

# PROSPECTUS

## NOMURA FUNDS

NOMURA FUNDS (the "Fund") is an investment company which may offer investors a choice between several classes of shares (each a "Class") in a number of sub-funds with segregated liability (each a "Sub-Fund"). The Fund is organised as an investment company registered under Part I of the Luxembourg Law of 20 December 2002 relating to undertakings for collective investment, as amended (the "2002 Law").

October 2010

**VISA 2010/68435-3910-0-PC**

L'apposition du visa ne peut en aucun cas servir  
d'argument de publicité  
Luxembourg, le 24/11/2010

Commission de Surveillance du Secteur Financier



## IMPORTANT INFORMATION

The Directors of the Fund, whose names appear hereafter, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The Shares are offered solely on the basis of the information and representations contained in this Prospectus and any further information given or representations made by any person may not be relied upon as having been authorised by the Fund or the Directors. Neither the delivery of this Prospectus nor the issue of Shares shall under any circumstances create any implication that there has been no change in the affairs of the Fund since the date hereof.

The information contained in this Prospectus will be supplemented by the financial statements and further information contained in the latest annual and semi-annual reports of the Fund, copies of which may be obtained free of charge from the registered office of the Fund.

The Fund is an open-ended investment company organised as a Société d'Investissement à Capital Variable (SICAV). The Fund is registered under Part I of the 2002 Law. The above registrations do not require any Luxembourg authority to approve or disapprove either the adequacy or accuracy of this Prospectus or the investments held by the Fund. Any representation to the contrary is unauthorised and unlawful.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this Prospectus may come are required by the Fund to inform themselves of and to observe any such restrictions.

This Prospectus does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

**United States:** The Shares have not been registered under the United States Securities Act of 1933 (the "Securities Act"), and the Fund has not been registered under the United States Investment Company Act of 1940 (the "Investment Company Act"). The Shares may not be offered, sold, transferred or delivered, directly or indirectly, in the United States, its territories or possessions or to U.S. Persons (as defined in Regulation S under the Securities Act) except to certain qualified U.S. institutions in reliance on certain exemptions from the registration requirements of the Securities Act and the Investment Company Act and with the consent of the Fund. Neither the Shares nor any interest therein may be beneficially owned by any other U.S. Person. The Fund's Articles of Incorporation restrict the sale and transfer of Shares to U.S. Persons and the Fund may repurchase Shares held by a U.S. Person or refuse to register any transfer to a U.S. Person as it deems appropriate to assure compliance with the Securities Act and the Investment Company Act (see under "ISSUE OF SHARES" below).

**Generally:** the above information is for general guidance only, and it is the responsibility of any person or persons in possession of this Prospectus and wishing to make application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves as to legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, accountant or other professional adviser.

## DIRECTORY

### **NOMURA FUNDS**

**R.C.S. Luxembourg B 107 078**

#### **Registered Office**

33, rue de Gasperich, L-5826 Hesperange, Grand Duchy of Luxembourg

#### **Board of Directors**

- Koichi Matsumoto, Managing Director, Nomura Bank (Luxembourg) S.A.
- Koichi Sudo, Director and General Manager, Nomura Bank (Luxembourg) S.A.
- Yoshikazu Chono, Managing Director, Nomura Asset Management Co., Ltd.
- Tamon Watanabe, Chairman and Director, Nomura Asset Management UK Limited

#### **Management Company**

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

#### **Custodian**

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

#### **Administrator and Registrar and Transfer Agent**

Nomura Bank (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**

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

#### **Distributor**

Nomura Asset Management U.K. Limited, Nomura House, 1 St. Martin's-le-Grand, London EC1A 4NT, United Kingdom

#### **Auditor**

Deloitte S.A., 560, rue de Neudorf, L-2220 Luxembourg, Grand Duchy of Luxembourg

#### **Legal Advisers in Luxembourg**

Elvinger Hoss & Prussen, 2 Place Winston Churchill, BP 425, L-2014 Luxembourg, Grand Duchy of Luxembourg

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## **DEFINITIONS**

"2002 Law"	The Luxembourg Law of 20 December 2002 relating to undertakings for collective investment, as amended;
"Administrator"	Nomura Bank (Luxembourg) S.A., acting as Central Administration and Domiciliary Agent of the Fund;
"Annex"	An annex to this Prospectus containing information with respect to a particular Sub-Fund;
"Articles"	The Articles of Incorporation of the Fund;
"Business Day"	Any day as defined per Sub-Fund in the relevant Annex;
"Classes"	Pursuant to the Articles, the Directors may decide to issue, within each Sub-Fund, separate classes of Shares (hereinafter referred to as a "Class" or "Classes", as appropriate) whose assets will be commonly invested but where different currency hedging techniques and/or subscription, conversion or redemption fees and management charges and/or distribution policies, minimum subscription or holding amount or any other specific feature may be applied. If different Classes are issued within a Sub-Fund, the details of each Class are described in the relevant Sub-Fund's Annex;
"CSSF"	Commission for the Supervision of the Financial Sector
"Custodian"	Nomura Bank (Luxembourg) S.A. acting as custodian of the Fund;
"Directors"	The members of the board of directors of the Fund for the time being and any successors to such members as they may be appointed from time to time;
"EU"	European Union;
"Eligible Market"	a Regulated Market in an Eligible State;
"Eligible State"	any Member State of the EU or any other state in Eastern and Western Europe, Asia, Africa, Australia, North and South America and Oceania;
"FATF State"	any state having joined the Financial Action Task Force;
"Fund"	NOMURA FUNDS;
"Ineligible Applicant"	An ineligible applicant as described on page 27;
"Initial Offering Period"	The period determined by the Directors during which Shares are offered for subscription at a fixed price as specified in the relevant Annex;

"Investment Adviser to China Opportunities "	Nomura Asset Management Hong Kong Limited.;
"Investment Manager"	Nomura Asset Management U.K. Limited;
"Management Company"	RBS (Luxembourg) S.A.
"Minimum Holding Amount"	the minimum value of a holding of a Shareholder in a Sub-Fund is defined per Sub-Fund in the relevant Annex;
"Minimum Subscription Amount"	the minimum value of the first subscription of a Shareholder in a Sub-Fund is defined per Sub-Fund in the relevant Annex;
"money market instruments"	shall mean instruments normally dealt in on the money market which are liquid, and have a value which can be accurately determined at any time;
"Net Asset Value"	The net asset value of the Fund, a Sub-Fund or a Class, as the case may be, determined in accordance with the Articles;
"Net Asset Value per Share"	The Net Asset Value divided by the number of Shares in issue or deemed to be in issue in a Sub-Fund or Class;
"OECD"	Organisation for Economic Co-operation and Development;
"Redemption Charge"	A charge not exceeding the percentage of the Redemption Price disclosed in the relevant Annex that may be applied to redemptions of Shares. This Redemption Charge is to be considered as a maximum rate and the intermediaries may decide at their discretion to waive this Redemption Charge in whole or in part;
"Redemption Price"	The Net Asset Value per Share, as calculated as of the relevant Valuation Day;
"Registrar and Transfer Agent"	Nomura Bank (Luxembourg) S.A. acting as registrar and transfer agent;
"Regulated Market"	The market defined in article 4 paragraph 1 item 14 of directive 2004/39/EC of 21 <sup>st</sup> April 2004 on markets in financial instruments as well as any other market which is regulated, operates regularly and is recognised and open to the public;
"Share"	A share of no par value of any Class in the Fund;
"Shareholder"	A person recorded as a holder of Shares in the Fund's register of shareholders;
"Sub-Fund"	A separate portfolio of assets for which a specific investment policy applies and to which specific liabilities, income and expenditure will be applied. The assets of a Sub-Fund are exclusively available to satisfy the rights of Shareholders in relation to that Sub-Fund and the rights of creditors whose

	claims have arisen in connection with the creation, operation or liquidation of that Sub-Fund;
"Subscription Charge"	A sales commission not exceeding 5 % of the Subscription Price levied for the benefit of financial intermediaries. The Subscription Charge is to be considered as a maximum rate and the intermediaries and other agents may decide at their discretion to waive this charge in whole or in part;
"Subscription Price"	The Net Asset Value per Share, as calculated as of the relevant Valuation Day;
"transferable securities"	shall mean: <ul style="list-style-type: none"> <li>- shares and other securities equivalent to shares,</li> <li>- bonds and other debt instruments,</li> <li>- any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange,</li> </ul> excluding techniques and instruments relating to transferable securities and money market instruments;
"UCITS"	an Undertaking for Collective Investment in Transferable Securities authorised pursuant to Council Directive 85/611/EEC, as amended;
"other UCI"	an Undertaking for Collective Investment within the meaning of the first and second indents of Article 1 (2) of Council Directive 85/611/EEC, as amended;
"United States"	The United States of America (including the States and the District of Columbia) and any of its territories, possessions and other areas subject to its jurisdiction;
"US Person"	A citizen or resident of the United States, a corporation, partnership or other entity created in or under the laws of the United States or any person falling within the definition of the term "United States Person" under Regulation S promulgated under the 1933 Act;
"Valuation Day"	any day as defined per Sub-Fund in the relevant Annex.

All references to a Class shall, where no Classes have been created within a Sub-Fund, be deemed to be references to the Sub-Fund.

In this Prospectus all references to "US Dollars", "USD" and "US\$" are to the currency of the United States, all references to "Euro" and "€" are to the Single European Currency and all references to "Japanese Yen" and "JPY" are to the currency of Japan.

## **INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS**

### **Investment Objectives and Policies**

The investment objective of each Sub-Fund is to achieve long term capital growth through investment in actively managed portfolios of assets set out in the relevant Annex.

Under normal circumstances, the Sub-Fund will be fully invested in accordance with the investment policy set out in the relevant Annex. Part of a Sub-Fund's net assets can be held temporarily in liquidities, including typical money-market instruments having a residual maturity not exceeding twelve months and demand or time deposits. Under normal market conditions the Sub-Fund will not invest more than 15% of its net assets in bonds and other interest bearing securities or assets. However, the Sub-Fund can temporarily take a defensive position by investing extensively in cash when it believes that the markets or the relevant economy are experiencing excessive volatility, a prolonged general decline or when other adverse conditions may exist. Under these circumstances, a Sub-Fund may be unable to pursue its investment objective.

While using its best endeavours to attain its investment objectives, the Fund cannot guarantee whether and to what extent the investment objective will be achieved.

If the use of derivatives is an integral part of the investment policy or if derivatives are used for efficient portfolio management or hedging other than on an ancillary basis further details will be disclosed in the relevant Annex. Pursuit of the investment policy and objective of any Sub-Fund must be in compliance with the limits and restrictions set forth hereafter.

### **Investment Restrictions**

The Directors shall, based upon the principle of spreading of risks, have power to determine the investment policy for the investments of the Fund in respect of each Sub-Fund subject to the following restrictions:

- I. (1) The Fund, for each Sub-Fund, may invest in:
  - a) transferable securities and money market instruments admitted to or dealt in on an Eligible Market;
  - b) recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on an Eligible Market and such admission is secured within one year of the issue;
  - c) units of UCITS and/or other UCI, whether situated in an EU Member State

or not, provided that:

- such other UCIs have been authorised under the laws of any EU Member State or under the laws of those countries provided that they are subject to supervision considered by the CSSF to be equivalent to that laid down in European Community law and that cooperation between authorities is sufficiently ensured, or,
  - the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of directive 85/611/EEC,
  - the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period,
  - no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs;
- d) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a country which is an EU Member State or if the registered office of the credit institution is situated in a non-EU Member State provided that it is subject to prudential rules considered by the Luxembourg regulator as equivalent to those laid down in European Community law; ;
- e) financial derivative instruments, including equivalent cash-settled instruments, dealt in on an Eligible Market and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:
- the underlying consists of instruments covered by this section (I) (1), financial indices, interest rates, foreign exchange rates or currencies, in which the Sub-Funds may invest according to their investment objective;
  - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg supervisory authority;
  - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Fund's initiative;

and/or

- f) money market instruments other than those dealt in on an Eligible Market and referred to under "Definitions", if the issue or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:
- issued or guaranteed by a central, regional or local authority or by a central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong, or
  - issued by an undertaking any securities of which are dealt in on Eligible Markets, or
  - issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the Luxembourg regulator to be at least as stringent as those laid down by Community law, or
  - issued by other bodies belonging to the categories approved by the Luxembourg supervisory authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least EUR 10 million and which presents and publishes its annual accounts in accordance with Directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

(2) In addition, the Fund may invest a maximum of 10% of the net assets of any Sub-Fund in transferable securities and money market instruments other than those referred to under (1) above.

II. The Fund may hold ancillary liquid assets.

III. a) (i) The Fund will invest no more than 10% of the net assets of any Sub-Fund in transferable securities or money market instruments issued by the same issuing body.

- (ii) The Fund may not invest more than 20% of the net assets of any Sub-Fund in deposits made with the same body. The risk exposure of a Sub-Fund to a counterparty in an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in I. d) above or 5% of its net assets in other cases.
- b) Moreover, where the Fund holds on behalf of a Sub-Fund investments in transferable securities and money market instruments of issuing bodies which individually exceed 5% of the net assets of such Sub-Fund, the total of all such investments must not account for more than 40% of the total net assets of such Sub-Fund.

This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in paragraph a), the Fund may not combine for each Sub-Fund:

- investments in transferable securities or money market instruments issued by a single body,
- deposits made with a single body, and/or
- exposures arising from OTC derivative transactions undertaken with a single body

in excess of 20% of its net assets.

- c) The limit of 10% laid down in sub-paragraph a) (i) above is increased to a maximum of 35% in respect of transferable securities or money market instruments which are issued or guaranteed by an EU Member State, its local authorities, or by another Eligible State or by public international bodies of which one or more EU Member States are members.
- d) The limit of 10% laid down in sub-paragraph a) (i) is increased to 25% for certain bonds when they are issued by a credit institution which has its registered office in a Member State of the EU and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest.

If a Sub-Fund invests more than 5% of its net assets in the bonds referred to in this sub-paragraph and issued by one issuer, the total value of such investments may not exceed 80% of the net assets of the Sub-Fund.

- e) The transferable securities and money market instruments referred to in paragraphs c) and d) shall not be included in the calculation of the limit of 40% in paragraph b).

The limits set out in sub-paragraphs a), b), c) and d) may not be aggregated and, accordingly, investments in transferable securities or money market instruments issued by the same issuing body, in deposits or in derivative instruments effected with the same issuing body may not, in any event, exceed a total of 35% of any Sub-Fund's net assets.

Companies which are part of the same group for the purposes of the establishment of consolidated accounts, as defined in accordance with directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in this paragraph III).

The Fund may cumulatively invest up to 20% of the net assets of a Sub-Fund in transferable securities and money market instruments within the same group.

- f) **Notwithstanding the above provisions, the Fund is authorised to invest up to 100% of the net assets of any Sub-Fund, in accordance with the principle of risk spreading, in transferable securities and money market instruments issued or guaranteed by a Member State of the EU, by its local authorities or agencies, or by another member State of the OECD or by public international bodies of which one or more Member States of the EU are members, provided that such Sub-Fund must hold securities from at least six different issues and securities from one issue do not account for more than 30% of the net assets of such Sub-Fund.**

- IV. a) Without prejudice to the limits laid down in paragraph V., the limits provided in paragraph III. are raised to a maximum of 20% for investments in shares and/or bonds issued by the same issuing body if the aim of the investment policy of a Sub-Fund is to replicate the composition of a certain stock or bond index which is sufficiently diversified, represents an adequate benchmark for the market to which it refers, is published in an appropriate manner and disclosed in the relevant Sub-Fund's investment policy.
- b) The limit laid down in paragraph a) is raised to 35% where this proves to be justified by exceptional market conditions, in particular on Regulated Markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

- V. a) The Fund may not acquire shares carrying voting rights which should enable it to exercise significant influence over the management of an issuing body.

- b) The Fund may acquire no more than:
- 10% of the non-voting shares of the same issuer;
  - 10% of the debt securities of the same issuer;
  - 10% of the money market instruments of the same issuer.

These limits under second and third indents may be disregarded at the time of acquisition, if at that time the gross amount of debt securities or of the money market instruments or the net amount of the instruments in issue cannot be calculated.

- c) The provisions of paragraph V. shall not be applicable to transferable securities and money market instruments issued or guaranteed by a Member State of the EU or its local authorities or by any other Eligible State, or issued by public international bodies of which one or more Member States of the EU are members.

The provisions of this paragraph V. are also waived as regards shares held by the Fund in the capital of a company incorporated in a non-Member State of the EU which invests its assets mainly in the securities of issuing bodies having their registered office in that State, where under the legislation of that State, such a holding represents the only way in which the Fund can invest in the securities of issuing bodies of that State provided that the investment policy of the company from the non-Member State of the EU complies with the limits laid down in paragraph III., V. and VI. a), b), c) and d).

- VI. a) The Fund may acquire units of the UCITS and/or other UCIs referred to in paragraph I) (1) c), provided that no more than 10% of a Sub-Fund's net assets be invested in the units of UCITS or other UCI.
- b) The underlying investments held by the UCITS or other UCIs in which the Fund invests do not have to be considered for the purpose of the investment restrictions set forth under III. above.
- c) When the Fund invests in the units of UCITS and/or other UCIs linked to the Fund by common management or direct or indirect control of more than 10 % of the votes or capital, no subscription or redemption fees may be charged to the Fund on account of its investment in the units of such other UCITS and/or UCIs. No investment management fee shall be charged on the investments in such other UCITS and UCIs.

If any Sub-Fund's investments in UCITS and other UCIs constitute a substantial proportion of the Sub-Fund's assets, the total management fee (excluding any performance fee, if any) charged to such Sub-Fund and each of the UCITS or other UCIs concerned shall not exceed 3.5% of the relevant net assets under management. The Fund will indicate in its annual report the total management fees charged both to the relevant Sub-Fund and to the UCITS and other UCIs in which such Sub-Fund has invested during the relevant period.

- d) The Fund may acquire no more than 25% of the units of the same UCITS or other UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple compartments, this restriction is applicable by reference to all units issued by the UCITS or other UCI concerned, all compartments combined.
- VII. The Fund shall ensure for each Sub-Fund that the global exposure relating to derivative instruments does not exceed the net assets of the relevant Sub-Fund.
- The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions. This shall also apply to the following subparagraphs.
- If the Fund invests in financial derivative instruments, the exposure to the underlying assets may not exceed in aggregate the investment limits laid down in paragraph III above. When the Fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in paragraph III.
- When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this paragraph VII.
- VIII. a) The Fund may not borrow for the account of any Sub-Fund amounts in excess of 10% of the net assets of that Sub-Fund, any such borrowings to be from banks and to be effected only on a temporary basis, provided that the Fund may acquire foreign currencies by means of back to back loans;
- b) The Fund may not grant loans to or act as guarantor on behalf of third parties.
- This restriction shall not prevent the Fund from acquiring transferable securities, money market instruments or other financial instruments referred to in I. (1) c), e) and f) which are not fully paid.
- c) The Fund may not carry out uncovered sales of transferable securities, money market instruments or other financial instruments.
- d) The Fund may only acquire movable or immovable property which is essential for the direct pursuit of its business.
- e) The Fund may not acquire either precious metals or certificates representing them.
- IX. a) The Fund needs not comply with the limits laid down in this chapter when exercising subscription rights attaching to transferable securities or money market instruments which form part of its assets. While ensuring observance of the principle of risk spreading, recently created Sub-Funds may derogate from paragraphs III., IV. and VI. a), b) and c) for a period of six months following the date of their creation.

- b) If the limits referred to in paragraph a) are exceeded for reasons beyond the control of the Fund or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interest of its shareholders.
- c) To the extent that an issuer is a legal entity with multiple compartments where the assets of the compartment are exclusively reserved to the investors in such compartment and to those creditors whose claim has arisen in connection with the creation, operation or liquidation of that compartment, each compartment is to be considered as a separate issuer for the purpose of the application of the risk spreading rules set out in paragraphs III., IV. and VI.

## **RISK MANAGEMENT PROCEDURES**

The Management Company, on behalf of the Fund, will employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of each Sub-Fund. The Management Company, on behalf of the Fund will employ, if applicable, a process for accurate and independent assessment of the value of any OTC derivative instruments.

## **TECHNIQUES AND INSTRUMENTS**

### **I. Techniques and instruments relating to transferable securities and money market instruments**

Each Sub-Fund is authorised, in accordance with the investment restrictions, to use techniques and instruments relating to transferable securities and money market instruments provided that such techniques and instruments are used for the purpose of hedging or efficient portfolio management. In case a Sub-Fund uses the techniques and instruments for hedging or efficient portfolio management other than on an ancillary basis or where such use is an integral part of the investment policy, further details will be disclosed in the relevant Annex.

#### *1. Option transactions on transferable securities and money market instruments*

While observing the following investment restrictions, each Sub-Fund may use all four types of option transactions on transferable securities and money market instruments, provided such options are traded on a Regulated Market.

### 1.1 Purchase of options on transferable securities and money market instruments

The total of premiums paid for buying call and put options may not - together with the total of the premiums paid for buying options on other financial instruments for the purpose of investment strategy (see paragraph 2.3.) - exceed 15% of the total net assets of each Sub-Fund.

### 1.2 Sale of options on transferable securities and money market instruments

The total of the commitments resulting from selling call and put options on transferable securities and money market instruments (excluding the sales of call options for which the Sub-Fund disposes of an adequate coverage) - and the commitments under point 2.3. - may not exceed the Sub-Fund's total net assets.

In this context, the commitments resulting from selling call and put options correspond to the sum of the exercise prices of these options.

#### Selling call options

Each Sub-Fund may sell call options on transferable securities and money market instruments, if the Sub-Fund holds, at the moment of sale, either the underlying transferable securities and money market instruments, matching call options or other instruments which provide adequate coverage of the commitments resulting from the relevant sale of call options.

The transferable securities and money market instruments underlying sold call options may not be disposed of as long as these options exist, unless these are covered by matching options or by other instruments which may be used for the same purpose. This requirement is also valid for matching call options or other instruments which the Sub-Fund must hold if the underlying transferable securities and money market instruments are not in its possession at the moment of sale of the relevant options.

Each Sub-Fund may, however, sell call options on transferable securities and money market instruments that it does not own at the moment of sale of the option if the following conditions are met:

- (I) The sum of the exercise prices of the call options sold may not exceed 25% of the total net assets of the Sub-Fund;
- (II) The Sub-Fund must at all times be capable of covering the positions taken in the context of writing such options.

## Selling put options

Each Sub-Fund may only sell put options if it has during the entire term of the option a sufficient amount of liquidities available in order to pay for the transferable securities and money market instruments which may be delivered to it in the event the counterpart exercises its option.

### 2. *Financial futures and options on financial instruments*

With a view to globally hedging the securities portfolio against the risk of unfavourable fluctuations in the stock market or in interest rates as well as for investment strategy purposes, each Sub-Fund is authorised to buy and sell futures on stock-exchange indices and on interest rates as well as options on financial instruments.

Except for transactions by mutual agreement, which are described under point 2.2. below, these transactions may only relate to contracts which are traded on a Regulated Market.

#### 2.1. Transactions aimed at hedging risks related to stock-market trends

With a view to globally hedging the portfolio against the risk of unfavourable stock-market movements, each Sub-Fund may sell futures on stock-exchange indices. For the same purpose, it may also write call options or buy put options on stock-exchange indices.

The hedging objective of the above-mentioned transactions implies that there will be a sufficient correlation between the composition of the index used and the corresponding securities portfolio.

The total commitments relating to futures and option contracts on stock-exchange indices may not exceed the aggregate market value of the transferable securities and money market instruments held by the Sub-Fund in the stock market corresponding to such index.

#### 2.2. Transactions aimed at hedging risks related to changes in interest rates

With a view to globally hedging its assets against variations in interest rates, each Sub-Fund may sell interest-rate futures contracts. For the same purpose, it may also write call options or buy put options on interest rates or enter into interest-rate swaps on a mutual agreement basis with first-class financial institutions specialised in this type of transaction.

The total commitments relating to futures contracts and options on interest rates and interest-rate swaps may not exceed the aggregate value of the Sub-Fund's assets denominated in the currency corresponding to these transactions.

### 2.3. Transactions which are undertaken for purposes other than hedging

Apart from options on transferable securities and money market instruments and contracts relating to currencies, each Sub-Fund may, for purposes other than hedging, buy and sell futures contracts and option contracts on all types of financial instrument as authorised under the 2002 Law, provided that the total commitments resulting from such purchase and sale transactions added to the total commitments resulting from the writing of put and call options on transferable securities and money market instruments, do not exceed at any time the Sub-Fund's total net assets.

Written call options on transferable securities and money market instruments for which the Sub-Fund has sufficient coverage are not taken into account for the calculation of the total commitments referred to above.

It should be noted that the amount of premiums paid for the acquisition of call and put options referred to in this paragraph together with the amount of premiums paid for the acquisition of call and put options on transferable securities and money market instruments referred to under point 1.1., may not exceed 15% of the Sub-Fund's total net assets.

The commitments resulting from transactions other than options on transferable securities and money market instruments are defined as follows:

The commitment arising on futures contracts is deemed equal to the value of the underlying net positions payable on those contracts which relate to identical financial instruments (after offsetting purchase and sale positions), without regard to the respective maturity dates; and the commitment arising on writing or purchasing option contracts is equal to the aggregate of the exercise (striking) prices of the options making up the net sold positions on the same underlying asset, without regard to the respective maturity dates.

## **II. Investment restrictions relating to techniques and instruments aimed at hedging exchange risks**

In the context of the management of the investment portfolio, each Sub-Fund may use instruments with a view to hedging against exchange-rate fluctuations. These instruments include sales of forward foreign-exchange contracts, sales of currency futures, purchases of put options on currencies as well as sales of call options on currencies. Such transactions are limited to contracts and options which are traded on a Regulated Market, which is in continuous operation and which is recognised and open to the public. Furthermore, the Fund may for each Sub-Fund enter into currency swaps in the context of over-the-counter transactions dealing with leading institutions specialised in this type of transaction.

The objective of the above-mentioned transactions, namely the hedging of the Sub-Fund's assets, presupposes the existence of a direct link between such transactions and the assets to be hedged, which implies that transactions involving a currency may, in principle, not exceed the aggregate estimated value of the assets expressed in such currency nor extend beyond the holding period or residual maturity of such assets.

For the payments of the amounts due, especially those from the purchase of securities, the Sub-Fund may buy the currency needed by the sale of forward foreign-exchange contracts.

With respect to options referred to under I and II above, the Fund may enter into over-the-counter option transactions with first class financial institutions participating and specialised in this type of transactions if such transactions are more advantageous to the Fund, or if quoted options having the required features are not available.

### **III. Swap transactions**

The Fund may enter into equity swap transactions which consist of contractually paying out (or receiving) to (from) the swap counterparty:

- i) a positive or negative performance of one security, a basket of securities, a stock exchange index or a benchmark;
- ii) an interest rate, either floating or fixed;
- iii) a foreign exchange rate or
- iv) a combination of any of the above;

against the payment of an interest rate either floating or fixed. There is no exchange of principal in the equity swap and the Fund will not hold any security, but the Fund will receive all the economies of owning securities, such as dividend income.

The Fund may not enter into equity swap transactions unless:

- i) its counterpart is a financial institution of good reputation specialised among others in this type of transaction;
- ii) it ensures that the level of its exposure to the equity swap is such that it is able, at all times, to have sufficient liquid assets available to meet its redemption obligations and the commitments arising out of such transactions;
- iii) the underlying assets performance referred to under the equity swap agreement is in compliance with the investment policy of the relevant Sub-Fund entering into such transaction.

The total commitment arising from equity swap transactions of a particular Sub-Fund shall be the market value of the underlying assets used for such transactions at inception.

Equity swap transactions net exposure in conjunction with all exposures resulting from the use of options, interest rate swaps and financial futures may not in respect of each Sub-Fund exceed at any time the Net Asset Value of such Sub-Fund.

The equity swap transactions to be entered into will be marked to market daily using the market value of the underlying assets used for the transaction in accordance with the terms of the swap agreement. Typically investments in equity swap transactions will be made in order to adjust regional exposures, limit settlement and custodian risks as well as repatriation risk in certain markets and to avoid costs and expenses related to direct investments or sale of assets in certain jurisdictions as well as foreign exchange restrictions.

#### **IV. Securities lending, sale with right of repurchase transactions, repurchase and reverse repurchase agreement transactions**

To the maximum extent allowed by, and within the limits set forth in, applicable Luxembourg regulations, including the 2002 Law as well as any present or future related Luxembourg laws or implementing regulations, circulars and CSSF's positions and more particularly the provisions of (i) article 11 of the Grand-Ducal regulation of 8 February 2008 relating to certain definitions of the 2002 Law and of (ii) CSSF Circular 08/356 relating to the rules applicable to undertakings for collective investments when they use certain techniques and instruments relating to transferable securities and money market instruments (as these pieces of regulations may be amended or replaced from time to time), each Sub-Fund may for the purpose of generating additional capital or income or for reducing costs or risks engage in securities lending transactions as well as in sale with right of repurchase transactions, repurchase and reverse repurchase agreement transactions.

As the case may be, cash collateral received by each Sub-Fund in relation to any of these transactions may be reinvested in a manner consistent with the investment objectives of such Sub-Fund in (a) shares or units issued by money market undertakings for collective investment calculating a daily net asset value and being assigned a rating of AAA or its equivalent, (b) short-term bank deposits, (c) money market instruments as defined in the above referred Grand-Ducal regulation, (d) short-term bonds issued or guaranteed by an EU member state, Switzerland, Canada, Japan or the United States or by their local authorities or by supranational institutions and undertakings with EU, regional or world-wide scope, (e) bonds issued or guaranteed by first class issuers offering an adequate liquidity, and (f) reverse repurchase agreement transactions according to the provisions described under section I.C.a) of the above referred CSSF Circular. Such reinvestment will be taken into account for the calculation of each concerned Sub-Fund's global exposure, in particular if it creates a leverage effect.

## **Specific risks linked to securities lending, to sale with right of repurchase transactions and to repurchase and reverse repurchase agreement transactions**

Use of the aforesaid techniques and instruments involves certain risks, some of which are listed in the following paragraphs, and there can be no assurance that the objective sought to be obtained from such use will be achieved.

In relation to reverse repurchase transactions and sale with right of repurchase transactions in which the Sub-Fund acts as purchaser and in the event of the failure of the counterparty with which securities have been purchased, investors must notably be aware that (A) there is the risk that the value of the securities purchased may yield less than the cash originally paid, whether because of inaccurate pricing of said securities, an adverse market value evolution, a deterioration in the credit rating of the issuers of such securities, or the illiquidity of the market in which these are traded; that (B) (i) locking cash in transactions of excessive size or duration, (ii) delays in recovering cash at maturity may restrict the ability of the Sub-Fund to meet redemption requests, security purchases or, more generally, reinvestment.

In relation to repurchase transactions and sale with right of repurchase transactions in which the Sub-Fund acts as seller and in the event of the failure of the counterparty to which securities have been sold, investors must notably be aware that (A) there is the risk that the value of the securities sold to the counterparty is higher than the cash originally received, whether because of a market appreciation of the value of said securities or an improvement in the credit rating of their issuer; that (B) (i) locking investment positions in transactions of excessive size or duration, (ii) delays in recovering, at maturity, the securities sold, may restrict the ability of the Sub-Fund to meet delivery obligations under security sales or payment obligations arising from redemption requests.

In relation to securities lending transactions, investors must notably be aware that (A) if the borrower of securities lent by a Sub-Fund fail to return these there is a risk that the collateral received may be realised at a value lower than the value of the securities lent out, whether due to inaccurate pricing of the collateral, adverse market movements in the value of the collateral, a deterioration in the credit rating of the collateral issuer, or the illiquidity of the market in which the collateral is traded; that (B) in case of reinvestment of cash collateral such reinvestment may (i) create leverage with corresponding risks and risk of losses and volatility, (ii) introduce market exposures inconsistent with the objectives of the Sub-Fund, or (iii) yield a sum less than the amount of collateral to be returned; and that (C) delays in the return of securities on loans may restrict the ability of a Sub-Fund to meet delivery obligations under security sales or payment obligations arising from redemption requests.

## **CONFLICTS OF INTEREST**

The Investment Manager and other companies within the Nomura Group and the Management Company and other companies of the RBS Group may from time to time act as investment manager or adviser or as management company to other investment funds/clients and may act in other capacities in respect of such other investment funds or clients. It is therefore possible that the Investment Manager and other companies of the Nomura Group or the Management Company and other companies of the RBS Group may, in the course of their business, have potential conflicts of interest with the Fund.

The Directors of the Fund, the Management Company and/or the Investment Manager/Advisers will (in the event that any conflict of interest actually arises) endeavour to ensure that such conflict is resolved fairly and in the best interests of the Fund.

The Fund may also invest in other investment funds which are managed by the Management Company or the Investment Manager or any of their affiliated entities. The directors of the Management Company may also be directors of investment funds and the interest of such investment funds and of the Fund could result in conflicts. Generally, there may be conflicts between the best interests of the Fund and the interests of affiliates of the Management Company in connection with the fees, commissions and other revenues derived from the Fund or investment funds. In the event where such a conflict arises, the directors of the Management Company will endeavour to ensure that it is resolved in a fair manner and in the best interests of the Fund.

## **BOARD OF DIRECTORS AND MANAGEMENT**

### Directors

- Koichi Matsumoto
- Koichi Sudo
- Yoshikazu Chono
- Tamon Watanabe

The Directors are responsible for the overall management and control of the Fund. They will review the operations of the Fund and the Management Company.

## **MANAGEMENT COMPANY**

The Directors of the Fund have appointed RBS (Luxembourg) S.A. as the Management Company of the Fund to be responsible on a day-to-day basis, under supervision of the Directors, for providing administration, marketing, investment management and advisory services in respect of

all Sub-Funds. In respect of all Sub-Funds, the Management Company has delegated its investment management and advisory functions to Nomura Asset Management U.K. Limited.

The Management Company has delegated the administration functions to the Administrator and registrar and transfer functions to the Registrar and Transfer Agent.

The Management Company was incorporated as a "*société anonyme*" under the laws of the Grand Duchy of Luxembourg on 10 November 2004 and its articles were published in the Mémorial on 6 December 2004. The Management Company is approved as management company regulated by chapter 13 of the 2002 Law. The Management Company is a member of The Royal Bank of Scotland Group ("RBS Group"), which provides services to the UK collective investment schemes market, principally in the role of trustee to units trusts.

The Management Company shall also ensure compliance of the Fund with the investment restrictions and oversee the implementation of the Fund's strategies and investment policy.

The Management Company shall also send reports to the Directors on a semi-annual basis and inform each board member without delay of any non-compliance of the Fund with the investment restrictions.

The Management Company will receive periodic reports from the Investment Manager detailing the Fund's performance and analysing its investment portfolio. The Management Company will receive similar reports from the Fund's other services providers in relation to the services which they provide.

## **INVESTMENT MANAGER AND INVESTMENT ADVISERS**

The Management Company has appointed Nomura Asset Management U.K. Limited ("NAM UK") as investment manager of the Fund. NAM UK is authorised and regulated by the Financial Services Authority.

NAM UK was incorporated in the United Kingdom in October 1984 with a capital of GBP 50 million. NAM UK is a 100% owned subsidiary of Nomura Asset Management Co., Ltd. Nomura Asset Management Company managed approximately USD 238 billion of assets as of 31 December 2009.

The Investment Manager was appointed pursuant to an Investment Management Agreement with the Management Company and the Fund dated 12 April 2005 (the "Investment Management Agreement") to provide day-to-day management of the Fund's investments, subject to the overall supervision and responsibility of the Management Company. The Investment Manager is required to adhere strictly to the guidelines laid down by the Management Company. In particular, the Investment Manager is required to ensure that the assets of the Fund and each Sub-

Fund are invested in a manner consistent with the Fund's and each Sub-Fund's investment restrictions and that cash belonging to the Fund and each Sub-Fund is invested in accordance with the guidelines laid down by the Directors and the Management Company.

According to the Investment Management Agreement, the Investment Manager may, with the prior approval of the Management Company, delegate to a third party all or a part of its management duties. Any new delegation shall be reflected in an updated Prospectus.

The Investment Manager has delegated its functions for Nomura Funds - China Opportunities to Nomura Asset Management Hong Kong Limited ("NAM HK"). This entity has been appointed as investment adviser of Nomura Funds – China Opportunities to provide day-to-day investment advisory and investment management services.

The investment adviser will be paid out of the Investment Manager's fees.

NAM HK was established in Hong Kong in February 1988 as Nomura Asset Management (Asia) Limited and subsequently changed its name to the current name due to the reorganisation of the corporate group structure which took place on 1 October 1997, is a wholly owned subsidiary of Nomura Asset Management Co., Ltd. The Investment Adviser's key objective is to give clients in Hong Kong and the Pacific Basin access to the experience, expertise and international network of the Nomura Asset Management Group.

#### **CUSTODIAN**

The Fund has appointed Nomura Bank (Luxembourg) S.A., Luxembourg, as custodian (the "Custodian") of all the assets, including the securities and liquid assets, of the Fund.

Nomura Bank (Luxembourg) S.A. is a bank organized as a *société anonyme* in and under the laws of the Grand-Duchy of Luxembourg on 2 February 1990. As at 31 March 2010, its capital and reserves amounted to Euro 192.9 million and the total assets in its custody amounted to Euro 73.2 billion.

The Custodian is responsible for the custody of cash, securities deposits and any other assets of the Fund. The Custodian will further, in accordance with the 2002 Law ensure that: (i) the sale, issue, redemption and cancellation of Shares effected by the Fund or on its behalf are carried out in accordance with the law and the Articles; (ii) in any transactions involving the assets of the Fund, any consideration is remitted to it within the customary settlement dates; (iii) the income of the Fund is applied in accordance with the Articles.

The Custodian may entrust all or part of the assets of the Fund to such agents, delegates or correspondents (together "Correspondents") as may be determined by the Custodian from time to time. The Custodian's liability shall not be affected by the fact that it has entrusted all or part of the assets in its care to a Correspondent except that the Custodian is not liable for any loss

directly or indirectly arising as a result of the acts or omissions of its Correspondents in certain markets (as listed in the Custody and Paying Agency Agreement), nor as a result of the liquidation, bankruptcy or insolvency of any of its Correspondents provided it shall have been sufficiently careful in the selection of the Correspondents. The Custodian is not responsible for the safekeeping of assets deposited with brokers either as margin for trading activities or temporarily deposited with brokers in order to settle a trade provided it shall have been sufficiently careful in the selection of the said brokers.

The Custodian shall also act as principal paying agent.

#### **ADMINISTRATOR AND REGISTRAR AND TRANSFER AGENT**

The Management Company has appointed Nomura Bank (Luxembourg) S.A. as central administration and domiciliary agent of the Fund. As such, Nomura Bank (Luxembourg) S.A. is responsible for the general administrative functions required by Luxembourg law, calculating the Net Asset Values of the Fund and its relevant Sub-Funds or classes and maintaining the accounting records of the Fund.

Nomura Bank (Luxembourg) S.A. has also been appointed as Registrar and Transfer Agent of the Fund responsible for processing the issue, redemption, conversion, transfer and cancellation of Shares, as well as for the keeping of the Shareholders register.

#### **AUDITOR**

Deloitte S.A. has been appointed as Auditor of the Fund.

#### **POOLING**

The Investment Manager may invest and manage all or any part of the portfolios of assets established for two or more Sub-Funds (hereafter the "Participating Sub-Funds") on a pooled basis. Any such asset pool (an "Asset Pool") will be formed by transferring to it cash or other assets (subject that such other assets being appropriate with respect to the investment policy of the Asset Pool concerned) from each Participating Sub-Funds. The Investment Manager may, from time to time, make further transfers to the Asset Pool. Assets may also be transferred back to a Participating Sub-Fund up to the amount of the participation of the relevant Participating Sub-Fund.

The share of a Participating Sub-Fund in an Asset Pool is measured by reference to units of equal value in the Asset Pool. At the time of the formation of an Asset Pool, the Investment Manager shall determine the initial value of a unit (expressed in the currency considered to be appropriate by the Investment Manager), and will allocate to each Participating Sub-Fund units having an aggregate value equal to the amount of cash (or the value of the other assets) contributed.

Thereafter, the value of a unit will be determined by dividing the net asset value of the Asset Pool by the number of existing units.

The entitlements of each Participating Sub-Funds to the Asset Pool apply to each and every line of investments of such Asset Pool.

When cash or supplemental assets are contributed to or withdrawn from an Asset Pool, the number of units of the relevant Participating Sub-Fund will be increased or reduced, as the case may be, by the number of units determined by dividing the amount of cash or the value of assets contributed or withdrawn by the current value of a unit. Where a cash contribution is made, this contribution will, for the purpose of calculation, be reduced by an amount which the Directors consider appropriate to reflect fiscal charges, dealing and purchase costs which may be incurred by investing the cash concerned; in case of cash withdrawal, a corresponding addition will be made to reflect costs which may be incurred in realising securities or other assets of the Asset Pool.

Dividends, interests and other income received and having their origin in securities or other assets belonging to an Asset Pool will be immediately allocated to the Participating Sub-Fund in proportion to their respective participation in the Asset Pool at the time of receipt. Upon dissolution of the Fund, the assets in an Asset Pool will (subject to the creditors' rights) be allocated to the Participating Sub-Funds in proportion to their respective participation in the Asset Pool.

## **SUBSCRIPTIONS**

Investors may subscribe for Shares in each Sub-Fund during an Initial Offering Period at the fixed price specified in the relevant Annex which may be increased by a Subscription Charge and thereafter as of each Valuation Day at the relevant Subscription Price which may be increased by a Subscription Charge.

Applicants for Shares should complete an Application Form (an "Application Form") and send it to the Registrar and Transfer Agent by facsimile, with the original following by post.

Cleared funds in respect of a subscription must be received on an account of the Fund in the reference currency of the relevant Class no later than the period of time specified in the relevant Annex. If the Application Form and the subscription monies are not received by these times, the application will be treated as received on the next Valuation Day.

Thereafter, completed Application Forms must be received by the Registrar and Transfer Agent by no later than 8.00 a.m. (Luxembourg time) on the Valuation Day unless otherwise specified in the relevant Annex failing which the application will be treated on the next following Valuation

Day. Cleared funds must be received on an account of the Fund in the reference currency of the relevant Class no later than the period of time specified in the relevant Annex.

Fractions of Shares may be issued up to five decimal places. Rights attached to fractions of Shares are exercised in proportion to the fraction of a Share held except that fractions of Shares do not confer any voting rights.

The Fund reserves the right to cancel an application if subscription monies are not received on an account of the Fund in cleared funds and in the reference currency of the relevant Class within the relevant time limit.

The Fund reserves the right to reject any subscription in whole or part at its absolute discretion, in which event the amount paid on the subscription or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable in the currency of subscription or at the discretion of the applicant, at the risk and cost of the applicant.

Once completed subscriptions have been received by the Registrar and Transfer Agent they are irrevocable.

The Directors reserve the right from time to time, without notice, to resolve to close the Fund or a particular Sub-Fund to new subscriptions, either for a specified period or until they otherwise determine.

### Institutional Investors

As detailed in the relevant Annexes, the sale of Shares of certain Classes may be restricted to institutional investors, within the meaning of article 129 of the 2002 Law, as interpreted by guidelines or recommendations issued by Luxembourg supervisory authorities ("Institutional Investors") and the Fund will not issue or give effect to any transfer of Shares of such Classes to any investor who may not be considered an Institutional Investor.

The Fund may, at its discretion, delay the acceptance of any subscription for Shares of a Class restricted to Institutional Investors until such date as it has received sufficient evidence on the qualification of the investor as an Institutional Investor.

### Ineligible Applicants

The Application Form requires each prospective applicant for Shares to represent and warrant to the Fund that, among other things, he is able to acquire and hold Shares without violating applicable laws.

The Shares may not be offered, issued or transferred to any person in circumstances which, in the opinion of the Directors, might result in the Fund incurring any liability to taxation or suffering any other disadvantage which the Fund might not otherwise incur or suffer, or would result in the Fund being required to register under any applicable US securities laws.

Shares may generally not be issued or transferred to any US Person, except that the Directors may authorise the issue or transfer of Shares to or for the account of a US Person provided that:

- (a) such issue or transfer does not result in a violation of the 1933 Act or the securities laws of any of the States of the United States;
- (b) such issue or transfer will not require the Fund to register under the 1940 Act;
- (c) such issue or transfer will not cause any assets of the Fund to be "plan assets" for the purposes of ERISA (US Employee Retirement Income Securities Act of 1974 (as amended)); and
- (d) such issue or transfer will not result in any adverse regulatory or tax consequences to the Fund or its Shareholders.

Each applicant for and transferee of Shares who is a US Person will be required to provide such representations, warranties or documentation as may be required to ensure that these requirements are met prior to the issue, or the registration of any transfer, of Shares.

Subject as mentioned above, Shares are freely transferable. The Directors may, however, refuse to register a transfer which would result in either the transferor or the transferee remaining or being registered (as the case may be) as the holder of Shares in a Sub-Fund valued at less than the minimum holding requirement.

The Fund will require from each registered Shareholder acting on behalf of other investors that any assignment of rights to Shares be made in compliance with applicable securities laws in the jurisdictions where such assignment is made and that in unregulated jurisdictions such assignment be made in compliance with the minimum holding requirement.

#### Form of Shares

All the Shares will be issued in registered form. Shareholders will receive a confirmation of their shareholding, but no formal share certificate will be issued.

## Suspension

The Directors may declare a suspension of the calculation of the Net Asset Value of Shares in certain circumstances as described under "General and Statutory Information". No Shares will be issued in the relevant Sub-Fund during any such period of suspension.

## Prevention of Money Laundering and Terrorism Financing

Pursuant to international rules and Luxembourg laws and regulations (comprising but not limited to the law of November 12, 2004 on the fight against money laundering and financing of terrorism, as amended) and circulars of the CSSF, the Management Company or its delegates will monitor the prevention of money laundering/terrorism financing throughout specific measures.

As a result of such measures, the Management Company or its delegates (including Distributor, Registrar and Transfer Agent and/or their delegate(s)) must ascertain the identity of each applicant for shares. The Registrar and Transfer Agent or its delegate(s) may nevertheless be exempted from documenting the identification of an applicant for shares if the investment is registered in the name of a financial institution (as defined per law) subject to equivalent identification requirements as those of Luxembourg (should the investment be made for the institution's own account or for and behalf of underlying investors via omnibus/nominee accounts) or in the other cases prescribed by law.

Documentation requirements must thus be fully satisfied before any subscription is effected.

The true identity of an applicant for shares must be adequately documented in the form and contents required by law and regulation and satisfactory to the Management Company or its delegates. The documentation requirements will be adapted to the legal nature of the applicant. This means that for natural persons, identity verification will be performed on the basis of an official legitimising identification document, which includes the name and surname, the address, the date and place of birth, an ID number, the occupation (please note that certain positions or activities may trigger enhanced due diligence requirements). For legal entities, identification typically requires copies of the articles of incorporation or equivalent document, certificate of incorporation or equivalent document, authorised signatories list, identification of all directors (according to the procedure applied for natural persons), most recent financial statements, and any other document which could be retained as relevant in order to fulfil with all the obligations related to the prevention of money-laundering and terrorism financing. The list of documents required and the relevance of certain evidence may vary depending on the participation of specific intermediaries and/or the legal nature of the applicant, his activity or business, and, in certain instances, his country of origin or his country of residence, which may trigger enhanced due diligence from the entity receiving the application request.

Identification shall be performed on the basis of current documents, i.e. either within stated validity date, or reasonably recent where documents bear no validity date, and provide

information prevailing at the time of completion of the customer due diligence procedure ('CDD'). When documents presented for CDD purposes cannot be obtained and/or recorded in original, copies duly certified by a competent authority (notary, police officer, embassy, consulate) will be required. Such information shall be collected for compliance reasons only and shall not be disclosed to unauthorised persons.

In the event of delay or failure by the applicant to supply any information required for due diligence purposes, the Registrar and Transfer Agent or its delegate(s) may refuse to accept the application and subscription monies or return subscriptions monies (less expenses) if information required is not supplied prior to the subscription cut-off time as defined in the present document. This may result also in shares being issued on a Valuation Day subsequent to the Valuation Day on which an applicant initially wished to have shares issued to him. It is further acknowledged that the applicant shall hold the Management Company or its delegates harmless against any loss of interest or investment opportunity arising as a result of a failure to process the subscription if such due diligence documentation has not been supplied on time by the applicant.

## **REDEMPTIONS**

Shares are redeemable at the option of the Shareholders. Shareholders should send a completed redemption request to the Registrar and Transfer Agent by facsimile, with the original following by post. All redemption requests are to be received by the Registrar and Transfer Agent no later than 8.00 a.m. (Luxembourg) on the Valuation Day, unless otherwise specified in the relevant Annex, failing which the redemption request will be treated on the next following Valuation Day and Shares will be redeemed based on the Redemption Price applicable on that Valuation Day.

If redemption requests for more than 10% of the Net Asset Value of a Sub-Fund are received, then the Fund shall have the right to limit redemptions so they do not exceed this threshold amount of 10% calculated at the level of each Sub-Fund. Redemptions shall be limited with respect to all Shareholders seeking to redeem Shares as of a same Valuation Day so that each such Shareholder shall have the same percentage of its redemption request honoured; the balance of such redemption requests shall be processed by the Fund on the next day on which redemption requests are accepted, subject to the same limitation. On such day, such requests for redemption will be complied with in priority to subsequent requests. At the moment of submitting their redemption requests, Shareholders may elect to have their redemption request cancelled automatically if the above provisions should have as a result that the entirety of the redemption request cannot be honoured. In such case, the Shareholder will present a new redemption request on any following Valuation Day.

In exceptional circumstances the Directors may request that a Shareholder accepts 'redemption in kind' i.e. receives a portfolio of stock of equivalent value to the appropriate cash redemption payment. In such circumstances the investor must specifically accept the redemption in kind. He may always request a cash redemption payment in the reference currency of the Class. Where the investor agrees to accept redemption in kind he will, as far as possible, receive a representative

selection of the Class' holdings pro rata to the number of Shares redeemed and the Directors will make sure that the remaining Shareholders do not suffer any loss therefrom. The value of the redemption in kind will be certified by a report drawn up by the auditors of the Fund in accordance with the requirements of Luxembourg law. However, where the redemption in kind exactly reflects the Shareholder's pro-rata share of investments, no auditor's report will be required. The redeeming Shareholder shall normally bear the costs resulting from the redemption in kind (mainly costs relating to the drawing up of an auditor's report, if any) unless the Directors consider that the redemption in kind is in the interest of the Fund or made to protect the interest of the Fund.

A redemption request, once given, is irrevocable. Shares redeemed by the Fund are cancelled.

Payment of redemption proceeds will have to be made no later than the period of time provided in the relevant Annex for a Sub-Fund. Payment will be made in the reference currency of the relevant Class by transfer to the bank account specified by the redeeming Shareholder to the Registrar and Transfer Agent.

#### Suspension

The Directors may declare a suspension of the calculation of the Net Asset Value of Shares in certain circumstances as described under "General and Statutory Information". No Shares will be redeemed in the relevant Sub-Fund during any such period of suspension.

#### Compulsory Redemptions

The Directors have the right to require the compulsory redemption of all Shares held by or for the benefit of a Shareholder if the Directors determine that the Shares are held by or for the benefit of any Shareholder who is or becomes an Ineligible Applicant as described under "Subscriptions". The Fund also reserves the right to require compulsory redemption of all Shares held by a Shareholder in a Sub-Fund if the Net Asset Value of the Shares held in such Sub-Fund by the Shareholder is less than the applicable minimum holding requirement.

Shareholders are required to notify the Registrar and Transfer Agent immediately if at any time they become US Persons or hold Shares for the account or benefit of US Persons.

When the Directors become aware that a Shareholder (A) is a US Person or is holding Shares for the account or benefit of a US Person, so that the number of US Persons known to the Directors to be beneficial owners of Shares for the purposes of the 1940 Act exceeds 99 or such other number as the Directors may determine from time to time; (B) is holding Shares in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax, pecuniary or material administrative disadvantages for the Fund or its Shareholders including, but not limited to, a situation in which more than 25 % of the Shares are owned by

benefit plan investors; or (C) has failed to provide any information or declaration required by the Directors within ten days of being requested to do so, the Directors will either (i) direct such Shareholders to redeem or to transfer the relevant Shares to a person who is qualified or entitled to own or hold such Shares or (ii) redeem the relevant Shares.

If it appears at any time that a holder of Shares of a Class restricted to Institutional Investors is not an Institutional Investor, the Fund will either redeem the relevant Shares in accordance with the above provisions or convert such Shares into Shares of a Class which is not restricted to Institutional Investors (provided there exists such a Class with similar characteristics) and notify the relevant shareholder of such conversion.

Any person who becomes aware that he is holding Shares in contravention of any of the above provisions and who fails to transfer or redeem his Shares pursuant to the above provisions shall indemnify and hold harmless the Management Company, each of the Directors, the Fund, the Custodian, the Administrator, Registrar and Transfer Agent, the Investment Manager and the Shareholders of the Fund (each an "Indemnified Party") from any claims, demands, proceedings, liabilities, damages, losses, costs and expenses directly or indirectly suffered or incurred by such Indemnified Party arising out of or in connection with the failure of such person to comply with his obligations pursuant to any of the above provisions.

## **CONVERSIONS**

Subject to any prohibition of conversions contained in an Annex and to any suspension of the determination of any one of the Net Asset Values concerned, Shareholders have the right to convert all or part of their Shares of any Class of a Sub-Fund into Shares of another existing Class of that or another Sub-Fund by applying for conversion in the same manner as for the redemption of Shares. However, the right to convert Shares is subject to compliance with any conditions (including any minimum subscription or holding amounts) applicable to the Class into which conversion is to be effected. Therefore, if, as a result of a conversion, the value of a Shareholder's holding in the new Class would be less than the minimum holding amount, the Directors may decide not to accept the request for conversion of the Shares and the Shareholder would be informed of such decision. In addition, if, as a result of a conversion, the value of a Shareholder's holding in the original Class would become less than the relevant minimum holding amount, the Shareholder may be deemed (if the Directors so decide) to have requested the conversion of all of his Shares.

The number of Shares issued upon conversion will be based upon the respective Net Asset Values of the two Classes concerned on the common Valuation Day for which the conversion request is accepted.

If there is no common Valuation Day for any two Classes, the conversion will be made on the basis of the Net Asset Value calculated on the next following Valuation Day of each of the two Classes concerned.

A conversion fee of up to 1% of the Net Asset Value of the Shares to be converted may be charged for the benefit of the intermediaries (i.e. Distributors) having placed the Shares.

### Suspension

The Directors may declare a suspension of the calculation of the Net Asset Value of Shares in certain circumstances as described under "General and Statutory Information". No Shares will be converted in the relevant Sub-Funds during any such period of suspension.

## **NET ASSET VALUE**

The Net Asset Value per Share of each Class will be determined and made available in its reference currency by the Administrator as at such time as the Directors shall determine as of each Valuation Day.

The Net Asset Value per Share as of any Valuation Day will be calculated in the reference currency of the relevant Class by dividing the Net Asset Value of the Class by the number of Shares in issue in such Class as of that Valuation Day.

The Net Asset Value of each Class will be determined by deducting from the total value of the assets attributable to the relevant Class, all accrued debts and liabilities attributable to that Class.

To the extent feasible, expenses, fees and income will be accrued on a daily basis.

Assets and liabilities of the Fund will be valued in accordance with the following principles:

- (a) Securities listed on Regulated Markets, which operate regularly and are recognised and open to the public, will be 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 shall be valued on the basis of the probable sales prices which the Directors deems is prudent to assume;
- (b) Securities not listed on Regulated Markets, which operate regularly and are recognised and open to the public, will be 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 will be valued by the Directors on the basis of the probable sales price which the Directors deems is prudent to assume;

- (c) Shares or units in underlying open-ended investment funds shall be 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 shall be 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 shall be determined after making such discount as the 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 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.

The value of assets denominated in a currency other than the reference currency of a Sub-Fund shall be determined by taking into account the rate of exchange prevailing at the time of determination of the Net Asset Value.

The Management Company has delegated to the Administrator the determination of the Net Asset Value and the Net Asset Value per Share.

The assets and liabilities of the Fund shall be allocated in such manner as to ensure that the proceeds received upon the issue of Shares of a specific Sub-Fund shall be attributed to that Sub-Fund. All of the assets and liabilities of a specific Sub-Fund as well as the income and expenses which are related thereto shall be attributed to that Sub-Fund. Assets or liabilities which cannot be attributed to any particular Sub-Fund shall be allocated to all the Sub-Funds pro rata to the respective Net Asset Value of the Sub-Funds. The proportion of the total net assets attributable to each Sub-Fund shall be reduced as applicable by the amount of any distribution to Shareholders and by any expenses paid.

## **LATE TRADING AND MARKET TIMING**

Late Trading is to be understood as the acceptance of a subscription (or conversion or redemption) order after the relevant cut-off times (as specified below) on the relevant Valuation Day and the execution of such order at the price based on the Net Asset Value applicable to such same day. Late Trading is strictly forbidden.

Market Timing is to be understood as an arbitrage method through which an investor systematically subscribes and redeems or converts Shares of the Fund within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the Net Asset Value of the relevant Sub-Fund. Market Timing practices may disrupt the investment management of the portfolios and harm the performance of the relevant Sub-Fund.

In order to avoid such practices, Shares are issued at an unknown price and neither the Fund, nor the Distributor will accept orders received after the relevant cut-off times.

The Fund reserves the right to refuse purchase (and conversion) orders into a Sub-Fund by any person who is suspected of market timing activities.

## **FEES AND EXPENSES**

The Management Company will receive a maximum fee of 0.15% per annum calculated on the Net Asset Value of the Sub-Fund(s) on each Valuation Day for the provision of its services.

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. The Investment Manager may from time to time, at its sole discretion, and out of its own resources, rebate part or all of the Investment Management Fee to the following entities or intermediaries:

- life insurance companies;
- pension funds and other retirement provision institutions;
- investment foundations;
- Swiss fund management companies;
- foreign fund management companies and providers;
- investment companies.

The Investment Manager may also pay trailer fees / shareholder service fees to the following sales agents / partners:

- authorised distributors and distributors exempted from the authorisation requirement;
- sales partners who place fund units exclusively with institutional investors with professional treasury facilities;
- sales partners who place fund units with their clients exclusively on the basis of a written commission-based management mandate.

The Administrator, Registrar and Transfer and Domiciliary Agent shall be entitled to receive an administration fee from the Fund in accordance with market practice in Luxembourg. Details regarding the calculation method and the applicable amount are set out in the relevant Annex. The administration fee will be subject to a minimum annual fee per Sub-Fund, as set out in the relevant Annex.

Similarly, the Custodian shall be entitled to receive a custodian fee from the Fund in accordance with market practice in Luxembourg. Details regarding the calculation method and the applicable amount are set out in the relevant Annex. The custodian fee will also be subject to a minimum annual fee per Sub-Fund, as set out in the relevant Annex.

The Sub-Funds may incur a maximum fee, as specified in the relevant Annex, calculated on the basis of the respective total net assets of such Sub-Funds and payable quarterly for distribution services.

The other costs charged to the Fund or to the different Sub-Funds or Classes include:

- the costs of establishing the Fund and the Sub-Funds. In case where further Sub-Funds are created in the future, these Sub-Funds will bear, in principle, their own formation expenses. The establishment costs may, at the discretion of the Directors, be amortised on a straight line basis over 5 years from the date on which the Fund/Sub-Funds commenced business. The Directors may, in their absolute discretion, shorten the period over which such costs are amortised;
- the tax d'abonnement as described in chapter "Taxation" hereafter;
- the fees and expenses for the infrastructure provided by the Management Company;
- the fees of directors, auditors and legal advisors, the costs of preparing, printing and distributing all prospectuses, memoranda, reports and other necessary documents concerning the Fund, any fees and expenses involved in registering and maintaining the registration of the Fund with any governmental agency and stock exchange, the costs of publishing prices and the operational expenses, and the cost of holding shareholders meetings.

## REPORTS AND FINANCIAL STATEMENTS

The financial year of the Fund ends on 31 December in each year.

The audited annual reports and the unaudited semi-annual reports will comprise consolidated financial statements of the Fund expressed in Euro, being the reference currency of the Fund, and financial information on each Sub-Fund expressed in the reference currency of each Sub-Fund.

Copies of the annual and semi-annual reports and financial statements may be obtained free of charge from the registered office of the Fund.

## DIVIDEND POLICY

The dividend policy applicable for each Sub-Fund or Class is specified in the relevant Annex. If a dividend is declared by the Fund, it will be paid to each Shareholder concerned in the currency of the relevant Sub-Fund or Class, normally by cheque mailed to the address shown on the register of Shareholders.

Dividend payments are restricted by law in that they may not reduce the net assets of the Fund below the required minimum determined by Luxembourg law.

In the event that a dividend is declared and remains unclaimed after a period of five years from the date of declaration, such dividend will be forfeited and will revert to the Sub-Fund or Class in relation to which it was declared.

## TAXATION

The following is based on the Fund's understanding of, and advice received on, certain aspects of the law and practice currently in force in Luxembourg. There can be no guarantee that the tax position at the date of this Prospectus or at the time of an investment will endure indefinitely.

**Investors should consult their professional advisers on the possible tax and other consequences of their subscribing for, purchasing, holding, selling or redeeming Shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile.**

### The Fund

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 *taxe d'abonnement* of 0.05 % 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 annum will be applicable to Classes the Shares of 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.

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.

### Shareholders

Subject to the provisions of the Law as defined under "European Union Tax Considerations" below, under current legislation Shareholders are not subject to any capital gains, income, withholding, estate, inheritance or other taxes in Luxembourg (except for (i) those domiciled, resident or having a permanent establishment in Luxembourg or (ii) non-residents of Luxembourg who hold 10 % or more of the share capital of the Fund and who dispose of all or part of their holdings within six months of the date of acquisition or (iii) in some limited cases, certain former residents of Luxembourg who hold 10 % or more of the Shares in the Fund).

### European Union Tax Considerations

The Council of the European Union adopted on 3 June 2003 Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments ("Savings Directive"). Under the Savings Directive, Member States of the European Union ("Member States") will be required to provide the tax authorities of another Member State with information on payment of interest or other similar income paid by a paying agent (as defined by the Savings Directive) within its jurisdiction to an individual resident in that other Member State. Austria and Luxembourg have opted instead for a withholding tax system for a transitional period in relation to such payments. Switzerland, Monaco, Liechtenstein, Andorra and San Marino, the Channel Islands, the Isle of Man and the dependent or associated territories in the Caribbean have also introduced measures equivalent to information reporting or, during the above transitional period, withholding tax. The Savings Directive has been implemented in Luxembourg by a law dated 21 June 2005 (the "Law").

Dividends distributed by a Sub-Fund of the Fund will be subject to the Savings Directive and the Law if more than 15% of such Sub-Fund's assets are invested in debt claims (as defined in the Law) and proceeds realised by Shareholders on the redemption or sale of Shares will be subject to the Savings Directive and the Law if more than 40% of such Sub-Fund's assets are invested in debt claims (such funds, hereafter "Affected Sub-Funds").

Consequently, if in relation to an Affected Sub-Fund a Luxembourg paying agent makes a payment of dividends or redemption proceeds directly to a Shareholder who is an individual resident or deemed resident for tax purposes in another EU Member State or certain of the above mentioned dependent or associated territories, such payment will, subject to the next paragraph below, be subject to withholding tax at the rate indicated below.

No withholding tax will be withheld by the Luxembourg paying agent if the relevant individual either (i) has expressly authorised the paying agent to report information to the tax authorities in accordance with the provisions of the Law or (ii) has provided the paying agent with a certificate drawn up in the format required by the Law by the competent authorities of his State of residence for tax purposes.

The applicable withholding tax rate amounts to 20% and will rise to 35% as from 1 July 2011.

The Fund reserves the right to reject any application for Shares if the information provided by any prospective investor does not meet the standards required by the Law as a result of the Savings Directive.

***The foregoing is only a summary of the implications of the Savings Directive and the Law, is based on the current interpretation thereof and does not purport to be complete in all respects. It does not constitute investment or tax advice and investors should therefore seek advice from their financial or tax adviser on the full implications for themselves of the Savings Directive and the Law.***

#### General

The receipt of dividends (if any) by Shareholders, the redemption or transfer of Shares and any distribution on a winding-up of the Fund may result in a tax liability for the Shareholders according to the tax regime applicable in their various countries of residence, citizenship or domicile. Shareholders resident in or citizens of certain countries which have anti-offshore fund legislation may have a current liability to tax on the undistributed income and gains of the Fund. The Directors, the Fund and each of the Fund's agents shall have no liability in respect of the individual tax affairs of Shareholders.

## GENERAL AND STATUTORY INFORMATION

*The information in this section includes a summary of some of the provisions of the Articles of Incorporation and Material Contracts described below and is provided subject to the general provisions of each of such documents.*

### 1. **The Fund**

The Fund was incorporated as an open-ended investment company (société d'investissement à capital variable – SICAV) with multiple compartments on 6 April 2005. The duration of the Fund is indefinite. The duration of the Sub-Funds may be limited. The initial capital on incorporation was Japanese Yen 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 2002 Law. The Articles were published in the Mémorial, Recueil des Sociétés et Associations on 18 April 2005; they were amended for the last time on 20 March 2009 by a notarial deed published in the Mémorial on 21 April 2009. A consolidated version of the Articles has been filed with the *Registre de Commerce et des Sociétés* of Luxembourg where it may be inspected and where copies thereof can be obtained.

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.

### 2. **Share Capital**

The capital of the Fund will always be equal to the value of its net assets. The Shares are of no par value and must be issued fully paid. The Shares carry no preferential or pre-emption rights and each share is entitled to one vote at all meetings of Shareholders.

### 3. **Temporary suspension of Net Asset Value calculations and of issues, redemption and conversion of Shares**

The Directors may suspend the determination of the Net Asset Value and hence the issue, redemption and conversion of Shares if at any time, the Directors believe that exceptional circumstances constitute forcible reasons for doing so. Such circumstances can arise during:

- (a) any period when any of the principal markets or exchanges on which a substantial portion of the investments of the relevant Sub-Fund from time to time are quoted

or dealt in is closed otherwise than for ordinary holidays, or during which dealings therein are restricted or suspended;

- (b) the existence of any state of affairs which constitutes an emergency as a result of which the disposal or valuation of assets owned by the relevant Sub-Fund would be impracticable, not accurately or not without seriously prejudicing the interests of the shareholders of the Fund;
- (c) any breakdown in the means of communication normally employed in determining the price of any of the investments of the relevant Sub-Fund or the current prices on any market or stock exchange;
- (d) any period when the Fund is unable to repatriate funds for the purpose of making payments on the redemption of Shares or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on the redemption of Shares cannot in the opinion of the Directors be effected at normal rates of exchange.

No Shares will be issued, redeemed or converted when the determination of the Net Asset Value is suspended. In such a case, a subscription for Shares, a redemption or a conversion request may be withdrawn, provided that a withdrawal notice is received by the Registrar and Transfer Agent before the suspension is terminated. Unless withdrawn, subscriptions for Shares, redemptions and conversion requests will be acted upon on the first Valuation Day after the suspension is lifted on the basis of the Subscription Price, Redemption Price or Conversion Price (as the case may be) then prevailing.

Notice of any such suspension will be published in the d'Wort if, in the opinion of the Directors, it is likely to exceed 5 Business Days and will be notified to all persons who have applied for, or requested the redemption or conversion of, Shares. The Directors may also, at their discretion, decide to make a publication in newspapers of the countries in which the Fund's Shares are offered for sale to the public.

#### **4. Publication of Prices**

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.

#### **5. Meetings**

The annual general meeting of Shareholders will be held at the registered office of the Fund in Luxembourg on the last Monday of the month of June at 11 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 are published in the Mémorial to the extent required by Luxembourg law and in such other newspapers as the Directors shall determine. Such notices include the agenda and specify the time and place of the meeting and the conditions of admission, and refer to the requirements of Luxembourg law with regard to the necessary quorum and majorities required for the meeting. The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in Articles 67, 67-1 and 68 of the law of 10 August 1915 (as amended) of the Grand-Duchy of Luxembourg and in the Articles.

Matters relating to a particular Sub-Fund, such as a vote on the payment of a dividend in relation to that Sub-Fund, may be decided by a vote at a meeting of the Shareholders of that Sub-Fund. Any change in the Articles affecting the rights of Shareholders of a particular Sub-Fund must be approved by a resolution both of all the Shareholders of the Fund and of the Shareholders of the Sub-Fund in question.

## **6. Winding-Up**

The Fund may be wound up by decision of an extraordinary general meeting of the Shareholders. Such a meeting must be convened if the value of the net assets of the Fund falls below the respective levels of two-thirds or one quarter of the minimum capital prescribed by Luxembourg law. At any such meeting convened in such circumstances decisions to wind up the Fund will be taken in accordance with the requirements of Article 30 of the 2002 Law.

If the Fund is to be wound up, the winding-up will be carried out in accordance with the provisions of Luxembourg law which specify the steps to be taken to enable Shareholders to participate in distribution(s) on the winding-up and in this connection provides for the deposit in escrow at the *Caisse de Consignation* of any amounts which have not been claimed by Shareholders at the close of the winding-up. Amounts not claimed from escrow within the prescription period are liable to be forfeited in accordance with the provisions of Luxembourg law.

## **7. Dissolution and Amalgamation of Sub-Funds**

A Sub-Fund may be dissolved by compulsory redemption of Shares of the Sub-Fund concerned, upon a decision of the Directors:

- (a) if the Net Asset Value of the Sub-Fund concerned has decreased below Euro 15 million or the equivalent in another currency, or

- (b) if a change in the economical or political situation relating to the Sub-Fund concerned would have material adverse consequences on investments of the Sub-Fund, or
- (c) in order to proceed to an economic rationalisation.

The Redemption Price will be the Net Asset Value per Share (taking into account actual realisation prices of investments and realisation expenses), calculated as of the Valuation Day at which such decision shall take effect.

The Fund shall serve a written notice to the holders of the relevant Shares prior to the effective date of the compulsory redemption, which will indicate the reasons for, and the procedure of the redemption operations. Shareholders shall be notified in writing. Unless it is otherwise decided in the interests of, or to keep equal treatment between, the Shareholders, the Shareholders of the Sub-Fund concerned may continue to request redemption or conversion of their Shares free of charge prior to the effective date of the compulsory redemption, taking into account actual realisation prices of investments and realisation expenses.

Notwithstanding the powers conferred to the Directors by the preceding paragraph, a general meeting of Shareholders of any Sub-Fund may, upon proposal from the Directors, redeem all the Shares of such Sub-Fund and refund to the Shareholders the Net Asset Value of their Shares (taking into account actual realisation prices of investments and realisation expenses) calculated as of the Valuation Day at which such decision shall take effect. There shall be no quorum requirements for such general meeting of Shareholders at which resolutions shall be adopted by simple majority of those present or represented if such decision does not result in the liquidation of the Fund.

Assets which may not be distributed to their beneficiaries upon the implementation of the redemption will be deposited with the Custodian for a period of six months thereafter; after such period, the assets will be deposited in escrow with the Luxembourg Caisse de Consignation on behalf of the persons entitled thereto.

All redeemed Shares shall be cancelled.

Under the circumstances provided under the first paragraph of this Section, the Directors may decide to allocate the assets of any Sub-Fund to those of another existing Sub-Fund within the Fund or to another Luxembourg undertaking for collective investment subject to Part I of the 2002 Law and to re-designate the Shares of the Sub-Fund concerned as Shares of another Sub-Fund or Luxembourg undertaking for collective investment (following a split or consolidation, if necessary, and the payment of the amount corresponding to any fractional entitlement to Shareholders). Such decision will be

notified to the Shareholders concerned (and, in addition, the notification will contain information in relation to the Sub-Fund or Luxembourg undertaking for collective investment), one month before the date on which the amalgamation becomes effective in order to enable Shareholders to request redemption or conversion of their Shares, free of charge, during such period. In case of contribution to another undertaking for collective investment undertaking of the mutual fund type, the decision will be binding only on shareholders of the relevant Sub-Fund who will expressly agree to the amalgamation.

## **8. Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Fund and are, or may be, material:

- (A) An Agreement dated as of 12 April 2005 between the Fund and the Management Company, pursuant to which the latter was appointed, subject to the overall control of the Directors, the responsibility on a day-to-day basis, for providing administration, marketing, investment management and advisory services in respect of all the sub-funds of the Fund.
- (B) An Agreement dated as of 12 April 2005 between the Fund, the Management Company and the Investment Manager pursuant to which the latter was appointed, subject to the overall control of the directors of the Management Company, to manage the Fund's investments.
- (C) An Agreement dated as of 12 April 2005 between the Fund and Nomura Bank (Luxembourg) S.A. pursuant to which the latter was appointed custodian of the assets of the Fund.
- (D) An Agreement dated as of 12 April 2005 between the Fund, the Management Company and Nomura Bank (Luxembourg) S.A. pursuant to which the latter was appointed as Administrator and Registrar and Transfer Agent of the Fund.

Any of the above Agreements may be amended by mutual consent of the parties, consent on behalf of the Fund being given by the Directors.

## **9. Documents available for inspection**

Copies of the following documents are available for inspection during business hours on each bank business day at the registered office of the Fund in Luxembourg:

- (1) the Articles of the Fund

- (2) the Material Contracts referred to above
- (3) the simplified prospectus of the Sub-Fund.

Copies of the Articles, of the current Prospectus, of the simplified prospectus of the Sub-Fund and of the latest reports of the Fund may be obtained free of charge at the registered office of the Fund.

## ANNEX 1: NOMURA FUNDS – CHINA OPPORTUNITIES

### **Investment Objective and Policy**

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.

It is anticipated that the Sub-Fund will invest across the entire range of capitalisations (from small cap to large cap).

The Sub-Fund has the option, but not the obligation, to invest in "A" shares of companies in the PRC. "A" Shares of companies in the PRC are shares denominated in Renminbi and issued by companies in the PRC and listed on PRC stock exchanges.

The Sub-Fund may use derivative techniques and instruments relating to transferable securities and money market instruments described under section entitled "Techniques and Instruments" for hedging purposes.

### **Risk Warnings**

#### **General**

Investment in the Sub-Fund carries significant risk, and investment should be regarded as long term in nature and is only suitable for investors who understand the risks involved and who are able to withstand the loss of their invested capital.

Investing in the Sub-Fund involves certain considerations in addition to the risks normally associated with making investments in securities. There can be no assurance that the Sub-Fund will achieve its investment objective. The value of shares in the Sub-Fund may go down as well as up and there can be no assurance that on a redemption, or otherwise, investors will receive the amount originally invested.

In addition to the above factors, it should be noted that the Sub-Fund will be taking positions in companies established or operating in, and/or whose securities trade in, China. Investments are subject to foreign exchange controls and investments may be affected by changes in governmental policy and lack of transparency and regulation in the markets concerned. Such markets often lack derivative instruments, thereby making hedging difficult or impossible and the liquidity and/or bid/offer spreads on such markets can affect the ability of the Sub-Fund to deal

efficiently on such markets. The Investment Adviser may, from time to time, depending on stock market conditions, invest a portion of the Sub-Fund in smaller capitalised companies. Investment in the securities of smaller companies may involve a higher degree of risk than that normally associated with investment in larger, more established companies. Their more specialised nature makes them in some cases, more dependent on specific product lines or individual markets. The financial strength of such companies may reflect their lack of maturity and they may be dependent on a small number of key personnel. Such securities may also from time to time suffer from a lack of liquidity and this may lead to increased volatility in the value of the Sub-Fund's assets. In addition, the following should be noted:-

### **Political and Economic Instability**

The government of China exercises substantial influence over various aspects of the private sector and accordingly may impact both the general economic conditions within the country and specific private sector companies. Expropriations, exchange control, confiscation, taxation, nationalization and political, diplomatic, economic or social stability and high rates of inflation are factors which may adversely affect the Sub-Fund's performance. Greater bureaucratic difficulties relating to investment (and divestment) in China give rise to considerations not typically associated with investment in member countries of the Organisation for Economic Co-operation and Development ("OECD countries").

### **Illiquid and Volatile Markets**

The securities markets of China tend to be substantially smaller, less liquid and more volatile than the major securities markets of OECD countries which may impair the Sub-Fund's ability to acquire or dispose of assets at an advantageous price and time.

### **Legal Factors**

The ability to obtain or enforce judgments in China may be restricted. Additionally, issuers are subject to accounting, auditing and financial standards and requirements, and regulatory requirements which may be significantly less stringent than those applicable to issuers from OECD countries. Consequently, there may be less publicly available information about issuers in China and such issuers may be subject to less developed governmental and/or regulatory supervision and reporting requirements than may be the case in many OECD countries.

The legal system of the People's Republic of China ("PRC") relating to commerce, business and companies and to the operation of stock exchanges and the custody, settlement and clearance of securities trades, has been developing quickly, but there remains a degree of legal uncertainty in the interpretation (and any enforcement) of many legal rights and obligations which could be relevant to the Sub-Fund and many of the arrangements relating to custody, settlement and clearance of securities trades are and remain untested.

## **Limited Diversification**

The Sub-Fund's portfolio is likely to be concentrated in investments of Chinese companies, which increases the risk of an investment in the fund by increasing the relative impact which each portfolio investment will have on the overall performance of the fund.

## **Profile of the typical Investor**

The Sub-Fund may be appropriate for investors who:

- seek capital appreciation over the long term;
- do not seek current income from the investments;
- are willing to take on the increased risk associated with the investment.

## **Reference Currency**

The reference currency of the Sub-Fund is the US Dollar.

## **Classes of Shares**

Class I Shares are available for subscription and are reserved to Institutional Investors as defined under section "Subscriptions" of this Prospectus. The minimum subscription and minimum holding amounts are of USD 3 million and the subsequent minimum investment amounts are USD 1 million unless the Directors resolve otherwise.

Class A Shares will be available to all investors and may be launched by a decision of the Directors. The minimum subscription and minimum holding amounts are of USD 50,000.

## **Valuation Day**

The Net Asset Value of each Class of Shares shall normally be calculated on each Business Day, except for 24 December in each year (each a "Valuation Day").

The Net Asset Value of each Class of Shares will be made available on each Valuation Day in the reference currency of each Class of Shares by the Administrator at the registered office of the Company.

## **Business Day**

A Business Day is a day on which banks are normally open for business in Luxembourg, Hong Kong, London and New York, except for 24 December in each year.

## **Subscriptions**

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 % 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.

## **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.

A request for a partial redemption of Shares may be treated as a request for the redemption of the entire holding if, as a result of such partial redemption, the total Net Asset Value of the Shares retained by the Shareholder in the Sub-Fund would be less than the minimum holding.

## **Dividend Policy**

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

## **Fees**

### Investment Management Fee

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

The Investment Manager will receive an investment management fee accrued daily and payable quarterly, not exceeding 2 % per annum of the average daily total net assets of the Sub-Fund attributable to Class A.

### Custodian Fee

A maximum fee of 0.15% shall be paid to the Custodian out of the assets of the Sub-Fund. This custodian fee is calculated on the basis of the total net assets of the Sub-Fund and is payable quarterly. The Custodian shall also be entitled to reimbursement of all reasonable out-of pocket expenses relating to the custody services rendered.

### Administrator, Registrar and Transfer and Domiciliary Agent Fee

A maximum fee of 0.13% shall be paid to the Administrator, Registrar and Transfer and Domiciliary Agent out of the assets of the Sub-Fund. This administration fee is calculated on the basis of the total net assets of the Sub-Fund and is payable quarterly. The Administrator, Registrar and Transfer and Domiciliary Agent shall also be entitled to reimbursement of all reasonable out-of pocket expenses relating to the services thereto.

## **Term of the Sub-Fund**

The Sub-Fund has been established for an indefinite period of time.

The Sub-Fund may be dissolved at any time by decision of the Directors as detailed under "Dissolution and Amalgamation of Sub-Fund".