



**Puhui Wealth Investment Management Co. Outlines 2019 Strategy**  
**in Open Letter to Shareholders**

**Beijing, China** – March 12, 2019 – **Puhui Wealth Investment Management Co., Ltd. (Nasdaq: PHCF)** (“Puhui” or the “Company”), a third-party wealth management service provider with a focus on wealth management services for high net worth (“HNW”) individuals and corporate clients, announced today that following its December 2018 initial public offering (“IPO”) and Nasdaq listing, Mr. Zhe Ji, the Chairman and CEO of the Company, has released a Letter to Shareholders highlighting its corporate strategy for 2019 and beyond. The letter is included in its entirety below:

To Our Valued Shareholders:

The last few months have been a milestone period for Puhui and its shareholders. In December 2018, we were extremely pleased to list in the United States on the Nasdaq Capital Market. We believe that our listing helps further strengthen the Company’s image in China with our high-net worth clientele, while also providing investors with a unique opportunity to invest in China’s growing wealth management market. We expect to continue to grow considerably by offering a unique value proposition to investors in China seeking a diversified, independent wealth manager with access to a broad portfolio of financial products. The listing of our shares was another step in a long journey, and I wanted to outline the Company’s background, current status, differentiating factors, and strategy for growth in the years ahead.

**Background on Puhui –**

**Changing the Model to Focus on China’s Fast-Growing Wealth Management Business**

I began my career in banking 17 years ago. Initially, Puhui was founded as an investment advisory firm with focused on internet financial services, and had successfully marketed products to retail investors in China starting with low transaction amounts under \$10,000. This allowed the Company to build a broad base of loyal clients during a time when other competitors were making exorbitant promises. With the changing regulation in China’s financial services industry and the increasing demand from the more profitable High-Net Worth (“HNW”) sector, starting in 2016, our management team decided to refocus our business to market financial products developed by qualified financial institutions to high net worth individuals and corporate clients.

**The China Wealth Management Opportunity**

In 2016, we reorganized our operations after reviewing the opportunity that existed in the growth of the nascent wealth management industry in China. According to a report by Beijing Heading Century Consulting Co., Ltd. commissioned by the Company, by the end of 2016, the total amount of private investable assets in China reached RMB165 trillion (approximately US\$24.8 trillion) and have been growing.

The macro-factors certainly worked in favor of growth in this market, which included a rising middle class, higher median household income, and a very low investment percentage when compared to the rest of the world. The total amount of private investable assets is expected to continue to provide, significant development potential for wealth management companies in China.

To put this growth in context, according to Willis Towers Watson over the past five years the United States was the 5<sup>th</sup> fastest growing country in private wealth management with a 7.5% increase. China leads the growth rate globally, at 43%.

With the economic development and increasing per capita disposable income, the populations of wealthy and high-net-worth individuals are expected to continue to increase accordingly in the near future.

### **The Puhui Advantage**

We believed that a boutique, nimble independent entity like Puhui could simultaneously deliver better risk adjusted returns for investors in managing their wealth while also maintaining sufficient diversity across all of our investments. The majority of larger banks in China specialize in selling a limited number of products to their customers, which are typically sponsored by the bank. Puhui is able to partner with multiple major financial institutions, and can tailor a specific solution for its customers.

For example, the investment needs for a 25-year old with no family are materially different than a 45-year old with a teenager. We feel that by building a base of diverse products to offer from differing qualified financial institutions we could provide better returns with managed risk, greater selection, and ultimately a more satisfied customer. At the same time, larger institutions want to work with Puhui because we provide access to sell their products to new customers. We see this as a win-win for all parties.

We began to leverage our existing relationships and began to open low cost branches in late 2016, offering limited financial products to customers during this transition. As we grew our total number of HNW clients, we expanded to products such as:

- private equity funds products, the underlying assets of which are portfolios of equity investment in private companies;
- securities investment fund products, the underlying assets of which are publicly traded stocks;
- private placement bonds, consisting primarily of collateralized fixed income, products providing investors with fixed rate returns; and
- other products, including trust plans and asset management plans.

These were from such well-regarded institutions as CICC, EverBright ZTE, SAIF Partners, and Yingke PE. We selected these partners carefully, as we understand that it is a balance offering a diverse enough offering to satisfy investors, while also generating enough business within these institutions to achieve a sustainable margin as a Company to grow. The revenue model may vary by investments. We secure the investments for our clients and receive a commission, with carried interest in some cases. With our relationships and economic scale, we have had the opportunity to invest in such well-regarded companies as Zhejiang Ant Small and Micro Financial Services Group Co, Ltd, Beijing Electric Vehicle Co. Ltd, Shanghai United Imaging Healthcare Co. Ltd, Shenzhen Royole Technologies Co. Ltd, Ucar Inc, and Beijing SenseTime Science Tech Ltd. We believe that our ability to access a wide range of investments and strategies is a differentiator for the Company.

### **Our Wealth Management Strategies Going forward**

Over the course of Fiscal 2016-2018 we grew our clientele significantly (from 39 customers as of June 30, 2016 to 622 as of June 30, 2018), throughout multiple cities in eastern China. We operated 5 sales offices in 3 major cities and now offer 20 financial products from 10 financial institutions as of today. These financial products consist of diversified portfolio investment funds, investments in private debt, and venture funds that allow Puhui and its investors to invest in both early stage companies in China and abroad along with a diversified array of equity and private debt offerings. Our investments in these funds are a distinct differentiator from our peers.

We feel that Puhui offered a distinct advantage over our peers in that we offer these financial products from top investment and fund companies in China while maintaining a low overall operating cost. We focus intensely on our retention levels, which consist of individuals who have repeat investments with our company. This level has remained over 85% since inception. We are very proud of this fact, as our investors would not remain if the investments tailored specifically for them were not working as expected.

We also anticipated that Puhui would have access to an increasing number of investment opportunities on behalf of our clients due to the size and scale of the transactions we were making with these financial institutions and our own proprietary evaluations. As a result, starting in June 2017, we launched our asset management business, acting as manager or general partner of funds in which our clients invested. Our subsidiaries, Qingdao Puhui and Shanghai Pucai, serve as the manager of their respective funds. As of June 30, 2018, we served as manager or general partner of four funds with an aggregate of over RMB155.4 million (approximately US\$23.5 million) under management.

We believe that opportunities exist between our wealth management and asset management businesses to create value for shareholders. In January 2019, we were very pleased to enter into a strategic cooperation agreement with Yingke Innovation Asset Management Co., Ltd. (Yingke PE) to jointly establish an equity investment fund. Yingke PE was ranked 38<sup>th</sup> of all venture capital firms in China for 2018.

### **The IPO In the United States – The Rationale and Opportunity**

Our growth is largely dependent on attracting new individuals to trust their hard-earned investment dollars with our Company. This allows Puhui to have greater economies-of-scale in its operations while also improving the financial leverage with the institutions that offer our diversified products. We felt that our entire management team, advisors, and sales staff had done a tremendous job transitioning our relationships created as we grew the original business into a stable and well-respected brand in China for wealth management. However, to continue to grow on a faster pace we needed additional capital and brand recognition and a global platform.

The international recognition would help drive our brand image across China and lead us on the goal of ultimately being a global wealth advisor. In addition, the capital raised from our IPO could be deployed in opening new sales offices and driving client and asset management growth. We were very delighted to be listed on Nasdaq as of December 2018.

For global investors, we understand that one of the biggest challenges as a U.S.-listed company based in China is transparency. We feel that this is an area where Puhui can stand out. As a financial advisor, we are required to be professional, honest and maintain compliance with regulations, and are required to undergo thorough due diligence and oversight both internally and through government regulation. Investors can verify our registration via the Asset Management Association of China (government licensing and certification institution) at <http://www.amac.org.cn/> (the specific reference link for Puhui's PE fund is: <http://gs.amac.org.cn/amac-infodisc/res/pof/manager/1702220946101934.html>).

The challenge of our business model transition to focus on HNWI individuals is behind us, and now we are starting to see a considerable increase in both clients and total assets under management.

### **What Investors Should Look for in the Coming Months**

As a general note, Puhui operates on a June 30<sup>th</sup> Fiscal Year. We are required to report our financial results for the first half ended December 31, 2018 by the end of June. Our goal is to begin reporting our financials on a quarterly basis similar to all U.S.-listed public companies.

Operationally, our goal is to provide metrics that investors can easily digest and understand the impact to the Company. We believe that periodic updates should be viewed as examples that the Company is moving in the right direction.

We believe that the following announcements and metrics are helpful to consider when evaluating Puhui:

- The signing of additional partnerships with quality financial institutions: We believe that investors should examine the partnerships that we sign and why. We will be selective in choosing partners in according to brand, a history of success, rankings among top institutions, management, and investment performance. This is not a unilateral number, where if Puhui goes up by 5 partners that is a great thing. Its important to have the right mix of both diversified products while balancing the economies within each institution.
- The number of high-net worth clients and/or amount invested.
- The opening of new locations, hiring of advisors, and their strategic value for brand building and strategic planning.
- Our asset management performance and how it is complementary to our wealth management operations in the ability to increase back-end income.

### **Conclusion – A Unique Opportunity in CY 2019 and Beyond**

In the coming months, our goal is to communicate these metrics and properly let all investors know of the opportunity that exists in what we are building. We have worked diligently to complete our IPO and look forward to delivering on the promises that our investors expect of us.

It has been a whirlwind period for our management team and all Puhui employees. We are excited for the future and believe we are uniquely positioned to achieve substantive and sustainable growth for the foreseeable future.

I look forward to speaking with many of you and invite you to visit us at our office in Beijing.

- Mr. Zhe Ji, Chairman and CEO of the Company

### **About Puhui Wealth Investment Management Co.**

Headquartered in Beijing, China, Puhui Wealth Investment Management Co. is a third-party wealth management service provider focusing on marketing financial products to, and managing funds for, individuals and corporate clients in the PRC. The Company's main operating activities are carried out through Puhui Wealth Investment Management (Beijing) Co., Ltd., and its subsidiaries.

Additional information about Puhui Wealth Investment Management Co. can be found at the Company's corporate website: [www.puhuiwealth.com](http://www.puhuiwealth.com).

### **Forward Looking Statements**

This news release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "anticipate", "believe", "expect", "estimate", "plan", "outlook", and "project" and other

similar expressions that indicate future events or trends or are not statements of historical matters. These statements are based on our management's current expectations and beliefs, as well as a number of assumptions concerning future events.

Such forward-looking statements are subject to known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside of our control and all of which could cause actual results to differ materially from the results discussed in the forward-looking statements. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements can be found in our reports filed with the Securities and Exchange Commission, which are available, free of charge, on the SEC's website at [www.sec.gov](http://www.sec.gov).

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