

**DIAM Co., Ltd.**

New Tokyo Building 5th Floor

3-1 Marunouchi 3 Chome Chiyoda-Ku

Tokyo, Japan 100-0005

Tel: 81-3-3216-0101

Fax: 81-3-3216-0102

[www.diam.co.jp](http://www.diam.co.jp)

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This Brochure provides information about the qualifications and business practices of DIAM Co., Ltd. If you have any questions about the contents of this Brochure, please contact us at 81-3-3216-0101. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authorities.

DIAM Co., Ltd. is an SEC-registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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

## **MATERIAL CHANGES**

On July 28, 2010, the United State Securities and Exchange Commission issued a series of significant rule changes to its rules concerning Form ADV Part 2, commonly referred to as the "brochure requirement." Form ADV Part 2 (the "Brochure") is a document which describes DIAM Co., Ltd.'s (the "Firm" or "DIAM") business, personnel and conflicts of interest. Upon opening your account, DIAM provides you with a copy of our Brochure at least once each year.

This June 27, 2015 edition of the Firm's Brochure is a new document which has been prepared according to the SEC's requirements and rules. We urge you to read it carefully and to feel free to contact us with any questions you may have.

In the future, information provided under this item will discuss only specific material changes that are made to DIAM's Brochure so that we may provide clients and prospective clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of DIAM's fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

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## **ADVISORY BUSINESS**

DIAM Co., Ltd. (the "Firm") is the Head Quarters of the DIAM Group, a global investment management company based in Tokyo, Japan. The DIAM Group was formed in 1999 as a joint venture between Mizuho Financial Group, Inc. (NYSE: MFG) and Dai-ichi Life Insurance Company, Limited from pre-existing asset management units within each company.

The Dai-ichi Life Insurance Company is one of the four major life insurance companies in Japan and Mizuho Financial Group is one of the top banks in Japan. Each company owns a 50% stake in the Firm, which in turn is the sole shareholder of other DIAM Group entities.

The DIAM Group consists of DIAM Co., Ltd., DIAM International, Ltd. (UK), DIAM U.S.A., Inc., DIAM SINGAPORE PTE, LTD., and DIAM Asset Management (HK) Limited.

The DIAM Group inherited the years of experience and strong investment foundation of its predecessors and has further broadened its base to become one of the largest managers of Japanese pension assets in the world. Today, in an economic landscape undergoing seismic change, our experience in Japanese pension asset management and our access to the expertise of our global affiliates, uniquely positions us to assist investors in managing portfolio risks and returns on a global basis.

DIAM Co., Ltd. offers discretionary and non-discretionary investment advisory services to pension funds, public funds, financial institution, institutional clients, and corporate clients, for whom we provide strategic products tailored to suit their respective investment goals and investment time spans.

Internationally, we offer institutional investors tailor-made, full-service managed solutions that draw on a wealth of expertise in Japanese equity, Japanese fixed-income, and a range of other pension and retirement planning products.

As of the end of March 2015, our assets under management are US\$142 billion.

## **FEES AND COMPENSATION**

### **Investment Advisory Service Financial Product Fees and Expenses**

Investment advisory service financial product fees and expenses for discretionary and advisory accounts include the following:

#### **Investment Management Fees:**

- **Base Fees:** no more than 1% per annum (before tax)\*
- **Performance Fees:** In some cases, based on agreements concluded between DIAM Co., Ltd. and the client, performance fees may be linked to performance results.

#### **Other fees:**

- Depending on the actual content of discretionary investment contracts with investors, DIAM Co., Ltd. may sometimes purchase investment trust products or conduct derivative transactions based on discretionary investment considerations. In such cases, there may be variable additional costs incurred, including investment trust management fees and derivative transaction execution fees. In such cases, total investment management costs may also vary.
- Other expenses such as brokerage fees and custodial fees for foreign currency denominated securities may also be incurred. Audit costs and trust-related expenses may also be incurred as a result of investment trust purchases based on discretionary investment considerations. [Amounts may vary according to investment management status, and cannot be stated in advance.]

\*Note: Fee rates shown are maximum applicable rates for strategies and funds that DIAM Co., Ltd. manages or advises. Actual fees vary according to contract and strategy.

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

As mentioned in the Item 5, DIAM Co., Ltd. may sometimes charge performance-based fees to clients based on agreements. The criterion for calculating Performance-based fees may vary depending on agreements concluded between clients and DIAM.

DIAM manages both accounts that are charged a performance-based fee and accounts that are charged an asset-based fee. Even in such a situation, DIAM strictly pursues maximizing each client interest under proper corporate governance and internal control structure. To address the conflicts of interest arising between the firm and clients, DIAM has the conflicts of interest management policy. In the policy, the possible transactions which may incur the status of the conflicts of interests are broken down into specific patterns which are updating as needed.

**TYPES OF CLIENTS**

DIAM Co., Ltd. offers discretionary and non-discretionary investment advisory services to pension funds, public funds, financial institutions, institutional clients, and corporate clients, for whom we provide strategic products tailored to suit their respective investment goals and investment time spans.

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

### **An investment philosophy that aims for strict risk control and stable excess returns**

DIAM Co., Ltd. continuously watches for the market inefficiencies that can create gaps between market price and fair value. By evaluating markets with consistent investment measures, we are able to predict relative moves between individual stocks and markets, capturing market inefficiencies and achieving excess returns.

To capture market inefficiencies and make investment judgments with high precision, we perform bottom-up analysis of research resources, top-down analysis of macro-economic trends, and quantitative analysis using the latest financial engineering.

By strictly controlling portfolio risk, we are able to convert the inefficiencies captured to stable excess returns, and to secure both transparent investment action and reproducible investment performance.

### **A team approach that ensures better service at every level**

DIAM Co., Ltd. takes a team approach that enables us to continuously provide top-level services to all clients. Our approach is based on the belief that a team composed of professionals who share a common goal and rules enables us to avoid individual misjudgments, and to make high-quality investment decisions through creative information exchange and discussion. At all levels of investment meetings held at DIAM, investment professionals are reviewed and examined closely as to whether they have fulfilled their individual roles on the team, and contributed to the common goal of high-quality investment services.

### **A broad product line-up backed by global expertise**

DIAM Co., Ltd. provides a variety of strategies and funds by fully utilizing qualitative and quantitative investment platforms. With a combination of flexible investment approaches and strict risk management, we manage assets ranging from equity and fixed income investments, to quantitative and REIT products with various geographical focuses such as Japan, regional and global. Whether it be active or passive, alpha-focused or beta-focused, our professionals are equipped with the know-how and experience to meet client needs.

### **Japanese Equity**

DIAM Co., Ltd. not only have well-built bottom-up and passive quantitative products, but also



unique and strong top-down and active quantitative products. In Japan, DIAM Co., Ltd. has been a leading force in the creation of active quantitative products. From large-cap focused blue-chips to high-growth potential small/mid-caps, we customize products according to various client needs.

### **Regional and Global Equity**

DIAM Co., Ltd. is not only an expert in managing Japanese products, but also has the expertise to provide first-class Asian portfolios. Utilizing both qualitative and quantitative strategies, we have developed solid diversified global portfolios for our large domestic institutional clients for many years, and are now drawing on that experience to expand internationally.

### **Japanese Fixed Income**

In times of market uncertainty, global investors face a more challenging task when diversifying their assets for investment. For international institutional investors interested in fixed income investment, yen-denominated fixed income products are one major vehicle of currency and market diversification. In terms of Japanese fixed income strategies, DIAM has a team of dedicated specialists with wide-ranging investment experience and extensive knowledge of the unique practices and attributes of the Japanese fixed income market. Fully utilizing the strong economic research resources provided by our parent group companies and internal economic and credit groups, we offer a comprehensive product line covering relative return and absolute return strategies, and short-, mid-, and long-term investment horizons.

### **Quantitative**

Product innovation has been vital to DIAM's success in the pension market. It has led to the development of quantitative products based on our proprietary Excess Return Model (ERM) that have won high recognition from large domestic and international pension clients. Since 1992, the ERM has been applied to DIAM's various quantitative products both in relative return and absolute return areas. The following strategies are some examples of the strategies applying the ERM.

### **REITs and Other Alternatives**

For investors who want to diversify their investments into assets other than traditional equity or fixed income products, we have strengthened our REIT-related and alternative product lines. In REITs, we offer a full line-up of Japanese REITs, as well as both active and passive

global products. In alternative products, we draw on our strong customization capabilities to offer a diverse range of strategies with an absolute return focus.

#### **Investment Advisory Service Financial Product Risks**

Securities and other instruments (stocks, government bonds, corporate debentures, real estate investment trusts, investment trust securities, etc.) are expected to experience price fluctuations, and such fluctuations may cause the value of discretionary and advisory account assets under management to fall below their value at time of purchase. As such, neither purchase price principal nor any specific dividend yield or performance rate is guaranteed. The purchaser shall assume responsibility for any losses incurred.

Major risks related to our investment strategies include the following:

- **Price Volatility Risk:**

Prices of stocks and securities are known to fluctuate widely and such price fluctuations in individual stocks and the stock market overall may contribute to a decline in the value of assets under management.

- **Securities Selection Risk:**

Securities selection may contribute to a decline in the value of assets under management irrespective of overall securities market trends.

- **Liquidity Risk:**

An inability to execute trades at the most advantageous time due to low trading volume may contribute to a decline in the value of assets under management.

- **Credit Risk (Stocks):**

In such a case when the issuer of the stock goes into financial difficulty or default etc, invested assets may become unrecoverable. Additionally, in the case when the issuer is expected to go into such situation, the price of the stock issued by the issuer will decline and it may be the factor for the depreciation in the assets under management.

- **Interest Risk:**

Bond prices generally fall as interest rates rise, and such price fluctuations may contribute to a decline in the value of assets under management.

- **Credit Risk (Fixed Income):**

Invested assets may become unrecoverable if issuers of corporate/sovereign bonds, commercial paper or short-term financial instruments become insolvent or experience calamitous declines in creditworthiness. Market anticipation of such declines may also contribute to a decline in the value of assets under management.

- **Foreign Currencies Risk:**

Fluctuations in the currency market may have an impact on the value of assets under management. As a result, investors may suffer losses arising from foreign exchange fluctuations. Investment in foreign currency denominated assets may also be affected by regional political and economic conditions, currency and capital regulations and other factors that may contribute to a decline in the value of assets under management.

- **Country Risk:**

Financial market turbulence caused by country-specific political, economic or regulatory changes may constrain fund management and contribute to a decline in the value of assets under management.

- **Derivative Risk:**

Some products may include derivatives in their investment strategy. In such cases, declining or low correlation with underlying hedged products, liquidity risks, margin deposit losses, leverage risks and other factors may contribute to a decline in the value of assets under management.

**DISCIPLINARY INFORMATION**

DIAM Co., Ltd. is required to disclose all material facts concerning any legal or disciplinary actions by a regulator that would be material to your evaluation of us or the integrity of our firm or management persons. As of the date of this Form ADV Part 2, DIAM has no information applicable to this item

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILITATIONS**

DIAM has relationships and arrangements which are material to its business as an investment adviser. These include:

\* Direct parent companies and affiliates are publicly-traded issuers in Japan and the United States. From time to time, DIAM, in its capacity as your investment manager, may invest or may recommend an investment in securities issued by one of its publicly-traded affiliates ("Affiliate Securities"); Mizuho Financial Group, Inc. (NYSE: MFG, also traded in Japan), and The Dai-ichi Life Insurance Company, Ltd. both of which are listed in Japan. Mizuho Financial Group, Inc. is the holding company for the following affiliates: Mizuho Bank, Ltd (merger of Mizuho Corporate Bank, Ltd and Mizuho Bank, Ltd on July 1, 2013); Mizuho Securities Co, Ltd (merger of Mizuho Securities Co., Ltd and Mizuho Investor Securities Co., Ltd on January 4, 2013); and Mizuho Trust & Banking Co., Ltd.. In addition, Mizuho Bank, Ltd. issue debt securities which are not offered to retail investors.

Investments or recommendations for investments, as the case may be, in some or all of these Affiliate Securities may be made for your account in instances where the transaction meets the criteria set forth in your investment guidelines. Investment decisions are based on publicly available information and our analysis of that information. Even though DIAM is directly or indirectly affiliated with these companies, we do not have access to their non-public information such as earnings, other financial data or other information that could impact the price of their publicly-traded securities or otherwise improperly influence our investment decision.

\* Indirect client relationships. DIAM recommends transactions to, and makes investment decisions on behalf of, its clients based solely on investment considerations, including whether the investments are suitable for the client and are consistent with the client's objectives, policies and restrictions, if any. From time to time, DIAM may recommend or make an investment decision that involves the equity securities of an issuer with which DIAM's affiliates, including The Dai-ichi Life Insurance Company, Ltd. and Mizuho Financial Group, Inc. has a client relationship. DIAM is at all times unaware of the nature and scope of any such relationships, other than any information disclosed in publicly available sources. At no time does any such relationship influence any investment decision or recommendation made by DIAM.

\* Direct client relationships. From time to time, the Japanese equity accounts may invest in

## Item 10 Other Financial Industry Activities and Affiliations

securities of publicly-traded companies for which DIAM or its DIAM Group affiliates perform investment advisory services. DIAM's investment decisions are based solely on investment considerations, including whether the investments are suitable for the client and are consistent with the client's objectives, policies and restrictions, if any.

\* Sub-Advisory Relationships with Affiliates. Mizuho-DL Financial Technology, an indirect affiliate, serves as a sub-adviser to certain funds managed by DIAM. DIAM acts as sub-adviser or lead adviser to other members of the DIAM Group.

\* Transactions with Affiliates. From time to time, DIAM may execute transactions through Mizuho Securities, an indirect affiliate or another Mizuho entity ("Mizuho Affiliate"), either in Japan or the United States. In some instances, the Mizuho Affiliate may effect these trades on a principal basis, with securities traded from its own account. Under the rules of the Securities and Exchange Commission, DIAM cannot engage in these principal transactions without your specific consent prior to settlement of the transaction. For these transactions, we will request your consent by telephone, e-mail or letter and will provide details about the transactions such as: name of the issuer, amount traded and rationale for the trade. DIAM does not receive compensation of any kind for placing these orders through the Mizuho Affiliate and will only trade with the Mizuho Affiliate in order to get the best price or the Mizuho Affiliate is the only broker or dealer that is able to execute the order due to size or other considerations. Where securities are purchased through unaffiliated brokers, DIAM will not request your consent prior to transactions unless specifically instructed by you in writing.

## **CODE OF ETHICS**

DIAM Co., Ltd. has adopted the Compliance Policies (formerly the Code of Ethics) pursuant to the provision of 204A-1 of the Investment Advisers Act of 1940. The Compliance Policies set forth DIAM's standards of business conduct as a fiduciary and specifically requires that DIAM employees comply with applicable laws, regulations, and DIAM's policies and procedures.

DIAM has adopted other compliance related policies and procedures to address the matter of personal account trading by the employees, information security management, gifts and entertainment, insider trading, anti-money laundering, conflicts of interest, and so forth.

With respect to participation or interest in client transactions, DIAM may buy or sell the same securities that DIAM buys or sells for client accounts at or about the same time. To make sure that there shall be no conflict of interest between DIAM and its clients, DIAM separates the department in charge of DIAM's own account trading from the Investment Division which manages the client accounts or portfolios pursuant to rules of the Japan Securities Investment Advisers Association. By separating those departments and divisions, the information regarding client transactions is not shared with the department in charge of DIAM's own account trading.

DIAM provides a copy of above policies and procedures to any client or prospective client upon request.

## **BROKERAGE PRACTICES**

DIAM Co., Ltd. selects the broker-dealers based on a variety of factors set forth in the Broker Selection Principles. These include, for instance, the reputation, financial stability, level of experience relevant to the securities being traded, research coverage, available bid-ask spreads, commission rates, size of the transaction, the desired timing of the trade, confidentiality, execution, clearance and settlement practices, the quality of information services, and so forth. By recognizing the value of above factors, DIAM may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transactions. However, DIAM does not pay brokerage commissions higher in return for any proprietary research receives from brokers nor does DIAM engage in any soft dollar practices.

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

The use of client securities transactions to obtain research and other benefits creates incentives that result in conflicts of interest between investment advisers and their clients. As a result, DIAM chooses not to enter into such arrangements.

DIAM receives proprietary research products from its executing broker-dealers as part of the ordinary course of business, without DIAM having any obligation to route our clients' trades to any specific broker-dealers. These research products include, but are not limited to, published reports and analysis of issuers, industries, market trends and related technical information, computer-based products, on-line data links, as well as access to analysts on the telephone and at broker-dealer-sponsored research conferences and seminars. Research products may be used in servicing any or all of DIAM's clients.

### **Brokerage for Client Referrals**

DIAM does not engage in and not intend to enter into the practice of selecting, recommending or otherwise rewarding broker-dealers where those broker-dealers refer clients to DIAM or any of its affiliates.

### **Directed Brokerage**

DIAM can accept that its clients direct it to execute transactions through a specified broker-dealer in accordance with clients request or the guidelines, provided that there shall be the approval by the president of DIAM over such directed brokerage.

By accepting directed brokerage, DIAM may be unable to achieve most favorable execution



of client transactions. And also, directing brokerage may cost clients more money, for instance, the client may pay higher brokerage commissions because DIAM may not be able to aggregate order to reduce transaction cost, or the client may receive less favorable prices.

**Trade Aggregation**

Clients engaging an investment adviser can benefit when the investment adviser aggregates the purchase or sale of securities to reduce transaction costs. DIAM aggregates client orders where investment strategies are identical or substantially similar.

### **REVIEW OF ACCOUNTS**

Client accounts are reviewed daily by the portfolio managers for triggers such as release of economic data, price movements, or other material changes.

On daily basis, the Risk Management Group, a department in charge of monitoring and control of risk management independent from the Investment Division, monitors portfolios with checking allocation rate of securities, investment trust ownership ratio, and other materials important to investment risk management.

On monthly basis, the Compliance Group, a department independent from the Investment Division, conducts a fund examination to ensure consistency and stability of investment management and to see if funds are managed in accordance with the designated investment management processes, as well as to raise investment management quality. Generally, the Compliance Group chooses several funds to be reviewed for each month.

The Compliance group also conducts a client guideline check to monitor compliance with investment activities and a trade monitoring to prevent market manipulation and other illegal trade executions as well as unfair trade practices, such as making use of special position as an investment adviser. To implements a client guideline check and a trade monitoring systematically, DIAM established the compliance database containing laws and regulations, industry-wide self-regulating rules, and client guidelines.

**CLIENT REFERRALS AND OTHER COMPENSATION**

DIAM Co., Ltd. and any of our affiliates do not compensate a third party for client referrals. DIAM Co., Ltd. and any of our affiliates do not receive any compensation or economic benefit including sales awards and prizes from a third party for providing investment advice or other advisory services to clients.

**CUSTODY**

DIAM Co., Ltd. does not have any custody of client funds or securities. The clients will receive statements, at least quarterly, directly from their custodian. We urge our clients to carefully review these statements and compare them to the account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates and valuation procedures.

**INVESTMENT DISCRETION**

DIAM Co., Ltd. typically receives investment discretion in a written investment management agreement signed by each client. Discretion is granted to select the issuers, amount and brokers through which such transactions will be executed. The investment management also contains each client's specific investment objectives, guidelines and restrictions.

### **VOTING CLIENT SECURITIES**

From a point of view of fiduciary and social responsibilities as an investment manager, DIAM exercises the voting rights on behalf of clients in the way that seems the most appropriate to advance clients' or beneficiaries' interest.

By utilizing the proxy voting rights, DIAM urges the invested companies to pursue the primary goal, that is, to deliver shareholder value oriented management under proper corporate governance.

DIAM's clients can direct proxy voting upon request. DIAM and the clients will discuss about criterion to decide to vote for, against, withheld, or give a carte blanche to invested companies.

To preclude possibilities of conflicts of interest between DIAM and the clients with respect to voting their securities, DIAM organize the Voting Committee delegated by DIAM's board of directors and the Committee exercises the voting rights on behalf of the clients. To avoid affording third parties benefit and distorting decision in exercising voting rights on the ground of DIAM's affiliation or business relation, the Committee consists of DIAM's executives and employees excluding members belong to the corporate planning or marketing department.

Upon request, DIAM provides clients with information about how DIAM voted their securities and with a copy of the proxy voting policies and procedures.

**FINANCIAL INFORMATION**

DIAM Co., Ltd. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.