

# **NOMURA FUNDS**

An Investment Company  
(Société d'Investissement à Capital Variable)

with one active Sub-Fund

## **CHINA OPPORTUNITIES**

R.C.S Luxembourg B 107 078

organised under the Laws of  
the Grand Duchy of Luxembourg

### **ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

for the year ended December 31, 2012

*No subscription can be received solely on the basis of financial statements. Subscriptions are only valid if made on the basis of the current prospectus accompanied by the audited latest financial statements and the most recent unaudited semi-annual financial statements, if published thereafter.*

**Index**

	Page
Management and Administration .....	3
Shareholder's Information .....	4
Report of the Investment Manager .....	5
Report of the réviseur d'entreprises agréé .....	6
Statement of Net Assets .....	8
Statement of Operations .....	9
Statement of Changes in Net Assets .....	10
Statement of Changes in Shares Outstanding .....	11
Statistical Information .....	11
Statement of Investments .....	12
Economic and Geographical Division of Investments .....	15
Notes to the Financial Statements .....	16

**Management and Administration**

**BOARD OF DIRECTORS**

**Chairman**

Tamon WATANABE (until June 11, 2012)

Chairman

Nomura Asset Management U.K. Limited

Shigeru SHINOHARA (from June 11, 2012)

Chairman

Nomura Asset Management U.K. Limited

**Directors**

Hajime USUKI

President and Managing Director,

Nomura Bank (Luxembourg) S.A.

Koichi SUDO

General Manager,

Nomura Bank (Luxembourg) S.A

Yoshikazu CHONO (until October 7, 2012)

Managing Director,

Nomura Asset Management Co., Ltd

Mariko YANADA (from October 8, 2012)

Managing Director,

Nomura Asset Management Co., Ltd

**Management Company**

RBS (Luxembourg) S.A.

33, rue de Gasperich

L - 5826 Hesperange

Grand-Duchy of Luxembourg

**Investment Manager**

Nomura Asset Management U.K. Limited,

1, Angel Lane,

London EC4R 3AB

United Kingdom

**Investment Manager to China Opportunities**

Nomura Asset Management Hong Kong. Limited,

30/F, Two International Finance Centre,

8 Finance Street,

Central,

Hong Kong

**Custodian**

Nomura Bank (Luxembourg) S.A.,

Bâtiment A - 33, rue de Gasperich

L - 5826 Hesperange

Grand-Duchy of Luxembourg

**Administrator, Domiciliary, Registrar and Transfer Agent**

Nomura Bank (Luxembourg) S.A.,

Bâtiment A - 33, rue de Gasperich

L - 5826 Hesperange

Grand-Duchy of Luxembourg

**Cabinet de révision agréé**

Deloitte Audit

Société à Responsabilité Limitée

560, rue de Neudorf,

L - 2220 Luxembourg

Grand-Duchy of Luxembourg

**Legal Advisors**

**in Luxembourg**

Elvinger, Hoss & Prussen,

2, Place Winston Churchill,

L - 1340 Luxembourg

Grand-Duchy of Luxembourg

**Distributor for China Opportunities**

Nomura Asset Management U.K. Limited,

1, Angel Lane,

London EC4R 3AB

United Kingdom

## **Shareholder's Information**

Nomura Funds (the "Fund") is an open-ended investment fund and an umbrella fund. As of December 31, 2012, the Fund comprised the following active sub-fund: China Opportunities.

Unaudited semi-annual reports and audited annual reports are available at the registered office of the Company, Bâtiment A - 33, rue de Gasperich, L - 5826 Hesperange.

The annual general meeting of shareholders of the Fund will be held at the registered office of the Fund in Luxembourg normally on the last Monday in June at 11:00 a.m. in each year or, if any such day is not a bank business day in Luxembourg, on the next following bank business day. Notices of all general meetings will be given to the extent required by Luxembourg law by publication in the legal gazette *Mémorial* and in such other newspapers as the Board of Directors shall determine.

The Net Asset Value per Share of each Class, as well as the Subscription Price and Redemption Price, may be obtained from the registered office of the Fund. The combined financial statements are presented in Euro.

## **Report of the Investment Manager For the year ended December 31, 2012**

### **Performance Review**

The objective of the Sub-Fund is to achieve long-term capital growth. During the period 31st December 2011 to 31st December 2012, the Sub-Fund's unit NAV increased by 20.7%, relative to the 22.75% return of the MSCI China Total Return Index, underperforming the benchmark by 2.05%. Stock selection made a positive contribution to the fund's performance during the period, as contribution from the telecommunications and industrials sectors were positive. However, sector allocation made a negative contribution to the fund's performance during this period, as the portfolio was overweight in the underperforming energy and consumer discretionary sectors. In terms of sector weighting, the portfolio increased its exposure to the materials and financials sectors during the year, largely at the expense of the energy sector.

### **Investment Outlook**

The New Year has brought renewed optimism to the outlook for the global economy. Deleveraging of individual and Government balance sheets in the OECD countries is a structural phenomenon that will lead to a sub-par recovery. Having said that, growth will no doubt rebound from 2012 levels providing an environment for well-managed companies to post better profit growth numbers. More crucially the highly accommodative monetary policies of the Federal Reserve, ECB and the Bank of Japan will continue to provide market participants with plenty of cheap liquidity. Asian economies are likely to demonstrate superior growth rates again. Anaemic export performances will be more than offset by buoyant domestic demand as strong wage growth and negative real interest rates fuel consumption growth and rising property prices.

China was 2012's fourth quarter strongest market in MSCI Asia Pacific as macroeconomic data pointed towards a gradual but continuous recovery since August/ September 2012. Official PMI readings edged higher to 50.6 in December and November from 50.2 in October, the highest level for seven months. Retail sales continued to expand in December, rising for a fifth consecutive month after bottoming out in July. Moving into 2013, we expect the recovery to broaden. Probably the most important is the new government's determination to accelerate the pace of economic reforms and to open up steps forward, to crack down on corruption and to reduce the income gap. Reforms will range from SOE reform to fiscal and financial reform. Besides, urbanization had been identified as the biggest source of growth potential, which will benefit the society on all fronts from consumption to infrastructure investment. Current low inflation environment (between the range of 1.7% and 2.5% in quarter four 2012, which is comfortably below the government's target of 3.5%) also means there is little concern about any policy reversal in the near term.

For Hong Kong, December, November and October PMI numbers managed to climb back above the 50 level at 51.7, 52.2 and 50.5 respectively from 49.6 in September. Exports recovered to 14.4% yoy and 10.5% yoy in December and November from -2.8% yoy in October. Imports showed similar trends, with a recovery to 11.9% and 9.0% yoy growth in December and November VS 3.3% in October and a decline of 14.9% yoy in September. Hong Kong is an open market. On a positive note, it is likely to benefit from an abundance of HK dollar liquidity in the near term. However on a negative note, it is subject to greater volatility given the exposure to US and European economies of which the external concern relating to them remain as a major downside threat to Hong Kong market.

### **Investment Strategy**

Our future sector selection will be dictated by bottom-up decisions and will focus on the leading plays in each industry. We still prefer companies which, due to their competitive positions and management quality, have clear strategies to take advantage of economic growth in China. We have chosen three sectors to stand at overweight within the Fund for the time being: financial, industrial and consumer discretionary.

To the Shareholders of  
NOMURA FUNDS (Société d'Investissement à Capital Variable)  
33, route de Gasperich  
L-5826 Hesperange  
Grand-Duchy of Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

Following our appointment by the annual general meeting of the Shareholders of the SICAV, we have audited the accompanying financial statements of NOMURA FUNDS, which comprise the statement of net assets and the statement of investments as at December 31, 2012 and the statement of operations and the statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Responsibility of the Board of Directors of the SICAV for the financial statements*

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, *the réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of NOMURA FUNDS as of December 31, 2012, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

## Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

For Deloitte Audit s.à.r.l, *Cabinet de révision agréé*



Johnny Yip, *Réviseur d'entreprises agréé*

Partner

April 26, 2013

**Statement of Net Assets  
as at December 31, 2012**

	Notes	<i>China Opportunities (in USD)</i>	<i>Nomura Funds (in Euro)</i>
<b>ASSETS</b>			
Investment in securities at market value <i>(at cost: USD 35,782,229)</i>	2	42,938,998	32,529,554
Cash at banks		230,884	174,912
Accrued income		7,701	5,834
		<hr/>	<hr/>
Total Assets		43,177,583	32,710,300
		<hr/>	<hr/>
<b>LIABILITIES</b>			
Accrued expenses	8	163,814	124,101
		<hr/>	<hr/>
Total Liabilities		163,814	124,101
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>43,013,769</b>	<b>32,586,199</b>
		<hr/> <hr/>	<hr/> <hr/>
Number of Shares Outstanding		325.57385	
Net Asset Value per Share		132,117	

*The accompanying notes form an integral part of these financial statements.*

**Statement of Operations**  
**for the year ended December 31, 2012**

	Notes	<i>China Opportunities</i> <i>(in USD)</i>	<i>Nomura Funds</i> <i>(in Euro)</i>
<b>INCOME</b>			
Dividends received		1,308,723	991,457
Other income		19,165	14,519
<b>Total Income</b>		<b>1,327,888</b>	<b>1,005,976</b>
<b>EXPENSES</b>			
Management and Investment Management fees	3	440,544	333,745
Administrator, Domiciliary, Registrar and	4		
Transfer Agent fees		57,235	43,360
Custodian fees	4	67,597	51,210
Correspondent bank fees		63,609	48,189
Management Company fees	3	66,018	50,014
Legal fees		27,987	21,202
Out-of-pocket expenses		8,823	6,684
Professional fees		29,083	22,033
Subscription tax	7	4,275	3,239
Other expenses		34,398	26,059
<b>Total Expenses</b>		<b>799,569</b>	<b>605,735</b>
<b>NET INVESTMENT INCOME</b>		<b>528,319</b>	<b>400,241</b>
Net realised loss on investments		(1,687,938)	(1,278,741)
Net realised profit on foreign currencies		3,004	2,276
<b>NET REALISED LOSS FOR THE YEAR</b>		<b>(1,684,934)</b>	<b>(1,276,465)</b>
Change in net unrealised result on investments		8,612,047	6,524,280
<b>NET UNREALISED PROFIT FOR THE YEAR</b>		<b>8,612,047</b>	<b>6,524,280</b>
<b>NET INCREASE IN NET ASSETS AS A RESULT OF OPERATIONS</b>		<b>7,455,432</b>	<b>5,648,056</b>

*The accompanying notes form an integral part of these financial statements.*

**Statement of Changes in Net Assets  
for the year ended December 31, 2012**

	Notes	<i>China Opportunities (in USD)</i>	<i>Nomura Funds (in Euro)</i>
Net assets at the beginning of the year		36,504,761	28,230,227
NET INVESTMENT INCOME		528,319	400,241
NET REALISED LOSS FOR THE YEAR		(1,684,934)	(1,276,465)
NET UNREALISED PROFIT FOR THE YEAR		8,612,047	6,524,280
NET INCREASE IN NET ASSETS AS A RESULT OF OPERATIONS		7,455,432	5,648,056
Proceeds from subscriptions of units		10,347,112	7,838,724
Payments for repurchase of units		(11,293,536)	(8,555,712)
		(946,424)	(716,988)
Exchange Movement (*)			(575,096)
NET ASSETS AT THE END OF THE YEAR		43,013,769	32,586,199

(\*) The Exchange movement represents the difference arising from the conversion of the Combined Net assets at the beginning of the year at prevailing exchange rates as at December 31, 2011 and the conversion at prevailing exchange rates as at December 31, 2012.

*The accompanying notes form an integral part of these financial statements.*

**Statement of Changes in Shares Outstanding  
for the year ended December 31, 2012**

*(Unaudited)*

Number of shares at the beginning of the year	333.51518
Number of shares issued	85.96569
Number of shares repurchased	<u>(93.90702)</u>
Number of shares outstanding at the end of the year	<u>325.57385</u>

**Statistical Information  
as at December 31, 2012**

*(Unaudited)*

<i>China Opportunities (expressed in USD)</i>	2012	2011	2010
Net Assets at the end of the year	43,013,769	36,504,761	59,040,412
Net Asset Value per Share at the end of the year	132,117	109,455	142,532

**Statement of Investments**  
**as at December 31, 2012**  
*(expressed in US Dollars)*

Quantity	Description	Cost	Market Value	In % of Net Assets
<b>TRANSFERABLE SECURITIES ADMITTED TO OFFICIAL EXCHANGE LISTING</b>				
<b>BERMUDA</b>				
<b>ORDINARY SHARE</b>				
416,000	KUNLUN ENERGY CO LTD	681,178	868,343	2.03
198,000	COSCO PACIFIC LIMITED	290,722	282,003	0.66
145,000	HAIER ELECTRONICS GROUP CO	170,673	212,129	0.49
138,000	BRILLIANCE CHINA AUTOMOTIVE	123,937	169,843	0.39
128,000	TEXWINCA HOLDINGS LTD	108,166	120,381	0.28
104,000	CHINA FOODS LTD	108,345	96,065	0.22
		1,483,021	1,748,764	4.07
	Total BERMUDA	1,483,021	1,748,764	4.07
<b>CAYMAN ISLANDS</b>				
<b>ORDINARY SHARE</b>				
57,100	TENCENT HOLDINGS LTD	965,474	1,834,234	4.27
377,000	BELLE INTERNATIONAL HOLDINGS	704,876	818,062	1.90
68,000	HENGAN INTL GROUP CO LTD	625,028	613,643	1.43
1,030,000	GEELY AUTOMOBILE HOLDINGS LTD	478,982	487,666	1.13
384,000	CIMC ENRIC HLDGS LTD	325,808	342,813	0.80
79,500	KINGBOARD CHEMICALS HOLDINGS LTD	166,473	282,046	0.66
171,600	CHOW TAI FOOK JEWELLERY GROUP LTD	246,742	275,396	0.64
364,000	CHINA RESOURCES CEMENT HLDG LTD	176,648	238,553	0.55
168,000	AGILE PROPERTY HOLDINGS LTD	199,843	236,241	0.55
396,000	SINO BIOPHARMACEUTICAL LTD	125,727	189,024	0.44
72,000	GOLDEN EAGLE RETAIL GROUP	149,163	177,227	0.41
395,000	XTEP INTERNATIONAL HOLDINGS	155,204	169,692	0.39
96,000	CHINA SHINEWAY PHARMACEUTICAL GRP	145,784	162,242	0.38
166,000	BAOXIN AUTO GROUP LTD	85,533	134,275	0.31
224,000	ANTON OILFIELD SERVICES GP	108,874	118,193	0.27
833	SHUI ON LAND LTD	0	403	0.00
		4,660,159	6,079,710	14.13
	Total CAYMAN ISLANDS	4,660,159	6,079,710	14.13
<b>CHINA</b>				
<b>ORDINARY SHARE</b>				
4,313,270	CHINA CONSTRUCTION BANK H	3,031,267	3,461,118	8.04
4,503,650	IND & COMM BANK OF CHINA LTD H	2,964,619	3,195,558	7.42
4,685,000	BANK OF CHINA LTD H	1,755,091	2,091,246	4.86
578,000	CHINA LIFE INSURANCE CO LTD H	1,550,996	1,886,548	4.39
1,316,000	PETROCHINA CO LTD H	1,423,880	1,864,136	4.33
1,178,000	CHINA PETROLEUM & CHEMICAL CORP H	980,743	1,334,318	3.10
205,500	CHINA SHENHUA ENERGY CO LTD H	881,016	900,059	2.09
636,500	CHINA MINSHENG BANKING CORP H	588,763	735,743	1.71
1,488,000	AGRICULTURAL BANK OF CHINA H	746,079	735,227	1.71
86,000	PING AN INSURANCE GROUP CO H	763,549	720,050	1.67
785,000	BANK OF COMMUNICATIONS CO LTD H	604,179	591,428	1.37
162,000	ANHUI CONCH H	485,004	589,364	1.37

*The accompanying notes form an integral part of these financial statements.*

**Statement of Investments (continued)**  
**as at December 31, 2012**  
*(expressed in US Dollars)*

Quantity	Description	Cost	Market Value	In % of Net Assets
<b>TRANSFERABLE SECURITIES ADMITTED TO OFFICIAL EXCHANGE LISTING (continued)</b>				
<b>CHINA (continued)</b>				
<b>ORDINARY SHARE (continued)</b>				
672,000	ANGANG STEEL COMPANY LIMITED H	397,855	492,422	1.14
501,000	CHINA COMMUNICATION CONSTRUCTION H	393,781	483,458	1.12
540,000	AIR CHINA LIMITED H	367,867	456,304	1.06
123,000	CHINA PACIFIC INSURANCE CO LTD H	424,800	454,621	1.06
267,600	GUANGZHOU R&F PROPERTIES CO LTD H	340,163	445,344	1.04
278,000	DONGFENG MOTOR GP CO H	400,474	428,939	1.00
1,355,000	CHINA SHIPPING CONT LINES CO LTD H	321,377	389,820	0.91
101,600	NEW CHINA LIFE INSURANCE CO LTD H	301,942	386,010	0.90
330,000	CHINA RAILWAY CONSTR CORP H	355,563	375,067	0.87
404,000	HUANENG POWER INTL H	260,767	373,697	0.87
518,000	CHINA SHIPPING DEVELOPMENT CO LTD H	219,270	296,710	0.69
112,000	JIANGXI COPPER CO LTD H	301,340	294,759	0.69
114,500	CITIC SECURITIES CO LTD H	225,433	289,522	0.67
164,400	HAITONG SECURITIES CO LTD H	229,509	282,080	0.66
165,330	CHINA VANKE CO LTD B	176,224	266,613	0.62
157,600	ZTE CORP H	251,993	265,533	0.62
168,200	ZOOMLION HEAVY INDUSTRY -H	208,112	247,806	0.58
98,000	CHINA OILFIELD SERVICES LTD H	208,879	202,033	0.47
336,000	CHINA TELECOM CORP LTD H	167,661	186,825	0.43
116,000	PICC PROPERTY & CASUALTY H	157,529	162,520	0.38
101,000	ZHAOJIN MINING INDUSTRY CO. LTD H	124,957	157,662	0.37
39,000	ZHUZHOU CSR TIMES ELECTRIC H	97,599	144,400	0.34
196,000	CHINA BLUECHEMICAL LTD H	159,671	131,486	0.31
		21,867,952	25,318,426	58.86
	Total CHINA	21,867,952	25,318,426	58.86
<b>HONG KONG</b>				
<b>ORDINARY SHARE</b>				
253,500	CHINA MOBILE LTD	2,095,990	2,951,512	6.85
1,095,000	CNOOC LTD	1,964,881	2,370,421	5.51
366,000	CHINA OVERSEAS LAND&INVEST LTD	664,992	1,090,718	2.54
55,500	BEIJING ENTERPRISES HOLDINGS	326,399	361,580	0.84
392,000	LENOVO GROUP LTD	310,393	355,012	0.83
214,000	CHINA UNICOM HONG KONG LTD	361,678	342,890	0.80
47,000	HENDERSON LAND DEV CO LTD	339,970	331,669	0.77
363,000	SINO-OCEAN LAND HOLDINGS LTD	214,108	271,147	0.63
106,000	CN RESOURCES POWER HOLDING	177,772	270,490	0.63
15,100	HONG KONG EXCHANGES & CLEAR	250,573	256,946	0.60
468,000	SKYWORTH DIGITAL HOLDINGS LTD	252,822	239,693	0.56
44,000	ENN ENERGY HOLDINGS LTD	137,513	191,578	0.45
68,000	TINGYI HOLDING CORP	170,699	189,050	0.44
36,000	WHELOCK & CO LTD	126,946	181,128	0.42
76,000	CHINA EVERBRIGHT LIMITED	126,086	146,482	0.34
40,000	CHINA MERCHANTS HOLDINGS INT CO LTD	143,953	128,235	0.30
29,000	GALAXY ENTERTAINMENT GROUP LTD	106,322	113,547	0.26
		7,771,097	9,792,098	22.77
	Total HONG KONG	7,771,097	9,792,098	22.77

*The accompanying notes form an integral part of these financial statements.*

**Statement of Investments (continued)**  
**as at December 31, 2012**  
*(expressed in US Dollars)*

Quantity	Description	Cost	Market Value	In % of Net Assets
<b>TRANSFERABLE SECURITIES ADMITTED TO OFFICIAL EXCHANGE LISTING (continued)</b>				
	<b>Total TRANSFERABLE SECURITIES ADMITTED TO OFFICIAL EXCHANGE LISTING</b>	<b>35,782,229</b>	<b>42,938,998</b>	<b>99.83</b>
	<b>TOTAL</b>	<b>35,782,229</b>	<b>42,938,998</b>	<b>99.83</b>

*The accompanying notes form an integral part of these financial statements.*

**Economic and Geographical Division of Investments  
as at December 31, 2012**

Economic and Geographical Division	In % of Net Assets
<b>BERMUDA</b>	
Energy	2.03
Consumer Discretionary	0.67
Industrials	0.66
Telecommunication Services	0.49
Consumer Staples	0.22
	<u>4.07</u>
<b>CAYMAN ISLANDS</b>	
Information Technology	4.93
Consumer Discretionary	3.01
Health Care	2.25
Financials	1.68
Industrials	0.80
Consumer Staples	0.64
Materials	0.55
Energy	0.27
	<u>14.13</u>
<b>CHINA</b>	
Financials	35.84
Energy	11.50
Industrials	6.36
Materials	3.24
Telecommunication Services	1.05
Utilities	0.87
	<u>58.86</u>
<b>HONG KONG</b>	
Telecommunication Services	7.65
Financials	6.44
Energy	5.51
Information Technology	1.39
Utilities	1.08
Consumer Staples	0.44
Materials	0.26
	<u>22.77</u>
<b>Total Investments</b>	<b><u>99.83</u></b>

**Notes to the Financial Statements as at December 31, 2012****Note 1 - Organisation**

NOMURA FUNDS (the "Fund") was incorporated as an open-ended investment company (Société d'Investissement à Capital Variable – SICAV) with multiple compartments on April 6, 2005. The duration of the Fund is indefinite. The duration of the Sub-Funds may be limited. The initial capital on incorporation was JPY 5,000,000. On incorporation all the shares representing the initial capital were subscribed for and were fully paid. The Fund has designated a management company subject to chapter 15 of the Luxembourg law of December 17, 2010 regarding undertakings for collective investment as amended.

The Articles of Incorporation were published in the *Mémorial C, Recueil des Sociétés et Associations* on April 18, 2005. The Articles of Incorporation are on file with the *Registre de Commerce et des Sociétés* of Luxembourg. The notice required by Luxembourg law relating to the issue of Shares in the Fund has been deposited with the *Registre de Commerce et des Sociétés* of Luxembourg.

The Fund is designed to offer investors, within the same investment vehicle, a choice between several Sub-Funds, which are managed separately and are distinguished principally by their specific investment policy and/or by the currency in which they are denominated.

The Fund is registered under Part I of the Luxembourg law of December 17, 2010 relating to undertakings for collective investment as amended.

The Fund is operated in compliance with the Association of the Luxembourg Fund Industry (ALFI) Code of Conduct and the global exposure is monitored by commitment approach.

At December 31, 2012, the Fund comprised one active Sub-Fund:

- (i) China Opportunities which has been established for an indefinite period of time.

The Sub-Fund's investment objective is to achieve long term capital growth through investment in an actively managed portfolio of Chinese securities, including primarily equities issued by companies based in or listed/dealt on Regulated Markets in the People's Republic of China (PRC), comprising Hong Kong SAR ("Special Administrative Region"). The Sub-Fund may also invest in companies carrying out a preponderant part of their business activities in the PRC.

**Note 2 - Significant Accounting Policies**

The Fund maintains the books and records of China Opportunities Sub-Fund in its respective currency, U.S. Dollar and prepares combined financial statements in Euro.

The financial statements are prepared in accordance with Luxembourg regulations relating to investment funds, including the following significant accounting policies:

**VALUATION OF SECURITIES**

(a) Securities listed on Regulated Markets, which operate regularly and are recognised and open to the public, are valued at the last available closing price; in the event that there should be several such markets, on the basis of the last available closing price of the main market for the relevant security. Should the last available closing price for a given security not truly reflect its fair market value, then that security is valued on the basis of the probable sales prices which the Board of Directors deems is prudent to assume;

(b) Securities not listed on Regulated Markets, which operate regularly and are recognised and open to the public, are valued on the basis of their last available closing price. Should the last available closing price for a given security not truly reflect its fair market value, then that security is valued by the Board of Directors on the basis of the probable sales price which the Board of Directors deems is prudent to assume;

(c) Shares or units in underlying open-ended investment funds are valued at their last available net asset value;

(d) Liquid assets and money market instruments may be valued at nominal value plus any accrued interest or on an amortised cost basis. All other assets, where practice allows, may be valued in the same manner. Short-term investments that have a remaining maturity of one year or less may be valued (i) at market value, or (ii) where market value is not available or not representative, at amortised cost;

---

**Notes to the Financial Statements as at December 31, 2012 (continued)****Note 2 - Significant Accounting Policies (continued)***VALUATION OF SECURITIES (continued)*

(e) The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid, and not yet received is deemed to be the full amount thereof, unless, however, the same is unlikely to be paid or received in full, in which case the value thereof is determined after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof.

In the event that extraordinary circumstances render such a valuation impracticable or inadequate, the Board of Directors may, at their discretion, prudently and in good faith follow other methods of valuation to be used if they consider that such method of valuation better reflects value and is in accordance with good accounting practice in order to achieve a fair valuation of the assets of the Fund.

*INVESTMENT TRANSACTIONS AND INVESTMENT INCOME*

Security transactions are recorded on the trade date. Realised profits and losses on sales of portfolio securities are calculated on a weighted-average cost basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on the basis of interest accrued, premiums amortised and discounts earned. Dividend income is recorded net of withholding tax.

*FOREIGN CURRENCY TRANSLATION*

The market value of securities as well as other assets and liabilities stated in currencies other than the reporting currency of the Sub-fund have been translated at the exchange rates prevailing at the date of the annual accounts. Income and expenses not denominated in the reporting currency of the Sub-Fund have been translated at the rate prevailing at the date of transaction.

For the preparation of combined financial statements in Euro, the statements of the Sub-Fund have been translated at the exchange rates prevailing at the year-end.

Currency rates as at December 31, 2012:

1 USD	=	0.757576	EUR
1 USD	=	7.751407	HKD

*COMBINED FINANCIAL STATEMENTS*

The Fund's total net assets are expressed in EUR and correspond to the difference between the total assets and the total liabilities of the Fund. In order to calculate this value, the net assets of each Sub-Fund is, unless they are already expressed in EUR, converted into EUR and added together.

**Note 3 - Management Company and Investment Management Fees**

The Management Company is entitled to a maximum management fee at an annual rate of 0.15% of the average net assets of the Fund for the provision of its services.

Funds managed by the Management Company: the list of the funds managed by the Management Company, may be obtained, on simple request, at the registered office of the Management Company.

The active Sub-Funds and Classes will incur an annual investment management fee payable to the Investment Manager, which reflects all expenses related to the investment management of the Sub-Funds and Classes. The investment management fee which is expressed as a percentage of the Net Asset Value is specified in the relevant Annex of the Prospectus as follows:

---

**Notes to the Financial Statements as at December 31, 2012 (continued)****Note 3 - Management and Investment Management Fees (continued)***CHINA OPPORTUNITIES*

The Investment Manager is entitled to receive out of the monies of this Sub-Fund, an investment management fee accrued daily and payable quarterly, not exceeding 1 % per annum of the average total net assets of the Sub-Fund attributable to Class I.

The Investment Adviser is paid by the Investment Manager.

**Note 4 - Custodian, Administrator, Domiciliary, Registrar and Transfer Agent Fees**

The Custodian, Administrator, Registrar and Transfer Agent are entitled to receive out of the monies of each Sub-Fund a combined fee in accordance with usual practice in Luxembourg for custody, administration, domiciliary, registrar and transfer agent services. Such fee is based on the total net assets of the Sub-Fund and is payable quarterly, in arrears.

In addition, the Custodian will be reimbursed for the reasonable out-of-pocket expenses relating to the services thereto.

**Note 5 - Subscription and Redemption of Shares***CHINA OPPORTUNITIES*Classes of Shares

Class I Shares are available for subscription and are reserved to institutional investors as defined from time to time by the Luxembourg Supervisory Authority. The minimum subscription and minimum holding amounts are of USD 3 million and the subsequent minimum investment amounts are USD 1 million unless the Board of Directors resolve otherwise.

Class A Shares are currently not available. The minimum subscription and minimum holding amounts are of USD 50,000.

Subscriptions

Investors should be aware that subscription to the Shares may be made directly through the Registrar and Transfer Agent as described in the Chapter on Subscriptions.

The Initial Offering Period commenced on May 10, 2005 and has closed on June 6, 2005. During the Initial Offering Period, Class I Shares were subscribed at a price of USD 50,000 plus the applicable subscription charge. Following the close of the Initial Offering Period, Shares are available for subscription on each Valuation Day. Applications for Shares must be received by the Registrar and Transfer Agent by no later than 8 a.m. (Luxembourg time) on the relevant Valuation Day to be dealt with on the basis of the Net Asset Value per Share calculated on that Valuation Day. Subscription proceeds must be received by the Custodian on an account of the Fund no later than the fifth Business Day following the relevant Valuation Day. Applications for Shares received by the Registrar and Transfer Agent after 8 a.m. (Luxembourg time) will be dealt with on the basis of the Net Asset Value per Share of the next Valuation Day.

A subscription charge, not exceeding 5 per cent of the fixed price at which Shares are offered during the Initial Offering Period and thereafter of the Subscription Price, may be added for the purpose of compensating financial intermediaries and other agents who assist in placing the Shares. This charge is to be considered a maximum rate and the intermediaries and other agents may decide at their discretion to waive this charge in whole or in part. No subscription charge was charged on subscriptions recorded during the year under review.

Redemptions

Shares are redeemable at the option of the Shareholders. Completed redemption requests should be sent to the Registrar and Transfer Agent to be received no later than 8 a.m. (Luxembourg time) on the relevant Valuation Day in order to be dealt with on the basis of the Net Asset Value per Share calculated on that Valuation Day. Redemption requests received by the Registrar and Transfer Agent after 8 a.m. (Luxembourg time) will be dealt with on the basis of the Net Asset Value per Share of the next Valuation Day. No Redemption Charge will be levied for the Sub-Fund.

Payment of redemption proceeds will normally be made within six Business Days after the relevant Valuation Day.

## Notes to the Financial Statements as at December 31, 2012 (continued)

**Note 6 - Distribution policies***CHINA OPPORTUNITIES*

The Sub-Fund offers the Shares in the form of accumulation shares. The Sub-Fund shall not distribute any dividend and all net investment income and all net realised and unrealised capital gains were accumulated and did increase the Net Asset Value of the Shares of the Sub-Fund.

**Note 7 - Taxation**

Under current law and practice the Sub-Fund is not liable to any Luxembourg income tax, nor are dividends (if any) paid by the Fund liable to any Luxembourg withholding tax. However, the Sub-Fund is liable in Luxembourg to a subscription tax of 0.05 per cent per annum of its net assets, such tax being payable quarterly and calculated on the Net Asset Value of the Sub-Fund at the end of the relevant quarter. The reduced tax d'abonnement rate of 0.01 per cent per annum will be applicable to the Classes of Shares which are exclusively held by Institutional Investors. To the extent that the assets of the Sub-Fund are invested in investment funds which are established in Luxembourg, no such tax is payable.

No stamp duty or other tax is payable in Luxembourg on the issue of Shares in the Sub-Fund except for an initial tax of EUR 1,250 which was paid upon incorporation.

Under current law and practice, it is anticipated that no Luxembourg capital gains tax will be payable on the realised or unrealised capital appreciation of the assets of the Sub-Fund.

**Note 8 - Accrued expenses**

	<i>China Opportunities</i> (in USD)	<i>Nomura Funds</i> (in Euro)
Investment Management fees	108,015	81,830
Administrator, Domiciliary, Registrar and Transfer Agent fees	14,033	10,631
Custodian fees	16,206	12,277
Management Company fees	5,282	4,002
Out-of-pocket expenses	2,163	1,639
Professional fees	16,948	12,838
Subscription tax	1,167	884
Accrued expenses	163,814	124,101

**Note 9 - Statement of changes in the investment portfolio**

The statement of changes in the investment portfolio for the year ended December 31, 2012 for each active Sub-Fund is available free of charge at the Registered Office of the Company.

**Note 10 – Transactions costs**

Transactions costs paid by the Sub-Fund during the year ended December 31, 2012 to brokers amounted to:

*China Opportunities*

HKD 2,282,371 (equivalent to 294,438 USD)

Transactions costs are included in the cost of investments.