

Our fees 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-USA considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

### **Underlying Fund Fees**

NAM-USA may invest client assets in money market funds, exchange traded funds or other types of pooled investment 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.

Compensation received by NAM-USA and our affiliates related to various services to pooled investment vehicles generally will be retained by NAM-USA and its affiliates. Except to the extent required by applicable law, we are not required to offset such compensation against fees and expenses the client may otherwise owe to NAM-USA or its affiliates.

### **Investment Management by Sub-Advisers**

For all of our global and international mandates, we use the services of affiliated or third-party sub-advisers ("sub-advisers") to manage all or a portion of a client's discretionary account.

The sub-advisers have investment and trading authority over the assets we direct to them for management and they are authorized to buy, sell, and trade in securities in accordance with the client's investment objectives. We conduct due diligence on sub-advisers. Among other things, we review the sub-adviser's corporate management team, portfolio strategies and historic performance track record to help ensure that the sub-adviser's style of

management is aligned with the client's overall investment objectives and long-term goals. Clients are encouraged to review the sub-adviser's Form ADV Part 2A (or other similar brochure) upon delivery for important information relating to the sub-adviser's professionals, services and associated advisory fees

### **Compensation for the Sale of Securities**

*Private Funds.* Several of our sales persons are registered securities representatives of Nomura Securities International, Inc. ("Nomura Securities"), an affiliated broker-dealer and a member of the Financial Industry Regulation Authority ("FINRA"). Through Nomura Securities, the sales persons offer interests in private funds sponsored and/or managed by NAM-USA or its affiliates. These securities are only offered to investors that are qualified purchasers. A sales person may receive sales commissions or some other form of cash compensation for the sale of private funds to investors. This compensation is separate from the management fees that the funds pay the investment adviser, and is paid by Nomura Securities, not by the fund investor. Private funds are only available through Nomura Securities. They are not available through any other non-affiliated entity.

*Mutual Funds.* Certain sales persons act as mutual fund wholesalers marketing Nomura Partners Funds, Inc. ("NPF") to financial intermediaries. NPF is family of U.S. mutual funds focusing on global and international equity investing. Investors who do decide to purchase an NPF fund must do so through a non-affiliated financial intermediary or with the fund directly. The purchase cannot be made through Nomura Securities. With respect to NPF sales activities, financial intermediaries retain any commission or fees paid from broker-dealers who executed the trades or any fees from the NPF mutual funds. Nomura Securities will compensate wholesalers based on the amount of sales executed through certain financial intermediaries. Compensation may be in the form of 12b-1 plan payments, which are paid by NPF to Nomura Securities.

NAM-USA clients are not obligated to use the funds and products offered by such sales persons. Nevertheless, the receipt of commission payments or other form compensation presents a conflict of interest and could give a sales person an incentive to recommend investment products based on the compensation they receive, rather than on your needs. To ensure a fund is suitable for you, the sales person must obtain approval from his or her supervisors and from Compliance before the sales person can market the fund to you.

Anytime a sales person receives a commission or other form of compensation from the sale of a recommended investment product, the sales person will disclose that conflict to you. The disclosure may be in conversations with you or may be in writing to you.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

As discussed in Item 5 above, we manage accounts that pay Performance Fees. These arrangements shall only be with "qualified clients" as defined under Rule 205-3(d) under

the Investment Advisers Act of 1940. 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-USA 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 to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. NAM-USA 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 more information about NAM-USA's trade allocation policy and procedures.

## **Item 7 – Types of Clients**

NAM-USA provides portfolio management services to corporate and public pension plans, U.S. Registered Funds, private investment funds, foreign funds such as Japanese Investment Trusts and Canadian mutual funds, and other U.S. and international institutions.

NAM-USA 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.

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

### **Our Investment Strategies**

NAM-USA offers several foreign and U.S. equity strategies to its clients and in doing so may invest, without limitation, 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.

Affiliated sub-advisers that manage global and/or international equity portfolio for our clients utilize an investment approach that combines a top-down and bottom-up analysis, with a bias towards bottom-up stock selection. All such sub-advisers use a team approach with a focus on country and/or sector analysis.

A broad range of equity strategies, are offered 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 time horizon.

The “value” strategy is a 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) and countries or particular geographic regions. In addition, our affiliated sub-advisers utilize quantitative data base and screening systems to complement their 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 their investment approach, portfolios of some strategies are constructed within guidelines defined by top-down analysis. In this way, the affiliated sub-advisers are able to combine both top-down and bottom-up views in their decision making process.

NAM-USA has also selected third party sub-advisers to manage several investment strategies.

We perform comprehensive due diligence in monitoring our sub-advisers. This is a continuous process and includes the efforts of the compliance, legal, operations and performance monitoring teams. This oversight process includes evaluating the sub-adviser’s investment process, personnel and investment staff, performing on-site due diligence, reviewing the sub-adviser’s performance relative to peers and/or the appropriate benchmarks, monitoring ongoing compliance with investment guidelines and other legal requirements, and monitoring material changes to the sub-adviser’s ownership and organizational structures.

The table illustrates the current equity strategies offered to our existing North American client base:

Asia	Asia Pacific ex Japan; Asia Pacific inc Japan
China	Greater China Region
Global	EAFE, Global Emerging Markets, Alpha, International –

	Developed Country
India	Core
Japan	Core, Small Capitalization, Multi-Manager
Korea	Core

### **Security Analysis**

Our security analysis methods include: charting, fundamental analysis, technical analysis, quantitative analysis and qualitative analysis methods including cyclical analysis.

### **Sources of Information**

In conducting security analysis, 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.

### **Material Risks of NAM-USA'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 managed by NAM-USA. 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-USA 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 equity investing are discussed below:

*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:* NAM-USA and/or its sub-advisers will invest in equity securities of companies that their portfolio managers believe will experience relatively rapid earnings growth (growth securities) or that 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.

Below are significant risks faced by NAM-USA clients who invest in foreign securities:

*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.

*Emerging Markets Risk:* Foreign Investment Risk as discussed above 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.

*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 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.

*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.

*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.

**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.

## **Item 9 – Disciplinary Information**

We are required to disclose whether there are legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. NAM-USA does not have any legal or disciplinary information to disclose.

## Item 10 – Other Financial Industry Activities and Affiliations

### **Registered Representatives of an Affiliated Broker-Dealer**

As discussed in Item 5 above, certain NAM-USA sales persons are also registered securities representatives of Nomura Securities, an affiliated broker-dealer registered with the SEC. The sales persons may offer interests in private funds sponsored and/or managed by NAM-USA or its affiliates. Certain sales persons of Nomura Securities also act as mutual fund wholesalers marketing the NPF funds to financial intermediaries. Please see the disclosures under Item 5 ***Other Compensation*** for a discussion of the related conflicts of interest.

### **Our Investment Adviser Affiliates**

NAM-Tokyo, Nomura Asset Management U.K. Limited, Nomura Asset Management Singapore Limited and Nomura Asset Management Hong Kong Limited (“affiliated sub-advisers”) serve as sub-advisers for global and international equity accounts managed by NAM-USA. Each affiliated sub-adviser is registered as an investment adviser with the SEC. NAM-USA also acts as a sub-adviser (as discussed in Item 4 above) for Japanese investment trusts managed by NAM-Tokyo. To the extent that NAM-USA delegates investment management to affiliated sub-advisers, NAM-USA and its affiliates retain a greater amount of the total fees than if NAM-USA had delegated to an unaffiliated sub-adviser. Accordingly, we may have a potential conflict of interest in delegating to our affiliates.

To the extent NAM-USA delegates its advisory or other functions to affiliates that are registered with the SEC as investment advisers a copy of the brochure of each such affiliate is available on the SEC’s website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)) and will be provided to clients or prospective clients upon request. Clients that want more information about any of these affiliates should contact NAM-USA.

We own 100% of NGA, a U.S. domiciled investment adviser registered with the SEC. NAM-USA shares office space and certain facilities and services with NGA, and certain NAM-USA personnel are officers of NGA. In addition, certain NAM-USA personnel serve on the board of directors of private funds managed by NGA. NGA currently invests for its clients principally in fixed income instruments and related derivatives according to investment strategies that are separate and distinct from the strategies pursued by NAM-USA for its clients. Although NAM-USA does not expect such conflicts to arise, in certain circumstances the investment activities of NGA could adversely affect the prices and/or availability of securities or instruments held by or potentially considered for one or more of the registrant’s clients. NAM-USA has adopted policies designed to ensure that no client is treated unfairly, over time, in relation to any other client in the allocation of securities or investment opportunities.

We provide marketing services to NCRAM, NGA, NFR&TA; each a U.S. domiciled investment adviser registered with the SEC. These firms compensate NAM-USA out of the

advisory fees they receive from their advisory arrangements. NAM-USA also provides corporate services to NCRAM, NGA and NFR&TA. Corporate services may include compliance, accounting, certain back-office operations and/or other services.

Although NAM-USA 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 clients advised by NAM-USA. NAM-USA has adopted policies designed to ensure that no client is treated unfairly, over time, in relation to any other client in the allocation of securities or investment opportunities.

### **Our Investment Company Affiliates**

We serve as sponsor and act as investment adviser to a U.S. mutual fund family known as Nomura Partners Funds, Inc. The fund family consists of The Japan Fund, Asia Pacific ex Japan Fund, Greater China Fund, India Fund, Global Equity Income and International Equity Fund. The funds are managed by one or more of our affiliated sub-advisers. The fund family also includes the Global Emerging Markets Fund and International Growth Equity Fund. These funds are managed by third-party sub-advisers.

We serve as investment manager to two U.S. closed-end funds - Korea Equity Fund, Inc. and Japan Smaller Capitalization Fund, Inc. Each fund is managed by one or more of our affiliated sub-advisers.

### **Our Management Personnel**

Certain of our management persons may also hold positions with NAM-Tokyo 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-USA and these other entities, the management persons of NAM-USA may be subject to the same or similar potential conflicts of interest that exist between NAM-USA and these affiliates.

NAM-USA 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.

### **Affiliated Custodians**

We have relationships with one affiliated custodian:

- Nomura Trust & Banking Co., Ltd. (“NTB”) acts as custodian and trustee for many of the Japanese Investment Trusts that we manage or serve as sub-adviser

### **Sponsor of Limited Partnerships**

NAM-USA and its affiliates may create and/or distribute unregistered private-placed vehicles and may receive fees.

### **Other Affiliated Arrangements**

NHA, Nomura Securities and certain of their subsidiaries provide to and receive certain services from NAM-USA, which may include accounting, account administration, auditing, business continuity planning, electronic data processing, employee benefit plan and personnel administration, insurance, investment, legal, management and financial reporting, occupancy, project management, tax, transportation and treasury.

## **Item 11 – Code of Ethics**

### **Our Code of Ethics**

As an investment adviser and a fiduciary to its clients, we always place our clients' interests first and foremost. However, NAM-USA 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-USA has adopted a Code of Ethics ("Code") with which all associated persons must comply.

### Standards of Conduct

The Code consists of the following 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 supervised persons must acknowledge the terms of the Code, upon joining NAM-USA, annually, or as the Code is amended.



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

Nomura Asset Management U.S.A. Inc.  
2 World Financial Center, Building B  
Compliance Department, 18<sup>th</sup> Floor  
Attention: Chief Compliance Officer  
New York, New York 10281

### **Personal and Proprietary Trading**

NAM-USA 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-USA, its affiliates and/or other clients, directly or indirectly, have a position of interest. NAM-USA's employees and persons associated with NAM-USA are required to follow NAM-USA's Code. Subject to satisfying this policy and applicable laws, officers, affiliated directors and employees of NAM-USA ("NAM-USA personnel") and its affiliates may trade for their own accounts in securities, including fund vehicles, which are recommended to and/or purchased for NAM-USA's clients. The Code is designed to assure that the personal securities transactions, activities and interests of NAM-USA 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-USA personnel to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of NAM-USA's clients. In addition, 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-USA 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-USA 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-USA and its clients. For example, to assist NAM-USA in ensuring NAM-USA personnel comply with its personal trading policies and restrictions, supervised persons are required to (1) ensure that their brokerage firms provide transaction and holdings information for securities accounts in which they have direct or indirect beneficial interest, and (2) report personal securities transactions on a quarterly basis and provide NAM-USA 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 may trade in the same securities with client accounts on an aggregated basis when consistent with NAM-USA'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-USA 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 be allocated as specified in the initial trade order, unless an exception is necessary. Partially filled orders will be allocated on a pro rata basis.

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

From time to time, NAM-USA 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-USA 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-USA shall have no obligation or responsibility to disclose, or use such information for the benefit of any person, including clients.

NAM-USA 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-USA 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-USA clients that may be adverse NAM-USA clients. Information barriers may also exist between businesses within NAM-USA.

In addition, NAM-USA and its affiliates maintain one or more restricted lists of companies whose securities are subject to certain trading prohibitions, NAM-USA 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.

### **Potential 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-USA manages pooled investment vehicles in which its employees and/or affiliates may invest. Day-to-day management of these pooled investment vehicles are conducted by third party and/or affiliated sub-advisers. NAM-USA, 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 that are managed by these third party or affiliated sub-advisers.

#### *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-USA attempts to address these potential conflicts of interest through various compliance policies that 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-USA will use its best judgment to act in a manner it considers fair and reasonable in allocation investment opportunities among its 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, particularly where there is a limited availability or limited liquidity for an investment. Please see Item 12 on “Trade Allocation and Aggregation Practices.”

Because client accounts have different mandates or investment restrictions, NAM-USA 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-USA 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, and the securities and issuers that NAM-USA client accounts may invest. As a result, Nomura’s activities and dealings may affect NAM-USA client accounts in ways that disadvantage or restrict those 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 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”). The vast majority of trades made for client accounts will be executed through the open market.

### *Principal Transactions and Agency Cross Transactions*

It is our policy not to engage in principal transactions or agency cross transactions. 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 hedge 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-USA’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-USA 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 a 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-USA might not engage in transactions for a client account in consideration of Nomura’s activities outside the client account. For example, NAM-USA may determine to restrict or limit the amount of a client account’s investment where exceeding a certain aggregate amount could require a filing, license, or other regulatory or corporate consent, which could, among other things, result in additional costs and disclosure obligation for Nomura, including NAM-USA. 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 such 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.

## Item 12 – Brokerage Practices

### Broker-Dealer Selection

NAM-USA generally has discretionary authority to direct trades for its clients and selects broker-dealers to execute those trades. It is our 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, we take 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
- 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-USA may execute transactions through affiliates to the extent consistent with law, with client instruction, and with 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. NAM-USA's Broker Review 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 brokers that transact orders for our client accounts to ensure consistent quality executions.

### Research and Soft Dollar Benefits

While NAM-USA 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 (pursuant to 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-USA 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

These soft dollar arrangements allow NAM-USA 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. NAM-USA 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.

While our policy is to seek best execution, we may occasionally select a broker-dealer with relatively higher transaction costs than 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 believe that we are able to negotiate costs on client transactions that are competitive and consistent with our policy to seek best execution. We also will use broker-dealers affiliated with us, as permitted. In addition, we do not enter into agreements or understandings with any brokers regarding the placement of securities transactions because of the research services they provide. However, we do have an internal procedure for allocating commissions in a manner consistent with NAM-USA's Broker Review Committee procedures. The Committee has the principal oversight responsibility for periodically reviewing and evaluating the commission allocation process.

NAM-USA 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-USA may enter into third-party commission arrangements. Such arrangements will meet U.S. regulatory requirements.

A sub-adviser may receive "mixed use" services, or those that can be used for both research and "non-research purposes." In such cases, the sub-adviser may have a conflict of interest in allocating the costs of the services between those that primarily benefit the sub-adviser and those that primarily benefit its clients and determining what portion may be paid with soft dollars. The sub-adviser makes a good faith allocation of the relative proportion of the cost of such services used for non-research purposes and pays for such proportion from its own funds.

Sub-advisers may also enter into commission sharing agreements with some of their execution brokers. Within these agreements, the execution broker will retain a predefined percentage of the commission total. The remainder is allocated to a research “pool.” At the end of each month, the sub-adviser instructs the execution broker to pay-away defined amounts from the research pool, to nominated research providers. The execution broker, whose commissions are to be used under the commission sharing agreements to pay such research providers, must either be legally obligated to pay for the research services, or the execution broker must: (i) review the description of the services to be paid for under the commission sharing agreements for red flags that indicate the services provided are not consistent with U.S. regulatory requirements, agreeing with the sub-adviser to use client commission registrant or its sub-advisers may determine that the value of exercising the vote does not outweigh the detriment of not being able to transact in the shares during this period. In such cases, the registrant may not vote the affected shares.

### **Directed Brokerage**

We permit clients to direct us to execute transactions through specified broker-dealers, although clients 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. 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.

### **Brokerage for Client Referrals**

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

### **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-USA 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 all clients that could buy the security under the account's investment objectives, depending on various factors, including the size of the accounts, cash availability in each account, each account's investment restrictions and investment strategies. Our Compliance Department is responsible for examining the circumstances surrounding the aggregation and allocation of orders to ensure the best interests of our clients were considered. Such an examination focuses on whether there was a deviation from our allocation policy and, if so, whether there was a legitimate reason for the particular allocation.

We generally do not acquire securities in initial public offerings ("IPOs") for our clients. However, our affiliated and third party sub-advisers who manage client assets on our behalf may enter into IPO transactions. Our Compliance Department pre-approves all IPOs transactions effected by our affiliated sub-advisers to ensure all eligible clients (based on the client's investment objectives, guideline restrictions and regulatory requirements) are participating. The securities acquired through an 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 may, 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-USA 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 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 the sub-adviser's 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. Our Performance Review Committees in Nomura Asset Management Co., Ltd., Tokyo and Nomura Asset Management Singapore Limited review the portfolios they manage on a regular basis. Our Compliance Department reviews 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 Compliance Department also performs a detailed review on a monthly or quarterly basis to ensure compliance with investment guidelines and limitations.

We furnish monthly accounting reports to clients detailing, among other things: portfolio positions, security cost basis and market value, and cash and security transaction activity. In addition, clients are provided with a summary performance analysis report, which contains a portfolio analysis and the portfolio's current and historical performance. These reports are provided monthly. 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

Neither NAM-USA 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.

As discussed in Item 10, we have marketing arrangements with NCRAM, NGA and NFR&TA. These firms pay NAM-USA a percentage of the advisory fees they earn from certain client accounts. We have entered into an agreement with Research Affiliates, LLC ("RA") to market certain RA investment strategies to prospective clients. For each new client in which we are involved, RA will pay us an agreed upon portion of the gross advisory fees.

### **Financial Intermediaries, Consultants and Other Third Parties**

NAM-USA or its affiliates may make payments to authorized dealers and other financial intermediaries and to salespersons (collectively, "intermediaries") from time to time to promote fund vehicles and other products sponsored, managed or advised by NAM-USA ("funds"). This may create an incentive for an intermediary, registered representative or salesperson to highlight, feature or recommend our fund vehicles. Subject to applicable law and regulations, such payments may compensate intermediaries for, among other things: marketing fund vehicles and other products (which may consist of payments resulting in or relating to the inclusion of funds on preferred or recommended fund lists or in certain sales programs sponsored by the intermediaries); access to the intermediaries' registered representatives or salespersons, including at conferences and other meetings; assistance in training and education of personnel; marketing support fees for providing assistance in

promoting the funds (which may include promotions in communications with the intermediaries' customers, registered representatives and salespersons); various non-cash and cash incentive arrangements to promote the certain products, as well as sponsor various educational programs, sales contests and/or promotions; travel expenses, meals, lodging and entertainment of intermediaries and their salespersons and guests in connection with educational, sales and promotional programs; subaccounting, administrative and/or shareholder processing or other investor services that are in addition to the fees paid for these services by such funds; and other services intended to assist in the distribution and marketing of the funds.

These payments may differ by intermediary and are negotiated based on a range of factors, including but not limited to, ability to attract and retain assets, target markets, customer relationships, quality of service and industry reputation.

From time to time, we pay industry consultants for consulting and/or educational services. Our employees also periodically participate and/or attend conferences sponsored by industry consultants. For some engagements, NAM-USA and/or its affiliates may pay compensation to the consultant. These industry consultants may at times evaluate and/or recommend NAM-USA to their other clients. In the event that we obtain a client through a consultant that we have provided either 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**

We do not have custody of North American client assets. Client funds and securities are held by a qualified custodian appointed by clients pursuant to a separate custody agreement.

An affiliate serves as custodian for several Japanese investments in which we serve as sub-adviser.

## **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. Prior to assuming discretionary or non-discretionary authority, we provide clients an Agreement, which includes the current ADV Part 2A and Part 2B (if applicable) as an exhibit. By signing the Agreement, clients grant NAM-USA with discretionary or non-discretionary investment authority over their accounts.

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**

When you give us authority to vote proxies for securities held in your account, we do not assume the role of an active shareholder. Rather, if we are dissatisfied with the performance of a particular company, we will generally reduce or terminate our position in the company rather than attempt to force management changes through shareholder activism. Nevertheless, our goal and intent is to vote all proxies in our clients' best interests.

Note that we may vote in a manner that could diminish the value of your position in the short-term if we believe it will increase this value in the long-term and we are holding the security in your portfolio for the long-term.

It is our general policy, absent a particular reason to the contrary, to vote with management's recommendations. However, we reserve the right to depart from this policy in order to avoid voting decisions that we believe may be contrary to our clients' best interests. Our Proxy Voting Policy discusses our policies on specific issues, such as: the election of directors; anti-takeover measures; mergers, acquisitions and other corporate restructurings; capital structure changes; and executive compensation. We utilize a third party proxy voting service, ISS, to assist us with our proxy voting activities.

We also have procedures to address potential material conflicts of interest where proxies relate to money management clients of NAM-USA and its investment advisory subsidiaries (collectively, the "NAM Companies"). We believe a potential material conflict of interest exists where the annual revenue received from any one client exceeds 1% of the total annual revenue of the NAM Companies, in aggregate. Where such a potential conflict exists, our proxy voting procedures allow the firm to vote proxies in accordance with recommendations made by an independent proxy voting firm.

We invest significantly in foreign markets. Note that protection for clients may vary significantly from jurisdiction to jurisdiction, and in some cases may be substantially less than in the U.S. or developed countries. Proxy voting in certain countries requires "share blocking." That is, shareholders wishing to vote their proxies must deposit their shares shortly before the date of the meeting (usually one week) with a designated depository. During this blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the clients' custodian banks. Our sub-advisers may determine that the value of exercising the vote does not outweigh the detriment of not being able to transact in the shares during this period. In such cases, they may not vote the affected shares.

If you would like to know how we voted any proxy in your account or if you would like a complete copy of our written proxy voting procedures please contact our Chief Compliance Officer at (212) 667-1414 or via postal request addressed to:

Nomura Asset Management U.S.A. Inc.  
2 World Financial Center, Building B  
Compliance Department 18<sup>th</sup> Floor  
Attn: Chief Compliance Officer  
New York, New York 10281

If you do not grant us proxy voting authority, then you will receive proxies and other solicitations directly from your custodian or a transfer agent. If you are voting your own proxies and have questions about any proposal, you 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-USA, 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**

We are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial condition that impairs our ability to meet contractual and fiduciary commitments to clients and have not been the subject of a bankruptcy proceeding.