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This brochure gives information about Daiwa SB Investments Ltd. (“Daiwa SBI” – 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.

Item 2. Material Changes

There are no material changes in prior filings to report in Form ADV Part2A.

Please retain a copy of this brochure for your records.

Daiwa SB Investments Ltd.

March 31, 2015

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Item 4. Advisory Business

Advisory Firm

Our legacy company, Daiwa International Capital Management Co., Ltd. (“DICAM”) was established in Japan in 1973. Building on this, Daiwa SBI was formed in 1999 as a result of a strategic partnership between Daiwa Securities and The Sumitomo Bank (now amalgamated within Sumitomo Mitsui Financial Group, Inc.) , each of which is a public company in Japan, each own 44% of Daiwa SBI.

Advisory Services

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 March 31, 2015, we had US\$ 48,171 million of assets under management on a discretionary basis and US\$87 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
Equities:	
Initial US\$20 million	0.60%
Next US\$30 million	0.40%
Balance over US\$50 million	0.20%
Bonds:	
Initial US\$50 million	0.25%
Next US\$150 million	0.15%
Balance over US\$200 million	0.10%

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. Generally the minimum account size we will agree to manage is \$20,000,000.

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

Investment Philosophy

Our investment philosophy is to provide stable, maximum above benchmark returns over the medium-to-long term through active management, and by taking advantage of market inefficiencies, of investments in equity securities, as described further below. We seek to achieve these goals by analyzing fundamentals from a global perspective, investing actively through a well defined and structured process, maintaining a consistent investment style and conducting comprehensive risk management. Our philosophy is centered on our belief that a local Asian presence enables our managers and analysts to accurately interpret and predict the subtleties of the region's market sentiment. As described further below, we manage diversified portfolios based on criteria specified by our clients.

For investments in the Japanese markets, our portfolio managers conduct company visits, and we believe they are uniquely positioned to identify sector specific and macroeconomic opportunities in the Japanese markets. We employ a Bottom-Up approach with a Top-Down overlay in the Japanese market, and aim to add value primarily through a mix of stock selection and sector allocation. By "Bottom-Up" we mean

an approach that focuses on the fundamental analysis of the business and prospects of an individual company and the characteristics of its securities; and by a “Top-Down” overlay we mean an approach that focuses on macroeconomic factors and their impact on particular industries. Utilizing a proprietary valuation model, we believe our effective combination of quantitative and qualitative analyses enable us to identify high quality, value-oriented stocks.

In the rest of the Pacific Basin, we focus on an issuer’s growth prospects vis-à-vis an assessment of the price of its securities, while striving for long-term, consistent outperformance based on solid research and the cultivation of a greater respect for risk. Our style reflects our core philosophy, whereby our investments in quality growth companies are based on Bottom-Up, fundamental analysis, supported by both a disciplined investment process and active company visits by our portfolio managements teams in Hong Kong and Singapore. While stock selection remains a key source of excess returns, country and sector allocations are also significant factors.

Primary Investment Management Products Offered

- **Fundamental Active (Equity):** 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 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.
- **Pacific Basin Equity:** An actively managed synthesis of our Japanese and Asia ex Japan strategies, in which we employ an investment philosophy that reflects the different natures of the Pacific Basin markets. In the more mature Japanese market, we adopt a Value-style approach, whereby we invest in what we believe to be undervalued stocks based on quantitative screening (valuation) and intensive judgmental Bottom-Up analysis (evaluation). For the faster growing Pacific Basin ex-Japan markets, we adopt a Growth-style, driven by fundamental Bottom-Up analysis, to identify quality growth companies. Both markets benefit from our intensive Bottom-Up fundamental analysis, supported by an active program of company visits. By effectively combining these analyses we aim to identify undervalued stocks, where intrinsic value will be reflected over time in the share price. The portfolio is constructed, monitored and managed using a team-based approach, and we can also customize country-specific and/or emerging Asia strategies relative to our clients’ investment mandates, restrictions and requirements in Australia, Hong Kong, Japan, New Zealand, Singapore and other markets, including China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand.
- **Asia Pacific ex-Japan Equity:** An active, fundamental, Growth-oriented investment approach for the less mature markets of Asia, using intense fundamental analysis and frequent company visits to identify and research high-quality companies. We believe that investments in superior companies domiciled in countries which have high economic growth potential will add value to the management of our client’s portfolios. Our investment style reflects this philosophy, whereby we invest in quality Growth companies based on intensive bottom-up fundamental analysis, supported by quantitative screening of stocks and an active program of company visits by our Asia Pacific ex-Japan portfolio managers. By effectively combining these analyses we aim to identify undervalued stocks, where intrinsic value will be reflected over time in the share price. The portfolio is constructed, monitored and managed using a team based approach, and we can also customize country-specific and/or emerging Asia strategies relative to our clients’ investment mandates, restrictions and requirements.
- **Japan Mid/Small Cap “Free Active” Equity:** An actively managed portfolio of high conviction Mid and Small cap stocks from the entire investment universe and based entirely on fundamental Bottom-

Up research by our in-house Mid-Small Cap analysts, industry analysts and portfolio managers. This strategy product aims to produce returns at least 3% above the Russell/Nomura Small/Mid Cap. Index on an annualized basis, with no constraints around stock or sector, giving our portfolio managers the freedom to focus on their best ideas to maximize alpha.

- Global Fixed Income: The Global Fixed Income product is provided for central banks, government agencies and corporate clients. Portfolios are benchmarked against the main global bond indices, which may be customised to meet client's particular currency or maturity requirements. Value is added by decisions on country selection and weighted duration, currency overlay, yield curve position and credit exposure. These portfolios are limited to developed markets, and to investment-grade securities.

Research Capabilities

We have an in-house research department consisting of 32 analysts, strategists and economists (as of April 1, 2015). Our 16 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 190 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.

Highly qualified professionals

We adhere to high ethical standards. Experienced professional staff and efficient business practices enable the company to cultivate advanced asset management capabilities. We currently have 160 employees with the CMA designation (Chartered Member of the Security Analysts Association of Japan, a Japanese designation similar to the CFA in the US) and 20 employees with the CFA designation. To retain key professionals, we offer them opportunities for broadening their experience and knowledge by exposing them to different responsibilities and providing various training programs. Our portfolio managers have an average of 17 years of investment experience, and our annual employee turnover rate is less than 5%.

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.

Emerging Markets. The risks of foreign investments described above apply to an even greater extent to investments in emerging markets, including investment in certain Pacific Basin countries such as Malaysia and Thailand. The securities markets of emerging market countries are generally smaller, less developed, less liquid and more volatile than the securities markets of the U.S. and developed foreign markets. Disclosure and regulatory standards in many respects are less stringent than in the United States and developed foreign markets. Accounting and auditing standards in many markets are different, and sometimes significantly differ from those applicable in the United States, Europe or Japan. In particular, the accounting standards with respect to inflation have to be clearly understood in order to analyze a balance sheet. There is substantially less publicly available information about companies located in emerging markets than there is about companies in other more developed jurisdictions. There also may be a lower level of monitoring and regulation of securities markets in emerging market countries, and the activities of investors in those markets and enforcement of existing regulations has been extremely limited.

Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of these countries also have been and may

continue to be adversely affected by economic conditions in the countries with which they trade. The economies of countries with emerging markets may also be predominantly based on only a few industries or dependent on revenues from particular commodities. In addition, custodial services and other costs relating to investment in foreign markets may be more expensive in emerging markets than in many developed foreign markets, which could reduce a client's income from those securities.

In many cases, governments of emerging countries continue to exercise significant control over their economies, and government actions relative to the economy, as well as economic developments generally, may affect the capacity of issuers of emerging country debt instruments to make payments on their debt obligations, regardless of their financial condition. In addition, there is a heightened possibility of expropriation or confiscatory taxation, imposition of withholding taxes on interest payments or other similar developments that could affect investments in those countries. There can be no assurance that adverse political changes will not cause a client to suffer a loss of any or all of its investments and, in the case of fixed-income securities, interest thereon.

Many emerging countries are undergoing important political and economic changes that are making their economies more free-market oriented. However, there could be future political and economic changes that may return the situation to closed and centrally controlled economies with price and foreign exchange controls. Many of these countries lack the legal, structural and cultural basis for the establishment of a dynamic, orderly, market-oriented economy. Many of the promising changes that are being seen at present could be reversed, causing significant impact on a client's investment returns.

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.

Currency Risk. The value of a client's account may be affected favorably or unfavorably by changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when a client's investments are changed from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. Such changes generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments.

Investments in Smaller Companies. Our Pacific Basin and Japan Mid/Small Cap "Free Active" Equity 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 44% of the voting stock of Daiwa SBI. Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group, Inc. have the following broker-dealer subsidiaries/affiliates:

Daiwa Securities Co. Ltd.
SMBC Friend 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 Daiwa Securities Capital Markets Co. Ltd. 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 and JRI and compensate those organizations for their services. DIR is a wholly owned subsidiary of Daiwa Securities Group Inc, and JRI is a wholly owned subsidiary of Sumitomo Mitsui Financial Group, Inc.

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 do not have relationships that are material to our business practices with any of those entities, and 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

We maintain a Code of Ethics. The Code of Ethics sets forth standards of conduct expected of advisory personnel, requires compliance with Japanese laws and US federal securities laws and addresses conflicts that arise from personal trading by advisory personnel. We will provide a copy of our Code of Ethics upon request.

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.

Each Covered Person is subject to certain reporting requirements in respect of purchases or sale of securities in which he or she had or acquired any direct indirect beneficial ownership.

Our Chief Compliance Officer has been charged with the general duty of administration and application of the aforementioned requirements, subject to the direction and control of our Board of Directors.

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/dealers

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.