

**Nikko Asset Management Co., Ltd.**

## Form ADV Part 2A Advisory Services Disclosure Brochure

**January 16 2024**

This Brochure describes the qualifications and business practices of Nikko Asset Management Co., Ltd. ("Nikko AM"). If you have any questions about its contents, please contact us at +81 3 6447 6000 or <https://en.nikkoam.com/about-us/contact-us>. Information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities authority.

Nikko AM is registered with the SEC as an investment adviser. Registration does not imply any level of skill or training.

Additional information about Nikko AM can be found on the SEC's website at <https://adviserinfo.sec.gov/> using the unique CRD search number 110997.

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## **Material Changes**

This Brochure was revised on 1 June 2023 as part of an annual amendment update. There have been no material changes incorporated herein since Nikko AM's last posting of this document in June 2022 on the SEC's public disclosure website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)).

Pursuant to SEC Rules, Nikko AM will ensure that clients receive a summary of any material changes to this and subsequent brochures within 120 days of the end of Nikko AM's fiscal year. We may also provide further information about material changes, or new brochures based on such changes, as necessary.

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## **Item 4    Advisory Business**

### **Introduction**

Nikko Asset Management Co., Ltd. ("Nikko AM") is the Tokyo based headquarters of the Nikko Asset Management Group ("Nikko AM Group"), which consists of Nikko AM and its affiliates. Nikko AM's principal place of business is Japan, where it is authorized and regulated by the Financial Services Agency to provide investment advisory and asset management services.

### **Corporate History**

The history of Nikko AM dates back to 1959 when its predecessor Nikko Securities Investment Trust Co., Ltd. was established. It subsequently merged with Nikko International Capital Management Co., Ltd. (established 1981) in 1999, to form Nikko AM.

As one of Japan's largest asset management companies, Nikko AM has significantly expanded its operations both in Asia and internationally, in pursuit of its primary business objective: to become the world's leading pan-Asian asset management group.

It is the Nikko AM Group's core belief that there are great opportunities for specialist investment managers in the fast-growing Asian markets and what clients and distributors really want is a strong, dedicated Asian based investment firm, like Nikko AM, which can grasp the often nuanced and local characteristics of markets and global investor requirements. By utilizing its deep knowledge of the local markets in Asia and leveraging the group's global presence and resources, Nikko AM aims to maximize the value it delivers to its clients regardless of their geographic location.

The acquisitions of DBS Asset Management Ltd and Tyndall Investment Management Limited during 2011, and Treasury Asia Asset Management Limited in 2013 have enabled the Nikko AM Group to significantly strengthen its presence across Asia. Nikko AM also extended its capabilities in Europe with the addition in August 2014 of an Edinburgh-based investment team, which previously managed the high-alpha equity strategy at Scottish Widows Investment Partnership. The team now manages Nikko AM's Global Equity strategy.

These acquisitions have significantly contributed to the diversity of Nikko AM Group's assets under management and client base, as well as its global team of investment professionals.

As a result of its acquisitions, the Nikko AM Group can offer global investment and distribution capabilities in Tokyo, Singapore, Hong Kong, Auckland, Edinburgh, London and New York. Nikko AM also owns 40% of Rongtong Fund Management in China, 20% of Affin Hwang Asset Management Berhad in Malaysia, 20% of Yarra Capital Management in Australia and a minority stake in ARK Investment Management LLC in the US.

### **Ownership**

On 15 January 2021, Nikko AM became a wholly owned subsidiary of Sumitomo Mitsui Trust Holdings, Inc. However, in March 2021, Sumitomo Mitsui Trust (Hong Kong) Limited also became a shareholder of Nikko AM, receiving a 1.00% stake. Sumitomo Mitsui Trust Holdings retained the remaining 99.00%.

### Assets Under Management

As at 31 March 2023, preliminary consolidated assets under management and advice of the Nikko AM Group were approximately USD 209.4 billion. Of this, Nikko AM was responsible for USD 192.2 billion, which can be broken down as follows:

	AUM (in USD Mn)
Discretionary Assets	192,050.06
Non-Discretionary Assets	174.39
Total	192,224.45

### Advisory Services

In responding to the diverse needs of investors, the Nikko AM Group offers both active and passive investment capabilities across equity, fixed income and alternative asset classes, with key strengths in multiple pan-Asian asset strategies. The Nikko AM Group's hybrid culture, experience and Asia-focused perspective offers crucial insights into understanding the nuances of opportunities and challenges within Asian markets. This informs investment decisions in a way that is extremely hard for non-local firms to emulate. Moreover, as a group, we have shown a deep commitment to the region, establishing a strong bench of investment expertise within these specialized markets. Our experience of investing and advising clients on Asian securities, broken down by region, is as follows:

- Japanese Equities—since 1959
- Asia Pacific ex Japan—since 1990
- Emerging Asia—since 1994
- China—since 2005
- Multi Assets—since 2014
- Global Equities—since 2014

Nikko AM believes the best way of managing regional portfolios is to rely on the expertise of local professionals, based in the appropriate investment region. Portfolio managers and research analysts are highly experienced professionals, with in-depth knowledge of their own markets, as well as cultural and political aspects impacting them. The skills and expertise of each team is combined and brought together to offer specialist regional asset management services. As a result, mandates may be sub-delegated to specialist investment teams at Nikko AM Group affiliates in Tokyo, Singapore, Hong Kong, Auckland, Edinburgh, London and New York.

Additionally, the Nikko AM Group also provides sub-advisory services. These services are offered as a means of accessing products managed by leading asset managers, world-wide.

Services are primarily provided to individual and institutional investors (clients), through investment companies or other pooled investment vehicles, including mutual funds, closed-end investment companies, Japanese investment trusts, unit investment trusts, private companies or hedge funds or offshore funds ("pooled investment vehicles") and separate (segregated) accounts.

Nikko AM manages portfolios in accordance with the specified guidelines and objectives of each individual client. In this regard, clients may impose restrictions on investing in certain securities or types of securities. Services may also be limited by legal and regulatory requirements. Such restrictions will be clearly specified in investment management agreements, following consultations with clients and will consider the impact of the proposed restriction of the investment strategy, relevant laws and regulatory requirements.

## **Item 5 Fees and Compensation**

This Brochure is intended for use by U.S. retirement plan sponsors, endowments, foundations, and other institutional investors. Accounts are generally subject to a minimum account size, which may be waived by Nikko AM.

Generally, Nikko AM's fee arrangements are based on a percentage of the market value of assets under management or advisement, although Nikko AM may also charge performance-based fees, flat fees, or apply other alternative fee structures. The specific fee arrangements with respect to any given account are negotiable on a client-by-client basis. When determining appropriate fees, Nikko AM may take into account, among other things, the account's investment strategy, whether the account is a discretionary account, the level of servicing required by the account and the scope of Nikko AM's relationship with the client and its affiliates across all accounts and strategies. Nikko AM generally bills clients quarterly in arrears.

Separate account clients are responsible for third party expenses associated with managing the account including but not limited to, for example, brokerage commissions, ticket charges and other fees. Nikko AM's brokerage practices are discussed in Item 12 of this Brochure. The allocation of these expenses will be made in accordance with the agreement in place between Nikko AM and the separate account client. Nikko AM does not select account custodians on behalf of separate account clients or serve as the custodian of separate account client account assets. Clients will be responsible for charges imposed by custodians, such as custodial fees.

Generally, Nikko AM's investment advisory agreements provide that either party may terminate the agreement upon a mutually agreed time upon prior written notice. Upon termination, clients pay the pro-rata portion of fees through the effective date of termination.

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

Where Nikko AM enters into performance based fee arrangements with qualified clients, fees will be negotiated on an individual basis and structured in accordance with Section 205(a)(1) of the Investment Advisers Act of 1940 (the "Advisers Act") (in accordance with available exemptions thereunder, including the exemption set forth in Rule 205 - 3).

Performance based fee arrangements may create an incentive for Nikko AM to recommend certain investments, which may be riskier or more speculative than those which would have been recommended under a different fee arrangement. Such arrangements also create an incentive to favor higher fee paying accounts over other accounts, in the allocation of investment opportunities.

Nikko AM's procedures are designed and implemented to ensure that all clients are treated fairly and equally, to prevent this conflict from influencing the allocation of investment opportunities between clients. Policies are also implemented to ensure that all accounts are managed in line with client objectives and guidelines, which further mitigates such risk.

## **Item 7 Types of Clients**

Nikko AM's clients generally include institutional investors, such as corporations, pension funds, trust banks, charitable organizations, government agencies and funds, supranational organizations; as well as pooled investment vehicles, including Japanese investment trusts, and Nikko AM Group affiliates.

In terms of minimum portfolio amounts, the actual minimum for a particular account will be determined by Nikko AM on a case-by-case basis, relying on a number of factors including (but not limited to) the types of investments to be made for the account.

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

Investment advice is based on the objectives and terms set out in individual client investment management agreements, relevant fund prospectuses or offering memoranda.

### **Methods of Analysis**

The Nikko AM Group's commitment and dedication to investing on behalf of its clients is reflected throughout the organization. It is evidenced not only by the organization structure, but also by the intensity of our research efforts and the disciplined nature of our investment and risk control processes.

Specialist teams throughout the Nikko AM Group's global network are dedicated to providing analysis on macro-economic factors, specific asset classes, strategies and styles, as follows:

**Macro-Economic Analysis:** The Investment Committee provides macro-economic insight on factors influencing markets, working in conjunction with investment professionals throughout the Nikko AM Group's global network. The Committee is comprised of senior investment professionals based in Tokyo, London, Edinburgh, New York and Singapore, who meet at least on a quarterly basis to share market insight and determine global asset allocation.

**Equity Research:** Equity analysts are assigned responsibilities based on geographic regions, sectors or investment styles. The Nikko AM Group's general approach focuses on fundamental bottom up analysis, although it will vary depending on specific requirements of the investment strategy pursued and is tailored accordingly. Investment teams and research analysts have an integral relationship that adds value to uncovering and responding to investment opportunities quickly. Communication efforts are designed to ensure that analysts fully understand the investment philosophy and research requirements of investment teams as well as the current view of individual portfolio managers. Analysts and portfolio managers are grouped together both organizationally and physically, which builds teamwork and solid understanding. Through constant two-way communication and discussions regarding company views and portfolio holdings, analysts seek to maximize their contribution to the investment process.

**Fixed Income & Currency Analysis:** Dedicated credit and currency analysts use various models and tools, some of which have been developed in-house, to carry out detailed analysis. The Nikko AM Group provides broad coverage of global fixed income markets and currencies, with consideration to the following factors:

- **Macro Fundamentals:** Underlying economic outlook on a country-by-country basis, including medium term growth prospects, fiscal policy, government debt levels, progress on reforms, current account/trade position and the political environment.
- **Interest Rates:** Combining positive fundamental analysis with attractive interest rates to provide a strong total return, taking into consideration short- and long-term market rates and future monetary policy direction versus market expectation.
- **Market Liquidity:** Market accessibility and the ease of obtaining/building a position.
- **Investor Positioning/Relative Performance:** How investors are currently positioned: Has there been an increase in the amount of foreign buying? How sustainable is it? Is it speculative or foreign direct investment related? How has the currency performed relative to other currencies?



**Quantitative Analysis:** A dedicated team develop and maintain quantitative tools and models, based on the latest academic theories, to support Nikko AM's quantitative investment approaches. Providing sophisticated risk and market analysis, high level quantitative technology is connected directly to investment processes and is reflected in many of Nikko AM's products.

**Performance Analysis:** Performance is analyzed both quantitatively and qualitatively, using a combination of proprietary and third party tools and models, to ensure assets are being appropriately managed in line with specific investment strategies, guidelines and risk levels.

## Investment Strategies

To respond to the diverse needs of investors, the Nikko AM Group offers both active and passive global investment capabilities across equity, fixed income and alternative asset classes with key strengths in Asian products. This includes (but is not limited to), the following strategies:

Active Strategies				Passive Strategies	
Japanese Assets	International Assets			Japanese Assets	International Assets
<b>Equities</b>	<b>Equities</b>	<b>Fixed Income</b>	<b>Alternatives</b>		
Value	Global Equity	Global Bonds	Asia REIT	TOPIX	FTSE EHEC
Growth	Emerging Market	High Conviction	Currency Basis Spread	Nikkei 225	S&P MLP
Core	Asia ex Japan	Global Credit		JPX-Nikkei 400	MSCI Emerging
Japan Focus	Asia Healthcare	EM Debt (Local Currency)	<b>(Sub-advised Strategies)</b>	TSE REIT	JPMGI Emerging
Dividend	Asia Small Cap	World Bank Bonds	Preferred REIT	NOMURA-BPI	MSCI-KOKUSAI
Research Active	ASEAN	Green Bonds	Infrastructure Debt	JPX-Nikkei Mid Small cap	FTSE-WGBI ex Japan
Active Value	Greater China	Supranational	Infrastructure Equity		DAX 30
Cash-Rich Company	China A Shares	US Treasury	Multi manager Direct Lending	<b>ETFs</b>	DOW 30
Small & Mid Cap	Shenzhen Innovation	US GNMA • TBA/CMO	Global REIT, Growth Active	TOPIX	US Hybrid
Emerging Equity	India	US Muni		Nikkei 225	S&P BDC
Shareholder Return Growth	Singapore	US/Europe Investment Grade	<b>Multi Asset</b>	MSCI Japan	S&P US REIT
Enhanced Index	New Zealand Equity	US/Europe High Yield	Global Multi Asset	High Dividend -Low Vol	S&P Europe REIT
CART	Global Quantitative	Canadian Municipal Bonds	Low Risk Multi Asset	Japanese Economy	CSI300
Rebound Signal	Global Natural Resources	New Zealand Bonds	Risk Control Balanced	Contributor Stocks	S&P500
<b>(ESG Themed)</b>	US Equity Momentum	Asia Credit	Risk Control Balanced + US	MSCI Japan	S&P500 Currency Hedge
ESG (Eco)		Asia Local Currency Bond	Equity Momentum	High Dividend -Low Vol (beta hedge)	Dow Average Currency Hedge
CSV Active		Short Duration Asia Credit		Nikkei 225 (Mini)	NASDAQ100
Human Capital Investment		RMB Bonds		TOPIX Ex-Financials	NASDAQ100 Currency Hedge
<b>Fixed Income</b>	<b>(Sub-advised Strategies)</b>	Singapore Bonds	<b>Smart Beta</b>	JPX-Nikkei 400	MSCI ACWI (ex Japan)
Broad Market	Australia Equity	Sweden Covered Bonds	URAP	TSE Dividend Focus 100	MSCI KOKUSAI
Specialized Credit	(Value (CVA), Income, Concentrated)	Denmark Covered Bonds	CSV	TSE REIT (Mini)	MSCI Emerging Markets
Long Duration	INTECH Global Core	ABS/CLO	Δ ROE	Nikkei ESG REIT	S&P US TB
<b>Alternatives</b>	Ninety One Global Equity	Hybrid, MREL/TLAC	<b>AI</b>		S&P US TB Currency Hedge
Dynamic Japan Long Short Equity	Concentrated, Steady Growth	Supranational Bond (INR)	AI Deep Learning Technical Management (Equity, Bond, Forex)		EM Debt
Japan Core Neutral Equity	ARK Disruptive Innovation	<b>(Sub-advised Strategies)</b>			FTSE WGBI
Strategic Convertible Bonds		US Revenue Bond			FTSE EPRA/NAREIT Asia ex Japan
J-REIT Active		US Bank Loan			S&P/ASX 200 A REIT
Japan Equity Rebound Signal		Europe Bank Loan			ABF SG Bond
		Government Bond Relative Value			China Bond
		Australia Bonds/RMBs			iBoxx SGD IG Corp
					FTSE Straits Times
					FTSE EPRA/NAREIT Asia ex Japan (SG)
					Global Internet (HK)
					E-Game Active (HK)
					MSCI China All Shares IMI Future
					Mobility Top 50 Index
					Australian Gov't Bonds
					Australian Gov't Bonds Currency Hedge

## Risk of Loss

Investing in securities involves a risk of loss that clients should be prepared to bear. The value of investments and the income from them may go down as well as up and investors may not get back the original amount invested; past performance is not a guide to future results. Even when the value of the securities sold is greater than the price paid, there is a risk that the appreciation will be less than inflation.

For the majority of accounts managed, Nikko AM aims to hold diversified positions to minimize risk levels. However, it may concentrate holdings in industries, geographic regions or companies which, in light of investment considerations, market risks and other factors, it believes will provide the best opportunity for attractive risk adjusted returns. The concentration of assets may subject clients to a greater degree of risk.

Securities, especially, denominated in foreign currencies are also exposed to country risk, foreign exchange risk and where the market size or trading volume is small, portfolios may be subject to unexpected losses from being unable to sell portfolio holdings at expected prices.



## **Item 9     Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Nikko AM or the integrity of its management. Nikko AM and its management have no such events to report. However, a list of disciplinary events may be found in Item 11 "Disclosure Information" of Nikko AM's Form ADV Part 1A, which may be accessed at <https://www.adviserinfo.sec.gov/>.

## **Item 10    Other Financial Industry Activities and Affiliations**

Nikko AM is majority owned by Sumitomo Mitsui Trust Holdings, Inc., a holding company with various subsidiaries, including other financial services companies. Nikko AM may have relationships with or enter into transactions with these companies, which could create actual and perceived conflicts of interest.

In order to address any actual or perceived conflicts of interest, Nikko AM has established a range of policies and procedures, including its "Conflict of Interest Control Regulations". Key components of these regulations include: (i) identification of types of potential conflict of interest transactions; (ii) method of conflict of interest control; and (iii) internal control systems.

### **Broker-Dealers**

When Nikko AM places orders on behalf of its clients with affiliated broker-dealers, an actual or apparent conflict could arise. To manage such potential conflicts, Nikko AM will obtain prior client consent and/or disclose these transactions to clients. Furthermore, Nikko AM has established broker-dealer selection guidelines and a best execution policy to ensure that it places the interests of clients above its own when selecting broker-dealers and that it pursues best execution when making trading decisions.

### **Investment Companies**

Nikko AM provides investment management services to investment companies, including group affiliates. Nikko AM discloses that it is a related person of the investment companies for which it provides investment management services. The provision of investment management services to multiple investment companies could result in a conflict of interest when multiple investment companies are interested in the same investment opportunity or in transacting in the same security. Nikko AM has adopted trade aggregation and allocation policies and procedures to manage such potential conflicts.

### **Other Investment Advisers**

Nikko AM has relationships or arrangements with the following affiliated investment advisers under the Advisers Act: Nikko Asset Management Europe Ltd, Nikko Asset Management Americas, Inc., Nikko Asset Management Asia Limited, Nikko Asset Management Hong Kong Limited, and Nikko Asset Management New Zealand Limited, ("Affiliates"). From time to time Nikko AM may, with prior client consent, and to the extent permitted by applicable law, delegate some or all our responsibilities, duties and authority under an investment management agreement to one or more of our Affiliates. Affiliates may also provide investment management services as an adviser or a sub-adviser to clients of other affiliated and unaffiliated advisers.

### **Banking or Thrift Institutions**

Sumitomo Mitsui Trust Bank, Limited (SMTB), which is a subsidiary of Sumitomo Mitsui Trust Holdings, Inc., serves as distributor for several of Nikko AM's pooled investment vehicles. SMTB may provide administrative, custodial and other services to Nikko AM's products and clients. Nikko AM may have an incentive to appoint affiliated banking institutions as trustees for its Japanese investment trusts. For US clients, the selection of custodians is the responsibility of the client, not Nikko AM. Whenever Nikko AM appoints a custodian, such as for a Japanese investment trust, it conducts due diligence on that institution, negotiates arms-length arrangements and fully discloses the affiliation to the client.

## **Item 11 Code of Ethics, Participation in Client Transactions and Personal Trading**

Nikko AM is committed to upholding the highest standards of business ethics and conduct. We are proud of this commitment and consider it fundamental to earning and maintaining the trust of our clients and prospective clients.

Nikko AM operates under a Code of Ethics and Business Conduct (the "Code") that complies with Rule 204A-1 of the Advisers Act. The Code serves to emphasize our commitment to upholding the highest standards by setting forth basic principles of business ethics and conduct that apply to all directors, officers and employees. Chief among the commitments set forth in the Code is our commitment to fulfill our fiduciary duty to our clients.

The Code also incorporates the Nikko AM Group's personal trading policy (the "Policy"). The Policy is guided by the principle that as a fiduciary entrusted with the management of client assets our foremost concern is and must always be to protect the interests of our clients. The Policy aims to effectuate this principle by establishing a framework for managing personal trading by directors, officers and employees that protects the interests of our clients, while permitting responsible investing by our directors, officers and employees.

Key components of our personal trading policy include: (i) prohibitions and restrictions on certain types of transactions; (ii) preclearance requirements that allow the appropriateness of the proposed transaction to be assessed, prior to permitting a transaction; and (iii) reporting requirements that allow Nikko AM to monitor trading activity and review transaction histories in order to assess compliance with the Policy.

Nikko AM will provide a copy of the Code to any client or prospective client upon request at no charge.

Please see the section of this Brochure entitled "Other Financial Industry Activities and Affiliations" for a discussion of Nikko AM's affiliations with other Nikko AM Group entities and how those affiliations may affect clients of Nikko AM.

## **Item 12 Brokerage Practices**

### **Broker-Dealer Selection and Best Execution**

Nikko AM has a fiduciary duty to place the interests of clients above its own or any third party when selecting broker-dealers and placing trades for client portfolios. Accordingly, Nikko AM has adopted a Counterparty Risk Management Policy, Global Best Execution Policy and Global Trading Policy in accordance with which the Risk Management Division assesses and monitors counterparty risk and determines whether to commence or continue trading with the broker-dealer and reviews risk limits where necessary. When assessing a

broker-dealer, the Risk Management Division considers credit, operational, and reputational risk, in addition to compliance with external regulatory requirements.

Nikko AM's Global Best Execution Policy establishes principles and standards to be followed when trading as a fiduciary on behalf of clients or pooled investment vehicles in order to achieve "best execution". This is defined as the most favorable overall result for the client under the circumstances, taking into account the following execution factors: price, cost, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order. Key components of Nikko AM's Global Best Execution Policy include: (i) procedures for broker-dealer selection and order placement; and (ii) the prohibition of transactions involving inherent conflicts.

### **Soft Dollars**

In the ordinary course of business Nikko AM receives research reports from broker-dealers and considers factors such as the usefulness and amount of the research as part of its broker-dealer evaluation process. Except for the acceptance of research mentioned above, Nikko AM will not receive or enter into any soft dollar arrangements.

### **Trade Aggregation and Allocation**

Nikko AM may group orders to obtain economies of scale that may be available on larger transactions, where:

- It has been determined that an investment decision is appropriate for each participating portfolio; and
- It is consistent with the terms of individual investment management agreements, applicable laws and industry association rules.

Moreover, transactions are not aggregated unless they are consistent with the duty to seek best execution. This policy applies to all types of investments and no client is favored over any other, when orders are aggregated. Where orders are partially filled, allocation will typically be made on a pro rata basis.

## **Item 13 Review of Accounts**

### **Monitoring**

Nikko AM conducts regular daily, weekly and quarterly reviews as part of its general monitoring processes, in addition to ad-hoc reviews, as necessary.

### **Daily Reviews**

Portfolios are reviewed by portfolio managers, the Investment Risk Management Department and the Investment Compliance Department. Portfolio managers review the holdings and monitor performance for the products for which they are responsible. Investment Risk Management monitors portfolios across a number of risk factors. Investment Compliance also reviews portfolios to assess whether they are being managed in accordance with applicable investment guidelines and restrictions.

### **Weekly Reviews**

The Investment Risk Management Department creates risk and performance attribution reports on a weekly basis.

### Monthly Reviews

Monthly reviews of individual strategies are undertaken by investment teams and heads of investment departments to evaluate investment performance, discuss the details related to portfolio management during the reporting period and confirm the strategy going forward.

### Quarterly Reviews

Quarterly review meetings are held by Investment Risk Management and attended by portfolio managers, heads of investment department and the CIO. During the meeting market risk, portfolio risk, and counterparty risk are reviewed with each investment management team. Special issues may also be reported to Nikko AM's Risk Oversight Committee, which is chaired by the director in charge of risk management and convened on a quarterly basis.

### Ad Hoc Reviews

Ad hoc reviews may also be undertaken when necessary. For example, when the size of a portfolio has rapidly expanded or portfolio performance significantly deteriorates, which may require the appropriateness of a product to be re-assessed. Furthermore, portfolio managers also frequently assess portfolio risk levels using both Barra and proprietary risk models.

### Reconciliation

Reconciliation is carried out on an ongoing basis for accounts managed by Nikko AM. Statements are received from a client's custodian and are reconciled to Nikko AM's records. Reconciliation of cash statements is undertaken at least monthly, but may occur more frequently (i.e., every time there are cash movements in a portfolio).

During the reconciliation process, if any discrepancies are found, they are fully investigated, addressed and resolved, with full documentation.

### Client Reporting

Nikko AM produces periodic statements and investment review reports in writing, (typically on a monthly and/or quarterly basis), for each client in accordance with the requirements set out in individual investment management agreements.

### Statements

Periodic statements may include details of purchases and sales during the period, securities and cash holdings, performance, realized/unrealized gains/losses, dividend and corporate actions.

### Investment Review Reports

In line with specific client requirements, investment review reports may include (but not be limited to):

- Performance overview for the relevant period and since inception
- Financial market review
- Summary of investment activity
- Details of largest transactions undertaken during the reporting period
- Summary of portfolio characteristics at the end of the reporting period
- Commentary on the top positive/negative contributors to performance
- Performance attribution
- Market outlook
- Investment policies

- Overview of relevant stewardship activities, including proxy voting results for the reporting period
- ESG reporting including ESG and carbon metrics, where applicable

#### **Item 14 Client Referrals and Other Compensation**

From time to time, Nikko AM and its affiliates may pay solicitation or referral fees to persons who introduce clients to Nikko AM or to pooled investment vehicles managed by Nikko AM. These fees are disclosed to the client and governed by written agreements, as permitted by Rule 206(4)-1 under the Advisers Act, as amended.

#### **Item 15 Custody**

Clients should receive at least quarterly statements from broker-dealers, banks or other qualified custodians that hold and maintain client investment assets. Nikko AM urges its clients to carefully review such statements and compare official custodial records to account statements provided by Nikko AM. Variations may occur based on accounting procedures, reporting dates, pricing sources, time periods or valuation methodologies of certain securities.

Clients are required to appoint custodians who are responsible for the safe custody of investments and money, settling transactions and registering investments.

#### **Item 16 Investment Discretion**

Nikko AM usually receives discretionary authority from a client at the outset of an advisory relationship, to select securities and the amount to be bought or sold. In all cases however, such discretion is exercised in a manner consistent with the stated investment guidelines for a particular portfolio.

When selecting securities and determining amounts, Nikko AM observes the investment policies, limitations and restrictions of the client for which it is acting. For registered investment companies, Nikko AM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Nikko AM in writing.

#### **Item 17 Voting Client Securities**

Nikko AM views the exercise of voting rights as part of its fiduciary responsibility and an important part of the value of an investment, which should be constructively used in a clients' best interest. Furthermore, the firm also believes from a long-term perspective, such action can contribute to the growth of investor assets. Voting rights are exercised solely for the benefit of the client or beneficiaries of pooled investment vehicle from an independent standpoint and Nikko AM does not vote for the benefit of third parties or itself.

As a result, Nikko AM has established corporate governance principals by which an invested company should abide. By exercising voting rights in accordance with these principles, Nikko AM aims to encourage companies to operate in a manner which gives utmost consideration to shareholder interests over the long term.

Nikko AM's Stewardship and Proxy Voting Committee is responsible for examining resolutions in accordance with the firm's "Guidelines on Exercising Voting Rights" ("Guidelines"). Voting activity is conducted in accordance with the guidelines and where a

resolution is regarded as being against the interests of a client, Nikko AM will either oppose the resolution or abstain from voting, based on what is most appropriate and effective. Where appropriate, advice may also be sought from experts, internally and/or externally.

Screening criteria for examining resolutions has also been determined as an aid to assessing the reliability of management and necessity of conducting further appraisals. Criteria includes (but is not limited to):

- Level of ROE and ROA and past fluctuation
- Degree of shareholder return
- Occurrence of any misconduct
- Any adverse opinion from accounting auditors
- Any non-public takeover offers

When clients present Nikko AM with their own policies on voting instructions, Nikko AM will provide its guidelines for discussion and may make subjective adjustments, as required.

When conducting analysis, appropriate engagement or exercising voting rights, for example, if Nikko AM invests in an affiliated company, an investee company or a client (including companies with connections to a client), the possibility of conflicts of interest cannot be ruled out.

Nikko AM has established appropriate risk management and compliance frameworks to ensure that the interests of clients and beneficiaries are the top priority and that such conflicts of interest are appropriately managed if they arise. Portfolio managers, research analysts and governance specialists aim to avoid the occurrence of any conflicts of interest in compliance with Nikko AM's internal regulations. With regard to Nikko AM's exercising of voting rights, if there exists the possibility of a conflict of interest arising pursuant to Item 4 of Article 3 of the Company's Guidelines on Exercising Voting Rights, steps are taken to ensure that Nikko AM's decision making is objective and based on the approval of the Stewardship and Voting Rights Policy Oversight Committee, which consists of a majority of outside members, including the chairman.

Proxy voting reports are provided to clients on a periodic basis. Nikko AM's Guidelines are available from the link here ([Guidelines](#)). In addition, proxy voting policies and procedures can be found here ([Group Proxy Voting Policy](#))

## **Item 18 Financial Information**

Nikko AM is required to provide certain information or disclosures about the firm's financial condition. In this respect, Nikko AM 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.