

**Nikko Asset Management Americas, Inc.**

**Form ADV Part 2A  
Advisory Services  
Disclosure Brochure**

**July 17, 2019**

This Disclosure Brochure (“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 [USCompliance@nikkoam.com](mailto:USCompliance@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.

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## **Item 2: Material Changes**

This Brochure was last revised on June 28, 2019 as part of an annual amendment update.

Effective July 1, 2019, Nikko AMA updated Item 4 Advisory Business, under the section titled Ownership, to reflect the transfer of Nikko AM shares from Sumitomo Mitsui Trust Bank (SMTB) to Sumitomo Mitsui Trust Holdings Inc. (SMT Holdings), which owns SMTB. As a result, Nikko AM became a direct subsidiary of SMT Holdings.

In addition, further disclosure has been provided under Item 15 Custody to describe the manner in which Nikko AMA complies with US Custody Rule.

All other information in this Brochure is as of the date of Nikko AMA's last fiscal year end, March 31, 2019. There are no additional material changes as of the date of this Brochure, July 17, 2019.

Pursuant to SEC Rules, Nikko AMA will ensure 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.

## Item 3: Table of Contents

Item 4	Advisory Business .....	4
	Introduction .....	4
	Corporate History .....	4
	Ownership .....	5
	Assets Under Management.....	5
	Advisory Services.....	5
Item 5	Fees and Compensation .....	6
Item 6	Performance-Based Fees and Side-By-Side Management.....	7
Item 7	Types of Clients .....	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	7
	Methods of Analysis .....	7
	Investment Strategies .....	9
	Risk of Loss.....	9
Item 9	Disciplinary Information.....	9
Item 10	Other Financial Industry Activities and Affiliations .....	10
	Commodity Trading Advisor .....	10
	Broker-Dealers .....	10
	Investment Companies or Funds .....	10
	Other Investment Advisers .....	11
	Banking or Thrift Institutions .....	11
Item 11	Code of Ethics, Participation in Client Transactions and	
	Personal Trading .....	11
Item 12	Brokerage Practices .....	12
	Broker-Dealer Selection and Best Execution .....	12
	Soft Dollars.....	12
	Trade Aggregation and Allocation .....	13
Item 13	Review of Accounts.....	13
	Monitoring .....	13
	Reconciliation .....	13
	Client Reporting .....	13
Item 14	Client Referrals and Other Compensation .....	14
Item 15	Custody.....	14
Item 16	Investment Discretion .....	14
Item 17	Voting Client Securities .....	15
Item 18	Financial Information .....	16
Item 19	Privacy Policy.....	17

## **Item 4 Advisory Business**

### **Introduction**

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 an investment adviser ("IA") registered with the SEC and registered as a Commodity Trading Advisor ("CTA") with the Commodity Futures Trading Commission ("CFTC").

### **Corporate History**

The history of 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. Nikko AM also extended its capabilities in Europe with the addition of an Edinburgh-based investment team, which previously managed the high-alpha equity strategy at Scottish Widows Investment Partnership in August 2014. The team now manages Nikko AM's Global Equity strategy.

As a result, the Nikko AM Group is able to offer global investment and distribution capabilities in Tokyo, Singapore, Hong Kong, Sydney, Auckland, Edinburgh, London and New York. Nikko AM also owns 40% of Rongtong Fund Management in China, as well as 30% of Affin Hwang Asset Management Berhad in Malaysia.

These acquisitions have significantly contributed to the diversity of Nikko AM 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 July 1, 2019, Nikko AMA was a wholly owned subsidiary of Nikko AM, which in turn is majority owned by Sumitomo Mitsui Trust Holdings Inc. (“SMT Holdings”), a holding company of the Sumitomo Mitsui Trust Group.



\*Ownership percentages have been rounded down to two decimal places and may not equal 100%.

### Assets Under Management

As at March 31, 2019 consolidated assets under management and advice of the Nikko AM Group were approximately USD 214.18 billion. Of this, Nikko AMA was responsible for USD 5,112,176,264, which can be broken down as follows:

	Regulatory AUM (in USD)
Discretionary Assets	4,765,208,651
Non-Discretionary Assets	346,967,613
Total	5,112,176,264

### 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
- Multi Assets – since 2014
- Global Equities – since 2014

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, Edinburgh, 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, subject to applicable law. 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 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, investment companies, 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 non-affiliated 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:

Passive Strategies		Active Strategies	
<b>ETFs</b> TOPIX TOPIX Ex-Financials Nikkei 225 Nikkei 225 (Mini) Nikkei Leveraged JPX400 JPX/S&P CAPEX & Human Capital TSE Dividend Focus 100 TSE REIT MSCI Japan High Dividend -Low Vol MSCI ACWI MSCI KOKUSAI MSCI Emerging Mkts S&P500 S&P/ASX 200 A REIT CSI300 CNX Nifty FTSE Straits Times FTSE WGBI Barclays EM Local iBoxx ABF SG Bond		<b>Equities</b> Global Equity - ACWI, EAFE Asia Equity - Asia ex Japan - Asia Pac ex Japan - Asia Healthcare - Asia Small Cap - ASEAN - Greater China - China A Shares - India - Singapore Australia Equity - Value (CVA) - Concentrated - Income New Zealand Equity Japan Equity - Fundamental Value - Growth - Core - Focus - Dividend - Research Active - Active Value - Cash-Rich Company - Small & Mid Growth - Emerging - Shareholder Rtn Growth - ESG - Enhanced Index	
<b>Index Funds*</b> TOPIX Nikkei 225 S&P 500 CSI 300 S&P ASX200 FTSE WGBI Citi US Treasury JPM EMBI, EMBI-GD S&P MLP		<b>Fixed Income</b> Global Bonds High Conviction Sov. Global Credit World Bk Green Bonds Supranational US Treasury US GNMA US Muni US Investment Grade Australia FI Australia RMBS New Zealand Bonds Asian FI - Asia Credit - Asia HY Bond - Asia LC Bond - Short Dur Asia Credit - RMB (On / Offshore) - Singapore - Indonesia Japan Broad Mkt Japan Long Duration Japan Credit	
<b>Smart Beta</b> FTSE EDHEC Min Vol High Div URAP High Div – Low Vol Tactical allocation		<b>Alternatives</b> Dynamic Japan Long Short Equity Japan Core Neutral Equity Japan Quantitative Market Neutral Strategic Convertible Bonds (Japan) J-REIT Active Asia Alpha Plus Asia REIT Active AI Deep Learning Technical Management	
		<b>Multi Asset</b> Global Multi Asset Global Multi Asset Conservative Emerging Market Multi Asset Low Risk Multi Asset Risk Controlled Balance Alternative Risk Premia	

\* Examples of non-ETF passive strategies

## 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 may 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. However, a complete list of disciplinary events relating to Nikko AMA's affiliates may be found in Item 11 "Disclosure Information" of Nikko AMA's Form ADV Part 1A, which may be accessed at <https://www.adviserinfo.sec.gov/>

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

Nikko AMA is part of a large, global financial services company and, as such, has relationships and affiliations with many other entities engaged in the financial industry. 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.

### **Commodity Trading Advisor**

Nikko AMA is a registered CTA and a member of the National Futures Association (NFA). Certain personnel of Nikko AMA are also registered as Associated Persons ("AP") with the NFA in respect of marketing certain funds or accounts that trade commodity interests.

### **Broker-Dealers**

Nikko AMA may place orders on behalf of its clients with affiliated broker-dealers, therefore, 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.

Certain personnel of Nikko AMA are also registered representatives of a third-party unaffiliated U.S. registered broker-dealer for which certain services are provided in respect of marketing and solicitation of certain Nikko AMA or Group funds.

### **Investment Companies or Funds**

Nikko AMA provides investment management services to investment companies or funds, including those managed by Group affiliates. Nikko AMA discloses that it is a related person of the investment companies or funds for which it provides investment management services. The provision of investment management services to multiple investment companies or funds could result in a conflict of interest when multiple investment companies or funds 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. Nikko AMA acts as sub-adviser to certain Affiliates and certain affiliated non-U.S. registered funds. In addition, Nikko AMA may engage and provide certain services, such as, marketing, consulting, research, trade execution due diligence, product development and other initiatives on behalf of its Affiliates.

### Banking or Thrift Institutions

SMTB is the ultimate parent entity of Nikko AMA and its parent Nikko AM (together, “Nikko”) and serves as distributor for several of Nikko’s pooled investment vehicles. SMTB may provide administrative, custodial and other services to Nikko’s products and clients. Nikko 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. Whenever Nikko 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) pre-clearance 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, Nikko AMA 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.

Nikko AMA does not recommend, request or require that a client direct transactions to be executed through a particular broker-dealer. In general, Nikko AMA permits clients to establish directed brokerage arrangements if they desire, although Nikko AMA may limit the circumstances under which it will participate in these arrangements. In such directed brokerage arrangements, the client should recognize that it may restrict or prevent Nikko AMA from obtaining best execution which may cost the client more money; Nikko AMA may not be able to obtain as favorable a transaction price or commission rates as might otherwise be available. Moreover, in a directed brokerage arrangement, the client may forego benefits by limiting Nikko AMA's ability to aggregate trade orders with those of other clients, thereby missing opportunities to lower commissions and/or transaction costs. Likewise, directed brokerage arrangements may also result in directed trades being executed after trades for other funds or accounts, which can result in inferior prices for that client.

### **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 favoured 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. Accounts and Portfolios are reviewed by the Investment Management, Risk Management and Compliance Departments. The Investment Management Department monitors portfolios across a number of risk factors, including (but not limited to), liquidity, market, and credit risk. The Compliance Department also monitors portfolios to assess whether they are being managed in accordance with applicable investment guidelines and restrictions.

Any issues identified or that may arise are reported to the Nikko AMA Risk Committee and the Board of Directors, as appropriate. The Nikko AMA Risk Committee meets on a quarterly basis and has a reporting line to the Nikko AMA Board of Directors as well as Nikko AM's Risk Oversight Committee.

### 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), as may be appropriate for a 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 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

Nikko AMA and certain affiliates may act as managing member, GP, trustee, and/or sponsor to certain pooled investment vehicles subject to compliance under the US Custody Rule 206(4)-2, as amended. In such cases, Nikko AMA shall rely on the Audit Provision of the Custody Rule. The Audit Provision requires that investors receive audited financial statements within 120 days of fiscal year end.

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 commencement 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. Clients may at their discretion place limits on Nikko AMA's trading authority.

When selecting securities and determining amounts, Nikko AMA observes the investment policies, limitations and restrictions (i.e. investment management agreement) of the client for which it is acting. To the extent Nikko AMA trades on behalf of registered investment companies, Nikko AMA's authority to trade securities may be limited by certain federal securities and tax laws that require, among other things, 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 principles by which it seeks an invested company to abide with. By exercising voting rights in accordance with these principles, Nikko AMA aims to encourage companies to operate in a manner consistent with 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. Nikko AMA also engages an independent third-party proxy voting service vendor to assist with its fiduciary obligations in respect of voting client securities.

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.

Proxy voting reports are provided to clients on a periodic basis. Nikko AM's Group Guidelines are available upon request. Clients may obtain a copy of Nikko AMA's proxy voting policies and procedures by contacting in writing to:

Nikko Asset Management Americas, Inc.  
Attn: Compliance Department  
535 Madison Avenue, Suite 2500  
New York, NY 10022

**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.



**Item 19 Privacy Policy**

**PRIVACY POLICY OF  
NIKKO ASSET MANAGEMENT AMERICAS, INC.**

**Your Privacy is Protected.**

An important part of our commitment to you is our respect for your right to privacy. Protecting all the information we are either required to gather or which accumulates in the course of doing business with you is a cornerstone of our relationship with you. While the range of products and services we offer continues to expand, and the technology we use continues to change, our commitment to maintaining standards and procedures with respect to security remains constant.

**Privacy of Client Financial Information (Regulation S-P).**

Regulation S-P requires us to adopt policies and procedures reasonably designed to: (a) ensure the confidentiality of Client records and information; (b) protect against any anticipated threats or hazards to the security of Client records and information; and (c) protect against unauthorized access or use of Client records or information that could result in “substantial harm or inconvenience” to any Client. The privacy provisions of Regulation S-P apply to information that is “nonpublic personal information.” For the purpose of this policy, Client means any US person or entity for which we serve as Investment Advisor, render investment advice or make investment decisions.

**Regulation S-P.**

**Nonpublic personal information** under Regulation S-P includes “personally identifiable financial information” and any list, description, or grouping that is derived using any personally identifiable financial information that is not publicly available information.

**Personally identifiable financial information includes three categories of information:**

- a. **Information Supplied by Client:** Any information that is provided by a Client or prospective Client to us in order to obtain a financial product or service. This would include information or material given to us when entering into an investment advisory agreement.
- b. **Information Resulting from Transaction:** Any information that results from a transaction with the Client or any services performed for the Client. This category would include information about account balances, securities positions, or financial products purchased or sold through a broker-dealer.
- c. **Information Obtained in Providing Products or Services:** Any information obtained by us from a consumer report or other outside source that is used by us to verify information that a Client or prospective Client has given on an application for advisory services.

### **Collection of Information.**

The primary reason that we collect and maintain information is to more effectively administer our customer relationship with you. It allows us to identify, improve and develop products and services that we believe could be of benefit. It also permits us to provide efficient, accurate and responsive service, to help protect you from unauthorized use of your information and to comply with regulators' and other legal requirements. These include those related to institutional risk control and the resolution of disputes or inquiries.

Various sources are used to collect information about you, including: (i) information you provide to us at the time you establish a relationship; (ii) information provided in applications, forms or instruction letters completed by you; (iii) information about your transactions with us or our affiliated companies; and/or (iv) information we receive through an outside source, such as a bank or credit bureau. In order to maintain the integrity of client information, we have procedures in place to update such information, as well as to delete it when appropriate. We encourage you to communicate such changes whenever necessary.

### **Disclosure of Information.**

We do not disclose any nonpublic, personal information (such as your name, address or tax identification number) about our clients or former clients to anyone, except as permitted or required by law or otherwise as directed in writing by the Client.

The law permits us to share client information with companies that are affiliated with us which provide financial, credit, insurance, trust, legal, accounting and administrative services to us or our clients. This allows us to enhance our relationship with you by providing a broader range of products to better meet your needs and to protect the assets you may hold with us by preserving the safety and soundness of our firm.

Accordingly, nonpublic personal information about a Client may be provided to the broker-dealer or other custodian for maintaining or servicing the Client's account or processing or servicing a financial product or service that the Client requests or authorizes. In addition, the Company will limit access to Clients' nonpublic personal information to only those employees who need to know such information to provide products or services to Clients, and will maintain physical, electronic and procedural safeguards to prevent such information against unauthorized access and disclosure.

It may be necessary, under anti-money laundering or other laws, to disclose information about you in order to accept your subscription. Information about you may also be released if you so direct, or if we, or an affiliate, are compelled to do so by law, or in connection with any government or self-regulatory organization request or investigation.

Finally, we are also permitted to disclose nonpublic, personal information to unaffiliated outside parties who assist us with processing, marketing or servicing a financial product, transaction or service requested by you, administering benefits or claims relating to such a transaction, product or service, and/or providing confirmations, statements, valuations or other records or information produced on our behalf.

We are committed to upholding this Privacy Policy. We will notify you on an annual basis of our policies and practices in this regard and at any time that there is a material change that would require your consent.

**YOU MAY OPT OUT TO HAVE YOUR NONPUBLIC PERSONAL INFORMATION DISCLOSED TO UNAFFILIATED THIRD-PARTIES BY CONTACTING US DIRECTLY BY EMAIL TO:**

**[USCOMPLIANCE@NIKKOAM.COM](mailto:USCOMPLIANCE@NIKKOAM.COM)**