

Nomura Asset Management U.K. Limited

(“NAM-UK”)

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Form ADV, Part 2A Brochure

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

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

Additional information about Nomura Asset Management U.K. Limited 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.K. Limited is 110815.

**ITEM 2: MATERIAL CHANGES**

The following is a summary of the material changes to this brochure since the last annual update on June 30, 2014.

None.

### ITEM 3: TABLE OF CONTENTS

Item 1: Cover Page .....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation .....	6
Item 6: Performance-Based Fees and Side-By-Side Management .....	8
Item 7: Types of Clients.....	9
Item 8: Methods Of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9: Disciplinary Information.....	14
Item 10: Other Financial Industry Activities and Affiliations .....	15
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	17
Item 12: Brokerage Practices .....	22
Item 13: Review of Accounts .....	26
Item 14: Client Referrals and Other Compensation .....	27
Item 15: Custody.....	28
Item 16: Investment Discretion.....	29
Item 17: Voting Client Securities.....	30
Item 18: Financial Information.....	32

## **ITEM 4: ADVISORY BUSINESS**

### **A. Firm Description**

NAM-UK is one of several wholly-owned investment advisory subsidiaries of Nomura Asset Management Co. ("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".

Nomura Asset Management U.K. Limited ("NAM-UK", "firm," "we," "us," or "our ") was incorporated in the UK in October 1984 (under its pre-merger names of NIMCO Europe and Nomura Capital Management (UK) Limited) and began offering investment management services to European, U.S. and Middle Eastern institutional investors from that date.

On October 1st 1997, following a merger between NIMCO and NSITM, NAM-Tokyo was formed in Tokyo whilst in the UK, NAM-UK was created from the respective London offices of NSITM and NIMCO.

In addition to being registered as an investment adviser with the SEC, NAM-UK is authorized and regulated by the UK Financial Conduct Authority ("FCA").

### **B. Description of Advisory Services**

We provide investment advisory services to a broad range of institutional clients located throughout the world. Our North American clients include well known pension plans. Although most services are provided on a discretionary basis, NAM-UK also provides certain services on a non-discretionary basis.

For North American clients, we specialize in managing mandates for institutional clients. These services may, where appropriate, be provided through sub-advisory arrangements with our affiliate, Nomura Asset Management U.S.A. Inc. ("NAM-USA"). NAM-USA is a U.S. SEC-registered investment adviser.

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

Whether we are appointed directly by our North American clients, or where a sub-advisory arrangement is in place with NAM-USA, and unless the contract details state otherwise, we are granted discretionary authority and are authorized to buy, sell and trade in securities in accordance with the investment guidelines and restrictions contained in the investment management agreement or sub-advisory agreement.

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

We tailor our advisory services to the individual needs of our clients. Clients may impose reasonable restrictions on investing in certain securities or types of securities, depending on their investment

objectives, risk tolerance and other various suitability requirements. These restrictions must be in writing and must accompany the investment management agreement.

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

#### **D. Wrap Fee Programs**

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

#### **E. Assets Under Management**

As of March 31, 2015	USD Regulatory Assets Under Management
Assets Managed on a Discretionary Basis	\$33,699,729,200
Assets Managed on a Non-Discretionary Basis	\$3,546,345,447
Total Assets	\$37,246,074,647

## **ITEM 5: FEES AND COMPENSATION**

### **A. Advisory Fees and Compensation**

NAM-UK's fee schedule is omitted because the brochure is delivered only to qualified purchasers as defined in the Investment Company Act of 1940 ("1940 Act").

### **B. Payment of Fees**

We receive asset-based management fees from 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-UK to provide services with respect to multiple investment mandates. We may, in our sole discretion, reduce and/or waive management fees for a client at any time.

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

NAM-UK's 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.

Where agreed with individual clients and confirmed in the agreement, NAM-UK may also manage accounts that provide for compensation on the basis of a share of the capital gains upon, or the capital appreciation of, the client's assets (a "performance fee"). Performance fees may be billed quarterly, semi-annually or annually. Please see Item 6 below for further discussion of Performance Fees.

#### **Sub-Advisory Fees**

NAM-USA charges asset-based management fees ("management fees") for all its North American clients. NAM-USA pays NAM-UK its sub-advisory fees, directly or indirectly, out of the management fee NAM-USA receives from those clients sub-advised by NAM-UK. To the extent that performance fees are paid to NAM-USA for a particular account, NAM-USA pays NAM-UK its portion out of the fees NAM-USA receives from those clients sub-advised by NAM-UK.

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

NAM-USA's fees (a portion of which may be paid to a sub-adviser, such as NAM-UK), 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-UK considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

**D. Prepayment of Fees**

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

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

NAM-UK may invest client assets in money market funds, exchange traded funds or other types of fund vehicles managed by our affiliates or by a third party. In these instances, any charge in addition to the management fee and any performance fee paid, relating to investments in these fund vehicles will generally be waived.

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

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

As discussed in Item 5 above, NAM-UK manages accounts that pay performance fees. For North American clients, these arrangements shall only be with “qualified clients” as defined under Rule 205-3(d) under the Investment Advisers Act of 1940, as amended. Such fees are subject to individualized negotiation with each 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-UK to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. These fee arrangements could also create an incentive for NAM-UK to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

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



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

In North America, NAM-UK may provide portfolio management services directly or on a sub-advisory basis, through arrangements with NAM-USA, to pension plans and U.S. registered funds.

NAM-UK's international clients include pension and profit sharing plans, trusts and estates, charitable organizations, corporations and other business entities, offshore funds, government agencies, quasi-governmental agencies, and local governments.

For long-only equity strategy institutional separate accounts, NAM-UK requires a minimum initial investment amount 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

### A. Methods of Analysis and Investment Strategies

Through our arrangements with NAM-USA, we offer several long-only global equity strategies to North American 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. The implementation of certain strategies for certain client accounts may involve frequent trading of securities.

For our long-only equity strategies, we use a combined top-down and bottom-up analysis, with a bias towards bottom-up stock selection. We seek to add value principally through two sources: allocation and stock selection. Allocation is the choice between geographical regions and between developed and emerging markets. NAM-UK will make choices about the relative attractions of the major international developed markets (in Europe and Asia) and, at times depending on the investment mandate, will also seek exposure to emerging markets around the world. These determinations will be made by our portfolio managers in consultation with members of the investment teams of our affiliates. Stock Selection is the second area where we will seek to add value. Decisions will be driven by a bottom-up approach, where the manager's views are the result of detailed fundamental research. In performing our top-down and bottom-up approaches, we will take advantage of the global resources of NAM-Tokyo and our other affiliated advisers.

#### *Security Analysis and Sources of Information*

Our security analysis methods include: charting, fundamental analysis, technical analysis, quantitative analysis and qualitative analysis methods including cyclical analysis. Quantitative analysis considers factors including, but not limited to, valuation, business fundamentals, historic price movements and changes in earnings estimates. 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.

**Please Note: Investing in securities involves risk of loss that clients should be prepared to bear.** Clients should understand that due to the volatile nature and risks involved when investing in these types of securities, the actual return and value of a client's account may fluctuate and at any point in time be worth more or less than the amount originally invested.

### B. Material Risks Associated with NAM-UK's Strategies

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

#### General Risks Associated with all Investment Strategies

##### *Liquidity Risk*

Liquidity risk exists when particular investments are difficult to purchase or sell. A client's account may, at any given time, include securities and other financial instruments or obligations which are very thinly traded

or for which no market exists or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and such investments may be extremely difficult to value with any degree of certainty. Further, due to potential limitations on investments on illiquid securities and the difficulty in purchasing and selling such securities or instruments, an account may be unable to achieve its desired level of exposure to a certain sector.

#### *Market Risk*

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

#### *Counterparty Risk*

A client account may be exposed to the credit risk of counterparties with whom it trades and may also bear the risk of settlement default involving custodians or prime brokers.

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

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

#### *Key Personnel Risk*

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

#### Specific Risks Associated with Equity Investments

##### *Equity Securities Risk*

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

### *Growth and Value Investing Risk*

We invest in equity securities of companies that our portfolio managers believe will experience relatively rapid earnings growth (growth securities) or that 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.

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

#### *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.

*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.

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

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

**ITEM 9: DISCIPLINARY INFORMATION**

**A. Criminal or Civil Proceedings**

None

**B. Administrative Proceedings Before Regulatory Authorities**

None

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

None

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### A. Broker-Dealer Registration

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

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

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

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

As discussed above, we may manage assets for North American clients through sub-advisory arrangements that we have with NAM-USA, our U.S. domiciled investment advisory affiliate. In certain circumstances, the execution of portfolio transaction for client accounts we sub-advise, may be made by affiliated sub-advisers. We may also provide investment services to clients outside of North America through arrangements that we have with NAM-Tokyo and our other investment advisory affiliates, which include Nomura Asset Management Singapore Limited, Nomura Asset Management Hong Kong Limited, Nomura Global Alpha LLC, Nomura Asset Management Malaysia Sdn. Bhd. and Nomura Islamic Asset Management Sdn. Bhd. ("Affiliated Advisers").

Our investment personnel also have access to the investment research produced by each of our Affiliated Advisers.

Although NAM-UK does not expect such conflict to arise, in certain circumstances the investment activities of the Affiliated Advisers could adversely affect the prices and/or availability of securities or instruments held by or potentially considered for one or more of the North American clients sub-advised by NAM-UK. NAM-UK 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.

#### Affiliated Custodians

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

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

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

#### Our Management Personnel

Some of our personnel serve on the boards of directors of our Affiliated Advisers and on the boards of directors of fund vehicles managed by our Affiliated Advisers.

#### Other Affiliated Arrangements

NAM-UK provides marketing and client service support to its affiliate, Nomura Corporate Research and Asset Management Inc. ("NCRAM"). NCRAM is a U.S. SEC-registered investment adviser. Nomura International plc provides legal, personnel administration and internal auditing support to NAM-UK.

In addition, Nomura may have ownership interests in trading venues and exchanges which may provide financial incentives to recommend brokers to clients who use these venues or exchanges for the execution of client trades.

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

See Item 10.C above for a discussion of relationships that NAM-UK has with other affiliated investment advisers. NAM-UK does not recommend or select non-affiliated investment advisers for its North American clients.



## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

As an investment adviser and a fiduciary to its clients, NAM-UK places its clients' interests first and foremost. However, NAM-UK 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 an actual conflict, NAM-UK has adopted a Code of Ethics ("Code") with which all supervised persons must comply.

#### **Standards of Conduct**

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

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

All of our supervised persons must acknowledge the terms of the Code, upon joining NAM-UK, annually, or as the Code is amended.

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

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

## **B. Securities in which NAM-UK or a Related Person Has a Material Financial Interest**

### **Proprietary and Personal Trading**

NAM-UK 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-UK, its affiliates and/or other clients, directly or indirectly, have a position of interest.

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

The Code is designed to assure that the personal securities transactions, activities and interests of NAM-UK 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-UK personnel to invest for their own accounts.

The Code requires pre-clearance of many transactions, and for certain staff, restricts trading in close proximity to client trading activity. In addition, holding period requirements apply to certain types of investments. Restrictions may also exist on the ability of NAM-UK personnel to acquire securities in an initial public offering and to participate in private placements. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees 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-UK and its clients. For example, to assist NAM-UK in ensuring employees comply with its personal trading policies and restrictions, NAM-UK personnel are required to report personal securities transactions on a quarterly basis and provide our Compliance department 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.

### **Gifts and Entertainment**

Employees of NAM-UK may receive customary gifts and/or entertainment from service providers of NAM-UK and from counterparties that are selected to execute transactions on behalf of client accounts. NAM-UK has controls in place to monitor gifts and entertainment activity involving employees.

### **Political Contributions**

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

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

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

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

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

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

#### *Incentives to Favor Certain Accounts*

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

#### *Allocation of Investment Opportunities*

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

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

Because client accounts have different mandates or investment restrictions, NAM-UK 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-UK has implemented trade oversight and review procedures to avoid systematically advantaging certain clients over others. For example, trade allocations are sampled on a regular basis as part of our trade oversight procedures.

#### Participation or Interests in Client Transactions

Nomura is a global, full-service financial services firm. As such, Nomura provides a broad range of services to a diversified client base and is a major participant in global financial markets. Nomura has direct and indirect interests in equities and other markets, including possibly in securities and issuers in which NAM-UK client accounts may invest. As a result, Nomura's activities and dealings may affect NAM-UK client accounts in ways that may 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 for North American clients. Principal transactions occur where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated 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-UK'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-UK client account and which engage in and compete for transactions in the same types of securities or instruments as those in which the client account invests. These interests may involve the same or differing investment strategies, which could have a negative impact on a client account. A client account and Nomura may also vote differently on or take different actions on proxies or corporate actions, which may disadvantage the client account.

NAM-UK might not engage in transactions for a client account in consideration of Nomura's activities outside the client account. For example, NAM-UK may determine to restrict or limit the amount of a client account's investment where exceeding a certain aggregate amount could require a filing, a license or other regulatory or corporate consent, which could, among other things, result in additional costs and disclosure obligations for Nomura, including NAM-UK. We may also limit our activities, transactions and our exercise of rights on

behalf of clients where Nomura is providing, or may provide, advice or services to an issuer, or is providing or may provide advice or services to another client that is or may be engaged in a transaction related to such issuer.

## ITEM 12: BROKERAGE PRACTICES

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

#### **Broker-Dealer Selection**

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

The NAM-UK Trading Department selects brokers based on our best execution and those mentioned above. NAM-UK may execute transactions through affiliated broker-dealers to the extent consistent with applicable law, client instruction, and its duty to seek best execution.

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

#### **Research and Soft Dollar Benefits**

Research is "unbundled" and payments are made to research providers separately through Commission Sharing Agreements (each a "CSA"). Our investment team (excluding the Trading Department) votes on a quarterly basis rating research providers on the value of the research services provided which meet the UK's

Financial Conduct Authority (“FCA”) criteria for “substantive research.” Payments are made to the research providers based on the results of this vote.

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, in accordance with current regulatory requirements. The CSA vote is carried out quarterly and the Broker Evaluation Committee provides critical oversight during the entire process. Such research services may include information on securities markets, the economy and individual companies, pricing information and services, and other appropriate research products and services. NAM-UK does not attempt to match a particular client’s transactions with broker-dealers that have provided research services that have directly benefited the client’s portfolio.

These CSAs allow NAM-UK and/or its affiliates to obtain a benefit for clients because NAM-UK does not pay more than is necessary to receive the research services that are required to carry out the investment process. Also, 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 do not enter into agreements or understandings with any broker-dealers regarding the placement of securities transactions because of the research services they provide. However, we do have an internal procedure for allocating transactions in a manner consistent with NAM-UK’s Broker Evaluation Committee procedures.

It should be noted that the issue of use of dealing commission within the UK and wider European Union is currently the subject of ongoing consultation and discussion following proposals issued by the European Securities and Markets Authority (ESMA) in 2014 as part of preparation for the implementation of the Markets in Financial Instruments Directive II (“MiFID II”) due to take effect in 2017.

#### *FCA Requirements*

We are required under FCA regulations to provide clients with adequate disclosure in respect of our use of dealing commissions to purchase goods or services for client portfolios. We have elected to make this disclosure in the form of a Disclosure Code as recommended by the UK based Investment Association.

NAM-UK does not use any client dealing commission to pay for goods and services resulting from the placing of client transactions with brokers, other than the provision of execution services and research information that meets the FCA’s strict criteria for substantive research.

At the outset of a new investment management relationship, we will provide the client with our Use of Dealing Commission Policy (“Level One Disclosure Code”) which sets out our approach to - amongst other issues - broker selection and review, execution venues and methods of trading, variation in rates of commission, client transaction monitoring, conflicts of interest and purchase of research, as well as details of our order execution policy.

We also provide a separate report on a half yearly basis (“Level Two Disclosure Code”), in which we produce an analysis of brokers used when executing transactions for the client’s account, and the allocation of any resulting commission between payment for execution services and eligible research information.

### Client 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.

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

When we trade the same security in more than one client account, we generally attempt to batch or "bunch" the trades in order to create a "block transaction." Generally, buying and selling in blocks helps create trading efficiencies, prompt attention and desired price execution. It also ensures that we are seen to be treating each client equally. 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 allocate pro rata on the basis of the client's participation in the transaction. Each client account 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 and clients should be aware that this can work to their individual advantage or disadvantage.

In certain cases, we may determine that pro rata allocation is not appropriate (usually only when the size of the allocation is uneconomical to process) and will base the allocation upon relevant factors such as investment needs, portfolio styles, and existing holdings of clients. NAM-UK may decide not to aggregate trades with the same broker-dealer if we feel that the decision is in the best interests of our clients. In addition, we may or may not purchase or sell the same security for each client that could transact in the security under the account's investment objectives, depending on various factors, including the size of the accounts, cash availability in each account, and each account's investment restrictions and investment strategies.

The securities acquired through an initial public offering ("IPO") will generally be allocated to participating clients in accordance with the processes described in the preceding paragraphs.

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



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

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

During the initial ramp-up investment period for a new account, NAM-UK 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 of procedures in an attempt to ensure fairness over time.

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

Each individual advisory account is reviewed on a regular basis by our portfolio team primarily responsible for the day-to-day management of the account. The number of reviewers varies depending on the number of members in the team. Our Performance Review Committee reviews the portfolios on a regular basis. Our Compliance Department reviews client trading activity and performs a daily automated post-trade 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 risk-adjusted periodic basis to ensure compliance with investment guidelines and limitations.

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

**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

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

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

NAM-UK does not have custody of North American client assets.

## **ITEM 16: INVESTMENT DISCRETION**

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

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

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

## ITEM 17: VOTING CLIENT SECURITIES

### A. Policies and Procedures Relating to Voting Client Securities

NAM-UK and its Affiliated Advisers have adopted a Proxy Voting Policy that requires that client proxies be voted solely in the client's long-term interests. NAM-UK utilizes a proxy voting service provider, ISS, to assist in its proxy voting activities. When we are authorized to vote proxies for securities held in client accounts, 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 clients' positions in the short-term if we believe it will increase this value in the long-term and we are holding those securities 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 also have procedures to address potential material conflicts of interest where proxies relate to our money management clients or clients of NAM Tokyo or its investment advisory subsidiaries (collectively, the "NAM Companies").

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. We 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, we may not vote the affected shares.

Clients can request information about how NAM-UK voted any proxy in their accounts by contacting the Compliance Department of NAM-USA. Anyone interested can obtain a copy of our written proxy voting procedures by contacting the Compliance Department of NAM-USA (Telephone: 212-667-1414).

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

Some of our institutional clients choose to vote their own proxies. If clients do not grant us proxy voting authority, then they will receive proxies and other solicitations directly from their custodians or a transfer agent.

#### Class Action Settlements

From time to time, we may receive notices regarding class action lawsuits involving investments that are or were held in a client's portfolio. As a matter of policy, the client, not NAM-UK, 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 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 in the past 10 years.