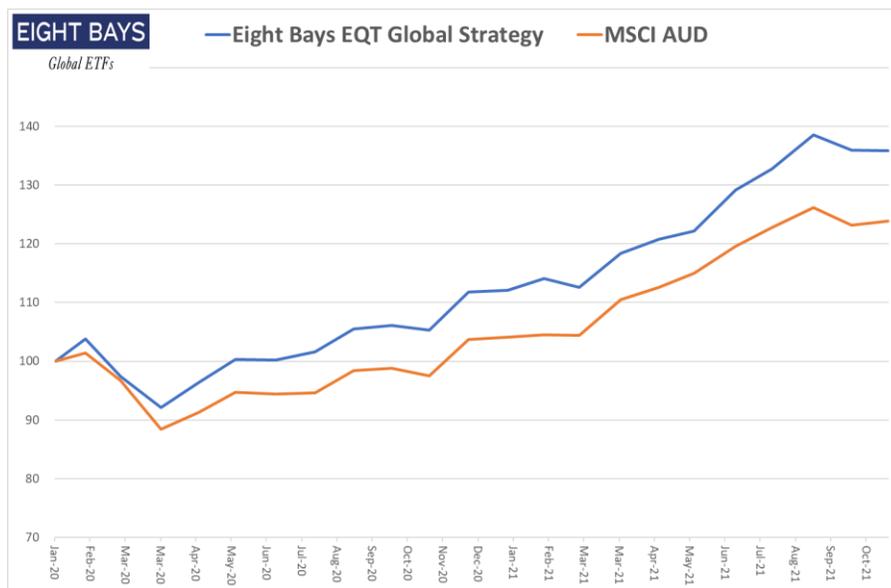


Eight Bays Investment Management

Investor Update

OCTOBER 2021

The Eight Bays Exchange Traded Fund (ETF) Strategy gained 4.7% in October, which was 0.6% below the benchmark MSCI All Country World Index (ACWI) which gained 5.3%. Since inception (January 2020) the Eight Bays Strategy has increased by 48% compared to the ACWI increase of 34.9%. The main contributors to performance in October were Cybersecurity +10.8%, Information Technology +8.2% and Financials +7.5%. Underperforming Positions were Consumer Discretionary, Travel -4%, Communication Services +0.2% and Robotics +3%.



Source: Saxo, SeekingAlpha

PORTFOLIO CHANGES

During October there were only minor adjustments to the portfolio. The Consumer Discretionary Travel ETF holding was marginally increased, while the Cybersecurity and Semiconductor ETF's were slightly reduced to 6% each of the portfolio.

COMMENTARY

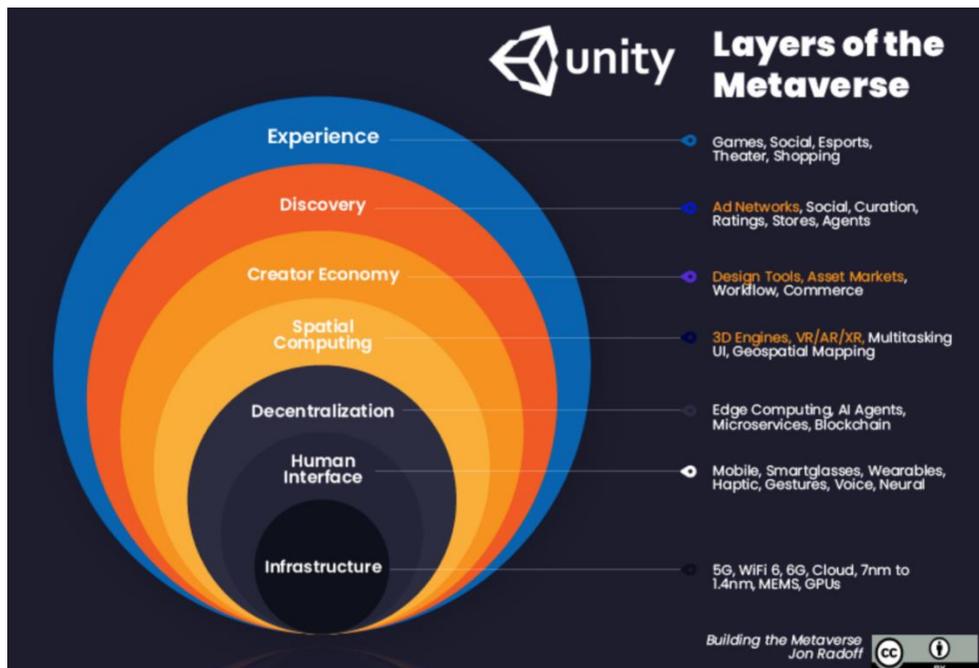
During the month world equity markets performed strongly, with a focus on September quarter results, with Apple and Amazon affected by supply chain problems. Stocks remained at record highs, with central banks doing little to encourage alternative fixed interest investments with real interest rates negative as inflation rose.

Microsoft became the world’s largest company (by market capitalization \$US 2.5 trillion) after reporting impressive growth with revenue up 22%. Microsoft Cloud has a 20% market share, while LinkedIn looking an increasingly prescient acquisition with revenue up 42%.

A solid result from **Apple** was overshadowed by supply chain constraints delaying \$6 billion of sales. Analysts viewed this as sales delayed rather than sales lost. Even so revenue was up 29% with Services revenue reaching 22% of sales.

Alphabet (Google) exceeded forecasts and clearly has several emerging opportunities in artificial intelligence. The core Search and Cloud businesses did well and advertising revenue rose 39%.

Facebook beat forecasts but this was overshadowed by the admission that their brand is unpopular as they announced a name change to Meta Platforms. They intend to be a leader in the Metaverse, a 3 dimensional evolution of the internet.



For a short explanation of the metaverse from the head of the world’s biggest company, click on the link below:

https://www.linkedin.com/posts/satyanadella_the-metaverse-is-here-and-its-not-only-activity-6861388591730372608-OXsl

Amazon reported lower than expected revenues and profits, with profit entirely derived from AWS cloud which reported a stellar 38% increase in revenue and profit. Retail was affected by increasing costs and supply chain issues, and they announced a plan to hire a mind boggling 150 000 staff for the holiday shopping season. New CEO Andy Jassy reiterated their focus on customer satisfaction and market share rather than profit.

ETF PORTFOLIO FOCUS - SEMICONDUCTORS

The Eight Bays strategy holds an overweight position in graphics chipmaker **Nvidia** which is a core holding of the Semiconductor and Robotics ETF's. The stock has performed strongly and its market capitalization is now above \$US 700 billion, with a strong growth profile. Nvidia has built a gaming and enterprise data AI ecosystem, with several large growth opportunities including autonomous driving and the metaverse. If it can continue its execution and innovative edge Nvidia will continue to be a big technology leader over the next decade. Nvidia is a 14% holding in our Semiconductor ETF (SMH) and a 10% holding in our Robotics ETF (BOTZ).

The Eight Bays strategy has a 6% portfolio allocation to Semiconductors through the VanEck Semiconductors ETF (SMH).

The SMH ETF features fabrication companies such as **Taiwan Semiconductors (TSMC)** that make chips for specialized chip designers (such as **Nvidia** and **Qualcomm**). Huge capital investments are required, with **Intel** planning to spend \$20 billion on two foundries in Arizona USA, and Taiwan Semiconductors planning similar investments in Arizona, Japan and Taiwan.

There is clear US government support for the Arizona projects on national security grounds, with the goal of increasing the US share of world semiconductor fabrication from 12% to 33%.

	2019	2020	2021
Apple	24.0%	24.2%	25.4%
Hi-Silicon	15.0%	12.8%	0.0%
Qualcomm	6.1%	9.8%	7.6%
NVIDIA	7.6%	7.7%	5.8%
Broadcom	7.7%	7.6%	8.1%
AMD	4.0%	7.3%	9.2%
Intel	5.2%	6.0%	7.2%
Mediatek	4.3%	5.9%	8.2%

Source: The Information Network (www.theinformationnet.com)

The SMH ETF also features companies that are providing specialized equipment and technologies to the semiconductor industry, where the increasing capital intensity of equipment

is a strong trend. Impressive **LAM Research** and **Applied Materials** (Etch, Deposition equipment) are core holdings, while **KLA Corporation** (process control systems) dominates the inspection market and helps its customers to analyse defects at critical points in the production process.

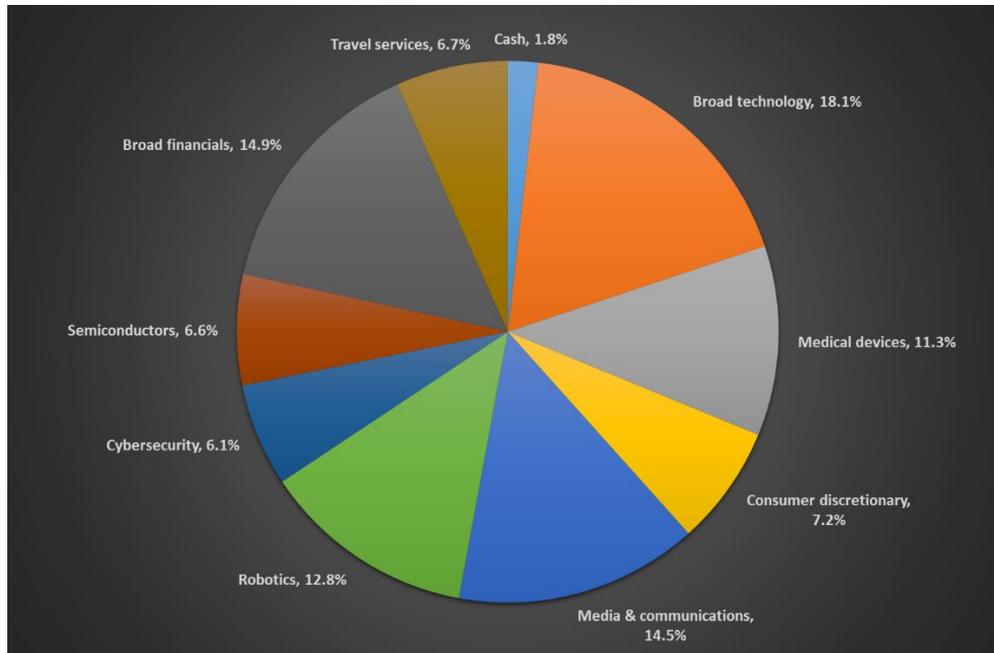
Dutch company **ASML Holdings** has a near monopoly on the critical Extreme Ultraviolet Lithography machines that are purpose built and facilitate the advancement of semiconductor technology for its major customers Taiwan Semiconductors and Samsung, with Intel planning to be at the top of the queue for the next generation machine. The scale of these machines is impressive – they cost \$US 150 million, with 100,000 parts and 2 kilometres of cabling. It is worth the effort – these machines are driving much of the improvement in semiconductors which in turn are responsible for many technological advancements across the economy.



Each machine is roughly the size of a bus. Shipping their components requires 40 freight containers, three cargo planes, and 20 trucks. PHOTOGRAPH: ASML

SMH ETF – TOP HOLDINGS	
Taiwan Semiconductor	14.2%
Nvidia	14.0%
ASML Holding NV	6.7%
Advanced Micro Devices	5.3%
Qualcomm	5.0%
Texas Instruments	4.6%

Sector Exposure (31 October 2021)



Source: Eight Bays

Individual Look Through Stock Exposure (31 October 2021)

Name	Weight
Apple Inc.	3.59%
Microsoft Corporation	3.06%
Facebook, Inc. Class A	2.96%
NVIDIA Corporation	2.76%
Alphabet Inc. Class A	1.92%
Alphabet Inc. Class C	1.80%
Thermo Fisher Scientific Inc.	1.61%
Intuitive Surgical, Inc.	1.58%
Abbott Laboratories	1.51%
JPMorgan Chase & Co.	1.42%
Upstart Holdings, Inc.	1.41%
Amazon.com, Inc.	1.36%
Danaher Corporation	1.30%
Home Depot, Inc.	1.19%
Berkshire Hathaway Inc. Class B	1.07%
Keyence Corporation	1.03%
Bank of America Corp	1.02%
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	0.94%
Medtronic Plc	0.93%
ABB Ltd.	0.88%

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.