Noah Releases 2023 Chairwoman/CEO Letter

Apr 24, 2024

SHANGHAI, April 24, 2024 /PRNewswire/ --

Dear Shareholders:

On behalf of the Board of Directors and the management team of Noah, we would like to express our sincere gratitude to our shareholders for their unwavering support. Global markets experienced significant turbulence across various key asset classes while also grappling with tight credit conditions and ongoing geopolitical instability in 2023. This difficult environment gave rise to sharp divergences in economic conditions and interest rate environments between onshore and offshore markets, creating considerable challenges for Chinese high-net-worth individuals ("HNWI") making asset allocation decisions.

China's post-pandemic economic recovery proved to be slower than initially anticipated, dragging domestic equity capital markets along with it. A sluggish real estate market coupled with defaults on associated private credit products issued by certain wealth management and trust companies, has resulted in HNWIs adopting a much more cautious approach when compared to previous years. Overseas, central banks continued their battle against inflation driven by supply chain disruptions as the U.S. Federal Reserve's 'higher for longer' rates put significant pressure on risk assets across the board. Accordingly, the primary market has seen a slowdown in exits and institutional fundraising activities. However, advancements in AI and other technological breakthroughs promise to drive wealth creation in the next Kondratieff wave. Recognizing this potential, global fund managers are increasingly focusing on under-served private wealth channels to fuel primary market fundraising. As a leading private wealth manager recognized for its expertise in alternative investments and an extensive network of Chinese professional investors, this trend presents enormous opportunities for Noah.

Noah demonstrated its strategic foresight and adaptability in navigating this challenging market environment throughout the year by successfully transitioning from a product-focused model to a solutions-driven approach. This strategic shift has allowed us to assist clients in building portfolios that are resilient in the face of challenging market cycles. Our proactive decision to prematurely exit Chinese residential and commercial real estate starting in 2016 and fully exit non-standardized single-counterparty private credit products in 2019 has earned us significant trust from existing and prospective clients. Our semi-annual CIO house view and CCI model reflect our latest asset allocation advice and combine them with our full suite of wealth management products and services. This strategic approach has further resonated with clients during recent market volatility. As other firms grapple with the fallout from the real estate crisis and private credit defaults, client confidence in our ability to protect their wealth has only strengthened. This strategic foresight highlights our core "customer-centricity and bottom-line resilience" values and robust credentials as a leader in the global wealth management industry for Mandarin-speaking HNWIs.

Catering to the unique wealth management needs of Mandarin-speaking HNWIs around the world

The changing market landscape of the wealth management industry in China presents us with both challenges and opportunities. Mandarin-speaking clients have increasingly been targeted by various private banks across Asia over the past few years. These clients have historically never experienced traditional market cycles before or adopted mature wealth management and investment strategies. Through experience and education, their approach to markets is maturing as they increasingly acquire a more sophisticated international perspective. Having served these clients for decades onshore, we have earned their long-term trust and acquired a deep understanding of their backgrounds and needs which uniquely positions us to guide them as they expand their horizons overseas. Combining our personalized service model and expanding portfolio of global products provides us with a significant competitive advantage to attract this demographic. Domestically, we have observed a shift in risk tolerance amongst our clients which requires them to make strategic adjustments to their portfolios as the pace of exits from primary market funds slows. In response, we optimized the structure of product distribution and focused resources on the management of exit strategies, all while maintaining regular communication with clients to ensure they understand every step that is being taken in anticipation of a market recovery. Going forward, we will continue to invest in our capabilities globally, including the establishment of a robust international network, refining our research capabilities to identify the best investment opportunities, and integrating cutting-edge technologies. Through these strategic investments, we are solidifying our position as the leading wealth and asset management partner for Mandarin-speaking HNWIs worldwide.

In 2023, we conducted in-person portfolio reviews with clients both in Hong Kong and overseas, revealing a noticeable shift in their wealth management needs through our interactions. Many of these clients are successful entrepreneurs that have begun prioritizing asset liquidity, security, and global diversification as they expand their businesses and settle down overseas. This is a noticeable shift from their historical focus on specific products and returns and requires comprehensive wealth management solutions and a deep understanding of their specific needs. These priorities directly align with our 'holistic solutions' approach.

We focused on strengthening our ability to offer comprehensive wealth management solutions to clients globally over the past year. One of our key priorities was to refine Noah's global alternative asset product matrix. We are seeing top global private equity fund managers increasingly focus on private wealth channels for fundraising with retail investor-friendly products and liquidity features to attract capital. The composition of our client base and expertise in alternative investments positions us as the ideal partner for global asset managers. This unique combination allows us to leverage our strengths and assist clients in strategically allocating assets, driving growth in our AUM globally.

We followed client demand in 2023 and made significant progress in expanding our international private banking presence. As of the end of 2023, we have onboarded 89 overseas relationship managers and are targeting a headcount of 200 by the end of 2024 and over 300 by 2025. The highly skilled professional team we are building will better serve client needs and deepen our share of their USD asset allocation while at the same time increasing our profile and competitiveness among local Mandarin-speaking HNWIs globally. As a result, we expect to grow Assets Under Advisory (AUA) from US$8 billion to US$20 billion by 2026.

Evolving our offerings

In 2023, we successfully transitioned our service model from product-focused to a solutions-driven approach which will enhance our overseas business and improve the resilience of client portfolios. As part of this transition, we launched our **CATS asset allocation** solution in 2023: **C**ash and liquidity management, **A**lternative global secondary market products, **T**rans-cycle global private market products, and **S**ecurity and **S**uccession-planning focused wealth preservation solutions. Recognizing the high interest rate environment, we developed and launched USD cash management, private credit, private infrastructure, hedge fund solutions, and structured product offerings to allow our clients to capitalize on these opportunities. We also took advantage of the depressed valuations in private markets as an entry point to launch new buyout, PE secondary, and early-stage VC funds. Finally, with geopolitical friction top-of-mind for Chinese investors, we continued to build out our global insurance product network and trust services for succession planning and asset segregation.

As we look ahead to 2024, there are differing views in the market on how interest rate movements will play out. This could make for a volatile trading environment, presenting opportunities for hedge funds to generate alpha returns. Furthermore, as the risk-free rate trends downwards, equities are expected to look more attractive as the year goes on. However, geopolitical risk will persist with several key economies holding elections in 2024 and international conflicts looking likely to persist. As a result, demand for asset security and diversification, insurance products and other defensive-driven strategies, and multi-regional wealth management services is expected to remain high among clients.

Investing in Noah

Throughout the year, we continued to enhance our capabilities globally to maintain our core competitive advantages. This included building out our team of experienced relationship managers, developing an expanded portfolio of products, strengthening research capabilities, and developing and integrating cutting-edge technologies.

Global talent acquisition was a major focus for us over the past year. Noah's global team is now evenly split between core domestic employees, locally recruited overseas employees, and fresh graduates from leading universities globally. We are carefully balancing fresh new perspectives and insights from recently onboarded experienced professionals with our historical team to drive our global expansion and preserve our company culture.

Extensive research was conducted to identify overseas markets with high concentrations of wealthy Chinese-speaking investors and adopted a capital-light approach to establishing a presence in key localities without major upfront investment. In 2023, we officially launched our office in Los Angeles and are in the final stages of rolling out new service offerings in the UAE. Looking ahead, we are assembling a task force of experienced professionals to explore markets globally with significant potential including Japan, Southeast Asia, Europe, Australia, and Canada.

We continued to make upgrades throughout our technology stack aimed at improving the client experience globally and maximizing internal efficiency. In 2023, we added cash management solutions, hedge funds and structured products to iNoah One Account, our comprehensive global wealth management solution. On the domestic front, we gave clients access to one-click CCI portfolio reports enabling them to instantly tap into our extensive in-house research resources and product recommendations. We also enhanced our CRM system which generated significant time savings for relationship managers. We were the first broker in Hong Kong to launch a fully online underwriting process that offers insurance premiums payments through our Hong Kong nominee account, a significant enhancement for our insurance services. We are also working with a global insurer to streamline our underwriting processes across Hong Kong, Singapore, and Bermuda, which is expected to maximize client service efficiency.

Our efforts to improve our offerings have been widely recognized by the industry. Noah was named "Best Wealth Manager for HNWIs" and "Best Wealth Manager for Overseas Asset Management" by Asiamoney in 2023. Noah also received the award for "Best Independent Wealth Manager – China" at Asian Private Banker's 13th Awards for Distinction. In addition, iFast recognized Noah as the "Best Wealth Management Platform – Investments and Digital Innovation" in 2023.

Noah's next chapter

As we embark upon the next stage of our journey, we are pleased to announce a change to our leadership structure, demonstrating our commitment to global corporate governance best practices and operating in the best interest of our shareholders. The roles of chairperson and CEO were separated with Mr. Zhe Yin appointed to serve as CEO, and Ms. Jingbo

Wang retaining her position as Chairwoman of the Board. This decision will enhance organizational efficiency, promote collective decision-making, and generate opportunities for Noah's deep bench of management talent.

As a co-founder, Mr. Yin has been a part of Noah's journey since the beginning. He played a pivotal role in building Gopher Asset Management and possesses a deep understanding of Noah's operations and our client-focused company culture. Ms. Wang will support Mr. Yin in his new role while continuing to steer Noah's overall strategy. In addition to her responsibilities for board management and corporate governance, Ms. Wang will devote more time to leading Noah's human capital management and strategic initiatives.

Our globalization strategy hinges on fostering a world-class talent pool. We are actively recruiting seasoned professionals with international experience and diverse financial industry expertise and investing heavily in developing our current team, empowering them to contribute more meaningfully to our global expansion. This strategy necessitates significant engagement overseas from key management, often requiring extended periods abroad to build new businesses and develop markets. To support key personnel as they execute these initiatives, incentivize their long-term commitment, and align their interests with our success, we are enhancing their compensation structure with efficient long-term oriented equity incentives.

As we enter this new era of governance at Noah, creating value for shareholders remains our top priority. We will continue pursuing our international expansion plans by investing in our technological infrastructure, client services, and product partnerships, while maintaining our fundamental commitment to client data security and privacy protection. Our capital-light approach, solid and sustainable ability to generate revenues and profit, and robust balance sheet allow us to return cash to shareholders through a recurring capital management and shareholder return program and increase return on equity for investors. For the year 2023, subject to shareholder approval at the AGM, the Board has approved an annual dividend of RMB509.0 million (USD71.7 million), representing 50% of full year 2023 non-GAAP net income attributable to Noah shareholders. Aside from the annual recurring capital allocation budget, subject to shareholder approval at the AGM, the Board has also approved a special dividend of RMB509.0 million (or USD71.7 million), equivalent to 50% of our non-GAAP net income for 2023, to further enhance shareholder return and return on equity. Altogether, our combined shareholder return for 2023 will amount to RMB 1.0 billion (or USD143.4 million), equivalent to 100% of our annual non-GAAP net income, and will provide an attractive cash yield of 21.2% to investors based on our current market capitalization[1]. We are also committed to creating long-term value for our shareholders through sustained dividends and other forms of capital allocation program in the long run.

We would like to extend sincere thanks to our clients, shareholders, and all other stakeholders for their steadfast support over the past year. We look forward to creating value for our shareholdings by executing on our strategy and capitalizing on the growth opportunities in the global wealth management sector for Mandarin-speaking HNWIs in the year to come.

Sincerely,

Ms. Jingbo Wang
Chairwoman of the Board

Mr. Zhe Yin
Chief Executive Officer

[1] Based on Noah's NYSE closing stock price of US$10.12 on March 26, 2024 (before FY23 result release).

ABOUT NOAH HOLDINGS LIMITED

Noah Holdings Limited (NYSE: NOAH and HKEX: 6686) is a leading and pioneer wealth management service provider offering comprehensive one-stop advisory services on global investment and asset allocation primarily for Mandarin-speaking high-net-worth investors. In 2023, Noah distributed RMB74.1 billion (US$10.4 billion) of investment products. Through Gopher Asset Management, Noah had assets under management of RMB154.6 billion (US$21.8 billion) as of December 31, 2023.

Noah's wealth management business primarily distributes private equity, private secondary, mutual funds, and other products denominated in RMB and other currencies. Noah's network covers major cities in mainland China, as well as Hong Kong (China), Taiwan (China), New York, Silicon Valley, Singapore, and Los Angeles. A total number of 1,252 relationship managers across 44 cities provide customized financial solutions for clients through this network and meet their investment needs. The Company's wealth management business had 455,827 registered clients as of December 31, 2023. Through Gopher Asset Management, Noah manages private equity, public securities, real estate, multi-strategy, and other investments denominated in Renminbi and other currencies. Noah also provides other services.

For more information, please visit Noah at ir.noahgroup.com.

SAFE HARBOR STATEMENT

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "confident" and similar statements. Noah may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission, in its annual reports to shareholders, in announcements, circulars or other publications made on the website of The Stock Exchange of

Hong Kong Limited (the "Hong Kong Stock Exchange"), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about Noah's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. These statements include, but are not limited to, estimates regarding the sufficiency of Noah's cash and cash equivalents and liquidity risk. A number of factors could cause Noah's actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: its goals and strategies; its future business development, financial condition and results of operations; the expected growth of the wealth management and asset management market in China and internationally; its expectations regarding demand for and market acceptance of the products it distributes; investment risks associated with investment products distributed to Noah's investors, including the risk of default by counterparties or loss of value due to market or business conditions or misconduct by counterparties; its expectations regarding keeping and strengthening its relationships with key clients; relevant government policies and regulations relating to its industries; its ability to attract and retain qualified employees; its ability to stay abreast of market trends and technological advances; its plans to invest in research and development to enhance its product choices and service offerings; competition in its industries in China and internationally; general economic and business conditions globally and in China; and its ability to effectively protect its intellectual property rights and not to infringe on the intellectual property rights of others. Further information regarding these and other risks is included in Noah's filings with the U.S. Securities and Exchange Commission and the Hong Kong Stock Exchange. All information provided in this press release and in the attachments is as of the date of this press release, and Noah does not undertake any obligation to update any such information, including forward-looking statements, as a result of new information, future events or otherwise, except as required under the applicable law.

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