

# Eight Bays Global ETFs

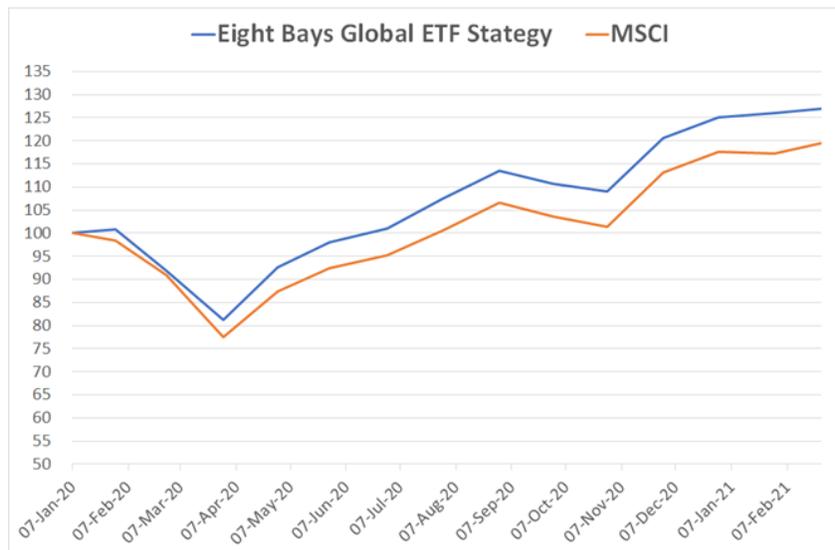
## Global Fund

### MONTHLY UPDATE – FEBRUARY 2021

The Eight Bays Global Exchange Traded Fund (ETF) Strategy gained 1.02% in February, which was 1.25% below of the benchmark MSCI All Country World Index (ACWI) which gained 2.26%.

Since inception (January 2020) the Eight Bays Fund has increased by 27.2% compared to the ACWI increase of 18%, therefore outperforming the benchmark by 9.2%.

The main contributors to performance were Industrials +3.3% and Communication Services +2%. Underperforming positions were Genomics -7.8%, Cybersecurity -6.1% and Consumer Discretionary -5.4%.



Source: Saxo, SeekingAlpha

### PORTFOLIO CHANGES

During the month we added the Fidelity MSCI Financials Index ETF (FNCL) and reduced our portfolio weights in Cybersecurity (CIBR) and Robotics (BOTZ).

### COMMENTARY

Value sectors such as Banks, Commodities and Energy rose strongly as inflationary expectations and bond yield rose and the expectation of growth recovering in Western economies. US ten-year bond yields rose 30bps to 1.40%. Year-to-date oil has risen 29%, copper by 18%, corn by 16% and lumber 14%.

The US reporting season was a very strong one, with most of the large technology stocks exceeding expectations – the top 5 stocks Apple, Alphabet, Microsoft, Amazon and Facebook delivered average revenue growth of 17%. Despite these good results, macro factors and higher bond rates led to a sell-off in growth names.

Covid 19 vaccine rollouts proceeded smoothly and the Johnson & Johnson vaccine was approved by the FDA. This vaccine was initially met with an underwhelming response due to its lower headline rate of Covid protection. However, the fact that it provides a high rate of protection against severe Covid, is single dose and has logistical advantages in terms of shelf life and transportation temperatures suggest that it may be one of the more useful vaccines, particularly in the developing world.

Active market participants chased “reopening” stocks and “old” energy in preference to established technology, and some air was taken out of technology bubble stocks.

Our new ETF position in Financials includes a stake in Berkshire Hathaway and 90 year old founder Warren Buffett issued his annual letter elevating their 5.4% stake in Apple worth \$120 billion to a core Berkshire Hathaway holding. Meanwhile his 97 year old business partner Charlie Munger still chairs California newspaper company Daily Journal, which has diversified into Software with the potential to transform legal court systems. Buffett and Munger were early investors in Chinese electric vehicle company BYD, in the case of Berkshire Hathaway their US \$232 million investment in 2008 is now valued at US \$7.4 billion.

Mr Buffett is sometimes lampooned for missing opportunities in technology investments, and he has acknowledged that they missed Google and Amazon even though he had first hand insight into their usefulness to other Berkshire Hathaway businesses.

Clearly technology investing is not ageist, witness 65 year old Cathie Wood of ARK Investments, now a darling of Wall Street through the incredible success of her Innovation focused funds. However, the recent announcement that ARK would establish a Space exploration and innovation ETF saw frenzied pre buying of possible stocks that would be included in the investment vehicle. This prompted a closer examination of the high (10-20 per cent) stakes that ARK owned in many of their Innovation stocks with very high valuations and related concentration risks.

## EIGHT BAYS

Global Fund

### Individual Look Through Stock Exposure (26 February 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.

DISCLAIMER: This report is 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.

**EIGHT BAYS**

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