

# Personal Investing in 2026

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A Simple Framework for a Complex World

# Overview



## About Myself

EEE@NTU → Quant →  
MFE@Berkeley

Research & Portfolio Management at  
systematic hedge fund

Investor, Runner, Community Advocate

## What I'll Cover

- Why rule-based investing often outperform predictions
- A “**Resilience + core + Satellites + Alternatives**” framework
- Why investing in yourself may be the highest-return strategy in an AI era

## What I'll Not Cover

- Not a Financial Advisor/CPA
- Market Timing or Macro Views
- Active Investing / Specific Securities
- Personal views, not employer's

# Five Steps to Begin Personal Investing

01:  
why

## Decide to Invest

The answer is **almost always yes**. Every situation is unique, but building wealth requires participation.

02:  
When

## Start Now

Sooner is better. If you haven't started yet, the **best time to begin is today**.

03:  
How

## Self-Management vs Leveraging others

Learn to **handle your own investments**. Most **don't need** expensive advisors or private bankers.

04:  
Where

## Optimize Setup

Start with a simple setup. Maximize **tax benefits** and choose the **lowest-fee** products to express your views.

05:  
What

## Stick to a Simple and Consistent Framework

Stick to a **simple, long-term investing framework** for sustainable growth.

# Personal Investing: Defining Objectives

## 1. Total Return vs. Utility

**Return** is a math problem; **Utility** is a human one. We don't just invest for numbers; we invest also for satisfaction and security.

## 2. The Return Equation

**Return = Cash + Beta + Alpha - Cost**

**Cash:** the return on cash

**Beta:** The excess return of a market (beta) above cash

**Alpha:** The excess return above beta through manager skill

**Cost:** all the fees that drag your returns down (fees, tax)

## 3. The Utility Function

**Utility =  $\lambda_1 \times U(\text{Return}) - \lambda_2 \times U(\text{Risk}) + \lambda_3 \times U(\text{Peace of Mind})$**

High return is usually associated with high risk

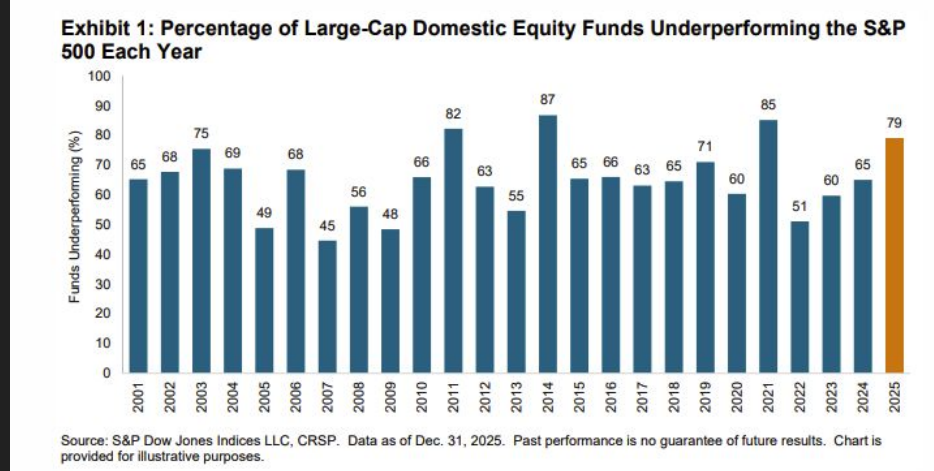
**Peace of Mind:** The ultimate, underappreciated goal.



**CORE OBJECTIVE:** Maximize utility over the long-run.

# Personal Investing: Active vs Passive?

- **Active investing is NOT suitable for vast majority of people.**
  - **Know your competition:** hedge funds with dedicated research team (quants, Phds) and compute infrastructure, HFTs
  - **Know your competitiveness:** your career
  - **Know the history:** most active funds underperform passive index. 79% of all active large-cap U.S. equity funds underperformed the S&P 500 in 2025.
- **Stay passive is usually wise.**



# A Simple Framework for Long-term Personal Investing



## 1. Resilience

Cash in high-yield savings and liquid reserves to ensure resilience during market volatility.



## You

Investing in yourself: The highest-return strategy in an AI-driven era. Your skills are the ultimate asset.

**CRITICAL**



## 2. Core

Equity, bonds, and gold via low-cost, broad-based index products.



## 3. Satellites

Growth, cashflow, and thematic exposure that complements the core.



## 4. Alternatives

Hedge funds, VC, real estate, collections, and structured products.

# Framework: Asset Allocation Strategy



## Resilience

- Emergency fund: 3-6 months expenses
- Pay down high-interest debt
- High-yield saving account
- Maximize 401k/IRA/HSA tax benefits



## Core Portfolio

- US Equities: S&P 500, Nasdaq, High Dividends
- Intl Equities: All World-ex US, Japan
- Stability: Gold, Treasuries
- Strategy: Automatic dollar-cost-averaging schedule



## Satellites

- Capture Secular Trends: e.g., AI-focused segments
- Complements: Tech or Regional offsets; Crypto
- Discipline: Understand holdings; no timing



## Alternatives

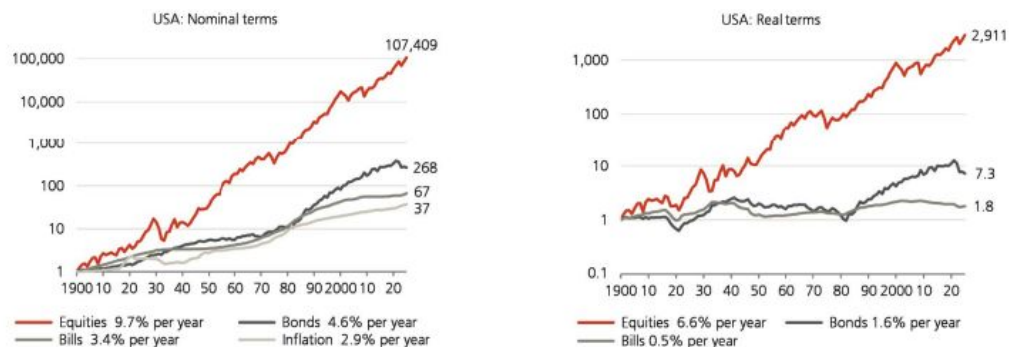
- Stable core must be established first
- Hedge Funds, VC, Real Estate, Collections

ADVANCED

# Triumph of the Optimists: 101 Years of Global Investment Returns

- **Equities performed best since 1900 in the United States and the United Kingdom.**
  - An initial investment of USD 1 in US equities grew to USD 107,409 in nominal terms by end-2024.
  - Long bonds and Treasury bills have lower returns, although they beat inflation. The annualized returns were 9.7% for equities versus 4.6% on bonds, 3.4% on bills and inflation of 2.9% per year.
- **This time is different... or not?**

Cumulative returns on US and UK asset classes in nominal terms (left); real terms (right), 1900–2024



**S&P 500 Total Returns: Growth of \$1**  
(Data via YCharts: Sep 1989 - July 2025)



# Equity (Stocks) and Bonds

- **Equity ( The "Rearview Mirror" Trap)**
  - **Equity Investors Extrapolate:** Unlike in other markets, stock market investors have a strong behavioral bias to extrapolate recent trends in returns and earnings growth into the long-term future (*Understanding Return Expectations, AQR*).
  - **Lower Future Prospects for US Stocks:** Historically, US equities have delivered massive long-term returns.
  - **US vs. Non-US Equities:** mind the valuation and growth gap.
- **Bond (The "Rubber Band" Effect)**
  - Yields have finally risen back to positive levels, the future expected returns for bonds are stronger today than they were in the past.



# Gold, Silver, and Copper

- **The case for gold and silver**
  - **Gold:** central bank demand, hedge against inflation, geopolitical risk, and currency devaluation
  - **Silver:** "specialist" for high-speed performance (price inelastic demand)
  - **Copper:** copper is the "workhorse" for power delivery
  
- **Should I invest in precious and base metals?**
  - Asset allocation pillar in a diversified portfolio
  - Do not expect 2025 returns to be the norm
  
- **How to invest**
  - Physical (recommended approach for gold and silver)
  - ETF/ futures



# All Weather Portfolio: Economic Season Diversification

**Strategic Goal:** Achieve **equal risk contribution** (i.e., **risk parity**) across macro regimes.

**Allocation:** 45% Bonds, 40% Stocks, 15% Gold/Commodities. Adjust for higher **Equity** if less risk-averse.

## RISING GROWTH (25% RISK)

### Target Assets:

- Equities
- Commodities
- Corporate Credit



## RISING INFLATION (25% RISK)

### Target Assets:

- Inflation Linked Bonds
- Commodities
- Gold



## FALLING GROWTH (25% RISK)

### Target Assets:

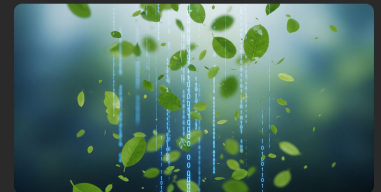
- Government Bonds



## FALLING INFLATION (25% RISK)

### Target Assets:

- Equities
- Bonds



# Navigating AI

**AI is here to stay, but winner and losers will rotate**

**Timing the winner and loser is very hard**

**Bet on things that both winner and loser will need**

**Leverage AI with agency and taste**

**Diversify away from AI**



# Investing in Yourself!

- **Treat yourself as a company**
  - What's its brand and competitive edge?
  - How to maximize its top-line (revenue) and bottom-line (profit)?
  - Maximize leverage (process, people, capital)
- **The 3 financial statements of Me, Inc**
  - Balance Sheet: focus on first decade of career
  - Income Statement: focus on second stage
  - Cashflow statement: focus closer to retirement
- **How to choose the career**
  - Play for you, work for others (Naval Ravikant)
  - The 5 New: industry, company, department, team, role
  - Focus on what AI won't replace

