

Notice of the Establishment of US Micro-Cap Fund

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Bayview Asset Management Co., Ltd.
Ken Yagi,
President and CEO

This is to notify you that Bayview Asset Management Co., Ltd., (represented by Ken Yagi, President & CEO; hereinafter referred to as "BVAM") will newly establish on February 15, 2017, the US Micro-Cap Fund (hereinafter referred to as "the Fund"), a publicly offered investment trust where its asset management is to be entrusted to Integrity Asset Management (hereinafter referred to as "Integrity"), an asset management boutique of Victory Capital Management Inc. (hereinafter referred to as "Victory Capital") with which BVAM has a comprehensive business alliance contract for investment management. The initial offering will begin on January 15, 2019, through SMBC Nikko Securities Inc. and Hokuhoku Tokai Tokyo Securities Co. and then through SBI Securities Co. from January 16, 2019.

Despite its principal role in the US stock market in terms of the number of listed companies, micro-cap stocks (mainly stocks of ultra-small companies with market value of less than one billion US dollars) present abundant opportunities to discover promising companies that are not known by many investors because it is extremely difficult to obtain information on the companies. Furthermore, ultra-small companies mostly cater to the US market providing healthcare or financial services for example, and with their ratio of sales*¹ from the US domestic market accounting for approximately 90%, they support a strong US economy while developing unique businesses that are community based or niche service based. The Fund, which aims to gain significant returns in the mid- to long-term by investing in US micro-cap stocks that a limited number of experts tend to demonstrate advantage in discovering, is extremely rare in Japan.

Integrity, based in Rocky River, Ohio, with thirteen professional asset managers (the core team members have remained the same for 19 years since 1999), manages four strategies specializing in US micro, mid- and small-cap equities, all of which have significantly outperformed benchmarks since the start of investment and have been regarded highly by America's first-class institutional investors and fund rating agencies. The small-cap value strategy, which is one of the four strategies, has suspended solicitation of new funds after reaching its maximum limit in March 2014. Also, offerings for the micro-cap value strategy will be limited because of its asset class and strategic characteristics.

Victory Capital, headquartered in Cleveland, Ohio, is a leading US independent multi-boutique investment firm that operates ten investment boutiques, including Integrity, that specialize in different asset classes and strategies. The company has remained among the top 25 in Barron's US asset management company rankings*² since 2014 and was selected No. 10 in 2017, reaching its highest rank ever.

BVAM, as a pioneer and leader of independent asset management boutiques specializing in active management of investment assets, such as equities, bonds, and multi-assets, has been providing sophisticated services for 21 years since its founding. We are pleased to receive the trust of a broad range of client segments from individual investors to institutional investors, such as pension funds, and have developed into one of the largest independent asset management companies in Japan with aggregate contract assets amounting to about 417.2 billion yen (as of the end of September 2018). We are determined to become a full-fledged multi-boutique asset management company by continuing to enhance product lineups offered by excellent US investment franchises, including Integrity, in addition to our proprietary investment products based on our unique business platform to provide high-quality client services.

*1 The simple mean value of Russell Microcap Index composite companies, the data of which can be obtained, is displayed.

*2 Refers to Barron's best fund families ranking of asset management companies investing in ETFs and mutual funds that achieved excellent performance

Important notice pertaining to the Fund

Risks

The Fund invests in securities that are affected by exchange rates due to fluctuations in foreign currencies through investments in the mother fund's beneficiary securities and may adopt future transactions of marketable securities; therefore, the base price of the fund may fluctuate. Major risks of the Fund include but are not limited to the risks of fluctuating stock prices, foreign currency risks, country risks, credit risks, and liquidity risks. Thus, the investors' investment principals are not guaranteed; the decline of the base price may lead to an incurring of a loss or the value falling below the original principal. Profits gained or losses incurred from investment activities of the Fund belong to the investors. Investment trusts are different from savings and deposits. Upon submitting your application, please confirm the details of the investment trust booklet (prospectus) handed to you by the sales company and make your own decision.

Commissions

- Fee to be borne directly at the time of application *Please check the prospectus or the sales company for details
 - Commission at the time of purchase ... amount obtained by multiplying a certain rate set respectively by the sales companies that does not exceed 3.24% (3.0% excluding tax) by the amount obtained by multiplying the purchase price by the number of subscriptions

- Fee to be borne directly at the time of liquidation
 - Trust property reserve ... amount obtained by multiplying the base price as of the business day following the date the application for liquidation was received by 0.3%

- Fee to be borne indirectly during the period the investment trust is held
 - Investment management fee (trust fee) ... amount obtained by multiplying the daily total net asset amount of the trust property by an annual rate of 2.0952% (1.94% excluding tax)
 - Other fees/commissions
Fees pertaining to the preparation/printing/issuing of documents required by law or ordinance, including the prospectus, fees pertaining to operations, such as accounting, and audit fees are borne by the trust property. Brokerage fees for the purchase or sale of securities included in the trust property, interest paid on loans, and interest paid on advance money are paid each time they are incurred from the trust property.
*Brokerage fees for the purchase or sale of securities included in the trust property will fluctuate depending on the status of investment therefore its rate/maximum amount cannot be presented beforehand.

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