Strategic Asset Allocation

3rd Quarter 2022

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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 reference portfolios available under RPS is irrelevant to any customer risk profile and risk tolerance level under the Risk Assessment Questionnaire ("RAQ") of the Bank of East Asia, Limited ("the Bank").

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:

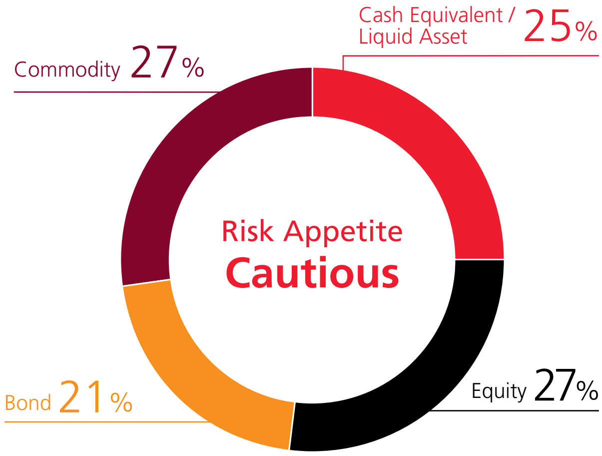
- Cautious (lowest risk): willing to capture low capital growth with low risk exposure. The assigned maximum portfolio risk level is 5% annualized standard deviation. Please refer to the "Important information about reference portfolios" below for the details and basis of annualized standard deviation.
- Moderate: willing to capture modest capital growth through a balanced approach. The assigned maximum portfolio risk level is 10% annualized standard deviation. Please refer to the "Important information about reference portfolios" below for the details and basis of annualized standard deviation.
- Courageous: target to enhance capital and/or wealth with high risk exposure. The assigned maximum portfolio risk level is 15% annualized standard deviation. Please refer to the "Important information about reference portfolios" below for the details and basis of annualized standard deviation.
- Speculative (highest risk): maximize capital growth through an aggressive approach. The assigned maximum portfolio risk level is 20% annualized standard deviation. Please refer to the "Important information about reference portfolios" below for the details and basis of annualized standard deviation.

Each portfolio sets out the asset allocation percentages and the portfolio risk profile are irrelevant to the customer risk profile and risk tolerance level under the RAQ of the Bank. The reference portfolios do not have relationships with the risk profile of customers as measured by 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.

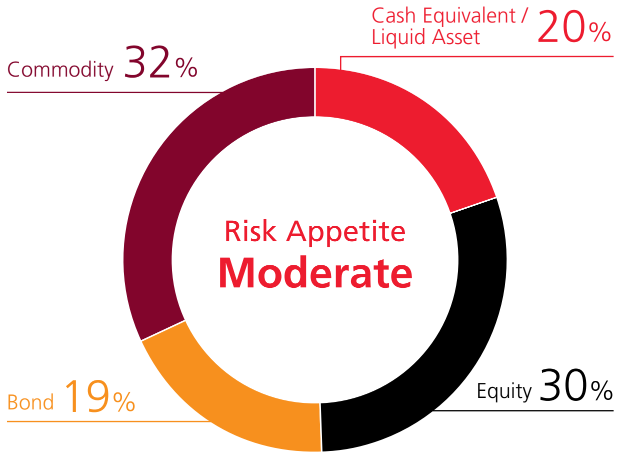
Important Information about Reference Portfolios

- Reference portfolios are constructed based on a combination of historical volatility and return given the current investment outlook for each asset class.
- 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 Index[1]
  - Bond: Bloomberg Global-Aggregate Total Return Index Value Unhedged USD[2]
  - Commodity: S&P Goldman Sachs Commodity Index Spot[3]
  - Cash Equivalent/Liquid Asset: US 2-year Treasury Yield[4]
- 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.
- 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 risk. 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 Speculative model has the highest risk, followed by Courageous and Moderate, with Cautious 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 cautious portfolio having the most restrictive and the speculative portfolio having the most accommodative risk constraints.
- The reference portfolio has no direct relationship with any customer risk profile types and the portfolios are not assigned any product risk rating based on the Bank's proprietary risk rating methodology.
- 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.

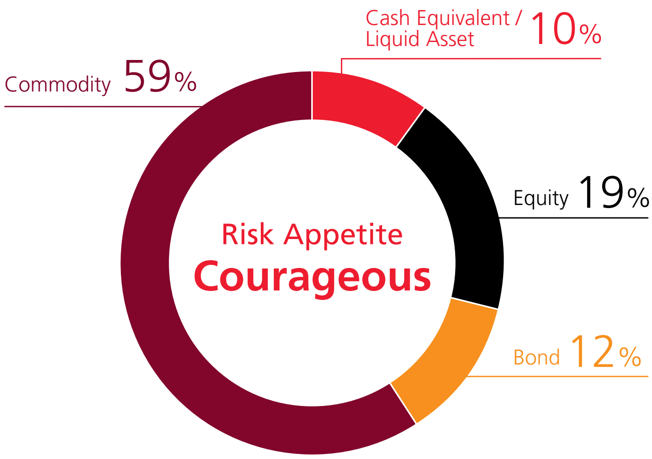
[1] See MSCI website: https://www.msci.com/World
[2] See Bloomberg website: https://www.bloomberg.com/quote/LEGATRUU:IND
[3] See S&P Dow Jones Indices website: https://www.spglobal.com/spdji/en/indices/commodities/sp-gsci/#overview
[4] See US Department of the Treasury website: https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2022



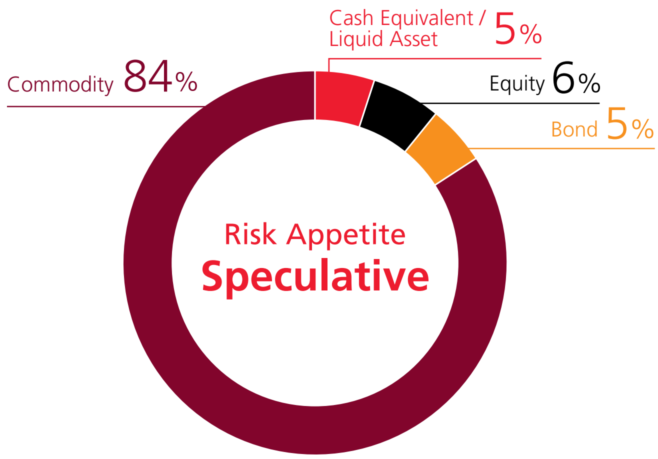
Past Performance	Return (%)	Risk (%)
1 Year	2.44	4.82
3 Year	8.33	12.37
5 Year	6.65	10.62



Past Performance	Return (%)	Risk (%)
1 Year	4.01	5.65
3 Year	9.63	14.04
5 Year	7.51	12.03



Past Performance	Return (%)	Risk (%)
1 Year	17.46	12.72
3 Year	15.85	20.24
5 Year	11.31	17.25



Past Performance	Return (%)	Risk (%)
1 Year	30.28	20.60
3 Year	21.26	25.73
5 Year	14.56	21.91

Source: Bloomberg, The Bank of East Asia, Limited, updated as of June 2022
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.

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Disclaimers

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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.