

Eight Bays Global ETFs

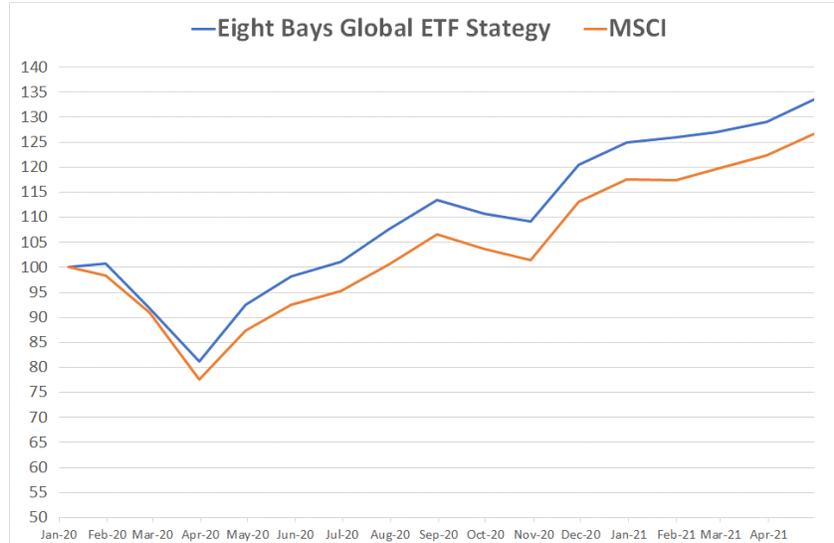
Global Fund

MONTHLY UPDATE – APRIL 2021

The Eight Bays Global Exchange Traded Fund (ETF) Strategy gained 4.45% in April, which was 0.26% above the benchmark MSCI All Country World Index (ACWI) which gained 4.20%.

Since inception (January 2020) the Eight Bays Fund has increased by 35.5% compared to the ACWI increase of 26.4%, therefore outperforming the benchmark by 9.1%.

The main contributors to performance in April were Medical Devices +8%, Information Technology +6.9% and Communication Services +6.9%. Underperforming positions were Genomics and Immunology +0.2%, China +0.3% and Semiconductors +2.6%.



Source: Saxo, SeekingAlpha

PORTFOLIO CHANGES

During April the specialized exposure to Genomics and Immunology was sold. The funds were applied to increasing our position in Medical Devices which includes Thermo Fisher Scientific, Intuitive Surgical and Boston Scientific. We also increased Financials which features Warren Buffet's Berkshire Hathaway, JP Morgan and Morgan Stanley.

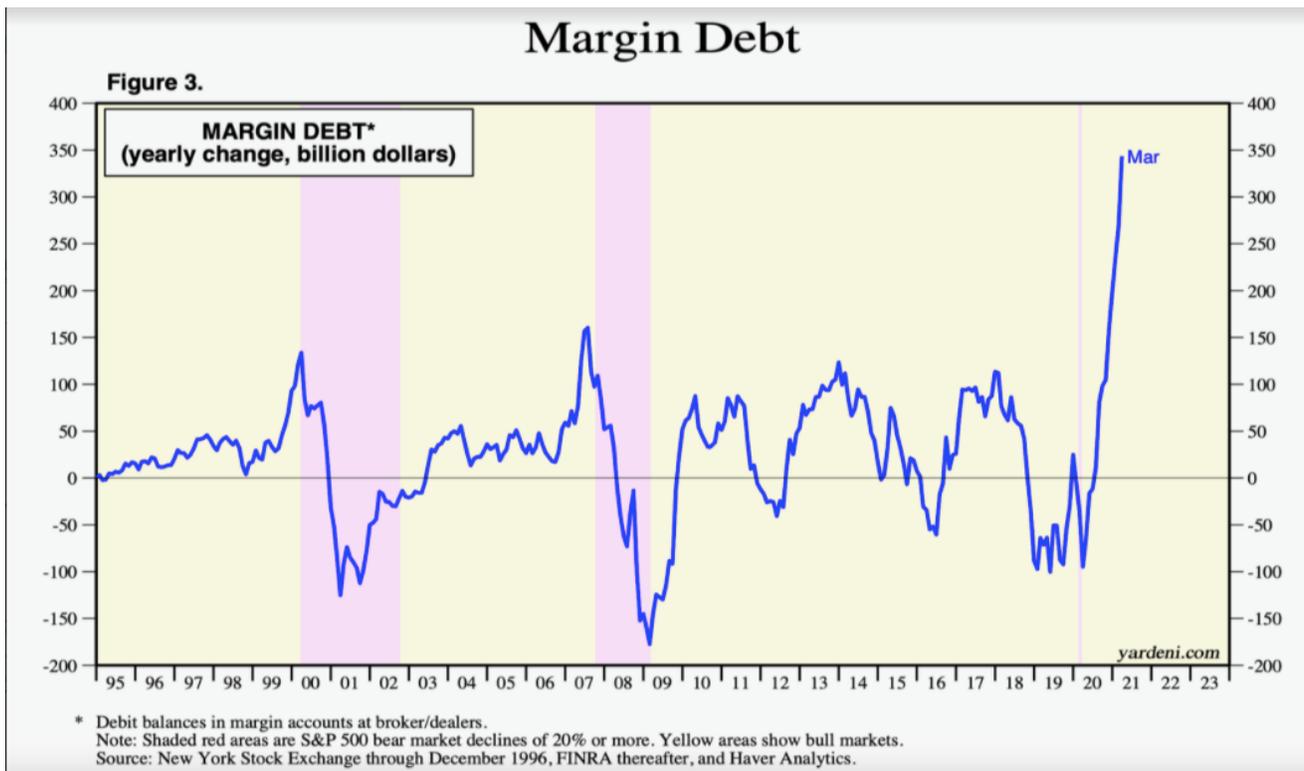
COMMENTARY

Markets moved ahead during April leading up to the reporting week for the big five technology companies at month's end. All five exceeded earnings estimates, Alphabet (Google) (66% above estimates), Amazon (65% above estimates), Apple (42% above estimates), Facebook (39% above estimates), and Microsoft (9% above estimates). Market commentators were left perplexed by the muted to negative share price reaction to the strong earnings, barely recognizing that the share prices of these trillion dollar companies were already from 35% to 64% above their pre Covid peaks.

There are several disparate factors having an uncertain impact on markets:

- * the worsening Covid 19 crisis in India
- * increasing tensions with China, especially in relation to Taiwan
- * inflationary pressures and supply chain disruptions
- * the US Government proposed increases to Capital Gains Tax
- * supportive fiscal and monetary policies with high liquidity and projected growth
- * margin debt increase in the USA to record levels – are investors “all in”?

MARGIN DEBT USA



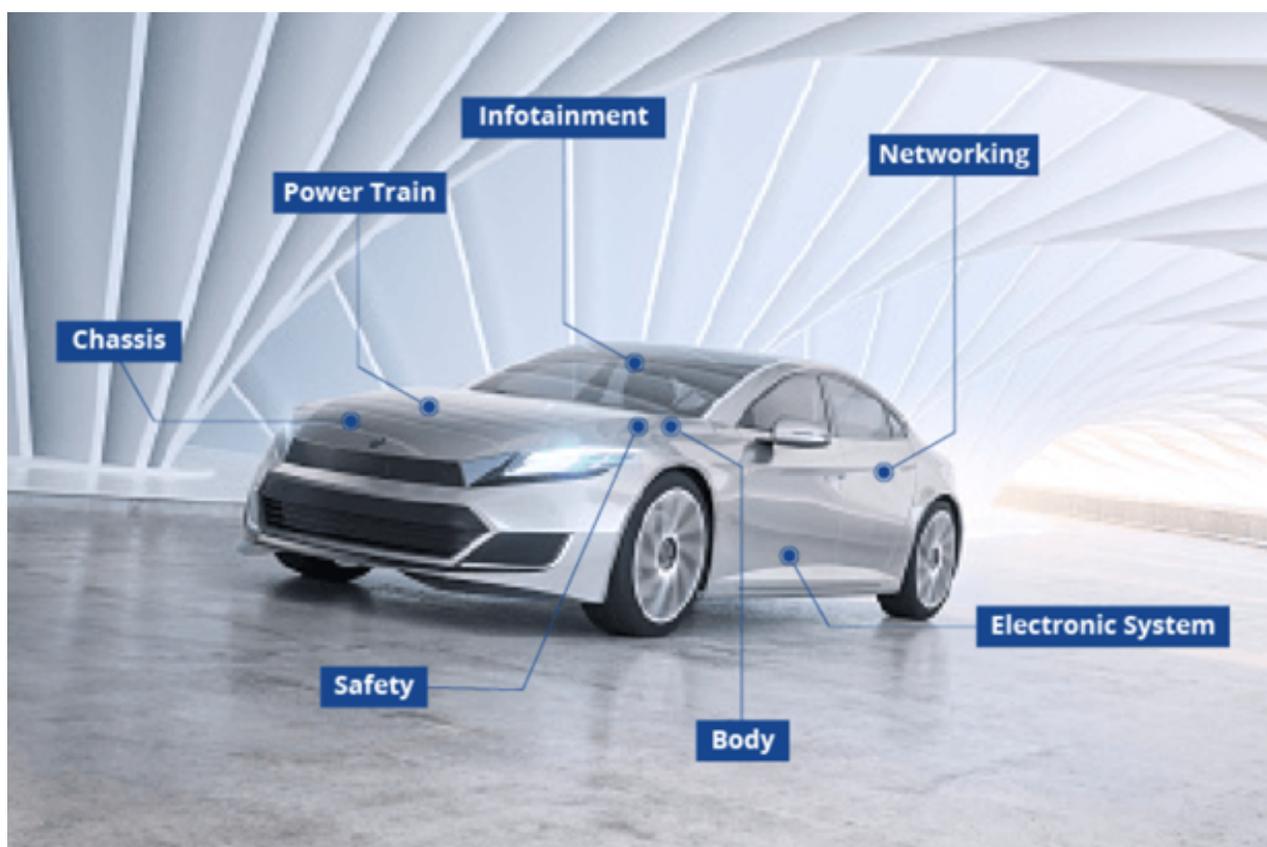
Source: Yardeni Research

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The US April reporting season also highlighted some emerging supply chain issues for US Corporations. Firstly portents of inflation not yet reflected in official statistics, such as copper prices up by 80% and lumber 300%. Combined with some labor shortages despite high unemployment with the labor force participation rate lagging.

We were particularly interested in the widespread shortage of semiconductors and the likely medium term impact particularly on Industrial companies. While technology companies are inextricably linked to their semiconductor supply, the late month warning from Ford of significant semiconductor shortages in the auto industry, highlighted a lack of visibility of many Industrial companies to their increasingly important semiconductor supply chain. Ford expects to lose 50% of its planned 2nd quarter 2021 production due to the shortage and at a cost for the year of \$US 2.5 billion. Ford also halted production at its two German factories for several weeks due to the semiconductor shortage, joining a long list of automakers with disrupted production.



CAR SEMICONDUCTORS

Source: VanEck

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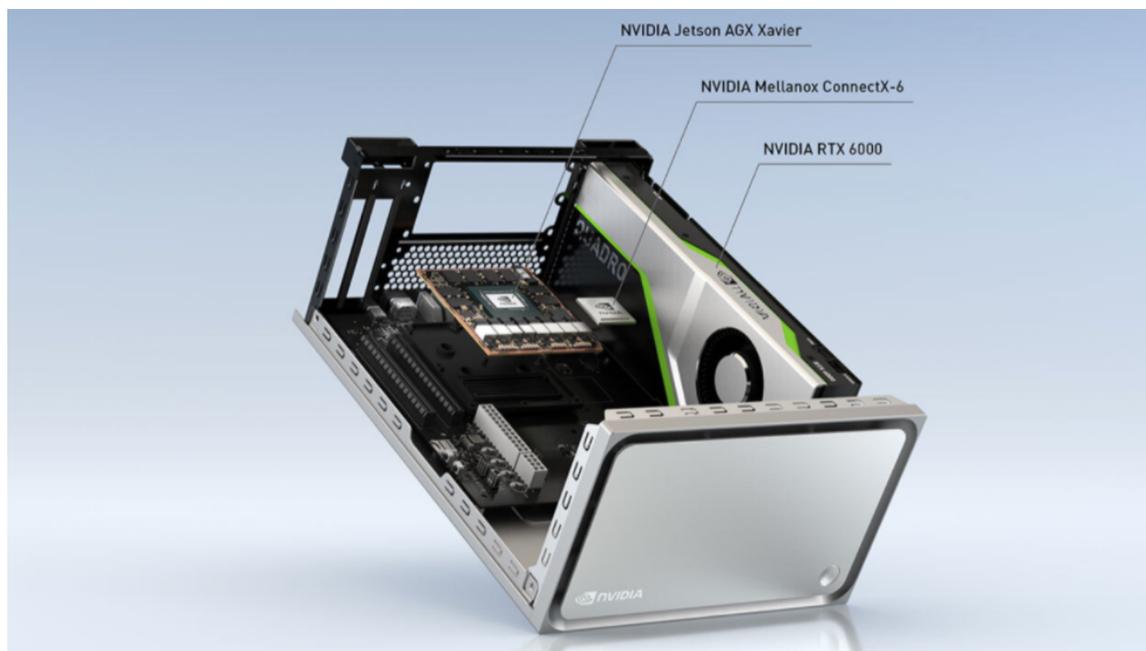
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ETF FOCUS – SEMICONDUCTORS

The Eight Bays Fund holds an overweight position in Semiconductors. Apart from the 2021 chip shortage, the Semiconductor Industry has a long runway of growth driven by omnipresent usage in smartphones, automobiles and virtually any technology related device. Significant growth will be seen in robotics, electric and autonomous vehicles, online games, data centres and cloud computing.

The portfolio features the large scale chip fabricators such as Taiwan Semiconductors (TSMC) and Intel, the former a source of tension with China eyeing the Taiwan semiconductor industry. The US government is acting to support the foundries, with TSMC investing \$US 12 billion in a factory in Arizona, and Intel recently committing \$US 20 billion to two new chipmaking plants in Arizona with government support. It is likely they will be viewed as essential industries of national security.

Notable companies within the Semiconductor ETF include Nvidia, the highly specialized leader in Graphic Processing Units (GPU Chips). Nvidia is also at the forefront in advancing technology in Robotics AI and Medical Devices - also core positions of the Eight Bays Fund. Also impressive Semiconductor Equipment manufacturers ASML (Netherlands) and LAM Research. Qualcomm is a significant growth company, with its licensing business and vast store of intellectual property, and its exposure to 5G Growth through hardware for data transfer and related services. Utilizing a specialized Semiconductor ETF also captures several smaller emerging companies such as Skyworks Solutions and Teradyne.



NVIDIA CLARA – REAL TIME AI IMAGING FOR MEDICAL DEVICES

Individual Look Through Stock Exposure (29 April 2021)

Alphabet	3.8%
Facebook	3.2%
Apple	2.7%
Amazon	2.7%
Microsoft	2.0%
Abbott Labs	1.7%
Home Depot	1.4%
Nvidia	1.4%
Thermo Fisher Scientific	1.6%
Medtronic	1.2%

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 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.

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