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This brochure gives information about Sumitomo Mitsui DS Asset Management Company, Limited. (“SMDAM” – we may also refer to ourselves by “we,” “our” or similar terms) and its qualifications and business practices. 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 are no material changes, this is our first Form ADV Part2A.

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

**April 1, 2019**

**Table of Contents**

Item 2	Material Changes .....	Cover Page
Item 4.	Advisory Business .....	3
Item 5.	Fees and Compensation .....	3
Item 6.	Performance-Based Fees and Side-by-Side Management .....	4
Item 7.	Types of Clients .....	5
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9.	Disciplinary Information.....	10
Item 10.	Other Financial Industry Activities and Affiliations .....	10
Item 11.	Code of Ethics, Participation or Interest In Client Transactions and Personal Trading .....	11
Item 12.	Brokerage Practices .....	17
Item 13.	Review of Accounts.....	20
Item 14.	Client Referrals and Other Compensation.....	20
Item 15.	Custody.....	21
Item 16.	Investment Discretion.....	21
Item 17.	Voting Client Securities.....	21
Item 18.	Financial Information .....	21

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

##### Advisory Firm

Our legacy company, Daiwa SB Investments was established in Japan in 1999. (“DSBI”) Sumitomo Mitsui Asset Management Company, Limited was established in Japan in 2002. (“SMAM”) Building on this, Sumitomo Mitsui DS Asset Management Company, Limited was formed in 2019 as a result of a strategic partnership between Daiwa Securities Group Inc., Sumitomo Mitsui Financial Group, Inc., Sumitomo Life Insurance Company, Mitsui Sumitomo Insurance Co., Limited and Sumitomo Mitsui trust Bank.

##### Advisory Service

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

As of December 31, 2018, we had US\$124,711million of assets under management on a discretionary basis and US\$24,915 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.

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

Our usual 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
US\$0mil – US\$50 mil	0.60%
US\$50mil – US\$100mil	0.50%
US\$100mil –	0.40%

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 as it is immediately after the merger.

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

### Investment Philosophy

Our basic Investment philosophy is as follows.

1. There are various inefficiencies in the market.
2. It is necessary to clarify ideas on which inefficiency should be focused on for each investment style, and practice unique research in the investment process that is most suitable for each style to grasp this inefficiency.
3. It's possible to acquire excess returns if accurately grasp the revenue opportunities due to this inefficiency, and take risks appropriately.

Also, we believe that the following requirements are indispensable for ensuring stable investment results over a long period of time.

1. Practice global basis investment based on survey and analysis with med- to long-term perspective and appropriate approach.
2. Construct an best investment process and consistently maintain investment policies and investment stance based on it
3. Grasp the location and nature of the risks accurately and control the risks properly.

### 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.

#### Research Capabilities

We have an in-house research department consisting of 75 analysts, strategists and economists (as of December 31, 2018). Our 41 industry analysts research companies, mainly in the Japanese markets, and produce investment ratings that are utilized for sector allocation and the creation of a master list of stocks. The research team visits companies located in Japan, and the Asia ex-Japan region.

In addition to our in-house research department, we are also in the position of being able to utilize the resources and databases of our affiliates, the Daiwa Institute of Research (“DIR”) and Japan Research Institute (“JRI”), which are leading research companies in Japan. Although Daiwa SBI is independently managed, the company maintains a close working relationship with our parent organizations, Daiwa Securities Group and Sumitomo Mitsui Financial Group, which are two leading financial institutions representing the securities industry and the banking industry respectively. These research affiliates and group resources with over 250 analysts, strategists and economists conduct macro and microeconomic research, as well as company research. They also maintain a proprietary database of company fundamentals that our regional portfolio managers can access at any time.

We also obtain research information from external sources such as Bloomberg, Quick, Reuters, IBES, Toyo Keizai and outside brokers.

#### 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 be uninvested with no return earned thereon for some period. 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 Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group, Inc., each of which owns 23.5%, 50.1% of the voting stock of Sumitomo Mitsui DS Asset Management Company Limited, respectively. Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group, Inc. have the following broker-dealer subsidiaries/affiliate

Daiwa Securities Co. Ltd.  
SMBC Nikko Securities Inc  
Sumitomo Mitsui Banking Corporation

As noted below under “Brokerage Practices,” subject to a client’s consent we have utilized the services of Daiwa Securities Co. Ltd. and SMBC Nikko Securities Inc. in executing securities transactions on behalf of our clients. In addition, again subject to client consent, we may in the future utilize the services of any of the brokers named above in executing client transactions.

Separately, as noted above under “Investment Strategies, Methods of Analysis and Risk of Loss,” we utilize the research capabilities of DIR, JRI and Nikko Global Wrap Ltd.(“NGW”) and compensate those organizations for their services. DIR is a wholly owned subsidiary of Daiwa Securities Group Inc, JRI is a wholly owned subsidiary of Sumitomo Mitsui Financial Group, Inc. and NGW is a wholly owned subsidiary of Sumitomo Mitsui DS Asset Management Company, Limited.

Both Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group, Inc. have many subsidiaries in the financial industry, including commercial banks and other investment advisers. We and our subsidiaries have firewalls and other procedures in place to prevent our advisory personnel from having knowledge of those entities’ activities or 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 people should respond to its clients’ needs for their benefits. Considering things from perspective of clients, SMDAM people respond in good faith and strive to be highly evaluated and trusted by clients.

(2) Awareness of social mission and responsibility

SMDAM people are strongly aware of our social mission that SMDAM should contribute to mid-to-long term wealth building for clients. Acting with confidence

and conviction, SMDAM people make best effort to be socially reliable persons.

(3) Awareness of compliance

SMDAM people comply with laws, regulations, and relevant rules with a sense of ethics in all situations and persist in acting a fair and equitable manner. SMDAM must ensure that SMDAM people promote proper understanding and knowledge of compliance.

The basic policy of compliance within SMDAM is:

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

(4) Continuous effort to improve quality of products/services

SMDAM constantly makes every effort to provide top quality service with its clients by improving investment performance and upgrading its services.

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 when managing client assets, and 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 take only 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 of treating clients fairly and never discriminates clients unreasonably.

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

(3) Fair dealing

(a) Best execution

SMDAM makes trading and chooses brokers to place orders based on its best execution policy and rules.

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

(b) Prohibition of insider dealing

NO SMDAM people act or cause others to act on material non public information

that could affect the values 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 suitable to the client's financial situations, and investment needs and experiences.

(5) Confidentiality of information

SMDAM people must maintain confidentiality of client information, personal information, and material information that is entrusted to them by SMDAM or its client in the process of business conducts, except when proper authorization is obtained or legally permitted.

(6) Risk management

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

SMDAM shall conduct a firm wide risk management process that identifies, measures, and manages risk position of investments in clients' accounts.

(7) Fair valuation and performance measurement

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

SMDAM shall use fair market prices consistently to value client holding assets, and apply, in good faith, methods to determine the fair value of any securities for which no independent, third party market quotations is really available.

(8) Fair disclosure

SMDAM professionals make full, fair, accurate, timely, and understandable disclosure in reports on an ongoing basis, and submit the documents to its clients. SMDAM comply with all applicable accounting principles generally accepted, government laws, rules and regulations.

3. Conflicts of interest

SMDAM people should not take any actions that could interfere in any way with the interests of its clients and SMDAM itself.

(1) Place client interests before SMDAM's own interests

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

SMDAM people nor their family member should receive improper personal benefits as a result of their position in SMDAM.

(2) Personal account dealing

When buying or selling securities for personal accounts, SMDAM people must comply with all applicable securities laws and follow specified procedures set in SMDAM's internal rule.

(3) Disclosure of conflicts of interest

Conflicts of interest generated by any relationship with brokers, other entities, client accounts, fee structures, or other matters should be disclosed.

(4) Gift and entertainment rules

SMDAM people may not give any gifts to or entertain government officials without specified approval by its compliance department.

SMDAM people, only when appropriate, may give or accept from non-government employee's gifts or entertainment in accordance with specified guidelines with a prior approved by the compliance department.

4. Social responsibility

(1) Anti money laundering

SMDAM people 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) Securing business continuity

As a firm conducting business with public investors, SMDAM shall secure its business continuity based on established business continuity and contingency plans to address disaster recovery.

5. Environmental, antisocial, and human right issues

SMDAM does not allow destruction of the environment, violation of human rights, or any involvement with anti social forces.

SMDAM people conduct ourselves with social responsibilities in our mind.

(1) Environmental issues

SMDAM is committed to acting in an environmentally responsible manner and should therefore approach environmental issues positively.

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 in its analysis and evaluation of companies, aiming to ensure higher quality research and better investment performance.

(2) Rejecting contact with so-called "Anti-social groups"

SMDAM must reject all contacts with criminal, violent, terrorism, or unethical organizations involved in activities in violation of applicable laws.

(3) Respect for human rights

(a) Prohibition against discrimination

SMDAM shall respect human rights and prohibit discriminatory practices or harassment because of nationality, race, ethnicity, sex, 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 people.

(4) International harmonization

SMDAM people must respect the overseas relevant laws, regulations, culture and customs of all the countries where SMDAM operates and strives to manage their activities with consideration of societies and economies of such countries.

6. Others

(1) Retention of documents

SMDAM people must prepare documents relating to the business or accounting and retain such documents for specified periods in accordance with applicable laws and internal rules.

(2) Reporting of illegal or unethical conduct

If SMDAM people become aware of any misconduct including operational errors they believe are illegal, unethical, or violation of internal rules, they must promptly notify an appropriate contact person specified in SMDAM's internal rules.

The contact must take appropriate steps to investigate whether and how such misconduct occurred and, when necessary, to correct it, and to prevent its recurrence.

Personal Trading

Our directors, officers, certain employees and other specified persons ("Covered Persons") who may be aware that one of our clients is purchasing or selling a particular security or has such a purchase or sale under consideration may not, as to any account which we or that Covered Person has a beneficial interest, engage in any transaction in that security or as to any security convertible into that security or any option or warrant

relating to that security.

Executive officers and employees must not conduct such transactions unless they have been reviewed, confirmed and pre-approved by the general manager of the compliance department. After the transaction, each covered person must report to the general manager of the compliance department without delay. (including inheritance and acquisition by gift)

In the event of any violation of our Code of Ethics, we may impose such sanctions as we deem appropriate (including, without limitation, a letter of censure or suspension or termination of employment).

#### Principal Trades

Our affiliates – i.e., banks and broker-dealers controlled by Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group, Inc. – may act as dealers in securities that we determine 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 a security with such an affiliate for a client's account. Before such a principal trade is transacted, we will disclose to the client in writing the capacity in which our affiliate is acting, including relevant information to allow the client to assess the desirability of the trade from the client's perspective, and will obtain the consent of the client to such transaction. A conflict of interest may exist in a principal trade because of the incentive to generate a profit by buying or selling from inventory.

#### Agency Cross Transactions

In general, we do not knowingly engage in agency cross transactions (i.e., transactions between clients in which we or one of our affiliates is paid 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 that applies in the case of principal transactions.

Although we have not historically done so, we reserve the right to request a client to grant advance consent to agency cross transactions pursuant to Rule 206(3)-2 under the Advisers Act. Under that 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 effected in which the same advisor recommended the transaction to both any seller and purchaser.

#### Other Trading Activities of Our Affiliates

As noted above under “Other Financial Industry Activities and Affiliations,” both Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group, Inc. have many subsidiaries in the financial industry, including commercial banks, other investment advisers and broker-dealers. Those entities may engage in transactions in the same securities that we buy and sell on behalf of our clients, both as principals for their own account and as brokers or advisers for other customers or clients. Those transactions may occur at or about the same time as the transactions we engage in for our clients. We do not have knowledge of those transactions, and those affiliates do not have knowledge of the transactions in which we engage on behalf of our clients. We and our subsidiaries, and the subsidiaries of Daiwa Securities Group Inc. and 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 client 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 bought or sold, the total amount of securities which are to be bought or sold and the broker or dealer through which the securities are bought or sold. In selecting brokers to effect securities transactions for client accounts, we seek the best execution for the client’s transactions, taking into account the full range and quality of the services provided by the executing broker. Those 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 furnish to us and our clients. We do not use brokers that provide execution-only services, and we almost always pay the same level of brokerage commissions to all brokers that we use on behalf of our clients in a particular country.

These research-related services include, among others, analyses and reports concerning issuers, industries, securities and economic factors. In generating a list of approved brokers, each year our analysts assess the quality of the research services that we obtained from various brokers during the previous year, and that assessment is one of the factors we consider in selecting the brokers we will use until the next annual 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. During our last fiscal year 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.

We have no obligation to deal with any particular broker in the execution of transactions for any client (absent instructions from the client). Subject to the policies described above and consent from the client, we may direct some trades on behalf of clients to Daiwa Securities Group Inc. and its affiliated brokers. While in some cases it may be possible to effect particular transactions through other broker-dealers at lower commission cost, we believe the commissions charged by Daiwa Securities Group Inc. and its affiliated brokers to our clients are reasonable in relation to the full range and quality of services provided to us and are not higher than the commissions that would be charged by similar services by non-affiliated broker-dealers.

#### 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 a 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 executed 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 group leaders from the Equity Management

Department and Fixed Income 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, although 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 do not pay any party for client referrals, either directly or indirectly. We receive no benefits or compensation from any party, whether or not an affiliate, other than our clients in connection with our provision of investment management services.

#### **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.

