

# Nomura Funds

## China Opportunities

October 2008

### Fund Price Changes

Based on the percentage change in price between 30 September to 31 October 2008, the fund's unit NAV was down 22.61%. This was 0.13% and 1.12% above the MSCI China and MSCI China 10/40 reference index, which were -22.74% and -23.73% respectively.

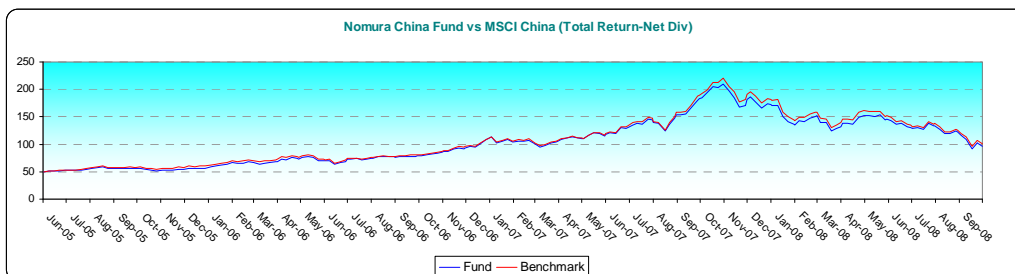
### Performance for the Month (USD basis)

	1 month	3 month	6 month	1 Year	YTD	Since Inception*
NAVps** % Change	-22.61	-44.72	-51.38	-64.64	-56.92	48.10
Index (MSCI China)	-22.74	-43.53	-51.76	-64.83	-57.44	55.25
Excess Return	0.13	-1.19	0.38	0.19	0.52	-7.15
Index (MSCI China 10/40)***	-23.73	-44.42	-52.09	-65.69	-58.21	46.29
Excess return	1.12	-0.30	0.71	1.06	1.30	1.81

Rolling Year Performance	Sep 05 – Sep 06	Sep 06 – Sep 07	Sep 07 – Sep 08
	43.15	130.93	-47.65

\*Inception date: 02 June 2005. \*\*Net Asset Value per share (NAVps) is calculated by Nomura Bank (Luxembourg) S.A. according to the prospectus and market standards in Luxembourg. \*\*\*MSCI 10/40 Index is calculated from its respective unconstrained parent index, with security weights adjusted using the MSCI 10/40 Equity Index Methodology.  
Source: Nomura Asset Management U.K. Ltd



\*MSCI China is a reference index. Source: Nomura Asset Management U.K. Ltd. Based on Net Asset Value per share calculated by Nomura Bank (Luxembourg) S.A.

### Monthly Performance Review for October 2008

Chinese equity markets continued their correction during October, as the impact of the global credit crunch was felt by financial markets around the world. All were down during the month: H-shares -27.1%; red chips -14.6%; Shanghai B-shares -33.3%; and Shenzhen B-shares -28.4%. Within the portfolio, sector allocation made a negative contribution to the fund's performance during the month, as the portfolio was overweight in the underperforming energy and financial sectors. Meanwhile, the stock selection contribution from the consumer and materials sectors was positive and this resulted in a positive relative performance for the portfolio overall for the month. In terms of sector weighting, the portfolio increased its exposure to the telecom and consumer sectors, largely at the expense of the other sectors.

### Investment Objective

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").

Launch date: 2<sup>nd</sup> June 2005  
 Base Currency: US Dollar  
 ISIN Code: ISIN LU0217998409  
 Bloomberg Code: NOMCHIO LX  
 Total Net Assets as at 31 October 2008:  
 USD 47,584,959.31  
 NAV Per Share as at 31 October 2008:  
 USD 74,051

### Contact

Ken Tooze  
 +44 (0)20 7521 1344  
[Ken.tooze@nomura-asset.co.uk](mailto:Ken.tooze@nomura-asset.co.uk)  
 Davide Goldstaub  
 +44 (0)20 7521 3453  
[Davide.goldstaub@nomura-asset.co.uk](mailto:Davide.goldstaub@nomura-asset.co.uk)

### Web site address

<http://www.nomura.com/nam-europe/funds>

This newsletter was prepared by Nomura Asset Management U.K. Ltd. The contents of this report are not intended in any way to indicate or guarantee future investment results as the value of investments may go down as well as up. Values may also be affected by exchange rate movements and investors may not get back the full amount originally invested. Before purchasing any investment fund or product, you should read the related prospectus and documentation in order to form your own assessment and judgment and, to make an investment decision. The prospectus is available upon request from the Nomura Asset Management U.K. Ltd website.

Nomura Asset Management U.K. Ltd. is authorised and regulated by the Financial Services Authority.

## Market Outlook

The Chinese government continues to introduce monetary measures in order to manage the pace of economic growth, we believe, rather than to suppress economic growth itself. We also assume that such selective measures will continue for the time being, with their focus being to address structural imbalances in the system.

We further assume that prudent fiscal and monetary policies will remain in place. Agricultural reforms are scheduled to improve incomes in rural areas. While concerns about inflation are increasing overseas, the Chinese government has maintained its control of inflation within China to keep it below 10%. Also, CPI experienced another month-on-month decline, falling to 4.6% in September. In addition, M2 money supply grew 15.3% (year on year) in September, which is a rebound from the low of 13.5% (year on year) recorded in October 2004.

Expectations of further Renminbi appreciation over the next 5 years should also help boost market sentiment. Overall, we anticipate that the Chinese markets will generate positive returns in the long term. As for stock selection, we prefer quality GDP proxy stocks and stocks with high entry barriers.

## Sector Allocation (as at 31 October 2008)

Sector %	MSCI *Oct 08	Portfolio Oct 08
Industrial	9.15	8.28
Financial	32.76	34.24
Consumer	6.19	7.34
Utility	2.25	1.87
Energy	18.47	20.95
Material	3.36	5.00
Telecom	24.66	17.48
Information Technology	3.16	4.84

## Top 5 Holdings (as at 31 October 2008)

	Company Name	% of NAV in the Portfolio
1	CHINA MOBILE	10.65
2	IND & COMM BANK OF CHINA	8.98
3	PETROCHINA	6.53
4	CHINA CONSTRUCTION BANK	6.39
5	CHINA LIFE INSURANCE CO LTD	5.91

## Top 3 Positive Contributors\*\*

- 1 China Unicom
- 2 Sinofert Holdings
- 3 Hengan Int'l Group

## Top 3 Negative Contributors\*\*

- 1 China Mobile
- 2 Yanzhou Coal Mining
- 3 China Construction Bank

Data as at 31 October 2008

\*MSCI China is a reference index.

\*\*Performance contributors of the fund relative to the Reference Index performance.

Source for both of the charts above: Nomura Asset Management Hong Kong Ltd

MSCI indices are the property of MSCI. Reproduction, redistribution or any other form of transmission, in whole or in part, of any information concerning the MSCI indices without MSCI's prior written consent is strictly prohibited. Although MSCI obtains information for inclusion in or for use in the calculation of the MSCI indices from sources that MSCI considers reliable, MSCI does not warrant or guarantee the originality, accuracy and/or the completeness of any of the information.