Eight Bays Global ETFs

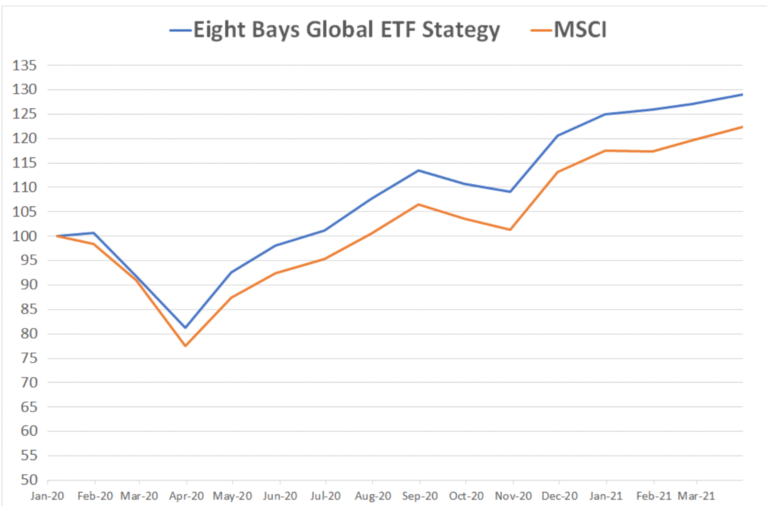
Global Fund

MONTHLY UPDATE – MAY 2021

The Eight Bays Global Exchange Traded Fund (ETF) Strategy gained 0.55% in May, which was 0.9% lower than the benchmark MSCI All Country World Index (ACWI) which gained 1.46%.

Since inception (January 2020) the Eight Bays Fund has increased by 36.2% compared to the ACWI increase of 28.2%, therefore outperforming the benchmark by 8%.

The main contributors to performance in May were Semiconductors+5.8%, Financials +4.1% and Industrials +2.2%. Underperforming positions were Medical Devices -2.3%, Retail (includes Amazon) -1.6% and Information Technology -1.2%.



Source: Saxo, SeekingAlpha

PORTFOLIO CHANGES

During May we reduced the General Industrials exposure after strong gains. The funds were applied to increasing our overweight position in Semiconductors. Cash was 2% at month end.

COMMENTARY

During May equity markets focused on the recovery of economic growth and the likelihood of supply shortages and inflation. The debate as to whether inflation will be transitory or more pervasive will remain unresolved and therefore the uncertain stance of fund managers on the direction of growth stocks (such as technology) compared to value stocks (such as financials and energy) is likely to persist. Eight Bays will continue to invest in sectors and companies that we believe will prosper over time and are at reasonable valuations relative to their likely growth.

In May the 2021 trend of share price reductions for zero earnings concept stocks and excessively valued lockdown stocks continued. In this sense the market is acting sensibly and Bitcoin also fell significantly. A wall of liquidity and lack of investment alternatives is arguably preventing a broader reduction in equity values from record levels.

One trend that is worth following is a likely increase in corporate activity through mergers and acquisitions as the US reopens travel and due diligence becomes easier. During May Amazon were able to borrow $18 billion that it didn't really need (with $70 billion of cash equivalents already on its balance sheet) for up to 40 years at record low interest margins. It promptly spent $8 billion to buy MGM studios to boost content for its Amazon Prime digital streaming service.

Our Communication Services ETF also contains AT&T and Discovery who announced a deal to merge AT&T Media (Warner Media, HBO Max, CNN) with Discovery Media. Further rationalization of the digital streamers is likely with Comcast, Viacom CBS and Fox still on the shelf.

The Communication Services sector also contains the video gamers such as Activision Blizzard, Electronic Arts and Take Two, that along with smaller players could be acquisition targets for Media or large Technology companies.

Elsewhere the Semiconductor sector looks to have a long runway of growth beyond the current cyclical shortages and further corporate activity is likely.

In Healthcare the large Biotechnology companies are seeking to boost their involvement in Genomics, where picking winners is more difficult. During May Australian Biotech CSL closed its $450 million deal (with $1.6 billion in future milestone payments) to acquire UniQure's novel gene therapy treatment for haemophilia.

Individual Look Through Stock Exposure (31 May 2021)

Alphabet	3.6%
Facebook	3.1%
Apple	2.6%
Amazon	2.5%
Microsoft	1.9%
Abbott Labs	1.4%
Home Depot	1.3%
Nvidia	1.3%
Thermo Fisher Scientific	1.3%
Tencent	1.1%

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.