

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
Communication Services	+ Overweight	Markets experienced a turbulent December that was dominated by shifting investor expectations towards the Federal Reserve's monetary policy. Following a dovish pivot in the Fed's rhetoric, investor sentiment drove a surge in global markets to end 2023 on a high note .
Consumer Discretionary	+ Overweight	
Consumer Staples	- Underweight	
Energy	- Underweight	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 in December. The S&P 500 rose 4.42% for the month, cumulating in a 24.42% return for 2023.
Financial	+ Overweight	Qraft AI-Powered Sector Rotation also performed strongly, recording a 5.18% return in December and 41.70% return to end the year. Qraft's proprietary AI engine identified two of the highest performing sectors in December, Real Estate (+8.70%) and Consumer Discretionary (+6.16%), and increased allocation on both. For the year, the Sector Rotation portfolio was also significantly overweight on Technology (+56.1%), Communication Services (+53.0%), and Consumer Discretionary (+39.8%)
Health Care	- Underweight	
Industrials	+ Overweight	
Materials	+ Overweight	
Real Estate	+ Overweight	
Technology	+ Overweight	Heading into 2024, Qraft's AI model overweighed the Communication Services, Technology, Industrials, Consumer Discretionary, and Materials sectors.
Utilities	- Underweight	

Source: Qraft Technologies, S&P 500 holdings (Morningstar, as of 2024-01-01)