

## AI-Powered Top 5 Sector Rotation Portfolio Monthly Update

### Strategy Description

Qraft AI-Powered US Top 5 Sector Rotation model portfolio seeks to exceed the return of the S&P 500 over time by rotating among a range of 5 Select Sector SPDR ETFs. The strategy aims to provide active exposure to a basket of 5 sector ETFs chosen by 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 Top 5 Sector Rotation model portfolio.

Sectors	AI Signal Change (MoM)	Macro & Market Environment
Materials	— Underweight	
Consumer Discretionary	— Underweight	Markets experienced a challenging September that saw equities continue their decline from the previous month. The S&P 500 slid 4.87% to end the month, and both Developed and Emerging markets suffered negative returns at -3.77% and -2.04% respectively. In the bond market, stubborn inflation led to renewed fears that the FOMC would raise interest rates yet again before the end of the year; 10-year treasury yield soared to 16 year highs peaking at 4.85% in September.
Financials	— Underweight	
Communication Services	+ Overweight	
Energy	— Underweight	
Industrials	+ Overweight	The Energy sector was the top performing segment last month, with the surge in oil prices due in no small part to historically low oil supply. US crude inventories fell by more than 2 million barrels, hitting their lowest levels in close to 40 years. As a result, energy stocks recorded positive returns both for the month and for the quarter, clocking in at +2.43% and +11.33% respectively. Behind Energy, the Communication Services sector was the second best performing sector; while September saw returns drop by -2.91%, the sector still saw +1.05% growth in the third quarter.
Technology	+ Overweight	The Top 5 Sector Rotation model applies a proprietary AI model to analyze industry sectors and dynamically adjusting sector exposure. The model aims to maximise risk-adjusted returns by selecting 5 sectors across cyclical and defensive exposures. In the October rebalance, Qraft AI-Powered Top 5 Sector Rotation allocated towards Communication Services, Consumer Staples, Industrial, Technology, and Utilities sectors.
Consumer Staples	+ Overweight	
Health Care	— Underweight	
Utilities	+ Overweight	

Source: Qraft Technologies, Morningstar