

Nomura Funds

Japan Active Open

October 2008

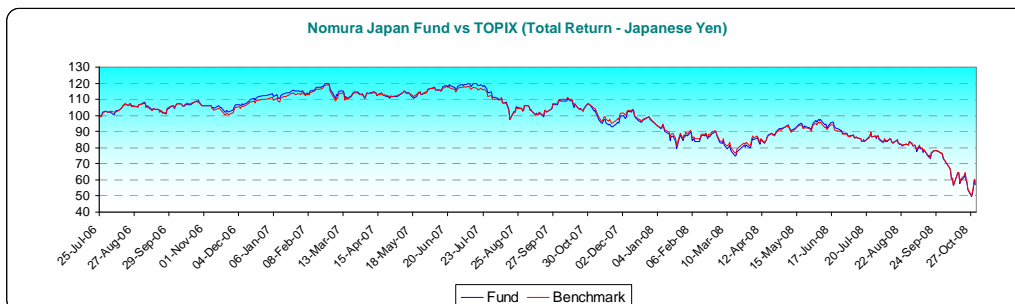
Fund Price Changes

The fund underperformed the benchmark index (measured in terms of the base currency, Japanese yen), by 191 basis points over the one-month period from 30 September to 31 October 2008. Since inception, the fund has underperformed the benchmark by 169 basis points (after fees), delivering a performance of -43.11% compared with -41.42% for the benchmark index.

Performance of the Fund since Inception (Yen basis)

Period	1 Month	3 Month	6 Month	1 Year	Since Inception*	YTD
JPY Fund	-22.16	-34.94	-37.90	-46.92	-43.11	-41.66
Index (Topix)	-20.26	-32.93	-35.60	-45.44	-41.42	-40.14
Excess Return	-1.91	-2.01	-2.30	-1.48	-1.69	-1.52
EUR Fund	-7.77	-13.40	-20.40	N/A	-21.53	-21.53
Index (Topix)	-4.65	-9.31	-15.98	N/A	-18.46	-18.46
Excess Return	-3.13	-4.09	-4.41	N/A	-3.07	-3.07
USD Fund	-17.65	-28.69	-34.44	-38.24	-30.84	-33.04
Index (Topix)	-13.92	-26.29	-31.57	-36.04	-30.39	-31.15
Excess Return	-3.73	-2.40	-2.87	-2.20	-0.45	-1.89
Rolling Year	September 07 – September 08			September 06 – September 07		
Performance (JPY)	-31.63			1.61		

*Inception date: 25th July 2006. **Net Asset Value per share (NAVps) is calculated by Nomura Bank (Luxembourg) S.A. according to the prospectus and market standards in Luxembourg. (Since inception performance has been calculated using prices as at close of business 25th July 2006). ***Benchmark is TOPIX gross of dividends.



Source: Nomura Asset Management U.K. Ltd based on Net Asset Value per share calculated by Nomura Bank Luxembourg.

Monthly Performance Review for October 2008

The TOPIX Index has posted five consecutive monthly falls, recording -20.3% in October. At the beginning of the month, the TOPIX fell to a new year-to-date low in line with a global equity price slump triggered by further falls in U.S. stocks and the deteriorating credit crunch in Europe. Stock prices rebounded sharply when the G7 announced international cooperation in an effort to restore stability to the financial markets. However, panic later set in around the world, exacerbated by the frequent suspension of equity trading in some emerging markets and sudden currency fluctuations. Eventually, the TOPIX Index slumped to its lowest price since January 1984. Expected interest rate cuts by the Bank of Japan and some respite in the further strengthening of the Japanese yen helped to support Large-cap stocks towards the end of October.

Investment Objective

To achieve long-term capital growth through investment in an actively managed portfolio of Japanese securities, listed/dealt on Regulated Markets in Japan and to outperform the Benchmark (being the TOPIX).

NAV Currencies:

JPY
Euro
USD

Launch Date: July 2006

ISIN Code for JPY:

LU0250245080

ISIN Code for EUR:

LU0250243200

ISIN Code for USD:

LU0258928521

Bloomberg JPY: NFJAOFJ LX

Bloomberg EUR: NFJAOFE LX

Bloomberg USD: NFJAOFU LX

Net Assets as at 31 October 2008:

JPY 4,221,281,841

NAVs Per Share as at 31

October 2008:

JPY 56,888

EUR 784.670

USD 691.600

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Monthly Performance Review for October 2008 (continued)

During October, the Fund underperformed the TOPIX by 191 basis points. The sector allocation effect made a positive contribution to the performance, but stock selection subtracted value.

In terms of sector allocation, the overweight position in the Communication sector and underweight Financials sector position contributed positively. In terms of stock selection, holdings such as Mizuho Financial Group, Sumitomo Mitsui Financial Group, Mitsui O.S.K. Lines, and Yamaha were sold down and therefore had a negative impact. Mizuho Financial Group and Sumitomo Mitsui Financial Group were sold because of the falling U.S. stock prices and reports of their plan to increase capital. Mitsui O.S.K. Lines followed the steep fall in the Baltic Dry Shipping Index as the economic slowdown leads to a drop in global freight volume. Yamaha shares fell because of sluggish sales and the downward revision to its corporate earnings. On the other hand, stocks relating to domestic demand such as Tokyo Electric Power Company contributed positively because of the strong Japanese yen and declining oil prices.

Market Outlook

The Japanese economic recession is likely to deepen. We expect to see confirmation that the U.S. economy is in recession, while the European economy will enter a recession phase soon. Moreover, the problems of the current financial crisis have expanded to emerging countries, and, their economies are slowing rapidly and could register negative growth figures by 2009. The question is whether the current financial crisis will bring about the worst post-War economic downturn. However, we expect to avoid such a deep macroeconomic slump because governments around the world have been announcing economic and financial stimulus policies, while energy prices have also been falling. Therefore, we expect the world economy to begin a slow recovery lead by the U.S. by the end of 2009.

Comparing the past and current stock prices and corporate earnings, the Japanese stock market seems to have priced in the unfavorable factors except for the worst-case scenario of another Great Depression. Corporate earnings were projected to have fallen by 20% during this quarter with a further 10% decline next quarter. In this case, a TOPIX Index level of 900 points implies a P/E ratio of 15 and a P/B ratio of 1.0, with a dividend yield around 2.4%. Every indicator suggests that stock prices are undervalued compared to the market lows of 2003, and current stock prices are in their lowest historical range. There are high expectations of financial market stabilization due to the announcements of economic and market stimulus policies, as well as declining oil prices. The markets are currently going through a phase of preparing for an eventual economic recovery.

Judging when the market recovery might take hold is difficult, but the performances of economic sensitive stocks were significantly worse than those of defensive stocks during October. Given this opportunity, we will gradually prepare for a future economic turnaround.

Sector Allocation (31 October 2008)

NAM 10 Cluster %	TOPIX	Portfolio
Consumption	11.02	9.81
Medical	5.87	4.56
Infrastructure	17.26	17.82
Machinery	5.78	6.70
Automobiles	9.68	9.65
Electronics	14.52	13.71
Commodities	11.69	13.74
Financials	15.54	13.07
Communication	3.79	5.86
Inform./System	4.85	5.08

Top 5 Holdings (31 October 2008)

	Company Name	% of Equity Portion
1	TOYOTA MOTOR	6.18
2	MITSUBISHI UFJ FIN GROUP	4.40
3	TOKYO E&P	3.74
4	MITSUBISHI	3.15
5	NTT	3.01

Top 3 Positive Contributors*

	<u>Company Name</u>
1	TOKYO E&P
2	SHIN-ETSU CHEM
3	YAMATO HD

Source: Nomura Asset Management Co. Ltd

Top 3 Negative Contributors*

	<u>Company Name</u>
1	MIZUHO FIN GROUP
2	SUMITOMO MITSUI FIN GROUP
3	mitsui O.S.K.LINES

Source: Nomura Asset Management Co. Ltd

Top 10 Positive Positions

	<u>Company Name</u>	<u>% Active Weight</u>
1	YAMATO HD	2.42
2	DAIWA HOUSE IND	2.19
3	TOKYO E&P	2.16
4	mitsubishi	2.08
5	MITSUI	1.85
6	TOYOTA MOTOR	1.84
7	JS GROUP	1.73
8	MIZUHO FIN GROUP	1.60
9	SUMITOMO MITSUI FIN GROUP	1.54
10	MARUBENI	1.54

Source: Nomura Asset Management Co. Ltd

*Active weight of the fund relative to the benchmark. Source: Nomura Asset Management Co. Ltd

Top 10 Negative Positions

	<u>Company Name</u>	<u>% Active Weight</u>
1	HONDA MOTOR	-1.86
2	NINTENDO	-1.46
3	EAST JPN RAILWAY	-1.17
4	TOKIO MARINE HD	-1.13
5	MITSUBISHI ESTATE	-1.06
6	KANSAI E&P	-0.92
7	NOMURA HD	-0.85
8	ASTELLAS PHARMA	-0.83
9	KDDI	-0.81
10	NIPPON STEEL	-0.81

Source: Nomura Asset Management Co. Ltd.