

AI-Powered Global Regional Equity Allocation Portfolio Monthly Update

Strategy Description

Qraft AI-Powered Global Regional Equity Allocation model portfolio seeks to exceed the return of the MSCI ACWI Index over time. The strategy aims to achieve its objective through active exposure to a diversified basket of equity ETFs by rotating among a range of US market, developed markets, and emerging markets based on Qraft’s proprietary regional signal. The strategy seeks to provide investors with a balanced approach that seeks to capture broad market returns while also seeking to outperform through active management. 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 market 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 Global Regional Equity Allocation model portfolio

Asset Classes	AI Tilting vs Benchmark	Macro & Market Environment
U.S. Market	+ Overweight	Stepping into 2024, U.S. equities markets continued much of the narrative of late last year. Despite high interest rates, stubborn inflation, and a challenging market environment, a strong Q4 earnings season led to stellar performances by mega cap tech stocks (with the exception of Tesla due to underwhelming production). The S&P 500 reaching historic heights in January (SPX: +1.59%), and general market sentiment points towards AI continuing to be a key earning's driver in 2024.
Developed Market	- Underweight	However, the outlook for international markets seems considerably less certain. Geopolitical risks in Ukraine and the Middle East remain unresolved, and significant administrative shakeups are on the cards as roughly half of the world's population will head to the polls in 2024. Commentators will closely monitor the rise of far-right parties in the upcoming European Parliament Election, while the Sunak Administration may not see its second anniversary with the next United Kingdom General Election expected to be held this year.
Emerging Market	- Underweight	In Emerging markets, elections are set to take place in countries accounting for more than a third of total EM GDP - including India, whose rapid digitization and diversifying export capabilities led to a +19.85% return in the Nifty 50 Index in 2023 (NIFTY, Morningstar). However, the largest question mark in Emerging Markets remains China, a market becoming increasingly uninvestable to many due to trade frictions with the U.S., declining population, and fading competitive edge in manufacturing and export. Expectations were briefly raised after strict Covid lockdowns were lifted in 2022, only for the Evergrande crisis to once again sink any hopes of a speedy economic recovery. The Hang Seng Index dropped -13.82% in 2023, and the trajectory of Emerging Market equities remains opaque in 2024.
Qraft AI-Powered Global Regional Equity Allocation recorded a 0.75% return in January and 22.13% yearly return to end 2023. Heading into February, Qraft's AI model overweighted U.S. Market equities, while <u>remaining conservative on Developed and Emerging Markets.</u>		

Source: Qraft Technologies, MSCI All Country World Index holdings (Morningstar, as of 2024-02-01)