

EMERGING MARKETS MANAGER OF THE YEAR

WINNER: NOMURA ASSET MANAGEMENT

Judging chairman's verdict:

"Has responded to a growing need from pension schemes for innovative products in this asset class"

Nomura Asset Management launched its global emerging markets strategy in April 2006 following a two-year build phase, involving extensive dialogue with pension funds.

The strategy combines three regional specialist to form a single strategy - combining its regional expertise in emerging Asia with Gartmore Investment Management and Charlemagne Capital's strengths in Latin America and EMEA respectively.

It says this innovative approach sets it apart from its competitors and believes that a regional specialist will do a better job of selecting stocks within its region of expertise than a generalist firm – and offer alpha potential superior to that of one firm attempting to select stocks across all emerging markets.

It says the three sub-managers' systems and reporting route through NAM so that it can monitor the overall portfolio and sub-portfolios – and ensure all the aspects of investment such as guidelines compliance, risk management and investment style are in-line with its requirements.

It also provides an additional layer of investment monitoring and compliance – conducting on-site due diligence of the sub-managers' compliance and back-office systems and using its proprietary compliance tools as a safe-guard.

Nomura also says two key disadvantages – burden of additional monitoring and additional costs - of a traditional combined-specialist approach are overcome. Nomura's global emerging market strategy has no "fund of fund" fee layer and splits management fees fairly between sub-managers.

In 2007, Oliver Wyman published a research report which highlighted that a regionally focussed specialist manager

approach generates higher alpha (2pc on average) and lower risk (TE 4.9pc versus 5.6pc) compared to the approach whereby one manager covers all three regions.

The report indicates that NAM's GEM strategy has one of the best risk/return profiles among 403 funds over the five year period.

Since the inception of its GEM strategy on April 1, 2006, through to June 30, 2008 it had delivered excess returns of 8.3pc with an annualised monthly tracking error of 1.8pc. This performance was broadly in line with the strategy's target of 3pc per annum excess return above the MSCI Emerging Markets Index, gross of fees (assessed over rolling three year periods).

NAM also believes it provides a high standard of servicing that meets and exceeds client requirements.

It says the most recent evidence of this has come from a client survey it conducted in 2006 where the majority of its clients rated the firm as "much better" or "better" than the other external managers they dealt with.

In conclusion, NAM says it believes it has responded to a growing need from pension funds for innovative products in the global emerging markets asset class by building a better alpha generating strategy via a regional manager combination.

Nomura says it has avoided trying to do things that are beyond its, and other managers, competence – the most obvious thing being not to try and add value in asset allocation between the three key regions.

It says this approach is working and its risk adjusted returns are among the best in the market.

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