

July 15, 2016



## The Debut of Risk Parity Strategy in China

### *ChinaAMC joins force with PanAgora*

Beijing, July 7th, 2016 –China Asset Management Co. Ltd has announced the launch of a strategic relationship with PanAgora Asset Management, Inc. based in Boston, United States.

China Asset Management will introduce and manage a suite of investment strategies to be offered to the Chinese market; incorporating research and investment strategies developed by PanAgora Asset Management.

Combining both firms' research and investment edges, China Asset Management will offer a suite of Chinese Risk Parity offerings (睿磐系列) to the Chinese institutional and retail marketplace. China Asset Management will initially launch a Chinese Risk Parity multi-asset strategy and has plans to work with PanAgora to develop additional strategies in the near future.

As part of the shared on-going commitment to bringing research to serve a broad investor base and develop investment solutions for investment professionals throughout Asia, ChinaAMC and PanAgora are delighted to announce this research-based strategic relationship.

While traditional asset allocation focuses on the allocation of capital, which results in a portfolio's risk being concentrated in risky assets, risk parity utilizes a unique approach to diversification focusing on the allocation of risk. This approach aims to generate attractive risk-adjusted returns over time while diversifying risk across and within a broad array of asset classes. This will appeal to investors who are looking for non-traditional options for greater portfolio diversification.

Leading PanAgora's research for the strategy is Dr. Edward Qian, Ph.D., CFA, Chief Investment Officer and Head of Research for PanAgora's multi-asset Team, along with 14 investment professionals on his team. Dr. Qian is a recognized leader and pioneer in the area of Risk Budgeting and is credited with coining the term "Risk Parity." Additionally, Dr. Qian recently published his latest book, "Risk Parity Fundamentals."

"Investors can benefit from better diversification using strategies not currently available to Chinese investors", said Mr. Hongtao Zhang, Executive Officer of Quantitative Investment Department at China Asset Management.

"China Asset Management's initial offering and our ongoing strategic relationship will address the demand for new and innovative investment options to complement and enhance clients' and potential investors' portfolios," said Dr. Eddie Qian, Ph.D., CFA, Chief Investment Officer and Head of Research for the Multi-assets Group.

#### About China Asset Management

Founded in 1998, China Asset Management Co., Ltd. has maintained its top position in China's asset management industry with total assets under management of approximately US\$ 158.2 billion (As of March 31, 2016), serving around 320 separate accounts and 37 million retail investors.

For additional information, please contact ChinaAMC International Business Team at [IB@chinaamc.com](mailto:IB@chinaamc.com)

# China AMC Risk Parity Multi-Asset Strategy

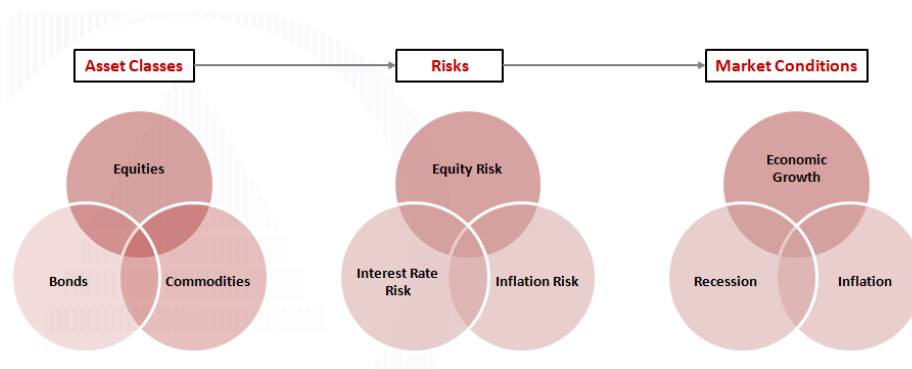
## I. Overview

Name	China AMC Risk Parity Multi-Asset Strategy
Manager	China Asset Management
Product Type	Active Management
Investment Objective	Pursue a higher risk-adjusted return under a given set of risk constraints
Investment Strategy	The Risk Parity Multi-Asset strategy is an asset allocation strategy which is based on risk budgeting. Asset allocation is comprised of strategic asset allocation (SAA), and tactical asset allocation (TAA). At the single asset class level, the investment strategy focuses on active investment in both equities and fixed incomes.

## II. Risk Parity at A Glance

### Risk Parity Asset Allocation

The core of asset allocation is to achieve a higher realized return at a lower level of risk in a longer time span by diversifying asset classes and their associated risks, and to be compensated for the non-diversifiable risks. Risk Parity is a **quantitative** method of asset allocation. By reasonably assuming the equity risk, interest risk and inflation risk, and actively investing in the complex financial market around the clock, the Risk Parity investment plan aims to obtain long term investment profits.



### Theoretical Soundness

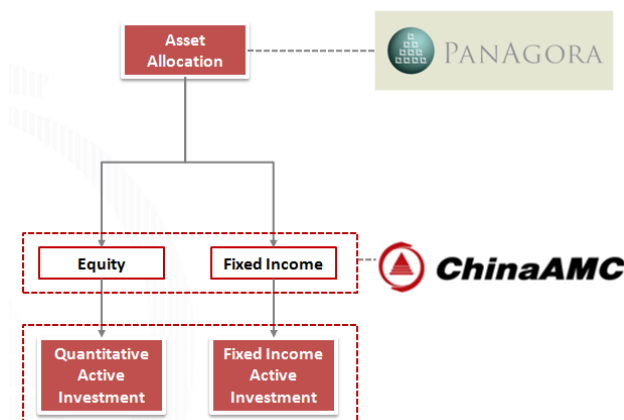
Risk Parity strategy yields from the latest development of modern portfolio investment theory. The core philosophy of the investment strategy is based on the idea of determining the weights of each asset classes in a portfolio by assigning the same risk budget to various asset classes.

- ✓ **Wide Institutional Application:** Professional institutional investors can better understand the investment strategy and philosophy of Risk Parity, and are well-informed about the suitable market environment for this strategy to perform; More importantly, institutional investors have a clear understanding of their own risk appetite, therefore it is easier to customize target volatility level to suit for their own risk-return characteristics, in order to achieve the expected risk-adjusted return.
- ✓ **A Low-volatility Strategy:** investors can reduce the target volatility rate by restraining the fluctuation of volatility and controlling the maximum withdrawal of portfolio, so as to achieve the risk-adjusted return that corresponds with the target volatility level.
- ✓ **Application In China:** As a late comer, the Risk Parity concept only made its first appearance in domestic market in 2013, when China Securities Index Co.,Ltd (CSI) announced the Risk Parity Index. However, ChinaAMC's Risk Parity strategy utilizing domestic asset mixes marks its true debut in China.

### III. A Winning Partnership

Jointly launched by PanAgora and China AMC, this strategy seeks to bring the best both firms can offer by combining their edges in investment and research.

- **Asset Allocation**
  - ✓ This co-managed strategy seeks to combine the best of both firms can offer.
  - ✓ PanAgora to advice on Asset allocation based on risk characteristics associated with equity and fixed income
- **Equity Investment**
  - ✓ Allocation weights are determined by various equity style factors
  - ✓ Risk Parity techniques will be applied to equities within the same style category to determine their weights
- **Fixed Income Investment**
  - ✓ Focus on rate bonds, to avoid credit risk
  - ✓ Invest in treasuries and policy bank bonds
  - ✓ Leverage will be used prudently based on the overall portfolio risk-return target



#### PanAgora: Pioneer in Risk Parity

Founded in 1989, PanAgora Asset Management is a Boston-based asset manager offering solutions spanning most major asset classes and risk ranges. By now PanAgora manages around 40 billion USD assets. The Chief Investment Officer Dr. Qian En-ping has published the paper that first introduced the concept of Risk Parity in 2006.

#### ChinaAMC: China's leading asset management company

As the leading asset management company in China, China AMC has been focusing on the investment research in Chinese capital market for nearly 20 years. Having navigated through ups and downs of Chinese market, ChinaAMC was the first in China's asset management industry to adopt the investment philosophy of Research Creates Value. China AMC has built up the largest buy side investment research team with over 200 investment and research staffs.

### IV. Time Tested Performance

PanAgora has been managing the Risk Parity Multi-Asset strategy since Jan 1<sup>st</sup>, 2006. The strategy has significantly outperformed the traditional 60/40 naïve allocation in terms of either annualized return or Sharpe ratio. In extreme market conditions similar to the global financial crisis in 2008, the Risk Parity Multi-Asset strategy had effectively controlled the downside risk.

Using 2005-2016 years of domestic market data, based on the different risk preferences of customers to provide customers Risk Parity Multi-Asset product solutions with different levels of risk appetites: target volatility at 3%, 5%, 7% level. Shown from the risk return characteristics of the products, the performance are steady with higher risk-adjusted returns, overall product withdrawals with smaller range, and the next year's profits after withdrawal can offset the loss brought this year.

**Risk Parity Multi-Asset Performance Statistics (Equities, Fixed Incomes)**  
**2004/12/31-2016/5/31**

	Risk Parity Multi-Asset Performance Statistics (Equities, Fixed Incomes)			Benchmark	
	Target Volatility (3%)	Target Volatility (5%)	Target Volatility (7%)	20-80 Allocation	60-40 Allocation
Annualized Return	5.34%	7.24%	9.13%	7.14%	9.49%
Annualized Volatility	2.94%	4.90%	6.87%	6.76%	13.23%
Sharpe Ratio	0.97	0.97	0.97	0.69	0.53
Winning Rate(Monthly)	70.80%	67.15%	67.15%	64.96%	61.31%
Downside STDEVs	0.51%	0.85%	1.19%	1.20%	2.45%
Max Drawdown	4.16%	8.28%	12.26%	15.10%	34.12%

Note: Reference frequency for Max Drawdown is daily.

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