

AI-Powered All-Weather Tilt Portfolio Monthly Update

Strategy Description

Qraft AI-Powered All-Weather Tilt model portfolio seeks to exceed the return of the RPAR Risk Parity ETF (RPAR) over time. The strategy aims to achieve this objective using Qraft's AI-driven model to overweight or underweight equities, fixed income, and commodities by as much as $\pm 30\%$. Qraft's proprietary AI engine utilizes a deep neural network to actively generate signals by analyzing macro variables such as interest rates and economic growth, among others, and their impact on each asset class. Qraft's AI engine is constantly evolving based on new market trends and optimization of risk-adjusted returns, which may result in monthly rebalancing for the Qraft AI-Powered All-Weather Tilt model portfolio.

Asset Class	AI Tilting vs Benchmark*	Macro & Market Environment
Equity	+ Overweight	Despite lingering concerns over rising inflation and faltering global economic growth, July was marked by another strong performance from the US stock market. The Technology sector was once again a significant contributor to positive returns, and for the month the S&P 500 rose 3.11%, the Dow returned 3.35%, and the NASDAQ climbed 3.81% (SPX, DJI, NDX, Morningstar). Developed and emerging markets both recorded positive returns (VEA +3.17%, VWO +5.91%, Morningstar).
Fixed Income	- Underweight	Inflationary concerns remain the focal point of discussion in the FOMC's meeting at the end of July. Following the 25bps interest rate hike, treasury bond returns experienced notable volatility (SHY +0.34%, IEF -0.62%, TLT -2.54%, Morningstar). US domestic GDP grew 2.4% in Q2 topping market expectations, but lower than expected payroll growth in July suggests that the labour market may be cooling.
Commodity	+ Overweight	Commodity prices rose for the month (GSG +10.83%, GLD +2.29%, Morningstar), and crude oil ended the month at \$80 a barrel; an 18.7% increase from the last low at the end of June. Much of the market's expectation of slowing inflation had been based on lower energy costs; the FED's warning of sticky inflation would no doubt have echoed in some investors' minds. In comparison to the benchmark, the All-Weather Tilt maintained an overweight position in the Equity and Commodity asset classes, while remaining underweight on Fixed Income.

* RPAR Risk Parity ETF

Asset Classes	AI Signal Change (MoM)	Tactical Risk Tilting
Equity	 Decreased	The AI-Powered All-Weather Tilt portfolio employs a tactical risk tilting strategy that adjusts portfolio beta in accordance to nowcasted market regime, with a monthly rebalancing frequency in order to achieve its objective of adaptive risk dilution across asset classes.
Fixed Income	 Increased	
Commodity	 Increased	For the month of August, Qraft's proprietary AI engine decreased its allocation to Equities, while increasing its holdings in Fixed Income and Commodities, signaling that we could be about to see increased volatility in riskier asset classes.

(Source: Qraft Technologies)