

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, 2010

This report shall not constitute an offer or a solicitation of an offer to buy shares of the Fund. Subscriptions are to be made only on the basis of the current Prospectus, accompanied by the latest available annual reports and audited financial statements and the most recent semi-annual financial statements if published thereafter.

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Organisation of the Fund

Registered office: 33, rue de Gasperich L - 5826 Hesperange

BOARD OF DIRECTORS**Chairman**

Tamon WATANABE
Chairman
Nomura Asset Management U.K. Limited

Directors

Koichi MATSUMOTO
President and Managing Director
Nomura Bank (Luxembourg) S.A.

Koichi SUDO
Director, General Manager,
Nomura Bank (Luxembourg) S.A.

Yoshikazu CHONO (from June 15, 2010)
Managing Director,
Nomura Asset Management Co., Ltd

Takashi KAWAZOE (Until June 15, 2010)
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,
Nomura House
1, St Martin's-le-Grand,
London EC1A 4NT
United Kingdom

Investment Adviser to China Opportunities Sub-Fund

Nomura Asset Management Hong Kong Ltd,
30/F, Two International Finance Centre,
8 Finance Street, Central
Hong Kong

Custodian

Nomura Bank (Luxembourg) S.A.,
33, rue de Gasperich
L - 5826 Hesperange
Grand-Duchy of Luxembourg

Administrator, Domiciliary, Registrar and Transfer Agent

Nomura Bank (Luxembourg) S.A.,
33, rue de Gasperich
L - 5826 Hesperange
Grand-Duchy of Luxembourg

Cabinet de révision agréé

Deloitte S.A.
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,
Nomura House
1, St Martin's-le-Grand,
London EC1A 4NT
United Kingdom

Shareholders' Information

Nomura Funds (the "Fund") is an open-ended investment fund and an umbrella fund. As of December 31, 2010, 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, 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 Board of Directors - China Opportunities

To Our Shareholders

We hereby present the annual report of the Nomura Funds China Opportunities (the “Sub-Fund”) for the year ended December 31, 2010.

The Net Asset Value per Share (NAV) of the Sub-Fund as of December 31, 2010 was USD 142,532 which is an increase of 185.06% from the initial subscription price of USD 50,000 and an increase of 5.28% from the Net Asset Value per Share (NAV) of the Sub-Fund as of December 31, 2009 of USD 135,388. Total net assets of the Sub-Fund on the same date were USD 59,040,412 and the total number of shares outstanding was 414.22501.

Below are some considerations from the Investment Manager of the Sub-Fund on past performance and market outlook:

Performance Review

The objective of the Sub-Fund is to achieve long-term capital growth. During the period 31st December 2009 to 31st December 2010, the Sub-Fund’s unit NAV rose 5.28%, relative to the 4.63% return of the MSCI China Total Return Index, outperforming the benchmark by 0.65%. Stock selection made a positive contribution to the fund’s performance during the year, as contribution from the consumer discretionary, materials, and information technology sectors was positive. However, sector allocation made a slight negative contribution to the fund’s performance, as the portfolio was underweight in the outperforming telecommunication sector. In terms of sector weighting, the portfolio increased its exposure to the industrial and materials sectors during the year, largely at the expense of the financials sector.

Investment Outlook

The China market has superior growth characteristics and reasonably priced stocks, it will continue to attract a substantial portion of global liquidity inflow. Currently, the MSCI China stocks are trading at 2011E price-to-earning ratio of 12.0x, which is cheap relative to the 6-year average of 15.8x. On Price-to-book ratio basis, they are also trading at low valuation of 2.0x in 2011E when compared with 6-year average of 2.5x. In the Chinese government 12th Five-Year Plan for 2011-2015, it highlights that it will “increasingly focus on sustainability and structural adjustments”. It also aims to “raise the proportion of household income in national income”. Macroeconomic data in China is still upbeat. The uptrend of Purchasing Manager’s Index (PMI) reflects a short-term demand and production recovery. Domestic demand continues to rise at a solid pace. China has set its CPI inflation target at 4% for 2011, higher than its 3% target for 2010 due to a recent series of sharp upside surprises of CPI growth data. In view of the mounting inflation risk, PBOC has raised required reserve ratio (RRR), the benchmark lending and deposit rates. PBOC may continue to use required reserve ratio hikes, central bank bill issuances and other quantitative tools to suppress liquidity levels and lending in future. In Hong Kong, continuing strength in the PMI index readings and retail sales data indicate that the Hong Kong economy is still going through a growth phase. Hong Kong is currently supported by a robust economy recovery driven by private consumption; investment in both the public and private sectors; buoyant asset markets and service-sector exports, especially tourist-related demand.

Equity markets in China and Hong Kong continue to offer excellent growth characteristics and reasonable valuations compared to the past and the investment manager maintains an optimistic view in the medium-term. In the short-term, the Chinese policy requirement to control the inflation rate while also allowing wage growth of 15-20% will be implemented at the possible expense of corporate profits. As a result, we intend to be more prudent and selective in stock selection.

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: materials, industrials and energy.

Report of the réviseur d'entreprises agréé

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

Following our appointment by the annual general meeting of the shareholders of the SICAV dated June 28, 2010, we have audited the accompanying financial statements of NOMURA FUNDS and each of its Sub-Funds, which comprise the statement of net assets and the statements of investments as at December 31, 2010 and the combined statement of operations and of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Board of Directors' of the SICAV responsibility 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the auditor

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 judgement of the auditor, 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 auditor 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 and each of its Sub-Funds as of December 31, 2010, and of the results of their operations and changes in their net assets for the year then ended in accordance with the 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. We have no observation to make concerning such information in the context of the financial statements taken as a whole.

For Deloitte S.A., *Cabinet de révision agréé*

Johnny Yip, *Réviseur d'entreprises agréé*

Partner

March 31, 2011

**Statement of Net Assets
at December 31, 2010**

	<i>China Opportunities</i>	<i>Nomura Funds</i>
	<i>(in USD)</i>	<i>(in Euro)</i>
ASSETS		
Investment in securities at market value(note 2)	58,916,358	44,299,681
Cash at banks	440,998	331,590
Receivable from brokers	1,489,674	1,120,098
Accrued income	1,028	773
	<hr/>	<hr/>
Total Assets	60,848,058	45,752,142
	<hr/>	<hr/>
LIABILITIES		
Payable for redemptions	1,542,765	1,160,017
Accrued expenses (note 8)	264,881	199,166
	<hr/>	<hr/>
Total Liabilities	1,807,646	1,359,183
	<hr/>	<hr/>
TOTAL NET ASSETS	59,040,412	44,392,959
	<hr/> <hr/>	<hr/> <hr/>
NUMBER OF SHARES OUTSTANDING		
China Opportunities Class I Shares	414.22501	
NET ASSET VALUE PER SHARE		
China Opportunities Class I Shares	142,532	

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

**Combined Statement of Operations and of Changes in Net Assets
for the year ended December 31, 2010**

	<i>China Opportunities (in USD)</i>	<i>Japan Active Open (in JPY)</i>	<i>Combined (in Euro)</i>
Net assets at the beginning of the year/period	<u>73,458,556</u>	<u>3,555,635,766</u>	<u>78,421,537</u>
INCOME			
Dividends received, net of withholding tax	1,337,499	37,197,299	1,348,853
Securities lending net income	<u>--</u>	<u>185,126</u>	<u>1,708</u>
Total Income	<u>1,337,499</u>	<u>37,382,425</u>	<u>1,350,561</u>
EXPENSES			
Management and Investment Management fees (Note 3)	719,887	15,544,007	684,696
Formation expenses (note 2)	29,046	10,099,216	115,014
Administrator, Domiciliary, Registrar and Transfer Agent fees (note 4)	84,785	4,508,487	105,345
Others expenses	7,889	9,810,337	96,441
Custodian fees	94,323	1,736,595	86,944
Correspondent bank fees	80,286	2,391,960	82,436
Agent company fees	--	3,600,052	33,214
Professional fees	23,746	605,798	23,444
Out-of-pocket expenses	12,551	480,870	13,874
Legal fees	3,939	543,075	7,972
Subscription tax	6,249	247,553	6,983
Printing and publication fees (Provision reversal)	<u>3,879</u>	<u>(1,986,556)</u>	<u>(15,411)</u>
Total Expenses	<u>1,066,580</u>	<u>47,581,394</u>	<u>1,240,952</u>
NET INVESTMENT INCOME/(LOSS)	<u>270,919</u>	<u>(10,198,969)</u>	<u>109,609</u>
Net realised profit/ (loss) on investments	11,831,098	(887,131,663)	711,345
Net realised profit/ (loss) on foreign currencies, forward foreign exchange contracts	<u>(7,663)</u>	<u>(142,835)</u>	<u>(7,080)</u>
NET REALISED (LOSS)/PROFIT FOR THE YEAR/PERIOD	<u>11,823,435</u>	<u>(887,274,498)</u>	<u>704,265</u>
Change in net unrealised result on investments	<u>(9,288,207)</u>	<u>607,840,611</u>	<u>(1,376,025)</u>
NET UNREALISED (LOSS)/PROFIT FOR THE YEAR/PERIOD	<u>(9,288,207)</u>	<u>607,840,611</u>	<u>(1,376,025)</u>
INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS	<u><u>2,806,147</u></u>	<u><u>(289,632,856)</u></u>	<u><u>(562,151)</u></u>

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

**Combined Statement of Operations and of Changes in Net Assets
for the year ended December 31, 2010 (continued)**

	<i>China Opportunities (in USD)</i>	<i>Japan Active Open (in JPY)</i>	<i>Combined (in Euro)</i>
INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS	<u>2,806,147</u>	<u>(289,632,856)</u>	<u>(562,151)</u>
Proceeds from subscription of units	2,573,304	1,015,390,999	11,302,743
Payments for redemption of units	<u>(19,797,595)</u>	<u>(4,281,393,909)</u>	<u>(54,385,511)</u>
	<u>(17,224,291)</u>	<u>(3,266,002,910)</u>	<u>(43,082,768)</u>
Exchange movement ^(*)			9,616,340
NET ASSETS AT THE END OF THE YEAR/PERIOD	<u>59,040,412</u>	<u>--</u>	<u>44,392,958</u>

^(*) The Exchange movement represents the difference arising from the conversion of the Net assets at the beginning of the year at prevailing exchange rates as at December 31, 2009 and the conversion at prevailing exchange rates as at December 31, 2010.

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

**Statement of Changes in the Number of Shares Outstanding
for the year ended December 31, 2010**

	<i>China Opportunities Class I Shares</i>	<i>Japan Active Open Class I -EUR</i>	<i>Japan Active Open Class I -JPY</i>	<i>Japan Active Open Class I -USD</i>
Number of shares at the beginning of the year/period	542.57941	1	51,536.7277	4,400
Number of shares issued	20.16301	--	14,913.6546	--
Number of shares redeemed	<u>(148.51741)</u>	<u>(1)</u>	<u>(66,450.3823)</u>	<u>(4,400)</u>
Number of shares outstanding at the end of the year /period	<u>414.22501</u>	<u>--</u>	<u>--</u>	<u>--</u>

Statistical Information

	December 31, 2010	December 31, 2009	December 31, 2008
Japan Equity Class I Shares (in JPY)			
Net Assets at the end of the year	--	--	959,989,499
Net Asset Value per share at the end of the year	--	--	65,439
China Opportunities Class I Shares (in USD)			
Net Assets at the end of the year	59,040,412	73,458,556	53,231,852
Net Asset Value per share at the end of the year	142,532	135,388	83,606
Japan Active Open Class I – EUR (in EUR)			
Net Assets at the end of the year	--	826	774.59
Net Asset Value per share at the end of the year	--	826	774.59
Japan Active Open Class I – JPY (in JPY)			
Net Assets at the end of the year	--	3,225,288,201	3,849,174,625
Net Asset Value per share at the end of the year	--	62,582	56,530
Japan Active Open Class I – USD (in USD)			
Net Assets at the end of the year	--	3,583,702	3,963,501
Net Asset Value per share at the end of the year	--	814	750.35

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

NOMURA FUNDS-CHINA OPPORTUNITIES
Statement of Investments at December 31, 2010
(expressed in U.S. DOLLARS)

Quantity	Description	Cost	Market Value	in % of Net Assets
TRANSFERABLE SECURITIES ADMITTED TO OFFICIAL EXCHANGE LISTING				
BERMUDA				
ORDINARY SHARE				
492,000	COSCO PACIFIC LIMITED	717,270	856,609	1.45
188,000	SHANGRI-LA ASIA LTD	428,046	510,081	0.86
404,000	FIRST PACIFIC CO LTD	282,565	363,646	0.62
59,500	KERRY PROPERTIES LTD	311,918	309,864	0.52
22,000	ORIENT OVERSEAS INTL LTD	180,225	213,301	0.36
56,000	LUK FOOK HOLDINGS INTL LTD	178,976	195,505	0.33
266,500	JOHNSON ELECTRIC HOLDINGS	187,128	190,533	0.32
	Country Total	2,286,128	2,639,539	4.46
CAYMAN ISLANDS				
ORDINARY SHARE				
78,600	TENCENT HOLDINGS LTD	682,708	1,707,069	2.89
1,749,000	SOHO CHINA LTD	1,099,113	1,299,920	2.20
216,000	KINGBOARD CHEMICALS HOLDINGS LTD	900,674	1,292,922	2.19
600,500	REAL GOLD MINING LTD	1,109,921	1,045,516	1.77
639,000	SHIMAO PROPERTY HOLDING LTD	1,020,281	964,646	1.63
1,404,000	LONGKING HOLDINGS LTD	538,376	767,282	1.30
782,000	CHINA RESOURCES CEMENT HLDG LTD	348,093	593,277	1.00
335,000	CHINA LILANG LTD	427,304	516,922	0.88
52,500	HENGAN INTL GROUP CO LTD	175,452	452,644	0.77
928,000	BOSIDENG INTL HLDGS LTD	290,268	369,921	0.63
879,000	GCL POLY ENERGY HOLDINGS LTD	308,099	323,261	0.55
146,000	UNITED LABORATORIES	294,879	299,630	0.51
712,000	SINO BIOPHARMACEUTICAL LTD	289,966	264,592	0.45
192,000	LEE & MAN HOLDING LTD	182,223	193,807	0.33
169,000	HAITIAN INTL HLDGS LTD	186,900	176,241	0.30
241,000	O-NET COMMUNICATIONS GP LTD	196,051	169,203	0.29
833	SHUI ON LAND LTD	--	401	0.00
	Country Total	8,050,308	10,437,254	17.69
CHINA				
ORDINARY SHARE				
7,056,650	IND & COMM BANK OF CHINA LTD H	4,684,572	5,253,830	8.90
6,716,000	AGRICULTURAL BANK OF CHINA H	3,562,566	3,368,016	5.70
3,703,270	CHINA CONSTRUCTION BANK H	2,511,429	3,319,075	5.62
1,848,000	PETROCHINA CO LTD H	1,854,320	2,414,319	4.09
2,268,000	CHINA PETROLEUM & CHEMICAL CORP H	1,745,004	2,169,776	3.68
890,000	CHINA OILFIELD SERVICES LTD H	1,425,231	1,927,219	3.26
838,000	DONGFENG MOTOR GP CO H	1,020,332	1,443,935	2.45
377,000	GREAT WALL MOTOR CO LTD H	775,260	1,163,460	1.97
341,000	JIANGXI COPPER CO LTD H	632,288	1,120,325	1.90
703,000	CHINA COAL ENERGY CO H	1,017,794	1,097,420	1.86
1,864,800	BANK OF CHINA LTD H	764,409	983,139	1.67
858,000	JIANGSU EXPRESSWAY CO LTD H	781,186	981,920	1.66
370,000	CHINA NATIONAL BUILDING MA H	685,886	847,829	1.44

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

NOMURA FUNDS-CHINA OPPORTUNITIES
Statement of Investments at December 31, 2010 (continued)
(expressed in U.S. DOLLARS)

Quantity	Description	Cost	Market Value	in % of Net Assets
TRANSFERABLE SECURITIES ADMITTED TO OFFICIAL EXCHANGE LISTING (CONTINUED)				
CHINA (CONTINUED)				
ORDINARY SHARE (CONTINUED)				
133,000	WEICHAJ POWER CO LTD H	398,300	818,338	1.39
187,000	CHINA LIFE INSURANCE CO LTD H	305,282	763,456	1.29
1,266,000	CHINA COMMUNICATIONS SVCS CORP H	649,963	753,726	1.28
1,172,000	SINOPEC SHANGHAI PETROCHEMICAL H	499,401	607,340	1.03
380,000	PICC PROPERTY & CASUALTY H	475,498	550,200	0.93
622,000	CHINA NATIONAL MATERIALS CO LTD H	474,408	501,484	0.85
850,000	BEIJING CAPITAL INTL AIRPORT H	465,037	453,593	0.77
668,000	CHINA CITIC BANK CORP H	421,832	432,918	0.73
294,930	CHINA VANKE CO LTD B	314,363	364,073	0.62
400,000	CHINA SOUTHERN AIRLINES CO H	294,484	244,831	0.41
55,000	CHINA SHENHUA ENERGY CO LTD H	141,231	230,557	0.39
308,000	CHINA BLUECHEMICAL LTD H	208,753	220,600	0.37
388,000	SINOPEC YIZHENG CHEMICAL FIBRE CO H	196,992	197,572	0.33
210,000	CHINA COMMUNICATION CONSTRUCTION H	208,467	183,623	0.31
	Country Total	<u>26,514,288</u>	<u>32,412,574</u>	<u>54.90</u>
HONG KONG				
ORDINARY SHARE				
520,000	CHINA MOBILE LTD	3,818,532	5,162,018	8.74
1,624,000	CNOOC LTD	2,400,655	3,850,754	6.52
772,000	XINYI GLASS HOLDINGS LTD	365,993	635,325	1.08
324,000	CN RESOURCES POWER HOLDING	569,235	586,606	0.99
38,000	CHEUNG KONG HOLDINGS LTD	492,709	585,871	0.99
246,000	SJM HOLDINGS LTD	225,103	390,345	0.66
87,000	SHANGHAI INDUSTRIAL HLDG LTD	391,572	375,887	0.64
1,229,800	YUEXIU PROPERTY CO LTD	297,853	328,925	0.56
19,000	SWIRE PACIFIC LTD A	256,213	312,236	0.53
101,000	CATHAY PACIFIC AIRWAYS LTD	265,430	278,578	0.47
257,000	SINOTRUK HONG KONG LTD	239,564	264,706	0.45
60,800	BANK OF EAST ASIA LTD	242,224	254,480	0.43
533,000	PCCW LTD	187,127	235,768	0.40
156,000	DAH CHONG HONG HOLDINGS LTD	187,051	165,492	0.28
	Country Total	<u>9,939,261</u>	<u>13,426,991</u>	<u>22.74</u>
	TOTAL	<u>46,789,985</u>	<u>58,916,358</u>	<u>99.79</u>

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

NOMURA FUNDS-CHINA OPPORTUNITIES
Economic and Geographical Division of Investments at December 31, 2010

Economic and Geographical Division	in % of Net Assets
BERMUDA	
ELECTRICAL APPLIANCES & COMPONENTS	0.32
FINANCIAL, INVEST & OTHER DIV CO	0.62
LODGING,CATERING & LEISURE INDUSTRY	0.86
REAL ESTATE	0.85
TRANSPORTATION	1.81
	<u>4.46</u>
CAYMAN ISLANDS	
BUILDING MATERIALS & TRADE	2.64
ELECTRONICS & SEMICONDUCTORS	2.20
INTERNET & SOFTWARE SERVICES	2.89
MECHANICAL ENGINEERING & IND. EQUIP	1.60
PHARMACEUTICALS,COSMETICS & MEDICAL	1.72
PRECIOUS METALS & STONES	1.77
REAL ESTATE	2.20
TELECOMMUNICATIONS	0.29
TEXTILE, CLOTHING & LEATHER GOODS	1.83
UTILITIES	0.55
	<u>17.69</u>
CHINA	
BANKS & OTHER CREDIT INSTITUTIONS	21.88
BUILDING MATERIALS & TRADE	1.44
CHEMICALS	1.74
FINANCIAL, INVEST & OTHER DIV CO	0.73
INSURANCES	2.23
MECHANICAL ENGINEERING & IND. EQUIP	4.68
MINING, COAL & STEEL	0.39
NON-FERROUS METALS	1.90
PETROLEUM	11.02
REAL ESTATE	0.62
TELECOMMUNICATIONS	1.28
TRANSPORTATION	3.16
UTILITIES	1.86
VEHICLES	1.97
	<u>54.90</u>
HONG KONG	
BANKS & OTHER CREDIT INSTITUTIONS	0.43
ELECTRONICS & SEMICONDUCTORS	1.08
FINANCIAL, INVEST & OTHER DIV CO	0.64
MISCELLANEOUS SERVICES	0.66
PETROLEUM	6.52
REAL ESTATE	2.08
TELECOMMUNICATIONS	9.14
TRANSPORTATION	0.47
UTILITIES	0.99
VEHICLES	0.73
	<u>22.74</u>
TOTAL	<u>99.79</u>

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

Notes to the Financial Statements for the year ended December 31, 2010

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 13 of the Luxembourg law of December 20, 2002 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 20, 2002 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.

At December 31, 2010, 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.

During the year, the following was liquidated

Japan Active Open originally established for a period expiring on January 30, 2015.

The Sub-Fund's investment objective was to achieve long term capital growth through investment in an actively managed portfolio of Japanese securities, listed/dealt on Regulated Markets in Japan and to outperform the Benchmark (being the TOPIX). It was anticipated that the Sub-Fund would invest across the entire range of capitalizations (from small cap to large cap). As disclosed in note 10, the Sub-Fund discontinued its activities on August 31st, 2010.

**Notes to the Financial Statements
for the year ended December 31, 2010 (continued)**

Note 2 - Significant Accounting Policies

The Fund maintains the books and records of each individual Sub-Fund in its respective currency, Japanese Yen for Japan Active Open Sub-Fund and U.S. Dollar for China Opportunities Sub-Fund, 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:

INVESTMENTS IN 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;

(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.

SECURITY 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.

**Notes to the Financial Statements
for the year ended December 31, 2010 (continued)**

Note 2 - Significant Accounting Policies (continued)

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 respective sub-funds 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 respective Sub-Funds have been translated at the rate prevailing at the date of transaction.

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

The following exchange rates were used:

1 EUR	= 1.32994 USD
1 EUR	= 108.390979 JPY

FORMATION EXPENSES

The cost incurred in the setting-up of the Fund and the Sub-Funds are amortised on a straight-line basis over 5 years from the date on which the Fund and the Sub-Funds commenced business.

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 are, unless they are already expressed in EUR, converted into EUR and added together.

Note 3 - Management 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 different 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:

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.

**Notes to the Financial Statements
for the year ended December 31, 2010 (continued)**

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 each 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 8.00 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 8.00 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
for the year ended December 31, 2010 (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 will increase the Net Asset Value of the Shares of the Sub-Fund.

Note 7 - Taxation

Under current law and practice the 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 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 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 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 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 Fund.

Note 8 - Accrued expenses

	<i>China Opportunities (in USD)</i>	<i>Combined (in Euro)</i>
Management and Investment Management fees	169,006	127,077
Custodian, Administrator, Domiciliary, Registrar and Transfer Agent fees	45,166	33,961
Professional fees	23,600	17,745
Formation expenses	22,327	16,788
Out-of-pocket expenses	3,231	2,429
Subscription tax	1,551	1,166
	<hr/>	<hr/>
Total Accrued Expenses	264,881	199,166

Note 9 - Statement of changes in the investment portfolio

The statement of changes in the investment portfolio for the year ended December 31, 2010 for each active Sub-Fund is available free of charge at the Registered Office of the Company.

Note 10 – Liquidation of Nomura Funds – Japan Active Open sub-fund

The Sub-Fund last Net Asset Value was dated on August 31st, 2010 and redemption proceeds were paid with value date September 3rd and 7th, 2010.