



The 8AM AQ Sustainable Managed Portfolio Service

Client Guide



A Guide to the 8AM AQ Sustainable Managed Portfolio Service

We offer a range of five investment portfolios, managed by an experienced team and designed to help you reach your 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 utilise 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 utilised.

Clarity

To always provide clear, data-driven rationale for all investment 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 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 client-led in everything we do, with all aspects of the service being designed to add value.

What makes our investment process 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 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 (Adaptative Quant) 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, we also make extensive use of passive index 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.

Simply put, our mantra is...

To provide sensible, unbiased 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 AQ work?

At each point of review, the AQ (Adaptive Quant) 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 focused wholly on the short term performance and momentum of a fund.

1 Month Performance

3 Month Performance

6 Month Performance

Defensive

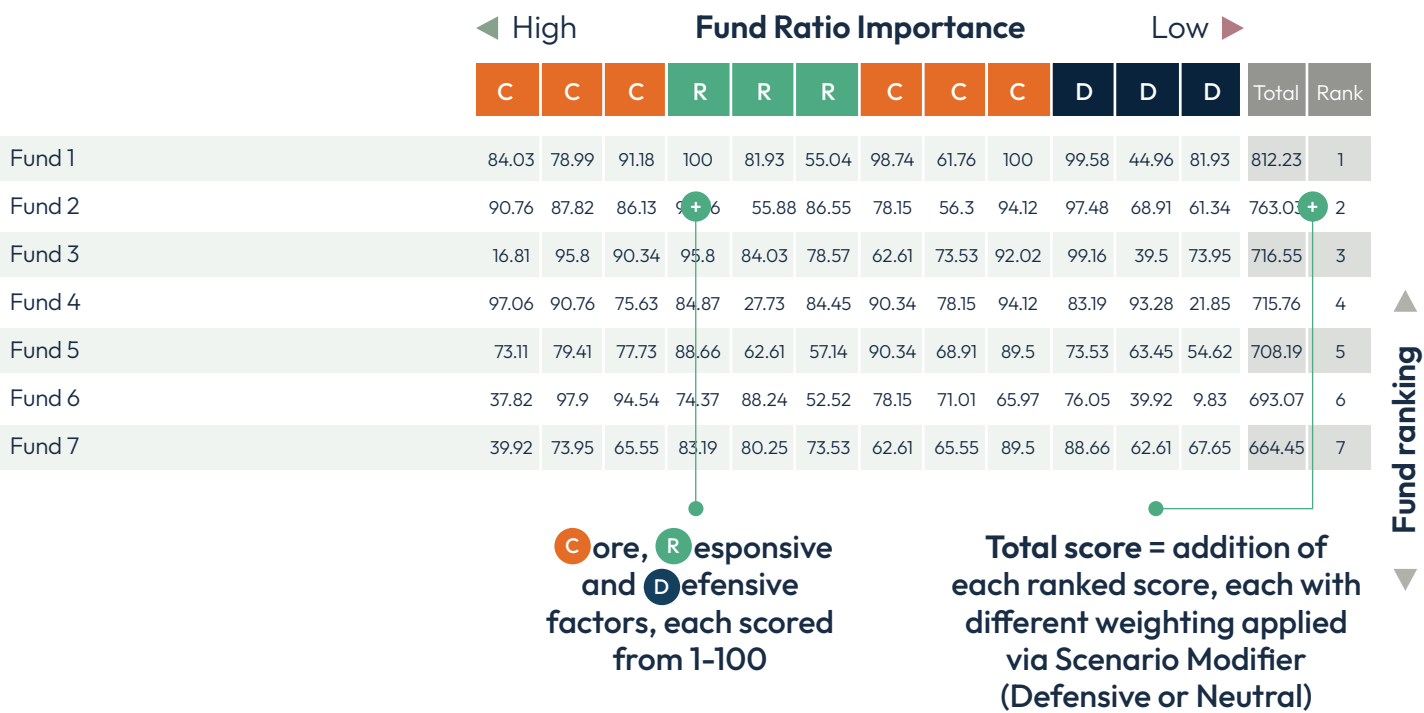
Defensive factors allows us to measure the volatility and drawdown of a fund over the last 3 years.

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.



Sustainability Screening

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 apply specific exclusion criteria for individual themes, but instead we choose to focus on maintaining an overall portfolio ESG score to ensure your investments are positioned in accordance with our strict thresholds.

To analyse the funds, we make use of the Morningstar fund database. 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.

The 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 portfolio is aligned with your sustainability goals in a clear, quantifiable way. Our investment process looks to balance the need to invest sustainably for the future with the provision of 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	●

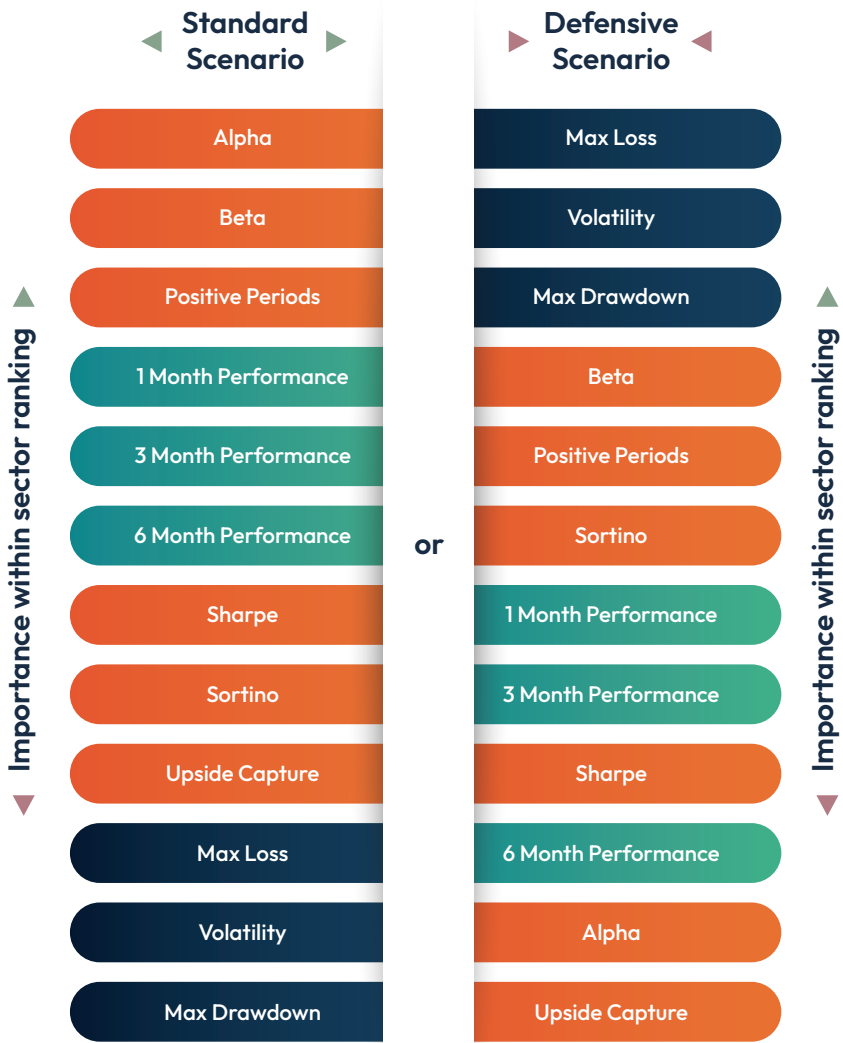
The AQ Process

The AQ Fund Monitoring Process

At each portfolio review, the Investment Team meticulously gathers data on every possible portfolio permutation, amassing a comprehensive database of well over 135,000 individual data points in each sweep. This thoroughness ensures that no potential investment avenue is overlooked.

AQ can operate with different areas of focus, to allow the Investment Team to select a scenario ‘gear’ for each sector that we invest in. 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 ‘standard’ and clear evidence needs to be demonstrated in order to move a sector ‘defensive’.

- We include 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.
- The system 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.
- Our database 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.



The AQ Asset Allocation Process

After the AQ fund monitoring process, a rigorous evaluation that assesses the performance and risk of all existing portfolio positions, has been run, the Investment Team samples allocation data from 1000+ independent multi-asset funds and model portfolios run by professional investors, categorised and sorted according to risk profile.

This provides a clear, comprehensive, and crowd-sourced view of the tactical positioning of other investment strategies. We use this diverse range of insights, gathered from a wide array of professional investors, as a baseline allocation for each portfolio, against which all portfolio allocation tilts are made.

These two huge data analysis exercises ensure that the AQ portfolios are reviewed in a robust, unbiased and repeatable manner. Investors can relax knowing that their investment strategy is being retested and scrutinised from the ground up at every review.



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In summary

Our 8AM AQ Sustainable range was launched in early 2022. Investors asked us to design and operate a version of our 8AM AQ Classic portfolio methodology with defined ESG screens that allowed our proprietary fund selection and monitoring process to operate as effectively as possible. The portfolios are offered at five distinct levels of risk, covering 3/10 – 7/10.

8AM AQ Sustainable Portfolios

The investment team uses the Morningstar™ Sustainability Ratings as their primary metric for determining the universe of funds that may be used. This relative measure takes many sustainability factors and boils the calculation down to a simple 1-5 score for each potential fund, creating a

straightforward and scrutable target, keeping the portfolios at a weighted Morningstar™ Sustainability Rating of 4/5 or above. All other facets of the unbiased and objective AQ investment process are identical to those of our other portfolio ranges. In our opinion, choosing to invest sustainably doesn't

have to mean investing in a restrictive way through volatile market cycles. Investment processes should be adaptive to change, and by combining the AQ process with an objective, the relative score for sustainability is a logical but ultimately pragmatic way to achieve investors' objectives.

Automated Portfolio Reporting

The 8AM Investment Team meticulously evaluates thousands of funds and asset allocations at each review, ensuring that every decision made is driven by data and empirical evidence. We have an optional service, to deliver straight to your inbox, our model portfolio factsheets and our Portfolio Change Reports, which keep you updated on what's happening with your investment portfolio.

At the point of each two-monthly portfolio review, once the Investment Team has finalised any alterations to the models, we collate and refine all our data and research into our Portfolio

Change Report to provide you with all the information you need to stay informed on our positioning. We can also deliver our regularly updated model factsheets, which provide information on performance, investments, and charges.

Our investors are at the heart of everything we do. We understand that you deserve the reassurance and empowerment that comes from understanding where and why your portfolios are positioned, without needless jargon. That's why we are committed to providing you with the

information you need to feel confident in our stewardship of your portfolio. To understand more about this service and sign up to receive reports, speak to your Financial Adviser.



Portfolio Risk Levels Available

8AM AQ Sustainable 3



30%
Equities

8AM AQ Sustainable 4



45%
Equities

8AM AQ Sustainable 5



60%
Equities

8AM AQ Sustainable 6



75%
Equities

8AM AQ Sustainable 7



85%
Equities

Please note – equity levels shown as examples only and shouldn't be construed as a target allocation or the allocation of an actual AQ portfolio.

Key points

- 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.



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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.

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