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This brochure provides information about the qualifications and business practice of Sumitomo Mitsui DS Asset Management Company, Limited. If you have any questions about the contents of this brochure, please contact us using one of the methods listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about our firm is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

There have been no material changes to our brochure since the last annual update made on June 22, 2023, however, we have made minor changes, primarily to the Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, to more accurately describe our situation.

**Please retain a copy of this brochure for your records.**  
**Sumitomo Mitsui DS Asset Management Company, Limited.**  
**September 15, 2023**

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#### **Item 4. Advisory Business**

##### Advisory Firm

Sumitomo Mitsui DS Asset Management Company, Limited (“SMDAM,” “firm,” “we,” “us,” or “our”) is one of Japan’s leading asset management firms. SMDAM was incorporated on 1 April 2019, as a result of the merger of Sumitomo Mitsui Asset Management Co., Ltd. and Daiwa SB Investments Ltd.

Originally, Sumitomo Mitsui Asset Management Co., Ltd. formed from a merger of the following five companies; Mitsui Life Global Asset Management Co., Ltd., Sumitomo Life Investment Co. Ltd, Sumisei Global Investment Trust Management Co., Ltd., Mitsui Sumitomo Insurance Asset Management Co., Ltd., and Sakura Investment Management Co., Ltd.

Daiwa SB Investments Ltd. also formed from a merger of the three companies; Daiwa International Capital Management Co., Ltd, SB Investment Management Co., Ltd, and SBIM Investment Trust Management Co., Ltd. SMDAM is mainly engaged in investment management (discretionary/advisory) and investment trust fund management.

SMDAM’s shareholder structure is the following:

**Sumitomo Mitsui Financial Group, Inc., 50.1%;**

Sumitomo Mitsui Financial Group, Inc. is a Tokyo-based bank holding and financial services company that is ranked among the largest 25 banks globally in total assets. Its core member is Sumitomo Mitsui Banking Corporation, one of the top three megabanks in Japan.

**Daiwa Securities Group, Inc., 23.5%;**

Daiwa Securities Group, Inc. is the financial services holding company of Japan’s second-largest securities firm. It is involved in the dealing, brokerage, underwriting, and distribution of securities.

**Mitsui Sumitomo Insurance Co., 15.0%;**

Mitsui Sumitomo Insurance Co. is one of the largest non-life insurance companies in Japan and a wholly owned subsidiary of MS&AD Insurance Group Holdings, Inc.

**Sumitomo Life Insurance Co., 10.4%;**

Sumitomo Life Insurance Co. is a mutual life insurance company in Japan, founded in 1907 and headquartered in Osaka.

**Sumitomo Mitsui Trust Bank, Limited, 1.0%**

Sumitomo Mitsui Trust Bank, Limited is Japan’s largest trust bank and a wholly owned

subsidiary of Sumitomo Mitsui Trust Holdings, Inc.

#### Advisory Service

We provide discretionary portfolio management services to institutional clients, primarily consisting of governmental pension funds, private corporate pension funds and related trusts. We do not offer investment advisory or management services to U.S. individuals.

#### Investment Management

We offer discretionary investment management services as well as investment advisory services for public and private pension funds, sovereign wealth funds and financial institutions including banks and insurance companies in Japan and overseas. As of March 31, 2023, we had US\$40,255 million of assets under management on a discretionary basis and US\$15,845 million on a non-discretionary basis.

The investment management services we offer are based on the individual mandate of the client and consist of the strategies described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Clients may impose restrictions on investment in particular securities or types of securities and may impose account-related position limits.

#### Investment Trusts

We offer a broad range of products to meet various clients’ needs. Publicly offered investment trusts are for retail investors and subscribers of defined contribution pension funds while privately placed investment trusts are for corporations, financial institutions and group annuities. As of March 31, 2023, we had US\$77,587 million of assets under management of investment trusts.

### **Item 5. Fees and Compensation**

Our standard fees for advisory services are computed at an annualized percentage of the value of the assets supervised or managed on a sliding scale. Our fees are subject to negotiation depending on the size of the account under management and the nature of the services provided. Our standard fee is payable at an annual rate in accordance with the following table:

Fair Market Value of Investment Assets	Annual Rate
Initial \$50 million	0.50%
Next \$50 million	0.30%
Balance over \$100 million	0.20%

We also may provide discretionary investment management services for a fixed fee.

Our fees are for investment management services only and include neither custodial fees, which are charged by the custodian designated by the client, nor transaction fees or commissions incurred in connection with purchases and sales of securities for a client's account. Our practices relating to the selection of brokers and dealers and related fees are described below under "Brokerage Practices."

For most clients, our fee is paid quarterly in arrears, but a different payment schedule may be negotiated. If termination occurs prior to the end of a calendar quarter, a final fee is normally payable on a pro-rata basis.

Our fees are paid either directly by our client or by the client's custodian upon authorization by the client. Although we typically prepare and submit an invoice to the client, our investment management agreements do not grant us the authority to require the client's custodian to pay us our fees without the client's direction. A client may also agree with us and the client's custodian that the custodian will calculate the fee or determine whether the fee we submit is properly calculated.

#### **Item 6. Performance-Based Fees and Side-by-Side Management**

We may also be paid a performance-based fees if agreed by a client with respect to whom a performance-based fee may be charged under Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act"). If agreed by our client, we may receive increased compensation with regard to unrealized appreciation as well as realized gains in the client's account. The specifics as to the terms and conditions of performance-based fee arrangements are determined by negotiation between us and the client.

We have a fiduciary duty, and have established written supervisory procedures, to treat all clients fairly and to avoid conflicts of interest.

## **Item 7. Types of Clients**

As noted above under “Advisory Business,” we provide investment management services to institutional investors, primarily consisting of governmental pension funds, private corporate pension funds and related trusts. There is no clear standard for the minimum account size.

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

### Investment Philosophy

As investment professionals conscious of sustainability, we are committed to provide the “best in quality” performance over the medium and long term.

In order to achieve this, we shall strive to provide stable returns by actively incorporating new investment methodologies and by responding to ever changing market environments.

Regarding active investments, we shall specify existing market inefficiencies and turn them into investment opportunities through establishing disciplined investment approaches to capture excess returns.

In order to achieve this we shall execute the following.

- Conduct thorough & proprietary research on a global basis to reveal inefficiencies.
- Take appropriate risks driven by professional judgments and based on risk tolerance levels.
- Manage risks from multidimensional perspectives.
- Control and improve product quality on an ongoing basis for all investment processes.

### Primary Investment Management Products Offered

#### **• Japan Equity, Fundamental Active:**

The Japan Equity Fundamental Active product aims to provide stable excess returns by utilizing an effective combination of value and earnings momentum driven growth stock selection with a sector allocation overlay.

The products strategy is Core in style and is founded on rigorous judgmental analysis supported by quantitative tools to create an actively managed portfolio.

#### **• Japan Equity, Small Cap Absolute Value:**

The Japan Equity Small Cap Absolute Value product aims to maximize total return. Its objective is capital appreciation in the medium-to-long term, by investing in financially stable,

undervalued small cap companies with sustainable growth potential.

By adopting a value biased, active investment approach and focusing on extensive research, we are able to unearth companies with true earnings growth potential and exploit the opportunities that exist within the niche Japanese small cap market.

• **Japan Equity, Sustainable Dividend:**

The Japan Equity Sustainable Dividend strategy seeks to achieve mid-to-long term capital growth by investing primarily in equities or equities-related securities issued by Japanese companies.

This product is strongly focused on consistent dividend pay-outs and utilizes both quantitative valuation and qualitative analysis to create a portfolio that is actively managed with controlled risk.

The strategy is focused on total return, in particular on the sustainability of dividend payments and reaps value from the Japanese equity market through investing in stocks with consistent dividend pay outs and low risk of dividend cuts.

• **Japan Equity, Value + Alpha (Engagement Value)**

The Japan Equity Value +Alpha (Engagement Value) is a value style product which aims to generate the majority of its alpha from stock selection with a team-based investment approach founded on rigorous corporate research by experienced in-house analysts and portfolio managers. This product focuses on ROE level in relation to PBR by using our proprietary model.

• **Japan Equity, High Conviction Value:**

The Japan Equity High Conviction Value Strategy seeks to achieve excess returns by investing in the best 30-50 attractively valued stocks with convincing catalysts.

To invest in attractive value stocks at the right time, the strategy agilely manages active weights by gauging market preference for cyclical exposure.

• **Global Fixed Income, Carry Enhanced Global Fixed Income:**

Carry Enhanced Global Fixed Income strategy seeks long-term capital appreciation and high risk-adjusted return through maximizing carry income and controlling portfolio risk by using an unique rules-based quantitative approach.

The strategy invests only in highly liquid global government bonds, fully hedging currency exposure against the US dollar.

### Investment Research Platform

With our investment professional network in Japan and overseas, we have established a global investment research platform that allows us to meet clients' diverse asset management needs.

We have overseas subsidiaries in London, Singapore, Hong Kong, New York, and Shanghai to build a global research platform.

As of April 1, 2023, our company has 254 investment professionals on its global research platform, and the average of industry experience for investment professionals is 15.4 years, with 93 chartered financial analysts or certified international investment analysts.

### Investment Risks

Investing in securities of any kind involves risks of loss that clients must be willing to bear. There is no guarantee that the investment strategy selected by a client will result in the client's investment objective being met, nor is there any guarantee of profit or protection from loss. Past performance is no guarantee of future results. Clients and potential clients should consider the following factors:

**Investment Selection.** We may select investments in part on the basis of information and data filed by the issuers of those securities with various government regulators or made directly available to us by the issuers of securities or through sources other than the issuers. Although we seek to evaluate that information and data and seek independent corroboration when we consider it appropriate and when it is reasonably available, we may not be in a position to confirm the completeness, genuineness or accuracy of that information and data, and in some cases, complete and accurate information will not be readily available. The likelihood that clients will realize income or gains depends on our skill and expertise.

**Non-U.S. Exchanges and Markets.** Our investment strategies involve trading on non-U.S. exchanges and markets. Trading on such exchanges and markets may involve certain risks not applicable to trading on U.S. exchanges and is frequently less regulated. For example, certain of those exchanges may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants as do U.S. exchanges and regulation by the SEC. There also may be less regulatory oversight and supervision by the exchanges



themselves over transactions and participants in such transactions on those exchanges. Some non-U.S. exchanges, in contrast to U.S. exchanges, are “principals’ markets” in which settlement is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. Furthermore, trading on certain non-U.S. exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute certain trades and may also be subject to a variety of political influences and the possibility of direct government intervention. Investment in non-U.S. markets are also subject to the risk of fluctuations in the exchange rate between the local currency and the dollar and to the possibility of exchange controls. Foreign brokerage commissions and other fees are also generally higher than in the United States.

**Non-U.S. Investments.** Investment in non-U.S. issuers or securities principally traded outside the United States are likely to involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting reporting and disclosure requirements than U.S. issuers. The securities of some foreign companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets.

**Settlement Risk.** Settlement and clearance procedures in certain foreign markets differ significantly from those in the United States. Foreign settlement and clearance procedures and trade regulations also may involve certain risks (such as delays in payment for or delivery of securities) not typically associated with the settlement of U.S. investments. At times, settlements in certain foreign countries have not kept pace with the number of securities transactions. If we cannot arrange to settle a trade or settlement is delayed in a purchase of securities, a client may miss attractive investment opportunities and certain of its assets may remain uninvested with no return earned for a period of time. If we cannot arrange to settle or settlement is delayed in a sale of securities, a client may lose money if the value of the security then declines or, if it has contracted to sell the security to another party, the client could be liable for any losses incurred.

**Investments in Smaller Companies.** Our Japan Mid/Small Cap Equity and Japan Small Cap Absolute Value strategies contemplate investments in small and/or unseasoned

companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification and competitive strengths of larger companies. These factors make smaller companies far more likely than their larger counterparts to experience significant operating and financial setbacks that threaten their short-term and long-term viability. In addition, in many instances the frequency and volume of trading in their securities is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations, and exiting investments in such securities at appropriate prices may be difficult, subject to substantial delay or impossible. When making large sales on behalf of a client, we may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities. While the nature of our strategies may reduce some of the risks associated with investing in less mature companies, these risks cannot be eliminated.

***Future Regulatory Change is Impossible to Predict.*** The securities markets are subject to comprehensive statutes, regulations and margin requirements. In addition, regulatory authorities and securities exchanges are typically authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of securities is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on a client's account is impossible to predict, but could be substantial and adverse.

***Foreign Taxes.*** It is possible that certain dividends and interest directly or indirectly received by a client from sources within foreign countries will be subject to withholding taxes imposed by those countries. In addition, a client may be subject to capital gains taxes in some of the foreign countries where we purchase and sell securities on the client's behalf. Tax treaties between certain countries and the United States may reduce or eliminate such taxes. Depending on the investment strategy selected it may be impossible to predict in advance the rate of foreign tax a client will directly or indirectly pay since the amount of the client's assets to be invested in various countries may not be known. Clients that are subject to U.S. Federal income taxation generally will be entitled to claim either a credit (subject to various limitations) or a deduction for their share of such foreign taxes in computing their Federal income taxes. Tax-exempt clients, however, will not ordinarily benefit from any credits or

deductions generally granted by the United States in respect of foreign taxes. Clients and potential clients should consult their own tax advisors concerning the consequences to them of utilizing one or more of the investment strategies we offer.

**Item 9. Disciplinary Information**

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of its management personnel. We do not have any disclosure items.

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

As previously noted, we are affiliated with Sumitomo Mitsui Financial Group, Inc. which owns 50.1% of the voting stock of Sumitomo Mitsui DS Asset Management Company, Limited. Sumitomo Mitsui Financial Group, Inc. has the following financial subsidiaries.

SMBC Nikko Securities Inc.

Sumitomo Mitsui Banking Corporation

As noted below under "Brokerage Practices", unless prohibited in the agreement with the client, we utilize the services of SMBC Nikko Securities Inc. in executing securities transactions on behalf of our clients and Sumitomo Mitsui Banking Corporation in foreign currency exchanges.

Separately, we utilize the research capabilities of Japan Research Institute (JRI) which is a wholly owned subsidiary of Sumitomo Mitsui Financial Group, Inc. and compensate for the service rendered.

Although we engage in cross group activities, there are firewalls and other procedures in place to prevent our advisory personnel from being aware of confidential information of those entities' activities or from taking their interests and practices into account in connection with our management of client assets.

**Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

## Code of Ethics

### 1. General Ethics

#### (1) Clients Always Come First (Act for Benefits of Clients)

As a professional asset manager, SMDAM should respond to its clients' needs for their benefit. Considering things from the perspective of clients, SMDAM responds in good faith and strive to be highly valued and trusted by clients.

#### (2) Awareness of Social Mission and Responsibility

SMDAM employees are strongly aware of our social mission, which is to contribute to the mid-to-long-term wealth creation of clients. Acting with confidence and conviction, SMDAM employees make best efforts to be socially reliable persons.

#### (3) Awareness of Compliance

SMDAM employees comply with applicable laws, regulations, and relevant rules, including the U.S. federal securities laws with a sense of ethics, and persistently act in a fair and equitable manner. SMDAM must ensure that our employees promote a proper understanding and knowledge of compliance.

The basic principles of compliance within SMDAM are:

- (a) Fulfilling the fiduciary responsibilities of the firm
- (b) Complying with applicable laws and regulations
- (c) Pursuing of public missions

#### (4) Continuous Effort to Improve the Quality of Products/Services

SMDAM constantly makes every effort to provide the highest quality of service to clients by improving investment performance and upgrading its services.

We will provide a copy of internal rules which constitute our Code of Ethics to the clients or prospective clients upon their request by contacting through our representative shown on the top page.

### 2. Proper Investment Process and Actions

#### (1) Investment Process and Actions - Prudent Man Rule

Fund managers of SMDAM shall use reasonable care and prudent judgment in managing client assets, and shall have a reasonable and adequate basis for making investment decisions.

When managing a portfolio according to a specific mandate, investment strategy or style, fund managers shall only take investment actions that are consistent with the stated investment objectives and constraints in the investment guidelines of the

mandate.

(2) Treating Clients Fairly

SMDAM has a policy to treat clients fairly and never discriminates against clients unreasonably.

SMDAM will deal fairly and objectively with all clients when taking investment actions.

(3) Fair Dealing

(a) Best Execution

SMDAM executes trades and selects brokers to place orders based on its best execution policy and rules.

SMDAM shall fairly allocate trades in a security among its clients in accordance with established internal trading allocation rules.

(b) Prohibition of Insider Trading

NO SMDAM employees trade, or cause others to trade, on the basis of material non-public information that could affect the value of publicly traded investments.

(4) Suitability Check for Investors' Protection

Prior to entering into an investment management agreement with a client, SMDAM shall examine whether an investment is appropriate for the client's financial situation, risk tolerance, investment needs and experience.

(5) Confidentiality of Information

SMDAM employees must maintain confidentiality of any customer information, personal data, or other material information entrusted to SMDAM in the course of conducting business, unless proper authorization is obtained or permitted by law.

(6) Risk Management

SMDAM shall maintain policies and procedures to ensure that all of its activities comply with the provisions of this Code and all applicable legal and regulatory requirements.

SMDAM shall implement a firm-wide risk management process that identifies, measures, and manages the risk position of investments in client accounts.

(7) Fair Valuation and Performance Measurement

SMDAM shall present performance information that is fair, accurate, relevant, timely, and complete.

SMDAM will use fair market prices consistently to value client assets, and will use good faith methods to determine the fair value of any securities for which independent, third-party market quotations are not actually available.

(8) Fair Disclosure

SMDAM professionals will provide full, fair, accurate, timely, and understandable disclosure in reports on an ongoing basis and will furnish the documents to its clients.

SMDAM will comply with all applicable generally accepted accounting principles, government laws, rules and regulations.

### 3. Conflicts of Interest

SMDAM employees should not take any action that could interfere in any way with the interests of their clients and SMDAM itself.

#### (1) Place Client Interests Before SMDAM's Own Interests

SMDAM shall give priority to investments made on behalf of the client accounts over those made for SMDAM.

Neither SMDAM employees nor their family members should receive improper personal benefits as a result of their position at SMDAM.

#### (2) Personal Account Trading

When buying or selling securities for personal accounts, SMDAM employees must comply with all applicable securities laws and follow specific procedures set forth in SMDAM's internal rules.

#### (3) Disclosure of Conflicts of Interest

Conflicts of interest arising from relationships with brokers, other firms, client accounts, fee structures, or other matters should be disclosed.

#### (4) Gift and Entertainment Policy

SMDAM employees may not give gifts to or entertain government officials without specific approval from the Legal & Compliance Department.

SMDAM employees may give gifts or entertainment from non-government employee only when appropriate, in accordance with established guidelines and with a prior approval of the Compliance Department.

### 4. Social Responsibility

#### (1) Anti-Money Laundering

SMDAM employees must follow the "Rules for Prevention of Money Laundering" to prevent money laundering and are obliged to report suspicious transactions to the Japanese FSA.

#### (2) Ensuring Business Continuity

As a firm that conducts business with public investors, SMDAM shall ensure its business continuity based on established business continuity and disaster recovery plans.

### 5. Environmental, Anti-Social, and Human Right Issues

SMDAM will not allow environmental destruction, human rights violation, or involvement with anti-social forces.

SMDAM employees conduct themselves with social responsibility in mind.

(1) Environmental Issues

SMDAM is committed to acting in an environmentally responsible manner, and should therefore take positive approaches to environmental issues.

In addition, as a signatory to the UN PRI (the United Nations Principles for Responsible Investment), SMDAM has incorporated ESG (environmental, social and governance) factors into its analysis and evaluation of companies to ensure higher quality research and better investment performance.

(2) Refusal of Contact with so-called “Anti-Social Groups”

SMDAM must reject any contact with criminal, violent, terrorist or unethical organizations involved in activities that violate applicable laws.

(3) Respect for Human Rights

(a) Prohibition of Discrimination

SMDAM respects human rights and prohibits discriminatory practices or harassment based on nationality, race, ethnicity, gender, age, religion, creed, social status or disability, etc.

(b) Equal Employment Opportunities and Comfortable Workplace

SMDAM shall promote equal employment opportunities and maintain safe and comfortable workplaces for all persons.

(4) International Harmonization

SMDAM employees shall respect the relevant overseas laws, regulations, culture and customs of all the countries in which SMDAM operates, and shall strive to conduct their activities with consideration for the societies and economies of such countries.

6. Others

(1) Retention of Documents

SMDAM employees must prepare documents relating to the business or accounting and retain such documents for specific periods in accordance with applicable laws, regulations and internal rules.

(2) Reporting of Illegal or Unethical Conduct

If SMDAM employees become aware of any misconduct including operational errors, that they believe to be illegal, unethical, or in violation of the Code of Ethics, they must promptly report it to an appropriate contact person identified in SMDAM’s internal rules. The contact person must take appropriate steps to investigate whether and how such

misconduct occurred and, if necessary, to correct it, and to prevent its recurrence.

#### Personal Trading

At SMDAM, personal trading is restricted by internal rules to prevent conflicts of interest between SMDAM staff and clients. In order to prevent inappropriate trading, employee transactions in securities in their personal accounts must be approved in advance by, and be reported after completion of trading to, the designated general manager. The investment professionals, such as fund managers, who are involved in the investment decision making are subject to a stricter restriction that prohibits them from trading certain securities, with the exception specified in the internal rules. In addition, employees who have access to non-public information regarding U.S. clients (Access Persons) are required to report their personal securities holdings and transactions at the time as defined in the Advisers Act.

All the SMDAM employees are required to make a commitment to comply with the rules for personal trading upon joining the firm and annually thereafter. Not to mention, front running, insider information-based trading, and any trading that harms clients' interests are strictly prohibited. In the event of a violation of the internal rules, we may impose such sanctions as we deem appropriate (including, without limitation, a letter of reprimand or suspension or termination of employment).

#### Principal Trading

Our affiliates – i.e., banks and broker-dealers controlled by Sumitomo Mitsui Financial Group, Inc. – may act as brokers in securities that we decide to buy or sell for the account of our clients and, with a client's consent, we may engage in a "principal transaction" for such security with such an affiliate for a client's account.

Conflicts of interest may exist in a principal trade due to the incentive to profit from buying or selling inventory. In order to prevent this risk, we shall generally quote to at least three brokers who are fairly selected in accordance with our "Broker Selection Rules", and will select the one who offers the best deal.

#### Agency Cross Transactions

In general, we do not knowingly engage in agency cross transactions (i.e., transactions between clients for which we or one of our affiliates receives a brokerage fee). Unless a client



has granted consent to us to engage in such transactions, as described in the next paragraph, we will not engage in such a transaction without obtaining consent in the same manner as for principal transactions.

Although we have not historically done so, we reserve the right to require a client to grant advance consent to agency cross transactions pursuant to Rule 206(3)-2 under the Advisers Act. Under this rule, the client would execute a written consent prospectively; we would send each such client a written confirmation containing prescribed information; we would send to each such client, at least annually, a written disclosure statement identifying the transactions; each written disclosure and confirmation would include a conspicuous statement that the written consent may be revoked at any time; and no such transaction could be entered into in which the same advisor recommended the transaction to both a seller and a purchaser.

#### Other Trading Activities of Our Affiliates

As noted above under “Other Financial Industry Activities and Affiliations”, Sumitomo Mitsui Financial Group, Inc. has numerous subsidiaries in the financial industry, including commercial banks, other investment advisers and broker-dealers. These entities may engage in transactions in the same securities that we buy and sell on behalf of our clients, both as principal for their own account and as broker or adviser for other clients. These transactions may occur at or about the same time as the transactions we enter into for our clients. We have no knowledge of these transactions, and these affiliates have no knowledge of the transactions in which we engage on behalf of our clients. We, our subsidiaries, and the subsidiaries of Sumitomo Mitsui Financial Group, Inc. have firewalls and other procedures in place to prevent our and their personnel from gaining or utilizing information about our and their respective principal and clients’ transactions and transactions that are being considered, either as principals or on behalf of our or their respective clients.

## **Item 12. Brokerage Practices**

#### Selection or Recommendation of Broker/dealer

Our clients are free to place limitations on our authority to determine which securities are to be purchased or sold, the total amount of securities which are to be purchased or sold and the broker through which the securities are purchased or sold. In selecting brokers to execute securities transactions for client accounts, we seek the best execution of client transactions, taking into account the quality of the all services provided by the executing broker. These

services may include research materials that fall within the safe harbor for the use of soft dollars established by Section 28(e) of the Securities Exchange Act of 1934. Among the factors we consider in broker selection are the responsiveness of the broker to us in connection with transactions for our clients, promptness of execution, quality of execution, cost, reputation, financial responsibility and research-related services that the broker provides to us and our clients.

These research-related services include, among others, analyses and reports concerning issuers, industries, securities and economic factors. In reviewing the list of approved brokers, semi-annually, our analysts assess the quality of the research services that we obtained from various brokers during the previous term, and that assessment is one of the factors we consider in selecting the brokers we will use until the next review of brokers (subject to the possible occurrence of developments with respect to a particular broker that may lead us to stop using that broker and, perhaps, to substitute a new broker on our approved broker list). However, we do not otherwise take into account the particular research we receive from a broker in selecting brokers to effect client transactions. For the last review, most of the brokers we used had provided us with research services that factored into their selection for a position on our approved broker list.

#### Soft Dollar Practices

Other than as described above, we do not utilize soft dollars to obtain any service. Research furnished by broker-dealers to us may be used in servicing all our accounts.

#### Client Referrals from Brokers

In general, we do not receive client referrals from brokers. However, if we did receive such a referral, we anticipate that we would continue to utilize such broker's services to the same extent that we did prior to receipt of the referral, subject to instruction to the contrary by a client. Our brokerage allocation policies provide that we may not take client referrals into account in selecting brokers to execute client transactions.

#### Directed Brokerage

We do not request, direct or require that clients request or direct us to execute transactions through a specified broker-dealer. However, a client may direct brokerage to a specified

broker-dealer other than the firm we would otherwise select. If a client does so, it is up to the client to negotiate the commission rate, as we will not. The client may not be able to negotiate the most competitive rate. As a result, the client may pay more than the rate available through the broker/dealer we would use. In client directed brokerage arrangements, the client may not be able to participate in aggregated ("block") trades, which may help reduce the cost of execution.

#### Trade Aggregation

While individual client advice is provided for each account, client trades may be executed as a block trade. No client account within the block trade will be favored over any other client account, and thus, each account will participate in an aggregated order at the average share price and receive the same commission rate. The aggregation should, on average, reduce slightly the costs of execution, and we will not aggregate a client's order if in a particular instance we believe that aggregation would cause the client's cost of execution to be increased.

#### **Item 13.                   Review of Accounts**

We review our client accounts on a regular basis and conduct specific reviews on the schedule specified in our investment management agreements. Our agreements call for reviews and consultations with our clients at a minimum once per quarter, and we conduct internal reviews at least monthly. Market conditions that might cause a wide variance in the specified asset allocation, or other factors, could give rise to more frequent review. Client accounts are reconciled on a daily basis with clients' custodians.

Our reviews encompass currency and stock market transactions and are coordinated by our operations staff and include an examination of the client's portfolio holdings as well as an attribution analysis of the portfolio's performance. While risk control is monitored by designated group leaders in the Equity Management Department as well as responsible general managers to ensure that our portfolio managers comply with both client-directed and regulatory guidelines, the Investment Management Division itself is monitored by administration-related departments from other divisions.

Depending on individual client requirements, our marketing and client service team typically prepares written monthly, quarterly and annual statements, including detailed attribution and

performance data, market commentary and investment strategies. Depending on client specifications, we also typically conduct more formal in-person or teleconference review meetings between our clients and portfolio managers on at least a semi-annual basis, unless ongoing market conditions or any other unusual events that could cause a wide variance in specified asset allocations, changes in investment direction or philosophy or a variety of other factors could necessitate more frequent reviews. These formal review meetings are coordinated with our Senior Portfolio Manager and President/CEO in attendance.

All clients also receive standard account statements from their custodian bank on a monthly basis at a minimum, or have access to portfolio via online access with the custodian bank.

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

We have a referral agreement with Sumitomo Mitsui Banking Corporation, which is valid only for clients in Japan and with the client's consent.

**Item 15. Custody**

Neither we nor any of our affiliates have or accept “custody” (as defined in Rule 206(4)-2 (the “custody rule”) under the Advisers Act) of client assets for clients that are subject to the requirements of the custody rule.

**Item 16. Investment Discretion**

Our clients grant us full discretion to trade their securities pursuant to a power of attorney that is granted by our investment advisory agreements, subject to limitations specified in the applicable agreement.

**Item 17. Voting Client Securities**

We are generally granted the power in our investment management agreements to vote our clients' securities on all matters presented unless the client directs otherwise in its investment management agreement. If a client specifies that it will vote its own portfolio securities, the client typically arranges with a third-party information provider to receive information concerning issues presented, the applicable record date and other relevant matters and arranges for proxy votes to be cast by the client's custodian, with no participation on our part.

We have adopted policies that require us to vote proxies in the best economic interest of our clients, and not in the interest of our firm, documenting that votes were cast in the interest of the client. There may be times when refraining from voting a proxy is in the client's best interest, such as when the cost of voting exceeds the expected benefit to the client.

Clients may contact us at the phone number or address listed on the first page of this brochure to obtain our complete proxy voting policy and information on how we have voted securities on the client's behalf.

**Item 18. Financial Information**

We are not required to provide disclosure pursuant to this item.