1555 Asset Management Portfolio Pitch Deck

A sustainable approach to portfolio returns in a new regime of fiscal policies and political risks

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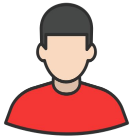
10/14/2020
Class of 2022

2 Case Breakdown

Asset Management

Considering and incorporating all possible assumptions and cash flow requirements.

Client Requirements



- A sophisticated investor
- A pre-IPO CEO
- Currently lives with parents
- Marrying in 2 years
- Raising 2 children in 5 years
- Expecting a return $1 million after tax before marriage
- Requiring $2 million in cash 3 months before wedding
- Prefers to hold 6 months of living expenses
- **$25 million total under our management, 10 cash, 15 fixed portfolio**

Yearly Cash Outflow

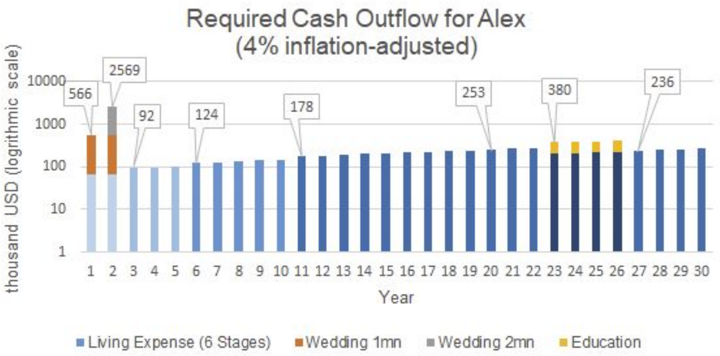
Assuming...

Alex is situated in **Hong Kong**

Tax rate for net chargeable income is **17%**

Alex will be making **290,500 USD**/year

Expected annual college tuition at year 23 is **89,500 USD**



3 Macro Environment

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Analyzing overall macroeconomic outlooks and examining equity/bond markets trends.

Fixed Income

- Expected **5 year low-rate** environment from gov. bonds (higher bond prices), no space for further IR cuts
- Tightening credit spreads Q4 onwards - **corporate bonds** have **higher yields** than government bonds (Bloomberg US Corporate HY Index)
- 2020 Q1&Q2 corp. bond **high spread volatility** and high volume of **new issues**
- 10 year US-bond yields worst out of all

Equity Markets

- **Considerable expected growth** in 2021
- Low bond yield environment can support **higher equity valuation** and increased equity risk premium (DCF)
- P/E increase driven by ↑ **prices but** ↓ **earnings**
- Investor **expectation driven** environment rather than performance (high speculation)
- **Few opportunities** to enter at low-prices

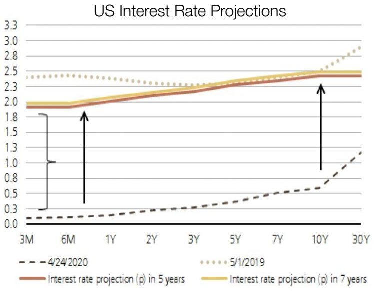
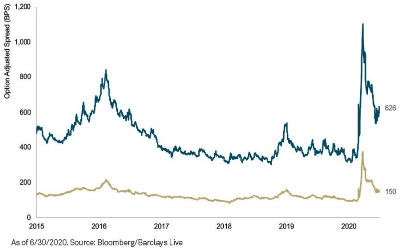
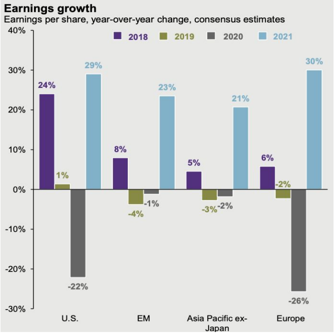
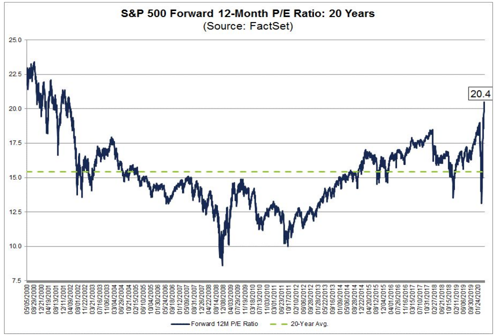


Exhibit 3: Credit Spreads Tightening







4 Strategic Asset Allocation

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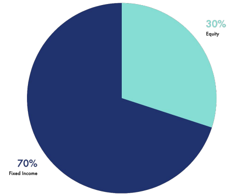
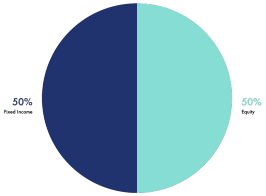
Using macro environments to set up strategic asset allocations and long-term portfolio structures.

Alex's 15M Asset Allocation



Revised Asset Allocation



A Balanced Strategic Approach

"Although duration is set to remain in demand while the world is in recession, today's buyers of bonds really shouldn't be looking to hang onto them for the long haul." (JPM LTCMA)

From 70:30 to 50:50 (Fixed Income: Equity)

- ***20% shift from FI to Equities***

Bond markets low yielding next 2-5 years with high entry prices

Alex's short-term cash requirements, stay 50%

- ***Equity dislocations & inefficiencies***

Many potential upsides in 2021 & onwards

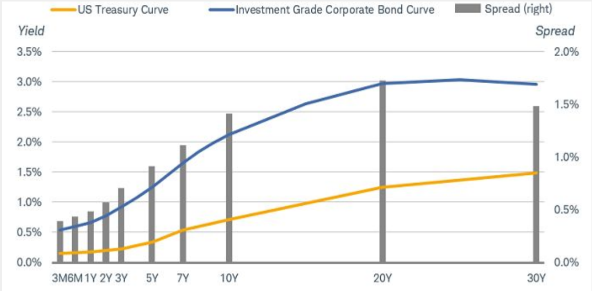
High short term volatility before markets stabilize and pricings reach "equilibrium"

- **Corporate Bonds > Government Bonds**

Seek returns given the low gov. bond yields

Expected default rates for corp bonds in USA to reach 9.4%, from 6.2% (especially for sub-BB ratings)...

But inverse relationship between interest-rate & credit risks should still balance out risk-return



5 Risks and Tactical Asset Allocation

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Hedging market dislocation and high political risks by asset location diversification.

Equity Markets

Region	COVID-19	US-China Relations
Europe	Solid **public health** policies, exposure to **cyclical upside** China's strong **rebound** helps recovery	**Less direct impact** from US-China tensions
Japan	Strong **fiscal policies & public health measures** show positivity	**Extremely delicate**; Gov. policy & decisions need to steer clear of angering Xi/HK or Trump
USA	Recovery favours undervalued cyclical stocks vs **overvalued tech/growth** **Little financial stimulus** given a likely **extended pandemic**	**Low long-term impact,** higher short-term investor attention **Corporate tax rates** (21% current) - Trump (decrease 1%) - Biden (increase 7%)
Asia Pacific (ex-Japan)	**Less space for policy** cushions (focus on US-China relations)	Highly **correlated** with US-China relations, **higher volatility** with investor sentiments

Tactical asset allocation aims to risk-take under suitable circumstances and locations to best generate high yields.

Fixed Income

Region	General Trend
Asia	Good pandemic containment, risky US-China relations, China's muted policy changes
USA	**Underperforms** vs other DM gov. bonds, but **consistent**
Corporate	Increased **default risks**, **returns** higher than gov. bonds
Global HY	Constant/higher **source of income** despite recent underperformance
EM Debt	**EMs** with limited policy responses will recover slower but take advantage of cyclical up-sides Issues with lower trading **volume/liquidity** and **underpriced default risks**

↑	—	↓

Post-COVID Outlook & Opportunities

Analyzing market trends to locate long-term and sustainable value during the Post-COVID era.

Post-COVID Outlook

Office	→	Remote working/Domestic housing
Traditional Monitoring	→	Information Technology/Big data
Agribusiness	→	Healthification (nutrient/organic products locally)
Consumer disc.	→	E-commerce
Oil/Natural Gas	→	Clean Energy/ESG-related
Healthcare	→	Telemedicine

Thematic Additions (Sector)

- Information Technology
    - Communications
    - Education
    - Entertainment
    - Telemedicine

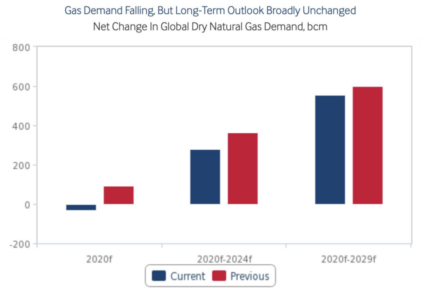
- Energy Commodities, Renewable Energy (ESG)
- Healthcare/Biotech

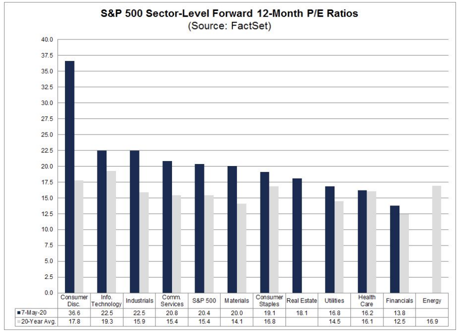
- Real Estate (REITs)

Real estate prospects long term remain robust and maintaining value, unimpacted by cyclical factors or recovery. "Overvaluation" as per the GFC 2008, show that value has consistently been on the rise. Cap rate also demonstrates mainly positive returns.

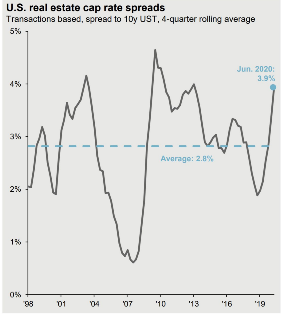
NOTE ON COMMODITY METALS

*Increase in **unemployment** and **income inequality,** posing risks to mining operations/supply chains. Higher royalties/taxes on miners (Sub-Saharan Africa, etc.). Metal ore/mining industry reinvestment may happen in China, though, due to resource base insufficiencies domestically. (Not recommended)*





	Consumer Disc.	Info. Technology	Industrials	Comm. Services	S&P 500	Materials	Consumer Staples	Real Estate	Utilities	Health Care	Financials	Energy
7-May-20	36.6	22.5	22.5	20.8	20.4	20.0	19.1	18.1	16.8	16.2	13.8	
20-Year Avg.	17.8	19.3	15.9	15.4	15.4	14.1	16.8		14.5	16.1	12.5	16.9



Source: NCREIF, NAREIT, J.P. Morgan Asset Management.

7 Sustainability & ESGs

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Understanding the fundamental values in ESG development and utilizing this theme as a core focus.

Ioannou and Serafeim (2019) demonstrate that when market leaders introduce sustainable practices, many eventually spread out to become common practices within an industry.

Focus	Environmental Stewardship	Social & Governance	Revenue Growth & Market Access
Benefits	Lower carbon emissions, fossil fuel involvement, etc.	Ethnic/gender diversity & corporate management	**Risk-adjusted** returns, **outperforming** conventional funds
	Private investment opp. from climate risks	Shareholder protection by operational & cash-flow efficiency	Increased **long term value** outlook based on upcoming trends
	Cleaning up waste or solving env. issues (locally)	Better workplace productivity & employee satisfaction	Increased **investor demand** and net flows (liquidity)
	Transforming products/supply manufacturing chains	Investor/firm collaboration and active feedback	More transparent **data disclosure** and tech-driven analytics (PRI)
Risks	Reputational and regulatory downside (specific sectors) may generate geopolitical issues and public pressure		

Global Estimated Net Flows ESG Funds - Asset Type

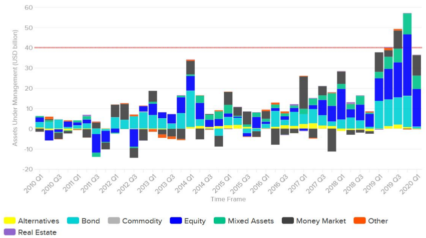
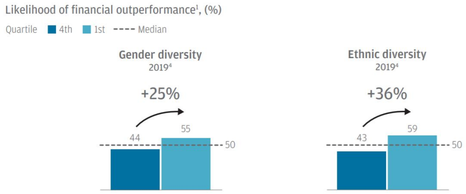


EXHIBIT 7: CLIMATE CHANGE LEADERS DEMONSTRATE STRONG PERFORMANCE

Source: STOXX May 2020



Source: Mckinsey May 2020

8 Thematic Additions - ESGs

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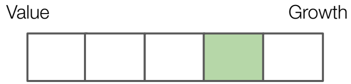
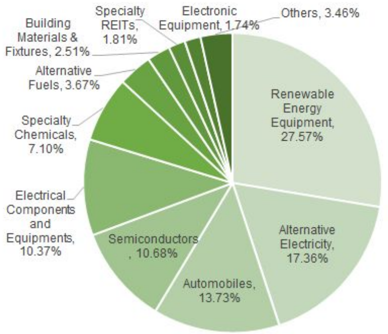
First Trust NASDAQ Clean Edge Green Energy Index Fund (QCLN)

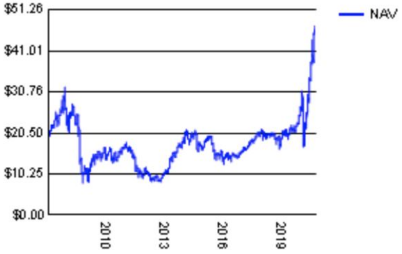
Total Assets	$483 million
ESG Rating	MSCI A

Highlights:

- Location diversified in top holdings, NIO (China), Tesla (US), SolarEdge (Israel)
- Follows post-COVID trends towards renewable energy
- 0.13% median bid-ask spread (investor valuation/demand are in accord)
- 25.37 3-year alpha and increasing YTD NAVs
- Liquid, inexpensive but has depth in holdings







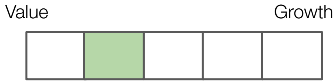
JP Morgan Europe Sustainable Equity Fund

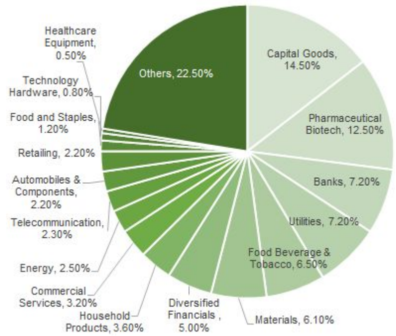
Total Assets	$265 million
Rating	Morningstar 4 Star

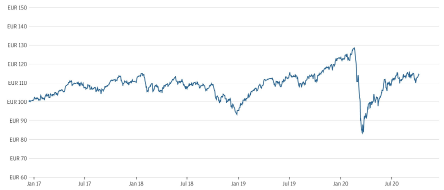
Highlights:

- Location diversified in Eurozone (51%), Europe ex-Euro (27%), UK (21%)
- High healthcare focus but also on industrials, large room for ESG growth
- Low carbon risk score and fossil fuel involvement
- Properly incorporates sector trends and Euro recovery

Main countries include France, Netherlands, Switzerland, Denmark, Sweden, Finland, Italy







9 Thematic Additions - Real Estate/Asian HY

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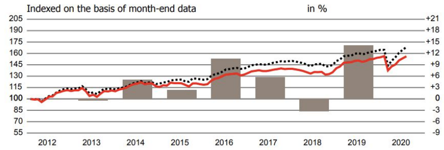
UBS (Lux) Bond SICAV - Asian High Yield

Total Assets	$2.18 billion
Locations Invested	China (54.7), India (19.4), Hong Kong (6.4), SE Asia

Performance (share class P-acc USD, gross of sales charge)[1]



Indexed performance (left-hand scale)
Performance per year in % (right-hand scale)
JP Morgan Asian Credit Non-Investment Grade Index USD

10 largest positions (%)

	Fund
Shui On Development Hldg	2.1
China Evergrande Group	1.6
Postal Savings Bk China	1.5
Proven Honour Capital	1.5
Kaisa Group Holdings Ltd	1.4
Bank Of China	1.4
Upl Corp Ltd	1.4
Network I2I Ltd	1.3
Lenovo Group Ltd	1.3
Oil India Ltd	1.1

Highlights:

- China's recovery will help Asian HY performance
- Chinese and Asian bond defaults remain low
- Asian bond market inferior → higher compensations
- Diversified Asian strategy with 46.6% real estate, 10.2% financial, 6.7% utility
- Chinese real estate/property development strength

Beta = 0.95 (3Y)

JPMorgan Realty Income Fund (URTAX)

Total Assets	$1.41 billion
Locations Invested	US (98.36%), Cash (1.64%)

GROWTH OF $10,000

Since inception with dividends and capital gains reinvested. There is no direct correlation between a hypothetical investment and the anticipated performance of the Fund.

Highlights:

- Invests primarily in REITs with attractive growth potential
- US real estate assets have less liquidity concerns
- Healthcare/domestic housing follows trends, aligned with post-COVID movements & future biomedical growth

Sector exposure (excluding cash)	Portfolio	Benchmark
Healthcare	15.56	11.18
Hotels	3.28	2.87
Housing	25.72	18.72
Industrial	13.77	14.39
Net Lease	11.31	8.62
Office	5.72	11.80
Other	1.81	3.38
Retail	7.92	7.48
Self Storage	0.00	6.60
Technology	14.91	14.97
Total	100.00	100.00

Urbanization & increase of housing turnover rate will contribute to %increases in self storage, but not necessarily short term; requires some rebalancing later on.

Beta = 0.93 (3Y)

10 Thematic Additions - IT

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JPM US Momentum Factor ETF (JMOM)

Total Assets	**$141.6 million**
5 Largest Sectors	Technology, Consumer Services, Financials, Healthcare, Industrials

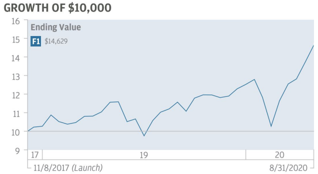
Highlights:

- Invests in trending securities/sectors, in-line with post-COVID expectations
- Follows the JPM US Momentum Index
- Companies and sector selections follow ESG performance trends

Designed to provide domestic equity exposure with a focus on companies with strong risk-adjusted momentum and the potential to enhance returns. (JPM)

Select Holdings

Nvidia	Nextera Energy
Apple	Teladoc Health
Microsoft	Vertex Pharmaceuticals
Zoom Video	Equinox (REIT)
Amazon	Prologis (REIT)
Mastercard	T-mobile
Salesforce	

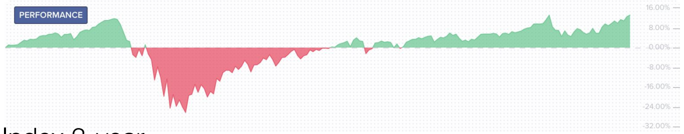


Since inception with dividends and capital gains reinvested. There is no direct correlation between a hypothetical investment and the anticipated performance of the Fund.

Industry	Environment	Social	Governance
Housing	Low	Medium	Medium
Healthcare	Low	Medium	Medium
Industrial	Low	Low	High
Finance	Immaterial	Medium	High
Communications	Low	Medium	High
Technology	Immaterial	Low	High

**Note: governance is mainly high across all industries at the current time.*

Index YTD



Index 3-year

Index 10-year (JPM LTCMA): 7.8% Compounded Returns

11 Alternative Investments

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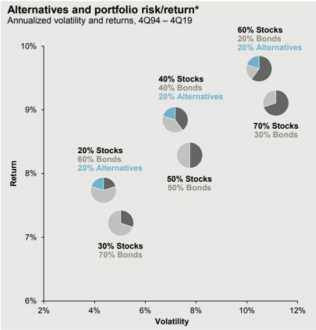
Using structured credit to better guarantee client short-term cash retention.

Additional Objectives & Benefits

- To better generate steady incomes in an incredibly low fixed income environment
- Generate higher overall portfolio Sharpe ratios with diversifying asset class
- Balancing active and passive management strategies

For 50-50 FI-Equity portfolio, a 10% alternative allocation would yield a likely 4% Sharpe Ratio increase.

**Note: the amount of information on specifics is scarce, hence a broader take on alternative investments*



Structured Credit Hedge Funds

BRIDGE INVESTMENT GROUP

"Bridge Debt Strategies Fund Manager is focused on debt investments primarily against recession-resistant multifamily, office and seniors housing assets," ($4.5 bil, 2020)

- Pooling debt obligations and selling off cash flows
- **Loans, mortgages, asset-backed securitizations** (Bridge Debt & Freddie Mac MBS)
- **Low correlations with FI**, generate fixed cash flows with higher returns

- Higher demand of hedge funds from private equity sectors, **lowering liquidity risks**
- Expected higher risk premiums & stricter rules on lending
- Sector specific credit performance (energy, automobile, Chinese real estate)
- Credit spreads remain near **80th percentile** in last decade, possible entrances

Total Returns for credit markets this year and current yields

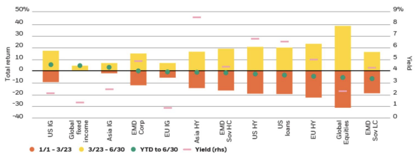


Table 1: Structured Credit Generally Has Had Low Correlation with Traditional Fixed-Income Sectors[3]

	10-year Treasury	IG Corporate Bond Index	CMBS Index	HY Bond Index	Leveraged Loan Index	CLO Index	S&P 500 Index	ABS Index
10-year Treasury	1.00							
IG Corporate Bond Index	0.75	1.00						
CMBS Index	0.77	0.88	1.00					
HY Bond Index	(0.06)	0.48	0.36	1.00				
Leveraged Loan Index	(0.26)	0.26	0.19	0.83	1.00			
CLO Index	(0.22)	0.26	0.25	0.66	0.78	1.00		
S&P 500 Index	(0.33)	0.13	0.05	0.71	0.63	0.48	1.00	
ABS Index	(0.21)	(0.05)	(0.08)	0.21	0.33	0.33	0.13	1.00

Source: Oaktree Capital

Long Term Planning

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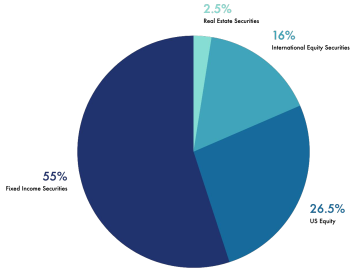
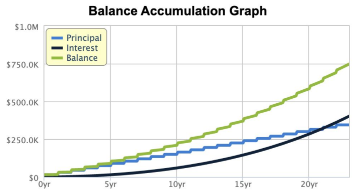
Recommending other potential lifelong plans and capital-accumulation structures.

Education

JPMorgan 529 Conservative Growth



- Fixed income > Equities (IR risk)
- Special estate planning
- Tax-deferred growth of investment earnings
- Easy gifting/transferral



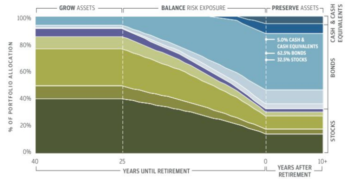
Assuming 6% Return
AIP: $16,000/Year
CF: $720,000 in the 23rd year

*Estimation of education fees (slide 2): 90K per year * 4 years * 2 kids ≈ 720K (minimum) satisfied*

Retirement

JPM SmartRetirement Blend Fund **2050** (JNYAX)

ALLOCATION GLIDE PATH (%)



*The strategic asset allocation depicts the Fund's targeted weights. Actual allocations may differ. We may adjust this amount based on J.P. Morgan's internal research and market conditions.

Strategic Allocation (%)

Cash & Equivalents	0.0	REITs	5.5
Inflation Managed Fixed Income	0.0	Emerging Markets Equity	9.1
		International Developed Equity	27.3
U.S. Fixed Income	6.1		
High Yield	2.0	U.S. Small/Mid Cap Equity	9.2
Emerging Markets Debt	1.0	U.S. Large Cap Equity	40.0

- Morningstar Gold rating
- Focuses on early on growth and savings retention later on (for cash flow volatility)

Minimum investment: 15 million

Note, this particular retirement planning may not completely be necessary given possible 401K company plans. Also, current portfolio generated incomes may already be sufficient.

Final Portfolios & Forecasted Returns

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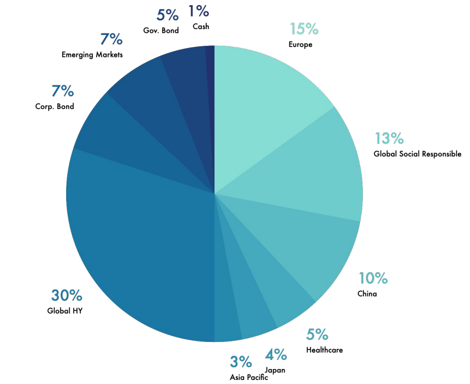
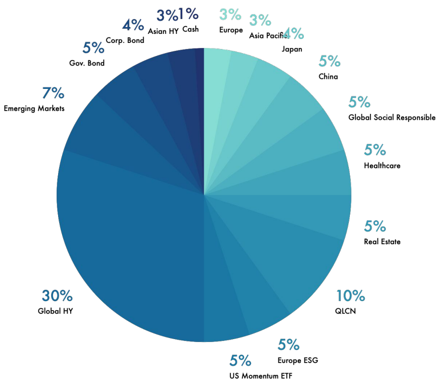
Generating the largest portfolio cash-flows, both short and long term.





Preliminary Tactical Portfolio

E(R) 8%, STDEV 10%

(without any alternatives/thematics)

Final Portfolio with thematic elements generates:

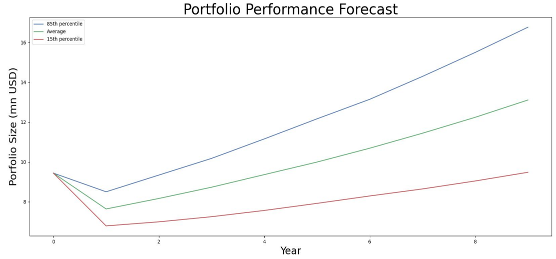
E(R) 8.2%, STDEV 8.8%

Estimated portfolio with 10% alternative investments (45:45:10) vs "Final Portfolio"

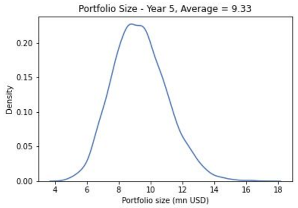
Sharpe Ratio 0.93 (4%)

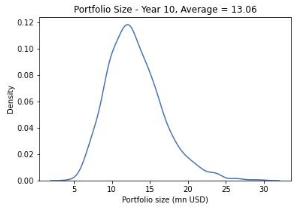
Forecasted Final Returns

Using a Monte Carlo simulation and taking into account all required cash flows:



85% probability for the portfolio size to be **above 9.4 million** at **year 10**





Suggests an expected portfolio size of **9.33 million** at year 5 and **13.06 million** at year 10

Conclusion

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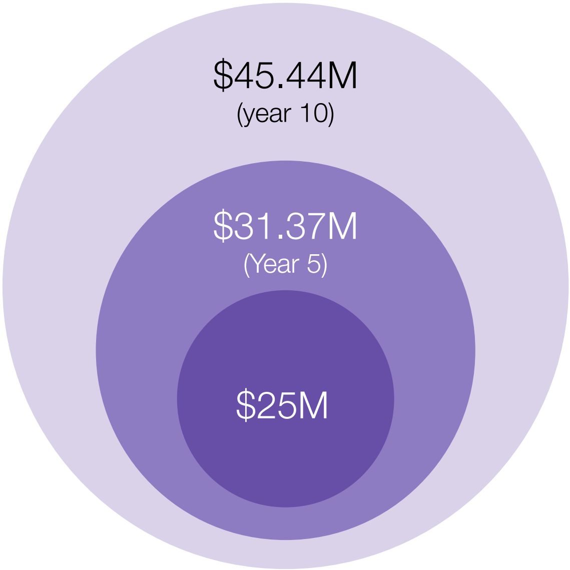
Why 1555 AM?

- **Hedging** short term high volatility through uniquely diverse **cash**, **sector, location and assets** to minimize political risks and COVID-19 impacts, while maintaining liquidity and a **core sustainability goal**
- Thematic additions and alternatives focus around *long term growth*, within **tech**-related **renewable energy**, **real estate** and an increasingly **online** presence within **healthcare** & **communication** sectors
- Less focus on historical data, more on **expectations relative** to current price and generating **value** from market dislocations in high risk environment
- **Client-centric** plans take into consideration cash flows (with inflation and macroeconomic factors), while generating a comprehensive wealth management plan with **education** and **retirement** funding



**Note: Expenses & req. cash flows are subtracted*

Emphasizing superior long-term returns with balanced investing and sustainability, tailored to clientele needs.

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