

Global Fixed Income – Absolute Return

Introduction:

Nomura Asset Management launched its Global Fixed Income Absolute Return strategy in November 2006. It targets 10%p.a. alpha above a benchmark of the client's choice using physical and future/forward positions in the World's most heavily traded bond and currency markets. Since inception, it has achieved 7.9% annualised alpha, with limited downside volatility, thanks to a heavy emphasis on risk control and loss limitation. In 2009, we began to market the strategy for the first time and have since won the backing of a prestigious institutional client in Europe.

The Strategy will be highly leveraged at times. We are seeking to offer the strategy on a segregated account basis only to sophisticated clients who can incorporate it as an alpha component of a broader investment strategy.

Investment Objectives:

The table shows the Strategy's broad investment objectives.

The benchmark of the Strategy can be tailored to an individual client's requirements. The pooled fund on which we have based our performance exhibits in this document is JPY 1 month LIBOR. In 2010, our first European client benchmarked our strategy against an EUR LIBOR rate.

Whilst the Fund is constructed to achieve its outperformance target, there is an emphasis on downside risk control at all times. Periods of "stress" in global bond and currency markets are viewed as times of particular opportunity for the Fund, and tracking error is expected to be highest. However, our investment process is designed to achieve consistent alpha in all market environments.

Objective:	Measure:
Outperformance Target:	10%
Tracking Error Range:	0-25%
Credit Exposure:	Government bonds AAA Government-related AAA Supranational
Investable Securities:	Interest rate futures Currency forwards Physical bonds / Cash instruments
Countries & Currencies:	Developed countries

Past Performance:

Past performance is shown since inception (30th November 2006). Excess return is shown relative to our Fund's benchmark (1 month JPY LIBOR), but this alpha stream can be overlaid to an investor's benchmark of choice:

Period*	Excess Return	Volatility**	I.R.	Max.*** Drawdown
Since Inception	7.83	7.90	0.99	-3.63
3 Years	5.04	4.82	1.05	-3.32
2 Years	2.37	3.98	0.60	-3.32
12 Months	1.35	4.99	0.27	-3.32

* Periods ending 30/09/2011. Inception is 30/11/2006.

** Annualised standard deviation of monthly returns

*** Largest monthly underperformance of benchmark.

Source: Nomura Asset Management; all returns annualised, gross of fees and in excess of JPY 1 month LIBOR

- Outperformance has been derived broadly equally from Currency and Interest Rate alpha strategies.
- Only the most highly traded, liquid bond futures and currencies have been employed – enabling portfolio risk to be highly dynamic, particularly at times of market stress (Oct '07, Aug '08)
- Greater value added has typically coincided with greater volatility in global asset prices. In trending, less volatile markets, alpha has been consistent also, with relatively low tracking errors.

Risk Warnings: The contents of this presentation are not intended in any way to indicate or guarantee future investment results as the value of investments may go down as well as up. Securities and derivatives markets are subject to rapid and unexpected price movements and you may get back less than you originally invested. Values may also be affected by exchange rate movements. Derivatives such as futures, forward foreign exchange and contracts for difference carry a high level of risk to your capital. A key risk of leveraged trading is that if a position moves against you, you can incur additional liabilities far in excess of the initial margin deposit. You should ensure that you fully understand the risks involved and if necessary, seek independent advice.

Investment Philosophy:

Top Down

- ➔ We follow global capital flows to help us understand and forecast market trends.
- ➔ We analyse top-down trends - 4 time horizons: long-term (strategic), medium, short & super-short (cyclical).

Judgmental

- ➔ Our goal is to generate alpha in all market conditions – in “boom” or “bust” markets.
- ➔ Complexity and market dynamics can undermine quantitative approaches, particularly when trends unwind.
- ➔ When markets are volatile or in crisis, we focus on a highly sophisticated judgmental approach to capture alpha.

Importance of Liquidity

- ➔ Our strategy is designed to operate when markets are driven by fundamentals (market structure, participants, etc) – a lack of liquidity can distort market movements.
- ➔ Therefore we seek to invest in the most liquid (major) markets.

Risk Control

- ➔ Our risk positions are adjusted to suit market conditions:
- ➔ Even in stable, trending markets – protecting against downside risk remains our priority;
- ➔ Volatile, chaotic markets present an opportunity – we concentrate alpha strategies to benefit from a flight to quality

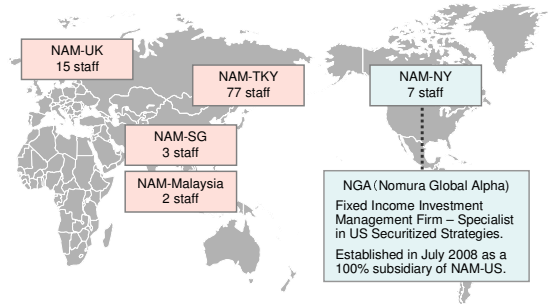
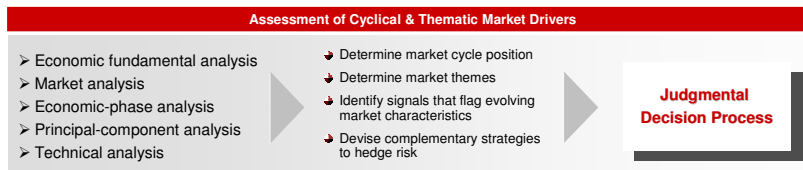
Investment Process & People:

**Key aim: Understand and forecast Global Capital Flow...
...then position ahead of it**

Factors	Period	Analysis Focus	Implication
Structural	Long	Global Imbalance	Weak USD
	Medium	Economic Cycle	Monetary Policy ⇒ Duration strategy
Cyclical & Thematic	Short	Market Theme	Liquidity Driven, Profit-Driven Market ⇒ Currencies, Bonds
	Super Short	Momentum, Technical	Agile Management of Exposure

Capital Market Theory : The market cycles from boom (normal conditions) to bust (abnormal)

Name	Yuji Ishida	Yuji Maeda	Masahiro Kawagishi
Role:	Head of GFI PM	Senior PM Deputy PM	Head FI UK Local Support
For this strategy:			
Location:	Tokyo	Tokyo	Tokyo
Years at NAM:	2	9	20
Years in Industry:	20	9	20



Differentiating Features:

Asian Viewpoint and Culture

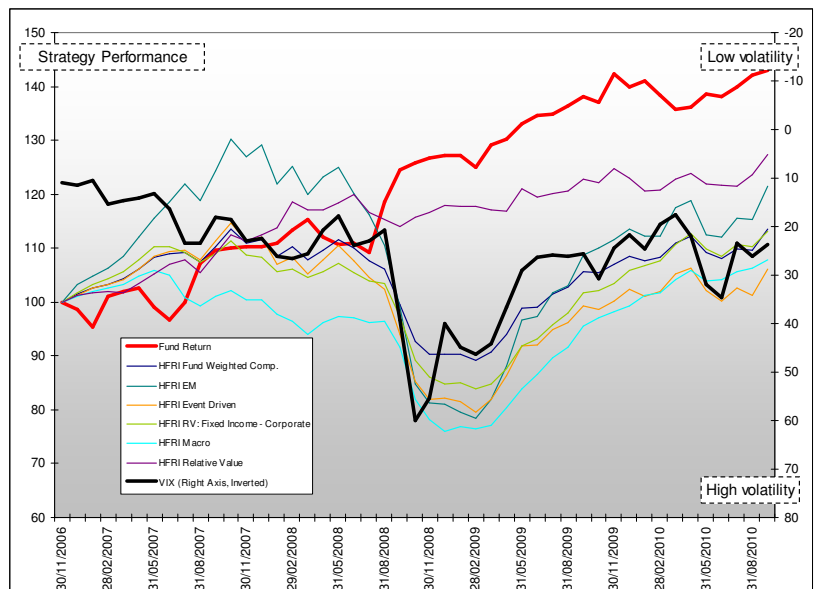
Unique perspectives from Asia, a region that will increasingly shape the course of global economic and market developments.

Delivering Consistent Alpha

The chart (right) illustrates our consistent generation of alpha, even through the financial crisis, when many “hedge fund” strategies failed to provide diversification.

Focus on Liquidity

Ensures we are able to respond rapidly in times of change and market turmoil. This allows us to add value in times of crisis as well as benign markets. The liquid nature of our portfolios allows us to respond to clients’ needs to add or reduce risk as their circumstances permit.



Source: NAM, Bloomberg