

4th Quarter 2024

Strategic Asset Allocation



4 Steps to Asset Allocation



Service Interpretation

Introduction

The purpose of this document is to set out our investment framework and asset allocation strategies applicable to the Reference Portfolio Service ("RPS").

Our investment framework and how we use asset allocation strategies to create reference portfolios ("reference portfolios").

This document describes:

- Our investment framework and how we use asset allocation strategies to create reference portfolios;
- How we assess the portfolio risk attached to each reference portfolio;

The RPS is governed by the Service Interpretation here and you should read carefully. Those terms prevail if there is any inconsistency with this document.

Unless otherwise defined herein, defined terms used in this document shall have the same meaning as those defined in those terms.

Investment Framework

Asset allocation takes into account the historical return and correlation of different asset classes, so as to optimize the portfolio risk-adjusted returns. Our investment approach named Strategic Asset Allocation ("SAA") is our asset allocation strategies based on principles of optimization, diversification, long-term forecasts and rebalancing and represents our compass for long-term investing. SAA determines what we believe is the optimal asset class mix for an investor in the long term, based on 4 different levels of risk appetite. We assign to each portfolio risk profile a maximum risk level. Where appropriate, we may make changes on the risk bands from time to time:

- **Balanced:** willing to capture low capital growth with low risk exposure. The assigned maximum portfolio risk level is 10% price fluctuation within 1 year. Please refer to the "Important information about reference portfolios" below for the details and basis of annualized standard deviation.
- **Growth:** willing to capture modest capital growth through a balanced approach. The assigned maximum portfolio risk level is 20% price fluctuation within 1 year. Please refer to the "Important information about reference portfolios" below for the details and basis of annualized standard deviation.
- **Aggressive:** target to enhance capital and/or wealth with high risk exposure. The assigned maximum portfolio risk level is 30% price fluctuation within 1 year. Please refer to the "Important information about reference portfolios" below for the details and basis of annualized standard deviation.
- **Very Aggressive (highest risk):** target to enhance capital and/or wealth with very high risk exposure. There is no assigned maximum portfolio risk level and it can be over 30% price fluctuation within 1 year. Please refer to the "Important information about reference portfolios" below for the details and basis of annualized standard deviation.

The reference portfolios do not have direct relationships with the risk profile of customers as measured by The Bank of East Asia, Limited ("The Bank")'s RAQ and with the Bank's investment products. We review the underlying asset allocation percentages of each of our reference portfolios on a quarterly basis to ensure that they continue to reflect our medium to long term investment outlook. RPS does not ensure a profit or protect against market loss. Historical return and risk presented in this document are for illustrative purposes only and should not be relied on as an indicator of future performance.

Important Information about Reference Portfolios

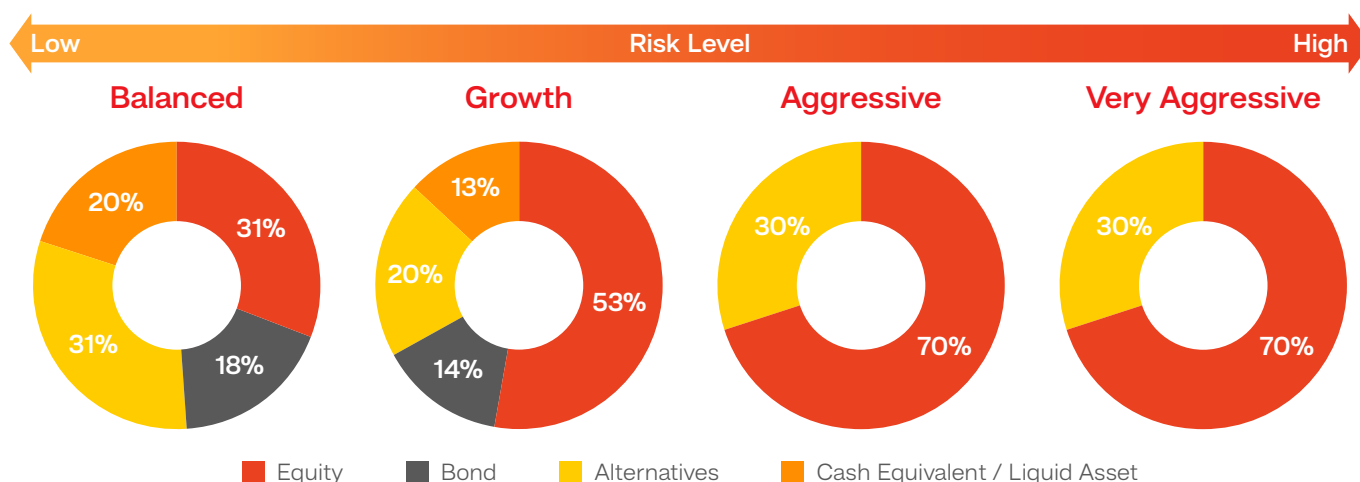
- Reference portfolios are constructed hypothetically based on a combination of historical volatility and return given the current investment outlook for each asset class. It does not take into account of any individual bond / equity / investment product and it does not take into account any circumstance or risk tolerance of you.
- Reference portfolios are for general information and reference only. The Reference portfolios are not, and are not intended to be, a solicitation, recommendation, or advice on any investments, types of investments, or asset allocation. There is no guarantee that they can achieve any results or can be used under any market conditions.
- Reference portfolios should not be considered as investment recommendations, nor should they be viewed as an offer or solicitation to deal in any investments/any types of investments. It is not an indication, reference or suggestion on your asset allocation. You should not rely on the reference portfolios to make any investment decision. You must read the authorised offering documents before making any investment decision and must only make an investment decision on the basis of those documents. If you are in doubt of making any investment decisions, you should seek independent professional advice.
- Portfolio performance are sourced from Bloomberg Terminals. All data presented are as of the last available date of last quarter, unless specified otherwise.
- The historical return and historical risk are based on the following indices for calculation:
 - Equity: MSCI World Index¹
 - Bond: Bloomberg Global-Aggregate Total Return Index Value Unhedged USD²
 - Alternatives: Credit Suisse Hedge Fund Index³
 - Cash Equivalent/Liquid Asset: US 2-year Treasury Yield⁴
- For the composition and underlying assets of the indices above, please refer to the official website from respective index providers.
- Cash Equivalent/Liquid Asset allocation is the percentage investing in short term and liquid instruments for achieving the historical return with confined risk.
- Treasury yield is the return on investment, expressed as a percentage, on the U.S. government's debt obligations that are known as Treasury securities. Treasury securities are considered a safe and secure investment option because the full faith and credit of the U.S. government guarantees that interest and principal payments will be paid on time. Also, most Treasury securities are liquid, which means they can easily be sold for cash.
- Alternatives are comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, risk arbitrage, and relative value arbitrage.
- Asset allocation recommendations are made based on historical returns for the past 20 years. These data are not forward-looking, and past returns is not an indicator of future performance.
- Standard deviation is a statistical measure of price fluctuation. The higher the standard deviation, the greater the volatility, and assumes index performances fall in a standard normal distribution.
- The historical risk (or annualized standard deviation) of SAA represents the historical risk level of the portfolio based on historical asset class relationships (or correlations) and volatility, using monthly returns in the past 20 years based on the indices highlighted above. The information is for reference only.
- The Sharpe ratio is the criteria on optimization which is measured by a portfolio monthly annualized returns in excess of the risk-free rate (i.e. US 2-year Treasury Yield) divided by the annualized standard deviation of correspondent portfolio. The higher the positive ratio, the higher is the historical risk-adjusted performance.
- Asset allocation recommendations are made based on maximizing risk-adjusted returns for each profile based on the 20-year historical returns of available asset classes. There are no requirements to ensure all asset classes are represented in the individual portfolios as long as risk-adjusted returns are maximized.
- The reference portfolios will be reviewed and updated on a quarterly basis.
- Based on the reference portfolios, the Very Aggressive model has the highest risk, followed by Aggressive, Growth and Balanced, with Balanced being the least risky.
- The risk consideration that was used in formulating SAA was the annualized monthly standard deviation in the past 20 years, with the Balanced portfolio having the most restrictive and the Very Aggressive portfolio having the most accommodative risk constraints.
- The reference portfolio has no direct relationship with the customer risk profile types and the portfolios are not assigned any product risk rating based on the Bank's proprietary risk rating methodology, which should not be considered as any recommendation to customer base on their own circumstances, investment objective and financial situation etc.
- Asset allocation recommendations do not take into account risk factors that include but are not limited to liquidity risk, credit risk and market risk. These recommendations do not take into account liquidity needs and risk tolerances of individual investors.
- A discretionary adjustment to the investment allocation percentage, which is limited to $\pm 5\%$, is in place to reflect the impact of short-term abnormal market events. In determining whether to invoke the discretionary power, we will consider relevant market factors otherwise the asset allocation percentage would be less effective in reflecting a longer-term risk weighted asset allocation strategy.
- The discretionary adjustment is presented as a range of asset allocation percentage. Meanwhile, the adjustment is for illustrative purpose only. Investors should not rely on this solely to make their own asset allocation decision.

¹ See MSCI website: <https://www.msci.com/World>

² See Bloomberg website: <https://www.bloomberg.com/quote/LEGATRUU:IND>

³ See Credit Suisse LAB and HF Indices website: <https://lab.credit-suisse.com/#/en/index/HEDG/HEDG/overview>

⁴ See US Department of the Treasury website: https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2024



Past Performance	Return (%)	Risk (%)	Past Performance	Return (%)	Risk (%)	Past Performance	Return (%)	Risk (%)	Past Performance	Return (%)	Risk (%)
1 Year	19.68	5.19	1 Year	25.91	7.08	1 Year	30.95	8.38	1 Year	30.95	8.38
3 Year	4.15	6.95	3 Year	4.98	10.24	3 Year	6.58	12.85	3 Year	6.58	12.85
5 Year	6.45	7.47	5 Year	8.36	10.82	5 Year	10.93	14.08	5 Year	10.93	14.08

Source: Bloomberg, The Bank of East Asia, Limited, updated as of September 2024 Reference Portfolios, return and risk (including chart and figures) presented in this document are for illustrative purposes only and should not be relied on as an indicator of future performance. They may also be subject to change without prior notice. Past performance is based on the annualized average monthly performance and is not indicative of future performance. Please refer to "Important Information about Reference Portfolios" for more details.

Disclaimers

This document is prepared by The Bank of East Asia, Limited ("BEA") for customer's reference only. The content is based on information available to the public and reasonably believed to be reliable but has not been independently verified.

Any projections and opinions contained herein are as of the date hereof and do not constitute an offer of any investment, nor a solicitation, suggestion, investment advice, or guaranteed return to make such an offer. The information, forecasts and opinions contained herein are as of the date hereof and are subject to change without prior notification, and should not be regarded as any investment product or market recommendations. This document has not been reviewed by the Securities and Futures Commission of Hong Kong, Hong Kong Monetary Authority or any regulatory authority in Hong Kong.

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The reference portfolio does not guarantee the suitability of assets to each customer as it does not consider individual's personal circumstance and other suitability factors such as investment objective.

The investment decision is yours but you should not invest in any product unless the intermediary who sells it to you has explained to you that such product is suitable for you having regard to your financial situation, investment experience and investment objectives.

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