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8AM AQ Classic MPS

Portfolio Peer Performance Review – Q1 2025

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AQ MPS Peer Performance Overview

This data shows the 8AM AQ Classic MPS performance relative to a sample of active peer MPS providers. 8AM utilises the performance figures provided by Morningstar™ and compares risk-adjusted portfolio performance for each model. The comparator peer MPS data is gathered using the Morningstar Direct™ database and grouped by Defaqto™ risk outcome.

We have meticulously sampled as many comparable peer model strategies as possible and compiled the anonymised data for your review (411 portfolios sampled for this review). We present our relative performance using a 'box and whisker' chart to illustrate the entire potential range of returns (whisker) and the concentration of 50% of the total distribution of returns surrounding the median (box).

We are rapidly approaching the five-year anniversary of the 8AM AQ Classic range, and the summation of our first minimum suggested investment period. A key component of all investment strategies is 'time', but for our AQ methodology, it's fundamental. Avoiding significant short-term tactical allocation risk, a pillar on which our approach is built, allows our investors to relax, knowing their short-term returns will broadly align with consensus. Our AQ fund monitoring methodology allows us to quickly prune funds that cease to offer value and to run our winners for longer.

This process of frequent smaller optimisations rather than large 'bets' has enabled us to pragmatically capture upside driven (predominantly) by the US over the past five years and, crucially, remain diversified and adaptable to changing market leadership, as demonstrated in Q1 of 2025.

Practical investment theory doesn't allow you to 'have your cake and eat it', but the positioning of the portfolios over the past few years has allowed us to operate an adaptive, pragmatic approach that has offered outperformance and consistency in equal measure.

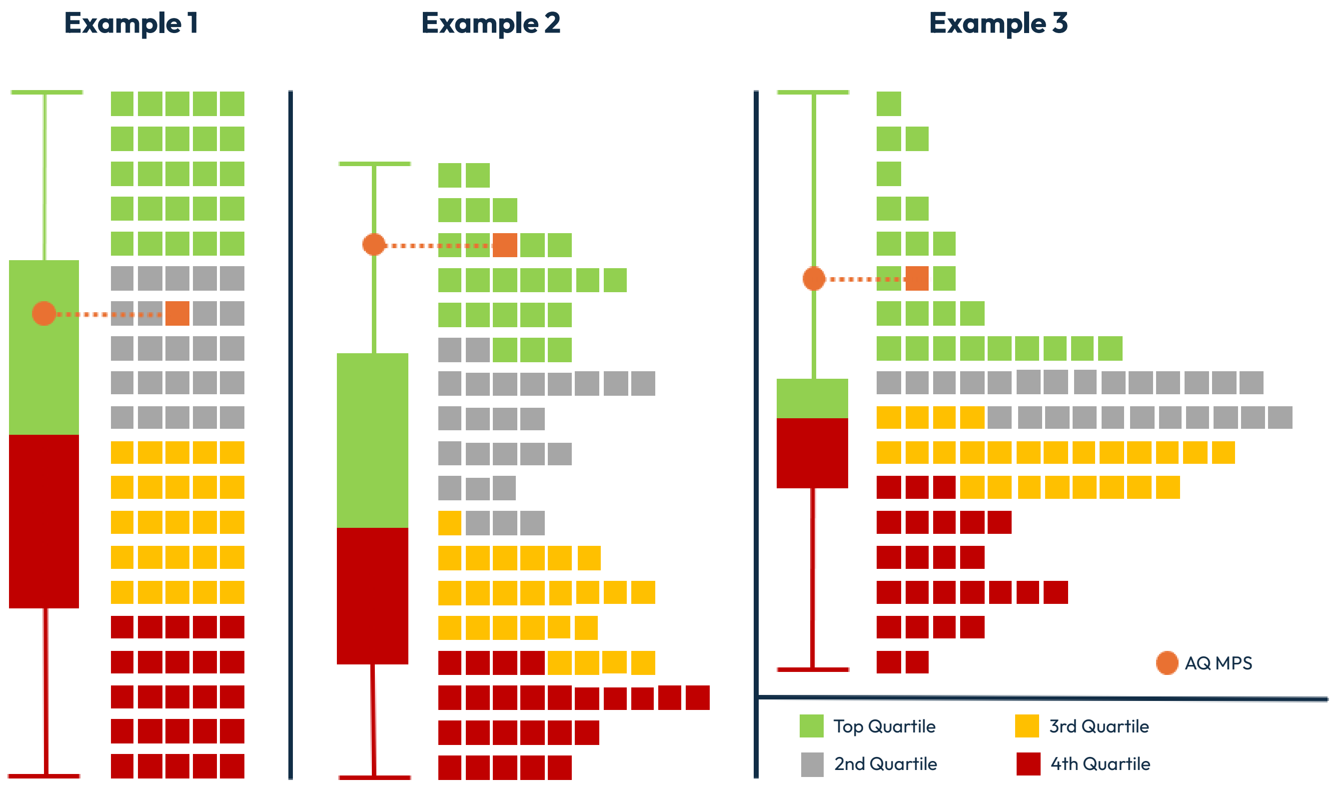
That being said, Q1 2025 is eerily similar to Q1 2020 in terms of the scale of market shock and presents a slightly distorted valuation point for all investment strategies, which we'll endeavour to contextualise throughout this report.

A Brief Explanation of 'Box Plots'

Imagine you're trying to describe a large group of data to a friend. You could list every single number within the dataset, but that would be a lot of information to take in. Instead, you could give them a summary of the numbers: the **smallest**, the **largest**, the **middle** number, and where **most** of the numbers are clustered.

A box plot is like a visual summary and is simple way to see how groups of data are spread out.

So what does a box plot look like?



Example 1 – A completely even spread of 100 datapoints with equal concentration throughout.

Example 2 - A dataset with two areas of medium concentration in the middle and lower half as well as a lower overall top figure.

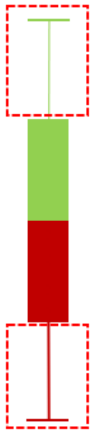
Example 3 – Significant concentration in the middle, tapering off rapidly towards the top. This is a usual distribution when analysing investments as significant outperforming outliers tend to redistribute towards the bottom over longer periods.

What do the different parts of the 'Box Plot' represent?

The box:

- The box (both green and red sections) shows where the *majority* of the data is grouped.
- The dividing line between green and red is the *median*, or middle data point.
- The top (green) half the box represents the *2nd quartile*, indicating above average performance.
- The bottom (red) half of the box represents the *3rd quartile*, indicating below average performance.

The whiskers:



- The lines extending from the top and bottom of the box are called *whiskers*.
- They show the total range of the data highlighting the *best and worst* performer at either end.
- The green section represents 1st quartile performance, indicating *significant outperformance* outside of the main grouping.
- The red section represents 4th quartile performance, indicating *significant negative performance* outside of the main grouping.

What can you learn from a box plot?

- You can quickly see the range of each group of data (the whiskers).
- You can see where the middle 50% of the data is (the box).
- You can pinpoint individual relevant data, like your portfolio (the orange dot).
- You can compare different groups by looking at multiple box plots alongside each other.

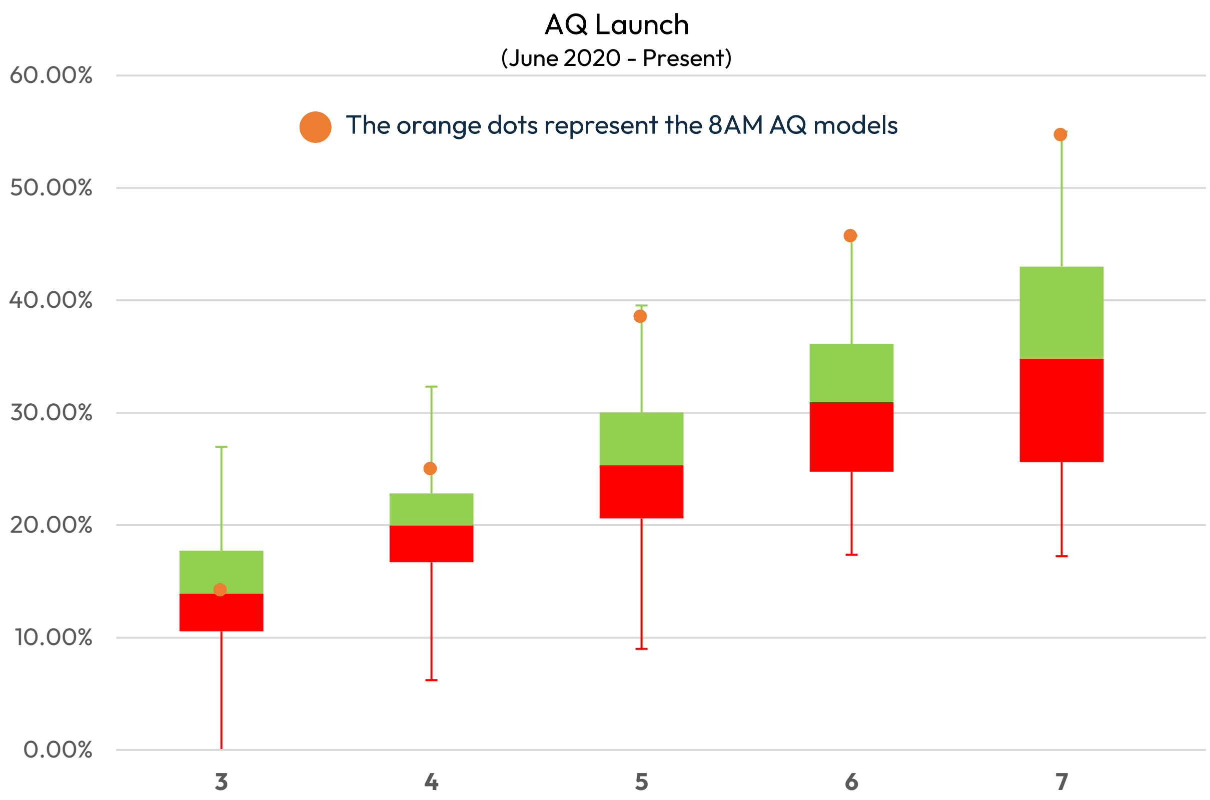
It's important to note that whilst our peer sample is gathered using as wide a dataset as possible from available sources, it does only represent a little over 25% of MPS providers in the marketplace.

We believe this sample is a fair representation of our competitors, but it's crucial to acknowledge inherent survivorship bias as data is provided to Morningstar™ voluntarily by asset managers, unlike the *required* reporting standards in the Mixed Asset sectors and underlying multi-asset funds.

Since AQ Launch

This period since we launched the 8AM AQ strategies is one predominantly comprised of uncertainty, inflation, and huge changes in momentum. During such a turbulent period, we are pleased to continue to report **consistent relative performance to peers**. It is pleasing to highlight the strategy's ability to **harvest returns during periods of positive market pressure and neutralise positioning during periods of heightened volatility,** where potential tactical mis-steps represent the most significant statistical risk to investor success over the long term.

As we highlighted at the start of this report, the data shown here represents the majority of our first minimum suggested holding period and highlights most keenly the benefits of allowing the strategy to run over a full market cycle.

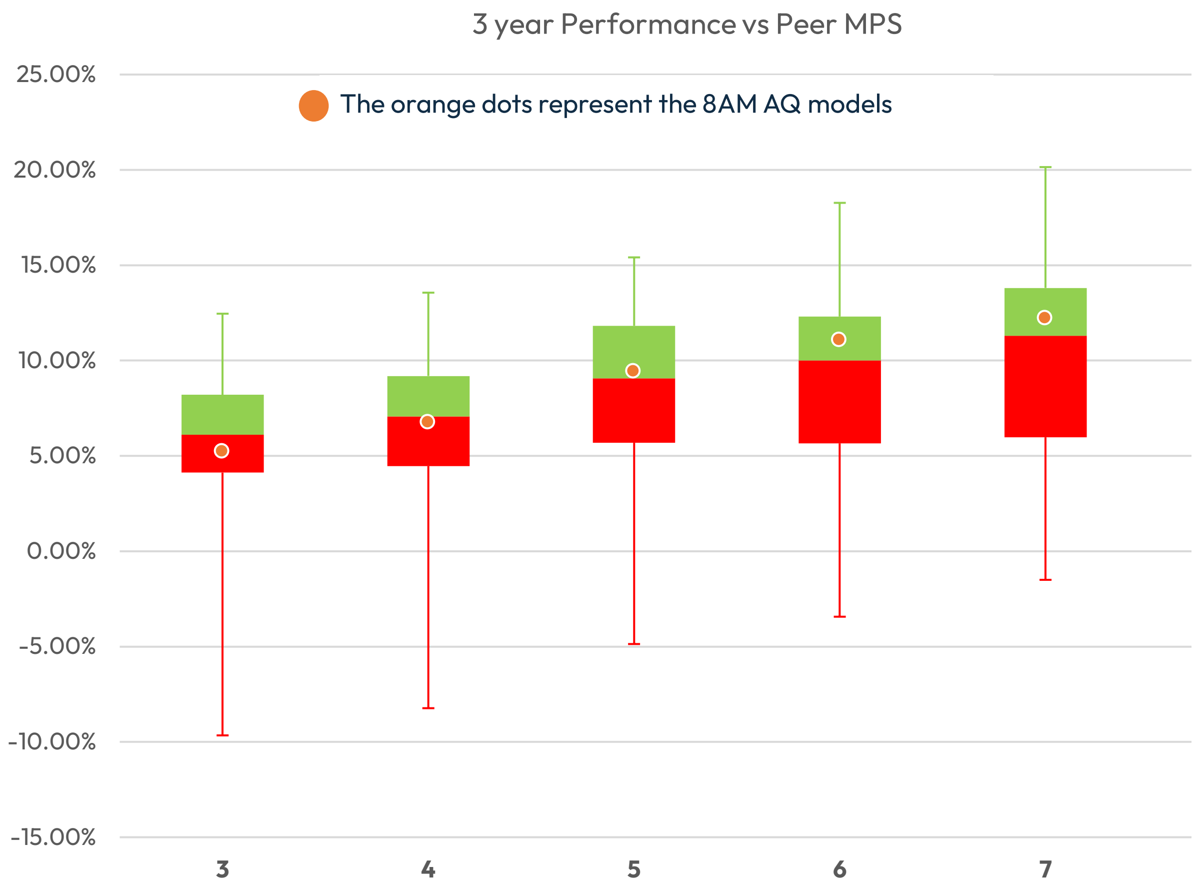


3 Year Performance

The past three-year snapshot has been marked by significant market volatility. In 2022, we experienced a particularly challenging period as both equities and bonds declined sharply due to rising inflation. The end of 2023 and throughout 2024 saw a recovery in both asset classes, with markets reaching new highs. This was then sandwiched by the current period of extreme uncertainty at the start of 2025.

Over this period the 8AM AQ models have had mixed results, with most models achieving performance in line or above that of the majority of their peers and the two lower-risk models falling a little below peer group averages. This trend reverses over the shorter term as you'll see later in the report.

This period captures a short, 'book-ended' bull market brought to an early end by the political actions of the US. Performance over this period has been about 'threading the needle' of ensuring flexible, appropriate exposure to the US to ensure capital growth – without chasing Alpha off a cliff edge. The risks associated with stubbornly avoiding adding to the US and capitulating too late are highlighted in the huge downside from some providers shown below.



To place this snapshot in context, the first half and the most recent quarter shown within the three-year period is highlighted below. Investors should instinctively understand the compressing effect on short term valuations when a quarter end bisects a rapidly falling market.

This compression is most keenly highlighted by the performance of the AFI Mixed Asset sectors over this period where, as positive momentum begins to create separation between the sectors, the sharp shock intuitively pulls hardest on higher risk assets and all risk mandates end up (temporarily) in roughly the same place.

Pleasingly the outcomes of the 8AM AQ strategies remain more distinct, largely borne of much greater upside capture in 2023 and 2024 creating additional dispersion of returns.

1-Year Performance

This short period is defined by two simple, if slightly odd statements, that couldn't be more at odds with the primary narrative of the last 10 years of investment;

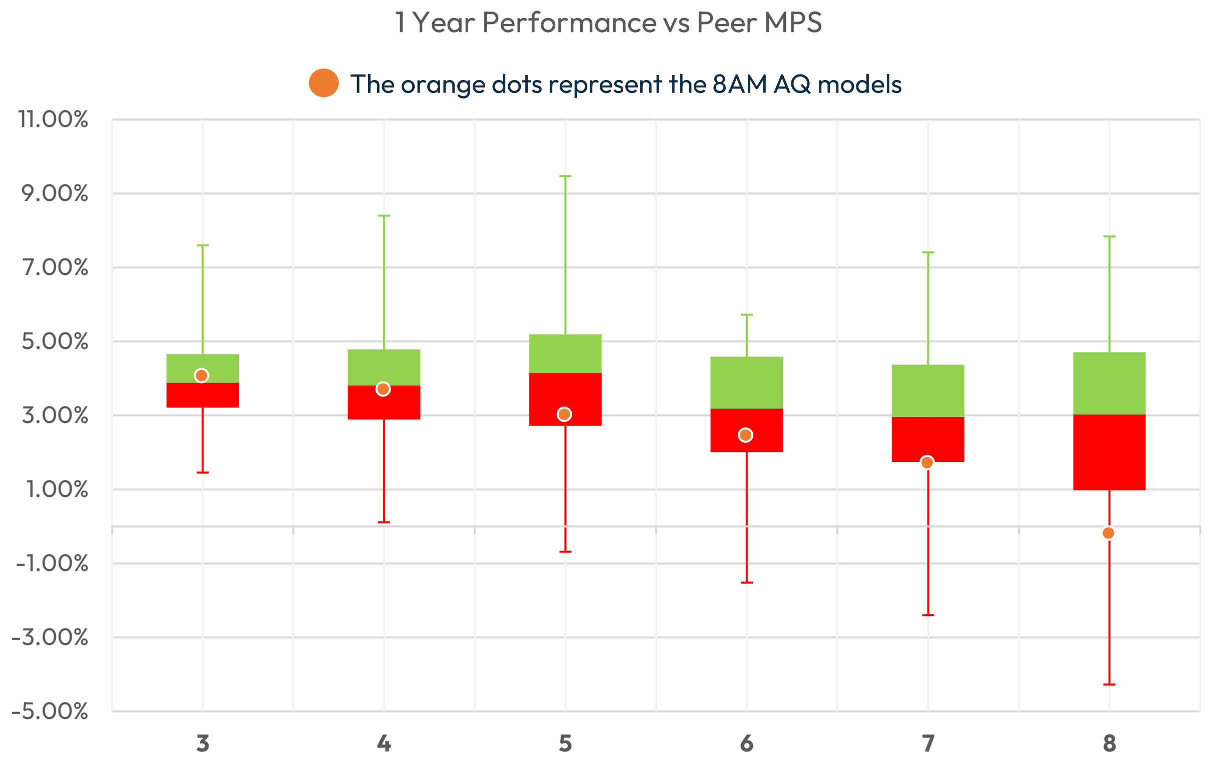
'The lower your exposure to the US – the better your strategy will have performed'.

In fact, a slightly more controversial statement is also true;

'The greater your exposure to the UK – the better your strategy will have performed'

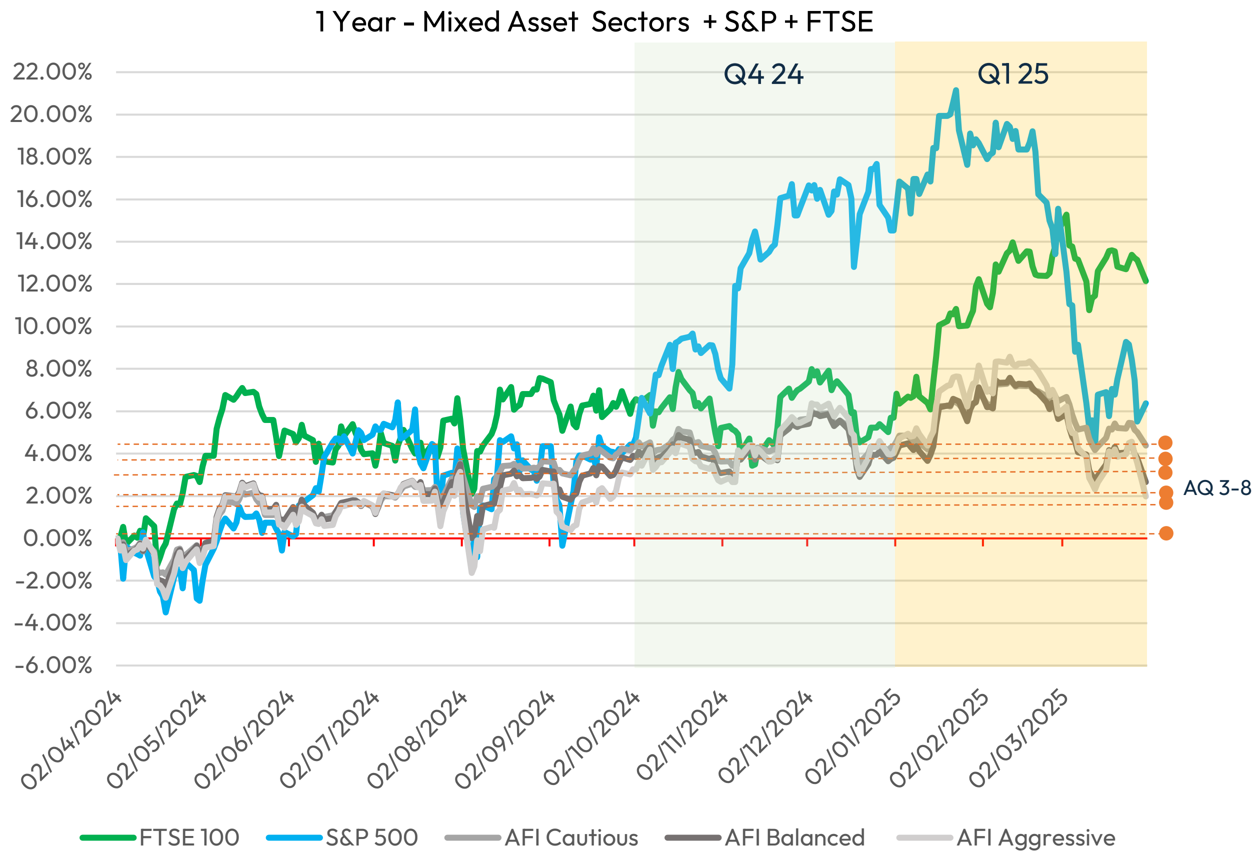
We wrote in our last quarterly update, providers who were unwilling or unable to flex their allocation policy will be either cheering or maligning the rapid change in fortune for the US. As an investment strategy championing adaptability, we don't really have a dog in that fight. Negative performance shown below will be as the result of inflexible views on allocation over the past 12 months – not one specific call or position. At this observation, the vast majority of competitors that were at the bottom of the table at last observation have been rocketed to the top and vice versa. This is the invariable result of high beta conviction calls over periods of significant volatility.

That being said, our positioning isn't designed to be perfect and having any exposure to the US clearly hurt managers over this period. This is an extreme valuation point, but the fact the portfolios are largely within the primary distribution means that the strategy is working as intended. Altering our diversification strategy would have represented a departure from one of the core conceits of our investment strategy; to never use *significant* tactical allocation positioning to chase alpha.



As with the three-year data, we like to provide context for snapshot datapoints, and the one-year is no different. As we highlight below, the relationship and final outcomes of the US and UK markets over this last quarter are stark.

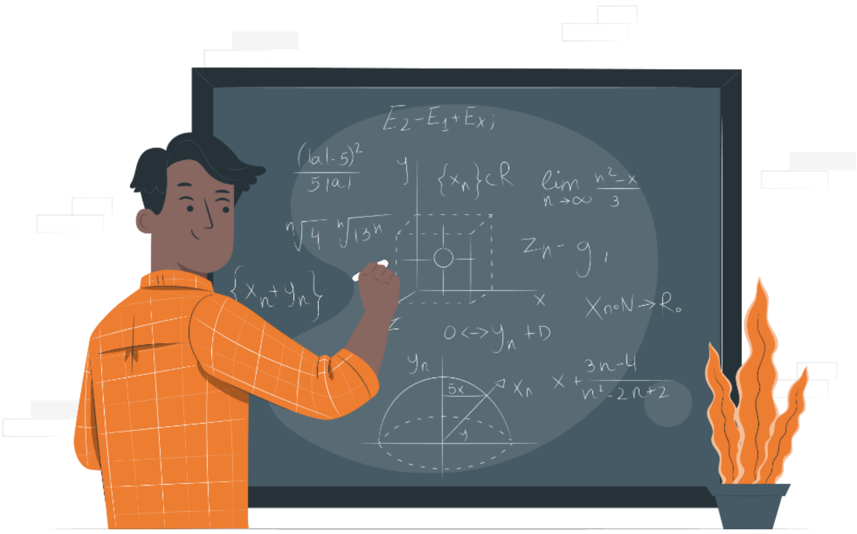
At this moment in time, the US has essentially 'given back' the entirety of the Q4 melt-up and vice versa for the UK. We highlight this only as an example of an allocation strategy being 'very right' in Q4 has meant being 'very wrong' in Q1. You can never predict when seismic changes are around the corner and the benefit of diversification and repeated, frequent optimisation should be obvious to all.



An additional final note is that over this 12-month period, nigh on **all our fund positions produced notable positive performance relative to their sector averages** and added clear quantifiable value.

Our overarching goal is to achieve stable outperformance over rolling five-year periods. By design, our investment processes lead to a calculated trade-off against increased volatility over the short term but are designed to provide consistent performance over the longer term.

Our continual optimisation strategy is designed to provide your clients with reassurance and confidence, as well as operating with the lowest possible probability of significant relative underperformance over any 5-year period.



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