

AI-Powered KOSPI Sector Rotation Portfolio Monthly Update

Strategy Description

Qraft AI-Powered KOSPI200 Selector rotation model portfolio seeks to exceed the return of the KOSPI200 over time by rotating among a range of KOSPI200 Sector ETFs. The strategy aims to provide active exposure to a diversified basket of sector ETFs based on Qraft's proprietary sector allocation model. 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 sector 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 KOSPI200 Selector rotation model portfolio.

	AI Tilting vs Benchmark	Macro & Market Environment
Materials	— Underweight	
Consumer Discretionary	— Underweight	The Bank of Korea has maintained its base rate at 3.50% since January. South Korean policymakers have met the latest economic data with largely mixed reactions; while projected GDP growth for the year has fallen owing to lagging export levels (1.60% - 1.40%) and core inflation remains higher than expected at 3.30% (y/y), robust domestic job growth has led to Korean unemployment levels falling to record lows in May (2.50%). (Reuters)
Financials	— Underweight	
Communication Services	+ Overweight	Foreign investors have been showing net buying of KOSPI since the beginning of the year. It is also believed that there is an expectation of betting on exports and earnings reaching a low point and rebounding. Considering the nature of KOSPI, which is relatively affected by macro uncertainties, it is expected that foreign investor-led buying momentum will continue within KOSPI. However, it is anticipated that the sectoral focus of foreign investors may shift from secondary batteries and semiconductors, which led the market in May, to other leading industries. The KOSPI 200 rose 16.63% YTD (69500, Morningstar).
Energy	— Underweight	
Industrials	— Underweight	Qraft AI-Powered KOSPI200 Sector Rotation model portfolio performed strongly, recording 6.74% monthly return and 21.14% YTD return. Entering May Qraft's proprietary AI engine identified the highest performing sectors Technology (+9.27%) and Health Care (+1.35%), and maintained an overweight position on both for the month of June as well. Qraft's AI engine also remained underweight on underperforming sectors from last month; Materials (-6.62%), and Consumer Staples (-5.51%) (April 28 – May 31, Bloomberg).
Technology	+ Overweight	
Consumer Staples	+ Overweight	In the June rebalance, among KOSPI sectors Qraft's AI model shows high conviction by overweighting Utilities, Health Care, Consumer Staples, and Technology while underweighting Materials, Consumer Cyclical, and Financial, respectively.
Health Care	+ Overweight	
Utilities	— Underweight	

Source: Qraft Technologies, Bloomberg, Morningstar, Reuters