

**Nikko Asset Management Europe Ltd**

## Form ADV Part 2A Advisory Services Disclosure Brochure

**16<sup>th</sup> October 2024**

This disclosure Brochure describes the qualifications and business practices of Nikko Asset Management Europe Limited ("Nikko AME"). If you have any questions about its contents, please contact us at +44 207 796 9866 or [EMEAEnquires@Nikkoam.com](mailto:EMEAEnquires@Nikkoam.com). 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 AME is registered with the SEC as an investment adviser. Registration does not imply any level of skill or training.

Additional information about Nikko AME can be found on the SEC's website at <http://www.adviserinfo.sec.gov/> using the unique CRD search number 111038.

**Nikko Asset Management Europe Ltd**

Level 5, City Tower  
40 Basinghall Street  
London EC2V 5DE  
United Kingdom  
Tel +44 207 796 9866  
Fax +44 207 796 9816  
<http://emea.nikkoam.com/>

## **Item 2 - Material Changes**

This Brochure was last revised on October 16, 2024, as part of an Other-Than-Annual Amendment update to reflect its ultimate parent company's new legal entity name, Sumitomo Mitsui Trust Group, Inc. (formerly, Sumitomo Mitsui Trust Holdings, Inc.).

There have been no additional material changes since Nikko AME's Annual Amendment update on June 27, 2024.

All other information in this Brochure is as of the date of Nikko AME's last fiscal year end, March 31, 2024.

Pursuant to SEC Rules, Nikko AME 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**

Established in 1984, Nikko Asset Management Europe Ltd (Nikko AME) is the London based subsidiary of the Nikko Asset Management Group (Nikko AM Group), which is headquartered in Tokyo.

Nikko AME's principal place of business is in the UK where it is authorized and regulated by the Financial Conduct Authority ("FCA") to provide investment advisory and asset management services. Further information about Nikko AME can be found at <https://register.fca.org.uk/s/> using the reference number 122084.

### **Corporate History**

The history of the group parent, Nikko Asset Management Co., Ltd. ("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 of an Edinburgh-based investment team, which previously managed the high-alpha equity strategy at Scottish Widows Investment Partnership in August 2014. The team now managed Nikko AM's Global Equity strategy.

As a result, the group is able to offer global investment and distribution capabilities in Tokyo, Singapore, Hong Kong, Sydney, Auckland, Melbourne, London, Edinburgh and New York. Nikko AM also owns 40% of Rongtong Fund Management in China, as well as 20% of AHAM Asset Management Berhad in Malaysia, 19.7% of Yarra Capital Management in Australia and a minority stakes in ARK Investment Management LLC in the US and in Osmosis (Holdings) Limited, a UK-based sustainable investment manager.

These acquisitions have significantly contributed to the diversity of group's assets under management and client base, as well as investment professionals offering on the ground support, that complements client services and marketing/sales activities.

### Ownership

As at March 31, 2018, Nikko AME was a wholly owned subsidiary of Nikko AM which as at 15 January 2021 has become a wholly owned subsidiary of Sumitomo Mitsui Trust Group, Inc.

### Assets Under Management

As at 31 March 2024, preliminary consolidated assets under management and advice of the Nikko AM Group were approximately USD 240.1 billion. Of this, Nikko AME was responsible for approximately USD 17,492 billion, which can be broken down as follows:

Type of Asset	AUM (in USD)
Discretionary Assets	16,521,171,789
Non-Discretionary	970,880,882
<b>TOTAL</b>	<b>17,492,052,671</b>

Exchange rates at March 31 2024	
GBP/USD	1.26
USD/JPY	151.34
AUD/USD	0.65
NZD/USD	0.60
SGD/USD	0.74
CAD/USD	0.74
KWD/USD	3.25
EUR/USD	1.08

### **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
- Global Equities – since 2014
- Multi Assets – 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, London, Edinburgh and New York.

Additionally, the group also provides sub-advisory services via Nikko AM's World Series Fund Platform®. This is offered primarily to Asian investors, 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, hedge funds or offshore funds ("pooled investment vehicles") and separate (segregated) accounts.

Nikko AME 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 AME.

Generally, Nikko AME's fee arrangements are based on a percentage of the market value of assets under management or advisement, although Nikko AME 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 AME 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 AME's

relationship with the client and its affiliates across all accounts and strategies. Nikko AME 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 AME'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 AME and the separate account client. Nikko AME 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 AME'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 AME 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 AME 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 favour higher fee-paying accounts over other accounts, in the allocation of investment opportunities.

Nikko AME'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 AME'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, U.S. registered investment companies, insurance companies and Nikko AM group affiliates.

Nikko AME may also engage affiliates or third parties as sub-advisers, who may be delegated either full discretionary trading authority or non-trading related services.

Minimum investment amounts vary depending on the product type, strategy, and distributor (where appropriate). The minimum amount required to open an investment advisory account is determined by Nikko AME 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 Strategy group provides macroeconomic insight on factors influencing markets, working in conjunction with investment professionals throughout the Nikko AM group's global network. The team also chairs Nikko AM's Global Investment Committee, which is comprised of senior investment professionals based in Tokyo, London, New York and Singapore who meet at least on a quarterly basis to discuss market scenarios and produce a global outlook document.

**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 are 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 in the chart below:

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	Singapore REIT	Nikkei 225	MLP Index
Core	Asia ex Japan	Global Credit	Currency Basis Spread	TSE REIT	MSCI Emerging
Japan Focus	Asia Healthcare	EM Debt (Local Currency)		JPIX-Nikkei Mid Small cap	JPMGI Emerging
Dividend	Asia Small Cap	World Bank Bonds			MSCI-KOKUSAI
Research Active	ASEAN	Green Bonds	<b>(Sub-advised Strategies)</b>	<b>ETFs</b>	FTSE-WGBI ex Japan
Active Value	All China Equity	Supranational Bonds	Preferred REIT	TOPIX	DAX 30
Cash-Rich Company	Shenzhen Innovation	US Treasury	Infrastructure Debt	Nikkei 225	DOW 30
Small & Mid Cap	India	US GNMA • TBA/CMO	Infrastructure Equity	Nikkei Leveraged	US Hybrid
Emerging Equity	Singapore	US Muni	Multi manager Direct Lending	MSCI Japan	S&P BDC
Shareholder Return Growth	Global Emerging	US/Europe Investment Grade	Global REIT, Growth Active	High Dividend -Low Vol	S&P US REIT
Enhanced Index	New Zealand Equity	US/Europe High Yield		Japanese Economy	S&P Europe REIT
Rebound Signal	CART	Canadian Municipal Bonds	<b>Multi Asset</b>	Contributor Stocks	CSI300
Stable Dividend Factor	Global Quantitative	New Zealand Bonds	Global Multi Asset	MSCI Japan	S&P500
<b>(ESG Themed)</b>	Global Natural Resources	Asia Credit	Global Multi Asset Conservative	High Dividend -Low Vol (beta hedge)	S&P500 Currency Hedge
ESG (Lco)	US Equity Momentum	Asia High Yield	Low Risk Multi Asset	Nikkei 225 (Mini)	Dow Average
CSV Active	<b>(Sub-advised Strategies)</b>	Asia Local Currency Bond	Risk Control Balanced	TOPIX Ex-Financials	Dow Average Currency Hedge
Human Capital Investment	Australia Equity	Short Duration Asia Credit	Risk Control Balanced + US Equity Momentum	JPIX-Nikkei 400	NASDAQ100
<b>Fixed Income</b>	(Value (CVA), Income, Concentrated)	RMB Bonds		TSE Dividend Focus 100	NASDAQ100 Currency Hedge
Broad Market	ARK Disruptive Innovation	Singapore Bonds	<b>Smart Beta</b>	TSE REIT	MSCI ACWI (ex Japan)
Specialized Credit	OSMOSIS Resource Efficient Core	Sweden Covered Bonds	URAP	TSE REIT (Mini)	MSCI Emerging Markets
Long Duration		Denmark Covered Bonds	CSV	Nikkei ESG REIT	S&P US TB
<b>Alternatives</b>	<b>Active ETF</b>	ABS/CLO	∠ ROE		S&P US TB Currency Hedge
Dynamic Japan Long Short Equity	Metaverse Active (HK)	Hybrid, MREL/TLAC	<b>AI</b>		EM Debt
Japan Core Neutral Equity		<b>(Sub-advised Strategies)</b>	AJ Deep Learning Technical Management (Equity, Bond, Forex)		FTSE WGBI
Strategic Convertible Bonds		US Revenue Bond	AJ Deep Learning Technical Management (Bond, Forex)		FTSE EPRA/NAREIT Asia ex Japan
J-REIT Active		US Bank Loan			S&P/ASX 200 A REIT
		Europe Bank Loan			ABF SG Bond
		Government Bond Relative Value			China Bond
		Australia Bonds/RMBs			iBoxx SGD IG Corp
					FTSE Straits Times
					Listed Tracers US Government Bond
					0-2years Ladder (No Currency Hedge)
					FTSE EPRA/NAREIT Asia ex Japan (SG)
					Global Internet (HK)
					MSCI China All Shares IMI Future
					Mobility Top 50 Index
					Australian Gov't Bonds
					France Gov't Bonds

### **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 AME 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 denominated in foreign currencies are also exposed to foreign exchange risk and where the market size or trading volume is small, the 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 AME is a wholly owned subsidiary of Nikko AM, which in turn is wholly owned by SMTB, a leading Japanese trust bank whose parent is Sumitomo Mitsui Trust Group Inc., a holding company with various subsidiaries, including other financial services companies. Nikko AME 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, the Nikko AM group has established a variety of policies and procedures, including "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 AME places orders on behalf of its clients with affiliated broker-dealers, an actual or apparent conflict could arise. To manage such potential conflicts, Nikko AME will obtain prior client consent and/or disclose these transactions to clients. Furthermore, Nikko AME 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 pursues best execution when making trading decisions.

### Investment Companies

Nikko AME provides investment management services to investment companies, including group affiliates. Nikko AME 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 AME has adopted trade aggregation and allocation policies and procedures to manage such potential conflicts.

### Other Investment Advisers

Nikko AME has relationships or arrangements with the following affiliated investment advisers under the Advisers Act: Nikko Asset Management Co., Ltd., Nikko Asset Management Americas, Inc., and Nikko Asset Management Asia Ltd. ("Affiliates"). From time to time Nikko AME may, with prior client consent, and to the extent permitted by applicable law, delegate some or all of 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

SMTB is the ultimate parent company of Nikko AM and 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 U.S. 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 AME 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 AME 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 fulfil our fiduciary duty to our clients.

The Code also incorporates 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 AME to monitor trading activity and review transaction histories in order to assess compliance with the Policy.

Nikko AME 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 AME's affiliations with other Nikko AM Group entities and how those affiliations may affect clients of Nikko AME

## **Item 12 Brokerage Practices**

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

Nikko AME 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 AME has adopted a Global Best Execution Policy and Global Trading Policy, in accordance with which, the Risk Management Division in cooperation with related departments 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 AME'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 favourable overall result for the client under the circumstances, giving regard to the following execution factors: price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

Key components of Nikko AME'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

Since the introduction of MiFID II on the 3rd January 2018, where asset management activities are undertaken by Nikko AME, the firm has taken the decision to pay for investment research out of its own resources.

Therefore the firm does not enter into any soft dollar arrangements.

### Trade Aggregation and Allocation

Nikko AME 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 favoured 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 AME 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, risk analysts and compliance personnel. Portfolio managers review the holdings and monitor performance for the products for which they are responsible. Risk analysts monitor portfolios across a number of risk factors, including (but not limited to), liquidity, market, credit, volatility, factor, concentration and capacity risk. Compliance personnel also review portfolios to assess whether they are being managed in accordance with applicable investment guidelines and restrictions.

### Weekly Reviews

Portfolio and risk characteristics for all accounts are reviewed on a weekly basis and chaired by the heads of the investment teams.

### 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

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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 AME. Statements are received from a client's custodian and are reconciled to Nikko AME'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 AME 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
-

#### **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 AME urges its clients to carefully review such statements and compare official custodial records to account statements provided by Nikko AME. 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.

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

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



## **Item 16 Investment Discretion**

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

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

## **Item 17 Voting Client Securities**

Voting rights are part of the value of an investment and should be constructively used in a clients' best interest. Nikko AME's general approach is to vote at general meetings of companies in which it invests on behalf of its clients but recognizes the practical difficulties which may prevent this in some markets.

Rule 2.2.3R of the Conduct of Business Sourcebook (COBS) of the UK FCA Handbook requires that a firm which manages investments for a professional client discloses clearly on its website, or if it does not have a website in another accessible form:

- a. the nature of its commitment to the Financial Reporting Council (<https://www.frc.org.uk/>)'s Stewardship Code (the "Code"); or where it does not commit to the Code, its alternative investment strategy.
- b. Nikko AME supports good practice in this area and endorses the principles on engagement with investee companies set out in the Code subject to the following qualifications:

Nikko AME's investment mandates are predominantly (approximately 80% of assets under management and advice) in the area of money markets and fixed income which fall outside the scope of the Code;

- c. Nikko AME's equities mandates are predominantly for Japanese equities the investment management of which (including the discretion to vote) is outsourced to the Company's head office in Tokyo, Japan, i.e. Nikko Asset Management Co., Ltd ("Nikko AM"). Nikko AM has a publicly available policy on the exercise of voting rights (<http://en.nikkoam.com/voting-rights>) as well as on the disclosure of the results of such voting ([Proxy Voting Results \(nikkoam.com\)](http://en.nikkoam.com/voting-rights)).
- d. The Company manages itself the European equities as part of a larger balanced mandate. The investment management of this mandate is delegated to the Company by Nikko AM but the latter retains the discretion to exercise the voting rights. Nikko AM's policy is to vote on resolutions in all AGM's and EGM's across all regions.

Nikko AME's Global Equity team uses ISS to manage its voting requirements and where it believes proposed decisions are not in the best interests of investors, they will communicate with ISS. As part of ISS which is used by many fund managers, it provides added leverage in terms of voting percentages for proposing changes to what may have been recommended or proposed by the investee's company senior management.

ISS will retain the voting records for the Global Equity team.

### Conflicts of Interest

Nikko AME recognizes that circumstances can occur where an actual or perceived material conflict of interest may arise in effecting voting policies

Potential conflicts of interest may include (but not be limited to) instances where Nikko AME:

- Manages assets for companies whose management are soliciting proxies and the failure to vote in favour of management resolutions may harm Nikko AME's relationship with the company.
- May have a business relationship with a proponent of a proxy proposal and may manage assets for the proponent.
- Or any employee has personal or business relationships with participants in proxy contests, corporate directors or candidates for corporate directorships, or where any member employee may have a personal interest in the outcome of a particular matter before shareholders.

Where such conflicts arise, arrangements will be made to ensure that decisions are taken in the long term interests of clients as a whole. These arrangements may include:

- Referring decisions to senior managers unconnected with the day to day management of the portfolio or pooled investment vehicle concerned.
- Using the advice of an external body.
- Approaching clients directly.

*In order to avoid even the appearance of impropriety, in the event that Nikko AME manages assets for a company, its pension plan, or related entity, Nikko AME will not take into consideration this relationship and will vote all proxies solely in the best interest of its clients.*

### Item 18 Financial Information

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