8AM
GLOBAL

The 8AM AQ
Managed Portfolio Service

Client Guide

A Guide to the 8AM AQ Managed Portfolio Service

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

👤 Consistency

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

👤 Cost

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

👤 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.

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 detailed analytics 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 reduce 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 - allowing the portfolios to move freely and easily.
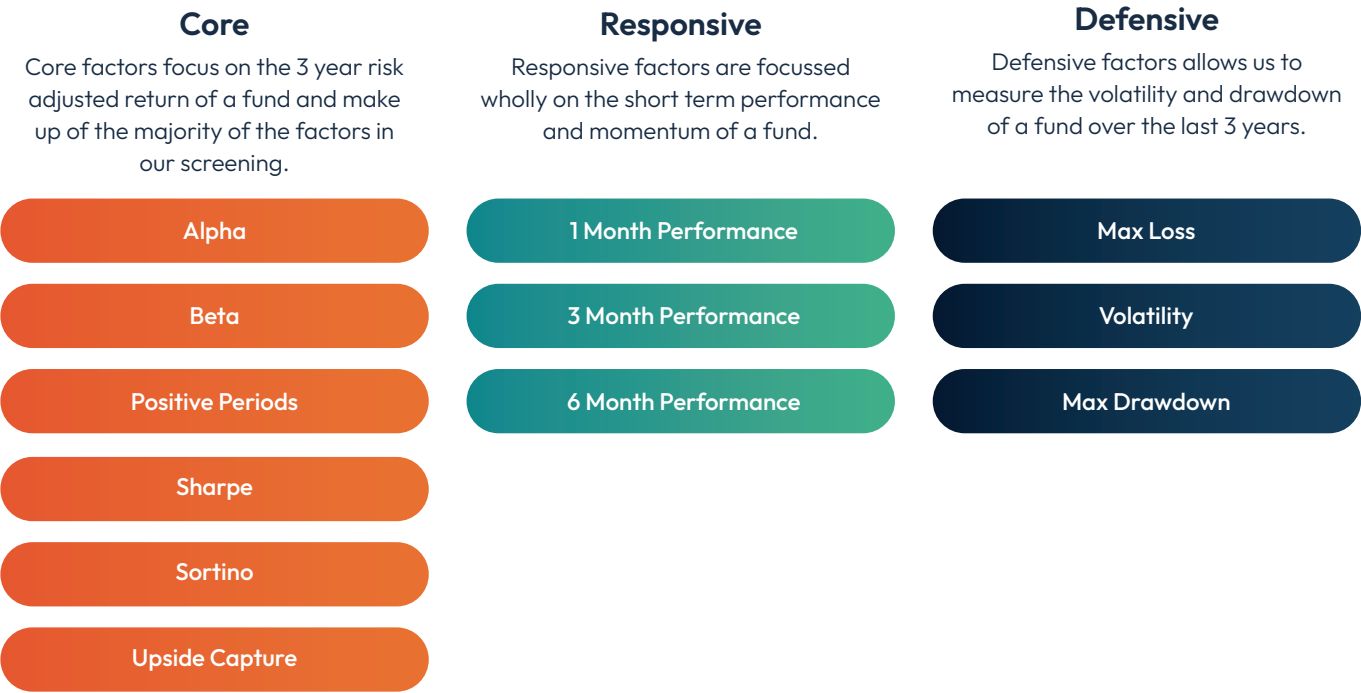
Simply put, our mantra is...

> 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

For more information on what these measures mean, please speak to your Financial Adviser.

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

◀ High   **Fund Ratio Importance**   Low ▶

UK all companies sector	C	C	C	R	R	R	C	C	C	D	D	D	Total	Rank
Fund 1	84.03	78.99	91.18	100	81.93	55.04	98.74	61.76	100	99.58	44.96	81.93	812.23	1
Fund 2	90.76	87.82	86.13	90.76	55.88	86.55	78.15	56.3	94.12	97.48	68.91	61.34	763.03	2
Fund 3	16.81	95.8	90.34	95.8	84.03	78.57	62.61	73.53	92.02	99.16	39.5	73.95	716.55	3
Fund 4	97.06	90.76	75.63	84.87	27.73	84.45	90.34	78.15	94.12	83.19	93.28	21.85	715.76	4
Fund 5	73.11	79.41	77.73	88.66	62.61	57.14	90.34	68.91	89.5	73.53	63.45	54.62	708.19	5
Fund 6	37.82	97.9	94.54	74.37	88.24	52.52	78.15	71.01	65.97	76.05	39.92	9.83	693.07	6
Fund 7	39.92	73.95	65.55	79	80.25	73.53	62.61	65.55	89.5	88.66	62.61	67.65	664.48	7
Fund 8	15.13	71.85	89.08	86.55	81.93	49.58	78.15	46.64	75.21	84.87	30.25	84.45	654.92	8
Fund 9	77.31	63.45	78.15	95.38	21.85	39.5	62.61	26.89	81.51	97.9	9.24	97.06	654.54	9
Fund 10	81.93	81.51	59.66	65.97	73.53	80.25	62.61	69.33	75.21	81.09	68.07	48.32	654.54	10
Fund 11	83.19	94.12	87.39	44.96	98.74	48.74	78.15	51.26	52.52	46.22	55.04	62.61	652.9	11
Fund 12	18.07	98.32	96.64	96.64	48.74	39.92	37.82	44.12	81.51	97.48	12.18	95.38	651.13	12
Fund 13	57.14	71.01	75.63	66.39	80.25	65.13	78.15	57.98	70.59	71.85	61.76	65.55	648.49	13

Fund ranking

Core, **R**esponsive and **D**efensive factors, each scored from 1-100

Total score = addition of each ranked score, each with different weighting applied via Scenario Modifier (Defensive or Neutral)

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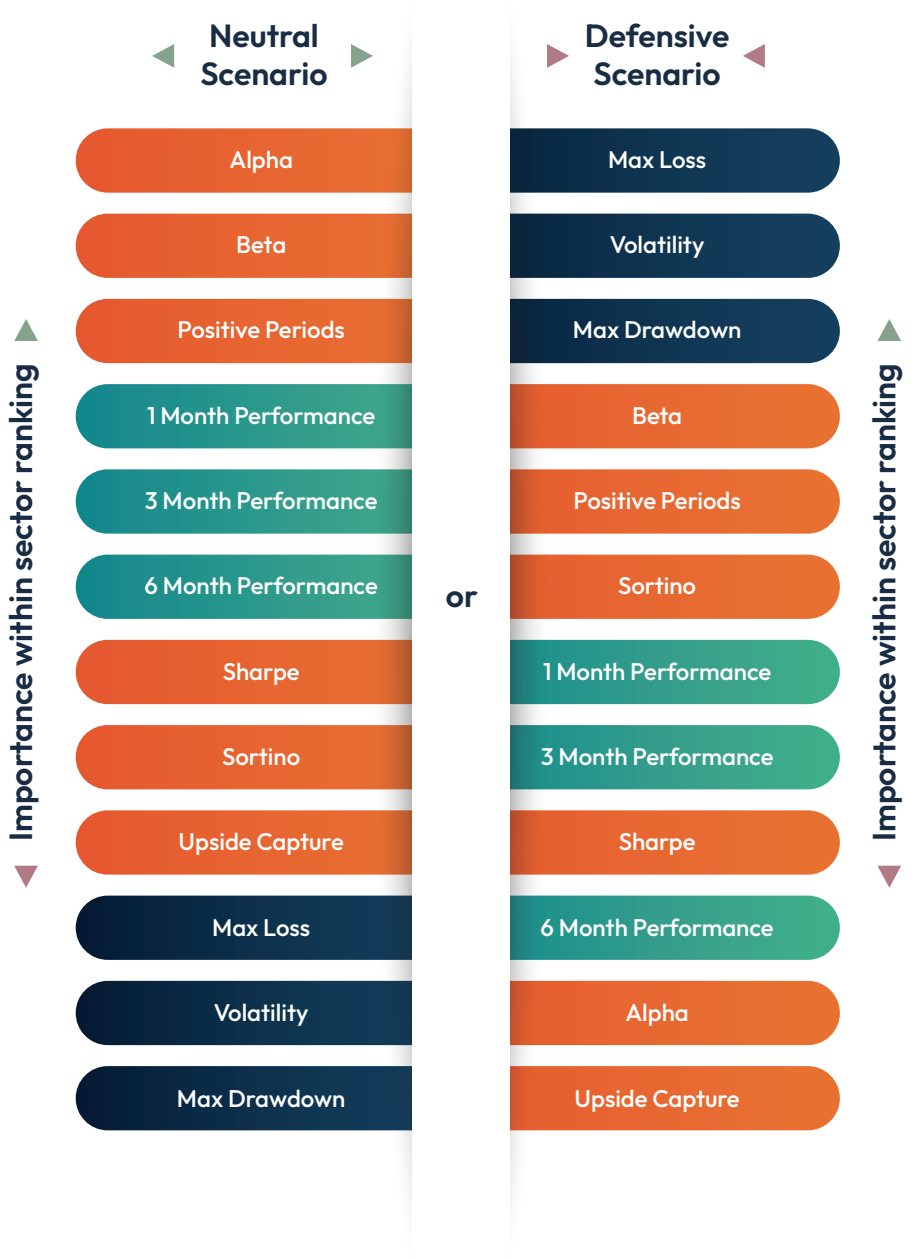
…includes different scenarios that each take into account factors that have the greatest statistical impact on outperformance. Each of these scenarios are retested and optimised at regular intervals.

…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 and adjust the scenario of each sector that we invest in.

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'.

Neutral Scenario

Importance within sector ranking

- Alpha
- Beta
- Positive Periods
- 1 Month Performance
- 3 Month Performance
- 6 Month Performance
- Sharpe
- Sortino
- Upside Capture
- Max Loss
- Volatility
- Max Drawdown

or

Defensive Scenario

Importance within sector ranking

- Max Loss
- Volatility
- Max Drawdown
- Beta
- Positive Periods
- Sortino
- 1 Month Performance
- 3 Month Performance
- Sharpe
- 6 Month Performance
- Alpha
- Upside Capture

Our portfolio review process

We publish our 'Portfolio - Change Report' - providing a full quantitative and qualitative breakdown for all portfolio alterations.

The models are reviewed every 2 months (adhoc reviews are possible in response to market events).

On the 4th working day of the review month the AQ system reviews all the funds within the models and within the UK Investment Association sectors.

Once approved, we make the necessary changes to the models on each investment platform, and align attached client wrappers.

AQ helps the Investment Team identify if any fund changes should be made within the models.

Once model changes have been agreed, these are sent to an external risk consultant for their independent review, to ensure portfolio changes do not alter the risk profile of the models.

Asset allocations are reviewed relative to strategic allocations provided by external risk consultants and shorter-term tactical positioning is reviewed against risk adjusted aggregate allocations from MPS peers.

Proposed changes are reviewed by the 8AM Investment Committee. Appropriate qualitative due diligence is performed on any new fund additions to ensure their suitability.

1 2 3 4 5 6 7 8

AQ MPS

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 team of experienced individuals ready to support you however we can.**

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🌐 8amglobal.com

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The 8AM AQ model portfolios are available across most investment platforms.
To invest or for more information please contact your Financial Adviser.