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This announcement is an advertisement and not a prospectus. Investors should not subscribe for any transferable securities referred to in this announcement except on the basis of information in the prospectus (the "**Prospectus**") expected to be published shortly by Nippon Active Value Fund PLC (the "**Company**") in connection with the initial public offering and the admission of its ordinary shares of £0.01 each (the "**Ordinary Shares**") to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. A copy of the Prospectus will be available on the Company's website [www.nipponactivevaluefund.com](http://www.nipponactivevaluefund.com) subject to certain access restrictions, and will be available for inspection at the Company's registered office, Mermaid House, 2 Puddle Dock, London EC4V 3DB. The Prospectus will also be available on the National Storage Mechanism and will be available from the website [www.morningstar.co.uk/nsm](http://www.morningstar.co.uk/nsm). This announcement is not an offer to sell, or a solicitation of an offer to acquire, securities in the United States or in any other jurisdiction. Neither this announcement nor any part of it shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or commitment whatsoever.

7 January 2020

### **Nippon Active Value Fund PLC**

### **Announcement of intention to raise up to £200 million and apply for admission to trading on the Specialist Fund Segment of the London Stock Exchange**

Nippon Active Value Fund PLC, a closed-ended investment company established to make investments in quoted equity securities with the majority of their operations in, or majority of their operations derived from, Japan, is pleased to announce its intention to seek admission of its shares to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange (the "**IPO**").

As part of the IPO, the Company is seeking to raise gross proceeds of up to £200 million by way of the Initial Placing, an Offer for Subscription and the Intermediaries Offer (the "**Issue**") at an Issue Price of 100 pence per Ordinary Share\*. In addition, the Company also announces pursuant to the Prospectus, a placing programme that will allow the Company to issue up to such number of additional Ordinary Shares and/or C Shares of £0.10 each ("**C Shares**") (the Ordinary Shares and/or C Shares referred to as "**Shares**" as the context requires) as is equal to 400 million Shares in aggregate less the number of Ordinary Shares issued under the Issue plus the Company's existing subscriber share.

\* However, the Directors have reserved the right, in consultation with Shore Capital, to increase the size of the Issue up to 400 million Ordinary Shares if overall demand exceeds 200 million Ordinary Shares. Any such increase will be announced through an RNS announcement.

Pursuant to an Investment Advisory Agreement dated 7 January 2020, the AIFM and the Company have appointed Rising Sun Management Ltd. as

investment adviser ("**Rising Sun**" or the "**Investment Adviser**") to provide investment advisory services to the AIFM and the Company in respect of the assets of the Company with effect from First Admission, including in connection with the evaluation, origination, acquisition and execution of potential investment opportunities for the Company, as well as on-going monitoring of the Company's investment portfolio.

The Company intends, as its principal activity, to invest in a highly concentrated portfolio of up to 20 holdings of quoted equity securities with the majority of their operations in, or majority of their operations derived from, Japan with market capitalisations of up to US\$1 billion which the Investment Adviser deems most attractive and undervalued and in relation to which it believes its activist strategies will deliver increased shareholder returns.

Capitalised terms not otherwise defined in this announcement have the same meaning as defined in the Prospectus, which is expected to be published shortly.

## **INVESTMENT OPPORTUNITY**

The Directors believe that an investment in the Company offers the potential following attractive characteristics:

- *Investment objective:* the Company will aim to provide Shareholders with attractive capital growth through its investment in a focussed portfolio of quoted Japanese securities (although the Company may, in certain limited circumstances, make investments in unquoted companies provided that the Company's aggregate interest in unquoted investments at the time of any such investment is not more than 10 per cent. of the Company's Net Asset Value at that time).
- *Investment strategy:* the Board, as a consequence of recent regulatory and governance changes in Japan, consider it to be the right time to launch a dedicated activist vehicle focused on Japanese listed equities which pursues superior returns and increased dividends for shareholders in the companies in which it invests.
- *Experienced team:* the Company has the benefit of the track record of the Rising Sun Management Team which has more than 50 years collective investment experience and a deep understanding of activist investor strategies. Rising Sun comprises a team with significant experience in Japan.
- *Identified investments:* Rising Sun has already identified a number of potential investee companies which fulfil the Company's determined investment criteria and which it considers to be suitable for activist shareholder engagement. Consequently the Company would expect to have deployed substantially all of the proceeds of the Issue within six months of First Admission.
- *Board:* the Board, chaired by Rosemary Morgan, is comprised of individuals from relevant and complementary backgrounds offering fund management (including Japanese fund management), activist experience (including in relation to Japanese equities) and risk and compliance and capital markets experience.
- *Issue and Placing Programme:* the Company is targeting an issue of up to 200 million Ordinary Shares pursuant to the Issue, comprising of the First Placing, the Offer for Subscription and the Intermediaries Offer at the Issue Price (being £1.00 per Share). Following the Issue, the Directors intend to implement the Placing Programme to enable the Company to raise additional capital in the period of 12 months from the publication of the Prospectus to pursue acquisition opportunities that are in accordance with the Company's investment objective and policy.

- *Leverage*: the Company may, once the proceeds have been fully invested, introduce leverage to the Portfolio. The Company may maintain gearing at a level which the Directors, the AIFM and Rising Sun consider to be appropriate and borrow an amount not exceeding 20 per cent. of the Company's Net Asset Value at the time of drawdown.
- *Nil initial cost*: the costs of the Issue will not be charged to Shareholders as the Issue Expenses will be borne by Rosenwald Capital. Therefore, following the Issue the Company will have a Net Asset Value per Ordinary Share of 100 pence, which is equal to the Issue Price.

## **RISING SUN OVERVIEW**

Rising Sun is a newly incorporated Cayman entity which will be led by James Rosenwald, III. Mr Rosenwald has over 40 years' experience investing in Asia and is co-founder and managing partner of Dalton Investments, LLC ("**Dalton**"). Dalton is a value focused investment management firm with expertise in Asia equities and global equities. Headquartered in Santa Monica, California, with affiliate offices in Tokyo and Mumbai, Dalton manages (as at 31 May 2019) US\$3.4 billion in actively managed long only and long-short strategies for pensions, endowments, foundations, financial institutions and family offices. Dalton has a strong track record investing in Japanese equities.

Shore Capital, the financial adviser and sole bookrunner, owns 15 per cent. of Rising Sun's issued share capital and it is anticipated that one of Shore Capital's group companies will subscribe for 1,000,000 New Ordinary Shares in the Initial Placing. Mr Rosenwald is also a director of certain companies in Shore Capital's group and sits on its board.

## **CORNERSTONE INVESTORS**

The Company has received (i) a binding commitment in the amount of £25 million and (ii) a non-binding indication of interest in the amount of £25 million which Dalton has agreed to use its best endeavours to convert into participations in the Issue following the publication of the Prospectus, for a total of £50 million which has been made by Dalton or by its managing member, in each case in their capacity as the investment manager for and on behalf of certain pooled investment funds and institutional client separate accounts (together the "**Dalton Clients**" and each a "**Dalton Client**").

The Company expects Dalton to manage the commitments of its clients so as to ensure that the total individual commitment of any particular Dalton Client does not exceed five per cent. of the total proceeds raised by the Issue.

In addition, Dalton shall not be required to secure participation by Dalton Clients, if and only to the extent that to do so would result in the Rosenwald Associates owning more than 29 per cent. of the total issued share capital of the Company. Consequently, it is expected that the Rosenwald Associates will adjust their participation in the Issue so as to ensure that the aggregate shareholding of the Rosenwald Associates will be less than 30 per cent. of the voting rights in the Company so as to avoid any implications as a result of the requirement under Rule 9 of the Takeover Code to, in certain circumstances, make an offer for the entire issued share capital of the Company.

The Company has also secured a commitment of £1 million from a group company of Shore Capital.

## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Issue opens

8 January 2020

Latest time and date for receipt of completed application forms under the Offer for Subscription and payment in full 1.00 p.m. on 28 January 2020

Latest time and date for receipt of Initial Placing orders 12.00 noon on 28 January 2020

Latest time and date for receipt of applications from Intermediaries in respect of the Intermediaries Offer 12.00 noon on 28 January 2020

Results of the Initial Placing, Offer for Subscription and Intermediaries Offer announced 31 January 2020

First Admission of the Ordinary Shares to the Specialist Fund Segment and dealings commence 8:00 am on 5 February 2020

References to times above and in this announcement are to London times unless otherwise specified. All times and dates in the expected timetable and in this announcement may be adjusted by the Company. Any material changes to the timetable will be notified via an RIS.

**Commenting on the proposed IPO of Nippon Active Value Fund PLC, Chief Investment Officer of Rising Sun Management, James Rosenwald said**

*"This is a great opportunity to take advantage of the recent corporate governance rule changes in Japan and we believe that the Company will offer investors attractive levels of capital growth from an actively managed portfolio of quoted Japanese investments. Given the significant cornerstone investment already committed and strong investor feedback received so far we are confident of a successful launch."*

**Rosemary Morgan, Chair of Nippon Active Value Fund PLC, said:**

*"I am delighted to be chairing this highly experienced board and we are excited to work with the Rising Sun Management team who have a strong track record of activist investing in Japan."*

**For further enquiries, please contact:**

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## **INVESTMENT OBJECTIVE AND INVESTMENT POLICY**

### ***Investment objective***

The investment objective of the Company is to provide Shareholders with attractive capital growth through the active management of a focussed portfolio of quoted companies which have the majority of their operations in, or revenue derived from, Japan and that have been identified by the Investment Adviser as being undervalued.

### ***Investment policy***

The Company will invest in a highly concentrated portfolio of shares issued by quoted companies which have the majority of their operations in, or revenue derived from, Japan and which the Investment Adviser deems attractive and undervalued and typically where (i) cash constitutes a significant proportion of the investee company's market capitalisation; and (ii) the relevant company has no controlling or majority shareholders.

The Board will not set any limits on sector weightings or stock selection within the portfolio. The Board will apply the following restrictions on the size of its investments:

- not more than 30 per. of the Gross Asset Value at the time of investment will be invested in the securities of a single issuer (such restriction does not, however, apply to investment of cash held for working capital purposes and pending investment or distribution in near cash equivalent instruments including securities issued or guaranteed by a government, government agency or instrumentality of any EU or OECD Member State or by any supranational authority of which one or more EU or OECD Member States are members); and
- the value of the four largest investments at the time of investment will not constitute more than 75 per cent. of the Gross Asset Value.

The Company will not be constrained by any index benchmark in its asset allocation.

Additionally, while the Company intends that the majority of its investments will be in quoted companies, it may also make investments in unquoted companies and the Company may become invested in unquoted companies as a result of corporate actions or commercial transactions undertaken by quoted companies. The Company will only make investments in unquoted companies in order to maintain or improve its position in relation to a business which operated through a quoted entity at the time of the Company's initial investment in that business. In any event, the Company will only make an investment in an unquoted company if the aggregate interest of the Company in unquoted companies at the time of such investment is not more than 10 per cent. of the Net Asset Value of the Company at that time. This will mean that, if a quoted portfolio company is delisted or an unquoted investment is revalued with the effect of increasing the Company's interest in unquoted investments above 10 per cent. of the Company's Net Asset Value at that time, the

Company will not be in breach of its investment policy and will not have to divest itself of any unquoted investments. However, while the Company's interest in unquoted investments remains above 10 per cent. of its Net Asset Value, the Company will not be able to make any further investments in unquoted companies.

### ***Investment restrictions***

There will be no restrictions placed on the market capitalisation of investee companies, but it is expected that the portfolio will be weighted towards small cap companies with market capitalisations of up to US\$1 billion. Once fully invested, the portfolio is expected to have up to 20 holdings although there is no guarantee that this will be the case and it may contain a lesser or greater number of holdings at any time.

The Company intends to acquire large minority stakes of typically 4.9 to 25.0 per cent. in each investee company. Nevertheless, in certain limited circumstances the Company may acquire a larger stake in an investee company if the investment case so warrants. The Company will not, however, acquire any stake which could cause a change in its status as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. The Company intends to have invested substantially all of the proceeds of the Issue within six months of the date of First Admission.

The Company will comply with the following investment restrictions for so long as they remain requirements of the Listing Rules (relevant elements of which the Company has voluntarily undertaken to comply):

- neither the Company, nor any of its subsidiaries will conduct any trading activity which is significant in the context of the Group as a whole;
- no more than 10 per cent., in aggregate, of the value of the total assets of the Company will be invested in other listed closed-ended investment funds; and
- the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the published investment policy.

The Company intends to only invest in enterprises which are distinct from those of Dalton's existing clients. Should the Company ever find that it is targeting the same opportunity as Dalton (or one of its affiliates) or is invested in the same enterprise as Dalton (or one of its affiliates), the Company will take appropriate advice and action at the time.

### ***Treasury policy***

Until the Company is fully invested, and pending re-investment or distribution of cash receipts, the Company will invest in cash, cash equivalents, near cash instruments and money market instruments. The Company expects to maintain any non-operational cash balances in Japanese Yen.

The Company may also use derivatives for gearing and efficient portfolio management purposes.

### ***Gearing policy***

The Company does not have a borrowing facility but may, in the future, use borrowings and other gearing to seek to enhance investment returns at a level (not exceeding 20 per cent. of the Company's net assets calculated at the time of drawdown) which the Directors, the AIFM and Rising Sun consider to be appropriate. It is expected that gearing will primarily comprise bank borrowings, public bond issuance or private placement borrowings, although overdraft or revolving credit facilities may be used to increase acquisition and cash flow flexibility. The Company expects all debt to be denominated in Japanese Yen.

### ***Hedging policy***

Although the Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investments denominated in Japanese Yen, it may in future, in its discretion, enter into currency hedging arrangements using futures, forwards, swaps or other derivative instruments.

### ***Material breach of investment restrictions***

In the event of any material breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by Rising Sun through a Regulatory Information Service.

### ***Amendment to investment policy***

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

## **INVESTMENT STRATEGY**

The Company will seek to achieve its investment objective by taking advantage of the corporate governance reforms in Japan and utilising the increased focus on good corporate governance to engage with management teams and unlock value and encourage investee companies to make returns to their shareholders.

Further details on the Company's investment strategy will, once published, be set out in paragraph 2 of Part 8 (*Investment Approach, Strategy and Process*) of the Prospectus.

## **DISTRIBUTION POLICY**

The Company believes that the substantial undervaluation of Japanese equities, coupled with an activist strategy designed to unlock underlying value should allow the Company to achieve significant investment results over time. Given the nature of this strategy, however, it is possible that such returns could be "lumpy" and unpredictable. Accordingly, the Company will target results primarily through capital appreciation, no specific dividend policy will be established in the first instance and any distributions will be made entirely at the discretion of the Board. Notwithstanding the foregoing, the Company will make such distributions as may be required to ensure compliance with the rules relating to investment trusts.

## **THE INITIAL ISSUE AND THE PLACING PROGRAMME**

The Issue consists of an initial placing, an offer for subscription and an intermediaries offer of Ordinary Shares which are being issued (or sub-divided and re-designated from Redeemable Preference Shares) at 100p per Ordinary Share. The total number of Ordinary Shares allotted under the Issue will be determined by the Company, Shore Capital and Rising Sun after taking into account demand for the Ordinary Shares and prevailing economic and market conditions, subject to a maximum of 200 million Shares.\*

\* However, the Directors have reserved the right, in consultation with Shore Capital, to increase the size of the Issue up to 400 million Ordinary Shares if overall demand exceeds 200 million Ordinary Shares. Any such increase will be announced through an RNS announcement.

The costs and expenses of the establishment of the Company, the Offer for Subscription, the Initial Placing and the Intermediaries Offer (which include commission and expenses payable under the Placing Agreement, registration, listing and admission fees, printing and distribution costs and professional advisory fees, including legal fees, and any other applicable expenses) will be met by Rosenwald Capital.

As such, the Company will not bear any upfront costs that would reduce the Issue Proceeds available for investment and accordingly, on First Admission, the opening NAV per Ordinary Share will be 100 pence.

The Issue will not proceed if the aggregate number of Shares to be issued under the Placing and the Offer for Subscription is less than 100 million

Ordinary Shares. On the basis of the minimum gross proceeds from the Issue being £100 million, and the estimated net proceeds from the Issue are expected to be £100 million.

In addition to the Issue, the Company also intends to implement the Placing Programme pursuant to which such number of additional Shares as is equal to 400 million Shares in aggregate less the number of Ordinary Shares issued under the Issue plus the Company's existing subscriber share) may be issued under one or more non-pre-emptive Subsequent Placings over the 12 month period commencing on the date of the Prospectus under the Placing Programme. The Placing Programme is flexible and may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares and/or C Shares over a period of time. The last date on which Shares may be admitted to trading under the Placing Programme is 6 January 2021. The issue of New Ordinary Shares or C Shares under the Placing Programme is at the discretion of the Directors. Each investor is required to undertake to make payment for the New Ordinary Shares and/or C Shares issued to such investor pursuant to the Placing Programme in such manner as shall be directed by Shore Capital.

Application will be made to the London Stock Exchange for up to 400 million Ordinary Shares to be issued pursuant to the Issue and admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. It is expected that Admission will occur and that dealing in the Ordinary Shares will commence on 5 February 2020.

The principal legislation under which Ordinary Shares have been created and the Company operates is the Companies Act 2006. As a listed investment company, the Company will not be regulated as a collective investment scheme by the FCA. However, from the Admission, the Ordinary Shares will be admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. The principal legislation under which the Company operates is the Act. The Company will also be subject to the Prospectus Regulation, the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules, the Takeover Code, the Market Abuse Regulations and the rules of the London Stock Exchange. The Company is domiciled in England and Wales. The Company is an alternative investment fund pursuant to the AIFM Rules. In addition, the Directors have resolved that, as a matter of good corporate governance, the Company will voluntarily comply with certain key provisions of the Listing Rules as further described in the section of the Prospectus headed "Voluntary Compliance with the Listing Rules".

## **USE OF PROCEEDS**

The proceeds of the Issue will comprise cash received under the Initial Placing, the Offer for Subscription and Intermediaries Offer.

The Company intends to use the net cash proceeds of the Issue and Planning Programme for investment in accordance with its investment policy and to fund the Company's operational expenses.

The Company would expect to have deployed substantially all of the proceeds of the Issue within six months of First Admission.

## **ANNUAL RUNNING EXPENSES**

Rising Sun is entitled, with effect from First Admission to an annual fee calculated as 0.85 per cent. of the Company's net assets (exclusive of VAT).

Assuming that the Issue is fully subscribed, the Company's total fixed operational costs (excluding management fees, brokerage and other transaction charges and taxes and any borrowing costs) are estimated to amount to approximately one per cent. per annum of the Company's estimated Net Asset Value on Admission.

## **INVESTMENT APPROACH**



Over the past several decades, many Japanese companies have built very strong balance sheets, reducing their reliance on debt financing and building up reserves of cash and investments. The result is that numerous Japanese companies are sitting on excess capital, and consequently often exhibiting very low equity returns. The Japanese government has attempted to address this issue by implementing regulations encouraging companies to set out goals for returns on equity, for reducing passive shareholdings in unrelated entities and for increasing dividend payouts to shareholders. Further, it has relaxed regulations that have inhibited mergers and takeovers of companies.

Rising Sun believes that there is a perception among many international investors that, although Japanese equities are relatively inexpensive, such companies represent "value traps" that are likely to remain inexpensive for a long period of time. The net result, in the view of Rising Sun, is that the time is now opportune for an activist strategy that will engage with management teams of Japanese companies to restructure balance sheets and improve returns for shareholders.

Rising Sun believes that companies that have excess capital over and above that required for the operation of the business can increase their return on equity immediately by distributing such excess capital to shareholders, either by repurchasing their shares in the market, or paying out larger cash dividends. The Company will seek to invest in a small number of companies that have significant scope for such actions. Rising Sun will engage with company management to encourage restructuring. This will include elimination of passive shareholdings, distributing excess cash and committing to more substantial dividend payout ratios.

The Company will focus on companies that have "open" share registers—that is, companies that have no large controlling shareholders, and will seek to obtain large minority positions in investee companies (of typically 4.9 to 25.0 per cent.) to obtain influence with management through direct engagement and by obtaining, when appropriate, one or more board seats. The goal will be to help companies focus on generating higher returns for shareholders.

Rising Sun believes that there is a substantial number of value-focused investors that are either currently investing or are prepared to invest in Japan, but that such investors would like to see: (i) a change in attitude toward corporate governance in the country; and (ii) a greater number of activist investors willing to catalyze such a change. To date, however, there has only been a small number of international activist investors willing to establish investment positions in Japanese companies and press for change. Such activity, while more unusual than in Western markets, has been noted by the international press. The Company believes that a number of institutional investors will be supportive of activist efforts in a "behind the scenes" role if the Company is willing to take the public lead in approaching companies.

Consequently, the Company intends to be engaged and public in its efforts to enhance governance and improve capital allocation decisions among the companies in which it invests. The Company intends to establish meaningful minority positions; but it will be willing to make tender offers for large blocks of stock with the intent of establishing working control of a company if required. To this end, the Company may use cash or its own stock or a combination of the two for such tenders.

The Company expects that it will work closely with one or more private equity firms that have established operations in Japan and have, in some cases, raised dedicated funds for the purpose of organizing acquisitions in the Japanese market.

Dalton Investments LLC participated in one of the earliest management buyouts in the Japanese market in 2007. The Company expects that one or more investments made by the Company will become targets of acquisition bids, either friendly or hostile, and the Company will seek to use its large minority stock positions to enhance returns by encouraging such bids.

Rising Sun considers recent regulatory and governance changes in Japan, when combined with its belief that the Yen is currently undervalued, mean that it is the right time to launch a dedicated activist vehicle. Rising Sun believes that a closed-end structure is ideally suited for this opportunity given the small-cap nature of the Portfolio and the activist engagement with investee company management.

## **RISK FACTORS**

Prior to investing in the Shares, prospective investors should consider the associated risks. The key risks specific to the Company which are known to the Directors are detailed below:

- The Company is a newly formed company with no operating results. It will not commence operations until it has obtained funding through the Issue. As the Company lacks an operating history, investors have no basis on which to evaluate the Company's ability to achieve its investment objective or implement its investment strategy and provide a satisfactory investment return. An investment in the Company is therefore subject to all the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of an investment in the Company could decline substantially as a consequence.
- The Company has no employees and the Directors are appointed on a non-executive basis so the Company is reliant on third party service providers in order to achieve its investment objective. The Company also depends on the diligence, skill and business contacts of the Rising Sun Management Team. The Company's future success depends on the continued service of these individuals, who are not obligated to remain employed with Rising Sun. The Company cannot predict the impact that any such departure will have on the Company's ability to achieve its investment objective or pursue its investment policy. The departure of a significant number of individuals from Rising Sun for any reason, or the failure to appoint qualified or effective replacements in the event of such departures, could have a material adverse effect on the Company's ability to achieve its investment objective.
- Rising Sun is a newly formed company with no operating results, financial statements or investment track record. The Company is therefore reliant upon the track record of the Rising Sun Management Team. This track record, which was acquired as part of activities performed by individuals at prior organisations, may not be comparable to or indicative of such persons' performance for the Company.
- Rising Sun may not be successful in pursuing the Company's investment policy or in identifying and pursuing investments on attractive terms, generating investment returns for the Company's investors or avoiding investment losses. The level of returns to Shareholders are reliant primarily upon the performance of the Portfolio. If the Portfolio does not perform as well as expected, Shareholders may not be able to receive dividends or realise the amount of their original investment in the Shares.
- Shareholder activism, which forms a key element of the Company's investment strategy, has not been common in Japan and there is no guarantee that the management of portfolio companies will be receptive to the Company's attempts to encourage reform and deliver better value to shareholders. The likely size of the stakes that the Company will possess in its portfolio companies will, at least initially, mean that it will not be able to utilise certain shareholder actions in all instances.

- The Company will invest in a highly concentrated portfolio of shares issued by quoted companies which have the majority of their operations in, or revenue derived from, Japan. Investing in a single country is generally considered a higher risk investment strategy than investing more widely, as it exposes the investor to the fluctuations of a single geographical market and currency, in this case the Japanese market and the Yen. Any government policy, legal or regulatory changes or any adverse effect on the Japanese market and/or the value of the Yen could have an adverse effect on the Portfolio, financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Ordinary Shares.

The key risks relating to the Shares which are known to the Directors are detailed below:

- The Company's ability to declare and pay any future dividend is subject to the discretion of the Directors and will depend upon, amongst other things, the Company pursuing successfully its investment strategy and the Company's distributable reserves, earnings, financial position, cash requirements, level and rate of borrowings and availability of profit, as well the provisions of relevant laws or generally accepted accounting principles from time to time.
- The value of an investment in the Company is subject to normal market fluctuations and other risks inherent in investing in securities. The market price of the Shares may rise or fall rapidly and the Shares may trade at a discount to the NAV attributable to them.

Further details of the risk factors relating to the Company, Rising Sun, the investment strategy and the Shares, are set out in Part 1 (*Risk Factors*) of the Prospectus.

### ***Rising Sun organisation and key personnel***

Mr Rosenwald is assisted by Mr Paul ffolkes Davis and Mr Kazutaka Mizuochi. In addition the Investment Adviser has entered into an agreement whereby the Tokyo office of Dalton Advisory KK, will provide investment research services to the Investment Adviser.

The management team of the Investment Adviser includes:

- **James Rosenwald III**

James heads the investment team at Rising Sun as well as being the Managing Partner and founding member of Dalton Investments LLC which was established in 1999. James has been a director of Shore Capital since January 2010.

He is also Portfolio Manager for Dalton Investments' Asian Equities strategies. James has over 40 years of investment experience managing equity portfolios and in particular in investing in Asia.

Prior to joining Dalton, James founded and co-managed Rosenwald, Roditi & Company, Ltd., now known as Rovidia Asset Management, Ltd., which was established in 1992. He was also previously an External Manager for the Soros Group.

James holds an MBA from New York University and an AB from Vassar College.

- **Gifford Combs**

Gifford is the Managing Director and Portfolio Manager for Dalton Investments LLC, and was a founding member of Dalton which was

established in 1999. Gifford has over 30 years of investment experience managing equity portfolios.

Prior to joining Dalton, he managed equity portfolios for U.S. and international institutions at Pacific Financial Research, a Beverly Hills-based money manager with assets in excess of US\$5 billion.

Gifford serves on the board of Cambridge University in America (New York) and the Capital Campaign for Cambridge University (Cambridge, UK), as well as on the investment committees of the College of the Atlantic (Bar Harbor) and the Mt. Desert Land and Garden Preserve (Seal Harbor).

Gifford holds an M.Phil degree, with distinction, in Economics and Politics from Cambridge University and an AB degree, magna cum laude, from Harvard College.

- **Paul folkes Davis**

Paul is the Vice Chairman of Cambridge and Counties Bank, and was a founding member of Cambridge and Counties when it was established in 2012.

He has over 40 years' experience in the financial services industry as well as having considerable experience in international capital markets. This includes previous directorships of N M Rothschild & Sons Ltd, NatWest Markets and Rabobank International.

Since September 2004, Paul has been the Bursar of Trinity Hall, Cambridge one of Cambridge University's oldest colleges. Paul holds MA degrees from Oxford and Cambridge Universities.

- **Kazutaka Mizuochi**

Since 2018, Kazutaka has been a partner at the Tokyo law firm, Hibiya-Nakata and has over 20 years' of experience in advising on matters of corporate law with a particular focus on mergers and acquisitions.

Prior to joining Hibiya-Nakata, he was a partner at the law firm Baker & McKenzie, Tokyo from the years 2006-2018.

Kazutaka's mergers and acquisitions experience includes representing various international companies (including Japanese and British companies) in the acquisition or disposal of overseas interests.

Kazutaka was the chairperson of the Public Relations Committee of the Tokyo Bar Association during 2013-2015. He holds an LLB from the Keio University (Tokyo) as well as an LLM from the University of Illinois.

### ***Rising Sun's Management Committee***

Rising Sun has combined capabilities in origination, evaluation and transaction execution with expertise across equities, shareholder activism and active portfolio management. Rising Sun maintains a management committee (the "**Management Committee**") that is responsible for reviewing and evaluating potential investment opportunities. The Management Committee's role is to make recommendations to the AIFM and the Company in relation to proposed and existing investment activities of the Company together with reviewing any due diligence reports along with any transaction memorandum on a potential investment. Following review by the Management Committee, the AIFM and the Board will be provided with information relating to the investment, and have the opportunity to review and request further information on the potential investment opportunity.

### **BOARD OF DIRECTORS**

#### **Rosemary Morgan (non-executive chair)**

Rosemary is a Senior Independent non-executive Director of Schroder Asia Pacific Investment Trust, where she is the Chairman of the Audit and Risk

Committee, and an independent director of JP Morgan India Investment Trust.

Rosemary studied Japanese at the Australian National University in Canberra before being awarded the Monbusho Scholarship at Kobe University in Japan and then studying for a Master of Arts in Japanese Literature at Harvard University in the United States.

After university, Rosemary worked as a Japanese equity fund manager for 16 years at John Govett before joining the institutional client team at Fidelity International and then moving to the Royal Bank of Scotland as Head of Asia and Emerging Markets (Multi Manager Funds), where she managed long only and alternative funds of funds, specialising in Japan and Emerging Markets.

#### **Chetan Ghosh (non-executive director)**

Chetan is the Chief Investment Officer for Centrica's pension scheme arrangements and is responsible for providing support to the directors of the investment committee. His role covers investment strategy considerations, asset class and manager research, and liaising with the investment advisers.

Prior to joining Centrica in 2009 Chetan worked in a number of roles, ranging from pensions actuary at Towers Perrin to investment consultant at Aon Hewitt and Lane Clark & Peacock. Whilst at financial services firm Alexander Forbes, Chetan developed a fiduciary management offering to improve client governance structures.

Chetan has a first class degree in Mathematics from Kings College London.

#### **Rachel Hill (non-executive director)**

Since 2006, Rachel has been a director of Dragon Capital Markets (Europe) Limited and has been responsible for the European marketing of London Stock Exchange listed Vietnam Enterprise Investments Ltd and the Vietnam Equity (UCITS) fund. Rachel was also previously on the board of Dalton Asia Fund, which is a long/short Asian Investment fund managed by Dalton Investments LLC. Rachel has over 28 years of experience in respect of equity sales in Asian markets.

In addition, Rachel also currently serves on the board of DC Developing Market Strategies Ltd, a Dublin regulated UCITS fund investing in Vietnam; Quaero Capital Luxembourg Fund, a Luxembourg regulated UCITS platform with various sub funds investing in equities and bonds; and Talos Capital Luxembourg Funds, a Luxembourg SICAV Fund also managed by Quaero Capital.

Rachel holds a BA (Hons) MA in Natural Science from Trinity Hall, Cambridge University and is also a Chartered Member of the Chartered Institute for Securities and Investment.

#### **Ayako Hirota Weissman (non-executive director)**

Ayako is a senior portfolio manager and director of Asia Strategy at Horizon Kinetics LLC. With over 30 years' of investment experience, Ayako was previously a founder and Chief Investment Officer of AS Hirota Capital Management, LLC.

Ayako's prior experience also includes acting as a portfolio manager specializing in Japanese securities for Kingdon Capital Management, LLC, a New York-based hedge fund, two years as a partner and Portfolio Manager of Feirstein Hirota Japan Partners and 12 years at Salomon Smith Barney Asset Management, as a Managing Director and Senior Portfolio manager in the U.S. value equity group, with responsibility for approximately US\$2 billion in assets. Ayako is a member of the U.S.-Japan Council and serves on its investment committee. She also serves on Japan ICU Foundation's investment committee. Ayako is a director of Toshiba Corporation.

Ayako received an MBA from the International Institute for Management Development (IMD) in Lausanne, Switzerland and a BA in Liberal Arts from International Christian University in Tokyo, Japan. Ayako is a CFA® charterholder.

**Alicia Ogawa (non-executive director)**

Alicia is a director of the Project on Japanese Corporate Governance and Stewardship at the Center on Japanese Economy and Business (CJEB), Columbia Business School, NYC and has over 20 years of experience in the Asian financial markets. She also serves on the board of The Maureen and Mike Mansfield Foundation, Misaki Capital (from December 2019) and is on the investment committee of the Association of Asian Studies. She also is a member of the Assistant Adjunct Faculty, Columbia University School of International and Public Affairs as well as being a consultant for activist funds.

In her role as director of the Project on Japanese Corporate Governance and Stewardship, Alicia has been a featured speaker on Japanese financial markets issues for public and private sector conferences such as Goldman Sachs, SIFMA, Council of Institutional Investors, Japan Securities Dealers Association, CSIS, Peterson Institute, and Japan Society.

Prior to 2006, Alicia was a Managing Director and the Director of Global Research Product, Lehman Brothers, NYC and was tasked with leading the global analysts in development of a globally-themed equity research product focused on specific market sectors.

Alicia holds a M.I.A from the Columbia University School of International and Public Affairs in East Asian Studies and International Finance.

**AIFM**

The Company has appointed International Fund Management Limited as the Company's alternative investment fund manager ("**AIFM**") pursuant to the AIFM Agreement under which it is responsible for overall portfolio management and compliance with the Company's investment policy, providing alternative investment fund manager services, providing guidance to the Company on its compliance with the requirements of the AIFM Directive that apply in respect of the marketing of the shares of the Company in the EU and the UK, and undertaking risk management, subject always to the overall policies, supervision and review of the Board.

A copy of this announcement will be available on the Company's website at [www.nipponactivevaluefund.com](http://www.nipponactivevaluefund.com). Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website for any other website, is incorporated into, or forms part of, this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

**-ENDS-**

**Important information:**

This announcement is a financial promotion and is not intended to be investment advice.

Investors could lose all or part of their investment. The value of the Shares and the income from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.

This announcement which has been prepared by, and is the sole responsibility of, the Directors of Nippon Active Value Fund PLC, has been approved for the purposes of section 21 of the Financial Services and

Markets Act 2000 by Shore Capital Stockbrokers Limited ("**Shore Capital**"), which is authorised and regulated by the Financial Conduct Authority.

Recipients of this announcement who are considering acquiring Ordinary Shares following publication of the Prospectus are reminded that any such acquisition must be made only on the basis of the information contained in the Prospectus which may be different from the information contained in this announcement. A subscription for Ordinary Shares is subject to specific legal or regulatory restrictions in certain jurisdictions. Persons distributing this announcement must satisfy themselves that it is lawful to do so. The Company assumes no responsibility in the event that there is a violation by any person of such restrictions.

This announcement may not be published, distributed or transmitted by any means or media, directly or indirectly, in whole or in part, in or into the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The securities mentioned herein have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**US Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and will not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, in or into the United States or to, or for the account or benefit of, any US person (as defined under Regulation S under the US Securities Act). The Company has not been, and will not be, registered under the U.S. Investment Company Act of 1940, as amended.

Neither this announcement nor any copy of it may be: (i) taken or transmitted into or distributed in any member state of the European Economic Area (other than the United Kingdom or to professional investors in Belgium), Canada, Australia, the Republic of South Africa or Japan or their respective territories or possessions or to any resident thereof, or (ii) taken or transmitted into or distributed in Japan or to any resident thereof. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any such jurisdiction. The distribution of this announcement in other jurisdictions may be restricted by law and the persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts regarding the Company's investment strategy, financing strategies, investment performance, results of operations, financial condition, prospects and the dividend policies of the Company and the instruments in which it will invest. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in general market conditions, legislative or regulatory changes, changes in taxation regimes or development planning regimes, the Company's ability to invest its cash in suitable investments on a timely basis and the availability and cost of capital for future investments.

The Company expressly disclaims any obligation or undertaking to update or revise any forward-looking statements contained herein to reflect actual results or any change in the assumptions, conditions or circumstances on which any such statements are based unless required to do so by the Market Abuse Regulation, FSMA, the Listing Rules or Prospectus Regulation Rules of the Financial Conduct Authority or other applicable laws, regulations or rules.

#### **Information to Distributors**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Initial Issue and the Share Issuance Programme.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

**PRIIPS (as defined below)**

In accordance with the Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products ("**PRIIPs**") and its implementing and delegated acts (the "**PRIIPs Regulation**"), the Company has prepared a key information document (the "**KID**") in respect of the Ordinary Shares. The KID is made available by the Company to "retail investors" prior to them making an investment decision in respect of the Ordinary Shares at [www.nipponactivevaluefund.com](http://www.nipponactivevaluefund.com).

If you are distributing Ordinary Shares, it is your responsibility to ensure that the KID is provided to any clients that are "retail clients".

The Company is the only manufacturer of the Ordinary Shares for the purposes of the PRIIPs Regulation and none of, Shore Capital, the Investment Advisor or the AIFM are manufacturers for these purposes. None of Shore Capital, the Investment Advisor or the AIFM makes any representations, express or implied, or accepts any responsibility whatsoever for the contents of the KID prepared by the Company nor accepts any responsibility to update the contents of the KID in accordance with the PRIIPs Regulation, to undertake any review processes in relation thereto or to provide the KID to future distributors of Ordinary Shares. Each of Shore Capital, the Investment Advisor or the AIFM and their respective affiliates accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it or they might have in respect of the key information documents prepared by the Company. Investors should note that the procedure for calculating the risks, costs and potential returns in the KID are prescribed by laws. The figures in



the KID may not reflect actual returns for the Company and anticipated performance returns cannot be guaranteed.

Shore Capital, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting only for the Company in connection with the matters described in this announcement and is not acting for or advising any other person, or treating any other person as its client, in relation thereto and will not be responsible for providing the regulatory protection afforded to clients of Shore Capital or advice to any other person in relation to the matters contained herein. Neither Shore Capital nor any of its directors, officers, employees, advisers or agents accepts any responsibility or liability whatsoever for this announcement, its contents or otherwise in connection with it or any other information relating to the Company, whether written, oral or in a visual or electronic format.