



The Investment Process

AN ADVISER'S GUIDE

"Robust fund selection is the most repeatable way of delivering consistent outperformance."

THE INVESTMENT TEAM
8AM GLOBAL

ISSUED BY
8AM Global Limited
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AUDIENCE
Investment professionals &
eligible counterparties only

8AM GLOBAL
Clarity, Consistency, Cost.

00 · FROM THE DESK

A clear, repeatable framework — and the discipline to follow it.

Selecting an MPS for your clients is, increasingly, a regulatory as well as an investment decision. You need to know what you're recommending, how it behaves through different market regimes, and why each portfolio change happened. This guide is the answer to that — written for the way advisers actually use these portfolios.

The 8AM philosophy is built on a backbone of efficient passive investment, with active managers used to enhance and complement the core *only while they earn their cost*. The mechanism that decides where, when and how to use them is called AQ — Adaptive Quant — a quantitative ranking and monitoring system that scores every fund in each Investment Association sector and decides, dispassionately, what stays in and what goes out.

What follows walks you through the same four steps the investment committee runs every two months: **Scoped, Ranked, Reviewed, Documented**. Each section explains the mechanics, the safeguards, and — where it matters — a worked example of when the framework was bent, broken or asked the difficult question.

The Investment Team
8AM GLOBAL

Inside this guide

14 PP.

01	Why 8AM AQ MPS Philosophy, ranges, and the cost of bias	03
02	The Four-Step Framework Scoped · Ranked · Reviewed · Documented	04
03	Scoped — Sector universe & AQ gearing How the screen is set, and why it adapts	05
04	Scoped — Momentum & gear-change rationale Worked examples from the live record	06
05	Ranked — Asset baskets & switch triggers Standard vs Responsive — the fork	07
06	Ranked — Selecting a new fund Why we prize consistency over peak score	08
07	Reviewed — Opposing view & risk oversight Three questions, three risk consultants	09
08	Reviewed — Floating Asset Allocation Long-term strategic ↔ short-term peer view	10
09	Documented — Action & communication Rebalance every two months, report within five days	11
10	The Process, in Numbers Win rates from the live record	12
11	Three Tenets What the process is for	13

01 · WHY 8AM AQ MPS

Replacing conviction with a framework — for the parts of the job a framework does better.

Most often, bias shows up as an inability to admit defeat — to sell a fund once it begins to underperform. Much of the success of the AQ process lies in its dispassionate, objective sell discipline, and in its willingness to back less well-known managers when the data supports the move.

Fund selection by even the most experienced team suffers from unavoidable cognitive bias. AQ replaces analysts and pickers with a decision-making framework designed to find, hold, and — when the data turns — let go.

That is not the whole job. Fixed interest, alternatives and property are managed by committee discretion: experience tells us that a quantitative overlay on this bucket is fraught with error over the medium-to-long term. Where machines are best, we let them lead. Where humans are best, we acknowledge it.

The ranges below share that backbone. Each then layers on a specific mandate — risk-targeting, ESG screening, or a defined equity allocation — that the framework respects throughout.

AQ CLASSIC Since 2020

Risk-Target Managed core

Six risk-rated models. AQ fund screening with real-time risk analysis from independent consultants Dynamic Planner. Quarterly cross-checks from Defaqto & EV.

6 MODELS · DP RISK-TARGET

AQ SUSTAINABLE Since 2022

ESG-screened, same spine

Five models. Identical top-down methodology to Classic, with an additional Morningstar / Sustainalytics screen and a portfolio-level sustainability threshold.

5 MODELS · ESG THRESHOLD

AQ GLOBAL Since 2024

Defined-equity range

Three models. Risk managed by defined equity allocations — 60%, 80% and 100% — within a ±5% tolerance, rather than via a stochastic risk target.

3 MODELS · 60/80/100% EQUITY

02 · THE FRAMEWORK

Four steps, every two months, every sector — without exception.

The committee meets six times a year and can be convened ad-hoc for an "unknown unknown". Whatever the trigger, the same four steps run in the same order — and each one has to clear the bar before the next begins.



STEP 01

Scoped

Define the universe. Update AQ scores for every fund in every IA sector we use, and decide the sector "gear" — Standard or Defensive — based on quantitative momentum and qualitative macro overlay.

Output Sector list, AQ scores, gearing

STEP 02

Ranked

Score every fund. Identify Standard Switch (out of second decile) or Responsive Switch (macro / liquidity / opportunity) triggers. Shortlist replacements, prioritising consistency of ranking over peak score.

Output Candidate switches, shortlists

STEP 03

Reviewed

Take the opposing view. Sense-check the data, due-diligence each new fund, calibrate against the Floating Asset Allocation, and submit the proposed portfolio shape to Dynamic Planner (or equivalent risk team) for sign-off.

Output Approved, risk-checked portfolio

STEP 04

Documented

Instruct platforms within 2 working days; aim for holding and shareclass parity across every platform. Publish the Portfolio Change Report with full rationale within 5 working days, on portal and direct to the adviser.

Output Trades + Change Report

WHAT THE TEAM CHECKS

- Independent research & macro analysis
- Rolling 3, 6, 12-month sector momentum
- Sector position vs 200-day moving average
- Whether to change the AQ "gear"

TRIGGERS WE ACT ON

- Standard Switch — outside top two deciles
- Responsive Switch — macro / opportunity
- 5% soft / 10% hard position-size limits
- Liquidity concerns from flow review

SAFEGUARDS BEFORE ACTION

- Opposing-view due diligence on each pick
- Look-through to underlying exposures
- Dynamic Planner risk approval (Classic)
- ±5% equity tolerance (Global) / ESG threshold (Sustainable)

WHAT ADVISERS RECEIVE

- Portfolio Change Report — within 5 days
- Full rationale for fund & allocation changes
- Online portal access & direct email
- Optional client-facing reporting

WHEN THE SCHEDULE BREAKS

An ad-hoc committee may be convened at any time in response to an "unknown unknown" — an unforeseen event that materially alters the modelled status quo of a sector, factor or theme (Covid, the Ukrainian conflict, the 2026 Iran escalation). The ad-hoc committee does not necessitate change. It re-tests every position against the new data and only acts if the framework demands it.

03 · STEP ONE — SCOPED

Setting the screen — sector universe and AQ "gear".

'Standard' gear

Default state. Highest relevance to a blend of Core and Responsive data; lowest to Defensive measures.

CORE

Long-window measures: 3, 5-year performance, Sharpe, Alpha

High
Weight

RESPONSIVE

Shorter-window measures: 1, 6, 12-month performance, Beta

High
Weight

DEFENSIVE

Drawdown measures: Max Drawdown, Sortino, Volatility, Max Loss

Low
Weight

'Defensive' gear

Triggered by negative momentum or external macro event. Highest relevance to Defensive ratios; Core weight reduced.

DEFENSIVE

Drawdown measures: Max Drawdown, Sortino, Volatility, Max Loss

High
Weight

RESPONSIVE

Shorter-window measures: 1, 6, 12-month performance, Beta

Mid
Weight

CORE

Long-window measures: 3, 5-year performance, Sharpe, Alpha

Low
Weight

WHY TWO GEARS, NOT FIVE

Sector gearing focuses each IA sector screen on the performance or ratio measures most relevant to current conditions — **without waiting for the data to gradually shift winners from losers**. The Defensive gear is not seeking inverse correlation; it is simply tilting the screen toward lower-beta, lower-drawdown funds. If the team is proven wrong, the investor remains exposed to the sector via a lower-beta strategy. If proven right, the lower-beta exposure (and, often, reduced allocation) softens the downside in a balanced, repeatable way.

"Sector gearings allow for changes in focus between funds with different characteristics, enabling rapid response to market events or a change in sector momentum."

04 · SECTOR MOMENTUM & GEAR-CHANGE

When to flip the gear — and the human overlay that decides.

"Momentum" is our overall picture of a sector's health. It doesn't directly imply positive or negative performance — but it does decide whether the AQ gear is Standard or Defensive.

QUANTITATIVE**Rolling performance**

Rolling 3, 6 and 12-month performance figures for the sector as a whole, taken alongside relative comparisons across all monitored IA sectors.

QUANTITATIVE**200-day moving average**

Position of the sector relative to its 200-day moving average — a directional cross-check that filters noise from the rolling windows.

QUALITATIVE**Two simple questions**

Is momentum currently affected by a market-wide or sector-specific macro issue? Has an external event changed the paradigm in a way not yet reflected in the data?

WORKED EXAMPLES — FROM THE LIVE RECORD

TRIGGER

2022**IA North America — flipped Defensive on the macro overlay alone**

Historic momentum was acceptable. But the inevitability of rate rises following rocketing inflation is a textbook example of a data-point that cannot be measured using historic data. The gear changed before the screen would have caught up.

TRIGGER

Feb '22**IA Europe ex UK — Russian invasion of Ukraine**

Inflation was hitting all sectors equally, but the accepted model for the region was likely to be fundamentally changed by the invasion. A trigger event with no trailing-data signature — the gear flipped on the qualitative overlay alone.

TRIGGER

Mar '26**Iran escalation — process frequency increased intra-cycle**

Multiple sectors moved to Defensive across the wider AQ suite. In parallel, the committee temporarily increased process frequency from bi-monthly to monthly — with flexibility to act intra-month while the conflict develops.

THE COST OF BEING WRONG IS BOUNDED

Defensive gear is not an inverse bet. It tilts the screen toward lower-beta funds within the same sector. If the team's judgement is wrong, the investor stays exposed via a lower-beta strategy — a smaller error than being out of the market. If the team is right, the lower beta and (often) reduced allocation soften downside in a way that is balanced and repeatable.

05 · STEP TWO — RANKED

Three asset baskets, two switch triggers.

AQ is applied where the data supports it; committee discretion is used where it does not. Each fund the portfolios hold sits in one of three baskets — and is monitored on its own terms.

EQUITY · PASSIVE

Passive equity diversifiers

Held alongside the main active pick in each sector for diversification and liquidity management — enabling rapid changes to the active pick. Selected on cost, tracking error and index methodology.

SELECTION

Committee discretion

EQUITY · ACTIVE

Active equity, scored by AQ

The core of the work. AQ screens monitor existing holdings and surface replacements when triggered — by Standard or Responsive Switch (see right). Removed and replaced under the same rules.

SELECTION

AQ ranking + due diligence

FIXED INTEREST · ALTS · PROPERTY

Committee-managed bucket

A blend of passive trackers and select active managers. Research and experience tell us that a quantitative overlay on fixed income is fraught with error medium-to-long term — so this bucket is managed by committee discretion.

SELECTION

Custom AQ screens, by use case

THE FUND-SWITCH FORK — ACTIVE EQUITY BUCKET

STANDARD SWITCH

01

Mechanical — and automatic.

A held fund falls outside top two deciles of its IA sector ranking.

Flagged automatically by AQ at the next review. Indicates a clear deviation from our 'ideal' sector scenario. No discretion in *whether* to act; discretion lives in selecting the replacement.

Rule: the replacement must be in the top two deciles and score higher than the outgoing fund.

RESPONSIVE SWITCH

02

Discretionary — within strict limits.

Macro event, opportunity, position-size limit or liquidity concern.

Examples: a current or forthcoming macro event affecting the held fund disproportionately; a momentum opportunity (an existing fund dropping ranks while a candidate rises); a 5% soft / 10% hard position-size limit; concerns from a flow review.

Rule: both incumbent and replacement must sit within the top two deciles; replacement must score higher.

COMMON RULE

Whichever fork is taken, the new fund must score **higher than the outgoing fund on the AQ league table**, and must clear the size, liquidity, exposure, retail-appropriateness and platform-availability filters. No exceptions.

TOP 2 DECILES · HIGHER SCORE

06 · SELECTING A NEW FUND

We don't pick the top score. We pick the most reliable top score.

AQ filters the candidate list automatically: minimum fund size, retail appropriateness, platform availability, underlying-exposure look-through. From the funds that remain — surely we just pick the top score?

Not so. Most relevant to us is that a fund is in the acceptable top decile. But rather than the topmost score, the datapoint we prioritise is the **consistency of a fund's AQ league position over the last 6, 12 and 36 months**. In many cases we select a new fund three or four positions from the top of a given sector league, on the basis that it has achieved its top-decile ranking more consistently than a fund that may look better aligned today but does so less often.

By the same token, our database lets us view all the historic league positions in context to each other. We can quickly see, over a given market event, whether a fund has historically risen and fallen with its peers — or, more illuminatingly, whether it moves *inversely* to other top performers when the macro background says it shouldn't.

Removing a fund is straightforward. Selecting the replacement is where the framework earns its keep — and the most important datapoint is not the peak AQ score, but the consistency of the ranking that produced it.

WHAT WE PRIZE

Consistency of top-decile ranking over rolling 6, 12 and 36-month windows — not the single highest AQ score in the table today.

PRE-SCREEN FILTERS · AUTOMATIC

- ▶ Fund size
- ▶ Retail appropriateness
- ▶ Underlying look-through
- ▶ Platform availability
- ▶ Liquidity & flow profile
- ▶ 5%/10% position limit

A PRIMARY REQUIREMENT

A primary facet of the AQ process is the requirement to **liquidate positions quickly rather than scale out**. The team must be satisfied we can exit a position as rapidly as we enter — filtering out funds at the edges of acceptable liquidity, however good their score.

07 · STEP THREE — REVIEWED

Three questions designed to disprove the change.

Once AQ has highlighted the likely changes, the Investment Team takes the opposing view and actively attempts to disprove the validity of each one. The portfolio is treated, at every review, as though we know nothing — every weighting and holding has to re-earn its place. Three questions, asked in order:

We believe the most dangerous facet of investment is blind faith in your own process. The Reviewed step exists to prevent the framework from grandfathering its own assumptions in.

01 Are we baking in erroneous data at the start or end of the rolling period?

The first test is calendar-mechanical. A single anomalous month dropping out — or in — at the edge of a 6 or 12-month window can manufacture a signal that looks decisive but is an artefact of measurement.

02 Is a single macro factor disproportionately affecting the sector output at this single observation, or over the shorter term?

If the move in the data is mostly explained by one identifiable factor — currency, rates, a sector squeeze — the screen may be lining up funds for the wrong reason. We surface the factor and test the change against it.

03 Looking at our historic database of every period over the last 20 years — have the funds offered consistency in their current AQ output over similar periods?

This is the consistency test in reverse: not "is the new fund consistently good?" but "is it consistently good in conditions like the ones we're in now?" Different question, often a different answer.

THE PRINCIPLE

"We addressed bias fundamentally by basing our investment process on the assumption that at each portfolio review we know nothing — and essentially have to re-test and prove the validity of each weighting and holding."

08 · RISK OVERSIGHT & FLOATING ASSET ALLOCATION

Independent risk sign-off — and the allocation that floats between two truths.

Prospective portfolio shapes are submitted to independent risk consultants. Then the asset allocation is positioned along a deliberate spectrum — strategic at one end, peer-crowdsourced at the other.

THE THREE RISK CONSULTANTS

<p>PRIMARY</p> <p>Dynamic Planner</p> <p>Divides the retail market into 10 risk profiles based on expected volatility and 95% Value-at-Risk. Provides benchmark asset allocations and a Risk Target Managed sign-off on every prospective portfolio.</p> <hr/> <p>FREQUENCY Each review</p>	<p>CROSS-CHECK</p> <p>Defaqto</p> <p>Independent quarterly review of the portfolio risk outcomes. A second-opinion check on whether the framework's risk output continues to align with each model's mandated profile.</p> <hr/> <p>FREQUENCY Quarterly</p>	<p>CROSS-CHECK</p> <p>EV</p> <p>Independent quarterly stochastic risk review. Provides risk and return projections that feed back into committee discussion on whether to trim or add to sectors with sensitive forward profiles.</p> <hr/> <p>FREQUENCY Quarterly</p>
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● **AQ Classic**

Mandated to consistently adhere to Dynamic Planner risk profiles. No portfolio alteration without DP approval. Defaqto and EV cross-check quarterly.

● **AQ Sustainable**

Same top-down methodology as Classic. Risk reviewed by Dynamic Planner on a trailing quarterly basis. Additional Morningstar / Sustainalytics screen plus portfolio-level sustainability threshold.

● **AQ Global**

Risk managed by defined equity allocation: 60%, 80% or 100% — held within ±5% of target. A simpler, more transparent risk frame for a globally-led mandate.

THE FLOATING ASSET ALLOCATION (FAA)

<p>LONG-TERM ANCHOR</p> <p>Strategic Allocation</p> <p>Efficient, neutral, long-term view — built from each strategy's benchmark and an aggregation of independent risk-profiler allocations (DP, Defaqto, EV).</p> <p>CALM</p> <hr/> <p>FAA POSITION</p> <p>WHERE WE MOVE TOWARD THE STRATEGIC END In periods of calm — when the long-term efficient allocation reliably captures the risk-return outcome the model is mandated to deliver.</p>	<p>SHORT-TERM ANCHOR</p> <p>Peer-crowdsourced Allocation</p> <p>Risk-adjusted short-term aggregate, built from a sample of over a thousand portfolios run by our multi-asset peers.</p> <p>VOLATILE</p> <hr/> <p>WHERE WE MOVE TOWARD THE PEER END In periods of increased volatility — when the short-term consensus view from a thousand peer portfolios provides a more relevant neutral.</p>
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09 · STEP FOUR — DOCUMENTED

Sector by sector, then every two months — the loop that keeps drift on a short leash.

A four-step decision applied to every sector, every committee. Then trades within two working days, and a Portfolio Change Report within five.

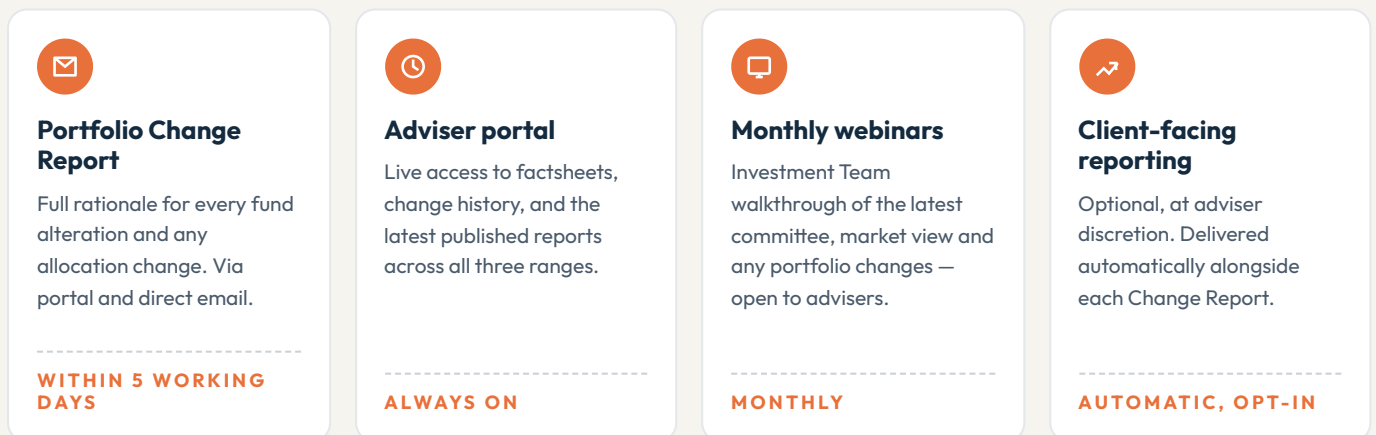
THE PER-SECTOR DECISION LOOP



REBALANCE & TRADE — TIMING



COMMUNICATION CHANNELS



10 · THE PROCESS, IN NUMBERS

The framework, evidenced.

Across every rolling 12-month period since inception, AQ-selected funds have outperformed their sector average more often than not — at a hit rate well clear of the 50% threshold any active manager has to beat.

76%

OVERALL 12-MONTH WIN RATE
Rolling 12-month, averaged across every monitored sector since strategy inception.

9









PRIMARY SECTORS MONITORED

Every IA sector the AQ framework actively scores and ranks for the active equity bucket.

150k+

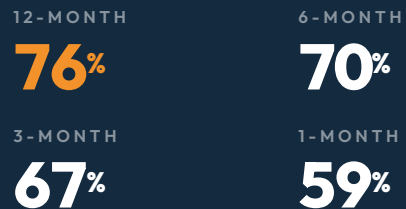
AQ DATA POINTS PER REVIEW

Per IA sector. Pulled from FE Fundinfo and Morningstar, percentile-ranked across every member of the sector.

SECTOR	12-MONTH WIN RATE	VALUE
Global Equity		97%
UK Income		94%
UK All Companies		91%
Global Emerging Markets		79%
Europe ex UK		74%
North America		73%
North American Smaller Co.		73%
Japan		57%
Asia ex Japan		50%

ROLLING WINDOWS

Discipline holds across every horizon.



Achieving a decision-making win rate above 50% is impressive for any active manager. Hitting **76% consistently, across nine sectors, since 2017**, underscores the robustness of the framework.

Source: 8AM Global & FE Fundinfo · Data to 31.03.2026 · Period of backtesting from 2019–2020 during live portfolio experience of AQ investment team using prior fund-selection technology.

11 · THREE TENETS

What the process is for, when stripped of everything else.

A framework is only as durable as the principles it is asked to defend. Below are the three that the AQ process is mandated, daily, to uphold. Every committee, every switch, every change in gear is tested against them.

01 **Protect investor capital through dispassionate, efficient adaptation to changing market regimes.**

No heroics, no narratives we wish were true — the framework moves portfolios when the data says so, and not before.

02 **Frame every opportunity and every performance figure against every possible permutation, repeatedly and proactively.**

Not waiting for a strategy to disappoint before re-examining it — we re-examine it on schedule, on principle, and against every alternative.

03 **Mitigate behavioural biases wherever we find them — ask the simple question: what is the most probable outcome, and optimise for that scenario.**

Instead of attempting to read tea leaves. The process is built for the everyday probable case, with discipline reserved for the tail.

"Other MPS providers rise and fall over the shorter term, but 8AM AQ has remained in our top risk-adjusted performers for years — providing us and our clients with the assurance that comes with a clear mandate for systematic consistency over short-termism and emotion."

FROM A RECENT ADVISER CALL

— · END OF GUIDE

That's the process.

Four steps, every two months, every sector. Refined by 16+ years of live experience, evidenced in the win rates, audited by three independent risk consultants — and built around a single principle: if it doesn't add value, we don't do it.

WHERE TO GO NEXT

8AMGLOBAL.COM

01

Quarterly Reports

The framework applied to each quarter — Classic, Sustainable and Global. Published quarterly.

02

Portfolio Change Reports

Issued within five working days of every committee. Full rationale for every fund and allocation change.

03

Monthly webinars

Investment Team walkthrough of the latest committee, market view and portfolio changes — open to advisers.

04

Factsheets & analytics

Live performance information via the portal, Morningstar and FE Analytics. Updated continuously.

Clarity.
Consistency.
Cost.

SPEAK TO THE TEAM

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