



**GRAFT**  
AIETFs

# Monthly Portfolio Update

2022  
June

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## About Qraft Technologies

Founded in 2016, Qraft Technologies is on a mission to transform investing with artificial intelligence, or AI. Our team, comprised of data scientists and researchers, data engineers, and investment experts, develop and supervise investment solutions enabled by AI.

We believe investment processes powered by AI can lead to superior results over time by advancing the scope, speed, and scale of how data is analyzed. The name Qraft is an amalgamation of the words 'Quant' and 'Craft', conveying the purpose of the company in crafting quantitative solutions using our proprietary AI methods.

Qraft offers a full suite of AI-powered investment solutions for financial firms, from data handling (Kirin API), to Security Selection and Portfolio Construction (AI-Enhanced ETFs), to Asset Allocation and Model Management, to Trading Insights (AXE).

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# June Overview

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Possibilities of stagflation are at the forefront of investors' minds as we approach the halfway point of 2022, as the World Bank noted<sup>1</sup> in its latest report. The OECD has revised its forecast for world output for 2022<sup>2</sup> to 3%, from a previous prediction of 4.5%. The OECD cited food shortages in developing economies and continued inflation in developed economies from the war in Ukraine as some of the most consequential risk factors over the coming years<sup>2</sup>. Ukraine has traditionally been one of the largest exporters of food staples<sup>3</sup> to areas such as the Middle East and has found it difficult to maintain pre-war levels of agricultural exports.

On the other side of the world, however, economic activity has accelerated as China starts to reopen. Major cities such as Shanghai are gradually emerging from lockdown, and this has already resulted in a significant increase in freight rates<sup>4</sup>, with expectations that a large volume of exports will resume. Energy demand is also expected to rise<sup>5</sup> as lockdowns resulted in a sharp decrease in energy consumption as economic activity ground to a halt.

Markets may have reacted more to the positive news as both S&P 500 and NASDAQ indices were able to make a few weeks of positive returns, taking the S&P 500 out of bear territory.

Some of these more positive sentiments appear to be manifested across the board in our AI ETF's June rebalance, with the AI engine making dramatic cuts to the Consumer Staples, and adding to the Energy, and Consumer Discretionary sectors, which would be a reversal of the more defensive sector mix that was presented in May. Large increases in financials were noted for QRFT and NVQ as consumer spending remains strong and additional Fed hikes may benefit financial institutions in the coming months.

# Qraft AI-Enhanced U.S. Large Cap ETF (QRFT)

## Key Takeaways

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### **Increase in Value and Size factors**

- Increase in Value by 8.87%, Size by 0.66%

### **Decrease in Momentum, Quality, Low Risk factor**

- Decrease in Momentum factor by 0.42%, Quality by 5.73%, Low Risk by 3.37%

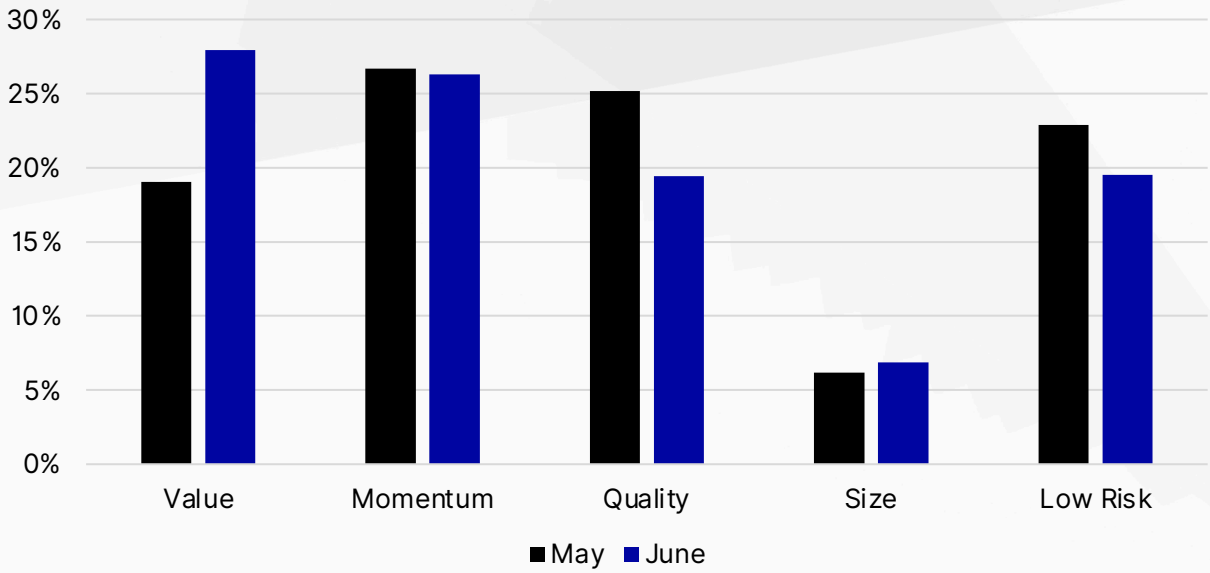
### **Notable increases in Financials and Energy sectors**

- Financials sector increases by 11.19% as additions of consumer finance firms such as Capital One (COF), Fidelity National Financial (FNF), Credit Acceptance Corporation (CACC), and Raymond James Financial (RJF) boost overall sector holdings
- Consumer finance is expected to benefit from increases in credit spending, which has reached all-time highs (total consumer credit), supported by a strong labor market, according to Fitch Ratings<sup>11</sup>
- Energy sector holdings increase 5.34% as prices of energy commodities are expected to remain high, according to Treasury Secretary Janet Yellen<sup>12</sup>, as a result of both increased demand and constrained supply

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QRFT Factor Exposure Change



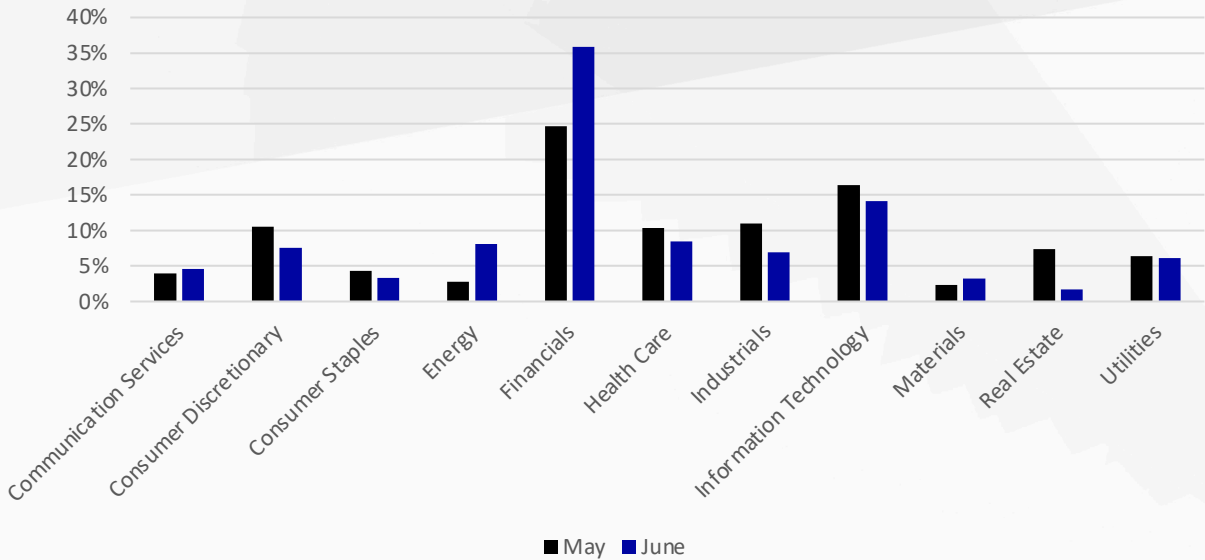
Factor Exposures	May	June	Change
Value	19.06%	27.92%	8.87%
Momentum	26.71%	26.28%	-0.42%
Quality	25.16%	19.43%	-5.73%
Size	6.20%	6.85%	0.66%
Low Risk	22.87%	19.51%	-3.37%

(Source: Company data; Data available as of June 3, 2022)

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QRFT Sector Change



Sector	May	June	Change
Communication Services	3.93%	4.55%	0.62%
Consumer Discretionary	10.57%	7.52%	-3.06%
Consumer Staples	4.28%	3.33%	-0.94%
Energy	2.76%	8.10%	5.34%
Financials	24.69%	35.88%	11.19%
Health Care	10.31%	8.45%	-1.86%
Industrials	11.00%	6.96%	-4.04%
Information Technology	16.38%	14.16%	-2.22%
Materials	2.31%	3.27%	0.96%
Real Estate	7.36%	1.70%	-5.66%
Utilities	6.40%	6.08%	-0.33%

(Source: Company data; Data available as of June 3, 2022)

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QRFT Rebalance Tables

May Top 10		June Top 10	
AAPL	2.99%	AAPL	3.01%
MSFT	2.51%	MSFT	2.52%
BRK.B	2.05%	COF	1.95%
UNH	1.95%	BRK.B	1.79%
RJF	1.92%	GOOGL	1.74%
FNF	1.71%	FNF	1.63%
GOOGL	1.70%	AMZN	1.51%
CACC	1.44%	CACC	1.49%
AMZN	1.43%	RJF	1.41%
COST	1.41%	UNH	1.33%

Significant Removals		Significant Additions	
EGP	1.29%	UNM	1.32%
EPAM	1.04%	AER	1.06%
POOL	0.94%	SNX	1.00%
LSI	0.77%	LNC	0.96%
ARW	0.73%	PAA	0.92%

(Source: Company data; Data available as of June 3, 2022)

Table showing key QRFT metrics

Ticker	Product	Return Type	1 Month	YTD	Since Inception
QRFT	Qraft AI-Enhanced Large Cap ETF	Market Return	-1.07%	-16.65%	64.26%
SPXTR <sup>iii</sup>	S&P 500 Total Return Index*	Total Return	-1.39%	-13.23%	50.95%

(Source: S&P Compustat; Data available as of June 3, 2022; Subject to change)  
Since QRFT inception: June 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.qraftaietf.com/grft](http://www.qraftaietf.com/grft)

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# Qraft AI-Enhanced U.S. Large Cap ETF (AMOM) Key Takeaways

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## Continuing decrease in IT sector holdings

- IT sector weight decreased by 18.46% in April, followed by 16.09% in May, and by 1.78% in June, resulting in 1.68% total IT sector weight
- However, IT heavy NASDAQ has shown signs of recovery with consecutive weeks of growth in late May and early June, with returns of -21% YTD (June 3) vs a return of -27.88% (May 24)<sup>6</sup>

## Energy sector exposure remains steady

- Energy costs are still expected to appreciate as sanctions deepen, while conventional sources of energy such as coal, gas, and oil struggle to meet demand because of consistent underinvestment due to expectations of market share decline<sup>7</sup>

## Top holdings dominated by energy and home improvement

- Energy firms such as Canadian Natural Resources (CNQ), ConocoPhillips (COP), Suncor Energy (SU), and Cenovus Energy (CVE) dominate the top holdings
- Home-improvement suppliers such as Home Depot (HD) & Lowe's (LOW) also feature prominently as residential construction jobs show strong growth in May, with the number of jobs 7.6% above pre-COVID levels according to the latest US jobs report<sup>8,9</sup>

## Significant increase in Consumer Discretionary coupled with decrease in Consumer Staples

- Holdings in Walmart (WMT) and Costco (COST) are removed as retail industry faces divergence in consumer demand as inflation has driven many consumers to lower-end retailers such as Dollar Tree<sup>10</sup> (DLTR), which has now been included in the top holdings
- However, Consumer Discretionary sector is expected to be less affected as wealthier consumers still have disposable income left from the COVID era

## Absence of Communication Services, Real Estate, and Utilities holdings for four consecutive months



### AMOM Rebalance Tables

May Top 10 (effective May 3 <sup>rd</sup> ), Weight (%)		June Top 10 (effective June 2 <sup>nd</sup> ), Weight (%)	
WMT	6.64	HD	8.00%
PEP	6.06	CNQ	4.65%
COST	5.33	LOW	4.39%
CNQ	4.11	COP	3.88%
COP	3.64	SU	3.53%
NTR	3.63	CVE	2.85%
REGN	2.84	TECK	2.69%
CVE	2.70	MCK	2.65%
TGT	2.50	KR	2.37%
TECK	2.46	DLTR	2.32%

Top Removals		Top Additions	
WMT	6.64	HD	8.00
PEP	6.06	LOW	4.39
COST	5.33	SU	3.53
NTR	3.63	MCK	2.65
REGN	2.84	KR	2.37

(Source: Company data; Data available as of June 3, 2022)

### Table showing key AMOM metrics

Ticker	Product	Return Type	1 Month	YTD	Since Inception
AMOM	Graft AI-Enhanced U.S. Large Cap Momentum ETF	Market Return	-1.73%	-22.77%	45.35%
MIUS <sup>ii</sup>	MSCI USA Momentum SR Variant Index*	Total Return	-2.89%	-19.67%	32.21%

(Source: S&P Compustat; Data available as of June 3, 2022; Subject to change)

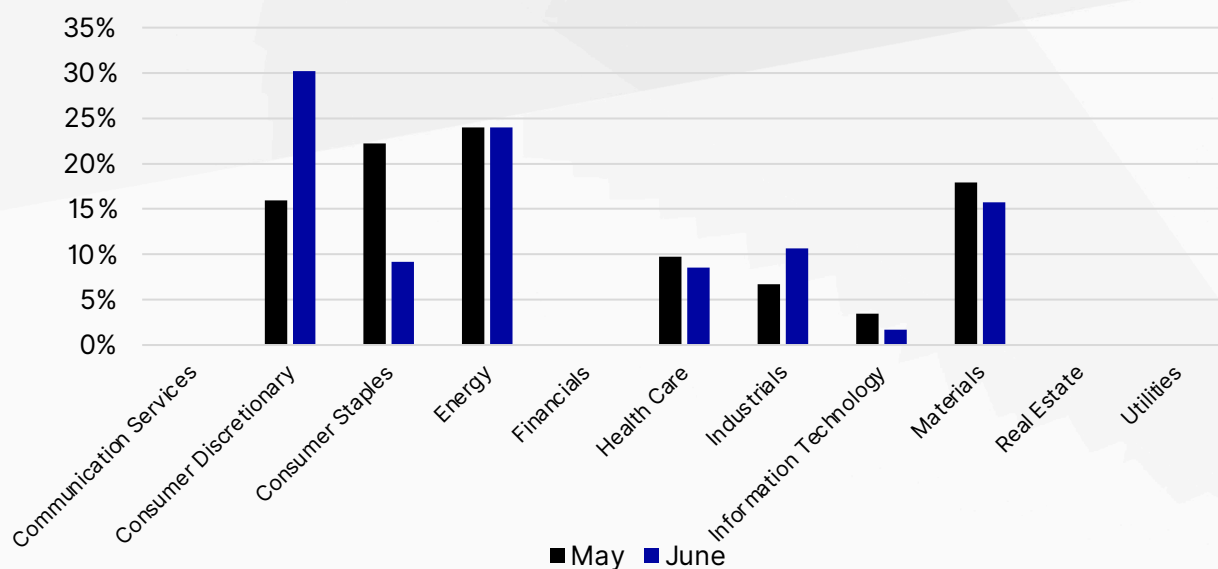
Since AMOM inception: June 19, 2019

\*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	May	June	Change
Communication Services	-	-	-
Consumer Discretionary	15.94%	30.21%	14.27%
Consumer Staples	22.20%	9.16%	-13.05%
Energy	24.00%	24.00%	0.00%
Financials	-	-	-
Health Care	9.76%	8.55%	-1.21%
Industrials	6.73%	10.65%	3.92%
Information Technology	3.45%	1.68%	-1.78%
Materials	17.91%	15.75%	-2.16%
Real Estate	-	-	-
Utilities	-	-	-

(Source: Company data; Data available as of June 3, 2022)

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# **Qraft AI-Enhanced U.S. Next Value ETF (NVQ)**

## **Key Takeaways**

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### **Significant increases in Energy and Financial sectors**

- Energy sector increased by 8.68% as energy futures continue to point to price increases, with sources such as coal increasing in demand<sup>13</sup>
- Financial sector growth driven by consumer finance and strong macro environment for insurance-finance related firms such as Cigna (CI) and Metlife (MET), which benefit from a high-interest environment as it decreases the size of their liabilities as inflation and increases potential yields of new investments

### **Increases in Consumer Discretionary sector and decrease in Consumer Staples**

- Consumer Discretionary holdings increased by 2.90%
- Consumer Staples decreased by 5.16%

### **Decreases in Industrials and Health Care sectors**

- Health Care sector holdings decreased by 11.59%
- Industrials sector decreased by 13.21%

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NVQ Rebalance Tables

May Top 10		June Top 10	
CVS	7.75%	CVS	7.79%
CI	6.08%	CI	5.69%
EOG	5.10%	EOG	4.72%
TFC	4.16%	TFC	4.02%
MPC	3.73%	COF	3.98%
MET	3.65%	MET	3.70%
VLO	3.61%	MPC	3.43%
COF	3.57%	VLO	3.21%
CNC	3.40%	CNC	2.82%
KR	2.86%	WBD	2.63%

Significant Removals		Significant Additions	
MTB	1.57%	CLR	1.61%
FL	0.54%	PARAA	1.39%
USFD	0.52%	PFG	1.38%
DISH	0.47%	ECPG	1.26%
MAN	0.46%	RF	1.21%

(Source: Company data; Data available as of June 3, 2022)

Table showing key NVQ metrics

Ticker	Product	Return Type	1 Month	YTD	Since Inception
NVQ	Graft AI-Enhanced Next Value ETF	Market Return	2.20%	1.90%	32.83%
SPXVTR <sup>iv</sup>	S&P 500 Value Total Return Index*	Total Return	0.56%	-3.95%	22.27%

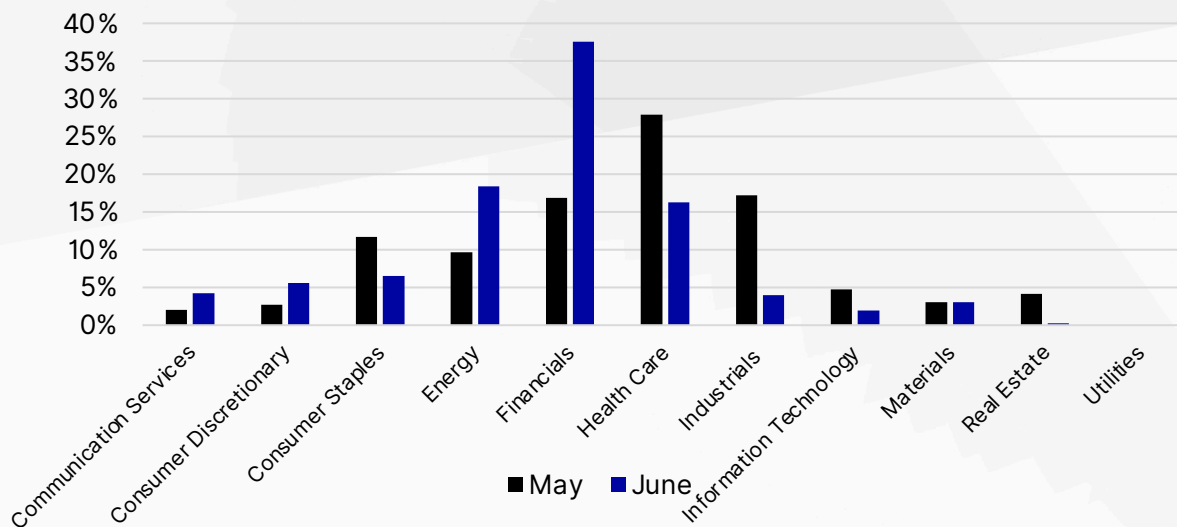
(Source: S&P Compustat; Data available as of June 3, 2022; Subject to change)  
 Since NVQ inception: December 3, 2020  
 \*Investors cannot directly invest in an index

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/nvq](http://www.graftaietf.com/nvq)

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## NVQ Sector Change



Sector	May	June	Change
Communication Services	2.01%	4.26%	2.25%
Consumer Discretionary	2.68%	5.58%	2.90%
Consumer Staples	11.70%	6.55%	-5.16%
Energy	9.69%	18.37%	8.68%
Financials	16.88%	37.60%	20.73%
Health Care	27.90%	16.31%	-11.59%
Industrials	17.21%	4.00%	-13.21%
Information Technology	4.72%	1.91%	-2.81%
Materials	3.05%	3.06%	0.00%
Real Estate	4.16%	0.24%	-3.92%
Utilities	-	-	-

(Source: S&P Compustat; Data available as of June 3, 2022)

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## Endnotes

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## Definitions

- i. Alpha describes an investment strategy's ability to beat its benchmark
- ii. 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.
- iii. The index includes 500 leading companies and covers approximately 80% of available market capitalization.
- iv. Measures value stocks using three factors: the ratios of book value, earnings, and sales to price. Constituents are drawn from the S&P 500

## 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 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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