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Issuer Spotlight: Q&A Graft Technologies Inc.

Q. Why consider using artificial intelligence in the investment process?

AI may be used to construct portfolios because of its potential to:

- Analyze large amounts of data in a short period of time
- Analyze data objectively without being affected by emotions
- Learn the relationship between different data and draw quick conclusions
- Learn when relationships are changing over time
- Learn what data is important and what can be ignored
- Identify complicated patterns and trends which are not easily observable

Q. How does Graft use artificial intelligence to construct portfolios?

Graft portfolios look to exploit common investment factors that have historically shown the potential to provide strong performance. However, AI may help Graft:

- Explore the vast search universe to narrow down valid factor candidates
- Automatically test various factors to extract an investment strategy
- Attempt to produce backtest results accurately in efforts to determine the validity of the factor.
- Identify alternative ways to measure commonly-used investment factors
- Determine the environments when we believe their predictive power is strongest

Graft portfolios then use the valid factors found by AI to construct portfolios. It looks to:

- Determine optimal buy and sell rules
- Build portfolios with pure exposure to these factors
- Calculate optimal weights for these factors
- Determine position weights
- Continually learn how these factors should be identified, measured, and implemented

Q. What is different about the factors that Qraft uses in its portfolios?

Through AI, Qraft looks to more effectively define and measure factors. For example, in looking to provide exposure to momentum, how should the factor be measured? Last twelve months price momentum? Last six months? Last twelve months excluding the most recent month? AI looks to learn the most effective measurement and to identify when its efficacy may be changing. Case in point, Qraft's core AI framework was able to automatically find the same momentum factor found in a famous research paper titled "Is Momentum Really Momentum?" that won the Fama-DFA prize in 2012. This momentum-based factor used stocks with a large value in returns (12-month returns minus recent 6-month returns).

Furthermore, through AI, Qraft also looks at alternative factor identification and measurement. For example, our valuation factors may include intangible assets such as research & technology, intellectual property, etc. In today's financial markets, intangible assets are often overlooked but they play an integral role in book value calculations. Qraft's AI technology aims to learn the relevant data to the future intangible assets and properly measure a company's book value. Then our AI will invest in stocks that have a higher ratio of adjusted book value to their market value.

Qraft's AI technology may allow us to identify and quantify factors in ways that might not readily be apparent.

Q. What is the Qraft product line-up?

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

Target Factor Exposure: Multi-Factor

QRFT seeks to hold stocks with exposure to five main factors affecting the U.S. stock market, namely:

- Quality
- Size
- Valuation
- Momentum
- Low Risk

To create optimal factor weights, the fund uses AI technology to continuously learn the correlation of factor returns with various economic and valuation conditions.

Graft AI-Enhanced U.S. Large Cap Momentum ETF (NYSE: AMOM)

Target Factor Exposure: Momentum

AMOM is an actively managed portfolio of U.S. large cap stocks that seeks to provide exposure to the momentum factor. It tracks the top 50 U.S. large cap companies that capitalize on the movements of existing market trends.

AMOM uses AI to determine how a company's momentum over a certain period would change and affect its performance over time. A weighting is assigned based on its potential for maximum return as compared to other companies.

Graft AI-Enhanced U.S. Next Value ETF (NYSE: NVQ)

Target Factor Exposure: Value-Factor

NVQ is an actively managed exchange-traded fund (ETF) that aims to provide exposure to value through the use of artificial intelligence (AI).

In addition to traditional valuation metrics, NVQ will utilize AI technology to measure a company's intangible assets, including items such as research & development, marketing costs, and intellectual property. With regards to the value factor, if you are not measuring the assets properly, you may not correctly determine that a company is undervalued or overvalued.

Graft AI-Enhanced U.S. High Dividend ETF (NYSE: HDIV)

Target Factor Exposure: High Dividend, Quality

HDIV is an actively managed capital growth portfolio of U.S. large cap high dividend stocks, auto picked directly by AI technology. HDIV uses AI to pick stocks that have the potential to provide investors with, not only regular dividend income, but also capital appreciation.

Some investors categorize stocks mainly between capital gains and dividends. HDIV aims to identify attractive high dividend and quality stocks, learn which factors are most predictive of three-month forward performance, and hold only those stocks which it identifies as having the potential to perform the strongest.

There is no guarantee that a company will pay or continue to increase its dividends.

Note from NYSE Arca:

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Note from Company:

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 Fund, please call (855) 973-7880 or visit our website at www.graftaietf.com. Read the prospectus or summary prospectus carefully before investing.

The Funds are distributed by Foreside Fund Services, LLC

Investing involves risk, including loss of principal. There is no assurance that the Fund's will achieve their investment objectives.

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. 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 Funds.

Additionally, the funds are non-diversified, which means that it may invest more of its assets in the securities of a single issuer or a smaller number of issuers than if it 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.

Market Price: The current price at which shares are bought and sold. Market returns are based upon the last trade price. **NAV:** The dollar value of a single share, based on the value of the underlying assets of the fund minus its liabilities, divided by the number of shares outstanding. Calculated at the end of each business day.

Further information 

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