

**ADV PART 2A**  
**ADVISER DISCLOSURE BROCHURE**

**FIL Investments (Japan) Limited**

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This brochure provides information about the qualifications and business practices of FIL Investments (Japan) Limited ("**FIJ**"). Throughout this brochure and related materials, FIJ may refer to itself as a "registered investment adviser" or as "being registered". These statements do not in any way imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at +813-45605000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any U.S. state securities authority.

Additional information about FIJ is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

This section discusses only material changes which have been made since the last annual update of our brochure on June 25, 2013. Below is a summary of the material changes.

There were no material changes in the annual filing on June 25, 2013.

On December 31, 2014 the following changes occurred:

**Other Considerations and Broker Arrangements:** Transactions among Clients: FIJ may execute transactions between mutual funds and other accounts it manages.

**Trade Allocation Policies:** Allocation of Trades: FIJ established fixed income and Equity policies. In the past there was no differentiation between Equity and Fixed Income.

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## ADVISORY BUSINESS

FIJ, a Japanese corporation formed in 1986, has been in the business of providing investment advisory and sub-advisory services for over 25 years. FIJ has been registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940 ("**Advisers Act**") since 1994 and also is authorized by the Japan Financial Services Agency. FIJ is an indirect wholly owned subsidiary of FIL Limited (FIL), a Bermuda company that serves as the holding company for the FIL group of companies ("**FIL Group**"). FIJ is wholly owned by FIL Japan Holdings KK, a Japanese company, which in turn is wholly owned by FIL Japan Holdings (Singapore) Limited ("**FH(S)L**"). FH(S)L is a wholly owned subsidiary of FIL Asia Holding Pte Limited, which in turn is a wholly owned subsidiary of FIL.

Generally, FIJ provides discretionary investment advisory services with regard to both Japanese and non-Japanese securities for pension plans, and non-U.S. and U.S. mutual funds. FIJ may obtain research or other advisory support from its affiliates. FIJ may also provide non-discretionary investment advisory and research services to its affiliates with regard to Japanese and Korean securities. FIJ does not sponsor any wrap fee programs.

FIJ provides sub-advisory services to U.S. clients, in most cases, through a sub-delegation from our affiliate, FIL Investment Advisers ("**FIA**"), a Bermuda company, which is a U.S. registered investment adviser. These clients include U.S. investment companies (otherwise referred to as "**mutual funds**") registered under the U.S. Investment Company Act of 1940 ("**1940 Act**"). The principal investment advisers to these U.S. clients are: Fidelity Management & Research Company ("**FMR**") (U.S. mutual fund clients) and Pyramis Global Advisers Trust Company ("**PGATC**") and Pyramis Global Advisers LLC ("**PGALLC**" and with PGATC, "**Pyramis**") (U.S. institutional clients). FIJ's advice to its U.S. sub-advised clients is usually limited to advice as to Japanese or Korean securities.

From time to time, non-clients (for example, public media commentators, conference attendees, consultants) may ask FIJ portfolio managers, analysts or other employees of FIJ or its affiliates to express their personal views regarding a particular company, security, industry or market sector. The views expressed by any such person are the views of only that individual and do not necessarily represent the views of FIJ or its affiliates or any other person in the FIL organization. Any such views are subject to change at any time based upon market or other conditions and FIJ disclaims any responsibility to update such views. These views are not being offered as investment advice and may not be relied on as such. Furthermore, because any investment decision for an account managed by FIJ or any of its affiliates may be based on potentially numerous factors, such views should not be construed or relied upon as an indication of trading intent on behalf of a FIL account.

FIJ or its affiliates generally have authority to determine which securities to purchase or sell, the total amount of such purchases and sales, and the brokers or dealers through which transactions are effected, in each case subject to certain limitations, including the applicable investment objectives, policies and restrictions. These limitations may be based on a variety of

factors, including regulatory constraints and policies formally imposed by a client or its governing body (e.g., Board of Trustees) through, for example, a management agreement.

As of 31 March 2014, FIJ's assets under management were \$42,353,851. All assets are managed on a discretionary basis.

## **FEES AND COMPENSATION**

As FIJ only will provide this brochure to qualified purchasers as defined in the 1940 Act, it is not disclosing its fee schedule.

FIJ's fees for its discretionary investment supervisory services to U.S. clients are either based upon a percentage of the assets under management as to which FIJ provides such services or a portion of the revenues received by FIA in respect of the assets as to which FIJ provides such services. Fees are payable in arrears on a periodic basis as may be agreed upon between FIJ and FIA from time to time. Clients do not prepay fees. FIJ does not deduct fees from client's assets. FIL does not bill clients for fees incurred and no other fees are payable by FIL, FMR or Pyramis.

FIJ's supervised persons do not accept compensation for the sale of securities or other investment products.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

FIJ does not charge performance-based fees with respect to any of its U.S. clients.

The management of multiple funds and accounts (including proprietary accounts of the FIL Group) may give rise to potential conflicts of interest if the funds and accounts have different objectives, benchmarks, time horizons, and fees as a portfolio manager must allocate his time and investment ideas across multiple funds and accounts. FIJ has adopted policies and procedures designed to help manage such potential conflicts. There can be no assurance, however, that all conflicts have been addressed in all situations. For more information regarding conflicts of interests relating to the management of multiple funds and accounts, see "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" in this brochure.

## **TYPES OF CLIENTS**

FIJ's clients generally are institutional accounts, including pension plans, non-U.S. and U.S. mutual funds and other pooled investment vehicles. FIJ only provides advisory services to U.S. clients on a sub-advisory basis, through indirect delegations from FMR or Pyramis, but may provide advisory or sub-advisory services to other types of U.S. clients in the future.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

FIJ utilizes a variety of methods of security analysis, including fundamental analysis, quantitative analysis, technical analysis, and cyclical analysis in managing client assets. FIJ may also use general macro-economic analysis as a component of its security analysis methods. Investing in securities involves risk of loss that clients should be prepared to bear.

FIJ uses a wide variety of investment strategies in managing client assets, including, but not limited to, investing in stocks and other equity securities, investing in stocks with “growth” or “value” characteristics, investing in U.S. and foreign issuers, including issuers in “emerging” or “frontier” markets, investing in companies with small, medium and large market capitalizations, investing in bonds and other debt securities of all types and repurchase agreements for those securities, investing in compliance with industry-standard regulatory requirements for money market funds for the quality, maturity, and diversification of investments, investing in real estate related investments of all types, allocating investments across different asset classes, market sectors, maturities, and countries and regions, investing in securities of companies engaged in particular industries or market sectors, short sales, margin transactions, and option writing, including covered options, uncovered options or spreading strategies; and providing advice on leveraged loans, non-U.S. governmental debt securities and derivatives. FIJ also may invest in future contracts and engage in swap transactions, including interest rate, total return and credit default swaps.

Margin may be required in connection with certain client futures and options transactions or in connection with short sales. FIJ does not engage in the purchase of securities on margin, except in connection with clearance and settlement of securities and permitted derivatives transactions.

FIJ may engage in securities lending to parties such as broker-dealers or other institutions although it currently does not do so.

The strategies used by FIJ all pose risks, and many factors affect each fund's or account's performance. Strategies that pursue investments in equities will be subject to stock market volatility, and strategies that pursue fixed-income investments (such as bond, money market, or municipal funds) will see values fluctuate in response to changes in interest rates. All strategies are ultimately affected by impacts to the individual issuers, such as changes in an issuer's credit quality, or changes in tax, regulatory, market or economic developments.

Non-diversified funds and accounts that invest in a smaller number of individual issuers can be more sensitive to these changes. Nearly all funds or accounts are subject to volatility in foreign markets, either through direct exposure or indirect effects in domestic markets from events abroad. Those funds and accounts that are exposed to emerging markets are potentially subjected to heightened volatility from greater social, economic, regulatory, and political uncertainties, as the extent of economic development, political stability, market depth, infrastructure, capitalisation, and regulatory oversight can be less than in more developed markets.

Additionally, funds or accounts that pursue debt investments are subject to risks of prepayment or default, and funds or accounts that pursue strategies that concentrate in particular industries

or are otherwise subject to particular segments of the market (e.g., money market funds' exposure to the financial services industry, or international or emerging markets funds' exposure to a particular country or region) may be significantly impacted by events affecting those industries or markets.

Strategies that lead funds or accounts to invest in other funds bear all the risks inherent in the underlying funds in which those funds invest, and strategies that pursue leverage risk, including investment in derivatives, -- such as swaps (interest rate, total return and credit default) and futures contracts - and forward settling securities, magnify market exposure and losses. FIJ's primary strategy does not involve frequent trading of securities.

## **DISCIPLINARY INFORMATION**

There is no disciplinary information that FIJ is required to disclose in this brochure.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### ***Broker-Dealers***

FIJ does not have any relationships with U.S. broker-dealers in connection with the sub-advisory services it provides to U.S. clients. Information regarding any relationships FMR and Pyramis may have with related broker-dealers is set forth in their respective brochures.

### ***Futures Commission Merchant***

Neither FIJ nor any of its management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### ***Investment Companies***

FIJ provides sub-advisory services for a number of U.S. mutual funds advised by FMR. FIJ disclaims it's a related person of FMR.

### ***Other Investment Advisers***

**FIL Investment Management (Hong Kong) Limited ("FIMHK")**, a Hong Kong company located at Level 21, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong, is a wholly owned subsidiary of FIL. FIMHK is registered with the Hong Kong SFC and operates a trading desk through which FIA and FIJ manages its client trades. FIMHK may also provide portfolio management services as an adviser or a sub-adviser of other affiliated and unaffiliated advisers.

FIMHK is not registered as an investment adviser under the Advisers Act and is a "participating affiliate" (as this term has been used by the SEC's Division of Investment Management in

various no action letters granting relief from the Investment Advisers Act's registration requirement for certain affiliates of registered investment advisers) of FIJ. FIJ deems FIMHK and certain employees of the FIMHK ("participating affiliate employees") as "associated persons" within the meaning of Section 202(a)(17) of the Advisers Act because the participating affiliate employees, and FIMHK through such employees, may have access to information concerning which securities are being recommended to FIJ's U.S. clients prior to the effective dissemination of such recommendations. As a participating affiliate of Registrant, FIAHK has agreed to submit to the jurisdiction of the United States courts for actions arising under U.S. securities laws in connection with investment advisory activities conducted for FIJ's U.S. clients. A list of the participating affiliate employees will be made available to clients upon request.

**FIL Investment Advisers** is a registered investment adviser under the Advisers Act. FIA provides investment advisory services to U.S. mutual fund and other U.S. institutional clients. FIA sub-delegates certain investment advisory responsibilities to FIJ.

**Fidelity Management & Research Company** and its wholly owned subsidiary FMR Co., Inc. (FMR), 245 Summer St. is a registered investment adviser under the Advisers Act. FMR provides trading desk and compliance monitoring services to FIJ and its affiliates. FMR also may provide research services to FIJ and its affiliates and provide discretionary and non-discretionary advisory services to FIJ's clients as a sub-adviser. FIJ provides discretionary and non-discretionary investment advisory and research services to FMR. FIJ disclaims that it is a related person of FMR.

**Fidelity Investments Money Management, Inc. ("FIMM")** is a subsidiary of FMR LLC and a registered investment adviser under the Advisers Act. FIMM may provide research services to FIJ and its affiliates and provide discretionary and non-discretionary advisory services to FIJ's clients as a sub-adviser. FIJ provides discretionary and non-discretionary investment advisory and research services to FIMM. FIJ disclaims that it is a related person of FIMM.

**Pyramis Global Advisers LLC** 900 Salem St., Smithfield, Rhode Island 02917, is a subsidiary of FMR LLC and registered investment adviser under the Advisers Act. PGALLC may provide research services to FIJ and its affiliates and provide discretionary and non-discretionary advisory services to FIJ's clients as a sub-adviser. FIJ provides discretionary and non-discretionary investment advisory and research services to PGALLC. FIJ disclaims that it is a related person of PGALLC.

**Pyramis Global Advisers Trust Company, 900 Salem St., Smithfield, Rhode Island 02917** is a subsidiary of FMR LLC and limited purpose trust company organized under the laws of the state of New Hampshire. PGATC may provide research services to FIJ and its affiliates and provide discretionary and non-discretionary advisory services to FIJ's clients as a sub-adviser. FIJ provides discretionary and non-discretionary investment services and research services to PGATC. FIJ disclaims that it is a related person of PGATC.

FIJ does not receive compensation directly or indirectly from those advisers that creates a material conflict of interest. Business practices that may create a material conflict of interest are discussed elsewhere in this document.



## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### ***Code of Ethics***

FII operates under a Code of Ethics (the “**Code**”) (also called The Personal Trading and Price Sensitive Information Policy) that complies with Rule 17j-1 under the 1940 Act and complies with Rule 204A-1 under the Advisers Act. All FIL subsidiaries must comply with the Code. The Code highlights the firm’s expectations with regard to ethical behavior and conduct. The Code is part of a larger Code of Conduct which encompasses various policies including the Gifts and Entertainment Policy. FII will provide a copy of its Code to any client or prospective client upon request.

FII may purchase or sell securities for the accounts of clients in which FII’s or its affiliates’ in-house accounts (including institutional accounts), affiliates, directors, officers or employees have a position. This situation results, in part, from the breadth of securities that may be purchased by FII’s varied clients and from the fact that personnel of FII are permitted to invest in securities for their personal accounts. The potential conflicts of interest involved in such transactions are governed by the Code.

The Code applies to all officers, directors and employees of FII and the participating affiliates and requires that they place the interests of FII’s clients above their own. The Code establishes securities transaction requirements for all employees and their connected persons.

Administration of the Code depends largely on what category an employee falls in, Non-Access or Fund-Access. Non-Access – refers to employees who are not involved with the management, operations or oversight of FIL funds or other advised clients. Fund-Access – refers to employees who, because of their roles or the information to which they have, are subject to additional requirements to those applicable to Non-Access employees.

The Code requires: brokerage trades be placed through a broker who has agreed to supply FIL with duplicate contract notes and statements and that Fund-Access employees pre-clear personal securities transactions in specified securities and file quarterly transaction reports. In addition, the Policy prohibits: most purchases of securities in initial public offerings; purchases or sales by portfolio managers of securities which are traded in the funds they manage within seven days of trading the same security for their fund, short-term trading for Fund-Access persons (i.e. trading in and out of a security within 90 days) and short selling in most security types. Violation of the Policy’s provisions may result in the imposition of remedial action.

### ***Gifts and Entertainment***

The Gifts and Entertainment Policy sets out general requirements for participating in business entertainment and giving and receiving gifts. This policy also includes requirements for giving gifts to or undertaking business entertainment with Government Employees.

### ***Conflicts of Interests***

Conflicts of interest may arise if FIJ's client orders do not get fully executed due to being aggregated with those of other accounts managed by FIJ or its affiliates, or FIL's in-house accounts. FIJ has adopted policies and procedures (for example, trade allocation procedures) and maintains a compliance program designed to help manage these actual and potential conflicts. There can be no assurance, however, that all conflicts have been addressed in all situations. Trading in personal accounts, which may give rise to potential conflicts of interest, is restricted by the Code.

FIJ may undertake cross trades involving advisory accounts in which a security is sold from one account advised by FIJ and bought for another such advised account through a broker-dealer. FIJ will undertake such cross trades when FIJ believes it is in the best interests of all clients involved. Trades will be completed at the market price at the time and date of the transfer.

FIJ does not buy securities for itself from advisory clients or sell securities it owns to advisory clients. FIJ may periodically recommend securities to clients that are also recommended by one or more of its affiliated persons to their clients. FIJ may also purchase or sell securities for the accounts of its clients in which FIJ or a related person may have a position of financial or other interests and may buy or sell for itself securities that it also recommends to its clients.<sup>v</sup> FIJ does not have discretion over the investments made by its affiliates and is legally separate from these entities.

## **BROKERAGE PRACTICES**

### **Selection of Brokers and Dealers to Effect Client Transactions**

FIJ or its affiliates generally have authority to select broker-dealers with which to place clients' portfolio transactions and has retained FIMHK to make these selections. FIMHK may be responsible for the placement of portfolio transactions for certain client accounts for which an affiliate or related person of FIJ has investment discretion. In selecting a broker or dealer for a specific transaction, FIMHK evaluates a variety of criteria and uses good faith judgment to obtain execution of portfolio transactions at prices that are reasonable in relation to the benefits received.

When executing client orders, FIMHK takes all reasonable steps to achieve the "best possible result" for those orders. To achieve this FIMHK has in place policies and supporting procedures which are designed to help FIMHK obtain the best result. This is done taking into account the nature of the order, the priorities associated with the order and the nature and conditions of the market in question. FIMHK aims to achieve the most favourable balance across a range of sometimes conflicting factors.

FIMHK takes into consideration a range of different execution factors which includes not only price, but also other factors such as the cost of the transaction, the need for timely execution, the liquidity of the market, the size of the order and the nature of the financial transaction (including whether it is executed on a regulated market or over-the-counter) and the quality of counterparty. FIMHK will exercise its own discretion in determining the factors and the priority

of those factors in executing trades. Based on the factors considered, FIMHK or its affiliates may choose to execute an order using electronic communications networks (ECNs), including algorithmic trading, crossing networks, direct market access and program trading, or by actively working an order.

In selecting the most appropriate venue or approved counterparty FIMHK takes into account the factors relevant to the order and what it reasonably assesses to be the client's best interests in terms of the order. FIMHK considers a range of quantitative and qualitative factors, including, but not limited to, the following: price, transaction costs (including fees, taxes, etc), speed and certainty of execution, availability of liquidity – market depth, ease of connectivity, size and nature of the transaction, nature and characteristics of the other venues in which the security may be traded, nature of post-trade settlement, and custody and foreign exchange structures. FIMHK also considers other factors such as the ability of the venue or counterparty to manage complex orders, the speed of execution, creditworthiness and the quality of any related clearing and settlement facilities.

The diversity of markets, instruments and the kind of orders placed mean that relevant factors will be assessed differently depending upon the circumstances of execution. For example, in some markets price volatility may mean that the timeliness of execution is a priority, whereas, in other markets with low liquidity, the ability to fulfill the order at all will gain importance. In other cases, FIMHK's choice of venue or approved counterparty may be limited (even to the extent that there may only be one venue or approved counterparty where FIMHK can execute an order).

The trading desks through which FIJ may execute trades are instructed to execute portfolio transactions on behalf of clients based on the quality of execution without any consideration of Research Services (as defined below) the broker or dealer may provide. The administration of Research Services is managed separately from the trading desks, which means that traders have no responsibility for administering commission sharing activities.

In seeking quality execution, FIJ or its affiliates may select a broker using a trading method for which the broker may charge a higher commission than its lowest available commission rate. FIJ or its affiliates also may select a broker that charges more than the lowest available commission rate available from another broker. FIJ or its affiliates may execute an entire transaction with a broker and allocate all or a portion of the transaction and/or related commissions to a second broker where a client does not permit trading with an affiliate of FIJ or in other limited situations. In those situations, the commission rate paid to the second broker generally is the same as the commission rate paid to the executing broker.

If FIJ grants investment management authority to a sub-adviser, that sub-adviser will be authorized to place orders for the purchase and sale of portfolio securities, and generally will do so in accordance with the policies described above.

To facilitate the execution of securities transactions in United States markets, FIJ has entered into trading services and / or discretionary investment advisory agreements with FMR and its affiliates and client transactions in United States securities may be executed by FMR or its affiliates.

## **Investment Research Products and Brokerage Services Furnished by Brokers and Dealers**

FIJ or its affiliates may execute portfolio transactions with broker-dealers that provide products and services that assist companies within the FIJ Group in fulfilling their investment management responsibilities ("**Research Services**") in accordance with applicable law. Research Services may include: economic, industry, company, municipal, sovereign (U.S. and non-U.S.), legal and political research reports or investment recommendations. In addition to receiving these Research Services via written reports and computer-delivered services, they may also be provided by telephone and in personal meetings with securities analysts, corporate and industry spokespersons, economists, academicians and government representatives and others with relevant professional expertise.

To the extent permitted by applicable law, broker-dealers who execute client transactions may receive compensation, in recognition of their Research Services, which are in excess of the amount of compensation that other broker-dealers might have charged. In order to cause the client to pay such higher compensation, FIJ or its affiliates will make a good faith determination that the compensation is reasonable in relation to the value of the Research Services provided viewed in terms of the particular client transaction for the client or FIJ's or its affiliates' overall responsibilities to that client or their other clients; however, each Research Service may not benefit all clients. Typically, these Research Services assist FIJ or its affiliates in terms of their overall investment responsibilities to their clients or FIJ's or its affiliates' clients, however, each product or service received may not benefit all clients.

FIJ has enacted controls to manage the conflicts arising from situations where FIJ may receive a benefit as a result of its use of Research Services. For example, FIJ may receive a benefit when it uses these additional Research Services to obtain research because FIJ does not have to produce or pay for the Research Services. FIJ also may have an incentive to select or recommend a broker-dealer based on FIJ's interest in receiving research and clients may pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits. FIJ's or its affiliates' expenses could increase if they attempted to generate these additional Research Services through their own efforts or if they paid for these Research Services with their own resources.

To minimize the potential for conflicts of interest above, the trading desks through which FIJ or its affiliates may execute trades are instructed to execute portfolio transactions on behalf of clients based on the quality of execution without any consideration of Research Services the broker or dealer may provide. The administration of Research Services is managed separately from the trading desks, which means that traders have no responsibility for administering commission sharing activities. Further more, certain of the Research Services FIJ receives are furnished by broker-dealers on their own initiative, either in connection with a particular transaction or as part of their overall services. In addition, FIJ may request a broker-dealer to provide a specific proprietary third-party product or service, certain of which third-party services may be provided by a broker-dealer that is not a party to a particular transaction and is not connected with the transacting broker-dealer's overall services. While FIJ takes into account the Research Services provided in determining whether compensation is reasonable, neither FIJ nor its respective clients incur an obligation to the broker-dealer or third-party to

pay for all or a portion of such Research Services by generating a certain amount of compensation or otherwise.

FIJ may execute an entire transaction with one broker-dealer and allocate all or a portion of the transaction and/or related commissions to another broker-dealer in connection with the provision of Research Services. In addition, FIJ may receive Research Services from broker-dealers in connection with related commissions from securities purchased in new issues and secondary offerings of stock.

Research Services have been helpful to FIJ in serving its clients. Research information must be reviewed, and the receipt of this information has not reduced FIJ's normal research activities in providing investment advice to its clients.

## **Other Considerations and Brokerage Arrangements**

### *Commission Recapture*

FIJ or its affiliates may allocate brokerage transactions to brokers (who are not affiliates of FIJ) who have entered into arrangements with FIJ or its affiliates under which the broker, using a predetermined methodology, rebates a portion of the commission paid by a client account or carried forward through commission sharing balances. Not all brokers with whom the client account trades have agreed to participate in brokerage commission recapture. FIJ or its affiliates expect that brokers from whom FIJ or its affiliates purchase research products and services with hard dollars are unlikely to participate in commission recapture.

FIJ or its affiliates recommend that clients do not request them to direct client portfolio transactions to specific broker-dealers. Clients may nonetheless make such requests, subject to best execution and provided that the broker-dealer is an approved counterparty of FIMHK.

### *Transactions Among Clients*

FIJ may execute transactions between mutual funds and other accounts it manages. These transactions will be executed in accordance with applicable rules under the Investment Company Act and procedures adopted by the client's Board of Trustees or Directors (as applicable).

## **Trade Allocation Policies**

### *Bunched Trades*

It is FIJ's and its affiliates practice, when feasible, to combine, or "bunch," orders of various accounts, including those of its clients, its affiliates' clients, clients of FIJ, and proprietary accounts, for order entry and execution. Bunched orders may be executed through one or more brokers. The allotment of trades among brokers is based on a variety of factors, which may include price, order size, the time of order, the security and market activity. A bunched trade executed with a particular broker is generally allocated pro-rata among the accounts that

are participating in the bunched trade until any account has been filled, after which the trade is allocated pro-rata among the remaining accounts. Each broker's execution of a bunched order may be at a price different than another broker's bunched order execution price for the same security.

### *Allocation of Trades*

FIJ has established fixed income and equity allocation policies to ensure allocations are appropriate given the clients' differing investment objectives and other considerations. These policies also apply to initial public and secondary offerings.

For fixed income, when, in FIJ's or its affiliates' opinion, the supply/demand is insufficient under the circumstances to satisfy all outstanding trade orders, the amount executed generally is distributed among participating accounts based on account asset size (for purchases), and security position size (for sales), or otherwise according to the allocation policies. The fixed income trade allocation policies define the applicable net assets of the relevant account to be used in the allocation process.

For equity, when, in FIJ's or its affiliates' opinion, the supply/demand is insufficient under the circumstances to satisfy all outstanding trade orders, the amount executed generally is distributed among participating accounts based on account order size (for both purchases and sales), or otherwise according to the allocation policies.

For both fixed income and equity, trades are executed by traders based on orders or indications of interest for clients, which are established prior to or at the time of a transaction. The trading systems contain rules that allocate trades on an automated basis, in accordance with these policies. Generally, any exceptions to FIJ's policies (i.e. special allocations) must be approved by senior trading and compliance personnel and documented.

FIJ's trade allocation policies identify circumstances under which it is appropriate to deviate from the general allocation criteria and describe the alternative procedures. The trade allocation policies generally provide for minimum allocations for securities in offerings and secondary market trades. In addition, if a standard allocation would result in an account receiving a very small allocation (e.g. because of its small asset size), the account may receive an increased allocation to achieve a more meaningful allocation, or the account may receive no allocation. FIJ's policies also provide for the execution of short sales, provided that consideration is given to whether the short sale might have a material effect on other active orders on the trading desk.

### **REVIEW OF ACCOUNTS**

The responsible portfolio manager generally reviews accounts on a continuous basis. Each portfolio manager reviews that portion of the accounts for which he or she has responsibility. Assignments are made based on a number of factors, including the experience and seniority of the portfolio managers and the similarities among the investment accounts assigned to a

manager. Portfolio managers are typically responsible for two or more accounts and generally the accounts have similar investment objectives.

The Chief Investment Officer, Asia Pacific conducts regular reviews of FIJ's accounts. Accounts are reviewed informally on an ongoing basis and on a one-on-one or group basis approximately once every quarter. A report of account reviews is provided to the Chief Investment Officer approximately once every quarter.

In addition, FIL's compliance department and, in the case of FMR and Pyramis clients sub-advised by FIJ, the FMR compliance department, reviews the portfolios managed by FIJ to ensure compliance with applicable investment guidelines and limitations on a daily basis.

The nature and frequency of reports to clients depends upon the type of account and client. FIJ will provide data to its mutual fund clients as requested by such clients and required by the 1940 Act. Reports to non-mutual fund clients may be prepared as requested by the clients. Generally, FIJ reports data in its capacity as sub-adviser.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

FIJ does not have client referral arrangements.

#### **CUSTODY**

FIJ does not hold custody of client funds.

#### **INVESTMENT DISCRETION**

FIJ's discretionary authority to manage accounts on behalf of its clients and any limitations that may be imposed on such authority is described in the "Advisory Business" section of this brochure. FIJ typically assumes this authority through signing a sub-advisory agreement with the primary adviser.

#### **VOTING CLIENT SECURITIES**

FIJ has adopted and implemented Proxy Voting policies and procedures that are designed to reasonably ensure that proxies are voted in the best interest of its clients, in accordance with its fiduciary duties and Rule 206(4)-6 under the Advisers Act.

FIJ maintains a permanent in-house team of governance specialists who work closely with the investment team and who are responsible for conducting its voting activities. Information is derived from a variety of sources including proxy voting advisory services but all eventual voting decisions are always made in accordance with FIJ's policies and voting guidelines after consultation with the relevant fund managers where appropriate. FIJ's approach and policy with regard to the exercise of voting rights are in accordance with all applicable laws and

regulations as well as being consistent with the respective investment objectives of the various portfolios. Voting instructions are generally processed electronically via a proxy voting agent.

FII will vote all equity securities where there is a regulatory obligation for it to do so or where the expected benefit of voting outweighs the expected costs. Some markets are still subject to share blocking where if shares are voted they are blocked from trading for a period of time before a general meeting but FII will still seek to vote at least 50% of its shareholding in these markets provided the investment exceeds its minimum size criteria. FII will also take account of the particular circumstances of the investee company concerned and of prevailing local market best practices.

FII recognizes that under certain circumstances it may have a material conflict of interest in voting proxies on behalf of clients. In instances where a fund holds an investment in more than one party to a transaction FII will always act in the interests of the specific fund in question and in instances where there is a conflict with FII's own interests, it will either vote in accordance with the recommendation of FII's principal third party research provider or if no recommendation is available it will either abstain or not vote.

FII encourages boards to consult with investors in advance rather than risk putting forward resolutions at general meetings which may be voted down. Subject to the size of its investment, where FII's views differ from those of the board it will seek to engage with the board at an early stage to try and resolve differences. Where this is not successful and FII decides to abstain or vote against a company, for all of its larger holdings FII will generally ensure that management understands the reason for its opposition. FII tends to abstain only when it has insufficient information or where it wishes to give a cautionary message to a company. FII's guiding principle is that voting rights should always be exercised in the best interest of investors.

It is not FII's usual policy to attend general meetings but if circumstances warrant it will on occasion vote in person and may additionally make a statement explaining its position.

## **FINANCIAL INFORMATION**

FII is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual obligations.

## **REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

FII is not registered with any state securities authority.