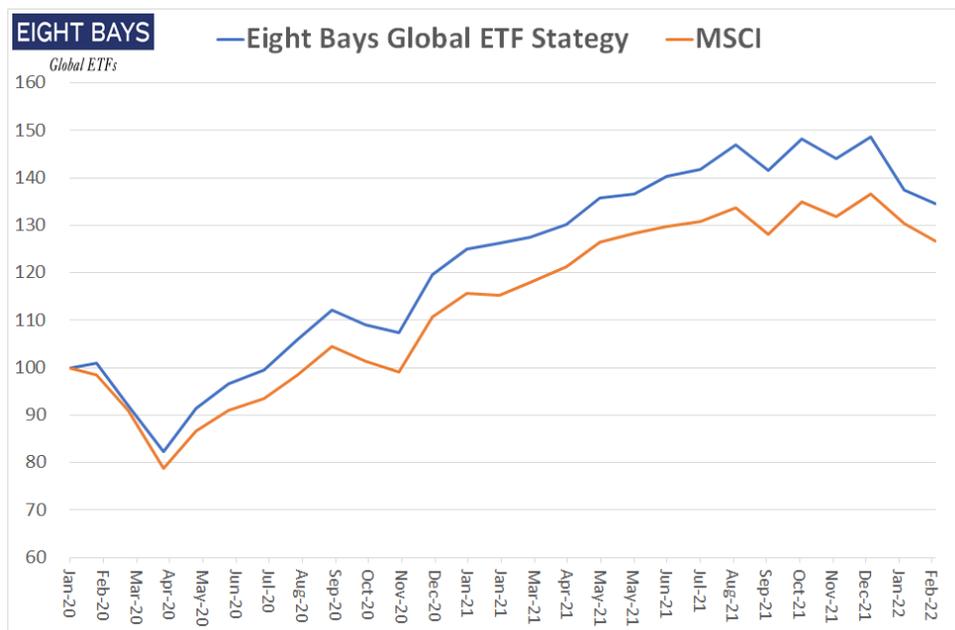


Eight Bays Investment Management

Investor Update

FEBRUARY 2022

The Eight Bays Exchange Traded Fund (ETF) Strategy fell 2.1% in February, which outperformed the benchmark MSCI All Country World Index (ACWI) which fell 3%. Since inception (January 2020) the Eight Bays Strategy has increased by 34.5% which is 7.9% ahead of the benchmark ACWI increase of 26.6%. The main contributors to performance in January were Cybersecurity+9.9%, Travel Technology +6.9% and Robotics /AI 4.2%. Underperforming Positions were Communication Services -5.3%, Info Technology -1.5% and Consumer Discretionary Retail -1.4%.



Source: Saxo, SeekingAlpha

PORTFOLIO

During February 2022 there were minor adjustments to existing holdings. Robotics and Information Technology were added to while Cybersecurity was trimmed, noting that the Information Technology ETF holds some leading Cybersecurity stocks.

The Medical Devices ETF was trimmed and reallocated to the Broad Healthcare ETF to maintain the overweight position in healthcare.

COMMENTARY

The ongoing market debate as to how aggressive the US Federal Reserve would be in raising interest rates in 2022 was abruptly overshadowed by the Russian invasion of Ukraine on 24th February.

Alan Dupont* encapsulated the impact on “complacent and self-obsessed” Western democracies, stating that Russia’s aggression

“Will lead to a hardening of the systemic divide between democracies and autocracies; increased geopolitical risk; higher defence spending; less globalization; greater financial market volatility; rising inflation driven by surging energy and commodity prices; and a significant push by Europe to diversify its energy supplies away from Russia”. * (The Australian 1 March 2022)

World Equity Markets fell on the invasion, but high inflation means that the Federal Reserve will have ceased buying Treasury and mortgage bonds by mid-March when the first interest rate rise is scheduled. The market will be watching to see if a deteriorating geopolitical situation leads to more dovish statements from the Federal Reserve as to the speed and quantum of interest rate rises in 2022. It seems clear that inflation is the number one concern for the medium term and that the 2022 correction in stock prices is rational in removing some heat from the most overvalued stocks and might be welcomed by the Federal Reserve.

The Eight Bays International ETF strategy maintains an overweight position in technology and long-term innovative growth themes such as Robotics, Artificial Intelligence, Cybersecurity and Semiconductors. We remain fully invested, with cash 1% of the portfolio.

CYBERSECURITY

In recent strategy updates we have highlighted the Cybersecurity position, and the advantage of a well constructed Exchange Traded Fund (ETF) in providing exposure to both established leaders and emerging specialist companies. The Eight Bays Strategy has a 5% allocation to the Cybersecurity ETF CIBR, with additional exposure to Cybersecurity through the Information Technology ETF which holds smaller positions in **Cisco, Accenture, Snowflake** and **Palo Alto Networks**.

In February two of the CIBR ETF holdings received corporate interest, with Microsoft approaching “threat intelligence” SaaS platform provider **Mandiant**, and Cisco Systems expressing interest in acquiring **Splunk**, a move that would broaden Cisco’s security and analytics offerings, particularly in Extended Detection and Response.

BIGGEST CYBER AND RANSOMWARE ATTACKS OF 2021

Source: CRN, “The 10 Biggest Cyber And Ransomware Attacks Of 2021,” December 23, 2021., Microsoft, “Microsoft Exchange Server Remote Code Execution Vulnerability,” March 2, 2021.

Major Cyberattacks 2021	Industry	Date	Millions of \$ Paid or Requested
Microsoft Exchange	Technology	01/5/21	Undisclosed
Kia Motors	Automotive	02/13/21	\$20.00*
Bombardier	Manufacturing (Aviation)	02/23/21	Undisclosed
CNA Financial	Financial Services	03/21/21	\$40.00
Harris Federation	Education	03/29/21	\$8.00*
Colonial Pipeline	Energy	05/7/21	\$4.40
Brenntag	Chemicals	05/11/21	\$4.40
JBS	Food	05/30/21	\$11.00
Kaseya	Information Technology	07/2/21	\$70.00*
Accenture	Technology	08/12/21	\$50.00*
Acer	Technology	10/5/21	\$50.00*

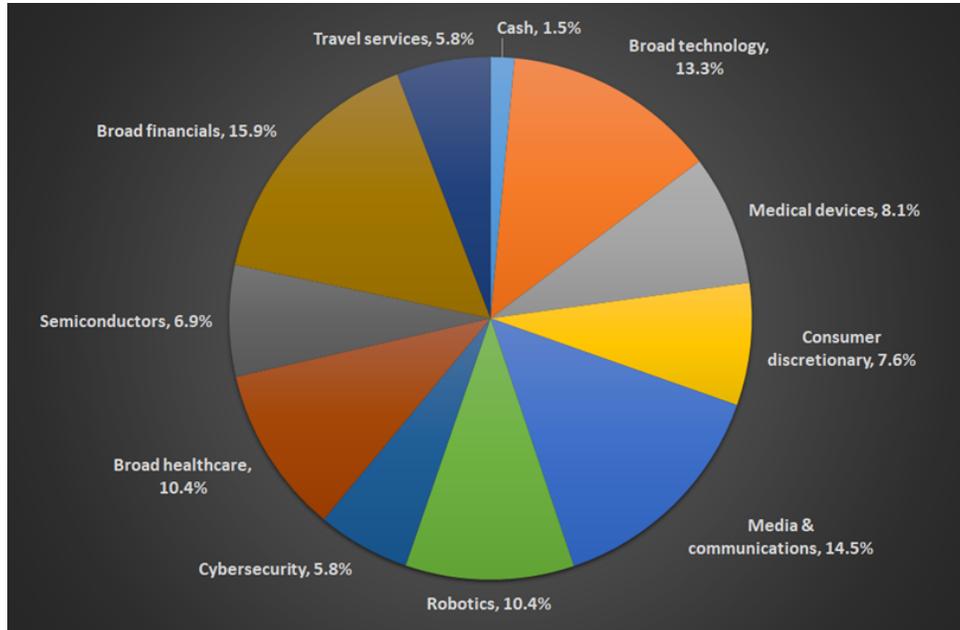
*Requested but not paid in full.

The late February 2022 Russian invasion of Ukraine has heightened interest in Cybersecurity. Initially Russia has taken down 70 Ukrainian government websites, with Western nations bracing for an onslaught of ransomware attacks.

Leading CIBR ETF holdings CrowdStrike and Palo Alto Networks have the network and endpoint protections to stop sophisticated ransomware attacks, while **Cloudflare** has a website attack platform that can block 100 terabytes per second, comfortably managing the largest attacks that are generally 2 terabytes per second.

In the event of a breach, CrowdStrike, Palo Alto Networks and Mandiant are leaders in incident response and cleaning up cyberattacks. Unlike many of the high flying zero earnings stocks that peaked 12 months ago, the cybersecurity industry has a long runway of growth in a complex area of critical importance.

Sector Exposure (February 2022)



Source: Eight Bays

Individual Look Through Stock Exposure (February 2022)

Company	Weight
1 Apple Inc.	3.24%
2 NVIDIA Corporation	2.50%
3 Microsoft Corporation	2.49%
4 Meta Platforms Inc. Class A	2.29%
5 Alphabet Inc. Class A	1.69%
6 Alphabet Inc. Class C	1.57%
7 Amazon.com, Inc.	1.47%
8 Thermo Fisher Scientific Inc.	1.43%
9 Abbott Laboratories	1.42%
10 Intuitive Surgical, Inc.	1.41%
11 JPMorgan Chase & Co.	1.31%
12 Berkshire Hathaway Inc. Class B	1.25%
13 Bank of America Corp	1.01%
14 Home Depot, Inc.	0.97%
15 Johnson & Johnson	0.95%
16 ABB Ltd.	0.94%
17 UnitedHealth Group Incorporated	0.94%
18 Medtronic Plc	0.92%
19 Keyence Corporation	0.87%
20 T-Mobile US, Inc.	0.77%
21 Verizon Communications Inc.	0.76%

Source: Eight Bays, eftdb.com

The Strategy

The Eight Bays Global ETF strategy is a portfolio of Exchange Traded Funds (ETFs) designed to complement domestic equity portfolios by investing in global growth industries and equities not available on the ASX. Due to the depth and liquidity of the US ETF market, we invest only in ETFs listed on US exchanges. The portfolio has a bias towards industry ETFs with sound growth prospects and attractive structural characteristics. The portfolio holds between 5 and 15 ETFs and any given time with a maximum cash weighting of 20%.

Investment Philosophy

We believe that industry factors are the primary driver of shareholder value over the longer term. Industry dynamics such as growth rates, fragmentation, concentration, disruptive forces and regulation are the major drivers of equity performance. We believe the most cost-effective way to invest in attractive industries is via an appropriate ETF.

Portfolio guidelines

Benchmark: MSCI World Index (AWCI)

Universe: US Equity ETF Market

Number of ETFs: 5 to 15

ETF weights: Min 5% Max 20%

Portfolio Turnover: ~20%

Cash holdings: Up to 20%

Hedged : No. US Dollar product

Investment objective: 2-3% pa > MSCI World

EQT Eight Bays Global Fund

The EQT Eight Bays Global Fund can be accessed by visiting the following websites:

www.eightbays/invest

www.eqt.com.au/eightbays

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