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**Part 2A of Form ADV: Firm Brochure****Annual Update**

June 21, 2017

This brochure provides information about the qualifications and business practices of Nomura Global Alpha LLC. If you have any questions about the contents of this brochure, please contact us at 212-667-1414 or at [compliance@nomura-asset.com](mailto:compliance@nomura-asset.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Nomura Global Alpha LLC is a registered investment adviser with the SEC. Such registration does not imply any level of skill or training.

Additional information about Nomura Global Alpha LLC 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 Global Alpha LLC is 147302.

**ITEM 2: MATERIAL CHANGES**

This brochure ("Brochure") is dated June 21, 2017 and is the annual updating amendment to the prior annual amendment dated June 27, 2016.

There have been no material changes from the last annual update. However, NAM-Hong Kong has updated its disclosure in the following area:

Item 17: Voting Client Securities

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## ITEM 4: ADVISORY BUSINESS

### A. Firm Description

Nomura Global Alpha LLC (“NGA,” “firm,” “we,” “us,” or “our”) provides investment advisory and investment management services primarily to institutional clients. NGA is a wholly owned subsidiary of Nomura Asset Management U.S.A. Inc. (“NAM-USA”). NAM-USA is a wholly owned subsidiary of Nomura Asset Management Co., Ltd, (“NAM-Tokyo”). NAM-Tokyo is one of the largest asset management firms in Japan. NAM-Tokyo is owned by Nomura Holdings, Inc. (“NHI”) a Japanese public company. NHI, together with its affiliates, is known as “Nomura.”

NGA is organized as a Delaware limited liability company and has been registered as an investment adviser with the SEC since June 2008. NGA is also registered as a Commodity Pool Operator with the Commodity Futures Trading Commission (“CFTC”).

### B. Description of Advisory Services

NGA primarily offers absolute return fixed income products and solutions aimed at institutional investors, including public and private pension funds, off-shore investment funds, and alternative investment funds. We operate strategies which combine fixed income relative value with tactical investment exposure to high quality, liquid fixed income instruments.

We emphasize fundamental research, trade construction and risk management. We use a fundamental approach to identify macro investment themes and risk factors quantified by these themes (such as term premium, convexity, spread, volatility, etc.) in the financial markets over defined time horizons. The team seeks to achieve absolute returns with low correlations to markets and other hedge funds by utilizing its understanding of fixed income markets and its factor-based approach along with an independent, rules-based risk management framework designed to limit downside risk.

NGA also acts as a sub-adviser to several Japanese investment trusts established and/or managed by NAM-Tokyo and offered to Japanese investors. In its capacity as sub-adviser, NGA may provide investment advisory services to NAM-Tokyo on a discretionary or non-discretionary basis.

NGA offers advice primarily on fixed income securities and a range of derivative instruments.

Fixed income securities include (but are not limited to): securities issued or guaranteed by the U.S. Government, its agencies or government-sponsored enterprises, obligations of non-U.S. governments or their subdivisions, agencies, authorities and other government-sponsored enterprises, obligations of international agencies and supranational entities, debt securities issued by state or local governments and the agencies, authorities and other government-sponsored enterprises, mortgage-backed and other asset backed securities, corporate debt securities of U.S. and non-U.S. issuers, Rule 144A securities, repurchase and reverse repurchase agreements, certificates of deposit, commercial paper, and master note purchase agreements, and forward commitment and delayed delivery transactions.

Derivative instruments are generally financial contracts whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, spreads between different interest rates, currencies or currency exchange rates, commodities, and related indices. Derivative instruments include, but are not limited, to futures, options, swaps, swaptions, caps, collars, floors, put and call options, short sales, and such other types of agreements or transactions pursuant to authorization from our clients.

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

NGA may tailor the advisory services for certain clients based on the client's particular needs, such as financial goals, risk tolerance and other factors unique to the client's particular circumstances including regulatory restrictions. NGA may also accept reasonable restrictions for managing client accounts which restrict or prohibit investment in certain securities or asset classes. These restrictions must be in writing and initially accompany the investment management agreement. Clients should be aware, however, that certain restrictions may limit our ability to act and as a result an account's performance may differ from and may be less successful than other accounts within the same strategy that do not limit our discretion.

Where NGA is the investment adviser to a pooled investment vehicle, investment objectives, guidelines and any investment restrictions are not tailored to the needs of individual investors in those vehicles, but rather described in the prospectus or other relevant offering document for the vehicle. 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 in which our discretion has not been limited.

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

NGA does not provide portfolio management services in connection with any wrap fee programs.

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

As of March 31, 2017	USD Assets Under Management	USD Regulatory Assets Under Management
Assets Managed on a Discretionary Basis	\$386,847,545	\$459,943,458
Assets Managed on a Non-Discretionary Basis	-	-
Total Assets	\$386,847,545	\$459,943,458

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

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

NGA's investment management fees generally depend on the services provided and are typically expressed as a percentage of net assets under management and may be subject to negotiation. Fee arrangements are based on a number of different factors including (but not limited to) investment mandate, services performed, client relationship and account size. To the extent permitted by law, NGA may also charge a performance fee.

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

The specific manner in which NGA charges fees is established in the client's written agreement with NGA. NGA generally bills its fees on a quarterly basis, although fees for various fund vehicles are often paid monthly. Clients may elect to be billed in advance or in arrears. We do not directly debit fees from client accounts. In no event will fees for U.S. clients be payable six months or more in advance.

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 the registrant to provide services with respect to multiple investment mandates.

The differing levels of basic fees across investment types take into account such factors as the degree of investment management activity and supervision required, the nature of the discretionary or non-discretionary service provided and the types of investment guidelines and restrictions imposed upon the management of the accounts. In addition, there may be specialized investment strategies with individualized fee arrangements in place as well as historical fee schedules with long-standing clients that may differ from those applicable to new client relationships. We may, in our sole discretion, reduce and/or waive management fees for a client at any time.

Management fees shall be prorated for each capital contribution and withdrawal made during the applicable billing period (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a billing period will be charged a prorated fee. Our services may be terminated pursuant to the provisions of each advisory contract. The termination provisions of any particular contract are subject to negotiation. If a client pays fees in advance, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

NGA may also manage accounts that provide for additional compensation on the basis of a share of the capital gains upon, or the capital appreciation of, the client's assets (a "Performance Fee."). Performance Fees may be billed quarterly, semi-annually or annually. Please see Item 6 below for further discussion on Performance Fees.

**C. Additional Fees and Expenses**

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties, such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Item 12 describes the factors that NGA considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

**Underlying Fund Fees**

NGA may invest client assets in money market funds or other types of collective fund vehicles managed by our affiliates or by a third party. In addition to NGA's management fee and any performance fee, clients will also incur, relative to investments in such funds, normal expenses and advisory fees imposed by the funds held in the account, as well as other fees charged by the vehicle, if any.

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

**Pooled Investment Vehicle Fees**

NGA acts as investment adviser to pooled private investment funds. Our fees for such services are based on each investment vehicle's particular circumstances. NGA generally receives a management fee and a performance fee for management of private funds. The amount of the management fee and performance fee varies from vehicle to vehicle and is set forth in the prospectus or other relevant offering document for each fund. In certain cases, investors may receive fee reductions of all or a portion of the management fees and/or performance fees attributable to an investor's interest in the pooled investment vehicle. Each fund also ordinarily bears additional expenses (including organizational and operating expenses).

If you invest in a pooled investment 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.

**D. Prepayment of Fees**

Clients may pre-pay fees pursuant to their investment management agreement.

**E. Additional Compensation and Conflicts of Interest****Compensation for the Sale of Private Fund Securities**

Several employees of our affiliate are registered securities representatives of Nomura Securities International, Inc. ("Nomura Securities"), an affiliated U.S. broker-dealer and a member of the Financial Industry Regulation Authority ("FINRA").

Through Nomura Securities, sales persons offer interests to U.S. persons in private funds sponsored and/or managed by NGA. Interests in such funds are offered to non-U.S. persons generally by NAM-Tokyo and Nomura Asset Management U.K. Limited ("NAM-UK"), affiliates of NGA. A sales person may receive sales commissions or some other form of cash compensation for the sale of private funds to investors. This compensation is separate from the management fees that the funds pay the investment adviser, and is paid by Nomura Securities, NAM-Tokyo or NAM-UK, not by the fund investor.

This practice presents a conflict of interest and could give the sales person an incentive to recommend investment products based on the compensation they may receive, rather than on the clients' needs. To ensure that a fund is suitable for the client, the sales person must obtain approval from his or her supervisor before the sales person can market the fund to the client. Anytime a sales person receives such compensation, the sales person will disclose the conflict to the client. The disclosure may be oral or in writing to the client. Private funds are only available through Nomura Securities, NAM-Tokyo or NAM-UK. They are not available through any other non-affiliated entity.

NGA does not charge commissions or mark-ups.

#### Other Fee Information

Personnel of NGA are also employees of NAM-USA. These individuals are responsible for managing NAM-USA's absolute return fixed income mandates. Fees generated from such mandates, including Performance Fees (described in Item 6) may be shared with NGA.



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

All of our discretionary client accounts pay a management fee. As discussed in Item 5 above, certain accounts also pay performance fees. These arrangements shall only be with “qualified clients” as defined under Rule 205-3(d) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Such fees are subject to individualized negotiation with each client. In measuring clients' assets for the calculation of performance-based fees, we include realized and unrealized capital gains and losses.

In addition to reserving the right to negotiate and charge different management fees for accounts based on client specific needs and goals, as noted in Item 5, NGA also reserves the right, in its sole discretion, subject to applicable law, to negotiate and charge performance-based fees or include a performance based component to any of its fee structures.

Side-by-side management by NGA of non-U.S. mutual funds, managed accounts and private investment funds may raise potential conflicts of interests, including conflicts associated with the differences in fee structures of such products. Performance-based fee arrangements may create an incentive for NGA to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. These fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

Portfolio managers at NGA manage multiple portfolios for multiple clients. The portfolios managed by portfolio managers may have investment objectives, strategies and risk profiles that differ from each other. Portfolio managers make investment decisions for each portfolio based on the investment objectives, policies, practices and other relevant investment considerations applicable to that portfolio. Consequently, the portfolio managers may purchase securities for one portfolio and not another portfolio. Securities purchased in one portfolio may perform differently than the securities purchased for another portfolio.

NGA's goal is to provide high quality investment services to all of its clients, while meeting our fiduciary obligation to treat all clients fairly, and NGA has adopted and implemented policies and procedures, including brokerage and trade allocation policies and procedures, that it believes address the conflicts associated with managing multiple accounts for multiple clients. Moreover, NGA monitors a variety of areas, including compliance with applicable laws and regulations, investment guidelines, the allocation of securities, and compliance with NGA's Code of Ethics. See Item 11 “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” and Item 12 “Brokerage Practices.”

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

NGA serves as investment manager to private funds and other collective vehicles (such as Japanese investment trusts). NGA may also offer investment advice to, among others, pension and profit sharing plans, trusts, corporations and other business entities. Fund vehicles managed by NGA generally have a minimum investment requirement for investors who meet certain eligibility standards as set forth in the fund's offering documents. There is a minimum requirement for separate accounts of \$50 million, which may be waived at our discretion. Fund vehicles managed by NGA 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

#### Absolute Return Fixed Income Strategies

NGA emphasizes fundamental research, trade construction and risk management in order to generate absolute returns through alpha-oriented fixed income products. NGA invests in liquid fixed income securities and related derivatives.

NGA uses a fundamental approach to identify relevant investment themes and risk factors that quantify these themes in the financial markets over defined time horizons. We begin our investment process by identifying the primary top-down investment themes over a defined period. Based on these themes, we define factors that drive valuations in the fixed income markets. We next choose investments that provide the greatest relevance per unit of exposure to that factor. Finally, we may include securities in our portfolio that provide tail protection.

Ideas come from the portfolio managers; when we have an idea, we research it rigorously. In weekly meetings, we evaluate both the macro factors that have material impact on valuations as well as the relative valuations of securities given these factors. The macro factors range from monetary policies, credit and inflation trends to the strategic flow of funds. The preferred set of securities (or opportunity set) is created by combining the top-down outlook on the macro environment with the bottom-up valuation

Portfolio construction reflects a careful optimization process combining the opportunity set with the mandate's constraints and targets. The risk management team is deeply involved in this process. The portfolio managers are security specialists, so their expertise is leveraged in the portfolio construction dialogue with the Chief Investment Officer.

The investment team works to maximize alpha by finding trades which combine several intrinsically attractive components. Qualitative analysis helps determine the risk allocation of the strategy. Several strategies may be implemented in a single portfolio, with each strategy monitored with value at risk ("VaR") and scenario analysis. Both a soft stop loss and hard stop limit will be assigned to a strategy in order to limit downside risk of individual strategies. Ex-post analysis of risk and return attribution is conducted in an attempt to achieve a high information ratio. The macro environment and the strategic biases remain in place typically over a quarter but are examined on a weekly basis. The weekly portfolio analysis serves as the anchor for portfolio decisions made during the week.

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

In evaluating securities we take into account a number of factors, including fundamental analysis, technical analysis, quantitative analysis and qualitative analysis methods including cyclical analysis. NGA uses a variety of sources to make investment decisions regarding clients' market positions. In addition to its own proprietary models, it uses, from time to time, information derived from financial newspapers and magazines,

research prepared by others and other timing signals through licensing, subscriptions and other arrangements.

**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. Past performance is not indicative of future results. There is a risk of loss.

## **B. Material, Significant or Unusual Risks Relating to Investment Strategies**

The following is a summary of some of the material risks associated with the investment strategies and variety of investments employed by NGA. This summary does not attempt to describe all of the risks associated with any investment.

Although no summary can fully describe all of the associated risks, the confidential offering memorandum for a private investment fund managed by NGA contains a more complete description of the risks associated with an investment in the particular vehicle.

If you invest in a fund vehicle that we manage, please refer to the fund's offering memorandum, subscription agreements and other offering documents for additional risk information. Private investment fund confidential offering memorandum are available only to current investors or prospective investors who are eligible to invest in such entities, and to advisory clients, as determined in the sole discretion of NGA. The value of portfolios that NGA manages may fall as well as rise, and the investor may not receive the full amount originally invested. The investment risks vary between different types of investments. In the case of a higher volatility portfolio the loss on realization or cancellation may be very high (including total loss of investment) as the value of such an investment may fall suddenly and substantially.

### **Risks Generally Associated with all Investment Strategies**

#### *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.

#### *Cyber Security Risk*

With the increased use of technologies such as the Internet to conduct business, a portfolio is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and are not limited to, gaining unauthorized access to digital systems, and misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches by a third party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

#### *Key Personnel Risk*

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

#### *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 in 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 NGA 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.

#### *Model Risk*

When executing an investment strategy using various proprietary or investment models, securities or other financial instruments selected may perform differently than expected, or from the market as a whole, as a result of a model's component factors, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction, implementation and maintenance of the models (e.g., data problems, software issues, etc.). There can be no assurance that a model will achieve its objective.

#### *Settlement Risk*

Settlement risk is the risk that a counterparty does not deliver the security (or its value) in accordance with the agreed terms after the other counterparty has already fulfilled its part of the agreement to so deliver. Settlement risk increases where different legs of the transaction settle in different time zones or in different settlement systems where netting is not possible. This risk is particularly acute in foreign exchange transactions and currency swap transactions.

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

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.

## Risks Generally Associated with Fixed Income Investments

### *Credit Risk*

Credit risk is the risk of an issuer's inability to meet principal and interest payments on the obligation. Any such failure or refusal whether due to insolvency, bankruptcy or other causes, could subject a client to substantial losses. Securities rated below investment grade (also referred to as "high yield" or "junk" bonds) are subject to heightened credit risk, which can result in a portfolio being more sensitive to adverse developments in the U.S. and abroad. Lower rated securities generally involve greater risk of default or price changes due to changes in the issuer's creditworthiness than higher rated debt securities. The market prices of these securities may fluctuate more than higher quality securities and may decline significantly in periods of general economic difficulty.

### *Interest Rate Risk*

Interest rate risk is the risk that fixed income instruments will decline in value because of changes in interest rates. During periods of declining interest rates, the market price of fixed income instruments generally rises. Conversely, during periods of rising interest rates, the market price of such securities generally declines. The magnitude of these fluctuations in the market price of fixed income instruments is generally greater for securities with longer durations. The values of equity and other non-fixed income securities may also decline due to fluctuations in interest rates.

## Risks Generally Associated with Foreign Investments

### *Currency Risk*

An account that invests in instruments that are denominated in a non-U.S. currency, or that purchases or sells foreign currencies on a spot basis or through forward contracts and derivative instruments, is subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

### *Emerging Markets Risk*

Foreign Investment Risk as discussed below may be particularly high to the extent that a client invests in emerging market securities, that is, securities of issuers tied economically to countries with developing economies. These securities may present market, credit, currency, liquidity, legal, political, technical and other risks different from, or greater than, the risks of investing in developed countries. In addition, the risks associated with investing in a narrowly-defined geographic area are generally more pronounced with respect to investments in emerging market countries. For example, to the extent a client invests in companies incorporated or doing significant business in China, which may be considered an emerging market, the risks associated with China-related investments may be more pronounced for such a client.

### *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. 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.

#### Risks Generally Associated with Alternative Investment Funds

##### *Applicable Law and Regulatory Developments*

Each alternative investment fund must comply with various legal requirements, including requirements that may be imposed by U.S. federal securities laws and tax laws, and regulations of the jurisdiction of the relevant fund and jurisdictions in which the fund invests. Should any of those laws or regulations change, the legal requirements to which the fund and its investors may be subject could differ materially from current requirements. The regulatory environment for alternative investment funds is evolving, and changes in the regulation of such funds and their investments may adversely affect the value of investments held by the funds and their ability to pursue their investment strategy.

##### *Delegation of Control*

All decisions with respect to the investment and trading activities of each fund will be made by its investment manager or general partner. Investors will not take any part in the management or control of any fund.

##### *Different Terms Offered*

Certain investors may be permitted to invest on different terms than other investors, including with respect to liquidity, transparency, subscriptions and fees.

##### *Information Transparency*

Alternative investments are typically less transparent in terms of information and pricing than registered funds.

##### *Lack of Regulation*

Alternative investment funds are not registered under the Investment Company Act of 1940, as amended. Accordingly, the funds will not be subject to certain regulations applicable to registered funds.

##### *Liquidity and Volatility*

Investments in our alternative investment funds are considered illiquid, long-term commitments, as well as being speculative and involving a high degree of risk. There are significant restrictions on transferability and withdrawals of shares/interests in our funds. Investments in our alternative investment funds can be highly volatile and can result in significant risk of loss. Investors should be able to bear the financial risks and limited liquidity of these investments.

#### *Prime Broker Risk*

Bankruptcy, inadequate controls or fraud at an alternative investment fund's prime broker, which may hold the majority of that fund's assets, could impair the operational capabilities or the capital position of that fund. In addition, as an alternative investment fund may borrow money or securities or utilize operational leverage with respect to its assets, that alternative investment fund will post certain of its assets as collateral securing the obligations or leverage ("Margin Securities"). Some or all of the Margin Securities may be available to creditors of that fund's prime broker in the event of its insolvency. In addition, there may be substantial delays in the repayment of that fund's assets in the event that the prime broker was to become insolvent, as well as a risk of total loss of such assets.

#### *Risk Management*

We have established risk management processes to identify, measure and monitor risks associated with the investment activities undertaken by our alternative investment funds. The risk management processes are intended to assist in our investment decision making process, and to identify risk exposures that we may choose to hedge or otherwise mitigate. However, the risk management processes may fail to identify or anticipate a wide variety of risks that may adversely affect the funds, potentially exposing the funds to material unanticipated losses.

#### *Substantial Fees and Expenses Payable Regardless of Profits*

Each fund will incur obligations to pay its expenses (which may include, without limitation, management fees, performance fees or allocations, transaction costs, operating, accounting, auditing, research and due diligence expenses), which are payable regardless of whether any profits are realized.

### **C. Risks Associated with Particular Activities or Types of Securities**

#### *Asset-Backed Securities and Mortgage-Backed Securities*

Holders of asset-backed and mortgage-backed securities bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Credit risk is an important issue in such securities because of the significant credit risks inherent in the underlying collateral and because issuers may be private entities. All of these factors increase the risk involved with commercial real estate lending and commercial real estate mortgage-backed securities.

#### *Below Investment Grade and Unrated Securities*

Client assets may be invested in fixed income securities that are rated below investment grade by one or more rating agencies or are unrated. The low rating or lack of a rating of such fixed income securities reflects the possibility that adverse changes in the financial condition of the issuer or in general economic conditions, or both, may significantly decrease the value of such securities or impair the ability of the issuer to make payments of principal or interest. Such securities may be subject to significant financial and business risks and have historically experienced greater rates of default. Lower or unrated securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, and therefore the market value of securities in lower-rated or unrated categories is generally more volatile than that of higher quality securities. In addition, NAM-USA may have difficulty disposing of certain such fixed income securities because there may be a thin trading market for such securities.



Issuers of below investment grade or unrated fixed income securities may be highly leveraged and may not have more traditional methods of financing available to them. During an economic downturn or a sustained period of rising interest rates, issuers of such securities may be more likely to experience financial stress, especially if such issuers are highly leveraged. During such periods, timely service of debt obligations may also be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts or the unavailability of additional financing. The risk of loss due to default by the issuer is generally significantly greater for the holders of below investment grade or unrated fixed income securities because such securities may be unsecured and may be subordinated to obligations owed to other creditors of the issuer.

#### *Credit Derivatives*

Certain clients purchase and sell credit derivatives. Credit derivatives trading is subject not only to the credit risk of the issuer of the underlying obligations to which such derivatives are referenced, but also to the credit risk of the counterparty to the credit derivative transaction itself. In certain cases, the credit derivatives market is significantly less liquid than the market in the underlying debt obligations, particularly if the derivative is highly customized and individually negotiated.

#### *Credit Default Swaps*

We use credit default swaps in certain trading strategies. Credit default swaps involve different risks from investing in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and counterparty credit risk. The volume of trading in credit default swaps has grown rapidly in recent years, and the size of the market may expose a client to large and unexpected risks. Given the increases in volume of credit default swaps in the market over recent years, and the fact that credit default swap contracts are bilaterally settled rather than centrally cleared, settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties, and disputes may be more likely to arise as settlement is delayed. Such delays may adversely affect a client's ability to otherwise productively deploy any capital that is committed with respect to such contracts.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") includes provisions that comprehensively regulate the OTC derivatives markets, including the credit default swap market, for the first time. While the Dodd-Frank Act is intended in part to reduce certain of the risks described above with respect to credit default swaps and other OTC derivatives, its success in this respect may not be evident for some time after the Dodd-Frank Act is fully implemented, a process that may take several years.

#### *Derivatives Risk*

NGA makes extensive use of derivatives in certain trading strategies. Derivative instruments are securities or contracts that provide for payments based on or "derived" from the performance of an underlying asset, index or other economic benchmark. Essentially, a derivative instrument is a financial arrangement or a contract between two parties (and not like a stock or a bond). Transactions in derivative instruments can be riskier than investments in conventional stocks, bonds and money market instruments. Derivative contracts include options, futures contracts, forward contracts, forward commitment and when-issued securities transactions, forward foreign currency exchange contracts and interest rate, mortgage and swaps.

A variety of derivatives may be available to an account, depending on the type of the account and the account's investment guidelines. Derivatives are subject to a number of risks described elsewhere in this section, including market risk, leverage risk, credit risk, counterparty risk, and liquidity risk.

#### *Futures Contracts and Options on Futures Contracts*

We may purchase and sell futures and options on futures contracts for certain investment strategies. Futures contracts are traded on a futures exchange and call for the future delivery of a specified "commodity" at a specified time and place. Futures prices are highly volatile. The profitability of purchases and sales of futures contracts by a client depends on our ability to analyze price movements in those markets. Because low margin deposits are normally required, an extremely high degree of leverage is obtainable in futures and options trading. A relatively small price movement in a futures contract, consequently, may result in large losses. Thus, like other highly leveraged investments, any purchase or sale of a futures contract may result in losses which exceed the amount invested.

#### *Leverage Risk*

If an account utilizes leverage, the account will be subject to heightened risk. Leverage may take the form of borrowing funds, trading on margin, derivative instruments that are inherently leveraged, and investment transactions that give rise to leveraging such as the use of when-issued, forward settlement or delayed delivery transactions. Leveraging may cause an account to set aside or liquidate portfolio assets to satisfy its obligations. Further, leveraging may cause an account to be more volatile than if the account had not been leveraged. This is because leveraging tends to exaggerate the effect of any increase or decrease in the value of an account's portfolio securities and may lead to a loss in the account in excess of the capital commitment.

#### *Option Transactions*

Certain client accounts may engage from time to time in various types of options transactions. An option gives the purchaser the right, but not the obligation, upon exercise of the option, either (i) to buy or sell a specific amount of the underlying security at a specific price (the "strike" price or "exercise" price), or (ii) in the case of a stock index option, to receive a specified cash settlement. To purchase an option, the purchaser must pay a "premium," which consists of a single, nonrefundable payment. Unless the price of the instrument underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the client account may lose the entire amount of the premium. The purchaser of an option runs the risk of losing the entire investment. Thus, a client may incur significant losses in a relatively short period of time.

#### *Residential Mortgage-Backed Securities*

Residential mortgage backed securities are subject to particular risks because they have yield and maturity characteristics corresponding to their underlying assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain of such securities include both interest and a partial payment of principal.

#### *Short Sale Risk*

NGA may engage in short selling for certain accounts. A short sale involves the sale by an account of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. An account may also enter into a short position through a swap agreement or other derivative instrument. If the price of the security or derivative has increased during this time, then the account will incur a loss equal to the increase in price from the time that the short sale was entered into plus any premiums and interest paid

to the third party. Therefore, short sales involve the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment. Also, there is the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the account.

#### *Sovereign Debt Risk*

Sovereign debt securities are debt securities issued by U.S. and foreign governments. Sovereign debt securities are subject to the risk that a government may delay or refuse to pay interest or repay principal on its sovereign debt due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the government's debt position in relation to the economy or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a government defaults, it may ask for more time in which to pay or for further loans. There is no legal process for collecting sovereign debt that a government does not pay nor are there bankruptcy proceedings through which all or part of the sovereign debt that a government has not repaid may be collected. Countries in which NGA may invest have historically experienced and may continue to experience high rates of inflation, high interest rates, exchange rate fluctuations, trade difficulties and extreme poverty and unemployment.

#### *Supranational Debt Obligations*

Supranational entities are entities constituted by the national governments of several countries to promote economic development, such as the World Bank, the International Monetary Fund, the European Investment Bank and the Asian Development Bank. Obligations of these entities are supported by appropriated but unpaid commitments of their member countries, and there can be no assurances that these commitments will be undertaken or met in the future.

#### *Use of When-Issued and Forward Commitment Securities*

NGA may purchase securities on a "when-issued" basis. These transactions involve a commitment by an account to purchase or sell securities at a future date (typically one or two months later). No income accrues on securities that have been purchased on a when-issued basis prior to delivery to the account. When-issued securities may be sold prior to the settlement date. If a client account disposes of the right to acquire a when-issued security prior to its acquisition, it may incur a loss. In addition, there is a risk that securities purchased on a when-issued basis may not be delivered to the client account. In such cases, the client may incur a loss.

**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

NGA is not registered as a broker dealer, does not have an application pending as a securities broker-dealer, and none of its staff are registered representatives of a broker-dealer.

Nomura Securities may be compensated by NGA for soliciting prospective investors for, and providing related marketing and investor relations services to the private funds managed by us. Certain sales persons of our affiliates are also registered securities representatives of Nomura Securities. The sales persons may offer interests in private funds sponsored and/or managed by NGA or its affiliates.

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

On January 1, 2013, NGA registered as a Commodity Pool Operator with the Commodity Futures Trading Commission ("CFTC") and became a member of the National Futures Association ("NFA"). In addition, one or more of its employees are registered as an associated person with the NFA. NGA is an exempt Commodity Trading Adviser.

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

#### Our Investment Company Affiliates

NGA's parent company, NAM-USA, serves as investment adviser to a U.S. mutual fund known as The Advisor's Inner Circle Trust III, Nomura High Yield. The fund is sub-advised by one of our affiliates. NAM-USA also serves as investment manager to two U.S. closed-end funds - Korea Equity Fund, Inc. and Japan Smaller Capitalization Fund, Inc. Each fund is managed by one or more of our affiliated sub-advisers.

#### Affiliated Custodians

Nomura Trust & Banking Co., Ltd. ("NTB"), an affiliate, acts as trustee for certain Japanese Investment Trusts that NGA serves as sub-adviser.

#### Sponsor of Limited Partnerships

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

#### Other Affiliated Arrangements

NGA may receive certain services from NAM-USA and/or Nomura Securities, which may include accounting, account administration, auditing, business continuity planning, electronic data processing, employee benefit plan and personnel administration, insurance, investment, legal, management and financial reporting,

occupancy, project management, tax, transportation and treasury. 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.

NGA manages Japanese Investment Trusts through sub-advisory arrangements it has with its foreign investment advisory affiliate, NAM-Tokyo.

NAM-USA, NAM-Tokyo, NAM-UK, Nomura Asset Management Singapore Limited, Nomura Asset Management Hong Kong Limited and Nomura Corporate Research and Asset Management Inc. (“NCRAM”) (“affiliated advisers”) are each registered as investment advisers with the SEC and manage various equity and/or fixed income portfolios. NGA’s other investment advisory affiliates include Nomura Asset Management Malaysia Sdn. Bhd., Nomura Islamic Asset Management Sdn. Bhd, and Nomura Asset Management Deutschland.

NGA is 100% owned by NAM-USA and shares office space and certain facilities with NAM-USA and NCRAM. In addition, certain NAM-USA personnel are officers of NGA and certain personnel of NAM-USA serve on the Board of Directors for private funds managed by NGA. NGA currently invests for its clients principally in fixed income instruments and related derivatives according to investment strategies that are separate and distinct from the strategies pursued by any of its affiliated advisers for their clients. Although NGA does not expect such conflicts to arise, in certain circumstances the activities of its affiliated advisers could adversely affect the prices and/or availability of securities or instruments held by or potentially considered for one or more of its clients. NGA 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.

NAM-USA provides marketing services to NGA and NGA compensates NAM-USA out of the advisory fees it receives from its advisory relationships. NAM-USA also provides corporate services to NGA, including compliance, middle office, marketing, risk management, accounting, operations and/or other services. Nomura Securities, NAM-UK, NAM-Tokyo, and other affiliates may serve as marketing agents for NGA and/or the funds managed by NGA.

NGA has access to economic and/or securities information provided by its affiliates, which include, but are not limited to, Nomura Research Institute, Ltd. (a publicly-traded Japanese corporation), Nomura Securities Co., Ltd. (a Japanese securities firm), Nomura Securities, NCRAM and NAM-Tokyo.

Information barriers exist between different businesses with Nomura. As a result of such information barriers, NGA will generally not have access, or will have limited access, to information and personnel in other areas of Nomura, 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 based on information or take (or refrain from taking) actions with respect to interests in investments of the kind held by the NGA clients that may be adverse to NGA clients.

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

See Item 10.C above for a discussion of relationships that NGA has with its affiliated investment advisers. NGA does not recommend or select other investment advisers for its 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, we place our clients' interests first and foremost. However, NGA employees may buy or sell securities for their own accounts that the firm buys or sells for its clients' accounts. We understand that this could create a conflict of interest, where the employee's interest may be at odds with the interest of our clients. To mitigate the appearance of or actual conflict, NGA has adopted the following Code of Ethics ("Code") with which all associated 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 NGA, annually, and as the Code is amended.

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

Nomura Global Alpha LLC  
Worldwide Plaza,  
309 West 49<sup>th</sup> Street  
Compliance Department, 19<sup>th</sup> Floor  
Attention: Chief Compliance Officer  
New York, New York 10019



## **B. Securities that NGA or a Related Person Has a Material Financial Interest**

From time to time NGA, or any related person or any of their respective employees may have a known financial interest in securities owned by or recommended to clients of NGA. For example, such parties may (1) purchase interests in funds or other private investment vehicles managed by NGA or its related persons or (2) invest in mutual funds advised or sub-advised by NGA or its related persons. Potential conflicts could also occur if NGA engages in transactions with any entities which hold significant interests in Nomura. Any such transactions will be conducted in compliance with the requirements of the Advisers Act and the Investment Company Act of 1940, as applicable.

## **C. NGA or a Related Person May Invest in Same or Related Securities**

From time to time NGA, or any related person or any of their respective employees or principals may invest in the same securities owned by or recommended to clients of NGA. NGA is not obligated to recommend, buy or sell, or take any short position with respect to, or to refrain from recommending, buying or selling or taking any short position with respect to, any security that NGA, its affiliates or their respective access persons, as defined by the Advisers Act, may buy or sell for its or their own account or for the accounts of any other client. In addition, NGA is not obligated to seek information or to make available to or share with any client any information, investment strategies or investment opportunities developed or used in connection with other clients, and NGA may act on the basis of such information for certain portfolios in a manner that may have an adverse effect on other portfolios.

NGA has adopted policies and procedures relating to personal securities transactions and insider trading that is designed to mitigate actual conflicts of interest.

Under NGA's Code, NGA's employees are required to disclose their brokerage accounts, obtain pre-clearance for most securities transactions prior to execution, are subject to a fourteen day blackout restriction which prevents them buying or selling a security within seven calendar days before or seven calendar days after the same security is trading for an advisory account .), and are also required to hold certain securities for a period of 30 days before they are able to sell.

All securities with a capitalization larger than \$6 billion as well as non-affiliated mutual funds, and broad index based exchange traded funds, are exempt from the above blackout and holding restrictions. The Code requires all employees of NGA and certain non-employees (as applicable) to submit quarterly reports of transactions in accounts in which they or their immediate family members have beneficial interest and annually certify to their holdings. The Code also addresses issues such as political contributions, market timing, late trading, gifts and entertainment, service on boards of directors and outside business activities.

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

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

NGA has established “Information Barrier” procedures and other policies that prohibit the misuse of such information. Information barriers exist between different businesses with Nomura. As a result of such information barriers, NGA will generally not have access, or will have limited access, to information and personnel in other areas of Nomura, 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 based on information or take (or refrain from taking) actions with respect to interests in investments of the kind held by NGA clients that may be adverse to NGA clients.

In addition, NGA and/or its affiliates maintain a restricted list of companies whose securities are subject to certain trading prohibitions. NGA 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.

#### **D. Conflicts of Interest Created by Contemporaneous Trading**

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*

NGA employees and affiliates may invest in certain fund vehicles that are offered to clients. NGA, its affiliates and its employees will benefit from the investment performance of these accounts and funds (“affiliated accounts”).

Affiliated accounts will often invest in the same securities, at or around the same time, as client accounts. NGA’s policy is to allocate trades to affiliated accounts in the same manner as client accounts. For more information on trade allocation and aggregation practices, see Section 12 below.

##### *Allocation of Investment Opportunities*

Other potential conflicts of interest may arise in purchasing and selling securities for multiple client accounts. NGA will use its best judgment to act in a manner it considers fair and reasonable in allocating investment opportunities among its clients particularly when there is limited availability of an investment.

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

Because client accounts have different mandates or investment restrictions, NGA 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 (“conflicting positions”). Such trading activity may disadvantage some clients, while benefitting others, including affiliated accounts.

NGA 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, which includes specific restrictions on conflicting positions.

#### *Cross Transactions*

It is our policy not to engage in buying or selling of securities from one fund account to another (typically referred to as a “cross trade”).

#### *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. NGA attempts to address these potential conflicts of interest through various compliance policies that generally intended to treat all clients fairly and equitably over time.

#### 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 global fixed income, equities, bank loans and other markets, and the securities and issuers that NGA client accounts may invest. As a result, Nomura’s activities and dealings may affect 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 NGA serves as lead manager or a member of the underwriting or selling 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.

#### *Principal Transactions and Agency Cross Transactions*

It is our policy not to engage in principal transactions or agency cross transactions. Principal transactions occur where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between one client and another client. 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. NGA may, in the exercise of its discretion under an investment management agreement with a client, and subject to best execution, effect transactions through an affiliated broker-dealer acting in an agency capacity.

#### **E. Other Conflicts of Interest Related to Nomura's Activities**

The extent of Nomura's global financial activities may have potential adverse effects on NGA'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 NGA 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.

NGA might not engage in transactions for a client account in consideration of Nomura's activities outside the client account. For example, NGA may determine to restrict or limit the amount of a client account's investment where exceeding a certain aggregate amount could require a filing or a license of other regulatory or corporate consent, which could, among other things, result in additional costs and disclosure obligation for Nomura, including NGA. We may also limit our activities, transactions and our exercise of rights on behalf of clients where Nomura is providing, or may provide, advice or services to such issuer, or is providing or may provide advice or services to another client that is or may be engaged in a transaction related to such issuer.

#### *Gifts and Entertainment*

Employees of the firm may receive customary gifts and/or entertainment from service providers of the firm and from counterparties that are selected to execute transactions on behalf of client accounts. The firm has controls in place to monitor gifts and entertainment activity for conflicts of interest and violations of law.

#### *Political Contributions*

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

## ITEM 12: BROKERAGE PRACTICES

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

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

NGA generally has discretionary authority to direct trades for its clients and selects broker-dealers to execute those trades. It is our policy to seek to obtain best execution on all client transaction (which may or may not result in paying the lowest available brokerage commission or dealer spread). As a result, in selecting broker-dealers, our traders 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
- The broker-dealer's ability to engage in after-hours and cross-border trading
- Other factors that may bear on the overall evaluation of best price and execution

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

NGA has no fixed internal brokerage allocation procedures designating specific percentages of transactions to particular broker-dealers, but weighs a combination of the criteria set forth above.

NGA executes a majority of client trades through electronic platforms which charge transaction fees. The fees will be paid by the client (either by including the fee in the proceeds or cost of the trade or through the payment a separate invoice).

### 1. Research and Soft Dollar Benefits

In placing brokerage transactions, broker-dealers may furnish NGA with their proprietary research. We will use this proprietary research to service all or a portion of our clients, including affiliated entities.

Under Section 28(e) of the Securities and Exchange Act of 1934, as amended, investment managers are permitted to cause a client to pay a higher commission than another broker-dealer might have charged for research and/or brokerage services provided by the broker-dealer that provide lawful and appropriate assistance to the investment manager in the investment decision-making process or trade execution process. In such circumstances, an investment manager is deemed to have paid for such research or brokerage services with “soft dollars”.

Soft dollar arrangements allow NGA and/or its affiliates to obtain a benefit because they do not have to produce or pay for the research and services. We also have an incentive to select broker-dealers based on our interest in receiving the research or other products or services, rather than based on our clients’ best interests in receiving the most favorable execution. However, we believe that we are able to negotiate costs on client transactions that are competitive and consistent with our policy to seek best execution.

Fixed income securities are generally purchased from the issuer or a primary market maker acting as principal on a net basis without a stated commission but at prices reflecting a dealer spread. Fixed income securities may also be purchased from underwriters at prices that include underwriting fees. Because of this pricing structure, NGA does not direct fixed income transactions to particular broker-dealers for soft dollars.

NGA currently has not entered into soft dollar arrangements where the broker-dealer provides us with third-party research and/or services.

### 2. Brokerage for Client Referrals

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

### 3. Client Directed Brokerage

We permit clients to direct us to execute transactions through specified broker-dealers. Clients who direct us to use particular broker-dealers 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, if you limit our brokerage discretion. 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. Accounts with directed brokerage instructions will generally be executed following completion of any non-directed trades. As a result, performance results for these accounts may vary from other client accounts we manage in the same strategy. 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.

## **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. When executing block trades, trades will be allocated among accounts using procedures that we consider fair and equitable.

NGA may or may not purchase or sell the same security for all clients that could buy the security under the account’s investment objectives. Participation of an account in the allocation is based on such considerations as investment objectives, investment guidelines and restrictions, availability of cash, amount of exiting holdings of the security in the accounts, and directed brokerage instructions, if applicable.

In certain cases, we may determine that pro rata allocation is not appropriate and will base the allocation upon relevant factors such as lot size, existing or targeted account weightings in particular securities, account size, cash availability, diversification requirements and investment objectives, and investment guidelines and restrictions.

Generally when we fill a block order in its entirety, each participating client account will receive the average price. NGA 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.

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.

## ITEM 13: REVIEW OF ACCOUNTS

### A. Frequency and Nature of Review of Clients Accounts

Client accounts are reviewed by the portfolio management team. Client accounts are monitored and reviewed at least weekly by the head or other members of the portfolio management team. The head of the portfolio management team holds periodic meetings with portfolio managers, analysts, and risk management staff to review and discuss events affecting investment strategy.

Risk management personnel monitor the risk profiles of certain accounts on a daily basis.

### B. Factors Prompting Review of Client Accounts Other than a Periodic Review

In addition to a weekly review, NGA may perform reviews as it deems appropriate or otherwise required. Additional reviews may be triggered by the following factors (not limited to): client requests, compliance monitoring, industry factors, market developments, statutory and regulatory changes.

### C. Content and Frequency of Reporting to Clients

We furnish accounting reports to clients detailing, among other things: portfolio assets positions, security cost basis and market value, and cash and security transaction activity in accordance with the terms of the offering documents or client agreements or on an as needed basis. Alternative investment fund investors generally receive un-audited monthly or quarterly statements and annual financial statements. In addition, they receive monthly capital account statements from the fund's administrator.

We may also distribute securities analyses or other reports prepared by our affiliates at no cost.



## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

### A. Economic Benefits for Providing Services to Clients

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

As discussed in Item 10, we have a marketing arrangement with NAM-USA whereby we pay NAM-USA a percentage of the advisory fees that we earn from certain client accounts. In addition, certain affiliates based outside the United States may be compensated in part based on referrals.

### B. Compensation to Financial Intermediaries, Consultants and Other Third Parties

From time to time, NGA or its affiliates may pay industry consultants for consulting and/or educational services. Our employees also periodically participate and/or attend conferences sponsored by industry consultants. In some cases, we may pay financial compensation to the consultant. These industry consultants may at times evaluate and/or recommend NGA to their other clients. In the event that we obtain a client through a consultant that we have provided either compensation for such services or conferences, or for which our employee has participated in such conferences, we will disclose the relationship to the client upon request.

### **ITEM 15: CUSTODY**

NGA does not have custody of any separate account client assets.

NGA is deemed to have custody over the assets of certain alternative investment funds where it serves as general partner or managing member. To comply with the requirements of the Advisers Act, NGA, among other things, provides each investor in the fund with audited financial statements that comply with U.S. generally accepted accounting practices ("GAAP") within 120 days following the fund's fiscal year end.

We are also deemed to have custody over the assets of several Japanese Investment Trusts ("JITs") in which we serve as sub-adviser solely because Nomura Trust & Banking, ("NTB") an affiliate of NGA, acts as custodian or trustee. Arthur F. Bell Jr. & Associates, L.L.C. ("Arthur Bell"), has been appointed as the independent representative for these JITs. Arthur Bell reviews and reconciles quarterly account statements issued by NTB.

## **ITEM 16: INVESTMENT DISCRETION**

NGA accepts discretionary and non-discretionary authority to manage advisory accounts. A client's executed investment management agreement or other account opening documentation authorizes such authority.

We usually receive discretionary authority from our clients to select the security and amount of securities to be bought or sold. Prior to assuming discretionary or non-discretionary authority, clients are provided a management agreement along with our current Form ADV Part 2A and Part 2B. By signing the agreement, clients grant NGA discretionary or non-discretionary investment authority over their accounts.

When selecting securities and determining amounts we observe the investment objectives, policies, limitations and restrictions of our clients.; under certain types of pooled investment vehicles , our authority to trade securities may also be limited by certain 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

Generally, NGA does not hold equity securities in its client accounts; however it has adopted proxy voting policies and procedures in the event equity securities are held in a client's account in the future.

#### General

NGA and its Affiliated Advisers have adopted a Nomura Asset Management Group (Proxy Voting Policy (the "Proxy Policy") which contains a set of voting guidelines (the "Guidelines"). The Proxy Policy requires that client proxies be voted solely in the client's long-term interests. When we are authorized to vote proxies for securities held in client accounts, we do not assume the role of an active shareholder. We encourage appropriate management practices for investee companies, in order to help them to enhance corporate value and achieve sustainable growth.

Nevertheless, our goal and intent is to vote all proxies in our clients' best interests. To avoid conflicts, NGA will vote proxies in accordance with the Guidelines or vote in accordance with recommendations from a third party service provider. The firm utilizes Institutional Shareholder Services Inc. ("ISS"), to assist in proxy voting activities including without limitation, operational, recordkeeping and reporting services. ISS also prepares a written analysis and recommendations for each proxy vote that reflects the Guidelines for a particular proxy issue.

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 expect to hold 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. The Proxy 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 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.

We may also not vote proxies for securities for other reasons, such as the administrative burden of retrieving securities that are on loan.

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.

#### Client Directed Votes

Clients who have delegated proxy voting responsibilities to NGA may direct us as how to vote certain proxies on behalf of their accounts by contacting their client service representative.

#### Client Voting Records and Proxy Policy

Clients can request information about how NGA voted any proxy in their accounts, or can obtain a copy of our Proxy Policy by contacting the Compliance Department of NAM-USA, Telephone: (212) 667 – 1414, or by writing to Attn: Chief Compliance Officer, Nomura Asset Management U.S.A. Inc. Worldwide Plaza, 309 West 49<sup>th</sup> Street New York, New York 10019.

#### Class Action Settlements

From time to time, we may receive notices regarding class action lawsuits involving investments that are or were held a client's portfolio. As a matter of policy, the client, not NGA, 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****A. Balance Sheet**

NGA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

**B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients**

NGA is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

**C. Bankruptcy Filings**

NGA has not been the subject of a bankruptcy petition at any time during the past ten years.