



**GRAFT**  
AIETFs

# **Monthly Portfolio Update**

**2022**  
**February**

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## About Qraft Technologies

Founded in 2016, Qraft Technologies is on a mission to innovate the asset management process. From AI-powered ETFs to AI Order Execution, we seek to leverage AI to expand the capability of finding alpha at a lower cost than in the traditional asset management process.

The name Qraft is an amalgamation of the words 'Quant' and 'Craft', conveying the purpose of the company in crafting quantitative solutions for clients using our proprietary AI technology. Qraft's in-house, vertically integrated, AI suite offers nimbleness and ability to adapt to the changing needs and condition of the market. Qraft is developing a full comprehensive suite of AI-powered enabling services for financial firms, from building portfolio (Asset Allocation Engine), data handling (Kirin API), identification of alpha (Alpha Factory), to order execution (AXE). Our mission is to enable AI-driven technology to fundamentally change investing for the better.

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# February Overview

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January 2022 has been a volatile month, seeing the worst drawdown for US equities since the pandemic sell off in early 2020. The S&P 500 was down almost 10% before starting to recover at the tail end of the month. Mega-cap growth tech stocks were some of the most affected during this period<sup>1</sup>, with many stocks posting their worst one-day trading performance on record in that period. It is widely thought that tech mega-caps, which have seen outsized growth during the early days of the pandemic are overvalued<sup>2</sup>, especially as the favorable pandemic environment that boosted their businesses over the past few years make way for an uncertain environment characterized by concerns over geopolitics, inflation, supply chain, and interest rate hikes.

Geopolitical concerns will factor in the short-term, as concerns over a potential conflict between Ukraine and Russia have already started to translate to upward pressure on energy prices, as supply is likely to be greatly affected in the event of an all-out conflict<sup>3</sup>. The same holds true for commodities such as wheat, as Russia and Ukraine accounts for 29% of global wheat production<sup>4</sup>. Events such as these put more pressure on supply chains that have already been impacted by COVID.

The combination of supply chain and inflation concerns have started to translate into decreased spending on durable goods, with the US Commerce Department reporting that consumer spending on goods have fallen for two consecutive months, with services steadily increasing since the beginning of the pandemic when spending on services bottomed out to record lows<sup>5</sup>. This suggests that while inflation may be slowing down, for the full picture, investors would need to wait until March, when the interest rates hinted at by the Fed come into effect.

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# AMOM Key Takeaways

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## **Sharp decline in AMOM IT sector weight mirroring market sentiment**

- IT sector weight for AMOM decreases by 17.46% from 48.29% to 30.82%

## **Alphabet (GOOGL) announces earnings beat & stock split**

- Reports year over year increase in profits by over 33% for Q4 2021<sup>6</sup>, driven by strong performance from most business units, with YouTube advertising revenue beating Netflix's total revenue for the quarter
- Announces 20-for-1 stock split, which is expected to create more demand from investors by lowering barriers to entry

## **Lowe's (LOW) starts push for more professional customers**

- Launches the MVPs Pro Rewards and Partnership Program aimed at professional in the home improvement business<sup>7</sup>, who are increasingly a larger share of its customer base

## **Meta (FB) reports decline in profits and users**

- Meta loses around a million users with growth stagnating<sup>8</sup>
- Estimated that privacy changes made by Apple has cost Meta almost \$10 billion in revenue
- Heavy emphasis on growing its Reels service to make up for slowing growth and decline in revenue

## **Blackstone (BX) reports record high Q4 earnings**

- Blackstone nearly doubles net income in Q4 2021, supported by strong performance from its REIT business<sup>9</sup>
- With inflows from deals to manage assets of AIG and Allstate, Blackstone believes it will hit its 2026 goal of reaching \$1 trillion AUM in 2022

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AMOM Rebalance Tables

January Top 10		February Top 10	
TSLA	8.20%	GOOGL	8.47%
NVDA	7.80%	FB	7.98%
HD	6.05%	NVDA	6.88%
ADBE	4.52%	HD	4.69%
SHOP	4.18%	COST	3.27%
CRM	4.09%	LOW	2.61%
COST	4.08%	INTU	2.60%
QCOM	3.31%	AMAT	2.29%
INTU	3.23%	TGT	2.07%
BX	2.66%	BX	2.05%

Significant Removals		Significant Additions	
TSLA	8.20%	GOOGL	8.47%
ADBE	4.52%	FB	7.98%
SHOP	4.18%	LOW	2.61%
CRM	4.09%	AMAT	2.29%
QCOM	3.31%	TGT	2.07%

(Source: Company data; Data available as of February 2, 2022)

Table showing key AMOM metrics

Ticker	Product	Return type	1 Week	1 Month	Since Inception
AMOM	Graft AI-Enhanced U.S. Large Cap Momentum ETF	Market Return	1.37%	-16.93%	52.75%
		Fund NAV	1.35%	-17.19%	52.79%
MIUS <sup>i</sup>	MSCI USA Momentum Index*	Index Return	3.90%	-8.16%	49.72%

(Source: S&amp;P Compustat; Data available as of February 4, 2022; Subject to change)

Since AMOM inception: May 19, 2019

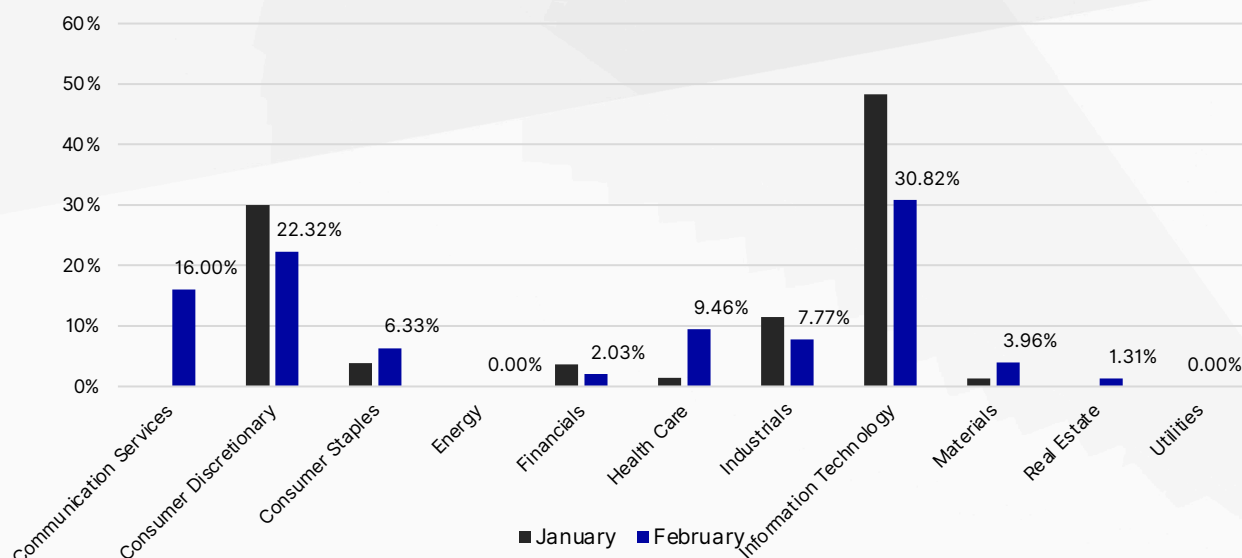
\*Investors cannot directly invest in an index

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. For current standard performance and expenses, visit [www.graftaietf.com/amom](http://www.graftaietf.com/amom)

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### AMOM Sector Change



Sector	January	February	Change
Communication Services	-	16.00%	16.00%
Consumer Discretionary	30.00%	22.32%	-7.68%
Consumer Staples	3.91%	6.33%	2.42%
Energy	-	-	-
Financials	3.63%	2.03%	-1.61%
Health Care	1.40%	9.46%	8.05%
Industrials	11.43%	7.77%	-3.66%
Information Technology	48.29%	30.82%	-17.46%
Materials	1.34%	3.96%	2.63%
Real Estate	-	1.31%	1.31%
Utilities	-	-	-

(Source: Company data; Data available as of February 2, 2022)

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# QRFT Key Takeaways

## Increases in value, size and low risk factors

- Increase of value factor by 1.01%, size by 0.12%, and low risk by 3.01%

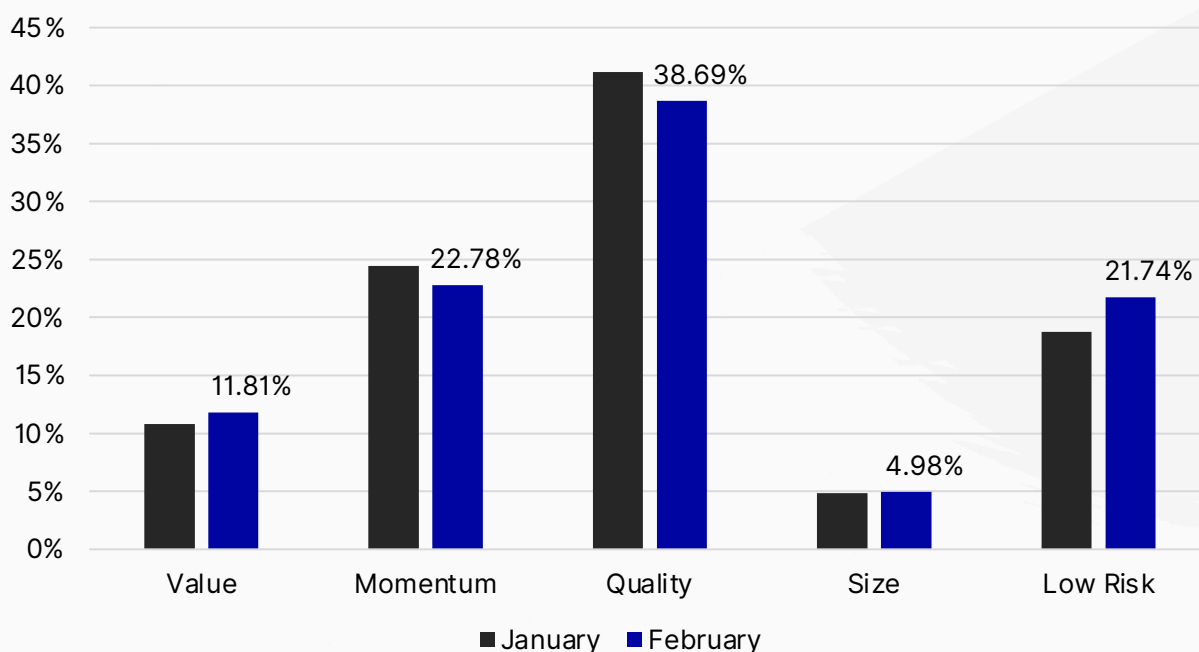
## Decreases in momentum and quality factors

- Decreases in momentum factor by 1.67% and quality factor by 2.47%

## Significant reduction in IT sector holdings

- 14% reduction in information technology sector holdings

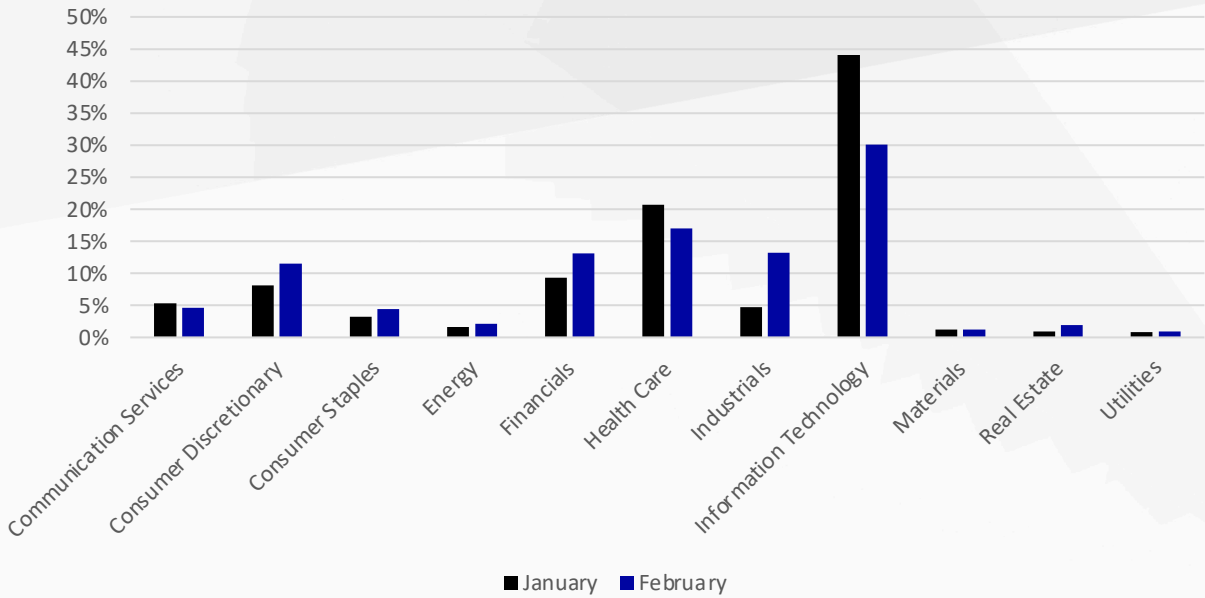
### QRFT Factor Change



Factors	January	February	Change
Value	10.80%	11.81%	1.01%
Momentum	24.45%	22.78%	-1.67%
Quality	41.16%	38.69%	-2.47%
Size	4.87%	4.98%	0.12%
Low Risk	18.73%	21.74%	3.01%

(Source: Company data; Data available as of February 2, 2022)

QRFT Sector Change



Sector	January	February	Change
Communication Services	5.36%	4.61%	-0.74%
Consumer Discretionary	8.09%	11.50%	3.41%
Consumer Staples	3.22%	4.46%	1.23%
Energy	1.58%	2.08%	0.51%
Financials	9.32%	13.15%	3.84%
Health Care	20.66%	16.98%	-3.68%
Industrials	4.73%	13.16%	8.43%
Information Technology	44.04%	30.03%	-14.01%
Materials	1.22%	1.21%	-0.01%
Real Estate	0.94%	1.93%	0.99%
Utilities	0.85%	0.89%	0.03%

(Source: Company data; Data available as of February 2, 2022)

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### QRFT Rebalance Tables

January Top 10		February Top 10	
MSFT	3.86%	MSFT	3.53%
AAPL	3.80%	AAPL	3.20%
AMZN	2.37%	COST	2.17%
GOOGL	2.00%	GOOGL	2.03%
ADBE	1.96%	LULU	1.71%
VEEV	1.95%	AMZN	1.70%
FB	1.55%	UNH	1.49%
SNPS	1.41%	POOL	1.45%
ADSK	1.40%	BAH	1.40%
UI	1.40%	ORLY	1.38%

Significant Removals		Significant Additions	
MANH	0.81%	MKTX	1.09%
ENTG	0.73%	NVR	0.85%
SGEN	0.69%	IT	0.77%
PODD	0.68%	G	0.75%
INCY	0.58%	EXPD	0.71%

(Source: Company data; Data available as of February 2, 2022)

### Table showing key QRFT metrics

Ticker	Product	Return type	1 Week	1 Month	Since Inception
QRFT	Qraft AI-Enhanced Large Cap ETF	Market Return	3.25%	-8.19%	78.92%
		Fund NAV	2.87%	-8.06%	78.66%
SPXTR <sup>ii</sup>	S&P 500 Total Return Index	Index Return	1.57%	-6.01%	64.45%

(Source: S&P Compustat; Data available as of February 4, 2022; Subject to change)

Since QRFT inception: May 19, 2019

\*Investors cannot directly invest in an index

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# NVQ

## Key Takeaways

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### **Sharp decrease in industrials sector holdings & increase in consumer discretionary sector**

- Consumer discretionary sector increases by 11%
- Industrial sector decreases by 12.5%

### **CVS (CVS) and other health picks remain strongly represented in NVQ top-10 portfolio**

- CVS remains the top pick in NVQ, as it is expected to post strong Q4 2021 earnings with strong growth from pharmacy services as well as COVID related vaccinations and testing<sup>10</sup>
- Company projected strong 2022 guidance during its 2021 Investor Day, stating that it is time for them to take a major evolution in creating personalized approaches for its customers

### **Cigna (CI) reports strong growth and projects even stronger 2022 outlook**

- Cigna reports Q4 2021 results and beats revenue and EPS estimates<sup>11</sup>
- Issues strong guidance for FY 2022 and continued stock repurchase plans

### **NVQ increases financial sector weight for three straight months**

- Financial sector weight increases by nearly 5% month over month
- Truist Financial Corp. (TFC) & CapitalOne (COF) make up around 10% of NVQ portfolio
- CapitalOne reports higher than expected Q4 20201 revenue
- Truist Financial beats earnings expectations

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NVQ Rebalance Tables

January Top 10		February Top 10	
CVS	7.67%	CVS	8.03%
RTX	7.59%	CI	5.29%
TFC	4.68%	TFC	4.84%
CI	4.20%	EOG	4.50%
CVE	3.83%	COF	4.42%
EOG	3.68%	VMW	4.33%
VMW	3.64%	CNC	3.34%
COF	3.56%	WBA	3.10%
JCI	3.21%	ADM	2.96%
CNC	2.73%	KR	2.45%

Significant Removals		Significant Additions	
RTX	7.59%	WBA	3.10%
CVE	3.83%	VIACA	1.44%
JCI	3.21%	AER	1.07%
MPC	2.52%	MHK	0.84%
PSX	2.12%	DDS	0.70%

(Source: Company data; Data available as of February 2, 2022)

Table showing key NVQ metrics

Ticker	Product	Return type	1 Week	1 Month	Since Inception
NVQ	Graft AI-Enhanced Next Value ETF	Market Return	2.13%	-1.43%	32.07%
		Fund NAV	1.53%	-1.60%	32.34%
SPXVTR <sup>iii</sup>	S&P 500 Value Total Return Index*	Index Return	1.13%	-2.95%	25.36%

(Source: S&amp;P Compustat; Data available as of February 4, 2022; Subject to change)

Since NVQ inception: December 3, 2020

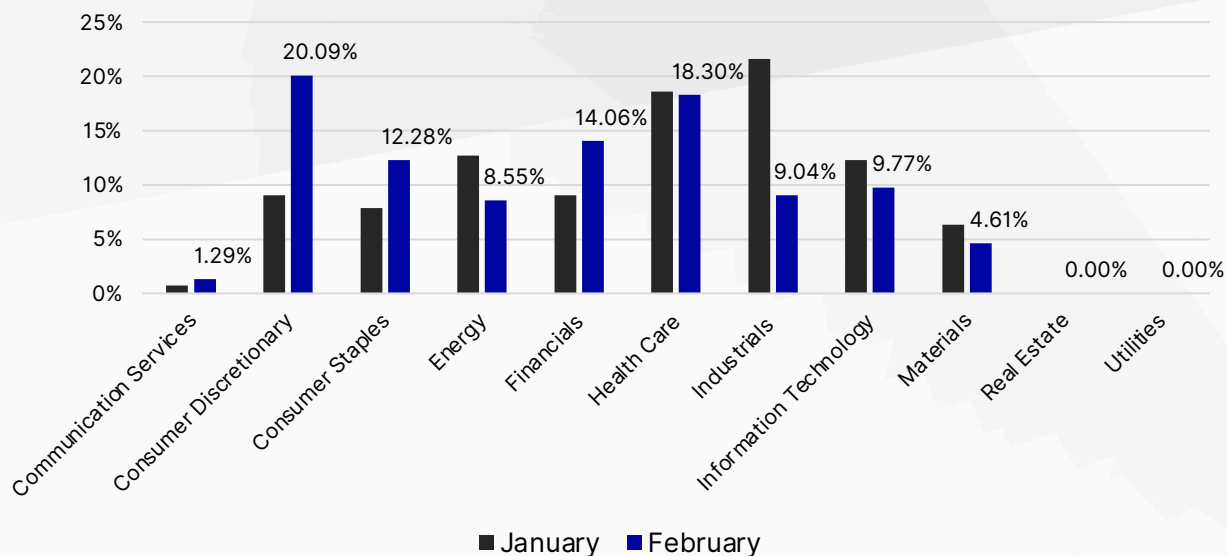
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### NVQ Sector Change



Sector	January	February	Change
Communication Services	0.73%	1.29%	0.57%
Consumer Discretionary	9.07%	20.09%	11.03%
Consumer Staples	7.84%	12.28%	4.43%
Energy	12.70%	8.55%	-4.15%
Financials	9.07%	14.06%	4.99%
Health Care	18.60%	18.30%	-0.30%
Industrials	21.58%	9.04%	-12.54%
Information Technology	12.28%	9.77%	-2.51%
Materials	6.30%	4.61%	-1.69%
Real Estate	-	-	-
Utilities	-	-	-

(Source: S&P Compustat; Data available as of February 2, 2022)

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## Endnotes

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## Definitions

- i. Based on MSCI USA Index, its parent index, which captures large and mid cap stocks of the US market. It is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover.
- ii. The index includes 500 leading companies and covers approximately 80% of available market capitalization.
- iii. Measures value stocks using three factors: the ratios of book value, earnings, and sales to price. Constituents are drawn from the S&P 500
- iv. The index tracks high-yielding, dividend-paying, U.S.-backed securities screened for superior company quality and financial health

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## Important Information

Portfolio holdings are subject to change and should not be considered investment advice.

*Investing involves risk including possible loss of principal. Diversification does not ensure profits or prevent losses.*

*Artificial intelligence selection models are reliant upon data and information supplied by third parties that are utilized by such models. To the extent the models do not perform as designed or as intended, the strategy may not be successfully implemented. If the model or data are incorrect or incomplete, any decisions made in reliance thereon may lead to the inclusion or exclusion of securities that would have been excluded or included had the model or data been correct and complete. Service providers may experience disruptions that arise from human error, processing and communications error, counterparty or third-party errors, technology or systems failures, any of which may have an adverse impact. While it is anticipated the Adviser, Exchange Traded Concepts LLC, will purchase and sell securities based on recommendations of QRAFT AI, the Adviser has full discretion over investment decisions for the Fund.*

**Investors should consider the investment objectives, risks, charges, and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the Qraft ETFs, please call (855) 973-7880 or visit our website at [www.graftaietf.com](http://www.graftaietf.com). Read the prospectus or summary prospectus carefully before investing.**

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*Investing involves risk, including loss of principal. The Funds are subject to numerous risks including but not limited to: Equity Risk, Sector Risk, Large Cap Risk, Management Risk, and Trading Risk. The Funds rely heavily on a proprietary artificial intelligence selection model as well as data and information supplied by third parties that are utilized by such model. To the extent the model does not perform as designed or as intended, the Fund's strategy may not be successfully implemented, and the Funds may lose value. Additionally, the funds are non-diversified, which means that they may invest more of their assets in the securities of a single issuer or a smaller number of issuers than if they were a diversified fund. As a result, each Fund may be more exposed to the risks associated with and developments affecting an individual issuer or a smaller number of issuers than a fund that invests more widely. A new or smaller fund's performance may not represent how the fund is expected to or may perform in the long term if and when it becomes larger and has fully implemented its investment strategies. Read the prospectus for additional details regarding risks.*

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### Important Information

**QRAFT AI-Enhanced U.S. Large Cap ETF (QRFT):** Companies in the health care sector are subject to extensive government regulation and their profitability can be significantly affected by restrictions on government reimbursement for medical expenses, rising costs of medical products and services, pricing pressure (including price discounting), limited product lines and an increased emphasis on the delivery of health care through outpatient services.

**QRAFT AI-Enhanced U.S. Large Cap Momentum ETF (AMOM):** The Fund is subject to the risk that market or economic factors impacting technology companies and companies that rely heavily on technology advances could have a major effect on the value of the Fund's investments. The value of stocks of technology companies and companies that rely heavily on technology is particularly vulnerable to rapid changes in technology product cycles, rapid product obsolescence, the loss of patent, copyright and trademark protections, government regulation and competition, both domestically and internationally, including competition from foreign competitors with lower production costs. Technology companies and companies that rely heavily on technology, especially those of smaller, less-seasoned companies, tend to be more volatile than the overall market.

**QRAFT AI-Enhanced US High Dividend ETF (HDIV):** Securities that pay dividends, as a group, may be out of favor with the market and underperform the overall equity market or stocks of companies that do not pay dividends. In addition, changes in the dividend policies of the companies held by the Fund or the capital resources available for such company's dividend payments may adversely affect the Fund. In the event a company reduces or eliminates its dividend, the Fund may not only lose the dividend payout but the stock price of the company may also fall.

**QRAFT AI-Enhanced U.S. Next Value ETF (NVQ):** The value approach to investing involves the risk that stocks may remain undervalued, undervaluation may become more severe, or perceived undervaluation may actually represent intrinsic value. Value stocks may underperform the overall equity market while the market concentrates on growth stocks. The small- and mid-capitalization companies in which the Fund invests may be more vulnerable to adverse business or economic events than larger, more established companies, and may underperform other segments of the market or the equity market as a whole. Securities of small- and mid-capitalization companies generally trade in lower volumes, are often more vulnerable to market volatility, and are subject to greater and more unpredictable price changes than larger capitalization stocks or the stock market as a whole.

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