Portfolio: **Qraft AI-Powered Golden Butterfly Tilt** Benchmark: **iShares Core Growth Allocation ETF** 4/1/2024 to 6/30/2024

As of 6/30/2024

Quarterly Model Portfolio Commentary

Global equity markets experienced more turbulence in Q2 of 2024. Equity indexes faced increased volatility amidst conflicting economic signals and heightened geopolitical tensions. However, there were still areas of notable growth and resilience. Q1 2024 GDP increased to 1.4%[1], revised from 1.3%, driven by lower imports and increased nonresidential fixed investment and government spending, albeit a decline in consumer spending. Nonfarm payrolls increased by 272,000[2], yet unemployment rates rose to 4%[3]. The core PCE index increased 2.6% year-on-year[4], indicating inflationary pressures remain elevated.

The US Market Index gained 3.48%[5], recovering from a sharp pullback in April. The Dow was the only major index to post a loss in Q2 (-1.73%[6]), while the Nasdaq 100 (+8.26%[7]) and S&P 500 (+3.92%[8]) rose. S&P's AI-related companies drove returns as the rest declined; this divergence was reflected in sector performance, led by Technology, Communications, and Utilities benefiting from AI demand, while six others lost value. This was highlighted when Nvidia (+36.74%[9]) was briefly the world's most valuable company, contributing 1.6 percentage points to Q2 market returns – Apple, Microsoft, and Alphabet followed. Value stocks lagged growth stocks, with the US Value Index down -1.47%[10] and the US Growth Index up 2.42%[11], whereas dividend stocks lagged the broader market.

Global equity markets saw modest returns compared to the S&P's tech-driven rally, with the Stoxx Europe 600 and Japan's Topix rising by 1.27%[12] and 1.48%[13], respectively, over diversifications into pharma, finance, tech, luxury goods, and others. Bonds recovered in Q2, supported by improving inflation data and confidence in rate cuts (US Core Bond Index: +0.17%[14]). Bond yields fell from April's peak, with the 10-year Treasury note ending at 4.37%[15]. The treasury yield curve remained inverted. Commodity markets saw mixed results: WTI crude oil prices fell -2.59%[16], pushing prices for gasoline and other consumer goods lower; gold gained 4.08%[17]; and copper prices soared 8.51%[18]. Overall, tech and AI sectors drove growth, while mixed signals from inflation and interest rates led to varied performances across other sectors and markets.

For the quarter, Qraft AI-Powered Golden Butterfly Tilt model portfolio had a return of 0.18%, which was lower than the benchmark return of 1.57%. The portfolio's return can be broken down into three asset classes: equity, fixed income, and commodity. The portfolio maintained an overweight position on fixed income and commodities and an underweight on equities relative to the benchmark. The equity component had a return of 0.00%, the fixed income component had a return of -1.04%, and the commodity component had a return of +5.16%, resulting in an active return of -1.28%, -0.51%, and +0.48% respectively. May was the highest performing month with a +3.23% return, while April suffered lagging returns at -3.83%.

Qraft AI-Powered Golden Butterfly Tilt model portfolio seeks to exceed the return of a static 60% equities and 40% fixed income portfolio over time. The strategy aims to achieve this objective using Qraft's AI-driven model to overweight or underweight equities, fixed income, and gold by as much as ±25%. 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 each asset class. 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 Golden Butterfly Tilt model portfolio.

[1] Gross Domestic Product, Bureau of Economic Analysis, June 27 2024 [2] Employment Situation News Release - 2024 M05 Results, Bureau of Labor Statistics, June 7 2024 [3] State Employment and Unemployment Summary, Bureau of Labor Statistics, June 25 2024 [4] Personal Income and Outlays, May 2024, Bureau of Economic Analysis, June 28 2024 [5] Morningstar US Market, Morningstar, June 30 2024 [6] Dow Jones Industrial Average, Morningstar, June 30 2024 [7] NASDAQ Composite, Morningstar, June 30 2024 [8] S&P 500, Morningstar, June 30 2024 [9] NVIDIA Corp, Morningstar, June 30 2024 [10] Morningstar US Value, Morningstar, June 30 2024 [11] Morningstar US Growth, Morningstar, June 30 2024 [12] iShares STOXX Europe 600, Morningstar, June 30 2024 [13] TOPIX, Morningstar, June 30 2024 [14] Morningstar US Core Bond, Morningstar, June 30 2024 [15] United States Rates & Bonds, Bloomberg, June 30 2024 [16] WisdomTree WTI Crude Oil ETC, Morningstar, June 30 2024 [17] Morningstar Global Gold, Morningstar, June 30 2024 [18] Morningstar United States Copper Index, Morningstar, June 30 2024

Source: Morningstar Direct

Trailing Returns

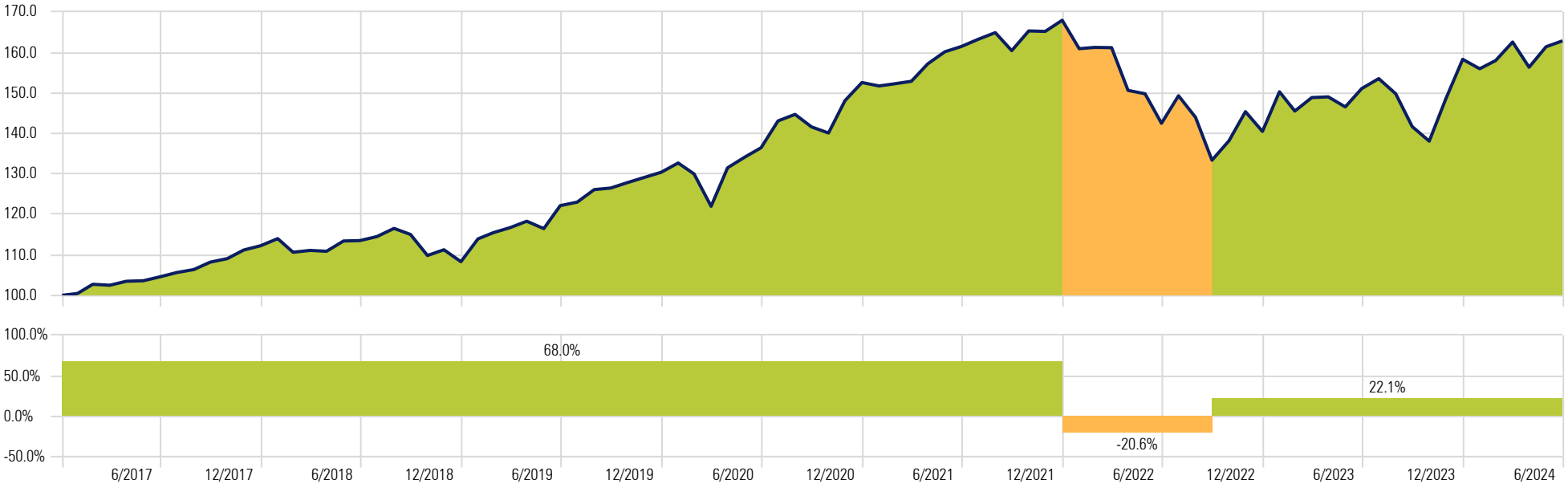
Data Point: Return Calculation Benchmark: iShares Core Growth Allocation ETF

	1 Month	3 Months	6 Months	YTD	1 Year	3 Years	5 Years
Qraft AI-Powered Golden Butterfly Tilt	0.91	0.18	2.89	2.89	7.81	0.87	33.34
iShares Core Growth Allocation ETF	1.25	1.57	6.34	6.34	12.30	7.33	36.87

Investment Growth

Time Period: 1/4/2017 to 6/30/2024

Define drawdown as decline by 10% or more



Qraft AI-Powered Golden Butterfly Tilt Contraction Expansion

Monthly Returns - Qraft AI-Powered Golden Butterfly Tilt

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024	-1.47	1.30	2.90	-3.83	3.23	0.91							2.89
2023	6.98	-3.18	2.29	0.11	-1.66	3.09	1.63	-2.45	-5.41	-2.54	7.52	6.63	12.68
2022	-4.18	0.20	-0.04	-6.55	-0.55	-4.87	4.78	-3.57	-7.37	3.61	5.20	-3.36	-16.36
2021	-0.55	0.34	0.41	2.82	1.89	0.82	1.11	1.00	-2.70	3.04	-0.07	1.67	10.09
2020	1.76	-2.05	-6.15	7.80	1.99	1.74	4.87	1.12	-2.13	-1.07	5.71	3.03	17.00
2019	5.21	1.35	1.09	1.34	-1.54	4.88	0.71	2.51	0.30	1.08	0.98	1.00	20.41
2018	1.56	-2.95	0.41	-0.19	2.29	0.08	0.88	1.75	-1.28	-4.52	1.29	-2.66	-3.52
2017	—	2.27	-0.23	0.96	0.12	0.92	1.03	0.69	1.73	0.80	1.95	0.96	—

Monthly Returns - iShares Core Growth Allocation ETF

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024	0.18	2.02	2.43	-3.02	3.44	1.25							6.34
2023	5.81	-2.93	2.74	1.17	-1.22	3.47	2.13	-1.93	-3.49	-2.25	6.97	4.49	15.24
2022	-3.45	-2.22	0.16	-6.17	0.64	-5.67	5.23	-3.71	-7.18	3.41	6.75	-3.12	-15.30
2021	-0.44	1.17	1.77	2.79	1.13	0.86	0.90	1.33	-2.86	3.06	-1.35	2.40	11.14
2020	-0.33	-4.24	-9.16	6.37	3.53	2.05	3.59	3.35	-1.87	-1.47	7.39	3.03	11.60
2019	5.12	1.61	1.52	2.11	-3.06	4.24	0.09	-0.18	1.14	1.79	1.22	2.11	18.96
2018	2.99	-3.16	-0.40	-0.11	0.41	-0.38	1.94	0.62	0.02	-4.95	1.12	-3.79	-5.84
2017	1.60	1.99	0.93	1.33	1.59	0.39	1.81	0.48	1.15	1.41	1.15	1.01	15.88

Source: Morningstar Direct

Portfolio Holdings - Qraft AI-Powered Golden Butterfly Tilt

Portfolio Date: 4/30/2024

	%
Vanguard Total Stock Market ETF	27.9
iShares 20+ Year Treasury Bond ETF	27.2
iShares S&P Small-Cap 600 Value ETF	18.0
iShares 1-3 Year Treasury Bond ETF	13.5
SPDR® Gold Shares	13.4
Total	**100.0**

Portfolio Holdings - Qraft AI-Powered Golden Butterfly Tilt

Portfolio Date: 5/31/2024

	%
Vanguard Total Stock Market ETF	28.0
iShares 20+ Year Treasury Bond ETF	26.7
iShares S&P Small-Cap 600 Value ETF	17.6
SPDR® Gold Shares	14.0
iShares 1-3 Year Treasury Bond ETF	13.7
Total	**100.0**

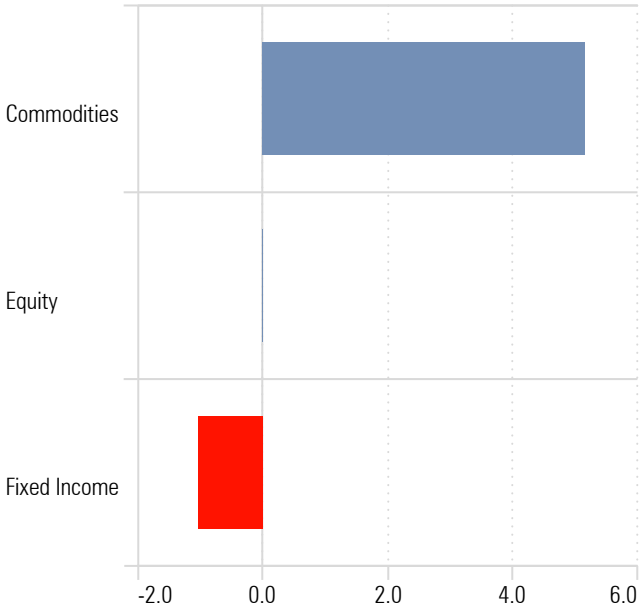
Portfolio Holdings - Qraft AI-Powered Golden Butterfly Tilt

Portfolio Date: 6/30/2024

	%
Vanguard Total Stock Market ETF	27.8
iShares 20+ Year Treasury Bond ETF	26.3
iShares S&P Small-Cap 600 Value ETF	18.1
SPDR® Gold Shares	14.0
iShares 1-3 Year Treasury Bond ETF	13.8
Total	**100.0**

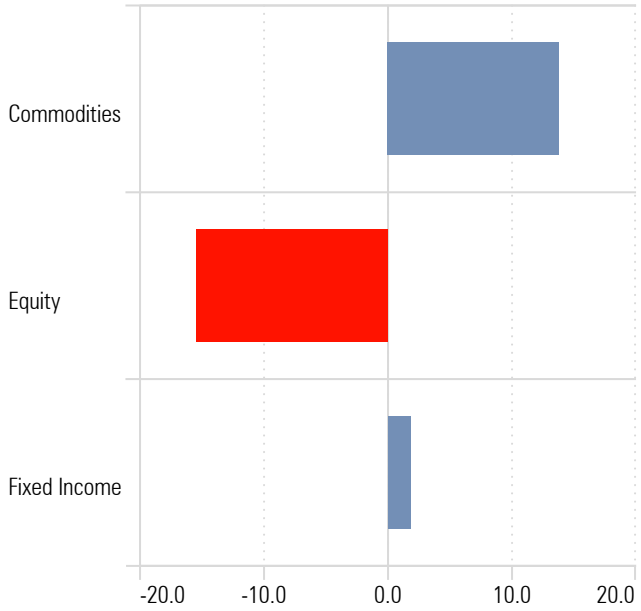
Return

Time Period: 4/1/2024 to 6/30/2024



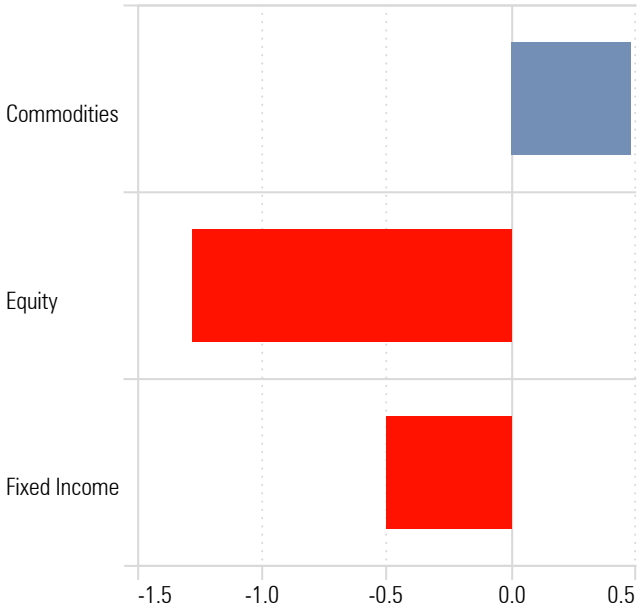
Relative Weights

Time Period: 4/1/2024 to 6/30/2024



Active Return

Time Period: 4/1/2024 to 6/30/2024



Source: Morningstar Direct

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