QRAFT

AI-Powered Sector Rotation
Portfolio Monthly Update

Strategy Description

Qraft AI-Powered US Sector Rotation model portfolio seeks to exceed the return of the S&P 500 over time by rotating among a range of Select Sector SPDR ETFs. The strategy aims to provide active exposure to a diversified basket of sector ETFs based on Qraft's proprietary regime detection 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 US Sector Rotation model portfolio.

Asset Classes	AI Tilting vs Benchmark	Macro & Market Environment
Materials	**+** Overweight	
Communication Services	**+** Overweight	Markets experienced a turbulent March that was dominated by shifting investor expectations towards the Federal Reserve's monetary policy. Following the swift interventions of central banks and financial regulators worldwide to mitigate the banking crisis, a liquidity crunch seems to have been averted - even though questions over the structural stability of the banking system remain.
Financials	**−** Underweight	
Industrials	**+** Overweight	Buoyed by market sentiment that the rate hiking cycle is nearing an end as well as economic data suggesting that inflation is cooling, investors found cause for optimism as US stocks performed strongly to end the quarter. The S&P 500 rose 3.51% for the month, cumulating in a 7.0% return for Q1 2023.
Technology	**−** Underweight	
Real Estate	**−** Underweight	Qraft AI-Powered Sector Rotation also performed strongly, recording a 4.04% return in March and 13.99% return to end the quarter. Qraft's proprietary AI engine identified two of the highest performing sectors in Q1, Communication Services (+21.1%) and Consumer Discretionary (+16.1%), and significantly increased allocation on both. Qraft also maintained an underweight position on the most underperforming sectors; Financial (-5.5%), Health Care (-4.3%), and Energy (-4.3%) (Jan 03 - Mar 31, Factset).
Consumer Discretionary	**+** Overweight	
Health Care	**−** Underweight	Looking forward, Qraft's AI model overweighed the Communication Services, Industrials, Consumer Discretionary, and Materials sectors.
Energy	**−** Underweight	

Source: Qraft Technologies, S&P 50 Services, Industrials, Consumer Discretionary, and Materials sectors