

**Sponsors for Educational Opportunity  
Overview of Asset Management**

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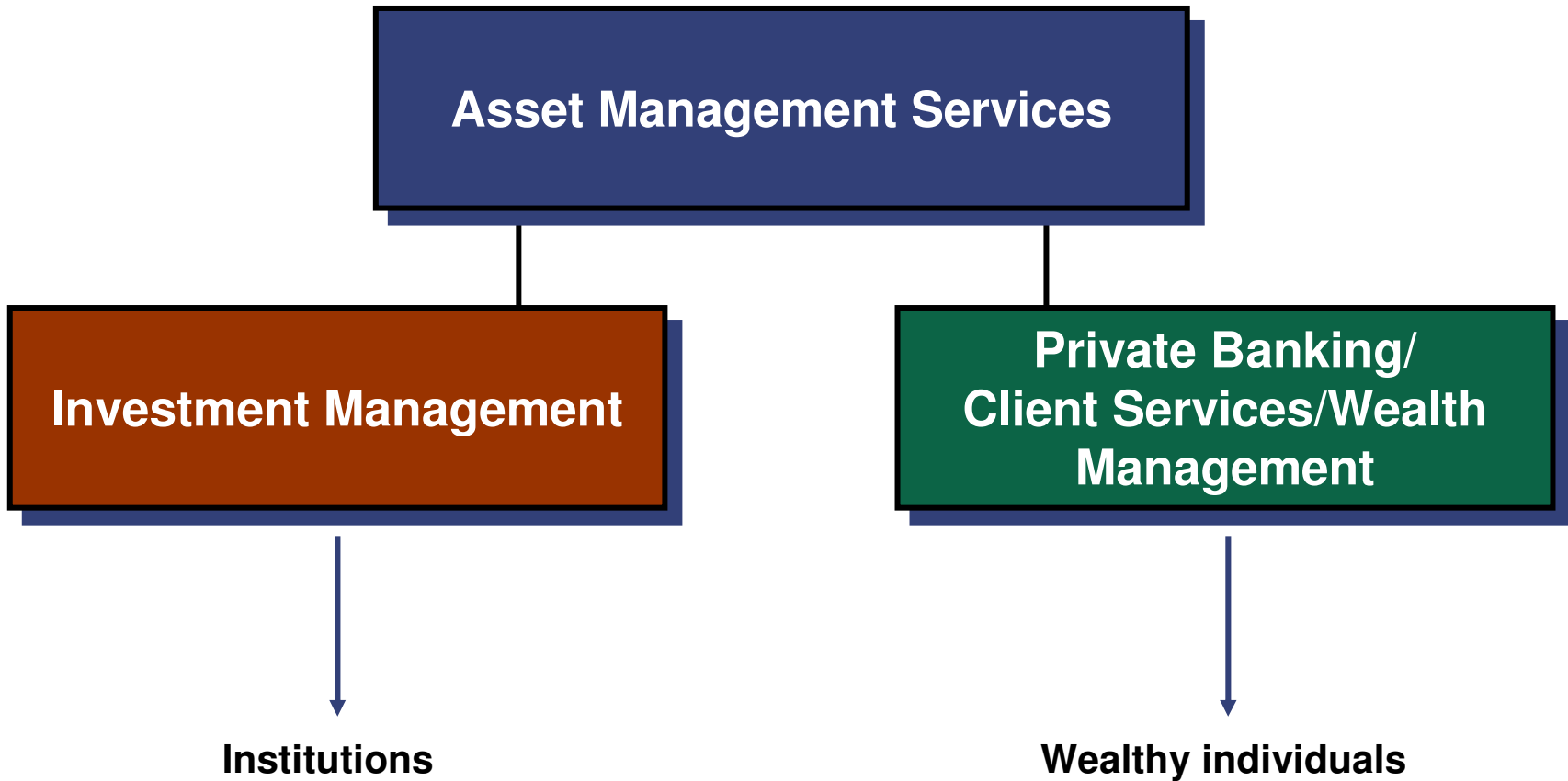
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# Agenda

- Introduction to Asset Management
- Overview of Private Wealth Management
- Overview of Investment Management
- Bloomberg Quick Tips
- Acronyms to Know

# Overview of Asset Management

**Asset Management Services are typically divided into two business groups which serve the needs of institutions and wealthy individuals**



# Major roles in Asset Management

## Investment Management

- Client marketing/advisory
- Client servicing
- Portfolio management
- Quantitative research
- Equity research

## Private Bank

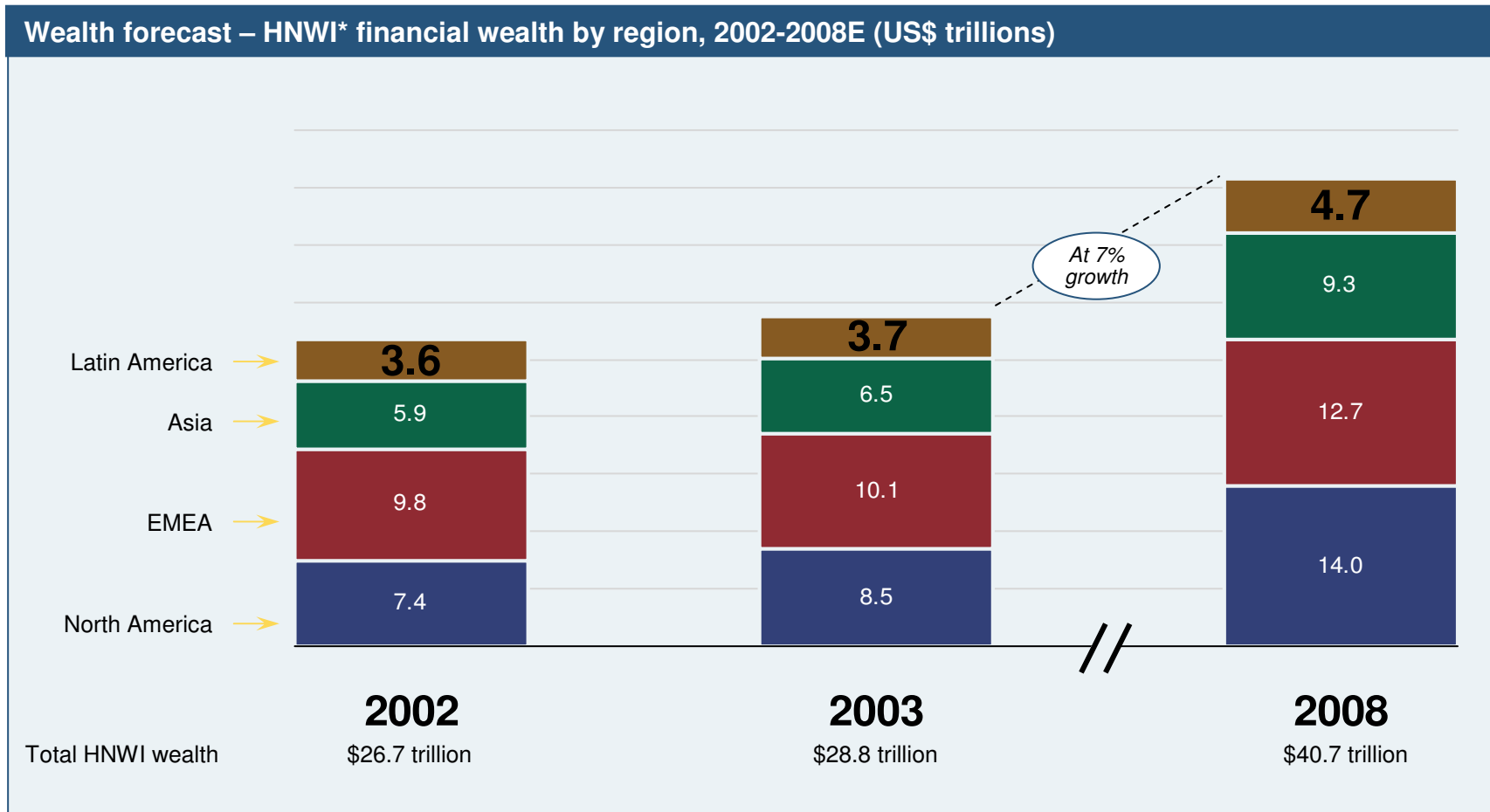
- Client marketing/advisory
- Securities, advice, and execution
- Private client investment management
- Product development
- Credit and risk
- Client servicing

## As an analyst, you have the opportunity to perform many different functions

- Research and synthesize information on financial markets
- Perform financial and portfolio analysis
- Present and prepare optimal solutions for clients' needs
- Conduct training and teach-in sessions
- Research and evaluate potential clients
- Prepare marketing materials for sales presentations
- Assist portfolio managers

**Private Bank**

# The Private Bank caters to the needs of the expanding ultra-high-net-worth market



\* HNWI = Individual holding liquid financial assets of over \$1 million

Source: Merrill Lynch/Gemini Consulting, World Wealth Report 2004. A more conservative growth estimate in line with nominal global growth, including risk, would be 6%. The report's growth estimate assumes no significant changes in savings rates globally and suggests that HNWI's global rebalancing of investments portfolios in 2002 and 2003 reduces risk levels and encourages greater wealth growth.

## **This market expansion is reflected in the diversification of our private client base worldwide**

- Wealthy families
- Entrepreneurs
- Family business owners
- Corporate executives
- Entertainers
- Artistic luminaries
- Athletes
- Beneficiaries
- Endowments and foundations

# Larger Private Banking firms typically offer clients an unparalleled depth and breadth of expertise across all wealth management disciplines



## Analysts have three main areas of responsibility

- Mastering leading-edge strategies in diverse areas such as investing, estate planning and capital advisory (credit)
- Participating as integral members of professional teams focused on individual client needs
- Gaining a knowledge of a wide array of financial products

## An example of an analyst position is in a regional team

Business  
development  
banking  
analyst

- Work together with senior bankers, brokers, portfolio managers and wealth planning experts
- Assist in devising customized financial strategies to develop new client relationships and to service existing client base
- Interact as a value team member with private clients
- Develop expertise in proprietary asset allocation, wealth projection, trust and stock option models

## ...and product/investment teams

### Product analyst

- Work with senior marketers in such areas as market strategy, private equity and hedge funds, foreign exchange, fixed income, equity derivatives and lending
- Conduct research and analysis
- Assist with product development
- Help support internal as well as client-driven inquiries

# Typical Private Bank team structure

<b>Account manager</b>	<ul style="list-style-type: none"> <li>• Help articulate a strategic agenda for client wealth and then mobilize the organization around that agenda</li> <li>• Cross-market existing client relationships as well as acquire new client relationships</li> <li>• Provide client with appropriate access to full capabilities of JPMorgan Chase franchise</li> </ul>
<b>Client advisor</b>	<ul style="list-style-type: none"> <li>• Provide investment research, ideas and execution capabilities to those clients who are making their own investment decisions</li> <li>• Assist clients in executing strategies for their options, low basis stock, and restricted stock</li> <li>• Cross-sell the full array of Private Banking services as appropriate and support new client acquisitions</li> </ul>
<b>Economist</b>	<ul style="list-style-type: none"> <li>• Manage client's discretionary portfolios consistent with investment objectives</li> <li>• Assist in cross-marketing opportunistic investments, funds and other discretionary investment products as appropriate</li> <li>• Cross-sell the full array of Private Banking services as appropriate and support new client acquisitions</li> </ul>
<b>Portfolio manager</b>	<ul style="list-style-type: none"> <li>• Design a comprehensive plan for holding, managing and transferring clients' wealth to meet client need and objectives</li> <li>• Develop innovative strategies to minimize income, capital gains, wealth and transfer taxes</li> </ul>
<b>Research analyst</b>	<ul style="list-style-type: none"> <li>• Advise on best solution to enable clients to access capital/liquidity</li> <li>• Analyze, negotiate and execute transitions as well as monitor ongoing credit exposures</li> <li>• Cross-sell the full array of Private Banking services where appropriate and support new client acquisition</li> </ul>
<b>Strategist</b>	<ul style="list-style-type: none"> <li>• Responsible for the ongoing administration of trusts and estates on which JPMorgan Chase serves as fiduciary</li> <li>• Help team in cross-marketing opportunities where appropriate</li> <li>• Coordinate with wealth advisory on fiduciary new business acquisition and support new client acquisition as appropriate</li> </ul>
<b>Investment Specialist</b>	<ul style="list-style-type: none"> <li>• Responsible for the day-to-day administration of our client relationships</li> <li>• Answer routine inquiries from clients and their advisors such as current account balances and recent account activity</li> <li>• Execute client requests for movement of funds and assets</li> </ul>

## A day in the life of a Private Bank analyst

- 7:30 a.m. Log onto computer, check email and voice mail
- 8:15 Morning markets meeting
- 9:00 Assist Financial group in completion of data collection
- 10:00 Meet with Equity Derivatives group to discuss option strategy on hedge funds to provide tax efficiency to U.S. clients
- 11:00 Review offering memorandum for new fund
- 12:30 p.m. Team lunch meeting to discuss current deal pipeline, investor relations, web site development and operational issues
- 2:00 Edit executive summary on new fund
- 3:30 Meet with VP and MD to review executive summary flipbook
- 4:30 Work with Graphics department on flipbook edits
- 4:45 Markets meeting
- 6:00 Meet with legal and compliance to discuss new product launch
- 7:00 Create calendar for internal teach-in and roadshow

# Private Bank case study

## Client situation

- One of our clients was the founder of a successful entrepreneurial business in his early 60s
- He had decided to sell the business as he was facing a complex family situation and industry consolidation pressures
- Married for the third time, his children from the first two marriages were not interested in working in the family business and his youngest child, being only five, had not yet made up her mind
- Dealing with the emotions of selling his business and suddenly finding himself with a significant amount of liquid assets for the first time, he was very overwhelmed

## Solution

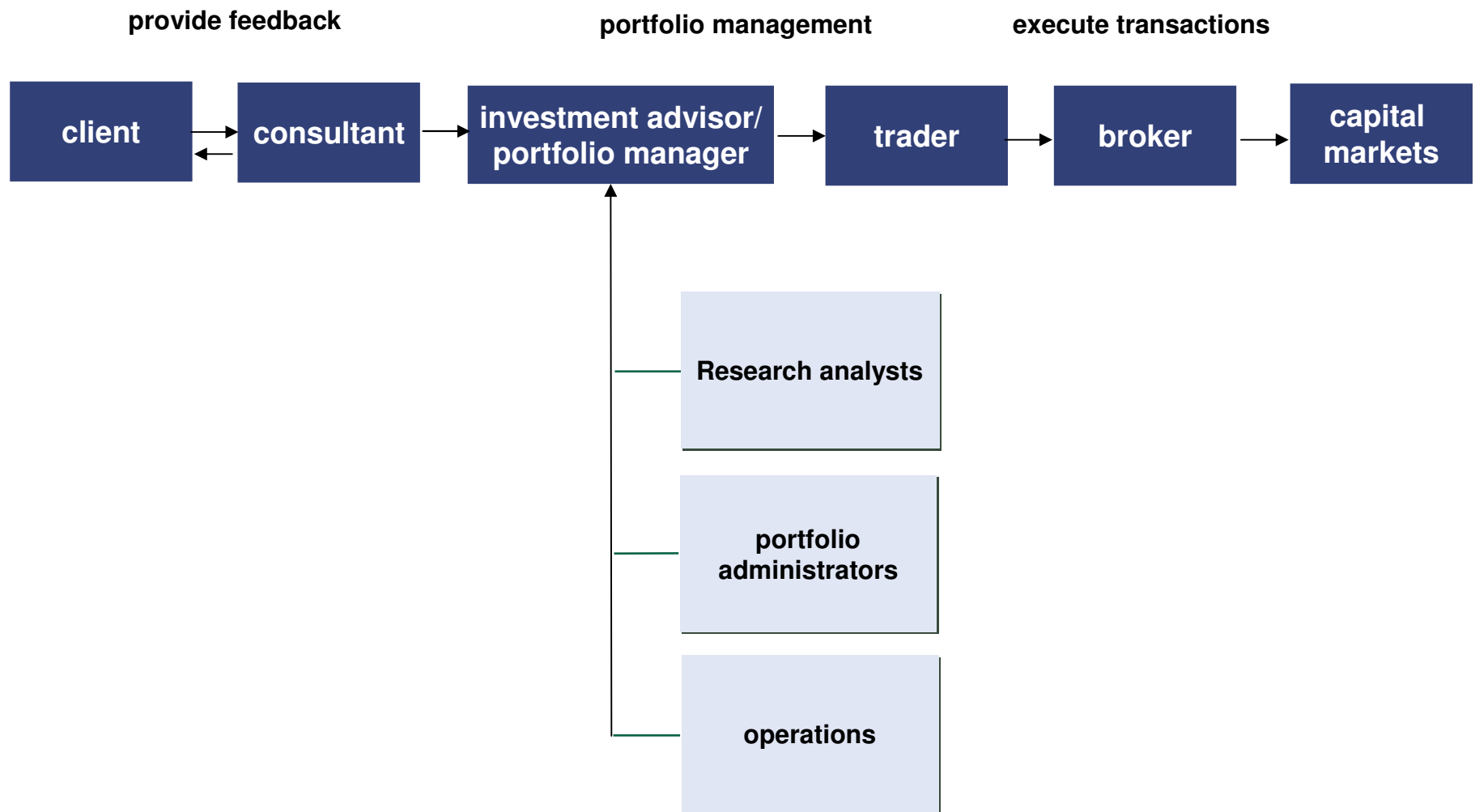
- JPMorgan worked with the client prior to and during sale of his business to ensure a tax-effective transaction
- Next, JPMorgan arranged for short-term cash management of his liquid assets while helping him to articulate and document his investment objectives
- JPMorgan then worked together to customize an optimal asset allocation based on his appetite for risk
- JPMorgan interviewed members of the Morgan Plus Group and found the best asset managers in the appropriate asset classes to work with him going forward
- JPMorgan continued to communicate with the client's asset managers and monitor his portfolio on an on-going basis

## Overview of Investment Management

## A diverse institutional client base

- Defined benefit plans (pension plans)
- Defined contribution plans (401k plans)
- Financial advisors
- Sub-advisory relationships
- Endowments and foundations
- Central Banks
- Sovereign governments/Supranationals
- Insurance companies
- Corporate Cash
- *ULTRA* Wealthy Individuals

# High Level – Investment Process



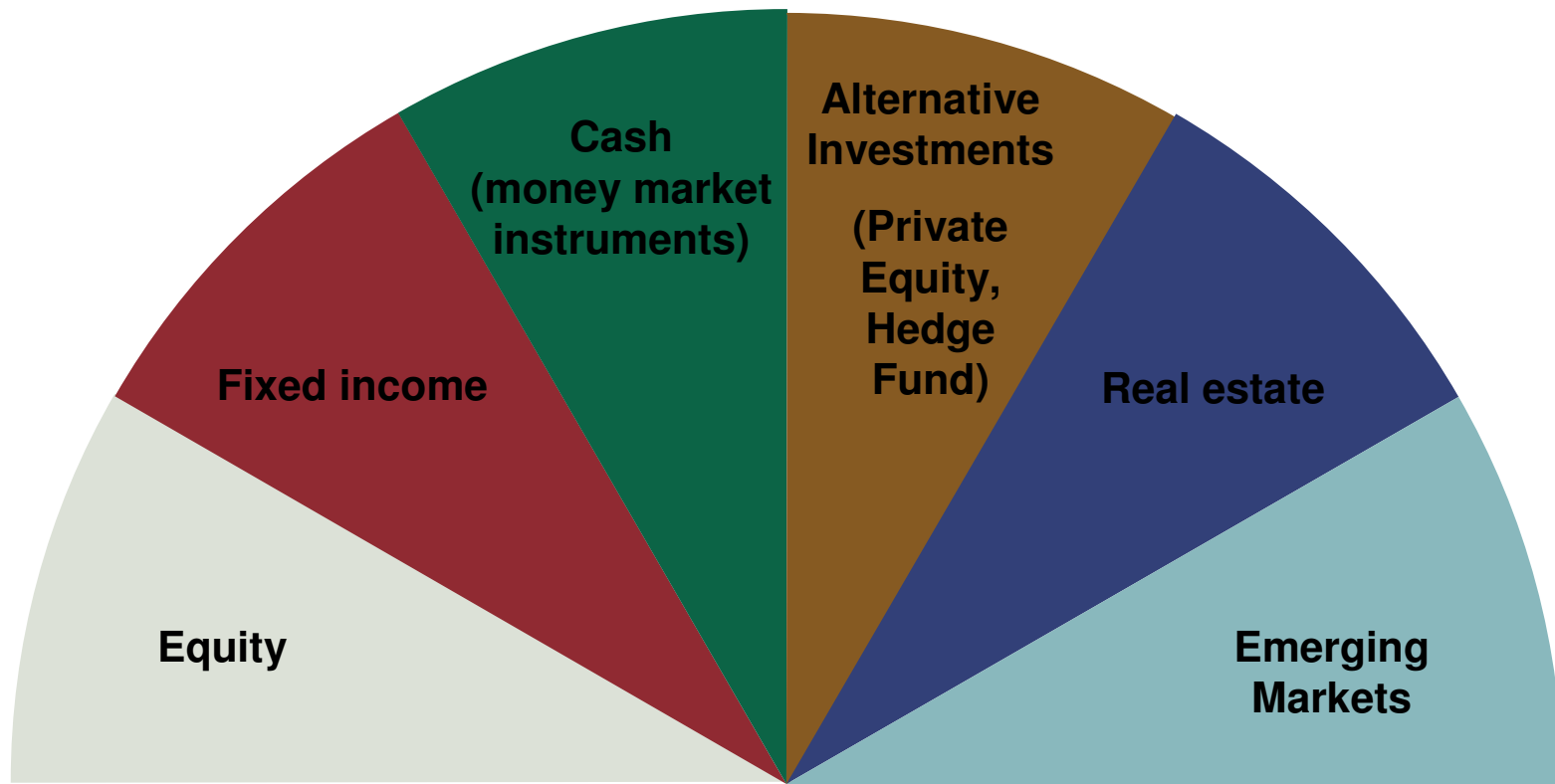
## Portfolio managers must know their clients' needs

- History and experience of client
- Return objectives
- Appetite for risk
- Liquidity needs
- Investment horizon (short, intermediate, long)
- Tax considerations
- Legal considerations
- Unique needs

## Major asset classes

**Asset classes can be accessed in various investment vehicles:**

- separate/segregate accounts
- pooled funds
- mutual funds



## Overview of investment vehicles

- **Separate/Segregate (Managed) Account:** Tailored accounts for institutional (high net worth individual) investors. In contrast to a mutual fund, the individual securities are owned directly by the investors. Benefits include tax management, highly personalized investment plan. However, investors may not have as much diversification relative to a mutual fund due to the size of the portfolios, transaction costs, etc.
- **Mutual Fund:** A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. Regulated by Investment Company Act of 1940.
- **3c7 Fund:** Pooled fund that does not require registration under the Investment Company Act of 1940, by relying on section 3c7 of the Act. This section exempts funds whose securities "are owned exclusively by persons who, at the time of acquisition of such securities, are qualified purchasers." Qualified purchasers must own not less than \$5 million in investments and an entity has to own and invest on a discretionary basis at least \$25 million in investments.
- **ERISA Account:** The Employee Retirement Income Security Act of 1974 set up minimum standards for pension plans in private industry. ERISA requires plans to provide participants with adequate information, sets minimum standards for vesting, requires accountability of plan fiduciaries, gives participants the right to sue for breaches of fiduciary duty, guarantees payment of certain benefits if a DB plan is terminated (through the Pension Benefit Guarantee Corp.)

## Strategic vs. Tactical asset allocation

- **Strategic:** allocation of wealth among major asset classes over the long-term, usually stated in the investment management/policy statement
  - maintain at all times 30-40% in fixed income and 60-70% in equity
- **Tactical:** allocation of wealth among subset asset classes and tends to have a shorter-term focus
  - maintain a 60% allocation to equity, but change industry or security allocation within equity
  - maintain a neutral duration position, but tactically go short in anticipation of a fed hike in interest rates

## Strategic vs. Tactical asset allocation - continued

### Strategic Asset Allocation

- Allocation to Equity versus Fixed Income
- Defining overall opportunity set (traditional assets, alternative assets)
- Fixed Income duration
- Liability dynamics

### Tactical Asset Allocation

- Source of alpha
- Traditional and non-traditional assets
- Low correlation with security selection and currency overlay

# Investment styles

- **Passive:** buy and hold strategy, very little trading in portfolio. Objective is to match a benchmark return
  
- **Active:** looks to outperform a benchmark, frequent trading, searching for good investments
  - **Fundamental analysis:** identifies over/under valued securities
    - Over valued - sell
    - Under valued - buy
  
  - **Technical analysis:** looks for trends and patterns

## Bloomberg Quick Tips

# Bloomberg Quick Tips - Equity

<b>Description of Stocks</b>	[ticker] <EQUITY> DES <GO>
<b>Historical Stock Price or Trading Volume</b>	[ticker] <EQUITY> HP <GO>
<b>Percentage Change (vol. &amp; price)</b>	[ticker] <EQUITY> HCP <GO>
<b>Price History Graph</b>	[ticker] <EQUITY> GP <GO>
<b>Earnings Summary</b>	[ticker] ERN <GO>
<b>World Equity Indices Price Earnings Ratios</b>	WPE <GO>
<b>Returns for specific dates</b>	IRR <GO>
<b>Financial Analysis (ratios, statements)</b>	[ticker] <EQUITY> FA <GO>
<b>Earnings Estimates</b>	[ticker] <EQUITY> EE <GO>
<b>Earnings History</b>	[ticker] <EQUITY> ERN <GO>
<b>Analyst Coverage</b>	[ticker] <EQUITY> ANR <GO>
<b>Price/Earnings Chart</b>	[ticker] <EQUITY> GE <GO>
<b>Company Credit Profile</b>	[ticker] <EQUITY> CRPR <GO>
<b>Sector Weights of the S&amp;P 500</b>	SPXL1 <INDEX> GWGT <GO>
<b>Sector Returns of the S&amp;P 500</b>	SPXL1 <INDEX> GRR <GO>
<b>Index Constituent Weights</b>	[ticker] <EQUITY> WGT <GO>

# Bloomberg Quick Tips - Fixed Income

<b>Municipal Bonds</b>	CUSIP <MUNI> DES <GO>
<b>LIBOR Rates</b>	BBAM <GO> (Choose #1 <GO>)
<b>G.O. Yield Curves</b>	GBY <GO>
<b>Historical Inter-Market Muni. Curves</b>	MYC <GO>
<b>Fair Market Yield Curves</b>	FMC <GO> (FMCH for historical)
<b>Current T-Note</b>	CT(year) <GOVT> <GO>
<b>Current T-Bill</b>	CB(month) <GOVT> <GO>
<b>Corporate Bond Search</b>	SRCH <GO>
<b>Treasury Yields</b>	PX1 <GO>
<b>Treasury / Agency Swaps</b>	USSW <GO>
<b>Treasury Strips</b>	PXS <GO>
<b>Agency Strips</b>	PXFS <GO>
<b>State Credits</b>	STGO <GO>
<b>Money Market Curves</b>	MMCV <GO>
<b>Treasury Yield Curve</b>	C15 <GO>
<b>Security Look Up</b>	ID (cusip) <GO>; DES <GO> description
<b>Index Page</b>	<INDEX> <GO>
<b>Current Swap Spreads</b>	IRSB18 <GO>
<b>Federal Funds Contracts</b>	FFA <cmdty> CT <Go>
<b>Fed Funds Rate - Actual</b>	FDFD <INDEX> <Go>
<b>Eurodollar Contracts</b>	EDSF <GO>
<b>Central Banks Page</b>	CBRT <GO>
<b>International Yield Curve</b>	IYC <GO>

# Bloomberg Quick Tips - News & Economic Info

<b>Daily Top News Stories Worldwide</b>	TOP <GO>
<b>Current Financial news</b>	FTOP <GO>
<b>News / Research Industry Categories</b>	NI <GO>
<b>Economic News</b>	NI ECO <GO>
<b>Federal Reserve News</b>	NI FED <GO>
<b>High Yield News</b>	NI HYL <GO>
<b>Bond News</b>	NI BON <GO>
<b>Company News</b>	[ticker] <EQUITY> CN <GO>
<b>Oddball news stories</b>	NI ODD <go>
<b>World Equity Indices</b>	WEI <GO>
<b>US Economic Numbers Release</b>	ECO <GO>
<b>Key Cross Currency Rates</b>	FXC <GO>
<b>FOMC Activities</b>	FOMC <GO>
<b>Government Pricing Page</b>	PX1 <GO>
<b>Earnings Announcement Calendar</b>	ACDR <GO>
<b>Earnings Announcement Summaries</b>	BBEA <GO> (US Market: BBEA <GO> 9 <GO> 9 <GO> 1 <GO>)
<b>Index Information</b>	[index ticker] <INDEX> <GO>
<b>Currency Information</b>	[currency ticker] <CURRENCY> <GO>

# Bloomberg Quick Tips - Prospecting & Open Bloomberg

**Corporate Filings (SEC)**

Ticker <EQUITY> CF <GO>

**Top Holdings**

Ticker <EQUITY> <GO> (choose #8, #8 then #1)

**Top Holders**

Ticker <EQUITY> PHDC <GO>

**Insider trading Activity**

Ticker <EQUITY> CN WSA <GO>

**Information on a Prospect Name**

Name <HELP>

**Company Management**

[ticker] <EQUITY> MGMT <GO>

**News (sorted by state)**

TNI <GO>

**M&A Activity**

MA <GO>

**Equity Offerings**

ECDR <GO>

## Instructions on using Open Bloomberg (To download data into Excel)

In Excel

[1] Choose the appropriate "Wizard" to use

Wizard	Function
Table Wizard	Static data on security (e.g. sector, last closing price, coupon, maturity, etc.)
History Wizard	Time Series data (e.g. historic prices)
Bulk Wizard	Data on an index/group's constituents (e.g. S&P 500 constituents & member weights)

[2] Click on that icon in the toolbar OR in Excel: Bloomberg -> Appropriate Wizard

[3] go through and enter/choose the appropriate settings

## Help

F1 - type anything and press F1 after it - it's the best way to look up ticker symbols, people, debt issuances, indices, anything!

## Reference for Other Functions

BU <GO>

## Acronyms to Know

## Acronyms to know

- CPM - Client Portfolio Manager
- CSM - Client Service Manager
- CA - Client Advisor
- PM - Portfolio Manager
- MA - Marketing Associate
- IA - Investment Assistant/Advisor
- RPS - Retirement Plan Services
- RFI - Request for Information
- RFP - Request for Proposal
- AUM - Assets under management
- YTD - Year to date
- QTD - Quarter to date
- H1 or H2 - First or second half of the year
- SI - Since Inception
- TE - Tracking Error
- IR - Information Ratio
- LC - Large Cap
- SC - Small Cap

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