News Release

NOMURA

Nomura Launches Pilot Fund with Preferred Networks Leveraging Joint Research

Tokyo, December 10, 2021—Nomura Holdings, Inc. and Nomura Asset Management Co., Ltd., the core company within the Investment Management Division of Nomura Group, today announced that they have launched a pilot fund with Preferred Networks, Inc. (PFN) leveraging joint research on advanced investment methods. The three companies have been engaged in joint research since October 2019 to develop new financial business solutions using cutting-edge technologies.

The pilot fund combines multiple medium- to long-term investment strategies to seek stable returns resilient to market volatility. Based on the investment performance of the fund, the three companies will strive to deliver products to a broad range of investors in the future.

PFN possesses great expertise in research and development and the practical application of cutting-edge technologies, such as deep learning. The results of Nomura's joint research with PFN have been highly rated for their academic value, with some research papers being selected in 2020 by the most prestigious conferences in the field of artificial intelligence.[1]

The launch of the pilot fund comes as a result of discussions with PFN on the provision of investment strategies using the joint research. Nomura Group and PFN will continue their joint research toward the development of new solutions.

Over the years, Nomura Group has developed various quantitative methods to address investment business issues based on its knowledge of financial engineering and data science. PFN develops practical applications for machine learning, deep learning, and other advanced technologies to solve the specific issues of various industries.

Through its partnership with PFN, Nomura will develop novel financial business solutions and services that leverage cutting-edge technology to provide clients with new investment opportunities and added value, and contribute to the creation of a truly affluent society.

(Reference)
Outline of Pilot Fund's investment strategy "Pure α-type Multi-Strategy"

Investment Strategy: Generate stable returns that are resilient to market volatility through the combination of multiple medium- to long-term strategies.

Strategy Details	
Individual Selection of Investment Strategies	The fund will comprise multiple strategies aimed at generating medium- to long-term returns. In addition to strategies developed in-

[1] *Please refer to the December 21, 2020 release "Nomura's Joint Research Papers with Preferred Networks Selected by AAAI and AAMAS. https://www.nomuraholdings.com/news/nr/holdings/20201221/20201221_a.pdf*

	house by Nomura Asset Management, the fund will also adopt new strategies, applying the joint research with PFN as appropriate.

Allocation among Strategies	The fund will use the Risk Budgeting Model[2] that was jointly developed by Nomura Asset Management and PFN. The model will estimate return distribution among strategies and the overall portfolio and optimize strategy allocation to control the range of declines and realize effective investment.

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Nomura

Nomura is a global financial services group with an integrated network spanning over 30 countries. By connecting markets East & West, Nomura services the needs of individuals, institutions, corporates and governments through its three business divisions: Retail, Wholesale (Global Markets and Investment Banking), and Investment Management. Founded in 1925, the firm is built on a tradition of disciplined entrepreneurship, serving clients with creative solutions and considered thought leadership. For further information about Nomura, visit www.nomura.com.

[2] *An algorithm that allocates portfolio risk among strategies to effectively generate returns.*

Disclaimer of Nomura Asset Management

Costs Associated with Financial Products (Fees and Other Costs)

Customers pay the following expenses.

All information on this document is intended for information purpose only and does not constitute a solicitation of an offer to buy any investment product nor to enter into an investment advisory agreement with Nomura Asset Management to any persons. The following fees and expenses are charged to investors of our investment products. We can only provide a general description of our fee calculation formula here, as fee rates will vary depending on the specific product characteristics or the specific contract with each of our clients.

- As a consideration of our investment advisory services, fees equivalent to the sum of the assets under contract multiplied by the agreed-upon percentage fee rate (%) will be charged depending on the length of the contract.
  [Calculation formula] Assets amount under contract x fee rate (%) x length of the contract (days) / 365
- Based on mutual agreement, we may adopt a performance-based fee structure or a combination of performance-based fee structure and the flat fee structure mentioned above. We are unable to provide detailed calculation nor the maximum fee for performance-based fee structure as the actual advisory fee vary depending on the investment performance of the relevant strategy, and the agreed terms with each client. Performance-based fee structures will be negotiated individually between client and Nomura Asset Management.
- Separate from the investment advisory fees, securities trading consignment fees and expenses related to the custody of securities will also be deducted from the contracted assets. It is not possible to specify the rate or maximum amount in advance as such fees would vary depending on the status of the investment.
- Nomura Asset Management may, based on its discretionary investment decisions, purchase investment trust products to be included in a portfolio under a discretionary investment contract. In such cases, expenses such as investment trust management fees, sales company and management company fees, and fees charged when converting investment trusts to cash would incur. If such cases investment trust products are issued by our own company or one of our group companies, the investment advisory fees may be adjusted to avoid double payment of management fees. The adjustment calculation methods are specified in each contract. Total investment advisory fees paid by the client shall amount to investment advisory fees less the investment management fees associated with the purchased investment trust products.

Investment Risks Associated with Financial Products

The financial instrument transactions conducted on behalf of the client shall include investments made in shares, bonds with new share warrants, bonds issued by public corporations, and other instruments (including cases where investments are made via investment trusts and through Limited Partnerships). Consequently, the prices of shares and other investments may decline as a result of the effects of domestic and overseas economic variables and political circumstances, fluctuations in interest rates, and changes in the performance and financial standing of the issuing entities, resulting in investment losses.
Financial products may also make use of derivative transactions. Such transactions utilize leverage in excess of the margin amount, and if prices change as a result of the fluctuations in the securities and indexes that serve as the underlying assets, it is possible that losses in excess of the amount of the margin deposited will be incurred. Also, the leverage rates vary continuously as a result of changes in investment policies and domestic and overseas market environments, and consequently they cannot be specified in advance. During the terms of derivative transactions, Nomura Asset Management shall deposit margins taken from the contract assets in amounts that it determines to be suitable based on calculations performed by the securities companies with which the orders are placed.

Caution Related to Investment Trusts

The risks and expenses listed below are assumed to be general investment trusts. The rates for expenses are the highest rates among all publicly offered investment trusts managed by Nomura Asset Management, which are borne by investors. As the risks and expenses associated with an investment trust vary, when investing in an investment trust, please refer to the explanatory document (prospectus) and the pre-contract document carefully in advance.

Risks
Investment trusts invest mainly in domestic and foreign stocks, public and corporate bonds, and other securities whose prices fluctuate, and the investment principal is not guaranteed. The price per unit of investment fluctuates due to fluctuations in the market prices of the assets and in foreign exchange rates. Therefore, losses may be incurred as the price of unit may become less than the amount invested by investors. Investment Trusts differ from deposits and savings. In addition, for investment trusts, the content and nature of risks are different because the types of target assets, restrictions, trading markets, countries, etc. are different for each investment trust. Therefore, please refer to the explanatory document (prospectus) and the pre-contract document when investing.

Expenses
The total amount of the following costs will vary depending on the period investors hold the fund, etc., and therefore cannot be presented.

As of December, 2021

Subscription fee: Maximum 3.85% (tax included)	It is the expense which the investor bears when purchasing a fund. The fund distributor receives it as the cost of sales. The rate, etc. must be confirmed with the distributor. Depending on the fund, "Redemption fee" may be required at the time of redemption (and at the time of redemption).
Trust fee: Maximum 2.222% (tax included)	It is the cost charged based on the period the investor holds the fund. The asset management company, the trustee company and the distributor receive it in a proportional manner. The asset management company receives the investment compensation, the trustee company receives the custody compensation, and the distributor receives compensation for administrative duty including the distribution of dividend, redemption money and investment reports *For some funds, extra fee may be charged depending on the investment performance. *In the case of a fund of funds, with some exceptions, trust fees, etc. for funds invested by the fund are separately charged.
Investment trust reserve expense: Maximum 0.5%	It is borne by investors upon redemption. It is charged in order for investors themselves to bear the costs incurred in the trust property due to redemption by investors.
Other fees:	In addition to the expenses mentioned above, expenses such as "Brokerage commissions for the purchase and sale of securities, etc.", "tax on the fund", "audit cost", "Expenses for custody of assets in foreign countries", etc. are to be borne according to the investing period, etc. The rate, maximum amount, etc. cannot be shown in advance because it fluctuates depending on the investment status, etc.

When subscribing fund, please make a decision by yourself after confirming the contents of the explanatory document (prospectus) provided by the distributor.

Trade name: Nomura Asset Management Co., Ltd.
Director of Kanto Local Finance Bureau (Financial Instruments Firms) No.373
Membership: The Investment Trusts Association, Japan/ Japan Investment Advisers Association/ Type II Financial Instruments Firms Association

About this English news release
The contents of this material are based on an English translation of a Japanese announcement made on December 10, 2021 by Nomura Asset Management Co., Ltd. Whilst every effort has been made to translate the Japanese document into English, the accuracy and correctness of this translation are not guaranteed, therefore please refer to the original Japanese document.

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