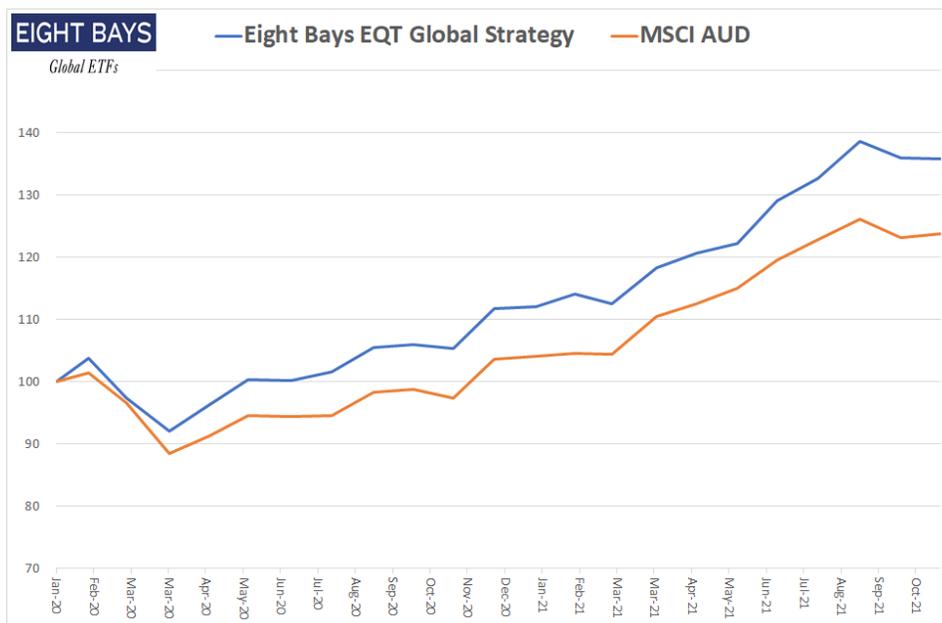


Eight Bays Investment Management

Investor Update

DECEMBER 2021

The Eight Bays Exchange Traded Fund (ETF) Strategy rose 3.04% in December, which was lower than the benchmark MSCI All Country World Index (ACWI) which rose 3.6%. Since inception (January 2020) the Eight Bays Strategy has increased by 48.24% compared to the ACWI increase of 36.55%. The main contributors to performance in December were Broad Healthcare +7.3%, Medical Devices +6.6% and Travel Technology +3.7%. Underperforming Positions were Robotics/AI - 0.7%, Semiconductors + 1.3% and Consumer Discretionary Retail + 1.73%.



Source: Saxo, SeekingAlpha

PORTFOLIO

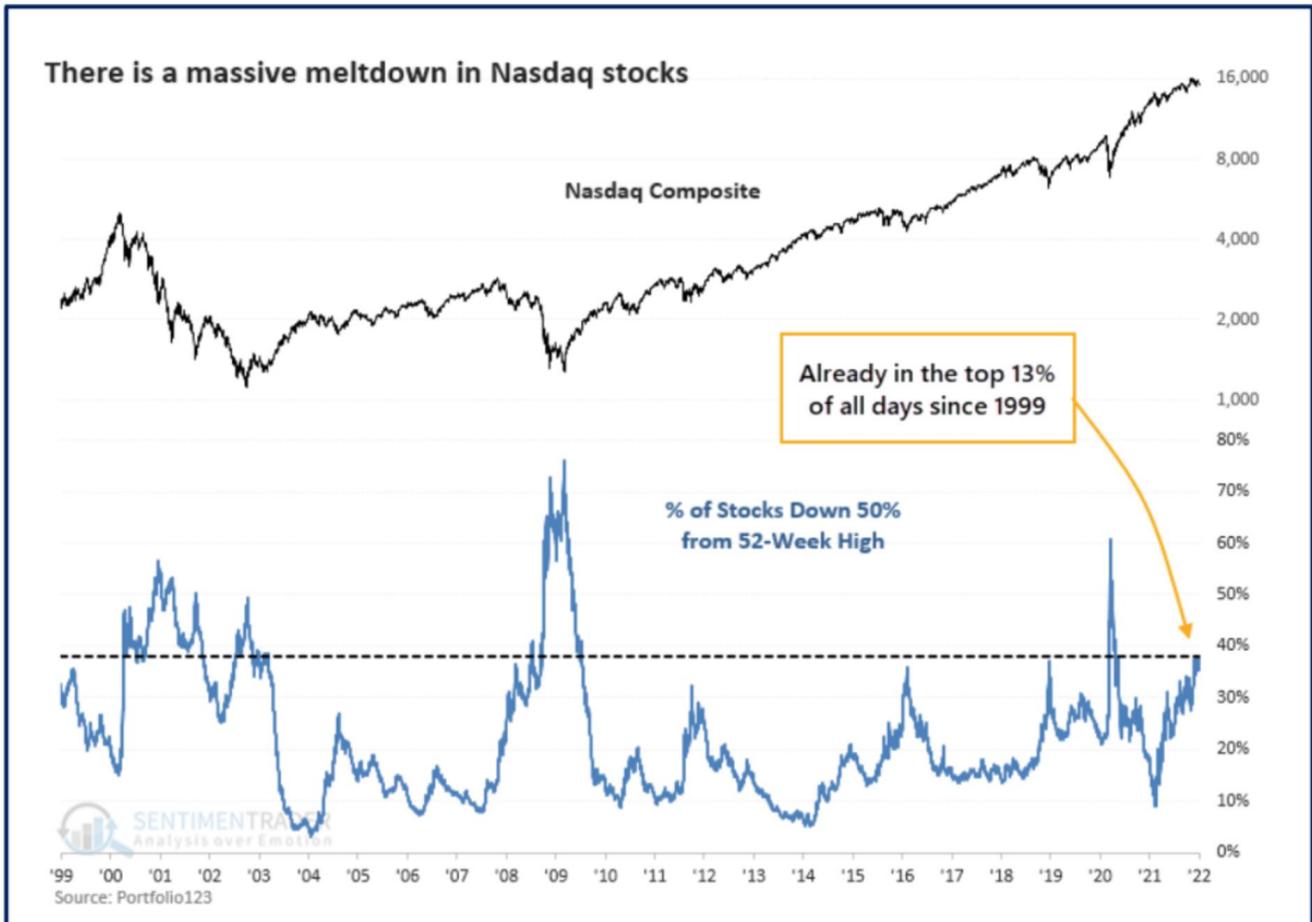
There were no changes to the portfolio in December 2021. The last quarter of 2021 saw significant moves in the US “mega cap” technology stocks. The Eight Bays strategy holds overweight positions in **Google** and **Facebook** through the Communications ETF, while **Apple** and **Microsoft** dominate the Information Technology ETF which was reduced in the last

quarter of 2021 so that the Strategy is currently underweight Apple and Microsoft. **Amazon** is held through the Consumer Discretionary Retail ETF, also an underweight position.

Nvidia has been an overweight position for the Strategy, and features in three ETFs held by Eight Bays - Robotics (12%), Semiconductors (10%) and Information Technology (6%), underlining the strength of Nvidia’s technology and future market opportunity. In 2021 Nvidia’s market valuation increased by 125% to \$US735 billion, ostensibly replacing Netflix (market valuation \$US266 billion) in the big league.

COMMENTARY

The US Stock market finished 2021 near record highs, with the S&P500 increasing 27% for the year. In the last quarter of 2021 investors that were concentrated in high flying disruptive or concept technology stocks with little or no earnings suffered a major downturn. Cathie Wood’s ARKK ETF has become something of a talisman for futuristic innovation stocks and apart from Tesla the major ARKK stocks finished the year at least 30% off their highs. In the fourth quarter of 2021 Roku fell 27%, Zillow 28%, Square 33%(reducing the value of its proposed share based purchase of Australia’s Afterpay) and Docusign fell 41%.



“As technology progresses, we find ourselves sitting on the shoulders of giants.” *

Market Capitalisation \$US billion	2021 share price increase	4 th quarter 2021 share price	Estimated net cash (\$US)
APPLE 2910	34%	25%	190 billion
MICROSOFT 2530	51%	19%	137 billion
ALPHABET(Google) 1920	65%	9%	168 billion
AMAZON 1690	2%	1.5%	86 billion
META (Facebook) 936	23%	(0.8%)	64 billion
NVIDIA 735	125%	42%	7 billion

* John MacGhlionn – TRT World 21 Dec 2021

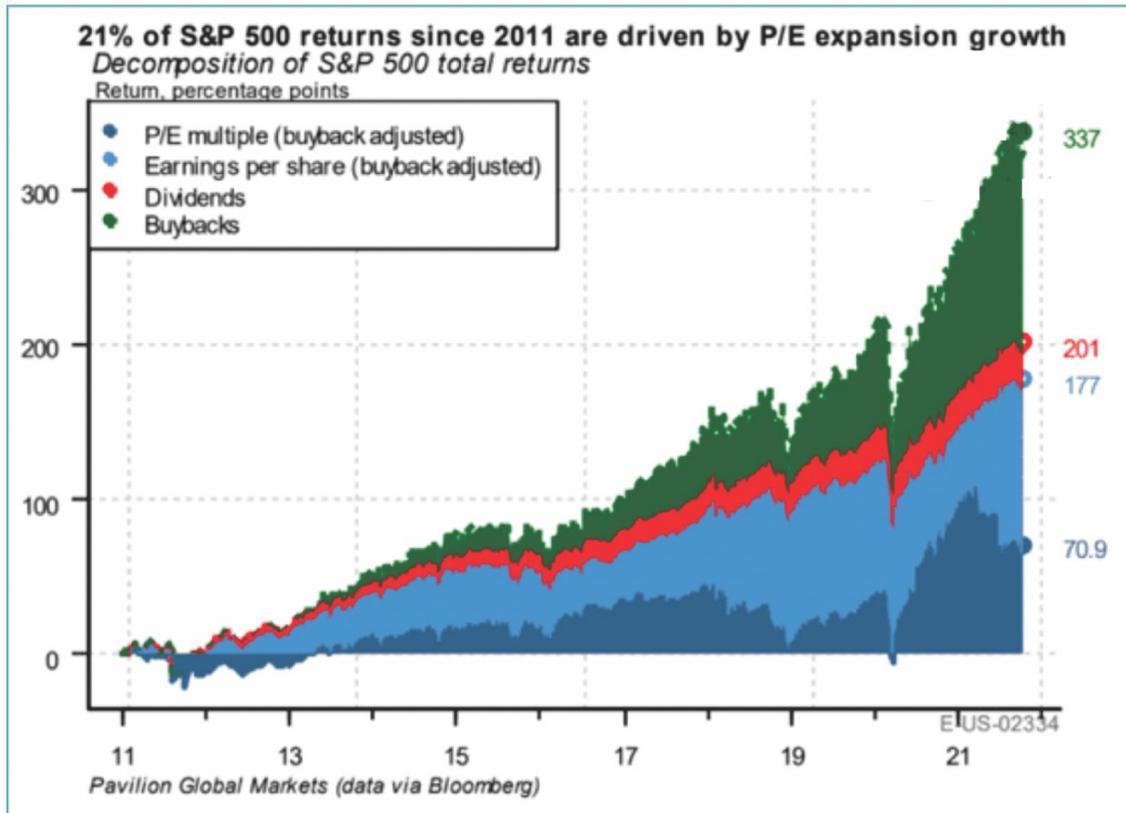
With Apple touching a \$3 trillion valuation early in 2022, the dominance and outperformance of certain mega-cap technology stocks has only increased, and the arguably overdue downturn in highflying concept “disruptive” stocks during the last quarter of 2021 may have contributed to investors viewing a switch to Apple and Microsoft as a safe harbour. The Federal Reserve confirmed that interest rates would finally start increasing in 2022, but with inflation looking more pervasive bonds are still an unattractive option for many investors.

The inflation adjusted interest rate will continue to be a focus for investors in 2022. It does seem that labour shortages will lead to higher wages in many industries, with large technology companies (except Amazon) less affected.

One view (Morgan Stanley) is that the outperformance of the mega cap technology stocks has led to extreme concentration risk with the top 7 stocks in the S&P500 outperforming the other 493 by 30%. On the other hand, the table above details the huge cash balances that can be used by Apple, Google and Microsoft for share buy backs. The table below illustrates the influence of share buybacks across the broader S&P500 companies.

EIGHT BAYS

Investor Update



While ongoing government debate on regulating mega cap technology companies may finally see some action in 2022 (Facebook), the main deterrent seems to be that it is harder for these companies to grow by acquisition. This hardly seems to be a problem – the Metaverse has received much recent publicity and in 2022 Apple will trial its “mixed reality head glasses” and Facebook is investing heavily as well along with Google. Many of the Eight Bays constituents will be involved in the Metaverse– particularly in the Semiconductors (Nvidia, Qualcomm) and Communication Services (Telecommunications, Digital Streamers, Gamers).

Less publicized but perhaps an even bigger opportunity for big tech companies is quantum computing. This will be the next generation of supercomputers that in theory will lead to an exponential improvement in speed and will help unlock problems and facilitate advances in many fields including robotics and healthcare. Companies pursuing the quantum computing opportunity include Amazon, Microsoft, Honeywell, Google and Micron.

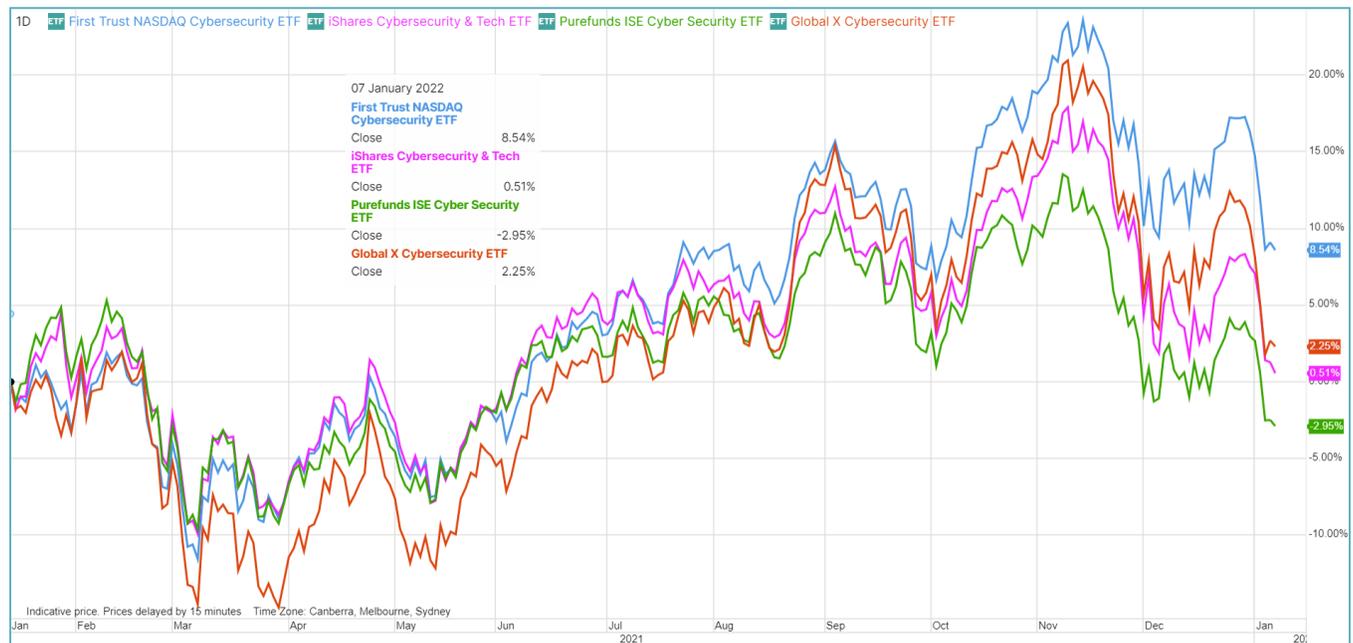
Then there are autonomous vehicles Tesla, Google (Waymo), GMH (Cruise) and industry sources suggest the on again off again Apple Car project is proceeding. Dubbed “Project Titan” Apple has hired several world class engineers from Europe and is rumoured to be moving straight to full self-driving with a “higher end” model that may be targeting a 2025 launch.

CYBERSECURITY

The Eight Bays strategy aims to provide balanced exposure to innovative companies, particularly through the ETFs in Cybersecurity, Robotics, Semiconductors, Healthcare and Technology. The last quarter of 2021 demonstrated the effectiveness of ETF’s in minimizing stock specific risk. For example, the Cybersecurity ETF CIBR provides exposure to some pre-earnings or speculative innovators in the sector that are difficult to value. However, the ETF is balanced by solid established leaders such as **Accenture**, **Palo Alto Networks** and **Cisco Systems** which all performed strongly, compensating for a 17% fall in emerging Cybersecurity leader **CrowdStrike**. For the quarter the CIBR ETF increased in value by 8%.

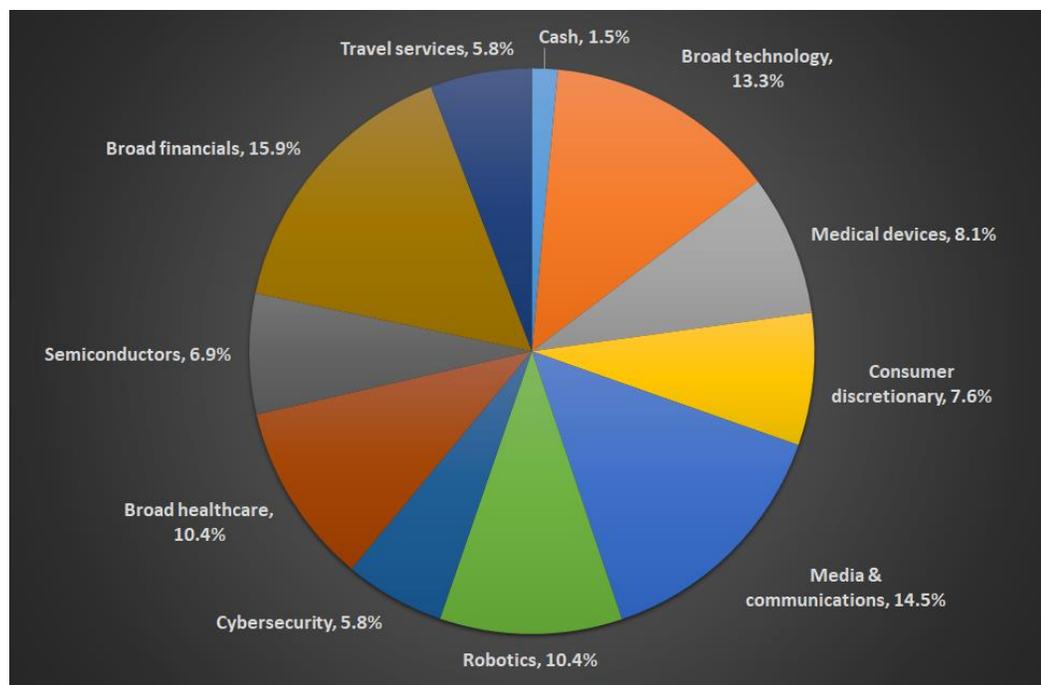
The chart below shows that the selected Cybersecurity ETF CIBR (First Trust NASDAQ Cybersecurity) outperformed the alternative ETF’s HACK (Pure funds ICE Cybersecurity), BUG (Global X Cybersecurity) and IHAK (iShares Cybersecurity). The ETF universe is still expanding so it is important to monitor competing ETFs in each sector.

Cybersecurity ETF Returns (12 months)



Source: Saxo Group

Sector Exposure (30 December 2021)



Source: Eight Bays

Individual Look Through Stock Exposure (30 December 2021)

Name	Weight
1 Meta Platforms Inc. Class A	3.33%
2 Apple Inc.	2.79%
3 NVIDIA Corporation	2.78%
4 Microsoft Corporation	2.41%
5 Thermo Fisher Scientific Inc.	1.83%
6 Abbott Laboratories	1.73%
7 Alphabet Inc. Class A	1.64%
8 Intuitive Surgical, Inc.	1.58%
9 Alphabet Inc. Class C	1.52%
10 Amazon.com, Inc.	1.44%
11 JPMorgan Chase & Co.	1.30%
12 Home Depot, Inc.	1.13%
13 Berkshire Hathaway Inc. Class B	1.09%
14 Medtronic Plc	1.00%
15 Keyence Corporation	0.98%
16 Bank of America Corp	0.93%
17 ABB Ltd.	0.92%
18 UnitedHealth Group Incorporated	0.75%
19 Johnson & Johnson	0.74%
20 Fanuc Corporation	0.72%

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

DISCLAIMER : This report is intended as a source of information only. No reader should act on any matter without first obtaining professional advice which takes into account an individual's specific objectives and financial situation.