

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 272,000², yet unemployment rates rose to 4%³. The core PCE index increased 2.6% year-on-year⁴, 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 US Factor Rotation model portfolio had a return of 4.67%, which was higher than the benchmark return of 4.25%. The portfolio's holdings comprise of an equities and a cash component. The portfolio maintained an overweight position on cash relative to the benchmark, allocating a 12% holding towards cash in the May rebalance. The equities component had a return of +4.58% while the cash component had a return of +0.45%, resulting in an active return of +0.14% and -0.59% respectively. May was the highest performing month with a 5.03% return, while April saw lagging returns at 4.36%.

Qraft AI-Powered US Factor Rotation model portfolio seeks to exceed the return of the S&P 500 over time by rotating among a range of equity factor exposures (such as momentum, value, growth, low risk, and quality) and cash. The strategy aims to provide active exposure to a diversified basket of broad-based and factor ETFs and leverage Qraft's proprietary regime detection model that can dynamically increase its cash level up to 50% in an attempt to reduce market drawdowns. 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 factor 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 Factor Rotation 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

Trailing Returns

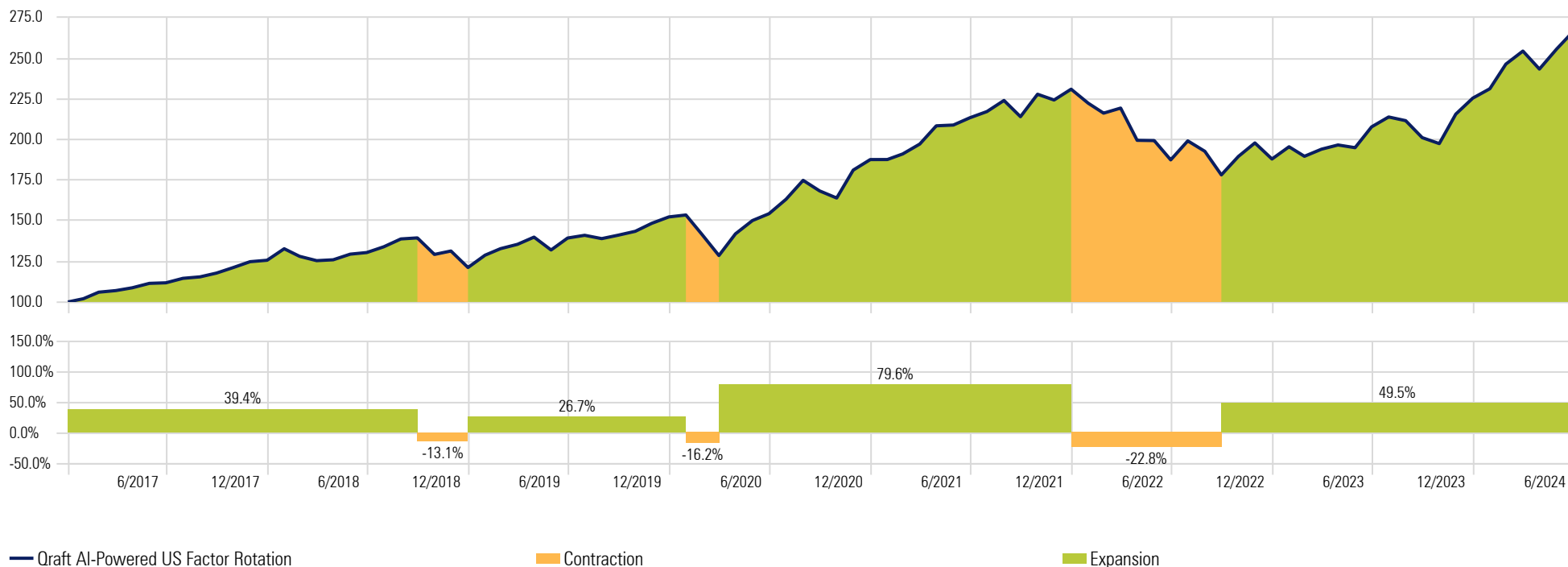
Data Point: Return Calculation Benchmark: SPDR® S&P 500® ETF Trust

	1 Month	3 Months	6 Months	YTD	1 Year	3 Years	5 Years
Qraft AI-Powered US Factor Rotation	4.22	4.69	18.13	18.13	28.21	24.84	91.17
SPDR® S&P 500® ETF Trust	3.57	4.25	15.21	15.21	24.39	32.81	100.79

Investment Growth

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

Define drawdown as decline by 10% or more



Monthly Returns - Qraft AI-Powered US Factor Rotation

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024	2.56	6.55	3.27	-4.36	5.03	4.22							18.13
2023	4.01	-3.00	2.31	1.34	-0.85	6.56	2.94	-1.06	-4.94	-1.83	9.18	4.59	19.96
2022	-3.73	-2.76	1.44	-9.05	-0.08	-5.96	6.24	-3.23	-7.53	6.38	4.38	-5.01	-18.61
2021	0.01	1.83	3.19	5.69	0.23	2.15	1.79	3.15	-4.47	6.46	-1.56	2.97	23.09
2020	0.78	-7.74	-9.22	10.37	5.79	2.79	5.77	7.13	-3.73	-2.60	10.49	3.59	23.19
2019	6.27	3.11	2.02	3.27	-5.65	5.57	1.21	-1.45	1.53	1.69	3.44	2.64	25.70
2018	5.63	-3.53	-2.08	0.43	2.75	0.77	2.72	3.60	0.46	-7.31	1.64	-7.74	-3.57
2017	—	3.96	0.93	1.62	2.50	0.30	2.47	0.79	2.01	2.95	2.92	0.71	—

Monthly Returns - SPDR® S&P 500® ETF Trust

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024	1.67	5.33	3.21	-4.09	4.94	3.57							15.21
2023	6.27	-2.44	3.67	1.55	0.43	6.58	3.20	-1.60	-4.77	-2.11	9.11	4.52	26.14
2022	-5.18	-3.00	3.70	-8.72	0.17	-8.22	9.21	-4.07	-9.21	8.08	5.56	-5.74	-18.14
2021	-1.02	2.75	4.37	5.33	0.69	2.33	2.37	3.03	-4.65	6.99	-0.70	4.47	28.59
2020	-0.05	-8.21	-12.26	12.80	4.74	1.97	5.63	7.17	-3.79	-2.66	10.93	3.83	18.40
2019	7.99	3.20	1.93	4.04	-6.34	7.01	1.43	-1.59	1.86	2.15	3.62	3.00	31.29
2018	5.71	-3.69	-2.55	0.38	2.40	0.60	3.70	3.24	0.56	-6.84	2.03	-8.98	-4.45
2017	1.89	3.96	0.10	1.02	1.40	0.61	2.05	0.30	2.06	2.32	3.05	1.10	21.69

Source: Morningstar Direct

Portfolio Holdings - Qraft AI-Powered US Factor Rotation

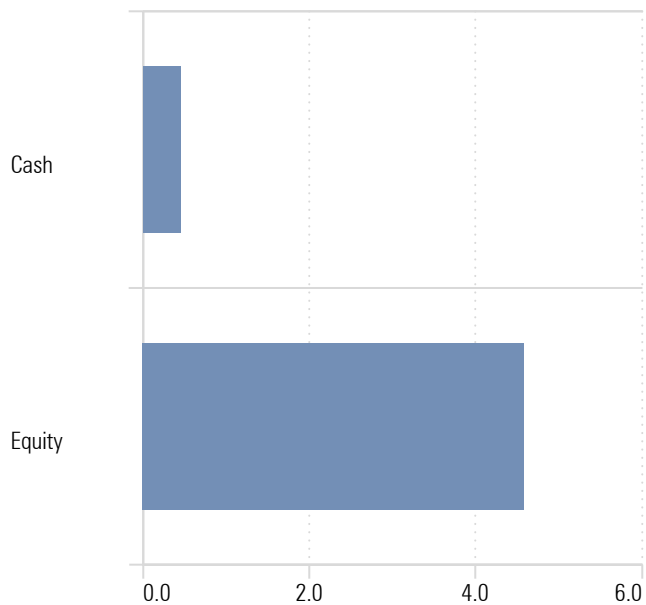
Portfolio Date: 4/30/2024



	%
• Vanguard Growth ETF	28.9
• QRAFT AI-Enhanced US Large Cap Mmntm ETF	22.5
• QRAFT AI-Enhanced US Large Cap ETF	15.5
• Vanguard S&P 500 ETF	12.5
• Invesco S&P 500® High Div Low Vol ETF	10.9
• Vanguard Value ETF	5.0
• iShares MSCI USA Momentum Factor ETF	4.7
Total	100.0

Return

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



Portfolio Holdings - Qraft AI-Powered US Factor Rotation

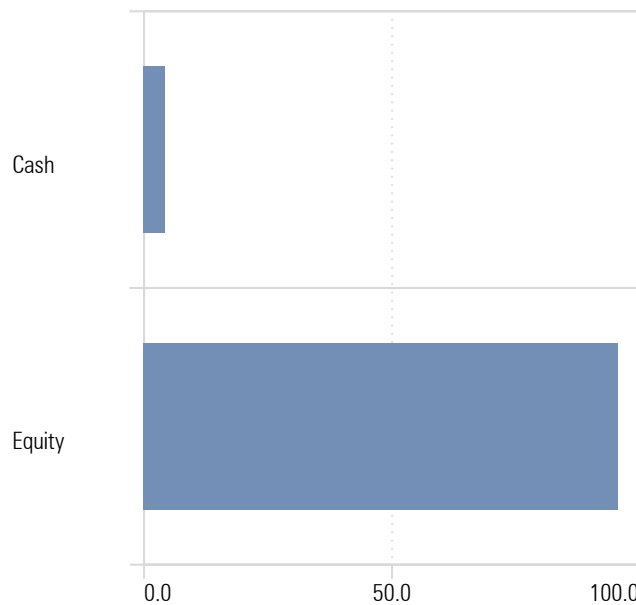
Portfolio Date: 5/31/2024



	%
• Vanguard Growth ETF	30.0
• QRAFT AI-Enhanced US Large Cap Mmntm ETF	22.5
• QRAFT AI-Enhanced US Large Cap ETF	15.5
• Cash	12.0
• Invesco S&P 500® High Div Low Vol ETF	6.2
• Vanguard S&P 500 ETF	5.9
• Vanguard Value ETF	4.2
• iShares MSCI USA Momentum Factor ETF	3.7
Total	100.0

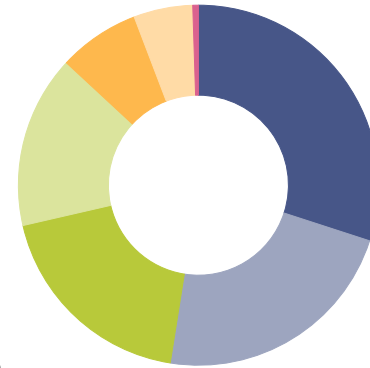
Weights

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



Portfolio Holdings - Qraft AI-Powered US Factor Rotation

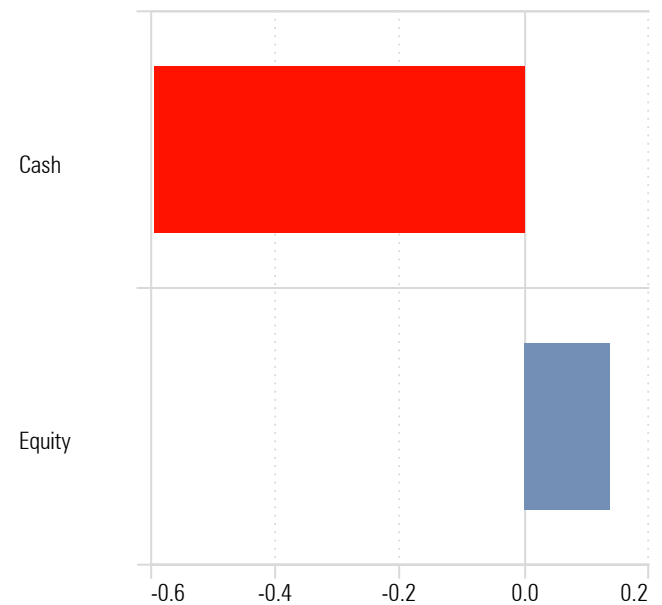
Portfolio Date: 6/30/2024



	%
• Vanguard Growth ETF	30.0
• QRAFT AI-Enhanced US Large Cap Mmntm ETF	22.5
• Invesco S&P 500® High Div Low Vol ETF	18.9
• QRAFT AI-Enhanced US Large Cap ETF	15.5
• Vanguard Value ETF	7.3
• Vanguard S&P 500 ETF	5.3
• iShares MSCI USA Momentum Factor ETF	0.5
Total	100.0

Active Return

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



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