



# NIPPON VALUE INVESTORS

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## **ADV Part 2A Brochure**

**This brochure provides information about the qualifications and business practices of Nippon Value Investors KK (“NVI”). Questions about the contents of this brochure should be directed to NVI’s Chief Compliance Officer, Takashi Nagaura, at 011 81 3 6511 2796 or via email to [t.nagaura@nippon-value.com](mailto:t.nagaura@nippon-value.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), any other state or federal regulatory authority, any foreign regulatory authority or any self-regulatory body. Additional information about NVI is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or NVI’s website on [www.nippon-value.com](http://www.nippon-value.com).**

NVI is a registered investment adviser with the SEC. Any reference to or use of the terms “registered investment adviser” or “registered” does not imply that NVI or any person associated with NVI has achieved a certain level of skill or training. Investors invested in any one of NVI’s commingled funds (collectively referred to as “**Unitholders**”) and any separate account clients (together with the commingled funds, collectively referred to as “**Clients**”) and potential investors should rely only on the information contained in this document or in documents that NVI has specifically provided. NVI has not authorized any third party to provide information in connection with its investment program or investment operations.

### **Item 2. Material Changes**

NVI is providing this information as part of our annual update of information filed with SEC. The last update of NVI’s Form ADV Part 2A Brochure took place on 26<sup>th</sup> June, 2020 as part of the annual updating requirement. The following material changes have been incorporated since then:

August 2020: NVI’s Senior Investment Manager left the company for his family reasons. His duty as Senior Investment Manager was shared by other 5 members of Investment Management Group.

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

##### *History and Firm Structure*

Nippon Value Investors KK (“NVI”) was established in 2005 to provide investment management services in publicly traded equity investment principally issued by companies incorporated in Japan. As of 30<sup>th</sup> April, 2021, NVI managed approximately US\$1.34 billion of assets under management on a discretionary basis. In addition to the SEC, NVI is registered with the Japanese Financial Services Agency (the “Japanese FSA”).

NVI is a Japanese Kabushiki Kaisha (limited company). NVI is owned by current NVI employees and directors (who own 100% of NVI’s Ordinary Shares representing 50.1% of NVI’s share capital: the “Ordinary Shareholders”) and Silchester Partners Limited (“**SP Ltd**”) (who owns 100% of NVI’s Class A Shares representing 49.9% of NVI’s share capital). SP Ltd does not own a controlling portion of voting of NVI. Under the terms of NVI’s Articles and other governing documents, the Ordinary Shareholders have the right in perpetuity to appoint a majority of NVI’s directors, appoint its Chairman, and operate the firm on a day to day basis.

In order to provide global marketing/client support services with regard to NVI’s Japanese Equity Program, NVI established a wholly owned US subsidiary, Nippon Value Investors, Inc. (“**NVI Inc.**”) on 3<sup>rd</sup> May, 2011.

##### *Types of Services that NVI Provides to Clients*

NVI provides discretionary investment management services to its Clients, which include private commingled funds and a limited number of separately managed accounts. Currently all separately managed accounts are for non-U.S. clients. NVI brings a wide range of analytical, research, portfolio implementation and administrative skills through its business. NVI strives to service Clients whose investment needs are growing from year to year. NVI specialises in investing in publicly traded Japanese equity securities using a bottom up value investment approach. NVI does not provide financial planning, quantitative planning or market timing services to its Clients and does not participate in any wrap fee programs.

NVI provides non-discretionary investment advisory services to its separate account Client. Mandate of non-discretionary investment advisory services are decided by the discussion with the client.

NVI generally does not further customise or modify its investment program based on individual Client needs. Unitholders in NVI’s commingled funds are not permitted to impose restrictions on investing in certain securities or types of securities.

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

NVI provides discretionary investment management services to Unitholders in its privately offered commingled funds (the “**Japan Funds**”) that are primarily invested in Japanese listed equity securities. One of the Japan Funds is available for investment by US domiciled investors (the “**US Japan Fund**”) and the other Japan Fund is available for investment by non-US investors (the “**UCITS Trust Fund**”). NVI also provides discretionary investment management services with certain clients on separate account basis.

The fee scale applicable to Unitholders in the US Japan Fund is as follows:

First \$25,000,000	1.00%
Next \$25,000,000	0.90%
Thereafter	0.80%

The fee scale applicable to Unitholders in the UCITS Trust Fund is as follows:

First JPY 2.75 billion	1.00%
Next JPY 2.75 billion	0.90%
Thereafter	0.80%

Fees paid by each Unitholder invested in the Japan Funds are based upon the market value of the Units held by the Unitholder rather than the value of the Japan Funds themselves. Fees are not generally negotiable. However, NVI may rebate fees paid by Unitholders invested in the Japan Funds or charge lesser fees to separate account clients based upon their relationship with NVI, the assets invested, the timing of the investment, and other factors deemed relevant by NVI. Fees are normally payable monthly in arrears, although the actual timing of fee payments will depend on the underlying legal domicile of the Japan Funds and the terms of their operating agreements. Fees are normally paid via the redemption of part of the Units held by each Unitholder in the US Japan Fund on a monthly basis. Fees are normally paid by the UCITS Trust Fund on a monthly basis. Unitholders will incur brokerage and other transaction costs as described in ‘**Brokerage Practices**’. No other additional fees or expenses are charged to separate account clients.

Separate account clients are generally invoiced on a monthly or quarterly basis in arrears for the investment management services that NVI provides. NVI would not ordinarily anticipate opening any new separate accounts with the exception of temporary accounts used to facilitate investment into or withdrawals out of its Japan Funds or in rare exceptions, for a prospective investor interested in investing amounts over approximately US\$100 million. A fee scale for a separate account is available on written request.

The Japan Funds pay their own direct trading expenses, clearing fees, and other exchange fees and charges. Direct trading expenses include brokerage commissions, “bid-ask” spreads, mark-ups, registration and transfer fees, regulatory and governmental charges and duties, and other fees and expenses relating to investments. The Japan Funds are obligated to pay all income and other taxes related to their underlying investments. In addition, the Japan Funds may be required to reimburse NVI or the third party service providers to the Japan Funds for legal expenses incurred to protect the Unitholders that NVI determines are not routine (e.g., extraordinary legal expenses such as those incurred in connection with litigation to protect or promote the investment rights or obligations of the Japan Funds (as applicable) and legal or accounting expenses incurred in connection with reclaiming foreign withholding taxes) and that are not borne by NVI.

NVI pays all routine legal, audit and accounting fees related to the Japan Funds and the ongoing offering of Units as well as annual audit fees and tax return expenses (if any). NVI pays any fees payable to the Custodians, Trustees, Fund Administrators, Managers, Auditors, Tax Advisors and other similar service providers of the Japan Funds. NVI will pay all costs associated with the ongoing issuance of the Units of the Japan Funds to the extent that it remains the appointed investment manager of the Japan Funds. The Japan Funds are not required to raise a minimum amount in order to defray these costs and expenses. The Japan Funds are not required to reimburse NVI in the event that the investment management fees are insufficient to cover the expenses borne by NVI.

Separate account clients pay their own direct trading expenses, clearing fees, and other exchange fees and charges. Direct trading expenses include brokerage commissions, bid-ask spreads, mark-ups, stock loan expenses, registration and transfer fees, regulatory and governmental charges and duties, and other fees and expenses relating to investments. Separate account clients are obligated to pay all income and other taxes related to their underlying investments. In addition, Separate account clients may be required to reimburse NVI for legal expenses incurred to protect the investor that NVI determines are not routine (e.g., extraordinary legal expenses such as those incurred in connection with litigation to protect or promote the investment rights or obligations of the investors invested in separate accounts

(as applicable) and legal or accounting expenses incurred in connection with reclaiming foreign withholding taxes) and that are not borne by NVI. In addition, Separate account clients are responsible for paying their own legal, audit and accounting fees as well as annual audit fees and tax return expenses (if any). Separate account clients pay any fees payable to their separately appointed Custodians, Trustees, Fund Administrators, Managers, Auditors, Tax Advisors and other similar service providers.

NVI provides non-discretionary advisory services to the portfolio of the accounts operated by the multi-manager. There is no set fee scale; instead fees for non-discretionary portfolio or investment advisory clients vary based on the client's mandate.

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

NVI does not charge performance based fees. All fees are charged on an *ad valorem* basis.

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

Each Fund, and not the underlying Unitholders in the Japan Funds, is currently considered a Client for purposes of the Investment Advisers Act of 1940. NVI makes investments on behalf of the Japan Funds for the benefit of the underlying Unitholders in each respective Fund. Units in the US Japan Fund are sold only to Unitholders that qualify as “accredited investors” and “qualified purchasers” as defined under applicable US federal securities laws. An investment in Units of a Fund involves the risk of loss. NVI, in its capacity as investment manager, is responsible for reviewing and managing the holdings, and for making appropriate recommendations to satisfy the investment goals of the fund. Additional information is available in the offering memorandum of the Japan Funds.

#### *Conditions for Managing Accounts*

The minimum initial subscription for Units in the US Japan Fund is US\$1 million. NVI may, in its sole discretion, accept or reject, in whole or in part, any initial or additional investment or impose conditions or restrictions on such investment, such as increasing or decreasing the amount of the minimum investment or requiring a Unitholder to establish a temporary account with the custodian of the US Japan Fund and wire funds to that account prior to an applicable dealing day. Unitholders may redeem all or part of their Units in a US Japan Fund on any dealing day by providing NVI with written notice at least six (6) Business Days prior to the dealing day upon which the redemption is to be effective. Certain documentation must also be returned at least four (4) Business Days prior to such dealing day. Additional information is available in the offering memorandum of the US Japan Fund.

#### *Transition Accounts*

NVI has the ability to direct clients making cash contributions to or redemptions from the US Japan Fund to use transition accounts. Transition Accounts are temporary custody accounts that are opened under the US Japan Funds' general legal structure. They are used to facilitate large subscriptions and withdrawals. The Transition Account structure allows NVI to invest cash contributions outside of the US Japan Funds' direct assets or to liquidate holdings outside of the Japan Funds' direct assets (and therefore avoid impacting existing Unitholders or remaining Unitholders, as the case may be). By investing new cash flows or liquidating the securities separately, the incoming or outgoing investors bear their own market risk during the investment or redemption period, as well as their own dealing costs. NVI believes that these procedures safeguard the benefits of commingled investing for all participants and represent a fair and equitable way of accommodating periodic subscriptions and withdrawals. Prospective investors should refer to the specific provisions in the US Japan Fund's Offering Memorandum for a complete discussion of Transition Accounts and the risks involved therein.

## *Sideletter Agreements*

NVI generally will consider entering into a sideletter agreement only when rules governing the investment by a specific Unitholder (such as state law or the governing documents related to such Unitholder) in the Japan Funds requires a specific variation, provided that such change is not expected to materially impact NVI, other service providers to the Japan Funds or other Unitholders. It is NVI's policy not to agree to any sideletter or other similar agreements that grant any Unitholder or group of Unitholders preferential rights with respect to the payment or timing of redemptions, indemnification from NVI, the law governing NVI's and each Unitholder's responsibilities under the governing documents for the Japan Funds, or access to data on Japan Fund's holdings or trading activity. NVI will provide a summary of all sideletter agreements currently in effect upon the written request of a current or prospective Unitholder.

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

### *Investment Strategy and Analysis – Japanese Equity Program*

NVI provides discretionary investment management services to Clients according to a clear investment strategy. The investment objective is to achieve long-term return primarily from a portfolio of equity securities of companies incorporated in Japan. To achieve its objective, NVI conducts value investments by generally investing in a portfolio of Japanese equity securities that are believed to possess fundamental value. NVI believes that securities with low market price to earnings, cash flow, asset value or sales ratios or dividend yields, but not necessarily typically possess fundamental investment value. Investments which meet the above criteria are identified in part through the use of database screens. Financial analysis is carried out on prospective investments and their underlying business strengths and weaknesses, their plans, and their management are reviewed. Investments that appear attractive on these criteria will generally constitute a high proportion of client portfolio.

NVI principally invests in Japanese equity securities; however, NVI may also invest in securities of foreign issuers with substantial Japanese exposure. NVI may invest in securities in the form of American Depositary Receipts (“**ADRs**”), European Depositary Receipts (“**EDRs**”), International Depositary Receipts (“**IDRs**”) and Global Depositary Receipts (“**GDRs**”). Generally, these instruments are U.S. Dollar or Euro denominated securities designed for use in their respective securities markets, which represent and may be converted into an underlying Japanese equity security.

NVI principally invests in common stocks, however, NVI may invest in a wide range of other equity instruments, including preferred stocks, special classes of shares available only to foreign persons (for example, if the ownership of certain classes of equity is limited to nationals or residents of the country), convertible preferred stocks, convertible investment grade instruments, and to a limited extent, options and warrants on equity securities. Portfolios are permitted to invest in physical currencies and spot foreign and forward currency contracts.

In developing a portfolio, the prime determinant for NVI is the valuation of the individual companies compared to their overall quality. In reviewing potential companies for investment, the quality of the company's management, plans for long-term growth and expansion, competitive position in the industry, valuations compared with other available securities, earnings track record, technology, research and development, productivity, labor costs, raw material costs and sources, profit margins, capital resources, governmental regulation, financial leverage and other factors will be considered. Macroeconomic features are considered as they affect individual companies. NVI may manage each portfolio's currency risk through the use of spot and forward currency contracts. In determining its strategy toward currency investment, NVI principally considers a country's real short-term interest rates, the relative purchasing power parity of its currency and its overall financial quality, current account performance, prevailing monetary conditions and any special geopolitical factors.

NVI has established investment guidelines which include the proportion of each Client portfolio invested in, including but not limited to, securities with particular characteristics and individual securities. These investment guidelines are outlined more fully in the confidential private offering memorandum and/or investment management agreement for each Japan Fund or in the investment management guidelines agreed with any separate account clients.

### *Types of Investments*

NVI primarily invests in publicly traded Japanese stocks while it is permitted to utilize a wide range of equity instruments in attempting to achieve its investment objectives, including preferred stocks, special classes of shares available only to foreign persons in markets which restrict the ownership of certain classes of equity to nationals or residents of the country, convertible preferred stocks, convertible investment grade instruments, depository receipts, and to a limited extent, options and warrants on equity securities. NVI is also permitted to invest in physical currencies and spot and forward currency contracts.

Subject to investment guidelines, NVI may invest in (i) non-exchange traded securities including private placements and securities subject to transfer restrictions under Rule 144A or Regulation S of the Securities Act of 1933 or otherwise commit to acquire securities on a forward commitment basis, and (ii) unregistered and bearer securities. NVI does not invest in futures or options on futures. NVI may, however, invest in, hold, and purchase, or otherwise acquire rights, stock options, stock coupons, warrants, and other similar investments issued, sold, or distributed by a portfolio holding as part of a corporate action or other similar transaction. NVI may purchase the securities of issuers during an initial public or secondary offering of securities. Companies involved in initial public or secondary offerings of securities typically have short operating and trading histories and generally are less established. The prices of securities issued as part of initial public or secondary offerings traditionally have been quite volatile. NVI also may be required to agree to certain transferability restrictions as a precondition for participating in these types of security offerings.

### *Frequency of Trading*

Over the course of a market cycle, NVI would expect the turnover of its commingled funds to typically be in the range of 25-40% per annum. Information on historic levels of turnover is available from NVI. NVI makes investment decision on when to sell a security solely based on its investment criteria and do not take into account tax considerations. NVI does not engage in “**tax loss harvesting**”.

### *Strategy Risks:*

There are number of material risks associated with investing in publicly traded Japanese equity securities. These include, but are not limited to, the matters described below. Further information on investment risks is disclosed in the confidential private offering memorandum of each Japan Fund or in the investment management agreements for separate account clients.

- *Concentration in Japanese Securities.* NVI concentrates its investments in equity securities of companies located in Japan. Consequently, NVI portfolios may be more volatile than those that do not share this geographic concentration. The value of portfolio investments may vary in response to political and economic factors affecting companies in Japan.
- *Forward Contracts on Foreign Currencies.* Subject to the investment guidelines, the US Japan Fund engages in trading in interbank spot and forward contract markets for foreign currencies. Forward contracts are not traded on exchanges; rather, a bank or dealer will act as agent or as principal in order to make or take future delivery of a specified lot of a particular currency. Forward currency transactions may involve less protection against defaults than trading on exchanges and there are generally no limitations on price movements making such transactions subject to the risk of a principal's failure or inability or refusal to perform with respect to such contracts. The

bankruptcy or insolvency of a principal or the failure, inability or refusal of such principal to perform, would likely result in a default, thereby depriving an account of unrealized profits or forcing NVI to cover commitments for resale, if any, at the then market price.

- *Non-U.S. Market Exposure.* NVI invests primarily in Japanese equity securities traded on Japanese stock markets. Investors are therefore subject to: (i) currency exchange-rate risk; (ii) the possible imposition of withholding, income, capital gains or excise taxes; (iii) the absence of uniform accounting, auditing and financial reporting standards with the US, practices and disclosure requirements and little or potentially biased government supervision and regulation; (iv) financial, economic and political risks, including expropriation, currency exchange control and potential restrictions on foreign investment and repatriation of capital; and (v) the market turmoil.
- *Options.* NVI may from time to time acquire options for a Client's account as part of a corporate action or other similar transaction. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a decline in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of a Client's entire investment in the option (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires.
- *Warrants.* NVI may from time to time acquire equity warrants for a Client's account as part of a corporate action or other similar transaction. Equity warrants are securities that give the holder the right, but not the obligation, to subscribe for newly created equity issues of the issuing company or a related company at a fixed price either on a certain date or during a set period. Changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying security. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater potential for capital appreciation as well as capital loss. Warrants do not entitle a holder to dividends or voting rights with respect to the underlying security and do not represent any rights in the assets of the issuing company. A warrant ceases to have value if it is not exercised prior to its expiration date. These factors can make warrants more speculative than other types of investments.
- *Investment in Initial Public and Secondary Offerings.* To the extent permitted by law, NVI may purchase the securities of issues during an initial public or secondary offering of securities. Companies involved in initial public or secondary offerings of securities typically have short operating and trading histories and generally are less established. The prices of securities issued as part of initial public or secondary offerings traditionally have been quite volatile. NVI also may be required to agree to certain transferability restrictions as a precondition for participating in these types of security offerings.

Financial Industry Regulatory Authority ("FINRA") rules generally prohibit securities firms from selling "new issues" (i.e., initial public offerings of equity securities) to investment funds if restricted persons hold beneficial interests in the investment fund over ten percent (10%) in the aggregate or if covered persons hold beneficial interests in the investment fund over twenty-five percent (25%) in the aggregate. As a consequence of these FINRA rules, if the 10% and/or 25% thresholds are exceeded, an account will be unable to invest in new issues.

- *Price Fluctuations.* Prices of equity securities and other instruments are highly volatile and may respond to several factors that affect markets, particular companies or other issuers. For example, prices are affected by a wide variety of complex and difficult-to-predict factors, including, but not limited to, supply of money, inflation, weather and climatic conditions, changing supply and demand relationships, governmental activities and regulations, political and economic events and prevailing psychological characteristics of the marketplace. These same factors also can affect the securities markets adversely. Prices of equity securities also may be affected by individual company earnings, product developments and other factors that affect particular companies.



- *Position Limits.* Market regulatory authorities may establish limits as to the maximum number of shares that NVI and its associated entities may hold or control in particular securities of a company without requiring the investment adviser to make an offer to purchase all the outstanding shares of the company or obtaining a regulatory waiver to hold a larger position. All accounts controlled by NVI and its associated entities may be combined for these purposes. It is possible that trading decisions taken by NVI and its associated entities may have to be modified such that a further position in a company is not acquired or that positions held would have to be liquidated to avoid exceeding such limits or that such limits may, in fact, be exceeded. This may influence the overall returns.
- *Foreign Ownership Restriction Risk.* Certain governments impose restrictions on foreign investment in companies incorporated in their jurisdiction to address concerns such as those relating to loss of national sovereignty. If NVI purchases securities which later become subject to foreign ownership restrictions, there may be a delay in the NVI learning of such restrictions. This may cause the compulsory sale or other disposition of the securities in circumstances where NVI might otherwise prefer to retain the securities.
- *Illiquidity.* NVI can purchase investment instruments that later become illiquid or otherwise restricted. These positions may only be able to be liquidated at disadvantageous prices. For example, substantial redemptions could require NVI to liquidate positions more rapidly than otherwise desired in order to obtain the cash necessary to fund the redemptions. Illiquidity in certain markets could make it difficult for NVI to liquidate positions on favorable terms, resulting in losses or a decrease in a Fund's net asset value. Although many of the securities that NVI may acquire may be traded on public exchanges, each exchange typically has the right to suspend or limit trading in the securities which it lists. Such a suspension could render it difficult or impossible to liquidate any or all of its positions and would thereby expose investors to losses. This may lock in adverse price movements for several days or more which may cause immediate and substantial losses.
- *Transactions on Non-U.S. Exchanges.* NVI engages in trading on markets outside the U.S. Transactions on non-U.S. exchanges are not regulated by U.S. governmental agencies. Some non-U.S. exchanges may be “**principals markets**” in which responsibility for performance is only that of the principal with whom a trader has entered into a transaction and not of an exchange or clearing corporation. In some cases, a broker may in effect take the opposite side of NVI's trades. Because some non-U.S. exchanges generally lack a clearinghouse system, market disruptions may be more likely to occur and, in extreme circumstances such as the failure of a broker or other counterparty, or the settlement of security trades may be delayed or cancelled. To minimize the risk of broker or counterparty default and subsequent loss, NVI will ordinarily arrange for security purchases and sales to be settled on a “**delivery versus payment**” basis.
- *Investment Approach.* There is no guarantee that the investment approach, techniques, or strategies utilized by NVI will be successful or profitable. All investments risk the loss of capital. Furthermore, there can be no assurance that the specific trading strategies utilized will produce profitable results. Any factor that would make it difficult to execute trades, such as reduced liquidity or extreme market developments, also could be detrimental to profits.
- *Cash Balances.* When eligible, U.S. dollar cash balances for the US Japan Fund are typically invested in the Government Select Portfolio, a money market funds sponsored by Northern Trust. NVI may direct Northern Trust to hold U.S. dollar cash balances in other money market funds, deposit accounts or other vehicles in its sole discretion. The Government Select Portfolio primarily invests in securities issued by the U.S. Government, government agencies and government sponsored enterprises. Clients could incur losses if the net asset value of the Government Select Portfolio was to fall below US\$1.00 or if redemptions from the Government Select Portfolio or such other money market funds, deposit accounts or other vehicles were restricted by the Custodial Trustee. Non-U.S. dollar cash balances are held in deposit accounts at various subagent banks. These deposit accounts are subject to counterparty and credit risk. *Credit Risk.* Clients are subject to the risk that the brokers and counterparties with which, and the exchanges on which, NVI executes transactions or carries positions may default. The default by an exchange, clearinghouse

or counterparty with or through which NVI trades could cause material losses.

## **Item 9. Disciplinary Information**

There have been (and are) no material criminal, civil, regulatory, business, or administrative proceedings against NVI or any of its employees and directors.

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

NVI is not affiliated with any banks, broker dealers or custodians. NVI is an independent Japanese Kabushiki Kaisha (limited company) that is owned and controlled by its shareholders.

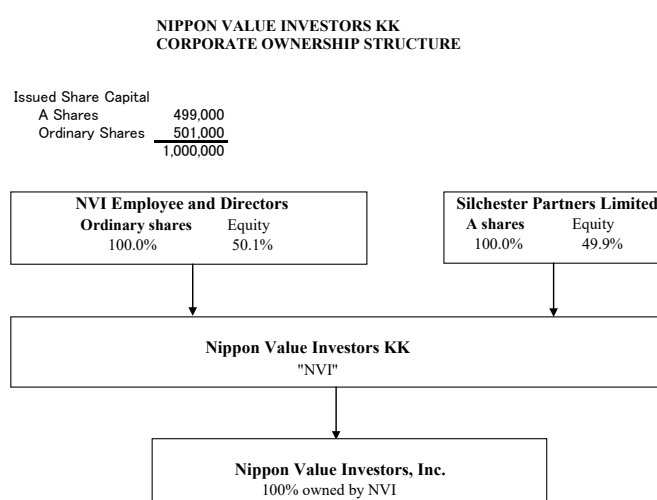
NVI has one wholly owned subsidiary, Nippon Value Investors, Inc. (“NVI Inc.”) which is located in Rye New York and provides marketing and client service support to global clients and consultants. NVI Inc. also acts as a partnership representative for the US Japan Fund, NVI’s privately offered commingled fund for US investors.

SP Ltd is a minority owner of NVI. SP Ltd indirectly holds partnership interest in Silchester International Investors LLP (“SII LLP”), a UK based investment manager registered with the SEC as an investment adviser (SEC file number: 801-49530).

SP Ltd also maintains direct and indirect investments in a number of other regulated investment management firms. NVI does not have any direct business relationship with these firms and, as a result, has not described them in the regulatory filings. Further information on these other investment management firms is disclosed in SII LLP’s Form ADV Part 1 and Part 2. SII LLP employees and partners, SP Ltd and its shareholders and former employees and their related parties have and may, from time to time, invest assets in NVI’s privately offered commingled funds. SP Ltd is eligible to receive dividends from NVI as a result of its equity holding.

Lucy Crawford sits on the Board of NVI in the capacity of Non-Executive Director with limited influence in the day-to-day management of NVI’s operations and business.

### **NVI’s Organization Chart**



### **Subsidiary – General Partner:**

NVI, through its wholly owned US subsidiary NVI Inc. serves as partnership representative for the US Japan Fund, a commingled fund that is legally considered to be a Delaware statutory trust, but is treated as a partnership for US income tax purposes. NVI Inc. also serves as the agent for service of process

for NVI with respect to certain regulatory and tax filings, including the SEC, the US Department of Labor and the IRS, as well as so-called state blue sky laws or limited offering notices.

#### **Privacy Considerations:**

NVI is committed to maintaining the confidentiality, integrity and security of personal information provided by current and potential clients. Personal information includes, amongst other things, individual names, addresses, details of tax residency and tax identification numbers, bank account details, telephone numbers and e-mail addresses. Personal information may be obtained in a number of ways, such as during an account opening/application process or ongoing communications between NVI and its clients. All information obtained about clients is treated as confidential unless the client has otherwise made the information public, such as its relationship with NVI or investment in one of the NVI's accounts. NVI generally exercises the same care dealing with personal information obtained from its investors that NVI uses in dealing with its own internal confidential information.

NVI protects personal information provided by clients in a number of ways. All of NVI's employees are subject to policies reasonably designed to protect Unitholder confidentiality. NVI takes reasonable measures to dispose of personal information to protect against unintended access and use in accordance with its document retention policy. NVI has adopted various procedures to implement its privacy policy and to monitor and ensure the policy is observed, implemented properly and amended or updated, as appropriate. NVI attempts to ensure that its systems are secure and aims to apply password protections, firewalls, encryption technologies, and other mechanisms to guard confidential client information that are suitable and sufficient based on the size and nature of its business. Select physical and procedural safeguards have been established to guard client information. Former employees are also prohibited from disclosing non-public personal information.

NVI uses data obtained from Clients for the purpose of communicating information about its investment products. NVI also provides information concerning Clients to firms that assist NVI in servicing the Clients, including custodians, Nippon Value Investors, Inc., the auditors of NVI's fund, NVI's tax advisers, legal firms and technology providers. This helps to ensure that all clients are given an appropriate level of service. Client information may also be passed to regulatory authorities or law enforcement officials who have jurisdiction over NVI or custodians, as part of NVI's withholding and capital gains tax efforts or if reasonably required to prevent fraud and unauthorized transactions or as otherwise required by applicable law or regulation.

Further information on NVI's data protection policy and the rights of individuals under applicable law can be found on NVI's website ([www.nippon-value.com](http://www.nippon-value.com)).

NVI provides copies of its privacy policies to its clients. Clients may request a copy of the current policy at any time by contacting NVI's Marketing and Client Services representatives, Ms. Yoko Matsuoka with email address: [y.matsuoka@nippon-value.com](mailto:y.matsuoka@nippon-value.com).

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

NVI has adopted a Code of Ethics to effectuate the purposes and objectives of Rule 204A-1 of the Investment Advisers Act of 1940. The Code of Ethics sets forth NVI's business conduct in its capacity as a fiduciary for its Clients and establishes standards of conduct for its supervised personnel. The Code of Ethics was developed with the view that NVI is, and wishes to remain, closely aligned with the interests of its Clients and underlying Unitholders. Among the topics covered in the Code are: prohibitions on insider trading, resolving conflicts of interest, personal securities transactions by NVI's personnel and their related persons, and confidentiality of Unitholder information. NVI will provide a copy of its Code to any Unitholder or prospective investor upon request and without charge. To obtain a copy of NVI's Code, please contact NVI's Chief Compliance Officer, details of which are shown on the first page of this document.

**Participation or Interest in Client Transactions:**

NVI pays for the on-going costs of operating the Japan Funds, including custody, fund administration, legal, tax accounting, annual audit, and reporting fees. NVI derives fees from each Unitholder based upon the market value of each Unitholder's Units in the Japan Funds. An employee of NVI's subsidiary (NVI Inc.) and related parties invested in the US Japan Fund. NVI, employees and directors of NVI and related parties have invested in the UCITS Trust Fund and may invest in the future. NVI Inc. serves as the partnership representative for US income tax purposes of NVI's US Japan Fund.

**Personal Account Trading Policies:**

Employees and directors of NVI and its subsidiary may trade securities for their own accounts in accordance with NVI's Code and the procedures set forth therein. These procedures ordinarily provide, in part, that employees and directors of NVI or its subsidiary are ordinarily prohibited from acquiring (i) securities that NVI is currently purchasing, selling, or holding on behalf of its Clients, or (ii) represent prospective investments. NVI's procedures prohibit NVI from favouring accounts in which it, its subsidiary entity or its employees and directors have a direct or indirect financial interest over the accounts of NVI's Clients. Certain agents and other independent contractors (including individuals that may provide research to NVI on a contractual basis) may be subject to differing restricted trading procedures. Employees and directors of NVI are generally prohibited from acting as the directors of any publicly traded companies that may form part of a Clients portfolio.

**Determination of Type, Number and Timing of Transactions:**

Other than as specified by a Japan Funds' investment guidelines or pursuant to the terms of a separate account investment management agreement, NVI has sole authority to determine, without obtaining specific consent, the amount and specific securities to be bought and sold for each account.

**Item 12. Brokerage Practices****Brokerage Selection and Commission Issues:**

NVI assumes responsibility for selecting brokers and dealers for the execution of equity and foreign exchange transactions for its client portfolios. NVI is not affiliated with any broker/dealers and does not execute equity or foreign exchange transactions as a principal. Accordingly, NVI selects unaffiliated third-party broker/dealers to execute all Portfolio transactions although, as permitted by applicable law and described in more detail below, NVI may from time to time direct a Client to purchase or sell equity securities or currencies directly from or to another Client as part of transactions not requiring the use of a broker. NVI pays for the costs of third party research directly out of its own financial resources.

NVI seeks the best combination of price and quality of execution services after considering factors that may impact the transaction. These factors include, but are not limited to, the particular expertise of the broker with respect to the size or type of transaction, the commission rates charged, the nature and character of the relevant markets on which the transactions will be executed and the broker's execution experience, integrity, credit-worthiness and operational efficiency.

Commission rates generally are also subject to the annual reappraisal and are subject to careful monitoring and renegotiation to ensure that they are competitive. Commission cost factors include, but are not limited to, the particular expertise of the broker with respect to the size or type of transaction, the commission rates charged, the nature and character of the relevant markets on which the transactions will be executed, and the broker's execution experience, integrity, credit-worthiness, financial responsibility and operational efficiency. NVI may determine to pay broker commissions or mark-ups in excess of that which another broker might have charged for effecting the same transaction in recognition of the execution services provided by the broker. Commission rates generally are subject to periodic reappraisal.

To facilitate Client subscriptions and redemptions and/or to minimize liquidity risks to the Portfolios NVI manages, NVI may utilize program or block trades. Program and block trades involve directing a

broker to trade a large number of securities at a specific point in the day (for example, at market open or close) or over the course of part or all of the trading day. The broker may also be asked to guarantee that a specific price can be obtained for the security purchases or sales (for example, the volume weighted average price of a security during the trading day, the opening price or the closing price). Additional charges or increased spreads may be payable by the Client to facilitate these program or block trades.

Subject to ERISA or other applicable laws, to reduce transaction costs, rebalance the Client's portfolios or for other reasons, NVI may from time to time, to the extent permitted by law, cause the Client's account to enter into cross transactions directly with other accounts or commingled funds for which NVI also acts as a discretionary investment manager. This normally occurs where inflows into one commingled fund or account coincide with outflows from another commingled fund or account for which NVI also acts as a discretionary investment manager. In the event NVI causes the Client's account to purchase securities from or sell securities to such other account or commingled fund, NVI will use its best efforts to mitigate potential conflicts of interest by causing such transaction to ordinarily occur at the then prevailing market price of the applicable securities and by considering the interests of both the Client's account and such other accounts or commingled funds. NVI may use brokers to facilitate these cross transactions and/or execute such cross transactions "off-exchange" through the Custodial Trustee without using a broker. No commissions are paid when the cross trades are executed "off-exchange" through the Custodial Trustee.

NVI does not participate in commission recapture or directed brokerage arrangements and Clients are not permitted to direct NVI to use or allocate commissions from any broker.

NVI does not share, directly or indirectly, in any of the revenues generated by the Client account's brokerage transactions. NVI does not pay "soft dollar" commissions and/or receive "soft dollar" benefits from the Portfolio's brokers. These services are paid for by NVI out of its own financial resources.

#### **Allocation of Investment Opportunities:**

NVI endeavors to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities among its portfolio accounts (each a "Client").

When NVI determines that it would be appropriate and feasible for more than one Client to participate in an investment opportunity, NVI may place combined orders for all such Clients simultaneously and, if the order is not filled at the same price, NVI will average the prices paid over a particular trading day or such longer period consistent with the accumulation or disposition of a particular position. Similarly, if an order is placed on behalf of more than one Client and the order cannot be fully executed under prevailing market conditions, NVI may allocate the trade execution among different Clients on a basis that NVI deems equitable and in a manner not designed to regularly and arbitrarily give a benefit or detriment to any one Client or group of Clients. This is normally achieved by pro-rating actual trade executions among Clients in accordance with the total number of shares outstanding on each Client's order and rounding such executions to reflect minimum trading sizes. Where NVI elects for Clients to participate in initial public offerings, governmental privatisations or other similar events, all allocations are done on a strict pro rata basis, taking into account minimum trading sizes and other regulatory restrictions. Situations may occur where a Client could be disadvantaged because they participated in the aggregate order.

NVI anticipates that the substantial majority of its trade executions will be allocated between Clients in a pro-rata manner. In the rare circumstance where NVI determines that this pro rata allocation methodology may not be in a Client's best interest, NVI may, in its reasonable discretion, make an adjustment to the pro-rata allocation. This may occur when a Client has insufficient cash on hand to settle an allocated order or satisfy certain future commitments. This may also occur if a Client will be overdrawn as a result of accepting a commitment to purchase the allocated securities or if the client will suffer unnecessary costs or charges related to trading or settlement. In these situations, NVI will use

its judgment to determine whether a Client should receive no allocation or a smaller allocation of shares resulting from a given execution. In other situations, a larger allocation of shares may be made to a Client if, for example, an additional allocation is required to clear a Client's negative cash balances or to raise funds to satisfy future Client commitments.

NVI is not ordinarily subject to any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to any one Client or group of Clients or subject to any restrictions on the nature or timing of making investments for a Client or its own accounts. NVI is not required to accord exclusivity or priority to any one Client or group of Clients in the event of 'limited availability' investment opportunities.

Subject to certain trading restrictions outlined in NVI's Compliance Manual and Code of Ethics, NVI's executive directors, officers, and employees may buy and sell securities (or other derivative instruments) for their own account and/or the accounts of others. Such trading may be similar to, or different from, the investment strategies pursued on behalf of the Clients and securities included in Client portfolios.

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

#### **Reviews and Reviewers:**

The Japan Funds, and where applicable, separate account investments, are kept under daily review both for price and changes in fundamentals affecting the securities. All portfolios are reviewed approximately every 10 days. All reviewers are equally responsible for ensuring that accounts are maintained in line with NVI's policies and are equally responsible for all accounts.

#### **Frequency of Regular Reports to Clients:**

Unitholders of the Japan Funds receive a monthly participation report showing selected information about their investments in the commingled fund directly from each fund's fund administrator. Unitholders also receive audited financial statements for the Japan Funds on an annual basis. All Clients and Unitholders receive a written review directly from NVI that describes the economic and financial background, the strategy adopted, the results achieved and NVI's outlook for the future, together with certain analytical information describing the Client's or Japan Funds' (as applicable) holdings. This review is ordinarily included in a newsletter provided by NVI, at a minimum, on a quarterly basis.

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

NVI does not receive any compensation or other economic benefit from any persons or firms for providing investment management services beyond the investment management fee as described above. NVI does not compensate any persons for referrals. As a result, this item is not applicable.

### **Item 15. Custody**

Northern Trust acts as the custodian, fund administrator and custodial trustee (where required) for the Japan Funds. Unlike most privately offered collective investment funds which generally are organised as limited partnerships or limited liability companies, the US Japan Fund is organised as a Delaware statutory trust. These types of funds call for a specific custodial trustee and Delaware trustee to be appointed. With respect to the US Japan Fund, Northern Trust has been appointed as custodial trustee and an indirect wholly owned subsidiary of Northern Trust has been appointed as Delaware trustee. The UCITS Trust Fund is an unregulated collective investment scheme that is legally structured as a UCITS Unit Trust. Northern Trust has been appointed as the custodian and indirect wholly owned subsidiaries of Northern Trust have been appointed as the manager and the trustee of the UCITS Trust Fund.

NVI does not act as custodian for or hold any Client moneys or assets. Northern Trust is solely responsible for the custody and safekeeping of the Japan Funds' assets, performs certain administrative

functions for the Japan Funds at the direction of NVI in accordance with each Japan Fund's governing documents and provides certain recordkeeping and accounting services to the Japan Funds, including the calculation of the Net Asset Value of the Japan Funds and its units on a monthly (or more frequent) basis and the distribution of valuation statements directly to the Unitholders. NVI pays Northern Trust's fees related to the services Northern Trust performs on behalf of the Japan Funds and the Unitholders. Northern Trust acts as the principal counterparty to the Japan Funds' spot and forward currency contracts and provides certain foreign exchange calculation and trade services in accordance with various agreements with NVI.

### **Valuation of the Japan Funds:**

Northern Trust acts as the custodian and fund administrator for the Japan Funds. In its capacity as fund administrator, Northern Trust is responsible for independently valuing each Japan Fund's assets. Equity securities are ordinarily valued using the closing price reported by their primary stock exchange and translated into USD (with the exception of the UCITS Trust Fund which is valued in JPY and all securities and assets are translated into JPY on a biweekly basis as required) using exchange rates provided by WM/Reuters. These are the same prices and exchange rates used by major market indices such as MSCI for valuing (among others) the MSCI EAFE Index and the MSCI Japan Index. Forward currency contracts are valued using WM/Reuters exchange rates and adjusted to reflect the settlement period for the forward currency contract. Dividend and withholding tax accruals are valued at fair market value in accordance with US GAAP (U.S. Generally Accepted Accounting Principles).

The net asset value of the Japan Funds and the calculation of the net asset value of each unit are determined in U.S. dollars for the US Japan Fund and in JPY for the UCITS Trust Fund by Northern Trust or at the direction of NVI, as of the last business day of each month and on such other dates as NVI, with the consent of Northern Trust, shall determine. In exceptional circumstances, NVI may require Northern Trust to value the Japan Funds more frequently. The "**Net Asset Value**" of each of the Japan Funds equals the aggregate value of the units of each Japan Fund. For these purposes, the Net Asset Value of the Japan Funds equals the aggregate value of the assets of the Japan Funds, less its total liabilities (including accrued liabilities, irrespective of whether such liabilities may in fact ever be paid), determined by Northern Trust in good faith in its sole discretion. The Net Asset Value of a Japan Fund is determined under the accrual method of accounting in accordance with US GAAP. The net asset value of any units held by a Unitholder as of a valuation date is equal to the net asset value of the Japan Funds as of a valuation multiplied by the percentage interest corresponding to such Unitholder as of the valuation date. Northern Trust is required to independently assign valuations to portfolio investments for the purposes of determining the Net Asset Value of each of the Japan Funds and the Net Asset Value of the unit of each Japan Fund. Such valuations will be determined in accordance with each Japan Fund's trust agreement.

Securities which are listed or traded on any generally recognized securities exchange are valued at their closing price as is customarily ascertained by the respective primary exchange on which such security is traded and disseminated by quotation services such as WM/Reuters or Bloomberg or published in recognized newspapers such as The Wall Street Journal and the Financial Times. If no sale has been reported for that day or if the primary exchange was not open on that day, the last published sale price or the last recorded bid price, whichever is more recent, shall be used, unless in the opinion of Northern Trust the value thus obtained does not fairly indicate the actual market value, in which case Northern Trust may rely on the value obtained from a reputable broker or investment banker as of the Valuation Date. Other valuation methods may also be used as provided under the Japan Funds' trust agreement.

Securities traded only in the over-the-counter market are valued at the mid-point between the closing representative bid and asked prices, therefore as reported by such securities' reporting system, and for other over-the-counter securities at the mid-point between the last current bid and asked prices, therefore determined in accordance with quotations obtained from a reputable broker or investment banker as of the Valuation Date. Notwithstanding the foregoing, Northern Trust may use any other method of valuation which is or which becomes generally accepted practice for valuation of assets of group trusts or similar collective investment vehicles or which is or becomes permitted by the Codification of

Financial Reporting Policies promulgated by the SEC. For purposes of determining the value of the Japan Fund's securities, Northern Trust may rely upon reports printed in any newspaper of general circulation or in any other newspaper Northern Trust deems appropriate, or in any financial periodical or industry-recognized quotation service, or in the records of any securities exchange, as sufficient evidence of sale, bid and asked prices, and over-the-counter quotations. Other securities or assets which otherwise cannot be valued under the preceding provisions are valued on the basis of data obtained from the best available sources, including employees of Northern Trust, brokers or dealers who deal in or are familiar with the type of investment involved or other qualified appraisers, or by reference to the market value of similar investments for which a market value is readily ascertainable.

If, on the date as of which any valuation is being made, the exchange or market herein designated for the valuation of any given asset is not open for business, the valuation of such asset is determined as of the last preceding date on which such exchange or market was open for business.

Notwithstanding the foregoing, if the securities to be valued constitute a block that, in the judgment of NVI, could not be liquidated in a reasonable time without depressing or inflating the market, or restrictions upon marketability exist with respect to such securities, NVI may direct Northern Trust to assign securities a different value than that calculated above; provided that such block shall not be valued at a unit value in excess of the quoted market price of such securities. The foregoing valuations also may be modified by NVI, with the consent of Northern Trust, in its sole discretion, if and to the extent NVI shall determine that such modifications are advisable to reflect other factors affecting the value of assets (see the “**challenge procedure**” set out below).

NVI reviews but cannot arbitrarily override Northern Trust valuations. If NVI believes that Northern Trust has mis-valued a given security, Northern Trust requires NVI to follow an established challenge procedure. NVI provides a written letter of direction advising Northern Trust of the discrepancy and support for NVI's market prices/exchange rates. Northern Trust will then consider the challenge over the subsequent 24 hour period and compare the proposed price and/or exchange rate to other independent pricing sources and its own internal valuations. If Northern Trust determines that the proposed price and/or exchange rate is valid, Northern Trust will change the market price/exchange rate used in the valuation of the Japan Funds' Net Asset Value. If the proposed price and/or exchange rate are not determined to be valid, the original price and/or exchange rate used in the valuation will stand. Because of the nature of the Japan Funds' investments (publicly traded equities), pricing challenges are infrequent.

Net Asset Value determinations reflect the deduction of all accrued debts and liabilities of the Japan Funds, as the case may be, including any contingencies for which reserves are determined to be required by NVI, in its sole discretion.

Situations involving uncertainties as to the valuation of portfolio positions could have an adverse effect on the Japan Funds' Net Asset Value if Northern Trust's or NVI's judgments regarding appropriate valuations should prove incorrect. In the absence of bad faith or manifest error, Northern Trust's Net Asset Value determinations are conclusive and binding on all Japan Funds and Unitholders.

Northern Trust may request that NVI certify the value of any securities or other property held in the Japan Funds. Any such certification shall be regarded as a direction with regard to such valuation and shall be conclusive with respect to the valuation of the assets involved.

When approved, Northern Trust is responsible for preparing the Japan Funds participant reports. As with the Japan Funds valuations, NVI reviews the reports prior to their transmittal to Unitholders. Once approved, the reports are sent directly by Northern Trust to the Unitholder. NVI does not have any opportunity to 'alter' or 'adjust' Unitholders valuations.

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



NVI accepts discretionary authority to manage securities accounts on behalf of its Clients. Other than as specified by a Japan Fund's investment guidelines or pursuant to the terms of a separate account investment management agreement, NVI has sole authority to determine, without obtaining specific consent, the amount of and specific securities to be bought and sold for each Client.

**Error Correction Considerations:**

On rare occasions, an error may be made with respect to a Client transaction. For example, a security or other financial instrument (such as a spot or forward currency contract) may be erroneously purchased or sold, a Client account's investment guidelines may be inadvertently breached, or a security may be tendered in error as part of a corporate action. When it bears legal responsibility for correcting the error, NVI seeks to place the Client in a substantially similar position as the Client would have been in had the error not occurred. In certain circumstances, NVI may be required to obtain the consent of its insurers, regulators (which may include, but are not limited to the Japanese FSA, the SEC, and the US Department of Labor), an independent fiduciary acting on behalf of its Clients, and/or its Clients before resolving an error. Obtaining these consents or correcting the error may result in, among other items, delays in placing the Client in a substantially similar position as it would have been had the error not occurred, in the payment of compensatory amounts (these payments may, in certain circumstances, be paid over a period of years if NVI has insufficient funds available to reimburse the impacted Client), and/or the suspension of the calculation of a Client's Net Asset Value.

**Item 17. Voting Client Securities**

NVI considers it to be of paramount importance when assessing proxy voting responsibilities on behalf of its Clients to recognize the fiduciary responsibility it assumes in acting as investment manager. NVI also recognizes the need to exercise its proxy voting obligations with a view to enhancing Client's long term investment values. NVI believes that both are generally compatible with good corporate governance as this generally provides the best operating environment for each underlying portfolio company to cope with competitive commercial pressures. To help achieve its objective, it is NVI's policy, subject to the considerations described below, to use its best efforts to vote proxies arising on all shares held on behalf of its Clients.

Standard issues typically arise at Annual General Meetings ("AGMs") or Ordinary General Meetings ("OGMs"). Standard issues may include items of a routine nature such as the presentation of financial statements to shareholders, approval of routine executive compensation or incentive plans, approval of financial statements by shareholders, election of directors and approval of director's fees, election of auditors and approval of audit fees, and declaration of dividends.

Material issues may arise at Extraordinary General Meetings ("EGMs"), Special General Meetings ("SGMs"), OGMs or AGMs. Material issues may include items that relate to corporate governance matters; changes in a company's country of incorporation; mergers and other corporate restructurings; anti-takeover provisions such as staggered boards, poison pills, or supermajority provisions; changes to capital structures including increases and decreases of capital and preferred stock issuance; material stock option, management compensation, or incentive plan issues; and social and corporate responsibility considerations. NVI also considers standard issues to be material issues when it has knowledge that a potential conflict of interest with management is present. These situations can arise where NVI manages a portfolio company's retirement plan assets, a portfolio company or one of its affiliates is also a brokerage counterparty to a Client's security or foreign currency transaction, or where the person overseeing investments at a client that is invested in one Portfolio Account is also a director or officer of a portfolio company that would materially benefit from any executive compensation or incentive scheme subject to shareholder vote. Please note, however, that NVI may not be aware of the roles performed for portfolio companies by underlying investors holding Units in NVI commingled funds. Clients are requested to notify NVI of any known affiliations with publicly traded companies that could fall within NVI's investment universe. Clients are also requested to notify NVI if they are actively involved in the financial services industry or affiliated or employed by an investment bank, broker/dealer, custodian or asset management firm.

Northern Trust acts as the custodian for the Funds. Northern Trust has outsourced certain of its proxy processing responsibilities to Broadridge, a leading provider of proxy voting services. Broadridge provides NVI with meeting notification and ballot delivery services, agenda summaries, detailed agenda content including original source documents, translation services, power of attorney maintenance, recordkeeping and custom reports, and vote instruction processing services. Meeting notifications are provided according to an established service level agreement in place between Northern Trust and Broadridge and one in place between Northern Trust and NVI. NVI does not outsource any part of its proxy voting decision making process to Broadridge or Northern Trust.

If, following receipt of proxy voting materials from a proxy voting service provider, only standard issues are included, one of the NVI's portfolio managers responsible for implementation will decide on how to vote the proxy. If material issues are included, enhanced procedures apply. Two or more of the NVI's portfolio managers responsible for implementation will discuss the issues, assess the potential impact that the issues may have on the portfolio company and the value of the underlying investment, and decide on how to vote the proxy in question.

In certain circumstances, NVI may be unable to vote a specific proxy including (but not limited to) (i) where NVI refrains from voting as it is considering liquidating a position, as shares may be blocked when proxies are submitted, (ii) where the costs of voting a specific proxy outweigh the economic benefit that NVI believes would be derived by a Client, (iii) where authorities to oversee the issuing company of equity security effectively restrict the execution of proxy voting, (iv) where a specific class of shares does not carry voting rights with respect to a given issue subject to shareholder vote, (v) where re-registration of the shares into a Client's (rather than a Custodian's nominee) name may (or may reasonably be expected to) result in a violation of local privacy laws or adversely impact a Client's economic interests, or (vi) in the event an error is committed by any party involved in the proxy voting or registration process.

Clients are advised that a significant majority of AGMs in Japan have historically taken place over the same specific days. As a result, proxy vendors, custodians and registrars face a significant logistical challenge in ensuring that all proxies voted by an investment manager are lodged and registered within deadlines. Japanese corporate law may make it difficult for the Investment Manager to influence the corporate governance of Japanese companies. In order to raise an agenda item, a shareholder must normally (i) be registered as a shareholder for up to six (6) continuous calendar months prior to raising an agenda item, (ii) hold at least three hundred (300) voting rights or one percent (1%) of the total number of voting rights held by all shareholders of the company, (iii) hold shares in registered rather than nominee name, and (iv) submit a request for such an agenda item at least eight (8) weeks prior to the date of the meeting.

Additional information on NVI's proxy voting policy can be found in the Japan's Stewardship Code Statement on NVI's website. NVI provides annual aggregated voting record on the website as well.

#### **Item 18. Financial Information**

NVI does not require or solicit the prepayment of fees and so this item is not applicable.