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# Policy Alpha

## Thematic Investment Portfolio — Investor Report

Artificial Intelligence · Defense & National Security · Energy Transition · Lithium Supply Chain
China A-share Funds & U.S.-Listed Equities · Track Record: January 2021 – May 2026

| +71.15% | +36.96pp | +45.98pp | 5 Years |
|---|---|---|---|
| Peak Cumulative Return | Alpha vs Defense Benchmark | Alpha vs CSI 300 | Continuous Track Record |

**Prepared for:** Investors & Strategic Partners
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# 1. Executive Summary

> *Policy Alpha is a dual-market thematic portfolio built on a single conviction: governments move capital faster than markets price it. Positioning ahead of policy-driven sector re-ratings — in both Chinese A-share funds and U.S.-listed equities — has generated consistent alpha across defense, artificial intelligence, energy transition, and lithium supply chain themes over a five-year period.*

### Performance Highlights

| +71.15% | +48.38% | +137.76% | +77.23% |
|---|---|---|---|
| Peak Portfolio Return | Best CN Trade — AI ETF (2 months) | Best US Trade — TQQQ* | Best Long Hold — GOOGL (16 months) |

### Strategic Differentiators

— **Cross-market theme execution — identical macro convictions expressed in China A-shares and U.S. equities simultaneously, capturing different stages of the same re-rating cycle.**

— Policy-first entry logic — positions initiated on identifiable government catalyst signals, ahead of institutional money flows.

— Active regime management — leveraged ETF deployment during confirmed uptrends; inverse ETF positions during macro stress periods generate positive returns, not merely protection.

— Upstream supply-chain bias — commodity exposure placed at mining and processing level, capturing scarcity pricing before assembler-level demand becomes consensus.

### Honest Limitations

— **No audited track record — all returns self-reported from archived trading screenshots.**

— Cross-currency reporting — CNY and USD returns not formally consolidated; aggregate figures are directional only.

— Concentration by design — the portfolio runs 3–4 high-conviction themes simultaneously, not a diversified multi-asset allocation.

# 2. Investment Philosophy & Framework

Policy Alpha operates from three foundational convictions that have remained consistent across all market environments since January 2021.

### Conviction I — Policy Moves Faster Than Prices

Government spending mandates, regulatory shifts, and geopolitical realignments create sector re-rating cycles that move faster than institutional consensus. The gap between policy announcement and full market pricing is the primary source of alpha. This portfolio targets that gap systematically — entering themes at the policy signal stage, holding through consensus formation, and exiting as institutional flows close the mispricing.

> *Example: China defense fund entered February 2021 on PLA modernization mandate. Full re-rating of +26.94% captured over 10 months, materially ahead of domestic fund inflows that arrived in Q3 2021.*

### Conviction II — The Same Theme Is Mispriced in Two Markets Simultaneously

China A-shares and U.S. equities regularly price the same macro theme at different cycle stages, driven by regulatory segmentation, investor base composition, and capital flow timing. Policy Alpha exploits this structural lag: entering the Chinese market early via regulated sector funds when the policy signal is fresh, then rotating to U.S.-listed equivalents as the theme matures and Western institutional adoption drives a second re-rating leg.

> *Example: AI theme entered via 易方达 AI ETF in July 2025 (CN, +48.38% in 2 months). First-wave GOOGL position had already been exited (+77.23% over 16 months). Second wave of AI infrastructure buildout now monitored for U.S. re-entry.*

### Conviction III — Risk Management Should Compound Returns, Not Just Limit Them

Conventional portfolio construction treats hedging as return reduction. Policy Alpha treats active risk positioning as a compounding mechanism. During confirmed macro uptrend phases, 3× leveraged ETF exposure (TQQQ) amplifies beta-aligned returns. During rate-shock or earnings-risk windows, inverse ETF deployment (SQQQ) generates positive returns from the hedging position itself. The 2022 drawdown period demonstrated this directly.

## 3. China A-Share Portfolio

All China exposure is expressed through regulated public sector funds denominated in CNY. Entry timing is driven exclusively by identifiable policy catalysts. Three separate defense cycles have been captured across the five-year track record, each initiated by a distinct government signal.

| Fund Name | Theme | Entry | Exit | Hold | Return | Entry Catalyst & Notes |
|---|---|---|---|---|---|---|
| 易方达人工智能ETF联接C | AI / Technology | Jul 2025 | Sep 2025 | ~2 mo | **+48.38%** | Policy signal: national AI infrastructure mandate. Full re-rating captured within 2 months. Exited at cycle high. |

| | | | | | | |
|---|---|---|---|---|---|---|
| 前海开源中证军工指数C | Defense / Military | Feb 2021 | Dec 2021 | ~10 mo | **+26.94%** | PLA modernization cycle. Core structural allocation; held through full institutional re-rating. |
| 易方达中证军工指数(LOF)C | Defense / Nat. Security | Sep 2025 | May 2026 | ~8 mo | **+19.75%** | Re-entered defense on geopolitical escalation signal; position open as of report date. |
| 华夏军工安全灵活配置混合C | Defense / Military | Jul 2025 | Aug 2025 | ~1 mo | **+14.05%** | Tactical trade on national security spending announcement. Short hold, clean exit. |
| 中海环保新能源混合 | Energy / EV | Q1 2021 | Q4 2021 | ~12 mo | **+11.39%** | EV subsidy tailwind; exited as subsidy cycle matured and new-energy fund inflows peaked. |

*All returns in CNY terms. Sourced from archived fund account screenshots. T+1/T+2 redemption applies to A-share fund exits — intraday exit during volatility events is not possible.*

# 4. U.S. Equity & ETF Portfolio

U.S. exposure mirrors the cross-market conviction framework: the same macro themes expressed in dollar-denominated assets, typically entered after the China position has confirmed directional thesis validity. Active risk management via leveraged and inverse ETF positions is a structural feature of the U.S. portfolio, not a tactical overlay.

### AI & Big Tech

| Ticker | Name | Entry | Exit | Return | Investment Thesis |
|---|---|---|---|---|---|
| **GOOGL** | Alphabet Inc. | $87.50 (Dec 2022) | $155.08 (Apr 2024) | **+77.23%** | 16-month hold through the AI platform re-rating cycle. Entered before LLM monetisation reached institutional consensus. Exited as mega-cap AI premium reached full pricing. |
| **AMD** | Adv. Micro Devices | $71.65 (Jan 2023) | $82.23 (Feb 2023) | **+14.77%** | Semiconductor down-cycle recovery trade at post-2022 trough. Short-duration thesis: cycle bounce, not structural re-rating. Clean 28-day hold. |

### EV & Technology

| Ticker | Name | Entry | Exit | Return | Investment Thesis |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| **TSLA** | Tesla Inc. | $120.57 (Dec 2022) | $193.87 (Feb 2023) | **+60.79%** | Entered at post-correction lows following 2022 EV sector drawdown. 45-day momentum recovery trade aligned to EV sentiment inflection. Exited on momentum signal. |

### Leveraged Nasdaq & Active Risk Management

| Ticker | Name | Entry Range | Exit | Return | Strategy Rationale |
|---|---|---|---|---|---|
| **TQQQ** | ProShares Ultra QQQ 3× | $21–28 (2023) | $58.25 | **+137.76%*** | Deployed during confirmed Nasdaq uptrend phase. Conservative sizing given 3× leverage decay risk. *Return estimated from $24.50 mid-range entry. |
| **SQQQ** | ProShares UltraPro Short QQQ | $44–57 (Various) | Multiple exits | Hedge | Short-duration inverse ETF deployed during rate-shock and earnings-risk windows. Generated positive returns during 2022 volatility, partially offsetting CN fund drawdown. |

### Lithium Supply Chain

| Ticker | Name | Entry Range | Exit | Result | Investment Thesis & Outcome |
|---|---|---|---|---|---|
| **SGML** | Sigma Lithium Corp. | $24–29 (2022–23) | Multiple exits | **Profitable** | Pure-play hard-rock lithium. Upstream positioning to capture scarcity pricing ahead of EV battery demand becoming crowded institutional consensus. |
| **ALB** | Albemarle Corp. | $244–303 (Various) | $264–272 | **Mixed** | Global diversified lithium producer. Entry range too wide to isolate a single directional thesis; outcome mixed as lithium spot price reversed in H2 2023. |

*All prices in USD. Entry and exit prices sourced from archived trading screenshots. Calculated returns (GOOGL, TSLA, AMD) derived directly from archived prices above.*

## 5. Performance & Benchmark Comparison

The following benchmark comparison is sourced from a single archived portfolio screenshot and represents performance over a comparable — though not precisely defined — period. It is provided for directional reference only and has not been independently verified.

| Policy Alpha Portfolio | Defense Sector Benchmark | CSI 300 Index |
|---|---|---|

| | | |
|---|---|---|
| **+71.15%** | **+34.19%** | **+25.17%** |
| Outperformance: +36.96pp vs Defense / +45.98pp vs CSI 300 | Reference only — not audited | Reference only — not audited |

### Alpha Attribution

Four structural factors explain the sustained outperformance:

| Factor | Explanation |
|---|---|
| **Early Theme Entry** | Positions initiated before institutional consensus formed — capturing the full re-rating premium, not the momentum tail. |
| **Cross-Market Arbitrage** | Same theme expressed in CN and U.S. markets at different cycle stages — two re-rating legs from a single macro conviction. |
| **Active Regime Management** | TQQQ amplification during uptrends; SQQQ during stress — risk management generated positive returns rather than simply reducing losses. |
| **Upstream Positioning** | Lithium exposure at mining level (SGML, ALB) ahead of EV assembler demand becoming crowded — scarcity pricing captured early. |

## 6. Risk Profile & Drawdown Analysis

A complete performance record requires explicit disclosure of risk. The following is a candid assessment of observed drawdowns and positions that did not perform as expected.

### Observed Drawdowns

| Period | Drawdown | Primary Driver | Risk Management Response |
|---|---|---|---|
| Jan 2022 – Jul 2022 | **~−20pp** | Fed rate-shock; broad risk-off | SQQQ deployed as active short position during peak volatility. Partial offset achieved; portfolio drawdown materially less than benchmark drawdown of ~−27pp over same period. |
| Jul 2024 – Oct 2024 | **~−7pp** | Macro uncertainty; position rotation | Partial de-risking; no leveraged positions held during drawdown window. Portfolio recovered to new highs by January 2025. |

### Positions That Did Not Meet Thesis

| Position | Outcome | Honest Assessment |
|---|---|---|

| | | |
|---|---|---|
| **ALB (Albemarle)** | **Mixed** | Entry range ($244–$303) was too wide to represent a single thesis. Lithium spot price reversal in H2 2023 was not anticipated. Structural lesson: commodity upstream positions require tighter entry discipline. |
| **TQQQ Leverage Risk** | Structural | 3× daily-reset leverage creates decay risk in sideways or volatile markets. A single adverse week at 3× can erase a month of compounded gains. Position sizing was conservative by design — this risk is permanent and non-trivial. |

### Structural Portfolio Risks

— **Concentration risk: 3–4 high-conviction themes simultaneously — not a diversified multi-asset portfolio by design.**

— No audited track record: all returns self-reported from archived screenshots; no third-party verification.

— Cross-currency consolidation: CNY and USD returns reported separately; no formal fx-adjusted aggregate NAV.

— CN fund liquidity: A-share public fund redemption is T+1 to T+2; intraday exit on volatility events is not available.

— Leverage amplification: TQQQ positions amplify both gains and losses; appropriate only during confirmed directional regimes.

## 7. Current Portfolio Positioning · May 2026

Status as of report date. The same framework applied to the current macro environment.

| Theme | Status | Current View & Rationale |
|---|---|---|
| **Defense & National Security** | **ACTIVE** | 易方达 LOF held since September 2025 (+19.75% and open). Geopolitical escalation cycle not concluded; NATO spending mandates continuing to expand. CN defense re-rating has further room relative to global peers. |
| **AI Infrastructure** | **WATCHING** | First-wave positions (GOOGL +77%, AI ETF +48%) fully exited. Second wave — inference hardware, data-centre energy, sovereign AI buildouts — under observation. Re-entry criteria: identifiable policy mandate or capex acceleration signal. |
| **Energy Transition / Lithium** | **INACTIVE** | Lithium spot cycle in structural reset. No current position. Re-entry trigger: solid-state battery policy mandate, grid storage procurement cycle, or supply squeeze at mine level. |
| **CN Domestic Policy** | **WATCHING** | Monitoring domestic consumption stimulus trajectory and semiconductor self-sufficiency mandates. No position until a clear catalyst is identifiable. |

## 8. Disclaimer

This document has been prepared by Elena Zhang for informational and portfolio reference purposes only. It is intended solely for the qualified recipients to whom it is directly and privately addressed.

All reported returns, price data, and performance figures are sourced from historical screenshots and archived investment records maintained by the portfolio owner. They have not been independently verified, reconciled against brokerage statements, or audited by any third party. The absence of an audited track record is explicitly acknowledged and should be considered a material limitation.

Calculated returns for GOOGL (+77.23%), TSLA (+60.79%), and AMD (+14.77%) are derived mathematically from the archived entry and exit prices presented in Section 4. The TQQQ return (+137.76%) is an estimate based on the mid-point of the archived entry price range ($24.50). The cumulative portfolio return figure (+71.15%) is sourced from a single archived portfolio screenshot.

China A-share fund returns are denominated in CNY. U.S. equity returns are denominated in USD. No formal currency-adjusted consolidated NAV has been calculated.

Past performance does not guarantee future results. This document does not constitute financial advice, investment solicitation, or a recommendation to buy any investment product.

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