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8AM AQ MPS
Portfolio Change Report

March 2025

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Welcome to the March 2025 8AM AQ MPS Portfolio Change Report. This document has been designed to offer clarity and rationale concerning the current period of portfolio optimisation and alteration by the AQ Investment Team.

The team is available for discussion or for the provision of any supplementary data at your request. Please contact portfolios@8amglobal.com in the first instance.

AQ Fund Switches

We have run the AQ February month-end data on the existing portfolio positions and every fund available within the Investment Association sectors, in order to optimise the portfolio positioning. Adaptability to change as new data is presented and a high frequency of review are core tenets of our investment process.

At this review we have **zero AQ-powered fund switches** to report on, as all positions remain above tolerance and in many instances, at the top of their respective AQ sectors.

Additionally, we would highlight that changing the sector scenario of IA North America to 'Defensive' in response to volatility triggered by Trump policy has not resulted in a switch as the existing fund position remains acceptable in both scenario states.

Current Equity Sector Scenarios and Alterations

Our sector scenario 'gears' enable the Investment Team to responsively alter the focus of our fund screening in each sector in response to new information or potential risks not representative of the currently screened period. This offsets some of the usual risks of a quantitative screening process, such as waiting for the "bad" data to filter into the sample and allows us to respond quickly to a changing sector narrative.

In addition to allowing the team to manually adjust the sectors to dampen risk in response to new threats, a core driver of each sector 'gear' setting is its relative momentum. The Investment Team monitors each sector, tracking its 3, 6, and 12-month movement to calculate its overall momentum.

'When the data changes – we change our minds'. This idiom sits at the core of the AQ investment approach and what a period of change we've witnessed between January and now. We'll not waste time repeating what is already widely understood, but in short; President Trump's trade war and erratic communication has triggered a correction in the S&P 500 and Nasdaq which has resonated across global markets.

Last month, we reset the 'Defensive' state of IA Europe ex UK in response to a changing momentum and narrative that saw Europe an attractively priced alternative to the US and therefore we reset all our AQ scenarios to 'Standard' awaiting the outcome from Trumps next few weeks in office.

In short, the response to Trump's trade war is causing many to reset expectations for US growth. Whilst the fundamental economic picture remains intact and slowing inflation gives the Fed room to continue cutting (retaining the 'Fed Put'), Trumps historically 'pro-market' attitude has been challenged by messaging from the White House warning US citizens that they might have endure 'a period of transition' which is a stark change to his normal rhetoric.

Whilst a US recession wasn't on cards before – these thing have a habit of becoming self-fulfilling if the US consumer starts paying attention to the negative narrative.

This scenario is the ideal deployment of our 'Defensive' scenario gear. Investors will notice that IA North America is actually 'Neutral' from a momentum perspective, but the extremity of Trump's trade war and to a certain extent his increasingly protectionist attitude to global affairs is very much 'new data' that we all have to digest.

The end of US exceptionalism? Perhaps not quite yet – but the risk of recession, and therefore the end of this Bull Market are great enough that we have taken the defensive steps of removing both of our direct smaller cap positions and moved this weight into each respective geographic allocation.

The momentum shown by the other sectors tells the story of the current rotation away from the US and essentially toward "everywhere else" as the US becomes an allocation that is challenging to value over the short term and certainly impossible to endorse positively allocating to with so many plates in the air.

AQ sector and scenario settings

Sector Momentum	↑ Positive	→ Neutral	↓ Negative
AQ Scenario 'Gear'	✓ Standard	! Defensive	

Sector Monitored by AQ	Sector Momentum	AQ Scenario 'Gear'
IA UK All Companies	→ Neutral	✓ Standard
IA UK Equity Income	→ Neutral	✓ Standard
IA UK Smaller Companies	↓ Negative	Sector Exposure Removed
IA Europe ex UK	↑ Positive	✓ Standard
IA Japan	↑ Positive	✓ Standard
IA Global Emerging Markets	↑ Positive	✓ Standard
IA North America	→ Neutral	! Defensive
IA North American Smaller Companies	↓ Negative	Sector Exposure Removed
IA Asia Pacific ex Japan	↑ Positive	✓ Standard
IA Technology	→ Neutral	✓ Standard
IA Global	→ Neutral	✓ Standard

Source: 8AM Global Limited March 2025

Asset Allocation Alterations

Notable asset allocation changes and rationale

↑ Increase of Equal Weight S&P Index as part of US Equity allocation

We originally introduced the L&G S&P 500 Equally Weighted Tracker in January of 2025. This tracker does not follow the market cap weightings of traditional indexes, which are skewed toward the mega-caps. Instead, it provides an equal weighting to all 500 constituents of the S&P 500. Essentially, less portfolio weight goes into the very large companies, spreading the allocation more equally across all market sectors of the US.

↓ Reduction to US Exposure overall

A key adjustment this period has been a measured reduction in US equity exposure across the risk spectrum. While the US remains an economic powerhouse, recent data points indicate that **growth momentum is slowing**. While fiscal spending remains supportive, tighter monetary conditions and policy uncertainty—particularly around tariffs and corporate taxation—have increased risks to earnings growth.

We have chosen to scale back our US equity allocation in favour of European and Asian equities, where we see greater earnings growth potential.

🡩 Increase to UK, Europe, Japan & Emerging Markets

With fiscal expansion in the UK and Europe providing a counterweight to weaker global growth, we are selectively increasing our exposure to these regions. **European equities continue to offer compelling valuations compared to the US**, while increased fiscal stimulus and potential monetary easing provide a supportive backdrop.

Similarly, we have marginally increased exposure to Asia, particularly in sectors and geographies that are benefiting from post-pandemic supply chain realignments and **domestic policy support**. While **China remains a wildcard**, targeted stimulus measures are stabilizing growth, and other Asian markets are presenting strong investment opportunities.

🡫 Reduction in Small Cap exposure across US and UK

These companies tend to have weaker balance sheets, higher borrowing costs, and less pricing power, making them more **vulnerable as growth slows and credit conditions tighten**. With consumer sentiment weakening, inflation still pressuring margins, and the Fed on the fence about rate cuts, **smaller caps face greater earnings risk** than larger, more resilient businesses.

In the UK, fiscal constraints limit the scope for policy support, while in the US, uncertainty around tariffs and recession risks add further headwinds. In this environment, the risk-reward balance favours larger, more stable companies over economically sensitive smaller caps.

🡫 Modest reduction in Equities

We have taken steps to **slightly reduce the overall risk profile of our models**, reflecting a more cautious stance amid shifting market dynamics. This has been achieved through a **modest trim in equities**, with proceeds reallocated into **fixed income**, enhancing portfolio resilience as economic growth slows. While we remain constructive on long-term opportunities in equities, **heightened volatility, widening credit spreads, and uncertain monetary policy timing** justify a more balanced approach.

Fixed income now offers **more compelling risk-adjusted returns**, particularly as sovereign yields remain attractive and credit markets begin to price in increased economic stress.

This adjustment aims to **improve portfolio resilience while maintaining exposure to key long-term growth opportunities** across global markets.

1.5% Average move from Corporate Debt to Sovereign Debt within Fixed Interest allocation

Within fixed income, we have rotated out of UK investment-grade bonds into global corporate bonds and global sovereign debt. This shift is driven by several factors:

- The **US economy is decelerating**, making its bond market more attractive relative to equities.
- **UK and European fiscal spending is expected to drive yields higher in** those regions, reducing the relative attractiveness of debt.
- Credit risk is rising as economic growth slows, increasing **default concerns** in corporate debt markets. Sovereign bonds offer **greater stability and liquidity**, making them a more defensive allocation as uncertainty builds.

Underlying Portfolio Asset Allocations

Allocation Alteration Key

↓ Weight reduction
↑ Weight increase

Simple Sector	AQ3	AQ4	AQ5	AQ6	AQ7	AQ8
Money Market	9.95%	8.18%	5.93%	4.42%	2.92%	2.85%
Fixed Interest	↑ 50.82%	↑ 40.72%	↑ 28.88%	↑ 19.76%	↑ 11.37%	0.08%
Equities	↓ 27.81%	↓ 41.48%	↓ 57.36%	↓ 69.79%	↓ 80.95%	↓ 94.09%
Property	0.87%	1.31%	1.75%	2.18%	2.40%	↑ 2.84%
Alternatives	10.54%	8.30%	6.08%	↓ 3.85%	↑ 2.36%	0.14%

Source: 8AM Global Limited March 2025

Detailed Sector	AQ3	AQ4	AQ5	AQ6	AQ7	AQ8
Money Market	9.95%	8.18%	5.93%	4.42%	2.92%	2.85%
UK Gilts	5.42%	4.57%	3.21%	2.14%	↑1.31%	0.00%
Index Linked Gilts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Global Government Bonds	↑8.75%	↑7.11%	↑5.03%	↑3.49%	↑2.08%	0.01%
UK Corporate Bonds	↓3.41%	↓2.67%	↓1.88%	↓1.31%	↓0.75%	0.00%
Global Corporate Bonds	↑19.54%	↑15.61%	↑11.04%	↑7.55%	↑4.15%	0.00%
High Yield Bonds	↓13.70%	↓10.76%	↓7.72%	5.27%	3.07%	0.06%
UK Equity	7.02%	10.09%	14.05%	↑17.12%	↑19.46%	↑22.71%
Europe ex UK	↑3.74%	↑5.84%	↑7.97%	↑9.58%	↑11.15%	↑12.78%
North American Equity	↓10.70%	↓16.04%	↓22.15%	↓26.74%	↓30.91%	↓36.00%
Japan Equity	2.10%	3.15%	4.20%	5.25%	6.28%	↓7.33%
Asia Pacific ex Japan Equity	1.62%	2.43%	3.37%	4.18%	↓4.96%	↓5.77%
Emerging Markets Equity	1.47%	2.21%	3.17%	3.89%	↑4.60%	↓5.33%
China Equity	1.15%	1.73%	2.46%	3.03%	↑3.60%	↓4.18%
Property	0.87%	1.31%	1.75%	2.18%	2.40%	↑2.84%
Commodities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Infrastructure	0.03%	0.04%	0.05%	0.06%	0.07%	0.09%
Absolute Return	10.50%	8.25%	6.00%	↓3.75%	↑2.25%	0.00%
Alternatives	0.01%	0.02%	0.03%	0.03%	0.04%	0.05%

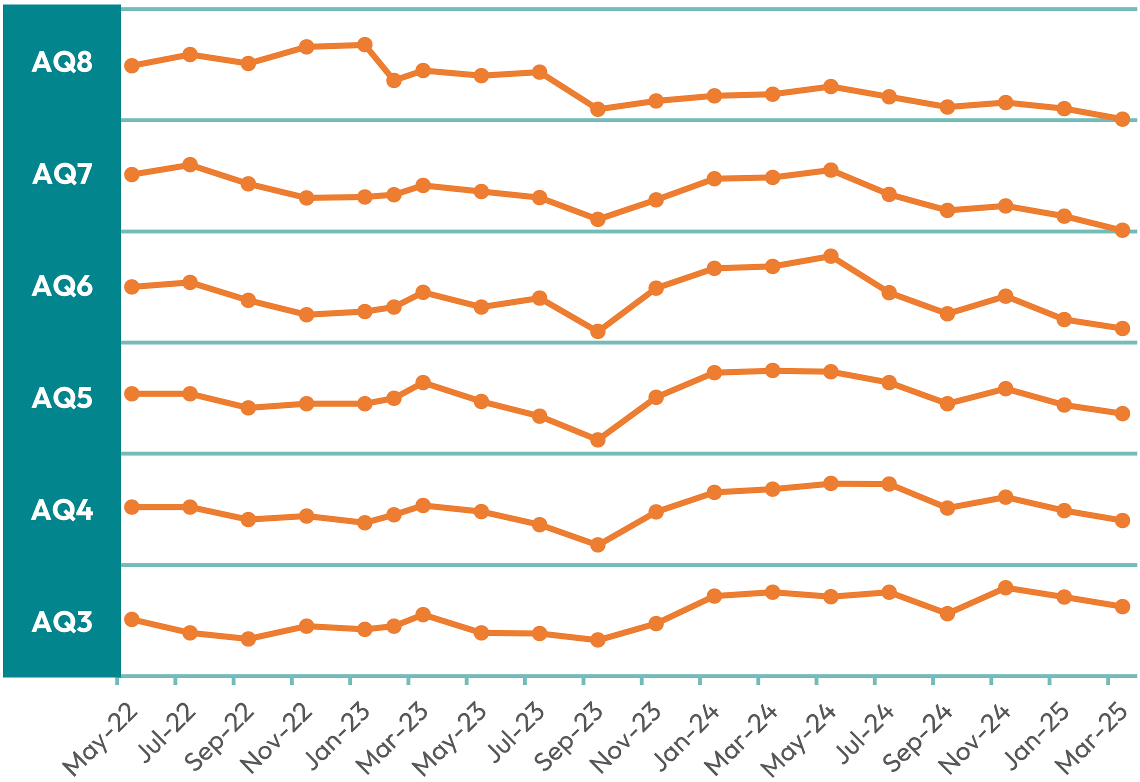
Source: 8AM Global Limited March 2025

Dynamic Planner Risk Profiles

As a result of softening of our equity positions the calculated risk at the top of our risk range appears low – we would highlight that AQ7 and AQ8 still contain over 80% and roughly 95% equities respectively.

Investors should note that overall our portfolio equity levels are only modestly lower although the composition is more diversified and defensive in nature.

Rolling Dynamic Planner Profiles



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