J8 Capital Management LLP

Prudent Innovation

Using liquid alternatives in portfolio construction

Adding a liquid alternative investment allocation to a classically diversified equity and bond portfolio would have improved the risk adjusted aggregate returns twofold and reduced the drawdown impact by half over the past seven and a half years. Furthermore, since the onset of the global pandemic in 2020, such a portfolio enhancement would have resulted in an effect that would have even been twice as significant.

The new portfolio equation: managing through the lens of risk

Our recent conversations with investors highlight the beginnings of a new investing regime. Structural forces, such as a recalibration of geopolitical risk, increased asset price dislocations, enhanced commodities volatility, and a changing relationship between stocks and bonds are creating the need for a new approach to portfolio construction. Innovation, leading into a portfolio rehabilitation, needs to be focused through a prudent risk management lens. Investors experience an imperative need to consider new attributes for the portfolio construction process.

Investors today are reexamining the traditional 60/40 portfolio construction model in order to protect their purchasing power and potentially enhance returns in this new environment. Specifically:

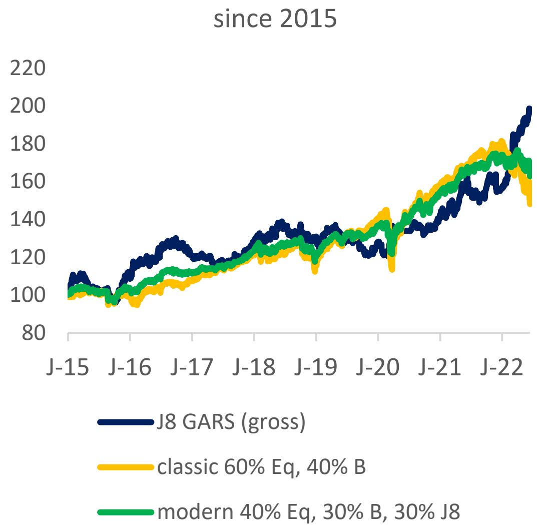
- Enhancing the traditional 60% capital appreciation component, within current equity mandates, by allocating 20% to liquid alternative investment strategies such as our J8 Global Absolute Return Strategy (J8 GARS).
- Enhancing the traditional 40% fixed income component by allocating 10% from the said component into a strategy such as J8 GARS.
- The resultant 40/30/30 portfolio is expected to materially enhance returns per unit of risk and significantly reduce drawdown risk.

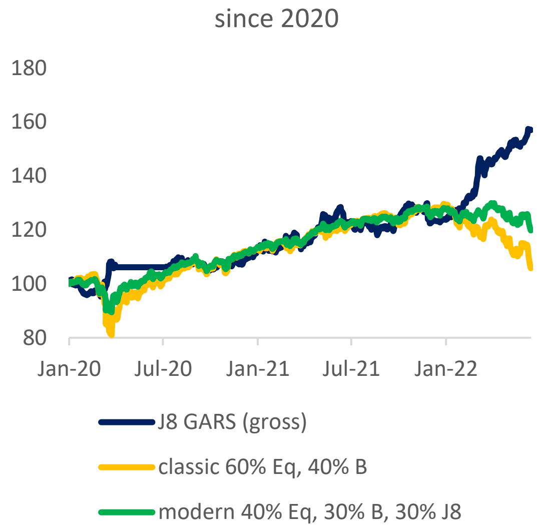
The directional long or short positioning of liquid alternatives contributes returns that are positively correlated to inflation while allowing investors to capture the intrinsic value within the illiquidity premium, enhanced commodities volatility, and increased geopolitical risk. Such strategic enhancements increase the diversification of the investment portfolio and help protect against downside risk.

J8 Capital Management LLP

Improvements and benefits

We use J8 GARS to represent the liquid alternative asset class allocation, S&P 500 Index the equity allocation, and Bloomberg US Aggregate Bond Index (formally Lehman Aggregate) the bond allocation. Based on our analysis, the modern 40/30/30 portfolio performed superior to the classic 60/40 model, especially during the recent period of high inflation, when it offered significantly less volatility and better total and risk-adjusted returns than the old approach. The modern 40/30/30 allocation promises to also enhance overall liquidity within the confines of a structured, diversified portfolio.





	Since 2015			Since 2020		
	J8 GARS (gross)	classic 60% Eq, 40% B	modern 40% Eq, 30% B, 30% J8	J8 GARS (gross)	classic 60% Eq, 40% B	modern 40% Eq, 30% B, 30% J8
Annualized Return	9.60%	5.40%	6.75%	20.19%	2.33%	7.63%
Annualized Volatility	10.05%	11.22%	7.77%	10.62%	16.08%	10.69%
Maximum Drawdown	-13.92%	-21.88%	-12.07%	-8.14%	-21.88%	-12.07%
Return / Volatility	0.96	0.48	0.87	1.90	0.14	0.71
Return / Drawdown	0.69	0.25	0.56	2.48	0.11	0.63
Volatility / Drawdown	0.72	0.51	0.64	1.31	0.74	0.89

We use the daily gross returns of the J8 Global Absolute return Strategy (J8 GARS) to allow for comparability with the S&P 500 Index and the Bloomberg US Aggregate Bond Index. We analyze the performance from 1st January 2015 until and including 14th June 2022 and from 1st January 2020 until and including 14th June 2022. **Note: Past performance is not necessarily indicative of future results**. Source: J8 Capital Management LLP, ICE Data.

Conclusion

The astute investor should be mindful of the road ahead and note that increasing diversification may enhance portfolios to better position them towards “more ways to win”. This new diversification with liquid alternatives may both be prudent and smart risk management going forward.

By adding liquid alternatives such as J8 GARS, and reconstructing portfolio diversity to embrace a 40/30/30 model, one creates a significant opportunity to protect, but also to enhance the current equity and fixed income allocations of the aggregate portfolio’s returns.

J8 Capital Management LLP

The J8 'Value-add'

J8 Capital focuses on three core values: i) prudent investment management; ii) process driven strategy; and iii) persistence in returns. Investors appreciate our focus, transparency, and ease of access. **J8 GARS's minimum investment is USD 6 million**. The program may be accessed through a separate managed account (SMA) which offers the availability of notional funding if required. Typically, larger such programs have much higher minimums or come in a fully funded fund format or may have capacity constraints that drag performance. The J8 GARS offers an attractive alternative. For higher minimum allocations, the J8 GARS program can be accessed through a Fund vehicle or an investment platform structure.

Additional investor benefits include a low or even negative correlation with both traditional and alternative investments. J8 GARS could be employed as a portfolio overlay to strategically improve the overall portfolio efficiency frontier.

About J8 GARS

The J8 Global Absolute Return Strategy ("J8 GARS") is a liquid alternative investment solution. Capital preservation and capital growth are at its core. The program's portfolio diversification properties and alternative streams of returns make it a compelling contributor to existing investments.

J8 GARS employs a multi-strategy systematic investment process to benefit from both directional trending opportunities and structural market inefficiencies. The program marries trend-following with other strategies to capture market inefficiencies within a multi-strategy construct. Strict risk management protocols are further applied to generate persistent returns.

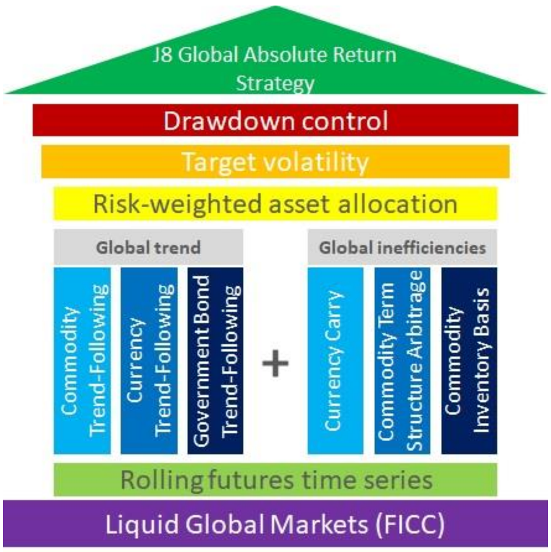


Figure 1: Illustration of the J8 Global Absolute Return Strategy (J8 GARS) construction

The trend-following strategies are applied to core global markets. Complimenting the trend-following core are sub-strategies that capture structural market inefficiencies within a set of broad global markets. This systematic multi-asset and multi-strategy approach stabilizes the overall strategy return profile, reduces drawdown severity and improves overall risk adjusted returns.

J8 GARS has been trading live since 1st January 2015 and continues to outperform liquid alternatives benchmark indices. Returns are uncorrelated to traditional equity and bond markets, as well as to other alternative asset classes.

The implementation of J8 GARS is cost efficient with notional funding and low margin-to-equity requirements.

The strategy is derived from our original research.

Contact: sales@j8capital.com +44 20 7965 6060

Important Notice

THE RISK OF LOSS IN COMMODITY INTEREST TRADING CAN BE SUBSTANTIAL. YOU SHOULD, THEREFORE, CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY INTEREST TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF DIFFERENT STRATEGIES UTILIZED IN COMMODITY INTEREST TRADING AND SIGNIFICANT CONSIDERATIONS SHOULD BE GIVEN TO WHICH STRATEGY IS APPROPRIATE FOR YOUR PARTICULAR FINANCIAL SITUATION. AS WILL ALL TRADING STRATEGIES, PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURES RESULTS. ALL INVESTMENTS IN THE COMMODITY INTEREST MARKET SHOULD BE MADE WITH RISK CAPITAL ONLY PLEASE ENSURE THAT YOU ARE FULLY AWARE AND UNDERSTAND ALL RISKS, FEES, AND OTHER CONCERNS RELATED TO YOUR INVESTMENT BY REQUESTING THE COMPANY'S COMPLETE DISCLOSURE MATERIALS.

Important Legal information

J8 Capital Management LLP is incorporated under the Limited Liability Partnership Act 2000 as a limited liability partnership with company number OC371396, the partnership is limited and the registered office at 118 Pall Mall, London SW1Y 5ED is in England, United Kingdom, www.j8capital.com. J8 Capital Management LLP is authorised and regulated by the Financial Conduct Authority (FRN 767969). J8 Capital Management LLP is registered with the National Futures Association (NFA ID 0516343).

Acceptance of the terms of this notice

By using this material, you confirm that you accept the terms of this Notice and agree to comply with them.

This material has been prepared by J8 Capital Management LLP, or an affiliate there of ('J8'). This material is confidential. No part of it may be reproduced, distributed or transmitted without written permission. The information within this material is issued by J8 Capital Management LLP to investors who are Professional Clients or Eligible Counterparties under the Rules of the United Kingdom Financial Conduct Authority ("FCA") or Qualified Eligible Persons (US) or any other jurisdiction as applicable. This material does not constitute a financial offer or promotion and is for information purposes only.

Intended audience

This material is intended as a general introduction to J8 and its products. It does not provide specific investment advice, nor does it represent that the services described are suitable for any specific investor. Moreover, the information contained in this material does not provide a basis for making a fully informed investment decision. Interested persons who contemplate opening a managed account should request a copy of the J8 disclosure document. Those considering an investment in a fund managed or advised by J8 should request a copy of that fund's offering documents. Past performance is not necessarily indicative of future results.

The information contained in this material does not constitute a distribution, an offer to sell or the solicitation of an offer to buy any securities or products in any jurisdiction in which such an offer or invitation is not authorised and/or would be contrary to local law or regulation. The contents of this material are not intended for distribution to, or use by, any individual or entity in any jurisdiction where their distribution or use would be contrary to local law or regulation or which would subject J8 Capital Management LLP to registration with the jurisdiction. This material does not constitute a financial offer or promotion and is for information purposes only and does not constitute investment, legal, tax or other advice. Any offering is made only pursuant to the relevant offering document and the relevant subscription application, all of which must be read in their entirety. No offer to purchase securities will be made or accepted prior to receipt by the offeree of these documents and the completion of all appropriate documentation.

Backtesting

This material contains data derived as a result of backtesting of data and is provided in good faith using our standard methodology for information of this kind. The methodology relies on proprietary models, empirical data, assumptions and such other information that we believe to be accurate and reasonable. We make, however, no representation as to the accuracy, completeness or appropriateness of such methodology and accept no liability for your use of the information. Specifically, there is no assurance that other investment managers and advisors or brokers or banks would derive the same results for the backtest period. No reliance may be placed upon the information or opinions contained in this document. No representation or warranty, express or implied, is given by or on behalf of J8 Capital Management LLP or any of its members as to the accuracy, completeness or fairness of the information or opinions contained herein and, to the fullest extent permitted by law, no responsibility or liability is accepted for any such information or opinions. The information included within this material does not disclose all of the risks and other significant aspects of entering into any particular transaction; any investment decision should be made solely upon the information contained in the final offering documents relating to the relevant transaction.

The SG CTA Index is not representative of the entire population of CTAs or any particular CTA, it may not have been adjusted for fees/commissions, it cannot be traded by individual investors, and actual rates of return experienced by investors may be significantly different and more volatile than those of the index

Risk warnings

Potential investors should note that investments can involve significant risks and the value of an investment may go down as well as up. No assurance can be given that the investment objective of any product will be achieved or that substantial losses will not be suffered. There is no guarantee of trading performance and past or projected performance is not a guide to future results. Potential investors should read the terms and conditions contained in the relevant investment product information carefully before any investment decision is made.

All trading carries risk. It is important that you understand that with investments your capital is at risk. **Past performance is not necessarily indicative of future results**.

J8 Capital Management LLP offers a discretionary management service to professional clients. Both complex and non-complex investments may be selected as investments in the discretionary service once the investment mandate has been agreed. Complex investments are subject to varying degree of risk as and may be defined as follows:

- The investment is a derivative or embeds a derivative
- There are infrequent opportunities to withdraw
- Prices are not publicly available or independently validated
- You may lose more than you invest
- There is a clause which changes the risk and return profile
- Exit charges may prevent early redemption or make the investment illiquid

Other investments risk warning:

Investment in the futures, forwards, derivatives and over-the-counter (''OTC'') markets involves significant risk of loss, including the possibility of loss greater than your initial investment. These types of investments may not be suitable for all investors. You should only invest with money that you can afford to lose. You should ensure that you understand all the risks involved and seek independent financial advice if necessary.

Changes to information

Information contained on this material, including pricing, valuation, and commentary on specific futures, forward or OTC markets, if any, reflects J8 Capital Management LLP's analysis and other information available as at, either the time such information was posted in the material or as otherwise at the date indicated. While any opinions, commentaries, data, pricing and all other information contained on this material are believed to be reliable, J8 Capital Management LLP cannot and does not guarantee its accuracy, timeliness or completeness, nor is J8 Capital Management LLP under any obligation to update such information.

Limitation of liability

Neither J8 Capital Management LLP nor any of its directors, officers or employees, nor any third party vendor will be liable or responsible for any loss or damage that you may incur from any cause relating to your access to, inability to access, or use of the material or these materials, whether or not the circumstances giving rise to such cause may have been within the control of J8 Capital Management LLP or of any vendor providing software or services support. In no event will J8 Capital Management LLP or any third party vendor be liable to you for any direct, special, indirect, consequential, incidental damages or any other damages of any kind even if J8 Capital Management LLP or any other party had been advised of the possibility that these damages might occur.

Telephone calls to and from J8 Capital Management LLP may be recorded.

Any questions about the contents of this material should be directed to:

info@j8capital.com
J8 Capital Management LLP
Registered in England and Wales No. OC371396
Registered Office: 118 Pall Mall, London SW1Y 5ED, United Kingdom