

AUG 2024

AWM Investment Strategy style is both pragmatic and empirical. Pragmatic as it adapts to the risk/reward profiles of the many different potential beneficiaries (Domestic and International Institutions, Pension Funds and Corporates, Local HNWI and QNB First investors) by matching their requirements to whatever is available in the investment universe. Our style is also empirical as it does not follow fads and requires hard evidence for any decision taken without neither second guessing economic indicators, political developments nor fronting the financial markets.

As a general tool to represent the universe of investable opportunities, AWM identifies and monitors a set of investable products that, once combined in different proportions and adapting from time to time to market conditions, are built into 4 Model Portfolios that our RMs always refer to, whilst advising Clients. These pro-forma representations of the investable spectrum are designed with the aim to offer a controlled increase in the trade-off between the targeted return and the cost of facing a more volatile future trajectory.

These investable products are –for now- all mutual funds (4 domestic and 29 international). They are managed by QNB (9 of them) and 24 by third party providers that are selected based on investment needs and rating scoring (for each third party fund, AWM monitors 12 criteria on a monthly basis).

Furthermore, the mutual funds can be grouped into the following three categories: fixed income (we pick from 7 funds covering bonds across the whole rating spectrum and both DM and EM borrowers), equities (we have an open relationship with 15 funds focused on specific geographies) and themes (here we have 10 funds, investing in equities geared to robotics, security, digital, timber, gold, real estate, clean energy, healthcare, millennials spending and commodities). Each model portfolio has a different composition in term of fixed income, equity and thematic investing e.g. the Growth Model Portfolio is 30% into fixed income, 45% into equities and 25% into themes. All model portfolios are denominated in USD although some of the investments within are exposed to their local currency of denomination. Below the most recent allocations of QNB Model Portfolios in percentage points by asset:

Model Portfolio	Conservative	Balanced	Growth	Aggressive
Investment Grade	40	30		
High Yield		5	10	
Emerging Countries Dollar bonds	15	10	5	
MENA	15	15	15	
Total Fixed Income	70	60	30	0
US Growth	5	5	7	12
US Value	5	3	2	
US Small and Mid			4	12
EU Growth		3	5	8
EU Value	5	2	2	3
Asia Pacific	5	5	10	13
Japan		2		2
Emerging Markets	5	5	10	10
MENA	5	5	5	5
Total Equities	30	30	45	65
Themes	0	10	25	35
Grand Total	100	100	100	100

AWM also produces a monthly publication called QNB Investment Outlook -distributed to all Clients- offering our comments on past performances and our understanding of the opportunity set available at each point in time. The latest available issue of the Investment Outlook is also posted on our website and in there we refer to the Model Portfolios at length.

Selected performances of QNB 4 Model Portfolios:

Model Portfolio Fix Income:Equity:Themes	Total return 1 Month	YTD	Total return 1Y	Annual total return past 3Y	Annual volatility of 3Y returns
CONSERVATIVE 70:30:0	1.2	7.1	10.5	-0.3	5.9
BALANCED 60:30:10	1.4	8.2	12.1	0.1	6.7
GROWTH 30:45:25	1.1	11.0	14.8	0.8	10.7
AGGRESSIVE 0:65:35	1.0	12.9	16.5	0.8	14.9

The following chart provides a good summary of the Aggressive, Conservative and Tactical Models since inception in January 2013. The Tactical Model is the one (out of the four models) that is preferred from time to time.

