



This document is intended for investment professionals and eligible counterparties only.



A Guide to the 8AM AQ Sustainable Managed Portfolio Service

Striving to create more consistent investment outcomes, lower costs and clearer reporting.

If you have any questions, please don't hesitate to call our dedicated team on:

0203 327 3277
portfolios@8amglobal.com
8amglobal.com



A Guide to the 8AM AQ Sustainable Managed Portfolio Service

We offer a range of six risk-rated investment portfolios, managed by an experienced team and designed to help your clients reach their investment goals using three key principles;

Consistency

To use investment management principles that focus on the provision of consistent and measurable outperformance at all times. We ensure a robust and repeatable process, that is easily explainable to clients.

Cost

To strive to keep portfolio costs proportionate, our management fee appropriate and to clearly evidence the value of any active fund managers utilised.

Clarity

To always provide clear, data-driven rationale for all portfolio decisions.

0.15%
Management Fee



Introducing 8AM Global

Who are we?

8AM Global are a boutique asset manager obsessed with designing and operating the best Model Portfolio Service (MPS) solutions in the marketplace. Founded in 2006, the 8AM team has focused almost entirely on the development and provision of MPS since 2015.

The 8AM team was assembled based on their individual areas of expertise and experience from adviser firms, platforms and risk profilers. We are adviser-led in everything we do, with all aspects of the service being designed to add value.

What makes us different?

Fund selection, by even the most experienced investment management team, can suffer from unavoidable human cognitive bias. This can take a variety of forms, but often manifests itself in a manager's unwillingness to sell a fund when it starts to underperform, as there is a fear of being proven wrong in their initial

decision, and the hope of thinking the fund will recover its losses.

Utilising quantitative screening (such as AQ) to select funds, has no attachment to any one style or manager and will dispassionately highlight funds to sell when the data supports the decision.

The AQ system effectively replaces teams of fund analysts found at other more traditional asset management groups and replaces them with a rules-based framework, led by data.

In addition, to mitigate cost, increase diversification and reduce volatility, the 8AM AQ MPS also makes extensive use of passive investment funds. Passive funds are simpler by nature, and therefore usually offer lower investment charges, but can produce similar long term investment returns to more costly options. These passive allocations complement the primary 'AQ driven' equity sectors within the models. Whilst the use of Passive fund exposure has the positive effect of keeping our portfolio costs low, their application is a key foundation of the AQ MPS investment process - keeping portfolio liquidity as high as possible.

Liquidity, in this context simply means the ability of the portfolios and underlying funds to trade quickly and efficiently. In order to operate our strategy, we must be able to move into and out of funds at our discretion.

Simply put, our mantra is...

To deliver sensible asset allocation and focus our attention on fund selection as a more consistent way to produce repeatable, quantifiable outperformance via Data Driven Investing."



How does it work?

At each point of review, the AQ system screens every fund within each IA sector. Each fund is reviewed using a series of factors, to create a ranked score relative to all other members of the sector.

There are 12 factors being measured, each looking at a different form of risk or performance data for each of the funds we might use. For simplicity, we group these factors into three subsets, ‘Core’, ‘Responsive’ and ‘Defensive’ – each providing a different datapoint to build up a clear view of the value offered by each fund.

Core

Core factors focus on the 3 year risk adjusted return of a fund and make up of the majority of the factors in our screening.

Alpha

Beta

Positive Periods

Sharpe

Sortino

Upside Capture

Responsive

Responsive factors are focussed wholly on the short term performance and momentum of a fund.

1 Month Performance

3 Month Performance

6 Month Performance

Defensive

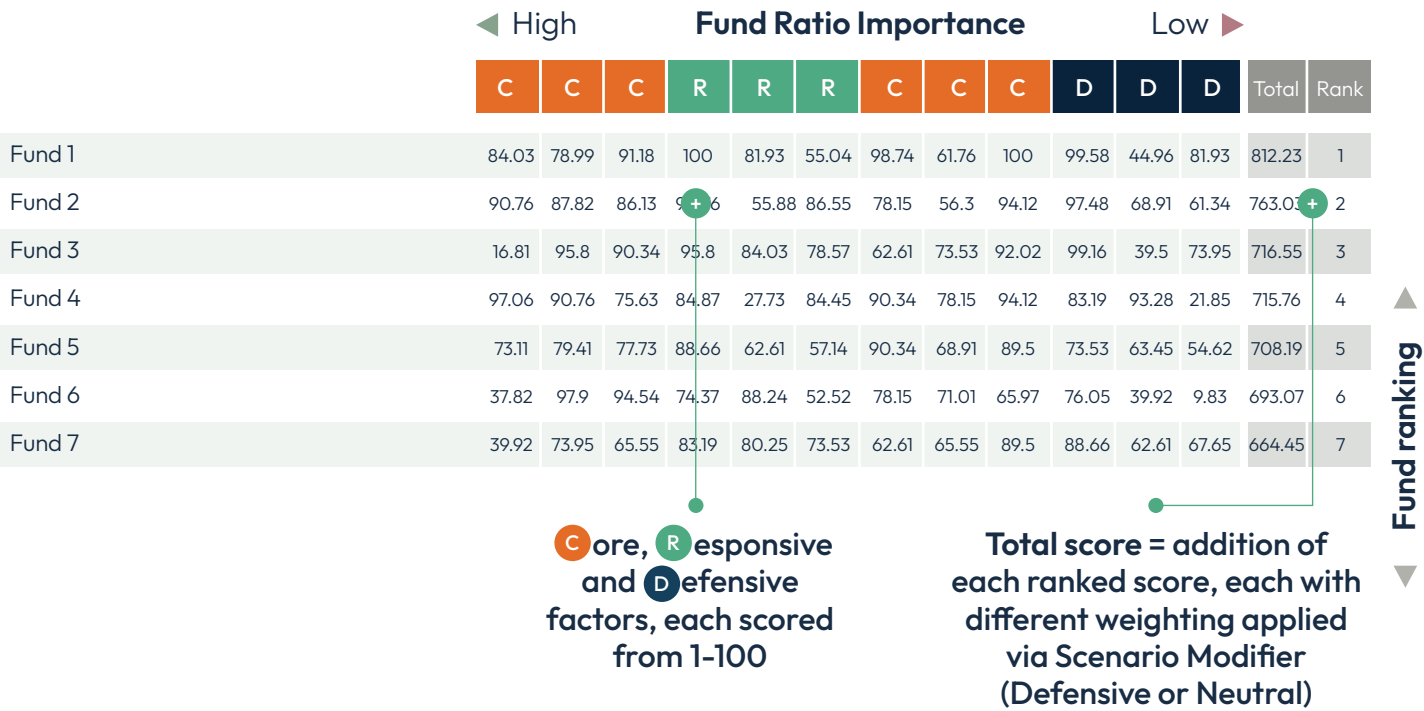
Defensive factors allows us to measure the volatility and drawdown of a fund over the last 3 years.

Max Loss

Volatility

Max Drawdown

Once the system has scored and ranked all the funds, it produces a ‘league table’ of quantitative financial ratios and relative performance.



In addition, our AQ fund selection is overlaid with an ESG filter, designed to produce a quantitative outcome encapsulating each individual fund’s approach to environmental, social, governance (ESG) factors. We do not systematically apply specific exclusion criteria for individual themes, but instead we choose to focus on maintaining an overall portfolio ESG score to ensure your clients investments are positioned in accordance with our strict thresholds.

To analyse the funds, we make use of the Morningstar fund database which ranks over 20,000 different funds based on their ‘Sustainability rating’. The Morningstar Sustainability Rating is a measure of how well the companies held by a fund are managing their ESG risks and opportunities when compared with similar funds. They make use of company-level ESG data from Sustainalytics, a leading provider of ESG ratings and research. Every fund with at least 50% of their assets in firms that have been assigned company-level

ESG ratings by Sustainalytics will receive a rating via the Morningstar database.

Morningstar create a fund Sustainability rating in two steps; first they create an absolute score by asset weighting the Sustainalytics scores of the constituent holdings of the fund – with deductions made for controversies currently affecting those companies. Then, that score is split into five groups based on the scores of its ‘Morningstar Category’ peers – thus creating a ranked table, not unlike AQ. Whilst not possible for all sectors, at all times; we target an overall portfolio

minimum score of ‘Above Average’ – and always seek to exclude funds with ‘below average’ or ‘low’ ESG ratings.

This additional screening ensures that your clients portfolio is aligned with their sustainability goals in a clear, quantifiable way. Our portfolios are ideal for clients who want an ESG tilt to their investments, but don’t want to be limited by tactical limitations that come with full thematic exclusion. Our investment process looks to balance the need to invest sustainably for the future with the provision of client value over shorter time horizons.

Sustainability Ranking Guide

Distribution	Description	Rating Rank
Highest 10%	High	● ● ● ● ●
Next 22.5%	Above Average	● ● ● ●
Next 35%	Average	● ● ●
Next 22.5%	Below Average	● ●
Lowest 10%	Low	●



The AQ System...

...includes a number of responsive indicators to enable us to react quickly to funds that are falling. This helps us to avoid holding onto poorly performing funds for too long.

...Includes different scenarios that each take into account factors that have the greatest statistical impact on outperformance. Each of these scenarios are retested and optimised at regular intervals.

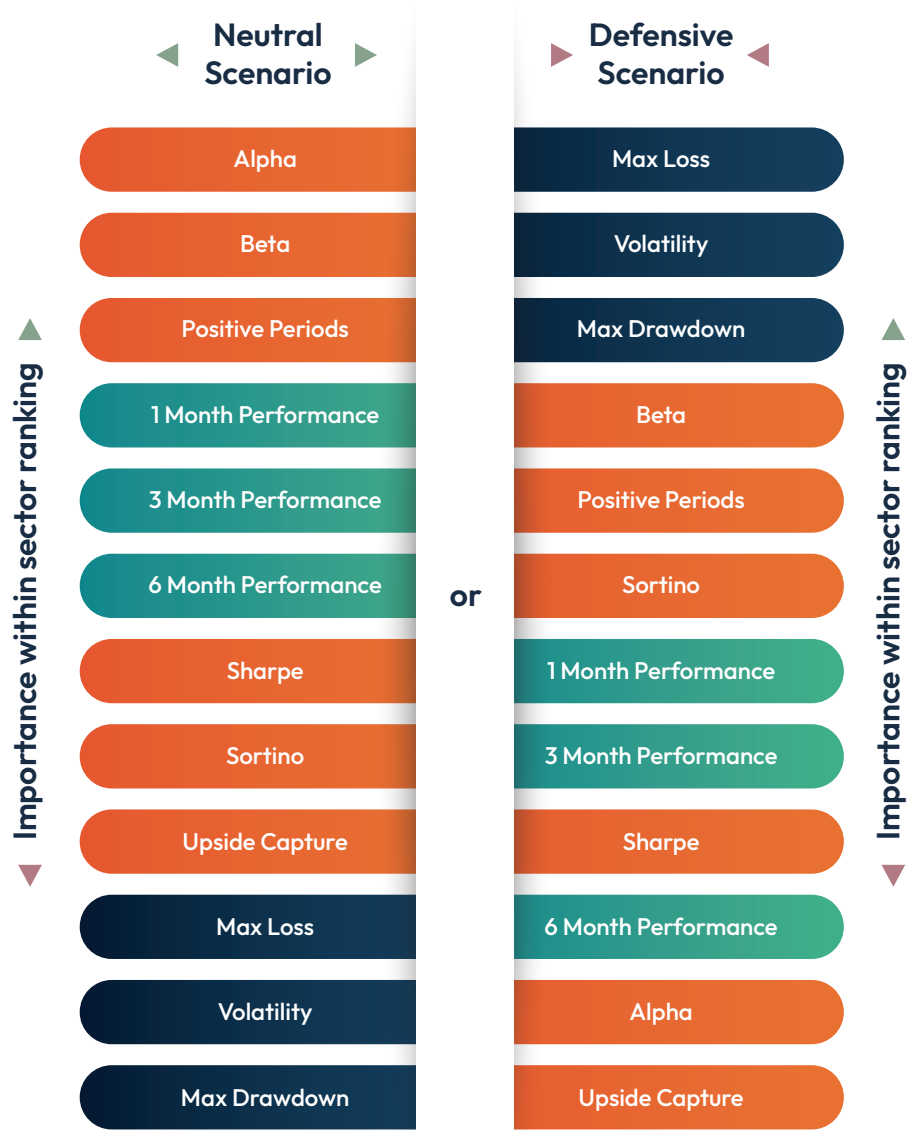
...Can be updated and run almost instantly - completing a full sweep of all available sectors in less than 15 minutes. This allows the team to quickly adapt to changing conditions.

...Allows the Investment Team to see at a glance the history of a fund's sector ranking and movement within its sector league table. This enables the team to identify funds which score consistently well over time, when selecting new positions.

AQ can operate with different areas of focus, to allow the investment team to select the scenario 'gear' of each sector that we invest in...

The Investment Team can replace any fund at their discretion, but the replacement fund must be of a higher ranked position. This allows the team to replace funds based on real-time macroeconomic factors that might disproportionately degrade fund performance.

AQ can operate with different areas of focus, to allow the investment team to select the scenario 'gear' of each sector that we invest in; 'Defensive' or 'Neutral'. These 'gears' allow the Investment Team to focus the sector screening on data that's relevant and responsive to current market conditions. As with our asset allocation, our default setting is 'neutral' and clear evidence needs to be demonstrated in order to move a sector 'defensive'.



Our portfolio review process



We provide an optional email reporting service to your clients. We can send an updated factsheet for their selected model(s) each month, confirming all the current charges and performance information. We can also send them a client version of our 'Portfolio Change Report', each time there is a review, which explains any changes that have been made and why. It is at your discretion whether you opt your clients in to receive these updates.

All documents, factsheets, guides and reports are available on our 8AM Adviser Portal 24/7. Plus we offer a wealth of other information, updates and documents to support you and your clients.



Summary

-  We seek efficiency, clarity, and consistency of investment decision-making above all else.
-  We utilise a robust and repeatable, evidence-based and value-focused investment process
-  Our unbiased and data-driven asset allocation strategy allows us to keep our portfolios positioned appropriately relative to other market participants
-  Our fund selection technology is proven to consistently add outperformance over time.
-  We pride ourselves on clear, regular and consistent communication, for advisers and clients.
-  We have a wealth of supporting documentation and data available 24/7 through our 8AM Adviser Portal, as well as a team of experienced individuals ready to support you however we can.



 **Consistency**  **Cost**  **Clarity**

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portfolios@8amglobal.com
8amglobal.com



Additionally team members can be reached:

Paul Hogg

Head of Distribution

paul.hogg@8amglobal.com

Nicole Boeri

Head of Adviser Relationships
& Communications

nicole.boeri@8amglobal.com

Ash Weston

Head of MPS


Tom McGrath

Chief Investment Officer

 **0203 327 3277**

 **portfolios@8amglobal.com**



 **0203 327 3277**

 **portfolios@8amglobal.com**

 **8amglobal.com**

 **The Thatched Office**
Manor Farm
Kimpton
Andover
SP11 8PG

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