

Asian Pacific Diversified ETFs

Implementing investment strategy with diversified international ETFs in Asia region

- Objective

The objective of this fund is to create a minimum risk portfolio with an expected return of 5.5%, consisting of international diversified ETFs. The more diversified the ETF, the less risk associated with the portfolio. After holding the portfolio for a week, the report will evaluate the actual return versus the S&P 500 index to see how well the portfolio performed during the holding week.

- ETF fund holding details

Asian Pacific Diversified ETFs consists of 10 international ETFs mainly from the Asia Pacific region. The portfolio fund has an expected return of 5.5% and a minimum risk of 0.9%. Table 1 shows the detailed holding percentage for the 10 chosen ETFs and relevant information. The holding percentage for each ETF is allocated to less than 35% to have high diversification and low portfolio risk. Thus, the diversified ETF portfolio has less risk compared to each international EFT's risk.

Asian Pacific Diversified ETF Portfolio	holding percentage	price	position	risk	return
WisdomTree India Earnings Fund	13%	17.3	7469	0.01	0.048
iShares MSCI Japan ETF	24%	50.89	4757	0.0111	0.0543
iShares MSCI Taiwan ETF	17%	35.36	4724	0.0168	0.0622
iShares MSCI South Korea ETF	8%	49.82	1583	0.0208	0.0635
iShares MSCI Malaysia ETF	8%	23.23	3409	0.0115	0.0423
iShares MSCI Singapore ETF	6%	17.65	3330	0.0174	0.0523
iShares MSCI Thailand Capped ETF	7%	64.46	1111	0.016	0.0467
iShares MSCI China Small-Cap ETF	6%	35.86	1678	0.0204	0.0523
iShares MSCI Australia ETF	7%	16.41	4209	0.0202	0.0551
SPDR S&P China ETF	4%	94.97	418	0.035	0.0719

Table 1. Detailed Asia Pacific Diversified ETF Portfolio

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Shiyu is a cat-lover and a Patriot's fan from Boston.

efficient frontier when utilizing all ETF's

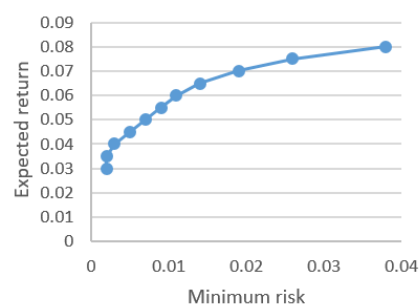


Figure 1. Minimum variance for each target return level when utilizing all ETF's

Efficient Frontier when utilizing Asia Pacific Diversified ETF's

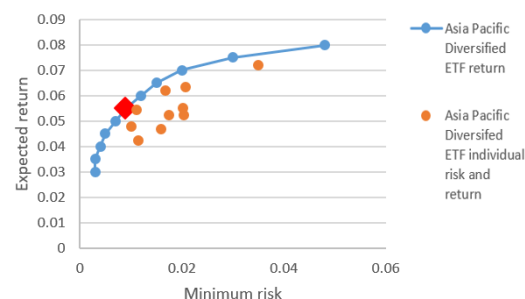


Figure 2. Minimum variance for each target return for the selected ETF's and the risk/return plot point of each of the individual assets in the portfolio

- *Analysis of ETF performance compare with S&P 500 index*

Figure 3 shows the return of Asia Pacific Diversified ETF portfolio versus the return of S&P 500 over the holding week. The overall performance trend is similar for the portfolio and the S&P 500 index. The Asia Pacific Diversified ETF portfolio performed better at the beginning of the week but ended worse at the end of the holding week.

At the beginning of the week, the stock market moved badly due to the sharp drop of oil price and COVID-19 health issue concern. Oil price plunged with an unprecedented wipeout, causing S&P 500 dropped about 2%.¹ However, China managed to outperform at that time. Chinese government implemented policies to support and lift the China market by cutting the one and five year Loan Prime Rates (LPR) to 3.85% and 4.65%.² The investors also gain a positive review of the policy for new infrastructure such as 5G and AI robotics. Therefore, the Asia Pacific Diversified ETF portfolio performed better than the S&P 500 index.

When time came to the end of the week, the stock market gained some hope and moved upwards. But Asia stocks declined because of the unsuccessful coronavirus treatment reports. The bad news came from that Gilead Sciences' drug "remdesivir" did not improve coronavirus patients' health condition.³ As the COVID-19 issue continued to be in front of investor's mind, the Asia Pacific Diversified ETF portfolio underperformed against the S&P 500 index.

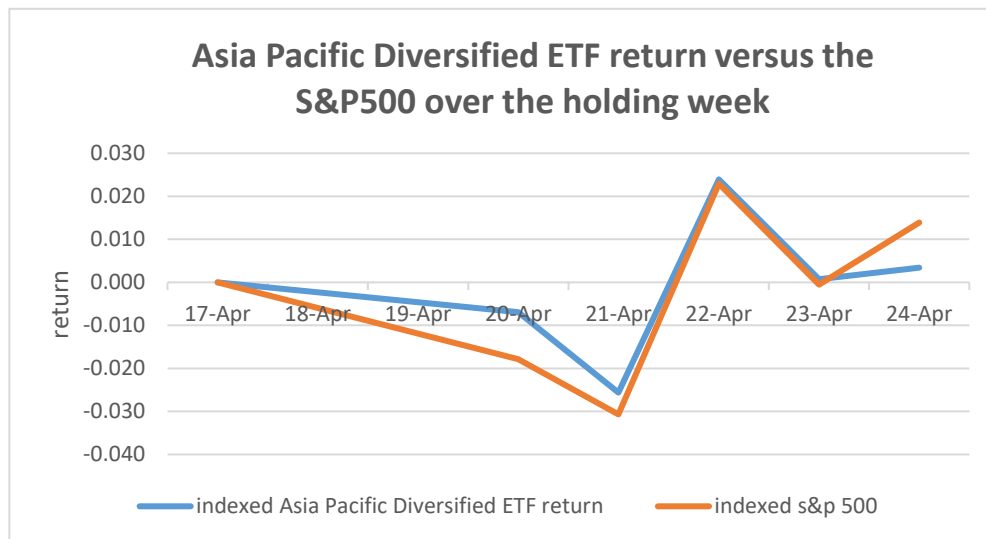


Figure 3. Asia Pacific Diversified ETF return versus the S&P500 over the holding week

¹ Dow falls 630 points after another oil plunge, CNBC news, Retrieved from <https://www.cnbc.com/2020/04/20/stock-market-futures-open-to-close-news.html>

² China Market Update, Forbes, Retrieved from <https://www.forbes.com/sites/brendanahern/2020/04/20/china-market-update-policy-support-lifts-mainland-markets/#2451fc615549>

³ Asia stocks decline, CNBC news, Retrieved from <https://www.cnbc.com/2020/04/24/asia-markets-coronavirus-currencies-oil-in-focus.html>