From: Gino Yu [[redacted]
Sent: 12/17/2016 2:43:49 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Fwd: Schulte Research: Deep dives into PRC fin tech ownership and Trump cabinet ownership. (DO NOT FORWARD)
Attachments: mime-attachment.png; mime-attachment.gif; mime-attachment.jpg

Importance: High

See the attached. Let me know if you are interested in meeting him when he's in NYC.

gino

Begin forwarded message:

From: Paul Schulte <[redacted]>
Subject: Re: Schulte Research: Deep dives into PRC fin tech ownership and Trump cabinet ownership. (DO NOT FORWARD)
Date: 17 December 2016 at 8:35:35 AM HKT
To: Gino Yu <[redacted]>

Sure. Forward

Founder and Editor
Schulte Research
[redacted]

On 17 Dec 2016, at 3:09 AM, Gino Yu <[redacted]> wrote:

I'm Still in HK. Cancelled my India trip. Leaving for Italy on Monday. Can meet this weekend if you are around.

Can I forward this to my benefactor in NYC? You interested in meeting him while you are there?

gino

On 16 Dec 2016, at 6:19 PM, Paul Schulte <[redacted]> wrote:

Founder and Editor
Schulte Research
[redacted]

Begin forwarded message:

From: Paul Schulte <[redacted]>
Date: 12 December 2016 at 4:10:08 PM GMT+8
To: Paul Schulte <[redacted]>
Subject: Schulte Research: Deep dives into PRC fin tech ownership and Trump cabinet ownership. (DO NOT FORWARD)

SCHULTE RESEARCH REPORT: ED 164

DEEP DIVES INTO PRC FIN TECH OWNERSHIP AND TRUMP CABINET OWNERSHIP. (DO NOT FORWARD)

12 December 2016
ED 164

• H SHARES: PING AN, CICC AT CENTER OF ALIBABA, TENCENT PHENOMENON. BUY. SELL AIA.

• TRUMP CHOICES ARE ALL ABOUT KOCH BROS & OIL/GAS NETWORK: BUY RUSSIA... ALSO SAUDI BANKS.

• INVESTOR FEEDBACK: INFLATION COMING. BUY BOMBED OUT BANKS HSBC, KB, UNICREDIT? GROWING AGREEMENT ON BOOM IN US. BUY CITI, JPM.

CONTACT US

Paul Schulte
Founder, Schulte Research
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Senior Analyst
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IND-X Advisors Limited
Kinwick Centre, 8th Floor
32 Hollywood Road
Central
Hong Kong

Schulte Research Report, ED 164: Slides

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1. Ping An & CICC are the 2 H shares that operate in the middle of Alibaba, Tencent, Lufax.

A. The chart below represents a deep dive we did on the new world of Chinese banking. Companies like Zhong An, WeBank and Lufax will grow dramatically and will take advantage of (as well as support) the massive worlds of Alibaba and Tencent. Together, Alibaba and Tencent have market cap of $500 bn. Popping up in many of these areas of overlap are Ping An and CICC. They are strategically placed to make great strides in China. This is slowly being recognized in the case of Ping AN (See Page 8 of attached PPT). Ping An's market cap is $97 bn. It is connected to Zhong An.. It owns 44% of Lufax. And some if its management were the very ones that started WeBank. It is perfectly positioned for the coming boom in new banking. It has the best combined ROA and ROE globally and its P/E of 10x is trading on a 50% discount to the global averages. Why is Ping An trading at a discount to AIA? BUY PING AN -- SELL AIA..

B. The other company which has the best return on capital of any broker dealer -- and is also positioned nicely for the coming boom in the new era of banking in China -- is CICC. CICC and CDH (a CICC breakaway) both invested in Zhong An and Lufax. CICC has vision and a proven track record.

Yet it has been a laggard. This is a top pick for H shares for China in 2017. The other bank with great vision in this area is CCB, which has invested in Ant Financial. BUY H shares CCB and CICC. (See attached PPT for portfolios and China fintech details).

C. IPOs in 2017. I think Zhong An will be a surprise for 2017 in the Hong Kong market. Its market cap is expected to be $10 bn and it has interesting potential in so many areas of insurance. It remains an insurance company whose marginal cost of a new customer is zero. It has a talented team of 900 engineers and has new AI and blockchain divisions. It is rolling out an impressive array of products including corporate solutions for insurance and investment plans. Lufax CEO Greg Gibb made a big splash at the Finnovasia (Schulte Research co-sponsored it) in Hong Kong last month. The company is a diversified financial conglomerate akin to "Schwab meets etrade and Fidelity" -- only 25 years ago. It needs an IPO north of $25 bn in order for the private equity partners to make money. Lastly, Ant Financial will come to the market for a $60 bn IPO in 2017 -- also in Hong Kong. This is a mothership company that goes to the heart of China's system. Its early investors are CIC, CDB, CCB, China Life and other vital organs of the system. It will not be allowed to fail. There are some questions about whether to own this through Alibaba, since Alibaba will own 33% of Ant post IPO. I'm in this camp. Buy Alibaba on this pullback. (See attached PPT for the full China Fintech Report).

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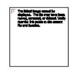
2. Koch Industries saturates both the offices of Trump as well as Pence. Mega bullish for Russia, oil and gas companies. Mega bearish for alternative energy.

A. The Koch Brothers are not just two grumpy men -- they are a political party. Koch Industries is the second biggest private company in the US after Cargill. They operate public and secretive political entities in 32 states and dole out more than $500 million each political cycle to various entities in the strongest places. The political entities employ more than 1,200 people and the amount of donations available to right wing causes varies dramatically but is as high as $750 million per cycle. It is the third largest party in the US after the Democratic and Republican party. It controls the Libre Alliance, Americans for Prosperity, Freedom Partners, Institute for Energy Research, American Energy Alliance and Concerned Veterans.

B. What do they do with their money? They support right wing Republican candidates for all organizations -- attorneys general, Senate, House and state political figures. This is where it gets interesting. Freedom Partners is thought of as the "Koch bank". Guess who ran this? Marc Short. It controls about $250 mn in funds for political activity. Guess who employed Marc Short as chief of staff? Indiana Governor Mike Pence. Guess who then employed him as chief of staff? President-elect Trump. Matt Lloyd is in charge of communications and strategy for VP-elect Pence -- he came from Koch Industries. Governor Pence was a frequent attendee of the secretive semi-annual meetings of the Koch Brothers. Guess who raised more than $100 million for Freedom Partners? Don McGahn. Guess who is the new White House Counsel for President-elect Trump? Don McGahn. (McGahn was embroiled in the Tom Delay scandal in the 2000s). Guess who had two companies which had Koch Brothers as investors and whose chief of staff (Chenowith) came from the Koch world? The new CIA-designate chief Mike Pompeo. (Pompeo's Kansas campaign received a $900,000 donation from Koch). Guess who gave $1 mn to Americans for Prosperity? Education secretary designate Betsy Devos. Guess who has written the strategy paper for the Department of Energy transition? Tom Pyle -- He is affiliated with the Koch Industries Office of federal Affairs and the Institute for Energy Research. Guess who was caught up in a Koch Industries scandal for a petrochemical port project (with a Koch affiliated Messr. Henneberry)? Governor Nikki Haley who is UN Ambassador designate.

C. Advisors are ALL Koch-related. Here is where it gets fun. Former campaign advisor Corey Lewandowski came from KochLand. Rebekah Mercer is part of Koch and and gave $2.5 mn to Freedom Partners. Kellyanne Conway has connections to Pence from way back and is connected to Steve Bannon through the Center for National Policy. Trump deputy campaign manager David Bossie came from Citizens United. The Director of Coalitions for Trump is named Alan Cobb -- he came from Americans for Prosperity. Daren Selnick is a transition advisor and he came from Concerned Veterans. Others on the Trump team who came from Kochland include Stuart Jolly, Eli Miller, Scott Hagerstrom and Matt Ciepielowski.



3. BUY the hell out of Russia -- Exxon Rex is a cabinet trifecta for Koch Brothers.

A. And there's Exxon Rex. Any contribution from Exxon received money from Koch -- and vice versa. Rex Tillerson is worth $151 million and is leaving Exxon next year. He seems to have accepted secretary of state position. He inked a deal worth $300 billion in oil and gas exploration in 2012. (For that, he received the highest civilian honour bestowed by Russia). This will be a boom for Koch Industries as the sanctions against Russia are lifted. (Thank you Uncle Vlad for interfering in the elections). This will be a boom for Russia -- for equities, FX and bonds. It is clear that sanctions against Russia will be lifted regardless of whether Russia interfered in the elections. (Clinton made this a campaign issue and still lost!).

B. Anyone who thinks this will be reversed by Greenpeace or other green organization is kidding themselves. The Senate and House is Republican. Majority parties control all committees so they control the agenda. The agenda is set. These guys are geniuses with the news cycle. And the vast array of think tanks controlled by the Koch Brothers (most of them) allows them to control the news cycle as well as the opinion pages of newspapers. The web on control on public opinion from the Koch Brothers reaches every newspaper through a large array of think tanks like the AEI and Cato Institute, not to mention the vast array of Koch think tanks.

C. If you don't like this, tough luck. Life is not fair. This is not going to be reversed. Think of it as watching a science experiment. Bush lost the popular vote to Gore in 2001 and completely reversed policies on tax, environment, Middle East, energy, fracking, birth control, and LGBT issues. Trump, Pence, Bannon and Koch will make a deal which will be a hybrid of religious right on moral issues and "zero intrusion from government" in commerce. Republicans already control the Senate, the House, a majority of governorships as well as a majority of attorneys general. It will be very hard to reverse this. And if Trump can deliver jobs to the midwest red states, more senate seats will turn red. Tom Pyle's list of things to for the Department of Energy's transition team is expressly designed to do this. This includes new oil and gas leasing projects, more fracking, more coal, more LNG projects -- and a green light for both the Keystone and Dakota pipelines. The working paper reneges on the Paris pact, the Clean Power Plan and the carbon tax. And it is expressly a climate change denial policy. States like North Dakota, South Dakota, Oklahoma, Iowa, Texas, Louisiana, West Virginia, Kansas and others will come to life again.. Most of these states have small populations but each gets a governor and two senators.

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Schulte-Research

PPT