

Explore Possibilities of Your Wealth

As of March 13th, 2022

Zexuan Liu (2024)
Renjie Zhao (2024)
Yuke Tang (2024)
Wenke Du (2024)

Future Private Bank

Team Name: Future Private Bank

Team Participants: Zexuan(Polaris) Liu, 2024; Yuke(Olivia) Tang, 2024; Renjie(Alex) Zhao, 2024;
Wenke(Fecilia) Du

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AGENDA

- 1 Team Introduction
- 2 Strategic Allocation*
- 3 Tactical Allocation * *
- 4 Scenario Analysis
- 5 Investment Implementation
- 6 Requirements Achievement

*Strategic Asset Allocation is the long-term asset allocation for 15-20 years.

**Tactical Asset Allocation is the short-term asset allocation changes to the portfolio for a one-year horizon.

Explore Possibilities of Your Wealth. Data reflect most recently available as of 13/3/22.

We are the optimal choice to achieve your goals.

1 Future Private Bank Co., Ltd

10 years' history

370 UHNW clients

65.3 B USD under management

6.7% Average Annual Return

2 Future P.B. client advisory team

We the BEST elite client advisors in Future P.B.

| | |
|--|---|
| Porias Liu (*leader) Portfolio Strategist | Oliva Tang Macro Research Analyst |
| Alex Zhao Quantitative Research Specialist | Fecilia Du Equity & Fixed income strategist |

3 Future Private Bank

• **Planning:** All of our portfolio allocations should be tailored and adjusted according to your optimal goal.

• **Professionalism:** solid research and analysis skills with best PMs in the industry. We identify today's patterns to anticipate tomorrow's opportunities.

• **Fintech:** We have developed our own quantitative analysis model to help more accurately track market changes, evaluate our portfolio and manage our investments effectively.

• **Devotion:** Nothing is more rewarding to us than helping our clients fulfill their goals for their lives, families, communities, beyond.

Source: Future P.B. Research.

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Portfolio's historical performance proves our professionalism

Team Introduction



Source: Wind, Bloomberg, Future P.B. Research.
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30/70 is the best portfolio allocation in long-run

1 Historical Performance of Major Assets

2 Strategic Allocation Analysis by Python

Strategic Allocation



| Normal | Rate Hike |
|--------------------|--------------------|
| Equities (30%) | Equities (70%) |
| Fixed Income (70%) | Fixed Income (30%) |
| Return: 7.12% | Return: 7.97% |
| Volatility: 5.8% | Volatility: 6.2% |

- Mean variance
- Efficient frontier
- Away from alternatives for market immaturity and high risk

$$\begin{aligned}
 E(r) - r_f &= \beta(E(r_m) - r_f) \\
 \Pi &= \beta(E(r_m) - r_f) \\
 &= \frac{\text{Cov}(r, r^T)W_{eq}}{\sigma_m^2} E(r_m - r_f) \\
 &= \frac{E(r_m) - r_f}{\sigma_m^2} \text{Cov}(r, r^T)W_{eq} \\
 &= \frac{E(r_m) - r_f}{\sigma_m^2} \Sigma W_{eq}
 \end{aligned}$$

Source: Bloomberg, J.P.Morgan Asset Management, Federal Reserve Economic Data, S&P Dow Jones Indices.

*Equity and bond is a portfolio with the highest Sharpe Ratio within the allocation category; return is CAGR for as long as 10 years; volatility is calculated based on daily data.

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Strategic Asset Allocation based on our long-run analysis

1 Underlying Assets and Major Reasons

Strategic Allocation

| Asset Class | Strategic Asset | Major Reason |
|--------------|----------------------------|---|
| Equity (42%) | U.S. Equities (20%) | Developed market, relatively robust economic environment Upward consideration about long-term U.S. economy |
| | European Equities (3%) | European Union considering joint bond |
| | Japanese Equities (6%) | Inflation is a positive trigger for Japanese domestic companies |
| | China A-share (5%) | Stable recovery for Chinese market with innovative channels like ESG |
| | APAC ex-Japan equities(5%) | The global economic growth key player in 2021 |
| | EM Equities (3%) | High Sharpe ratios Great potential |

| Asset Class | Strategic Asset | Major Reason |
|--------------------|-----------------------|---|
| Fixed Income (58%) | EM Debt (3%) | Great potential Generate cash flow |
| | IG Bond (20%) | Balance between risk and yield |
| | High Yield (15%) | Enhanced current income and diversification |
| | Government Bonds(20%) | No risks and high liquidity |

2 Back-test Performance by Python

| Return | Volatility |
|--------|------------|
| 7.12% | 5.08 |

Source: Bloomberg, J.P.Morgan Asset Management, Federal Reserve Economic Data, Capital S&P Dow Jones Indices.

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Identify today's patterns to anticipate tomorrow's opportunities

1 2021 Global Market Recap

| Asset Class | Rationale |
|----------------|---|
| Equities ↑ | <ul style="list-style-type: none"> Recovery of pandemic Continuous stimulation by central banks |
| Fixed Income ↓ | Inflation → high credit yield → negative return |
| Commodities ↑ | Disrupted global supply chains → inadequacy → rising price |



2 Brief Outlook of 2022

- **Living with inflation** - Inflation to be persistent and excess pre-Covid levels.
- **Dollar cycle** - Overseas central banks have restarted a new round of monetary normalization cycle.
- **Geopolitical Risk:** Russia-Ukraine crisis will slow global growth and raise inflation.
- **Navigating net-zero**

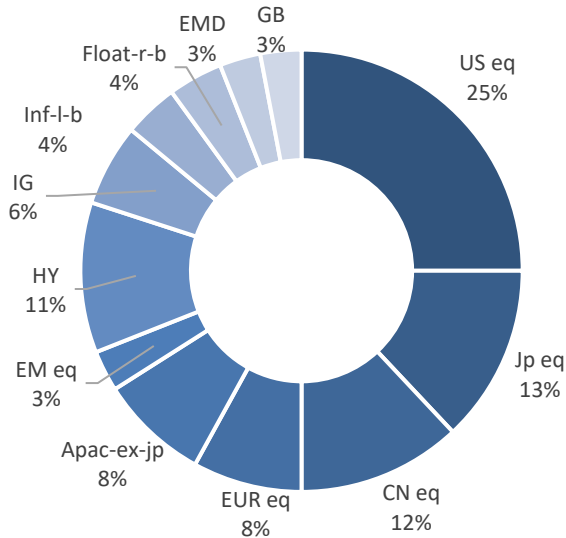


Source: Future P.B. Research, Bloomberg, Wind, BlackRock, Fidelity, Franklin Templeton
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Tactical Allocation based on the forecast of 2022

1 Tactical Asset Allocation in 2022



2 Major Adjustment and Reasons

| Sub-Asset Class | Adjustment | Major Reasons |
|------------------------|-------------|---|
| US Equities | 20% → 25% ↑ | Economic growth Low real interest rates Enterprises' earnings grow Gradually normalized policies |
| Japanese Equities | 6% → 13% ↑ | Stable policy Active monetary policy |
| China A-share | 5% → 12% ↑ | Quantitative easing Regulation loosening Low Valuation |
| APAC ex-Japan Equities | 5% → 8% ↑ | Business structure reform Capital investment Rising vaccination rates |
| EUR+EM Equities | 6% → 9% ↑ | Quantitative easing is over Fluctuation with inflation |
| Government Bonds | 35% → 3% ↓ | Negative in real returns Political uncertainty exists |
| High Yields | 15% → 19% ↑ | Spreads narrowed significantly and trends will continue ECB intervention continue |
| Investment Grade | 5% → 10% ↑ | Leverage expected to fall due to recovery in corporate revenue |
| EM Bonds | 3% → 1% ↓ | Covid-related risks Vulnerable to tapering |

| Sharpe Ratio | Return | Volatility |
|--------------|--------|------------|
| 0.93 | 9.89% | 10.06 |

Source: Future P.B. Research, Bloomberg, Wind, J.P. Morgan Private Bank, Fidelity, Franklin Templeton.

*The left ring is tactical allocation. **Expected annual return, Sharpe ratio and volatility is calculated based on the assumption of return and correlation by J.P. Morgan research of different sub-assets in our portfolio and some adjustments based on our forecast for macroeconomics in 2021.

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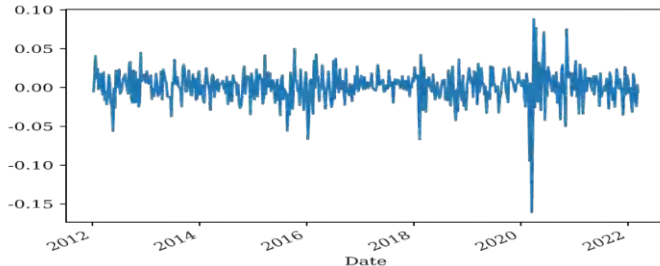
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Allocation can withstand different phases of economic cycle

1 Historical Economic Cycles



2 Scenario Analysis based on back-test

| | | | |
|------|---|--|--|
| Bond | + | <p>Mild inflation</p> <p>Safety premium is questioned</p> <p>Interest rate hike</p> <p>Equities: 5.4% Fixed Income: 2.8% Portfolio: 3.58%</p> | <p>Economic boom</p> <p>The economic situation is clear and investors are confident in the capital market.</p> <p>Equities: 18.3% Fixed Income: 13.1% Portfolio: 14.7%</p> |
| | - | <p>Serious inflation</p> <p>Black swan like Covid-19 and Russia-Ukraine War</p> <p>Equities: -4.2% Fixed Income: -2.2% Portfolio: -3.6%</p> | <p>Stagflation</p> <p>Classic risk-off Risk assets suffer</p> <p>Equities: -3.6% Fixed Income: 9.5% Portfolio: 5.6%</p> |
| | | Equity | + |

Source: Wind, Bloomberg, J.P Morgan Asset Management, Federal Reserve Economic Data, S&P Dow Jones Indices.

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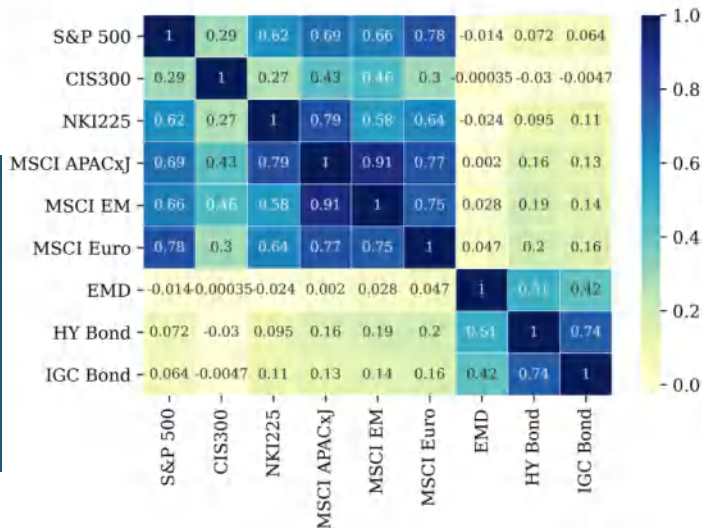
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Active management ensures your wealth last for generation

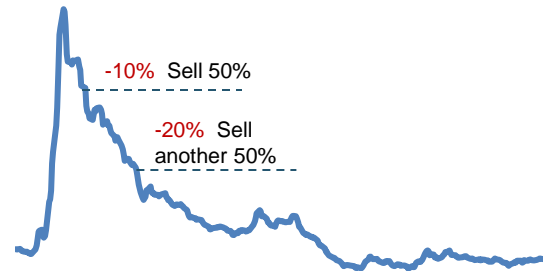
1 Select Underlying Asset Carefully

- In order to maintain and increase your wealth, we should avoid some high-risk asset
- Commodities: high risk, easily affected by politics.
- Derivatives: high leverage and complex rules.

2 Diversified Allocation



3 Timely Stop Loss



4 Timely and Regularly Connection



Regular meetings to discuss portfolio management

Timely report to deliver the performance of the portfolio



Any questions will be welcomed and answered soon.

Source: Bloomberg, Future P.B. Research.

*Forecasts are from J.P.Morgan Long-term Capital Market Assumptions.

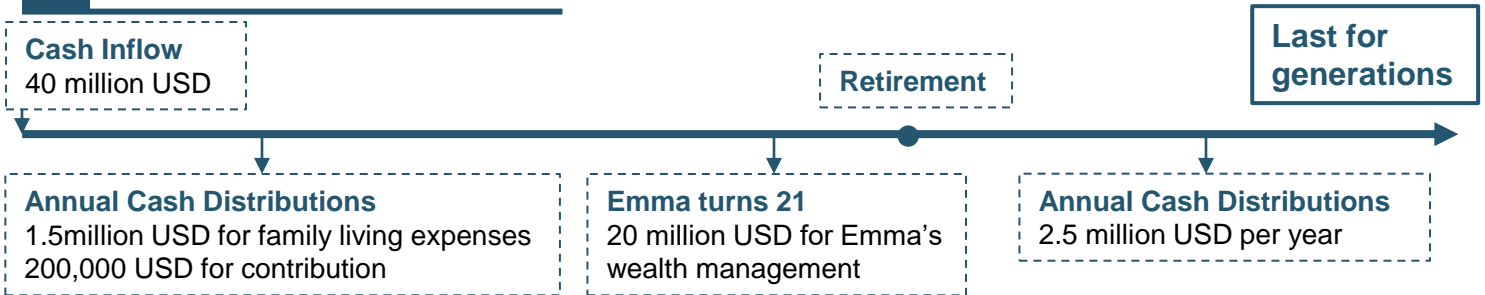
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Our portfolio can match your goals perfectly

1 Requirement Review



2 Target Achievement

Annual cash flow

Before 2042(Retirement and Emma's graduation) = USD 1.5(family living) + 0.2(musicians support) + 0.4(Educational Expense (Max)) = 2.1M

Total 2042(Retirement) - 2044(Graduation) = USD 2.1(Before 2042) + 2.5(Retirement) = 4.6M
Total After 2044 = USD 1.7(Family Living + Musicians Support) + 2.5(Retirement) = 4.2M Total

2043: USD 20M for Emma to invest

$40 \times (1 + 7\%)^{20} = 154.79M$
 net profit = $154.79 - 40 = 114.79M \gg 20M$

Distributable liquid cash per year

Assume Return = 0, $40M \times 30\%(GB+IG) = 12M \gg 4.6M$

Even in the worst condition, i.e. the max drawdown

We might lose $40M \times (1 - 20\%) = 32M$. However, we can earn it back in 4 years: $32M \times (1 + 7.12\%)^4 = 41.95M > 40M$

Source: Future P.B. Research.

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