

**Nikko Asset Management Americas, Inc.**

## Form ADV Part 2A Advisory Services Disclosure Brochure

**October 10, 2014**

This Brochure describes the qualifications and business practices of Nikko Asset Management Americas, Inc. ("Nikko AMA"). If you have any questions about its contents, please contact us at 1-212-610-6100 or at [USMarketing@nikkoam.com](mailto:USMarketing@nikkoam.com). Information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or any state securities authority.

Nikko AMA is registered with the SEC as an investment adviser. Registration does not imply any level of skill or training.

Additional information about Nikko AMA can be found on the SEC's website at <http://www.adviserinfo.sec.gov/> using the unique CRD search number 824.

**Nikko Asset Management Americas, Inc.**

535 Madison Avenue  
Suite 2500  
New York, NY 10022  
Tel 1-212-610-6100  
Fax 1-212-610-6140  
<http://en.nikkoam.com/>

## **Material Changes**

This brochure was revised on October 10, 2014 in order to update language with respect to Item 5 – Fees and Compensation. All other information is relevant as of the date of the Firm's last fiscal year end, March 31, 2014.

Pursuant to SEC Rules, Nikko AMA ensures that clients receive a summary of any material changes to this and subsequent brochures within 120 days of the end of Nikko AMA's fiscal year. We may also provide further information about material changes, or new brochures based on such changes, as necessary.

## Table of Contents

<b>Item 4</b>	<b>Advisory Business .....</b>	<b>4</b>
	Introduction .....	4
	Corporate History .....	4
	Ownership .....	5
	Assets Under Management .....	5
	Advisory Services .....	5
<b>Item 5</b>	<b>Fees and Compensation .....</b>	<b>6</b>
<b>Item 6</b>	<b>Performance-Based Fees and Side-By-Side Management.....</b>	<b>7</b>
<b>Item 7</b>	<b>Types of Clients .....</b>	<b>7</b>
<b>Item 8</b>	<b>Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>7</b>
	Methods of Analysis.....	7
	Investment Strategies .....	9
	Risk of Loss .....	9
<b>Item 9</b>	<b>Disciplinary Information.....</b>	<b>10</b>
<b>Item 10</b>	<b>Other Financial Industry Activities and Affiliations .....</b>	<b>10</b>
	Broker-Dealers.....	10
	Investment Companies .....	10
	Other Investment Advisers .....	10
	Banking or Thrift Institutions .....	11
<b>Item 11</b>	<b>Code of Ethics, Participation in Client Transactions and Personal Trading .....</b>	<b>11</b>
<b>Item 12</b>	<b>Brokerage Practices .....</b>	<b>11</b>
	Broker-Dealer Selection and Best Execution .....	11
	Soft Dollars .....	12
	Trade Aggregation and Allocation .....	12
<b>Item 13</b>	<b>Review of Accounts.....</b>	<b>12</b>
	Monitoring .....	12
	Reconciliation.....	13
	Client Reporting .....	13
<b>Item 14</b>	<b>Client Referrals and Other Compensation .....</b>	<b>14</b>
<b>Item 15</b>	<b>Custody.....</b>	<b>14</b>
<b>Item 16</b>	<b>Investment Discretion .....</b>	<b>14</b>
<b>Item 17</b>	<b>Voting Client Securities .....</b>	<b>14</b>
<b>Item 18</b>	<b>Financial Information .....</b>	<b>15</b>

## **Item 4    Advisory Business**

### **Introduction**

Established in 1981, Nikko Asset Management Americas, Inc. (Nikko AMA) is the U.S. based subsidiary of the Nikko Asset Management group (Nikko AM group), which is headquartered in Tokyo.

Nikko AMA is a Registered Investment Adviser ("RIA") with the Securities and Exchange Commission ("SEC") and registered as a Commodity Trading Adviser ("CTA") with the Commodity Futures Trading Commission ("CFTC").

### **Corporate History**

The history of the group parent, Nikko Asset Management Co., Ltd. ("Nikko AM") dates back to 1959 when its predecessor Nikko Securities Investment Trust Co., Ltd was established. It subsequently merged with Nikko International Capital Management Co., Ltd. (established 1981) in 1999, to form Nikko AM.

As one of Japan's largest asset management companies, Nikko AM has significantly expanded its operations both in Asia and internationally, in pursuit of its primary business objective; to become the world's leading pan-Asian asset management group.

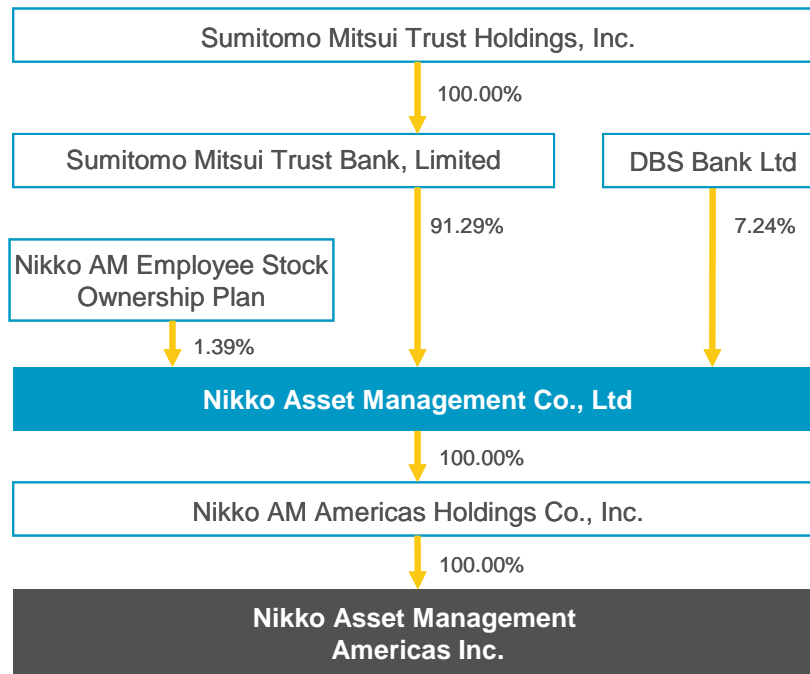
It is the Nikko AM group's core belief that there are great opportunities for specialist investment managers in the fast growing Asian markets and what clients and distributors really want is a strong, dedicated Asian based investment firm, like Nikko AM, which can grasp the often nuanced and local characteristics of markets and global investor requirements. By utilizing its deep knowledge of the local markets in Asia and leveraging the group's global presence and resources, Nikko AM aims to maximize the value it delivers to its clients regardless of their geographic location.

The acquisitions of DBS Asset Management Ltd and Tyndall Investment Management Limited during 2011, and Treasury Asia Asset Management Limited in 2013 have enabled the Nikko AM group to significantly strengthen its presence across Asia. As a result, the group is able to offer global investment and distribution capabilities in Tokyo, Singapore, Hong Kong, Kuala Lumpur, Sydney, Auckland, London and New York. Nikko AM also owns 40% of Rongtong Fund Management in China, as well as 30% of Hwang Investment Management Berhad in Malaysia. It has also formed a joint venture with Ambit Holdings Private Limited in India by taking a 50.1% stake in Ambit Mauritius Investment Managers Private Limited and a 49.0% stake in Ambit Investment Advisors Private Limited.

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

### Ownership\*

As at March 31, 2014, Nikko AMA was a wholly owned subsidiary of Nikko AM, which in turn is majority owned by Sumitomo Mitsui Trust Bank Limited ("SMTB"), a leading Japanese trust bank whose parent is Sumitomo Mitsui Trust Holdings Inc



\*Ownership percentages have been rounded down to two decimal places.

### Assets Under Management

As at March 31, 2014 consolidated assets under management and advice of the Nikko AM group were approximately USD 158.45 billion. Of this, Nikko AMA was responsible for USD 6.87 billion, which can be broken down as follows:

	USD Mn
Discretionary Assets	3,816.94
Non-Discretionary Assets	3,053.61
Total	6,870.55

### Advisory Services

In responding to the diverse needs of investors, the Nikko AM group offers both active and passive investment capabilities across equity, fixed income and alternative asset classes, with key strengths in multiple-pan-Asian asset strategies. The group's hybrid culture, experience and Asia-focused perspective offers crucial insights into understanding the nuances of opportunities and challenges within Asian markets. This informs investment decisions in a way that is extremely hard for non-local firms to emulate. Moreover, as a group, we have shown a deep commitment to the region, establishing a strong bench of investment expertise within these specialized markets. Our experience of investing and advising clients on Asian securities, broken down by region, is as follows:

- Japanese Equities – since 1959
- Asia Pacific ex Japan – since 1990
- Emerging Asia – since 1994
- China - since 2005

Nikko AM believes the best way of managing regional portfolios is to rely on the expertise of local professionals, based in the appropriate investment region. Portfolio managers and research analysts are highly experienced professionals, with in-depth knowledge of their own markets, as well as cultural and political aspects impacting them. The skills and expertise of each team is combined and brought together to offer specialist regional asset management services. As a result mandates may be sub-delegated to specialist investment teams at Nikko AM group affiliates in Tokyo, Singapore, Hong Kong, Kuala Lumpur, Sydney, Auckland, London and New York.

Additionally, the group also provides sub-advisory services via Nikko AM's World Series Fund Platform®. This is offered primarily to Asian investors, as a means of accessing products managed by leading asset managers, world-wide.

Services are primarily provided to individual and institutional investors (clients), through investment companies or other pooled investment vehicles, including mutual funds, closed-end investment companies, Japanese Investment Trusts, unit investment trusts, private companies, hedge funds or offshore funds ("pooled investment vehicles") and separate (segregated) accounts.

Nikko AMA manages portfolios in accordance with the specified guidelines and objectives of each individual client. In this regard, clients may impose restrictions on investing in certain securities or types of securities. Services may also be limited by legal and regulatory requirements. Such restrictions will be clearly specified in investment management agreements, following consultations with clients and will consider the impact of the proposed restriction of the investment strategy, relevant laws and regulatory requirements.

## **Item 5 Fees and Compensation**

This brochure is intended for use by U.S. retirement plan sponsors, endowments, foundations, and other institutional investors. Accounts are generally subject to a minimum account size, which may be waived by Nikko AMA.

Generally, Nikko AMA's fee arrangements are based on a percentage of the market value of assets under management or advisement, although Nikko AMA may also charge performance-based fees, flat fees, or apply other alternative fee structures. The specific fee arrangements with respect to any given account are negotiable on a client-by-client basis. When determining appropriate fees, Nikko AMA may take into account, among other things, the account's investment strategy, whether the account is a discretionary account, the level of servicing required by the account and the scope of Nikko AMA's relationship with the client and its affiliates across all accounts and strategies. Nikko AMA generally bills clients quarterly in arrears.

Separate account clients are responsible for third party expenses associated with managing the account including but not limited to, for example, brokerage commissions, ticket charges and other fees. Nikko AMA's brokerage practices are discussed in Item 12 of this Brochure. The allocation of these expenses will be made in accordance with the agreement in place between Nikko AMA and the separate account client. Nikko AMA does not select account custodians on behalf of separate account clients or serve as the custodian of separate account client account assets. Clients will be responsible for charges imposed by custodians, such as custodial fees.

Generally, Nikko AMA's investment advisory agreements provide that either party may terminate the agreement upon a mutually agreed time upon prior written notice. Upon termination, clients pay the pro-rata portion of fees through the effective date of termination.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

Where Nikko AMA enters into performance based fee arrangements with qualified clients, fees will be negotiated on an individual basis and structured in accordance with Section 205(a)(1) of the Investment Advisers Act of 1940 (the “Advisers Act”) (in accordance with available exemptions thereunder, including the exemption set forth in Rule 205-3).

Performance based fee arrangements may create an incentive for Nikko AMA to recommend certain investments, which may be riskier or more speculative than those which would have been recommended under a different fee paying arrangement. Such arrangements also create an incentive to favor higher fee paying accounts over other accounts, in the allocation of investment opportunities.

Nikko AMA’s procedures are designed and implemented to ensure that all clients are treated fairly and equally, to prevent this conflict from influencing the allocation of investment opportunities between clients. Policies are also implemented to ensure that all accounts are managed in line with client objectives and guidelines, which further mitigates such risk.

## **Item 7 Types of Clients**

Nikko AMA’s clients generally include institutional investors, such as corporations, pension funds, trust banks, charitable organizations, government agencies and funds, supranational organizations, as well as pooled investment vehicles including Japanese Investment Trusts and Nikko AMA group affiliates.

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

Minimum investment amounts vary depending on the product type, strategy and distributor (where appropriate). The minimum amount required to open an investment advisory account is determined by Nikko AMA on a case by case basis, relying on a number of factors including (but not limited to) the types of investments to be made for the account.

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

Investment advice is based on the objectives and terms set out in individual client investment management agreements, relevant fund prospectuses or offering memoranda.

### **Methods of Analysis**

The Nikko AM group’s commitment and dedication to investing on behalf of its clients is reflected throughout the organization. It is evidenced not only by the organization structure, but also by the intensity of our research efforts and the disciplined nature of our investment and risk control processes.

Specialist teams throughout the Nikko AM group’s global network are dedicated to providing analysis on macro-economic factors, specific asset classes, strategies and styles, as follows:

**Macro-Economic Analysis:** The Investment Strategy group provides macro-economic insight on factors influencing markets, working in conjunction with investment professionals throughout the group’s global network. The team also chairs Nikko AM’s Global Investment Committee, which is comprised of senior investment professionals based in Tokyo, London, New York, Singapore and Sydney, who meet at least on a quarterly basis to share market insight and determine global asset allocation.



**Equity Research:** Equity analysts are assigned responsibilities based on geographic regions, sectors or investment styles. The Nikko AM group's general approach focuses on fundamental bottom up analysis; although it will vary depending on specific requirements of the investment strategy pursued and is tailored accordingly. Investment teams and research analysts have an integral relationship that adds value to uncovering and responding to investment opportunities quickly. Communication efforts are designed to ensure that analysts fully understand the investment philosophy and research requirements of investment teams as well as the current view of individual portfolio managers. Analysts and portfolio managers are grouped together both organizationally and physically, which builds teamwork and solid understanding. Through constant two-way communication and discussions regarding company views and portfolio holdings, analysts seek to maximize their contribution to the investment process.

**Fixed Income & Currency Analysis:** Dedicated credit and currency analysts use various models and tools, some of which have been developed in-house, to carry out detailed analysis. The Nikko AM group provides broad coverage of global fixed income markets and currencies with consideration to the following factors:

- **Macro Fundamentals:** Underlying economic outlook on a country by country basis, including medium term growth prospects, fiscal policy, government debt levels, progress on reforms, current account/trade position and the political environment.
- **Interest Rates:** Combining positive fundamental analysis with attractive interest rates to provide a strong total return, taking into consideration short and long term market rates and future monetary policy direction versus market expectation.
- **Market Liquidity:** Market accessibility and the ease of obtaining/building a position.
- **Investor Positioning/Relative Performance:** How investors are currently positioned: Has there been an increase in the amount of foreign buying? How sustainable is it? Is it speculative or foreign direct investment related? How has the currency performed relative to other currencies?

**Quantitative Analysis:** A dedicated team develop and maintain quantitative tools and models, based on the latest academic theories, to support Nikko AM's quantitative investment approaches. Providing sophisticated risk and market analysis, high level quantitative technology is connected directly to investment processes and are reflected in many of Nikko AM's products.

**Performance Analysis:** Performance is analyzed both quantitatively and qualitatively, using a combination of proprietary and third party tools and models, to ensure assets are being appropriately managed in-line with specific investment strategies, guidelines and risk levels.



## Investment Strategies

To respond to the diverse needs of investors, the Nikko AM group offers both active and passive global investment capabilities across equity, fixed income and alternative asset classes with key strengths in Asian products. This includes (but is not limited to), the following:

Equities	Fixed Income & Currencies	Alternatives
<b>Japan (Core, Growth, Value)</b> <b>Japan Small/Mid Cap</b> <b>Japan Enhanced Index</b> <b>Japan Eco SRI</b> <b>Japan Passive</b> <b>Asia-Pac Ex-Japan</b> <b>Asian REIT</b> <b>Southeast Asia</b> <b>China 'A' Shares</b> <b>Greater China</b> <b>India</b> <b>North America</b> <b>Natural Resources</b> <b>ETFs</b>	<b>Money Market (€/US\$/¥/A\$/C\$/NZ\$)</b> <b>Global Bond (Sovereign)</b> <b>World Bank Bonds</b> <b>Green Bonds</b> <b>Japan Aggregate</b> <b>Japan Credit</b> <b>Passive</b> <b>Asian Bonds</b> <b>Enhanced cash</b> <b>Ecology Bonds</b> <b>Currency Overlay</b> <b>ETFs</b>	<b>Japan Equity Market Neutral</b> <b>Global Bond/Currency</b> <b>Long/Short</b> <b>Option Arbitrage</b> <b>CB Arbitrage</b> <b>Asset Allocation</b>

The group also offers an extensive range of ETF products listed on the Tokyo Stock Exchange. As at March 31, 2014, this included

- 13 Japanese equity ETFs,
- 2 China ETFs (A and H share),
- 5 International equity ETFs
- 2 Real estate investment Trusts (REITS)
- 2 International Bond ETFS

The addition of Japanese ETFs to an investment portfolio can provide an effective means for overseas investors to increase their diversification at a relatively low cost, while participating in and benefitting from investment opportunities in a region outside of their own.

## Risk of Loss

Investing in securities involves a risk of loss that clients should be prepared to bear. The value of investments and the income from them may go down as well as up and investors may not get back the original amount invested; past performance is not a guide to future results. Even when the value of the securities sold is greater than the price paid, there is a risk that the appreciation will be less than inflation.

For the majority of accounts managed, Nikko AMA aims to hold diversified positions to minimize risk levels. However, it may concentrate holdings in industries, geographic regions or companies which, in light of investment considerations, market risks and other factors, it believes will provide the best opportunity for attractive risk adjusted returns. The concentration of assets may subject clients to a greater degree of risk.

Securities denominated in foreign currencies are also exposed to foreign exchange risk and where the market size or trading volume is small; portfolios may be subject to unexpected losses from being unable to sell portfolio holdings at expected prices.

## **Item 9     Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Nikko AMA or the integrity of its management. Nikko AMA and its management have no such events to report.

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

Nikko AMA is a wholly owned subsidiary of Nikko AM, which in turn is majority owned by SMTB, a leading Japanese trust bank whose parent is Sumitomo Mitsui Trust Holdings Inc., a holding company with various subsidiaries, including other financial services companies. Nikko AMA may have relationships with or enter into transactions with these companies, which could create actual and perceived conflicts of interest.

In order to address any actual or perceived conflicts of interest, the Nikko AM group has established a variety of policies and procedures, including “Conflict of Interest Control Regulations”. Key components of these regulations include: (i) identification of types of potential conflict of interest transactions; (ii) method of conflict of interest control; and (iii) internal control systems.

### **Broker-Dealers**

When Nikko AMA places orders on behalf of its clients with affiliated broker-dealers, an actual or apparent conflict could arise. To manage such potential conflicts, Nikko AMA will obtain prior client consent and/or disclose these transactions to clients. Furthermore, Nikko AMA has established broker-dealer selection guidelines and a best execution policy to ensure that it places the interests of clients above its own, when selecting broker-dealers and pursues best execution when making trading decisions.

### **Investment Companies**

Nikko AMA provides investment management services to investment companies, including group affiliates. Nikko AMA discloses that it is a related person of the investment companies for which it provides investment management services. The provision of investment management services to multiple investment companies could result in a conflict of interest when multiple investment companies are interested in the same investment opportunity or in transacting in the same security. Nikko AMA has adopted trade aggregation and allocation policies and procedures to manage such potential conflicts.

### **Other Investment Advisers**

Nikko AMA has relationships or arrangements with the following affiliated investment advisers under the Advisers Act: Nikko Asset Management Co., Ltd., Nikko Asset Management Europe Ltd, Nikko Asset Management Asia Limited and Nikko Asset Management Hong Kong Limited (“Affiliates”). From time to time Nikko AMA may, with prior client consent, and to the extent permitted by applicable law, delegate some or all of our responsibilities, duties and authority under an investment management agreement to one or more of our affiliates. Affiliates may also provide investment management services as an adviser or a sub-adviser to clients of other affiliated and unaffiliated advisers.

### **Banking or Thrift Institutions**

SMTB is the parent company of Nikko AM and serves as distributor for several of Nikko AM's pooled investment vehicles. SMTB may provide administrative, custodial and other services to Nikko AM's products and clients. Nikko AM may have an incentive to appoint affiliated banking institutions as trustees for its Japanese Investment Trusts. For U.S. clients, the selection of custodians is the responsibility of the client, not Nikko AM. Whenever Nikko AM appoints a custodian, such as for a Japanese Investment Trust, it conducts due diligence on that institution, negotiates arms-length arrangements and fully discloses the affiliation to the client.

## **Item 11 Code of Ethics, Participation in Client Transactions and Personal Trading**

Nikko AMA is committed to upholding the highest standards of business ethics and conduct. We are proud of this commitment and consider it fundamental to earning and maintaining the trust of our clients and prospective clients.

Nikko AMA operates under a Code of Ethics and Business Conduct (the "Code") that complies with Rule 204(A)-1 of the Advisers Act. The Code serves to emphasize our commitment to upholding the highest standards by setting forth basic principles of business ethics and conduct that apply to all directors, officers and employees. Chief among the commitments set forth in the Code is our commitment to fulfill our fiduciary duty to our clients.

The Code also incorporates Nikko AM group's personal trading policy (the "Policy"). The Policy is guided by the principle that as a fiduciary entrusted with the management of client assets our foremost concern is and must always be to protect the interests of our clients. The Policy aims to effectuate this principle by establishing a framework for managing personal trading by directors, officers and employees that protects the interests of our clients, while permitting responsible investing by our directors, officers and employees.

Key components of our personal trading policy include: (i) prohibitions and restrictions on certain types of transactions; (ii) preclearance requirements that allow the appropriateness of the proposed transaction to be assessed prior to permitting a transaction; and (iii) reporting requirements that allow Nikko AMA to monitor trading activity and review transaction histories in order to assess compliance with the Policy.

Nikko AMA will provide a copy of the Code to any client or prospective client upon request at no charge.

Please see the section of this Brochure entitled "Other Financial Industry Activities and Affiliations" for a discussion of Nikko AMA's affiliations with other Nikko AM group entities and how those affiliations may affect clients of Nikko AMA.

## **Item 12 Brokerage Practices**

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

Nikko AMA has a fiduciary duty to place the interests of clients above its own or any third party when selecting broker-dealers and placing trades for client portfolios. Accordingly, Nikko AMA has adopted a Global Best Execution Policy and Global Trading Policy, in accordance with which, the Risk Management Division assesses and monitors counterparty risk and determines whether to commence or continue trading with the

broker-dealer and reviews risk limits where necessary. When assessing a broker-dealer, the Risk Management Division considers credit, operational, and reputational risk, in addition to compliance with external regulatory requirements.

Nikko AMA's Global Best Execution Policy establishes principles and standards to be followed when trading as a fiduciary on behalf of clients or pooled investment vehicles in order to achieve "best execution". This is defined as the most favorable overall result for the client under the circumstances, giving regard to the following execution factors: price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

Key components of Nikko AMA's Global Best Execution Policy includes: (i) procedures for broker-dealer selection and order placement; and (ii) the prohibition of transactions involving inherent conflicts.

### **Soft Dollars**

In the ordinary course of business Nikko AMA receives research reports from broker-dealers and considers factors such as the usefulness and amount of the research as part of its broker-dealer evaluation process. Except for the research acceptance mentioned above, Nikko AMA will not receive or enter into any soft dollar arrangements.

### **Trade Aggregation and Allocation**

Nikko AMA may group orders to obtain economies of scale that may be available on larger transactions, where:

- It has been determined that an investment decision is appropriate for each participating portfolio; and
- It is consistent with the terms of individual investment management agreements, applicable laws and industry association rules.

Moreover, transactions are not aggregated unless they are consistent with the duty to seek best execution. This policy applies to all types of investments and no client is favored over any other, when orders are aggregated. Where orders are partially filled, allocation will typically be made on a pro rata basis.

## **Item 13 Review of Accounts**

### **Monitoring**

Nikko AMA conducts regular daily, weekly and quarterly reviews as part of its general monitoring processes, in addition to ad-hoc reviews, as necessary.

### **Daily Reviews**

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

### **Weekly Reviews**

Portfolio and risk characteristics for all accounts are reviewed on a weekly basis and reported to the Nikko AM's Group Chief Investment Officer.

#### Monthly Reviews

Monthly reviews of individual strategies are undertaken by investment teams and heads of investment departments to evaluate investment performance, discuss the details related to portfolio management during the reporting period and confirm the strategy going forward.

#### Quarterly Reviews

Quarterly review meetings are held by the Risk Management Department and attended by portfolio managers and heads of investment departments. During the meeting portfolio performance is reviewed from a range perspectives (such as risk/return), feedback is provided to each portfolio manager and any issues which arise are reported to Nikko AM's Investment Risk Committee. Results of quarterly review meetings are also provided to the Chief Investment Officer. Special issues may also be reported to Nikko AM's Risk Oversight Committee, which is chaired by the Chief Executive Officer and convened on a quarterly basis.

#### Ad Hoc Reviews

Ad hoc reviews may also be undertaken when necessary. For example, when the size of a portfolio has rapidly expanded or portfolio performance significantly deteriorates, which may require the appropriateness of a product to be re-assessed. Furthermore, portfolio managers also frequently assess portfolio risk levels using both Barra and proprietary risk models.

#### Reconciliation

Reconciliation is carried out on an ongoing basis for accounts managed by Nikko AMA. Statements are received from a client's custodian and are reconciled to Nikko AMA's records. Reconciliation of cash statements is undertaken at least monthly, but may occur more frequently (i.e. every time there are cash movements in a portfolio).

During the reconciliation process, if any discrepancies are found, they are fully investigated, addressed and resolved, with full documentation.

#### Client Reporting

Nikko AMA produces periodic statements and investment review reports in writing, (typically on a monthly and/or quarterly basis), for each client in accordance with the requirements set out in individual investment management agreements.

#### Statements

Periodic statements may include details of purchases and sales during the period, securities and cash holdings, performance, realized/unrealized gains/losses, dividend and corporate actions.

#### Investment Review Reports

In line with specific client requirements, investment review reports may include (but not be limited to):

- Performance overview for the relevant period and since inception
- Financial Market Review
- Summary of investment activity
- Details of largest transactions undertaken during the reporting period
- Summary of portfolio characteristics at the end of the reporting period
- Commentary on the top positive/negative contributors to performance
- Performance attribution
- Market outlook
- Investment policies

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

From time to time, Nikko AMA and its affiliates may pay solicitation or referral fees to persons who introduce clients to Nikko AMA or to pooled investment vehicles managed by Nikko AMA. These fees are disclosed to the client and governed by written agreements, as permitted by Rule 206(4)-3 under the Advisers Act.

#### **Item 15 Custody**

Clients should receive at least quarterly statements from broker-dealers, banks or other qualified custodians that hold and maintain client investment assets. Nikko AMA urges its clients to carefully review such statements and compare official custodial records to account statements provided by Nikko AMA. Variations may occur based on accounting procedures, reporting dates, pricing sources, time periods or valuation methodologies of certain securities.

Clients are required to appoint custodians who are responsible for the safe custody of investments and money, settling transactions and registering investments.

#### **Item 16 Investment Discretion**

Nikko AMA usually receives discretionary authority from a client at the outset of an advisory relationship, to select securities and the amount to be bought or sold. In all cases however, such discretion is exercised in a manner consistent with the stated investment guidelines for a particular portfolio.

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

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

#### **Item 17 Voting Client Securities**

Nikko AM group views the exercise of voting rights as part of its fiduciary responsibility and an important part of the value of an investment, which should be constructively used in a clients' best interest. Furthermore, the firm also believes from a long term perspective, such action can contribute to the growth of investor assets. Voting rights are exercised solely for the benefit of the client or beneficiaries of pooled investment vehicles



from an independent standpoint and Nikko AM group does not vote for the benefit of third parties or itself.

As a result, Nikko AM group has established corporate governance principals by which an invested company should abide. By exercising voting rights in accordance with these principles, Nikko AMA aims to encourage companies to operate in a manner which gives utmost consideration to shareholder interests over the long term.

Nikko AM's Group Voting Rights Policy Committee is responsible for examining resolutions in accordance with the firm's "Guidelines for the Exercise of Voting Rights" ("Guidelines"). Voting activity is conducted in accordance with the guidelines and where a resolution is regarded as being against the interests of a client; Nikko AM group will either oppose the resolution or abstain from voting, based on the degree of its opposition. Where appropriate, advice may also be sought from experts, internally and/or externally.

Screening criteria for examining resolutions has also been determined as an aid to assessing the reliability of management and necessity of conducting further appraisals. Criteria includes (but is not limited to):

1. Actual condition and past trends of return of equity (ROE) and return on assets (ROA).
2. Actual condition and past trends of shareholder returns
3. Occurrences of misconduct
4. Existence of an exceptional opinion by an accounting auditor or board of auditors
5. Existence of non-public purchases
6. Ownership structure

When clients present Nikko AMA with their own policies on voting instructions, Nikko AMA will provide its guidelines for discussion and may make subjective adjustments, as required.

Nikko AM's Group Guidelines are available upon request.

## **Item 18 Financial Information**

Nikko AMA is required to provide certain information or disclosures about the firm's financial condition. In this respect, Nikko AMA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.