

# AI-Powered US Factor Rotation Portfolio Monthly Update

## Strategy Description

Qraft AI-Powered US Factor Rotation model portfolio seeks to exceed the return of the S&P 500 over time by rotating among a range of equity factor exposures (such as momentum, value, growth, low risk, and quality) and cash. The strategy aims to provide active exposure to a diversified basket of broad-based and factor ETFs and leverage Qraft’s proprietary regime detection model that can dynamically increase its cash level up to 50% in an attempt to reduce market drawdowns. 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 factor exposures. 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 US Factor Rotation model portfolio.

Beta Exposure	AI Signal	Macro & Market Environment
AI Risk Indicator	December: <b><u>Risk On</u></b>	<p>The US Factor Rotation portfolio assesses market risk using Qraft's proprietary AI risk signal. The strategy dynamically adjusts the cash component in order to navigate turbulent market conditions.</p> <p>December AI Risk Indicator: Risk On. Favourable inflation data and falling treasury yields led to a more positive market sentiment in December. Qraft's risk indicator detects limited signs of systematic risk and adopts a risk on approach.</p>

Factor Exposure	AI Weight Change	Macro & Market Environment
Dividend	Decreased	The US Factor Rotation portfolio invests in a diversified basket of broad-based and factor ETFs. The strategy dynamically adjusts beta exposure to navigate turbulent market conditions.
Growth	Increased	November saw a historic performance from the S&P 500, with the US Large-cap Index recording a +8.9% return - its best month in a year-and-a-half and the best November since the 1980s. Other US indexes followed suit, with the Dow rising +8.77% and the NASDAQ returning 10.67% (SPX, DJI, NDX, Morningstar).
Low Volatility	Decreased	
Momentum	Increased	For the December rebalance, the US Factor Rotation strategy increased its exposure to Momentum, Growth, and Value factors, while decreasing its allocation to Dividend, Low Volatility, and Cash.
Value	Increased	

Source: Qraft Technologies, Morningstar