

## J.P. Morgan Asset Management Challenge (AMC)

### 2017 Case Study

#### Round 1: Background

Mr. Lee is a 60 year-old CEO of a US-listed Chinese online commerce company ("Company"). In 2010, Mr. Lee sold a portion of his ownership in the Company and used it to build an investment portfolio with a third-party asset manager for wealth preservation and capital appreciation. Below are some details on Mr. Lee's assets that are held with the third-party manager:

Asset	Market Value (USD)
Cash (USD)	20,000,000
Developed Market Investment Grade Fixed Income	5,000,000
US High Yield Fixed Income	5,000,000
Developed Market Equities	10,000,000
Emerging Market Equities	10,000,000

*As of December 31, 2016*

Mr. Lee expects to stay on the board of the Company for five more years before retiring, and he earns an annual salary of US \$2,000,000. Mr. Lee is married with twins (a son and a daughter), both of whom are sophomores at a prestigious boarding school in the United States. Mr. Lee stated that his children's current education and living expenses total US \$400,000 a year, and he expects this to increase to \$500,000 when his children go to university. Mr. Lee is also keen on giving back to society and has been donating US \$1,000,000 a year to charity. Going forward, Mr. Lee estimates that his family will require additional liquidity of US \$2,000,000 annually. Mr. Lee hopes to provide as much as he can for future generations and wants his children to inherit at least US \$20,000,000 each.

**From 2012 to 2016, Mr. Lee has been dissatisfied with the investment performance of his third-party manager and is looking to replace his existing asset manager.**

Assume that your team is part of a fictitious asset management company that provides portfolio management and advisory services to clients.

Mr. Lee has now approached your team to draft an investment proposal for his portfolio. Please answer the case questions as if you are pitching your firm's investment services to Mr. Lee. Your responses must strictly follow the guidelines on Submission of Materials and Presentations as stated in the J.P. Morgan Asset Management Challenge (AMC) Information Kit and Competition Terms and Conditions and Rules.

## Part One – Video Question:

1. Please introduce your team and the investment management firm you represent. Why should Mr. Lee work with you? Please ensure that every team member speaks. (5 minutes)
2. Please summarize your views and portfolio recommendation to Mr. Lee. Please ensure that every team member speaks. (5 minutes)

## Part Two:

Based on the background information provided to you, **please construct a recommendation for Mr. Lee making sure to address the following:**

1. Based on the client's situation and needs, please map out his projected assets and liabilities, and recommend a target annual return for Mr. Lee.
2. Based on the above return objective, Mr. Lee would like to see your team's strategic asset allocation. He would also like to know about the volatility of the proposed portfolio.
3. Mr. Lee has had a negative experience with his prior asset managers who charged "high fees that did not justify the performance." Outline the pros and cons of active versus passive management and demonstrate how active vehicles can add value to a portfolio.
4. Mr. Lee would like your team to construct a portfolio made up of J.P. Morgan Funds based on your team's strategic asset allocation. Please include a recommendation for four to five J.P. Morgan funds based on the client's background and your answers above.

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