



# **UBS Internship 2020 Client Portfolio Presentation**

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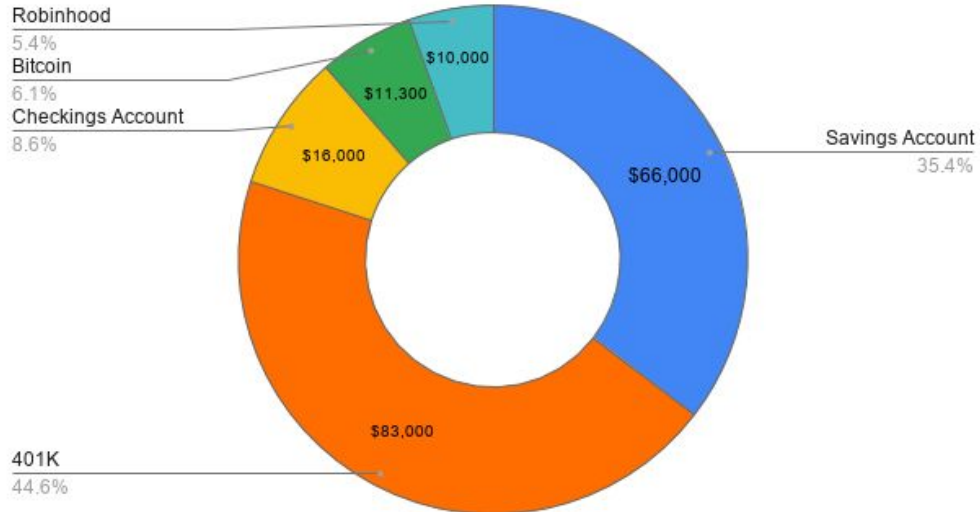
## Client Profile: Stephen Young

- Age: 28 yrs old
- Status: In a relationship with Cathy (27)
- Occupation: Data Scientist at a tech firm
- Earnings: \$120,000 USD annual salary
- Investment Objective: To maximize returns & help pay for future expenses
- Investment Restriction: Tobacco
- Risk Type: Risk-Taker
- Hobbies: Climbing, camping, surfing, likes to spend money on experiences

# Client Profile: Stephen Young

- Detailed info:
  - Prior Investment Experience:
    - Robinhood
      - b/c friends were in it and easy to use
      - Doesn't put much thought into it
    - Bitcoin
      - b/c friends talked about it
      - Not religious about it

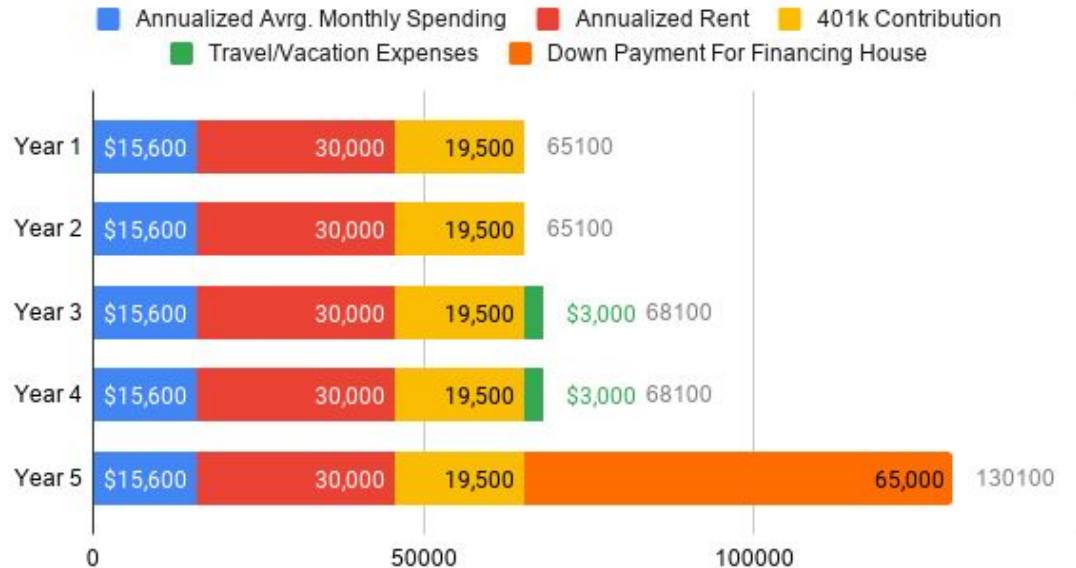
Client's Current Asset Distribution



# Liquidity

- Goal: As per UBS's description, this portion is designed to cover expenditures for the next 2-5 yrs
  - Sizing: Net present value of spending target
    - \$394,200 USD
- \*Note the main goal for Stephen in the 5 years is being able to purchase a house

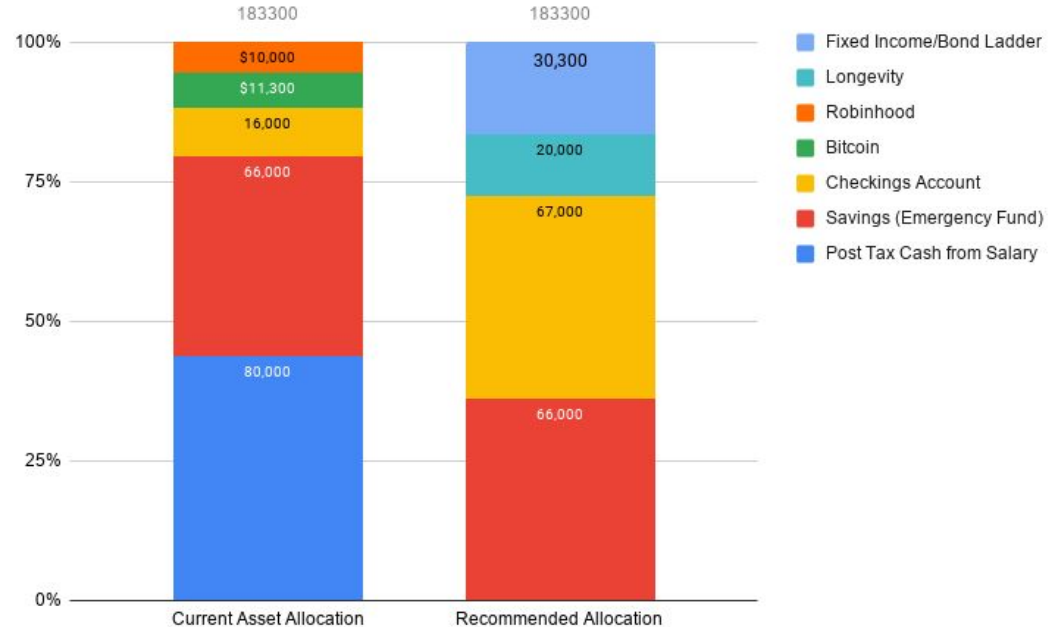
Client's Annual Expenses for the Next 5 Years



# Liquidity

- Strategy, as per UBS recommendation, is for liquidity portfolio to consist of
  - 1 year of cash
  - Emergency fund
    - 1 year of expenses
  - Assets to pay for large planned expenses
    - \$65,000 USD down payment on mortgage to finance purchasing a home
- \*Note \$20,000 moved to the longevity portfolio to start longevity growth

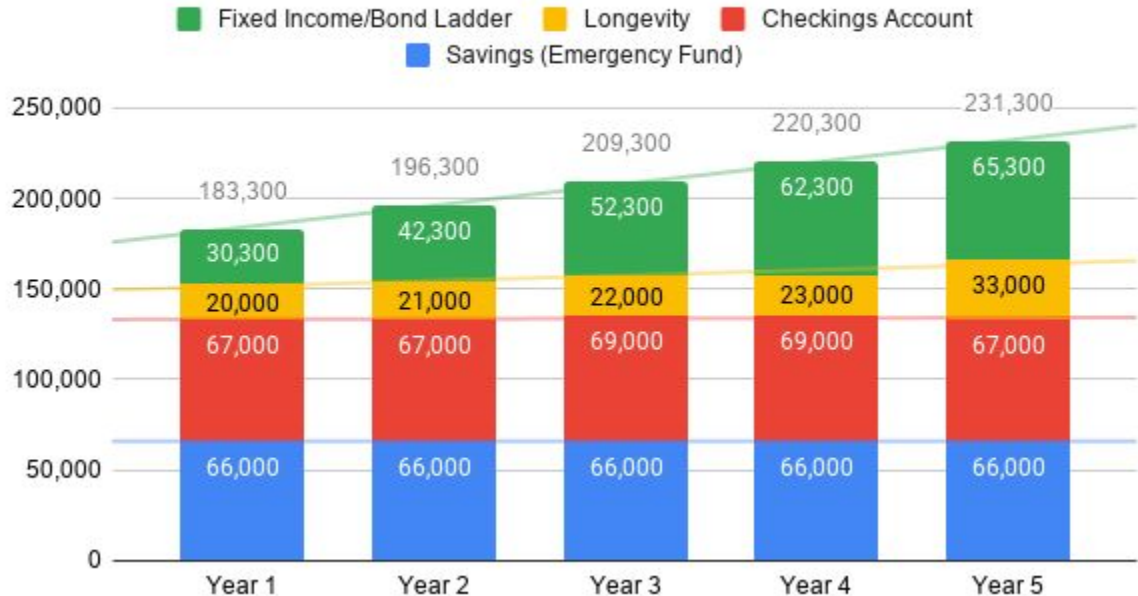
Asset Reallocation Recommendation



# Liquidity+Longevity

- Big Goal for Client is to Finance the mortgage on a house
  - Splitting the down payment on a \$650,000 mortgage with a spouse will cost Stephen \$65,000
- Client is young risk taker
  - We choose to allocate large amount of funds to Longevity to grow in mainly equity asset types

Annual Asset Allocation Assuming No Returns/Yield





## Liquidity- Fixed Income

- Dedicated to financing down payment on the \$650,000 mortgage
  - Although client typically risk taker, we need a safe investment strategy with minimal risk to ensure ability to pay
  - Principal \$30,300 investment and annual investment from salary will grow into \$65,300+ by Year 5
- SHY: Gives exposure to AAA credit rated short term treasury bonds
- GOVT: Gives exposure to AAA credit rated short-mid-long term treasury bonds
- LQD: Most liquid etf that gives exposure to investment grade corporate bonds

	%	1 Year	3 Year	5 Year
iShares Core US Treasury Bond ETF (GOVT)	16.66%	10.33%	5.44%	3.96%
iShares iBoxx Investment Grade Bond ETF (LQD)	16.66%	11.04%	7.11%	6.38%
iShares 1-3 Year Treasury Bond ETF (SHY)	66.66%	3.97%	2.55%	1.72%
Weighted Average Return:		6.21%	3.79%	2.87%



# Liquidity- FI Performance Comparison

## Liquidity FI Portfolio

	%	1 Year	3 Year	5 Year
iShares Core US Treasury Bond ETF (GOVT)	16.66%	10.33%	5.44%	3.96%
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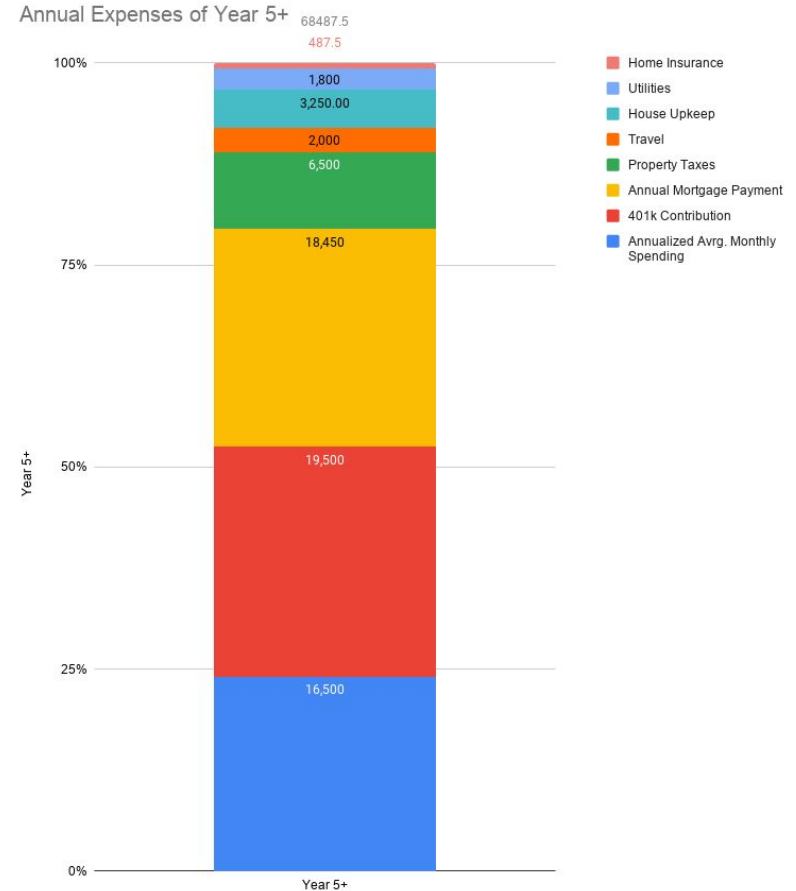
## Index Performance

	%	1 Year	3 Year	5 Year
ICE U.S. Treasury Core Bond TR	16.66%	10.46%	5.58%	4.08%
Markit iBoxx Liquid IG TR USD	16.66%	11.14%	7.22%	6.59%
ICE U.S. Treasury 1-3 Year Bond	66.66%	4.13%	2.71%	
Weighted Average Return:		6.35%	3.94%	5.34%



# Longevity- Years 5+

- House is financed and now and our client needs to think of new incoming expenses
- Recommendation is to keep \$68,500 in cash/checkings account to be able to keep up with annual expenses
  - Then reinvest leftover from salary into the 70/30 Longevity strategy



# Longevity

- Risk Taker
  - Equity (70) : Fixed Income (30)
- Equity
  - Current Economy: Portfolio will follow strategies for Reopening America during and after the COVID-19 pandemic and strategies for a Biden/Kamala Democratic sweeping win.
- Fixed Income
  - Current Economy: Extremely low interest rates therefore we will look at the credit potential side of bond yields

Longevity Breakdown





# Longevity- Equity

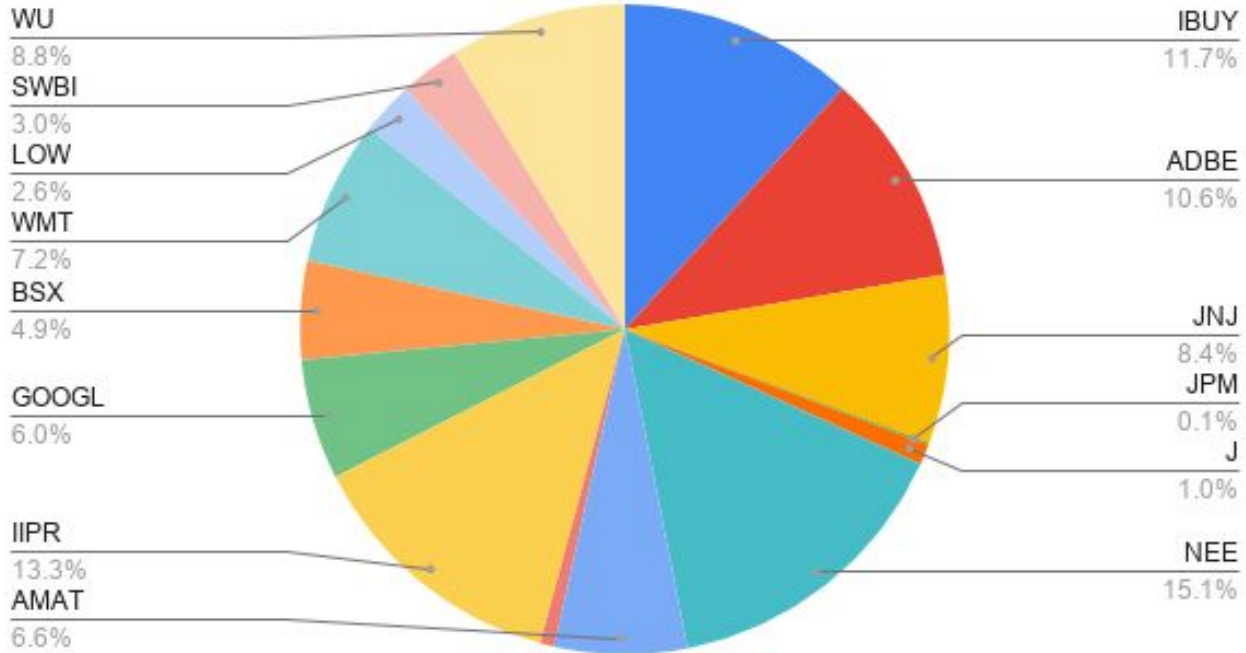
- Reopening America

- E-commerce
  - Amplify Online Retail ETF (IBUY)
  - Walmart (WMT)
- Info Tech
  - Adobe (ADBE)
  - Google (GOOGL)
- Health Care
  - Johnson & Johnson (JNJ)
  - Boston Scientific (BSX)
- Financials
  - JPMorgan Chase (JPM)
- Cons Discretionary
  - Lowe's Companies (LOW)

- Democratic Political Win (Strategas' recs)

- Infrastructure
  - Jacobs Engineering (J)
- Renewable Energy
  - NextEra Energy (NEE)
- New Trade Policy
  - Applied Materials (AMAT)
  - Western Digital (WDC)
- Marijuana Legalization
  - Innovative Industrial Properties (IIPR)
- Immigration & Guns
  - Smith & Wesson (SWBI)
  - Western Union (WU)

## Longevity Equity Portfolio



- Distribution of Assets is derived from a monte carlo simulation of the portfolio using historical data data to procure the optimal risk-to-reward ratio





# Longevity- Equity Performance Comparison

Annualized Statistics of Suggested Equity Portfolio

	Annualized Return (%)	Annualized Volatility (%)	Sharpe Ratio
5y	38.059	25.709	1.48
2y	38.091	32.392	1.176
1y	46.339	40.537	1.143
6mo	38.298	55.488	0.6902

Annualized Statistics of S&P 500 Index

	Annualized Return (%)	Annualized Volatility(%)	Sharpe Ratio
5y	16.7399	23.0557	0.726
2y	15.423	31	0.4975
1y	27.998	39.272	0.7129
6mo	2.879	54.39	0.053



# Longevity- Fixed Income

- Because Client is risk taker + current economy of low interest rates, therefore we will look at the credit potential side of bond yields and focus on US high yield and emerging market Funds & ETFs
- Emerging markets (hard currency)
  - iShares JPMorgan USD EMerging Markets Bond ETF (EMB)
- US High Yield Corporate
  - First Trust Tactical High Yield ETF (HYLS)
  - Vanguard High Yield Bond Fund (VWEAX)
- ESG
  - VanEck Vectors Green Bond ETF (GRNB)



# Longevity- FI Performance Comparison

## Longevity Fixed Income Portfolio

	%	1 Year	3 Year	5 Year
iShared JPMorgan USD EMerging Markets Bond ETF (EMB)	0.25	0.56	3.21	4.83
First Trust Tactical High Yield ETF (HYLS)	0.25	0.33	3.02	3.74
Vanguard High Yield Bond Fund (VWEAX)	0.25	0.88	3.57	4.67
VanEck Vectors Green Bond ETF (GRNB)	0.25	7.89	3	
Weighted Average:		2.415	3.2	4.3692

## Index Performance

	%	1 Year	3 Year	5 Year
DB EM US Balanced Liquid TR USD	0.25	1.01	3.67	5.35
ICE BofA US HY Constnd TR USD	0.25	-1.17	2.92	4.57
BBgBarc US Corporate High Yield	0.25	0.03	3.33	4.79
SPGRUSST	0.25	7.23	3.73	
Weighted Avrg:		1.775	3.4125	4.8543

- Our portfolio outperforms the index in 1 year returns, but underperforms for 3 year and 5 year





# Longevity- Notes

- Things for client to note for the future
  - If Client chooses to have children
    - According to U.S. Department of Agriculture (2017), the average cost of raising a child from birth through age 17 is \$233,610 → about \$14,000 annually
      - Not including school: private/public
    - College Fund
      - My529



# Legacy

Because our client is still very young, we will not allocate funds to a legacy portfolio yet. But here are some recommendations for philanthropies based on the clients preferences. (All tax deductible donations)

- **Surfrider**
  - Work to clean plastic pollution in ocean, establish Marine Protected Areas, opposing offshore drilling, help maintain and fight for public beach access
- **Access Fund**
  - Mission is simple: keep climbing areas open to the public and reduce the environmental impact of climbing.
- **National Park Foundation**
  - The official nonprofit partner of the National Park Service
    - Generates private support and builds strategic partnerships to protect and enhance America's national parks for present and future generations