

# EQT EIGHT BAYS GLOBAL FUND

## FUND 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.

## PERFORMANCE SUMMARY

The EQT Eight Bays Global Fund recorded a total net return of -0.59% in the September 2022 quarter which was 0.75% below the Benchmark MSCI All Country World Index (ACWI) ex Australia index.

The major underperforming ETF's were Communication Services -11.7%, Robotics -11% and Travel Technology -10%. Relatively better performing positions were Financials -3.5%, Cybersecurity -4.3% and Broad Healthcare -5%.

Since the Fund was officially launched (inception on 1 July 2021) the Fund has a net return of -16.68% which is -7.53% below the benchmark ACWI.

## FUND PERFORMANCE

	1 MONTH	3 MONTHS	1 YEAR	SINCE INCEPTION (P.A.) <sup>4</sup>
Income return <sup>1</sup>	0.00%	0.00%	0.00%	0.00%
Capital return	-3.75%	-0.59%	-19.51%	-16.68%
Total net return <sup>1</sup>	-3.75%	-0.59%	-19.51%	-16.68%
Benchmark <sup>2</sup>	-3.54%	0.16%	-11.09%	-9.15%
Active return <sup>3</sup>	-0.21%	-0.75%	-8.42%	-7.53%

<sup>1</sup> Income and Total net returns include the deduction of ongoing fees and expenses.

<sup>2</sup> MSCI ACWI ex Australia Net Return Index (AUD)

<sup>3</sup> Calculated as Total net return less Benchmark.

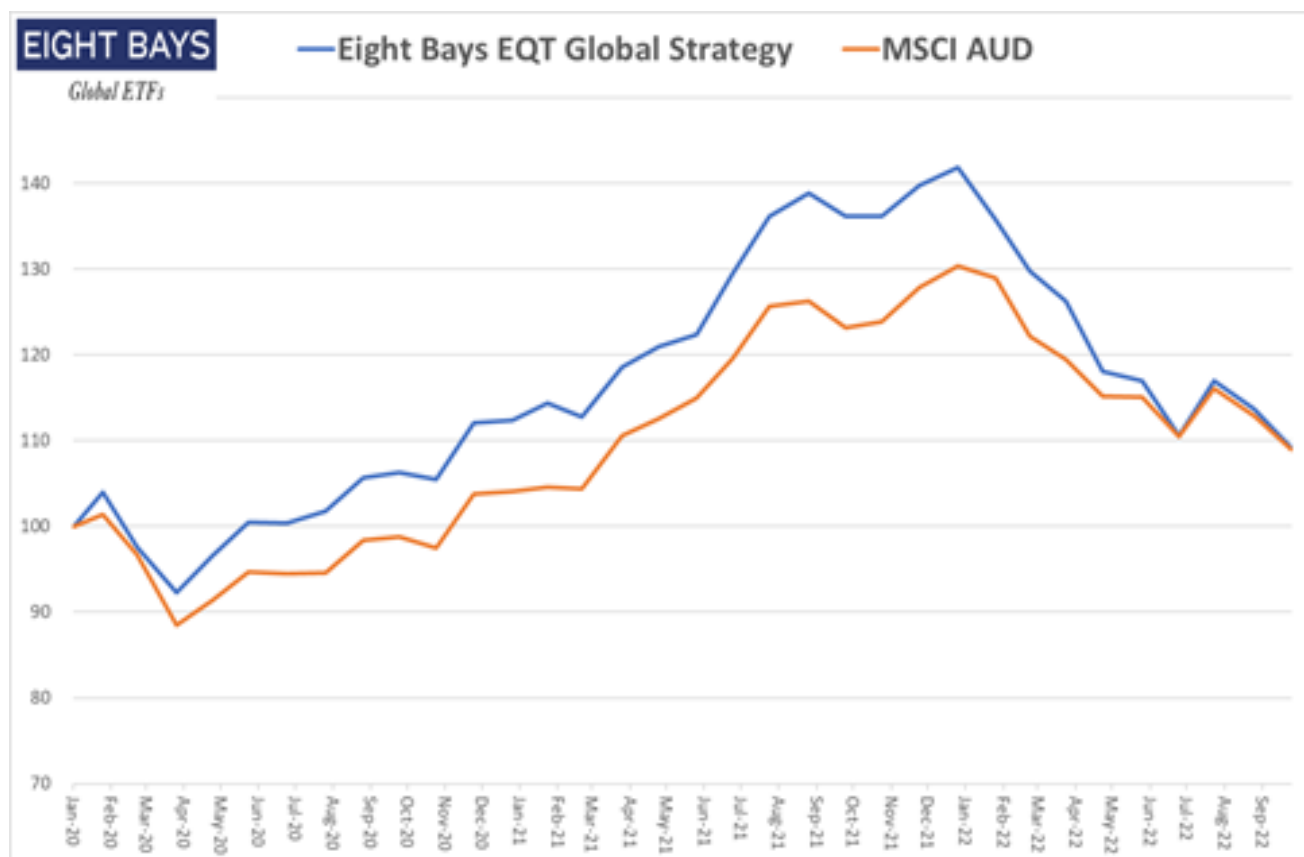
<sup>4</sup> The inception date is 1 July 2021

Past performance is not an indicator of future performance.



## PERFORMANCE SINCE INCEPTION OF STRATEGY (1/1/20)

Short term performance of the Fund has been impacted by the sell-off in equity markets, especially sectors with long duration growth characteristics. However, as longer-term guide and for illustrative purposes, the strategy since inception (January 2020) has increased by 9.18% compared to the benchmark ACWI increase of 8.93%.



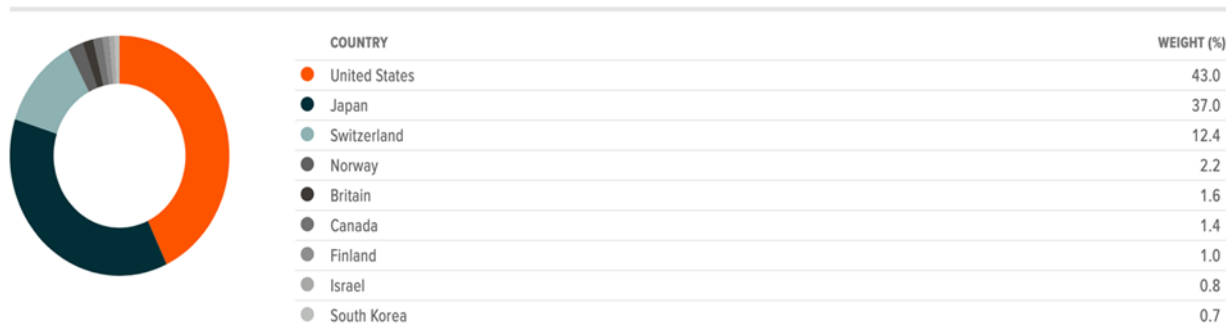
Source: Saxo, EQT, Seeking Alpha

Note: Combined gross returns in AUD of the Eight Bays Global Strategy (7.1.20-30.6.21) and EQT Eight Bays Global Fund (from 1.7.21)

## MARKET COMMENTARY

The September 2022 quarter saw further declines across world stock markets, with the US S&P 500 falling 5.3% (down 24% year to date) and the US dollar increasing 7%.

For the year the US dollar index is up 17%, a significant impact on S&P 500 companies as it is estimated that 40% of their revenues are derived offshore. In the EQT Eight Bays Global Fund the Robotics ETF BOTZ has been seen its currency related valuation fall due to its significant Japanese and European Holdings, with the Japanese Yen declining 20% for 2022 and the Euro 14%.

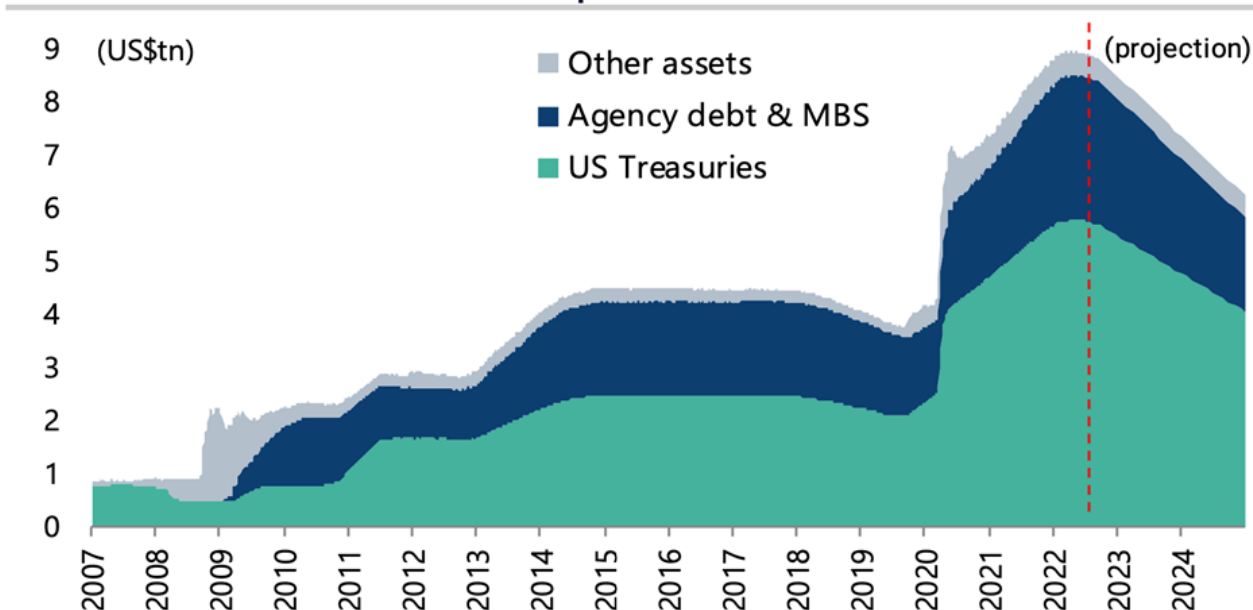
**BOTZ: ROBOTICS and ARTIFICIAL INTELLIGENCE ETF****Country Breakdown** As of 09/30/22

Source: Global X

The main theme for the September quarter was increasing recession fears driven by aggressive global interest rate increases, and a lot of geopolitical noise. While the late July earnings reports sparked a relief rally in stocks, there were indications from large cap US technology companies that 4th quarter earnings may be downgraded. October earnings will be closely monitored, along with the direction of energy prices.

Although oil prices fell 20% from high levels in the 3rd quarter the tightness of energy supply heading into the northern winter with the possibility of China reopening from Covid lockdowns has the potential to derail some nascent deflationary indicators. Energy "demand destruction" in China due to lockdowns is estimated at 15% by Jefferies Research, so the extent of reopening and economic activity will be significant.

Late quarter speculation that the US Federal Reserve was ready to "pivot" and slow or reduce interest rate increases was punctured by officials, noting also that the Federal reserve has begun quantitative tightening by allowing bonds to mature and therefore reducing their balance sheet.

**Federal Reserve balance sheet reduction plan**

Source: Federal Reserve



For emphasis, on 29th September 2022 St Louis Fed President James Bullard stated:

*"we now understand we cannot avoid additional rate hikes coming in the next few months as better than anticipated Q2 core PCE and consumption figures make the case for further hikes".*

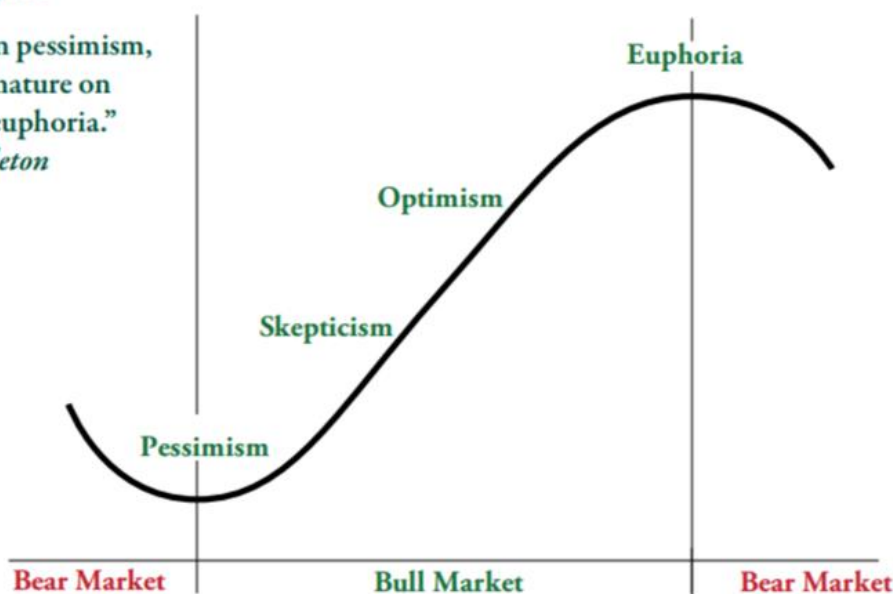
And the next day Fed Vice Chair Lael Brainard stated that monetary policy *"will need to be restrictive for some time to have confidence that inflation is moving back to target"*.

Looking forward we note that TINA (there is no alternative to equities) is no longer valid. Bonds are now an alternative, with the December quarter earnings to shed more light on whether equity valuations are still too high.

The EQT Eight Bays global fund will continue to avoid excessive negativity and maintain focus on world class companies in established industries and technologies and a targeted portfolio of medium-term growth themes in Cybersecurity, Robotics and Biotechnology.

### Market Sentiment Life Cycle

*"Bull markets are born on pessimism,  
grow on skepticism, mature on  
optimism and die on euphoria."  
– Sir John Templeton*



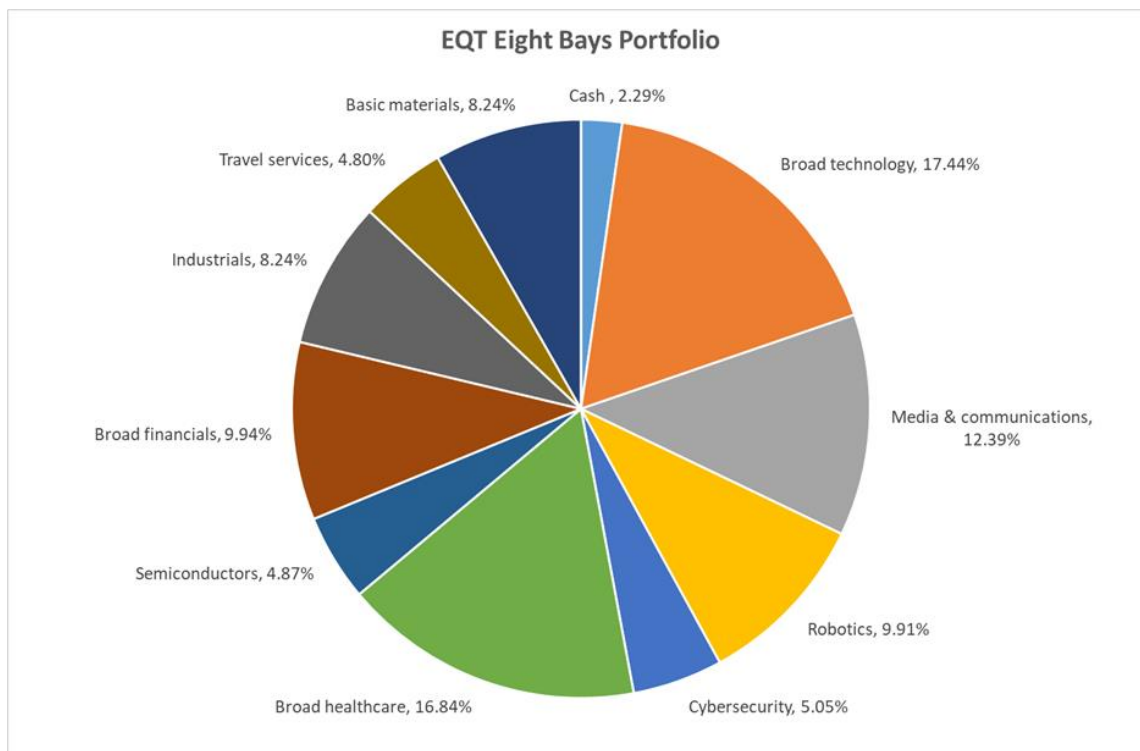
## FUND ACTIVITY

In August 2022 the IHI Medical Devices ETF was sold and the funds applied to increasing the VHT Broad Healthcare ETF to a 17% portfolio weighting. The Broad Healthcare ETF has more defensive attributes and dividend. It retains exposure to Medical Devices companies such as Thermo Fisher and increases exposure to managed healthcare (United Healthcare), life sciences and diagnostics (Danaher) and pharmaceuticals/biotechnology (Pfizer and Eli Lilly).

In September 2022 a new position was established in NANR North American Natural Resources ETF, at the same time trimming the positions in Travel Technology, Semiconductors and Communication Services. An outline of the NANR ETF is provided below.



## SECTOR EXPOSURE (30 SEPTEMBER 2022)



Source: Eight Bays Investment Management

## INDIVIDUAL LOOK THROUGH STOCK EXPOSURE (30 SEPTEMBER 2022)

Holdings	Weight
1 Apple Inc.	3.84%
2 Microsoft Corporation	3.08%
3 Meta Platforms Inc. Class A	2.23%
4 NVIDIA Corporation	1.78%
5 Alphabet Inc. Class A	1.53%
6 UnitedHealth Group Incorporated	1.52%
7 Alphabet Inc. Class C	1.37%
8 Johnson & Johnson	1.32%
9 Intuitive Surgical, Inc.	1.13%
10 Keyence Corporation	0.92%
11 ABB Ltd.	0.93%
12 Fanuc Corporation	0.88%
13 Berkshire Hathaway Inc. Class B	0.87%
14 Pfizer Inc.	0.79%
15 JPMorgan Chase & Co.	0.79%

Source: Eight Bays Investment Management



## ETF IN FOCUS – NORTH AMERICAN NATURAL RESOURCES (NANR)

During the September 2022 quarter, the EQT Eight Bays Global Fund allocated 8% of the Fund to a new position in the ETF North American Natural Resources (NANR). NANR is a portfolio of USA and Canadian companies in natural resources and commodities allocated by three categories:

- Energy (45%)
- Metals and Mining (35%)
- Agriculture (20%)

### NORTH AMERICAN NATURAL RESOURCES (NANR) – Top holdings

#### Top 15 Holdings

Symbol	Holding	% Assets ▼
XOM	Exxon Mobil Corporation	9.47%
FCX	Freeport-McMoRan, Inc.	7.82%
CVX	Chevron Corporation	7.45%
NEM	Newmont Corporation	5.97%
NTR	Nutrien Ltd.	4.71%
ABX	Barrick Gold Corporation	4.67%
ADM	Archer-Daniels-Midland Company	4.65%
FNV	Franco-Nevada Corporation	4.50%
CTVA	Corteva Inc	4.49%
COP	ConocoPhillips	4.49%
AEM	Agnico Eagle Mines Limited	3.94%
PXD	Pioneer Natural Resources Company	3.27%
TECK.B	Teck Resources Limited Class B	3.23%
EOG	EOG Resources, Inc.	3.16%
WPM	Wheaton Precious Metals Corp	2.94%

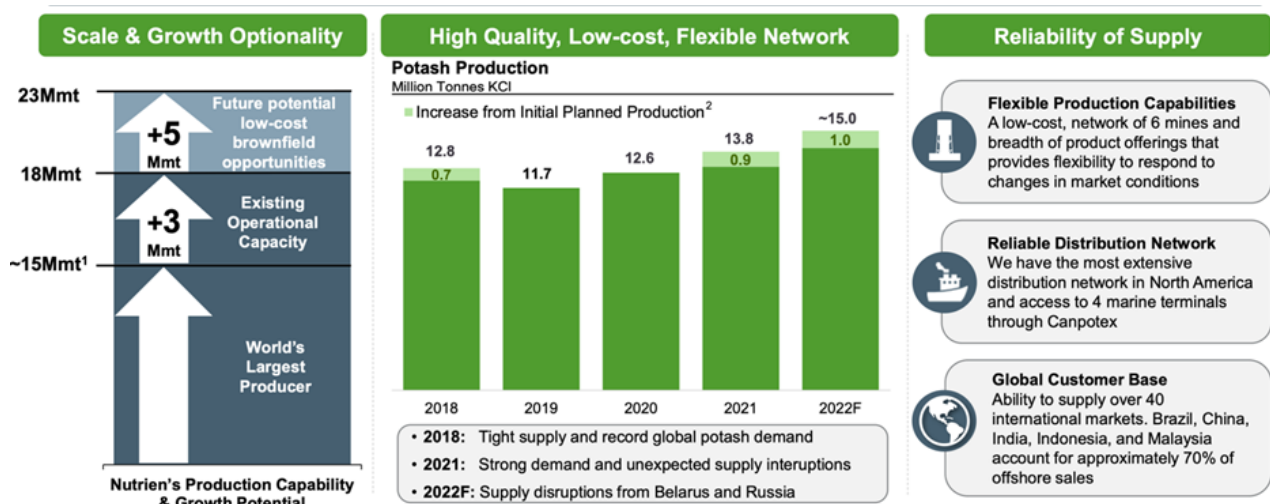
Source ETFDB: NORTH AMERICAN NATURAL RESOURCES (NANR)

The well diversified NANR ETF offers a collection of highly profitable companies that collectively trade on a Price/Earnings ratio of 13x with a 2.2% dividend yield.

In the Energy allocation both Exxon Mobil and Chevron offer very strong earnings profiles and are highly profitable at lower oil and gas prices. The Metals allocation features world class copper play Freeport McMoran and gold majors Newmont and Barrick, with smaller exposures to silver and uranium companies. In Agriculture, Nutrien is the world's largest producer of potash fertiliser and the third largest in nitrogen, while Corteva (chemicals and seeds) and Archer Daniels Midland (value adding crops for human and animal nutrition) offer solid growth across agricultural sectors.



## NUTRIEN – Potash Fertilizer



(source: Nutrien)

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