

# Nissay Asset Management Corporation

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Nissay Asset Management Corporation (“NAM”). If you have any questions about the contents of this brochure, please contact us at 81-(3) 5533-4000 or at <http://www.nam.co.jp/company/english/index.html>. 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.

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

Registration as investment adviser under the Investment Advisers Act of 1940 does not imply a certain level of skill or training.

## Material Changes

NAM's most recent update to Part 2 of Form ADV was made in December 2015. Our business activities have not changed materially since the time of that update.

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## Advisory Business

NAM was formed on April 4, 1995, and is a subsidiary of Nippon Life Insurance Company ("NLI"), a Japanese corporation involved in the insurance business, holding 100% of issued and outstanding shares of NAM. NAM provides various investment advisory services to clients, and does not specialize in a particular type of advisory service. NAM generally invests client assets in Japanese publicly traded common stock in issuers that are organized under the laws of Japan or primarily traded on the Tokyo Stock Exchange or other recognized markets in Japan. As of March 31, 2018, NAM managed approximately \$41.5 billion in assets under management on a discretionary basis (no U.S. clients). With respect to the discretionary management business, Client assets are managed based on the investment policy stipulated in the investment management agreement with the clients, and NAM has full discretion in choosing investments. NAM also tailors its advisory services to the individual needs of clients.

## Fees and Compensation

For advisory services provided to clients, NAM charges advisory fees based on a percentage described below of the market value of the assets under management. Generally fees are billed and collected quarterly in arrears. The fees range from .30% to .60% based on the total value of assets under management. However, the fees and the payment methods are generally negotiable.

NAM does not deduct its management fees from clients' accounts. The fees charged by NAM are in addition to any transaction costs (including brokerage fees) when buying and selling

securities, and custodial fees, and other actual costs (including any reasonable fees for exercise of the voting rights).

Other than the advisory fees, NAM does not accept any compensation from the clients, nor does it execute any sale of securities for the clients as broker/dealer.

## **Performance Based Fees and Side-by-Side Management**

Performance based or incentive fees are fees based on a share of capital gains on or capital appreciation of the assets of a client, and is not based on a share of capital gains on or capital appreciation of the assets of the client. NAM does not charge any performance-based fees.

## **Types of Clients**

NAM has no U.S. clients.

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

NAM provides advice with respect to investment mainly focusing on Japanese equity securities.

NAM selects Japanese equities through a bottom-up approach based on research and analysis by analysts and valuations, and aims to create portfolios that NAM believes will outperform the Japanese equity market (TOPIX).

All investments in securities involve a risk of loss and the clients should be prepared to bear the risk that the investment strategy offered by NAM could lose money over short or even long periods.

There are two material risks involved with respect to the investment in Japanese stocks.

- **Price fluctuation risk:**  
As a result of domestic and global economic trends, change in social conditions, industry trends, performance or expected performance of operations of the issuing company, assessment of the company by investors, and investment behavior based on such factors, Japanese stock prices may decrease and investors could suffer a loss which loss may amount to more than the amount of the invested principal.
- **Liquidity risk:**  
There is a risk that Japanese stocks may be illiquid due to (i) the liquidity of the stocks in the market being significantly lower than the volume of the transaction, (ii) management or financial condition of the issuing company deteriorates, or (iii) demand and supply becomes significantly imbalanced due to such deterioration. In addition, even if such stocks may be exchanged for cash, the price may be unfavorable compared to the price which was available immediately before such transaction, and as a result, client may suffer a loss which loss may amount to more than the amount of the invested principal.

The identification of securities representing high quality businesses and management teams is a difficult task, and there are no assurances that such opportunities will be successfully recognized over the long term. While such investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses.

## **Disciplinary Information**

On January 16, 2014, Commissioner of Financial Services Agency ordered NAM to pay an administrative monetary penalty based on the violation of Financial Instruments and Exchange Act of Japan on account of a violation of insider trading rules.

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

NAM has an affiliation with Nippon Life Insurance Company (“NLI”), a Japanese corporation involved in the insurance business. NLI holds 100% of issued and outstanding shares of NAM. NAM’s relationship with NLI does not create a material conflict of interest with its clients.

NAM has a 51% stake in Nippon Life Global Investors Singapore (“NLGIS”), a joint investment advisory company of NLI and Schroders based in Singapore. NAM’s stake in NLGIS does not also create a material conflict of interest with its clients.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

NAM has adopted a written code of ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Investment Advisers Act of 1940 (the “Rule”). This Rule requires registered investment advisers, such as NAM to establish, maintain and enforce a written code of ethics that sets forth a standard of business conduct and compliance with federal securities laws by all of NAM’s employees. NAM’s Code contains policies and procedures that ensure that all personal securities trading by NAM’s employees are conducted in such a manner as to avoid conflicts of interest or any abuse of an individual’s position of trust and responsibility. NAM’s Code includes, among other things:

- A standard of business conduct for NAM’s supervised persons, which standard reflects the adviser’s fiduciary obligations and those of its supervised persons;
- Provisions requiring the NAM’s supervised persons to comply with applicable federal securities laws;
- Provisions that require all of NAM’s access persons to report, and NAM to review, their personal securities transactions and holdings periodically;
- Provisions requiring NAM’s supervised persons to report any violations of NAM’s Code promptly to NAM’s Chief Compliance Officer or, provided the NAM’s chief compliance officer also receives reports of all violations, to other persons the adviser designates in the Code; and
- Provisions requiring NAM to provide each of NAM’s supervised persons with a copy of the Code and any amendments, and requiring the adviser’s supervised persons to provide the adviser with a written acknowledgment of their receipt of the Code and any amendments.

NAM invests in the same securities (or related securities, e.g., warrants, options or futures) that NAM recommends to the clients, or recommends securities to clients or buys or sells securities for client accounts, at or about the same time that NAM buys or sells the same securities for its own account. NAM’s practice is to ensure that there will be no conflict of interests with NAM’s clients, by organizationally separating the departments that handle the investment management and the personal trading, so that the investment management

information related to the securities shall not be shared with the department handling personal trading in accordance with the Rules of the Japan Securities Investment Advisers Association.

A copy of NAM's Code shall be provided to any client or prospective client upon request.

## **Brokerage Practices**

In selecting or recommending broker-dealers for client transactions, NAM conducts evaluation based on factors such as their ability to provide information and ability to execute buy/sell transactions with respect to the broker-dealers who meet a certain level of credit requirement. After such evaluation, if there is a concern about a broker-dealer's ability in handling orders, the head of relevant departments will discuss the treatment of such broker-dealer, and the officer in charge will make the decision based on such discussion.

Within the last fiscal year, NAM acquired products or services, such as analyst reports, market data, arrangement of meetings held by security issuers, seminars and conferences, and software supporting investment research, with client brokerage commissions (other than execution) from brokers in connection with client securities transaction.

When NAM uses client brokerage commissions (or markups or markdowns) to obtain the aforementioned research and trade execution cost analysis, or other products, NAM receives a benefit because NAM does not have to produce or pay for the research, products or services.

In this regard, NAM may have an incentive to select or recommend a broker-dealer based on NAM's interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable execution. In addition, NAM may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

NAM uses the above benefits to service all of NAM's clients' accounts. NAM does not seek to allocate such benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Subject to consent of such clients, NAM will aggregate the purchase or sale of securities for client accounts. When possible, orders for the same securities that are received at the same time are combined or "batched" to facilitate best execution concerns. The Company effects batched transactions in a manner designed to ensure that no participating client is favored over any other client. Specifically, each client that participates in a batched transaction will participate at the average share price for all of NAM's transactions in that security on that business day, with respect to that batched order. Securities purchased or sold in a batched transaction are allocated pro-rata to the participating client accounts in proportion to the size of the order placed for each account. Additionally, if the Company is unable to fully execute a batched transaction and the Company determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, the Company may allocate such securities in a manner determined in good faith to be a fair allocation.

NAM does not compensate any custodians or broker/dealers for referring client accounts to NAM.

## **Review of Accounts**

Securities portfolios are reviewed daily by the portfolio managers who are in charge of the strategy. The portfolio managers monitor their individual positions and look for new investment opportunities on a continuous basis. After their reviews, the portfolio managers will determine if a change in the security positions is necessary. Changes in the portfolio may be determined with consideration of an alpha generating perspective and also a risk management perspective.

All of the portfolios are also reviewed at least monthly by the senior investment professionals within the equity investment department from risk management perspective.

## **Client Referrals and Other Compensation**

NAM does not compensate any person for client referrals nor does it offer or receive sales awards or prizes for providing investment advice to clients.

## **Custody**

All accounts are held in custody by unaffiliated broker/dealers or banks, and NAM does not have access to client funds or securities. Account custodians send statements directly to the client on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by NAM

## **Investment Discretion**

For accounts that clients have granted NAM trading discretion, NAM will select the securities and the amounts to be bought or sold without obtaining specific consent from the clients. Any limitations clients may (or customarily do) place on NAM's discretionary authority are described in the discretionary management agreement with the clients.

## **Voting Client Securities**

NAM has adopted and implemented the following proxy voting principles:

- Voting rights are exercised only for the purpose of advancing the interests (increasing the value of stocks or preventing from devaluing) of the clients or beneficiaries.
- By actively utilizing and leveraging the voting rights, NAM works on the management personnel of the invested companies to pursue shareholder value oriented management, promote disclosure and other activities to install proper corporate governance structure and continuously monitor the state of implementation on the part of invested companies.
- NAM's decision in exercising voting rights shall not be distorted because of NAM's affiliations or business relationships. Voting instructions shall be made even after all shares have been sold.

NAM's clients can direct NAM's vote in a particular solicitation, in accordance with the provisions set forth in the discretionary management agreement entered between NAM and the client.

NAM addresses conflicts of interest between NAM and NAM's clients with respect to voting their securities in accordance with the above voting principles. NAM has not identified any material conflicts of interest in connection with past proxy votes. Absent specific client

instructions, if NAM identifies a material conflict of interest it will follow the voting recommendation of the independent corporate governance consulting firm that it has retained.

A copy of the information on how NAM voted the securities, as well as NAM's proxy voting policies and procedures, shall be provided to any client or prospective client upon request.

To the extent that NAM has authority to participate in class action claims ("Claims") on behalf of its clients, the Company will do so on a case-by-case basis. In evaluating the Claim, NAM will decide whether or not to participate in the Claim depending upon (i) whether the Claim conflicts with the interest of the client; (ii) the nature of the Claim; (iii) prospects for recovery; (iv) resources required to pursue the Claim and (v) other relevant factors pertaining to the particular Claim.

## **Financial Information**

NAM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.