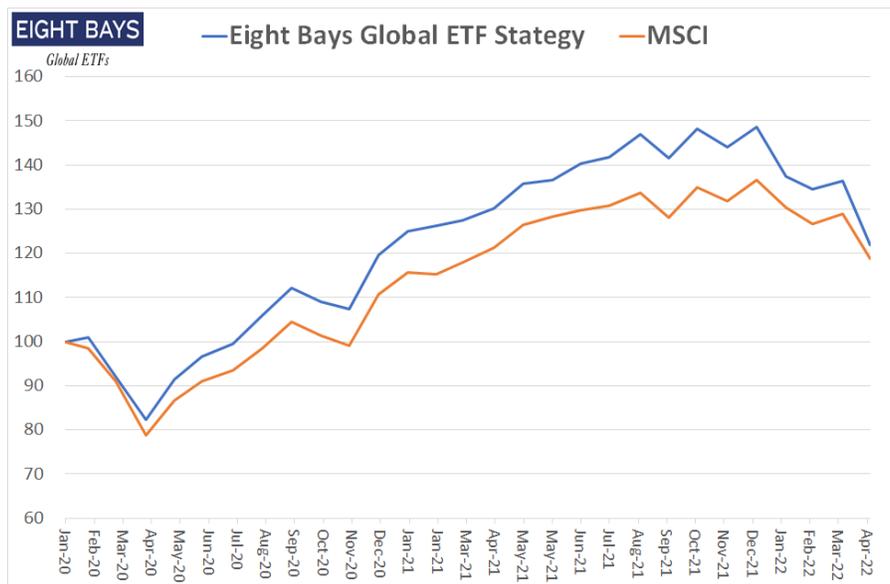


Eight Bays Investment Management

Investor Update

APRIL 2022

The Eight Bays Exchange Traded Fund (ETF) Strategy fell 10.7% in April, which underperformed the benchmark MSCI All Country World Index (ACWI) which fell 7.9%. The US Nasdaq index fell 13%. Since inception (January 2020) the Eight Bays Strategy has increased by 21.8% which is 3% ahead of the benchmark ACWI increase of 18.8%. The relative outperformers in a negative month were Broad Healthcare -6.8%, Travel Technology -7.8% and Consumer Discretionary Retail -8.6%. Underperforming Positions were Robotics/AI -20.4%, Semiconductors -18.9% and Communication Services -16.4%.



Source: Saxo, SeekingAlpha

The Robotics/ Artificial Intelligence ETF suffered a large 20% fall in April, caught in somewhat of a storm between the rising US interest rate environment and Covid induced severe lockdowns in China. Favoured semiconductor holding Nvidia fell 35%,

Robotic surgery leader Intuitive Surgical fell 20% despite strong results, and the leading Japanese robotics stocks fell more than 10%. The Eight Bays strategy views the Robotics ETF as a core thematic investment for medium to long term growth.

In April the Nasdaq experienced its biggest monthly decline (-13%) since global financial crisis in 2008. In our research article (22 April 2022) on the ten largest technology stocks we noted that the exceptionally rapid rise in bond rates (over 150bps since November 2021 to nearly 3%) has driven the decline in valuations of tech stocks, more so than changes in earnings revisions. We also surmised that further declines in tech valuations could be forthcoming if bond yields continue to rise, but this would lead to opportunities in these stocks.

PORTFOLIO

There were no changes to the portfolio during April 2022.

STOCK IN FOCUS – BERKSHIRE HATHAWAY

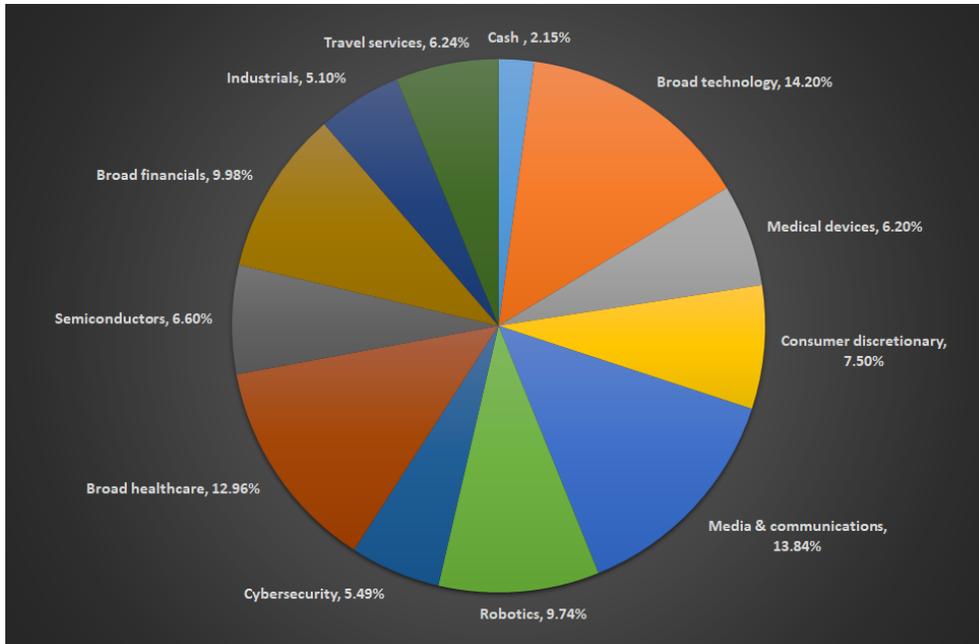
The Eight Bays Strategy has allocated 10% to a Financials ETF, the Selected Fidelity ETF(FNCL) holds US banks and financial institutions. The largest (9%) holding is Warren Buffett's Berkshire Hathaway, which meets the threshold for inclusion in this Financials ETF through its large Insurance operations and its substantial shareholdings In US banks led by Bank of America.

At the end of April, Berkshire Hathaway held its annual "Woodstock for Capitalists" annual meeting, where Buffett revealed that they had finally found an investing environment to their liking, with their cash pile falling from \$147billion to \$106 billion in the first quarter of 2022. Berkshire invested \$21 billion in oil and gas giant **Chevron**, \$11 billion to add **Allegheny** to its insurance business, with its reinsurance operations a likely good fit with Berkshire's.

Chevron becomes Berkshire Hathaway's third largest portfolio holding, after **Apple** (\$145 billion) and **Bank of America** (\$38 billion). Apart from elevated oil and gas prices, the appeal of Chevron may have been its fully integrated operations – from oil and gas exploration to transmission pipelines and to refineries and chemical production. Buffett would also be attracted by the 3.5% dividend yield (sustainable at lower energy prices) and \$10 billion share buyback allocation. Chevron is also making significant investments in renewable energy and low carbon projects.

Berkshire Hathaway also increased its stake in interactive entertainment/gaming company **Activision Blizzard** to a 9% stake, which is essentially an arbitrage play as Activision Blizzard has reached agreement with **Microsoft** to buy the company for \$95 per share subject to regulatory approval – with the shares trading below this at around \$77. The Eight Bays Strategy also holds Activision Blizzard as a 5% holding in the Communications Services ETF.

Sector Exposure (April 2022)



Source: Eight Bays

Individual Look Through Stock Exposure (April 2022)

Name	Weight
1 Apple Inc.	3.22%
2 Microsoft Corporation	2.47%
3 NVIDIA Corporation	2.43%
4 Meta Platforms Inc. Class A	2.28%
5 Alphabet Inc. Class A	1.68%
6 Alphabet Inc. Class C	1.56%
7 Amazon.com, Inc.	1.51%
8 Thermo Fisher Scientific Inc.	1.49%
9 Abbott Laboratories	1.48%
10 Intuitive Surgical, Inc.	1.39%
11 Johnson & Johnson	1.00%
12 Home Depot, Inc.	1.00%
13 UnitedHealth Group Incorporated	0.98%
14 Medtronic Plc	0.95%
15 ABB Ltd.	0.90%
16 Keyence Corporation	0.84%
17 JPMorgan Chase & Co.	0.83%
18 Berkshire Hathaway Inc. Class B	0.80%
19 T-Mobile US, Inc.	0.76%
20 Verizon Communications Inc.	0.75%

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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