

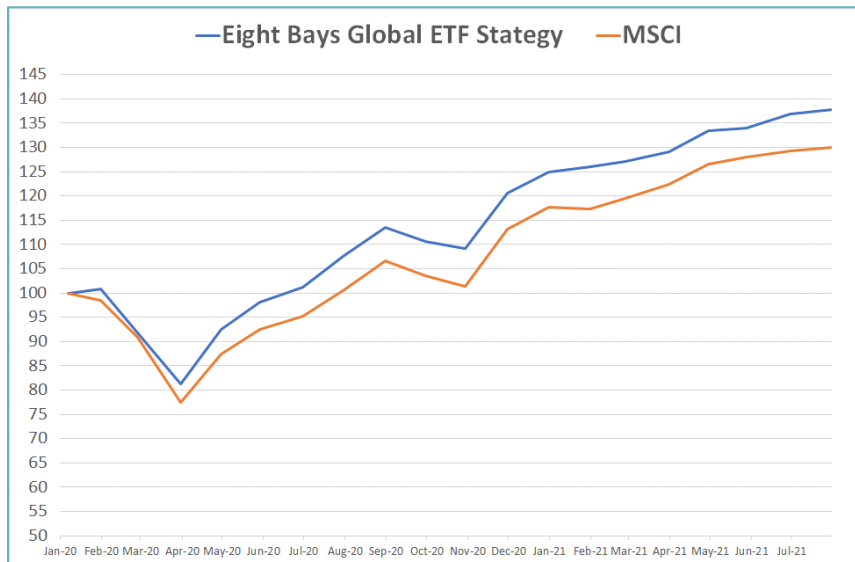
EQT Eight Bays

Investor Update

JULY 2021

The Eight Bays (ETF) Strategy gained 0.92% in July, which was 0.12% ahead of the benchmark MSCI All Country World Index (ACWI). Since inception (January 2020) the Eight Bays Fund has increased by 41.5% compared to the ACWI increase of 30.8%, therefore outperforming the benchmark by 10.6%.

The main contributors to performance in July were Medical Devices +10.2%, Cybersecurity +4.9% and Information Technology +8.6%. Underperforming Positions were China -11.8% and Robotics -3.5%.



Source: Saxo, SeekingAlpha

PORTFOLIO CHANGES

The portfolio was unchanged in July. Cash was 2% at month end.

COMMENTARY

During the month economic data was within most parameters, with inflation up and bond rates down giving further impetus to US stocks in the lead up to the July reporting season.

Google reported exceptional quarterly results with revenues increasing 61% and operating profit up 204%. Strong results were also recorded by **Apple** (profit up 84%), **Facebook** (profit up 104%) and **Microsoft** (profit up 42%).

Share price reaction was muted as expectations were already high. **Amazon** fell 7% after results (profit up 32%) didn't meet arguably unrealistic market expectations and despite very strong growth of the AWS cloud business.

Also, the European Union continued their innovative revenue raising model of fining big technology companies, in this case issuing Amazon with a \$US900 million fine for a data breach – or the way customer data is used for targeted advertising purposes. Still, not as lucrative as the \$US 9 billion in fines levied on Google in three European antitrust cases from 2017-2020.

PORTFOLIO COMMENT

The portfolio holds a broad China ETF. It holds a 40% exposure to Chinese technology stocks such as Alibaba and Tencent which were hit hard by escalating intervention from the Chinese Communist Party. This extended to ride hailing company DIDI (no holding) which after listing on the New York Stock Exchange was put under investigation and may be delisted. Chinese government interference in the private tutoring industry – essentially saying that it should be “not for profit” could decimate the investment case for these firms. The China ETF is the smallest holding at 5% of portfolio. China is the second largest economy in the world, and we remain positive on the Asian and Chinese economies.

HEALTHCARE FOCUS

Healthcare is held through an overweight position in Medical Devices. We are also closely monitoring Biotechnology, particularly developments in Genomics.

Danaher Corporation has continued the impressive growth initiated by former CEO Larry Culp. It appears as a 10% holding in our Medical Devices ETF due to its medical diagnostics business. It also has significant businesses in Environmental Solutions (Water Technology) and Life Sciences.

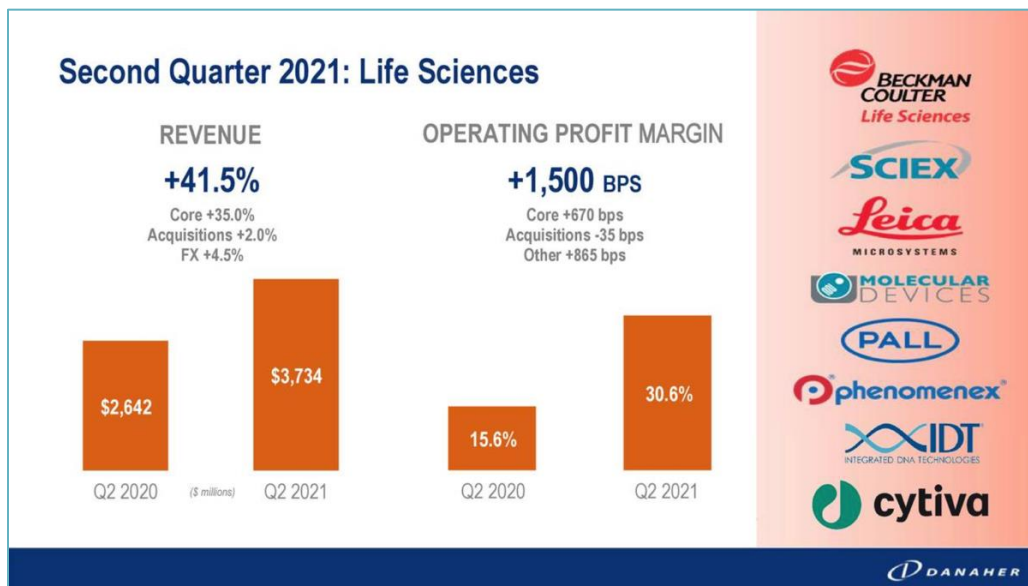
EIGHT BAYS

Investor Update

Danaher Corporation July 2021 presentation:



In June 2021, Danaher significantly boosted its Life Sciences division with the \$US 9.6 billion acquisition of Aldevron – with annual sales of \$US 500 million consisting of high-quality plasmid DNA and mRNA to biopharmaceutical companies.



It is understandable that focus on Covid 19 infections, variants and vaccines dominates the media, but there have been recent developments in Genomics and Alzheimer's disease that may be of great medical significance and important themes for future investment.

Individual Look Through Stock Exposure (31 July 2021)**Company**

- 1 Facebook, Inc.
- 2 Alphabet Inc.
- 3 Apple Inc.
- 4 Microsoft Corporation
- 5 Amazon.com, Inc.
- 6 NVIDIA Corporation
- 7 Abbott Laboratories
- 8 Home Depot, Inc.
- 9 Thermo Fisher Scientific Inc.
- 10 Intuitive Surgical, Inc.
- 11 Medtronic Plc
- 12 Danaher Corporation
- 13 Walmart Inc.
- 14 Taiwan Semiconductor Manufacturing Co.
- 15 JPMorgan Chase & Co.
- 16 Tencent Holdings Ltd.
- 17 Alibaba Group Holding Ltd.
- 18 Berkshire Hathaway Inc.
- 19 Fanuc Corporation
- 20 ABB Ltd.

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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