Equity Trustees

EIGHT BAYS
Global ETFs

EIGHT BAYS INVESTMENT MANAGEMENT ANNUAL INVESTOR UPDATE

January 2024

2023 GLOBAL INDUSTRY ETF REVIEW

Major Sector ETFs ranked by 3-year Total Return

Instrument	Symbol	% 1Y total r...	% 3Y total return	% 5Y total return
ETF The Energy Select Sector SPDR ETF	XLE:arcx	0.39%	153.21%	91.09%
ETF Vanguard Information Technology ETF	VGT:arcx	54.97%	41.07%	207.60%
ETF The Financial Select Sector SPDR ETF	XLF:arcx	12.76%	37.57%	76.82%
ETF The Industrial Select Sector SPDR ETF	XLI:arcx	17.66%	36.09%	94.98%
ETF The Materials Select Sector SPDR ETF	XLB:arcx	12.03%	28.19%	89.93%
ETF iShares MSCI ACWI ETF	ACWI:xnas	22.43%	20.08%	76.61%
ETF Vanguard Real Estate ETF	VNQ:arcx	12.07%	17.97%	43.74%
ETF Vanguard Health Care ETF	VHT:arcx	2.79%	17.51%	70.72%
ETF The Consumer Discretionary Select Sector SPDR ETF	XLY:arcx	43.15%	17.17%	93.95%
ETF The Consumer Staples Select Sector SPDR ETF	XLP:arcx	-2.41%	16.22%	61.85%
ETF The Communication Services Select Sector SPDR ETF	XLC:arcx	55.25%	12.83%	84.13%
ETF The Utilities Select Sector SPDR ETF	XLU:arcx	-9.42%	12.00%	31.96%
ETF VanEck Vectors Gold Miners ETF	GDX:arcx	10.20%	-6.47%	62.40%

Source: Saxo Capital

Large cap technology stocks have led global equity markets higher in 2023. Heavy weight names including Nvidia +239%, Meta +198%, Telsa +106%, Microsoft +56%, Apple +49%, Alphabet +59% and Amazon 82% all performed strongly. These seven companies now account for 17% of the MSCI World Index. However, to put these moves into context, the average price appreciation for this group of leaders over 2 years is just 8%. The standout performer over a 2-year period is Nvidia which is up 70%.

Company	Share price	Market cap (US$bn)	MSCI Weighting	Price Change 2023	Price change 2022	2 year change	% from all time high
Apple Inc.	$ 192.54	$ 2,994	4.7%	49%	-27%	8%	-3%
Microsoft Corporation	$ 376.06	$ 2,795	3.6%	56%	-29%	12%	-2%
Alphabet Inc. Class A/B	$ 139.74	$ 1,761	2.9%	59%	-39%	-3%	-6%
Amazon.com, Inc.	$ 152.15	$ 1,572	1.9%	82%	-50%	-9%	-18%
NVIDIA Corporation	$ 495.90	$ 1,225	1.7%	239%	-48%	70%	-2%
Tesla, Inc.	$ 249.02	$ 792	1.2%	106%	-66%	-29%	-39%
Meta Platforms Inc. Class A	$ 354.10	$ 910	1.1%	198%	-65%	6%	-6%
Total/average		$ 12,049	17.0%	113%	-46%	8%	-11%

Source: seekingalpha.com

Driving information technology stocks is the emergence of a new structural force, specifically the launch of generative AI computing solutions. Generative Ai will bring on a new set of opportunities and costs for the tech sector and other industries. McKinsey & Co in a report “estimates that generative AI could add the equivalent of $2.6 trillion to $4.4 trillion annually across the 63 use (industries) cases we analyzed”. That value creation is equivalent to the GDP of the UK.

The other major catalyst driving stock prices generally is the belief that interest rates have peaked following declines in inflation rates across most of the major economies. Through 2023 US 10-year treasury bonds have traded in an exceptionally wide range (172bp), peaking in October at 5.02%. Bond yields have since fallen a staggering 120bps and now sit around 4%. Coupled with the view that the US economy is headed for a soft landing and the possibility of the Fed easing rates in 2024, you could not get a better environment for stocks. Wars in the middle east and Ukraine have not diminished investor optimism. Clearly capital markets are pricing in some de-escalation or at least some containment in these tragic wars.

We believe global equity markets are fair to fully valued in the short term, following a strong run up in stocks in Q4 of 2023. If global economic growth conditions remain modestly positive (which is likely for the US and Chinese economies and less likely for Europe) and inflation eases further, global equities should be underpinned by a lift in stocks outside these large cap names. We see opportunities for some sectors outside the large cap technology stocks to do better in 2024. Sectors such as healthcare, industrials and energy transition all have positive long-term earnings outlooks AND these sectors have underperformed in 2023. We are overweight positions in these sectors. Finally, whilst it may be hard for the larger cap tech names to repeat their 2023 returns, we believe a healthy position in such names is warranted given their potential to extract scale benefits from the implementation of generative Ai.

Impact of big tech stocks on 2023 S&P 500 returns

Source: VettaFi

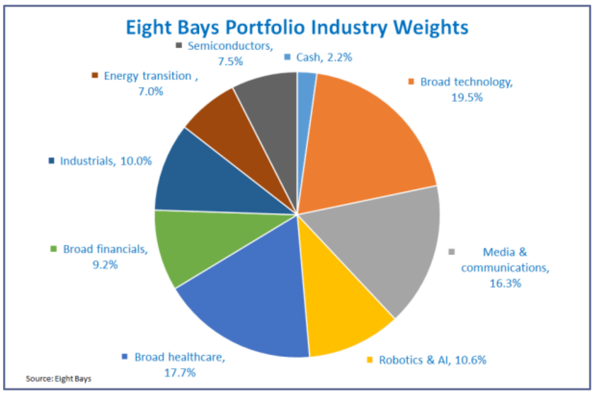
A sea of green in the right places - US listed ETFs

12-month price changes heat map

Source: finviz.com

Eight Bays Global ETF Strategy – Portfolio Review

Eight Bays Portfolio (December 2023)



Active Sector Weights

Sector	Benchmark MSCI	Eight Bays Portfolio	Active Position
Communications Services	7.31%	17.43%	10.12%
Healthcare	11.26%	20.83%	9.57%
Information Technology	22.92%	32.14%	9.22%
Industrials	10.51%	17.44%	6.93%
Cash/Other	0.43%	0.00%	-0.43%
Utilities	2.67%	1.51%	-1.16%
Real Estate	2.32%	0.00%	-2.32%
Materials	4.38%	0.05%	-4.33%
Energy	4.56%	0.07%	-4.49%
Financials	15.75%	9.99%	-5.76%
Consumer Staples	6.80%	0.54%	-6.26%
Consumer Discretionary	11.09%	0.01%	-11.08%
	100.00%	100.00%	

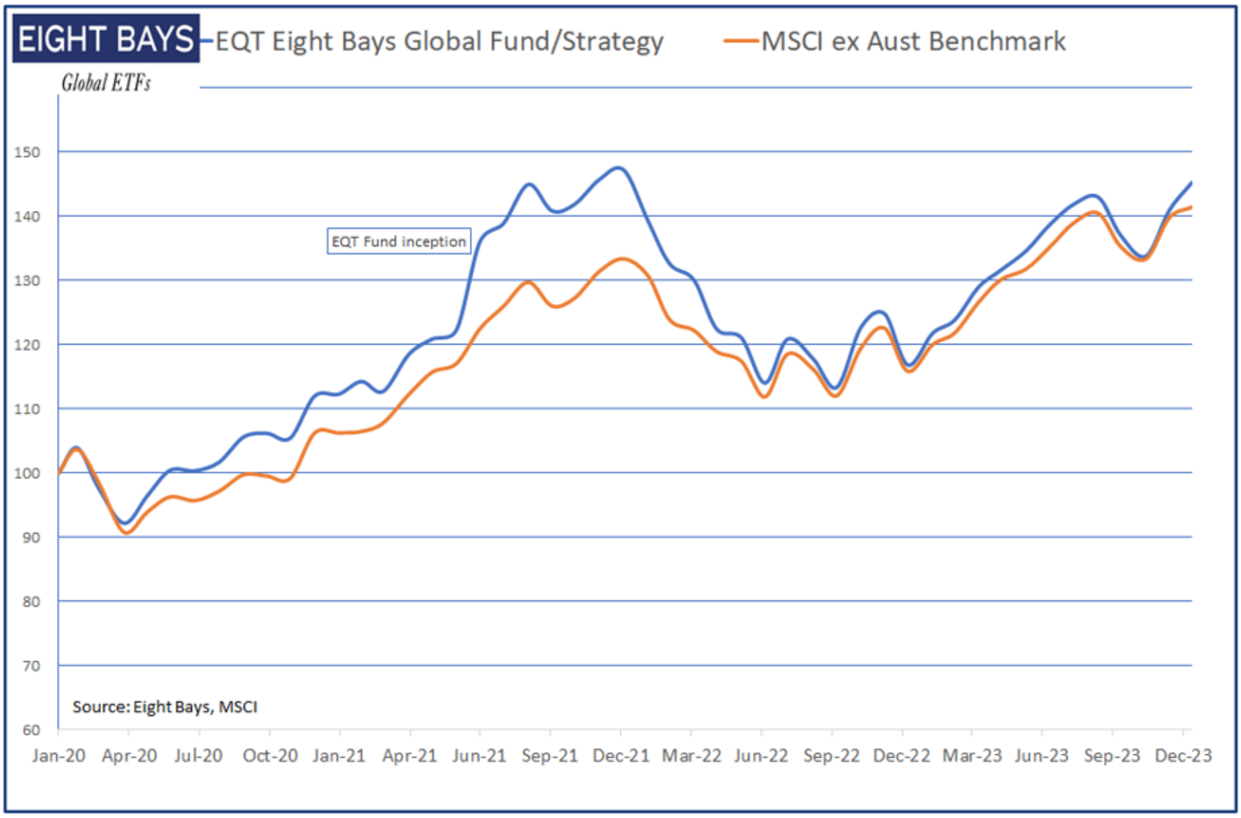
Source: Eight Bays, Portfolio Visualizer

Top holdings

	Company	Portfolio
1	Apple Inc.	4.34%
2	Microsoft Corporation	4.08%
3	Meta Platforms Inc. Class A	3.84%
4	NVIDIA Corporation	3.02%
5	Alphabet Inc. Class A	2.04%
6	Alphabet Inc. Class C	1.73%
7	UnitedHealth Group Incorporated	1.64%
8	Eli Lilly and Company	1.53%
9	ABB Ltd.	1.50%
10	Intuitive Surgical, Inc.	1.41%
11	Broadcom Inc.	1.30%
12	Johnson & Johnson	1.20%
13	Berkshire Hathaway Inc. Class B	1.15%
14	Advanced Micro Devices, Inc.	0.95%
15	QUALCOMM Incorporated	0.90%
16	Intel Corporation	0.90%
17	JPMorgan Chase & Co.	0.86%
18	Merck & Co., Inc.	0.83%
19	Eaton Corp. Plc	0.82%
20	AbbVie, Inc.	0.81%
21	Netflix, Inc.	0.76%
22	Charter Communications, Inc. Class A	0.75%

Source: Eight Bays, Portfolio

Portfolio Performance



29-Dec-23	EQ Eight Bays Fund/Strategy	Benchmark MSCI ex-Aust	Alpha
Unit Price AUD	$1.068		
Strategy Inception (7/1/20) *	45.32%	41.43%	3.89%
12 months rolling	24.30%	22.07%	2.23%
3 months rolling	6.02%	4.56%	1.46%
1 month	3.07%	1.18%	1.89%
CAGR	11.4%	10.4%	0.98%

Source: EQT MSCI * Performance data includes combined returns of Eight Bays Global Strategy (inception 7/1/2020) and the EQT Eight Bays Global Fund (inception 1/7/2021)

The EQT Eight Bays Global Fund recorded a total net return of 24.3% in the year to December 2023 outperforming the Benchmark MSCI All Country World Index (ACWI) ex Australia index by 2.23%. The major contributors to Fund returns over 12 months were Communication Services, Broad Technology and Semiconductors. The underperforming sectors were Healthcare and Natural Resources.

Overweight Sector/Industries

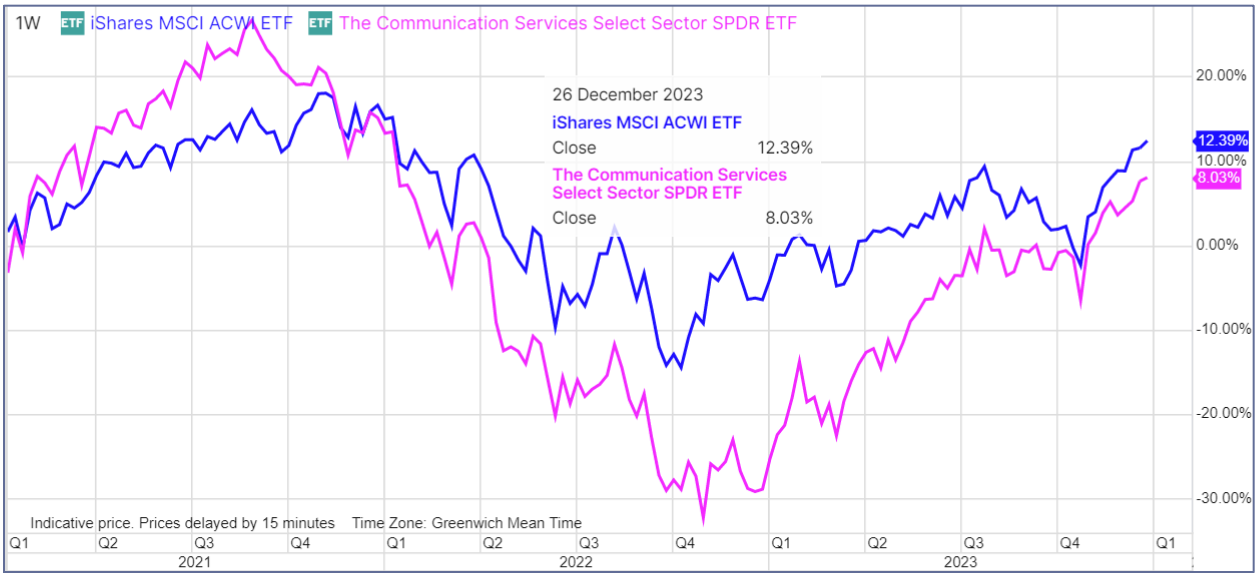
Communication Services

Communication services, encompassing online search, social media, streaming, and telecommunications. These industries stand to be major beneficiaries of the burgeoning generative AI revolution, both in terms of productivity gains and revenue generation.

Alphabet and Meta lead the pack in consumer data ownership and AI infrastructure investment. While Alphabet's online search dominance faces potential challenges, their recent releases like Bard and Gemini are gaining user traction. In social media, Meta reigns supreme, with room for further revenue per user (RPU) growth through the monetization of the WhatsApp and Reels apps.

Streaming services also sit in this sector including Netflix, Disney, Comcast and Warner. We believe this industry could benefit from content productivity gains from generative Ai, growth in ad-supported subscriptions and potential for content sharing and/or industry consolidation. The other industry which is captured by this ETF is online gaming which is also experiencing growth and will benefit from advances in Ai technologies. Valuation-wise, this sector is still reasonably priced particularly given its growth prospects. The sector trades on a forward P/E of 19.6x with expected EPS growth of 14%.

SPDR Communications Services vs MSCI ACWI – 3-year performance

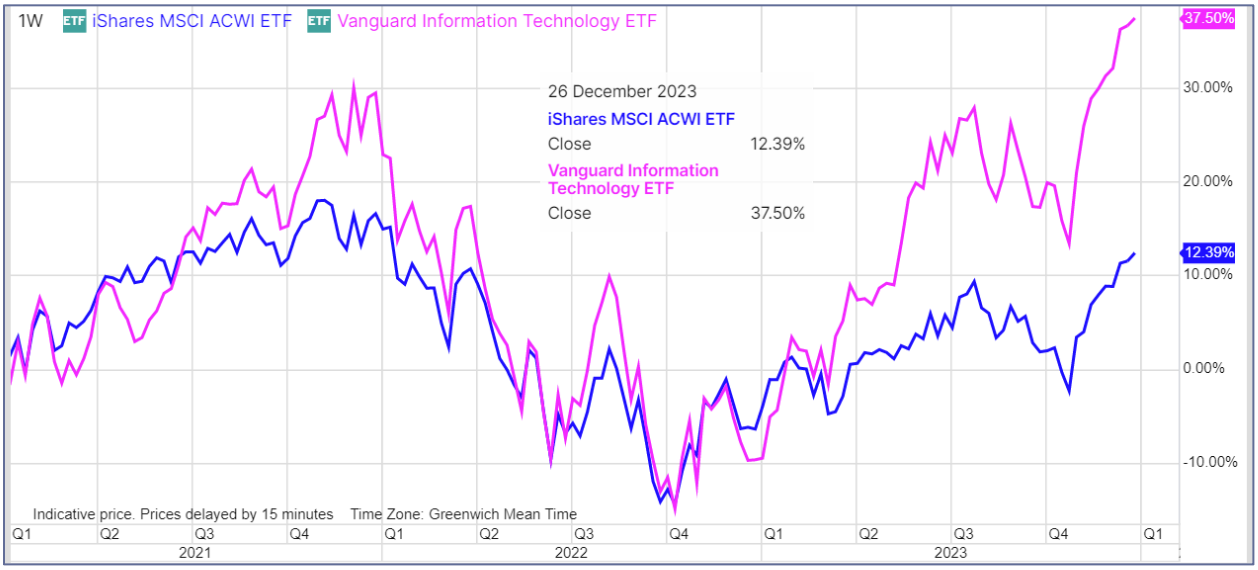


Source: Saxo Capital

Broad technology

This sector performed very strongly in 2023 (+50%) after a challenging 2022 (-24%). The combination of strong earnings growth, peaking and ultimately easing in long term interest rates in late 2023 helped drive the recovery in tech stocks. Semiconductor stocks lead the charge - Nvidia shares rose 243%, AMD +114% and Broadcom +104%. A key driver of this phenomenal recovery in semiconductor stocks (all of which suffered sharp falls in 2022) was the release of ChatGPT, a Large Language Model (LLM) web service owned Open Ai and Microsoft in late 2022. The ChatGPT online LLM service experienced an extraordinary level of user take-up (over 100m users in the month of its release). LLMs can generate text, translate languages, write different kinds of creative content, and answering your questions in an informative way. LLMs require significantly more computing power with graphic processing units or GPUs being the core engine of the system. Nvidia's share price was supported by stronger than expected earnings numbers due to enormous demand for the company's industry-leading GPU and supporting software architecture. Other sectors, particularly enterprise software and cybersecurity are also benefiting from the uptake of LLMs. Given that the price expansion in tech sector has largely exceeded earnings growth, the sector is trading at the top of its historical PE range however this sector is expected to deliver solid earnings growth through 2024. We don't expect a repeat of last year's performance, however we retain our overweight holding.

Vanguard Information Technology vs MSCI ACWI – 3-year performance



Source: Saxo Capital

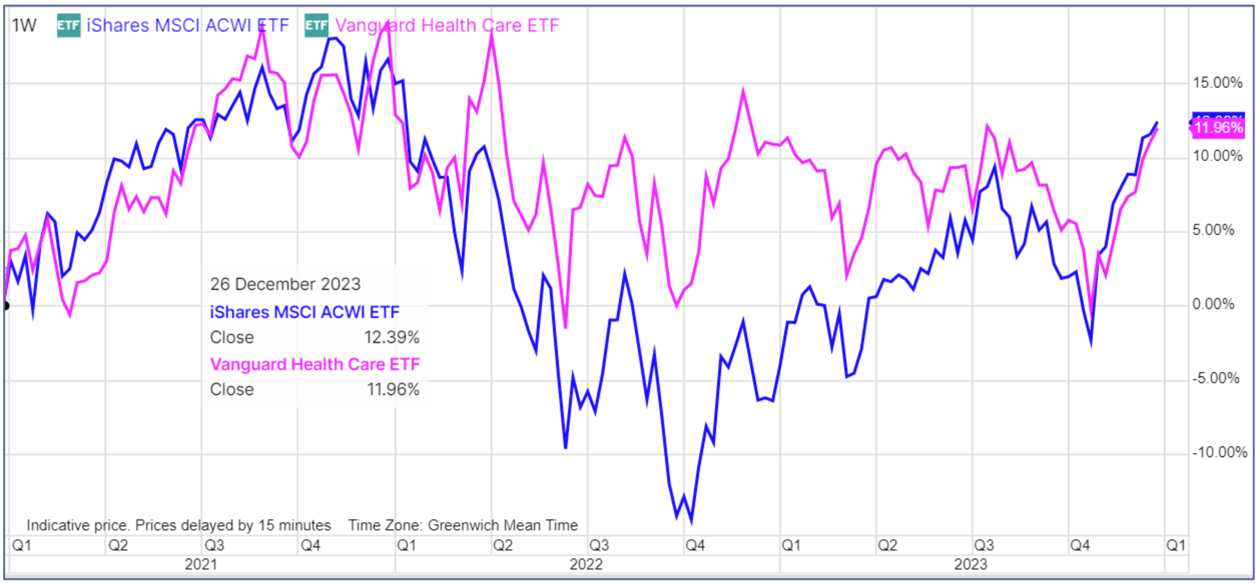
Healthcare

The healthcare sector substantially underperformed in 2023 (VHT +2.8% vs MSCI +22.4%). Over a longer period the healthcare sector outperformed the broader market. Typically, this is a defensive sector and will lag strong equity markets, however the stocks prices of some large cap stocks such as Pfizer (-43%), Bristol-Myers Squibb (-30%) and J&J (-12%) suffered steep price declines. Some of these businesses benefited from significant earnings uplifts directly attributable to the global pandemic, particularly those companies providing diagnostic/lab services, protective wear, vaccines, and new treatment drugs. As the pandemic ended, these companies experienced downward earnings revisions through 2023.

Another potential industry structural event has transpired in the healthcare sector over the last few years. That is, the release and rapid uptake of GLP-1 (Glucagon-like peptide-1) drugs (Wegovy, Ozempic, Zepbound) for the treatment of diabetes and obesity. Studies related to these new obesity/diabetes treatments have shown that people with other common morbidities such as cardiovascular, kidney and even liver diseases could benefit from taking these treatments thereby reducing the demand of other drugs (eg Ace inhibitors, beta blockers) or treatments (eg kidney dialysis). Novo Nordisk released its "SELECT Trial" in August 2023, involving 17,604 patients with established cardiovascular disease or were obese. Those treated with its Wegovy drug showed significant reductions in major adverse cardiac events (MACE) and also experienced other benefits. The companies with leading drugs in the diabetes/weight loss space - Novo Nordisk (+45%) and Eli Lilly (+58%) have been clear winners and trade on rich multiples. Those companies that have significant revenues related to the morbidities that are affected by the uptake of these weight loss treatments been discounted by the market through 2023.

We believe the sector is relatively attractive now on current fundamentals and maintain an overweight position.

Vanguard Healthcare vs MSCI ACWI – 3-year performance



Source: Saxo Capital

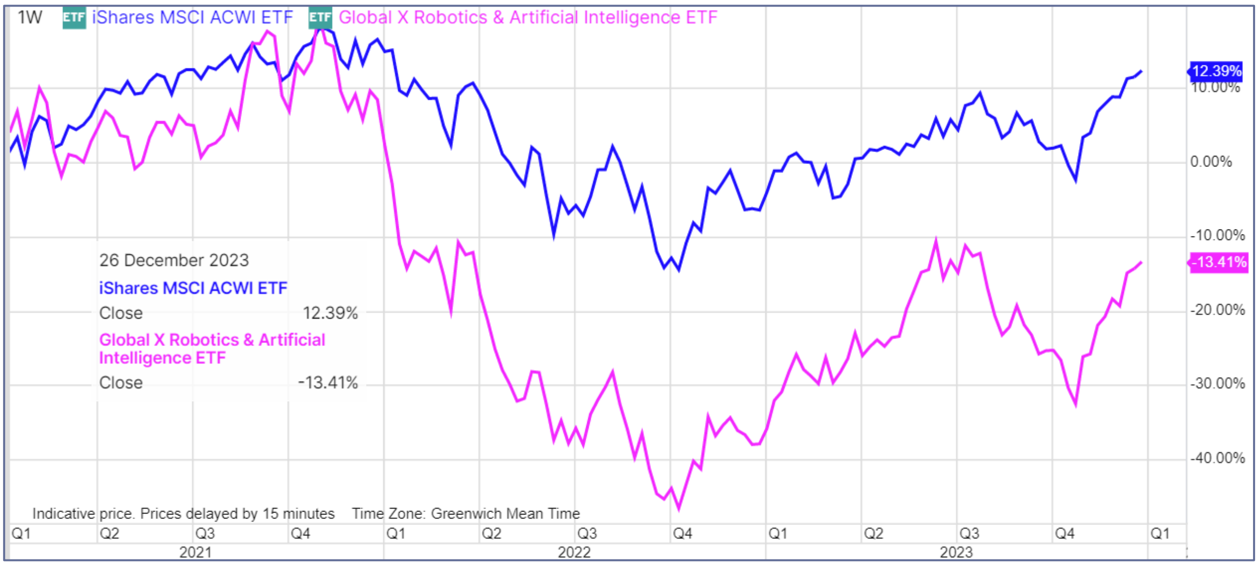
Robotics & AI

The Robotics Industry encompasses the design, development, manufacturing, and deployment of robotic systems and technologies. It involves the creation of machines that perform tasks autonomously or with minimal human intervention. There are two major sub sectors being industrial robots which include the Automotive, Chemical, Electronics, Food, Metal and other Industrial robots and service robots which includes Medical, Ag and logistics, domestic and entertainment. The market while not easy to define is growing very strongly with most forecasters expecting >10% compound growth out to 2030.

Major industry drivers include the automation of production for both efficiency and cost reasons, the increasing cost of labour, the trend to onshoring and expanding service applications.

Our Robotics and Ai ETF has around 30% exposure to the large Japanese Robotics companies which dominate the Industrial robotics markets as well as some interesting companies in the fast growing but typically early-stage AI market. Performance has been very strong in the last year with the ETF up 37.5% however has lagged on a three-year basis with a combination of economic issues in China, weakness in the yen and valuation all contributing. We retain an overweight position to the sector given the prospects for many of the constituents of these industries will be enhanced be the roll-out of next generative Ai computing.

Global X Robotics & AI vs MSCI ACWI – 3-year performance



Source: Saxo Capital

Semiconductors

Performance for the Semiconductor stocks has been strong both absolutely and relatively in the past year with the anticipated recovery in sales and the longer term secular tailwinds being at least partially reflected.

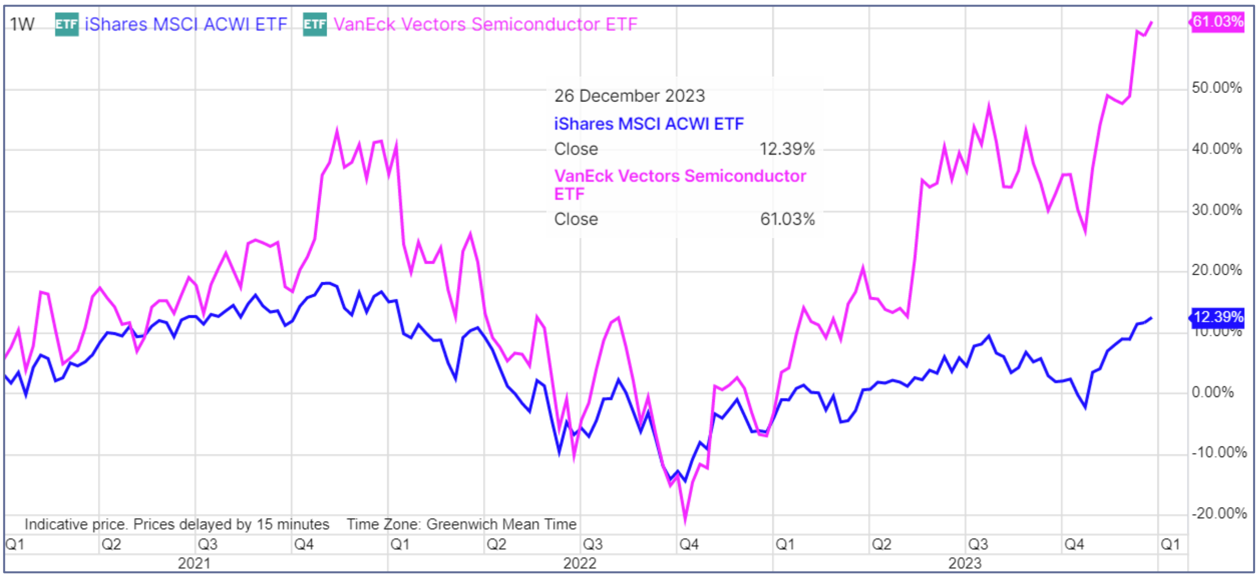
The global semiconductor is forecast to grow to approximately USD 1 trillion by 2030 up from an estimated USD 534bn today. In 2023, industry revenues declined by more the 10% despite the emergence of strong demand for microchips supporting new artificial intelligence workloads. The decline in chip sales was driven in part by weakness in smartphones and PC segments (the largest chip markets) and lower growth in data centres and hyperscaler spending.

We expect a rebound in sales from 2024 driven by the longer-term trends in the market being

1. Digitization of the economy
2. Cloud computing (datacentres)
3. Growth in generative Ai
4. Online gaming
5. PC & mobile devices demand - with the beginning of the replacement cycle for PCs purchased during Covid resulting in a larger replacement cycle.
6. Automotive demand

As a result of the broad usage of semiconductors across the economy we have holdings in Semiconductor stocks through the Robotics ETF, our Information Technology ETF and the specialised Semiconductor ETF which was added in October.

VanEck Vectors Semiconductors vs MSCI ACWI – 3-year performance

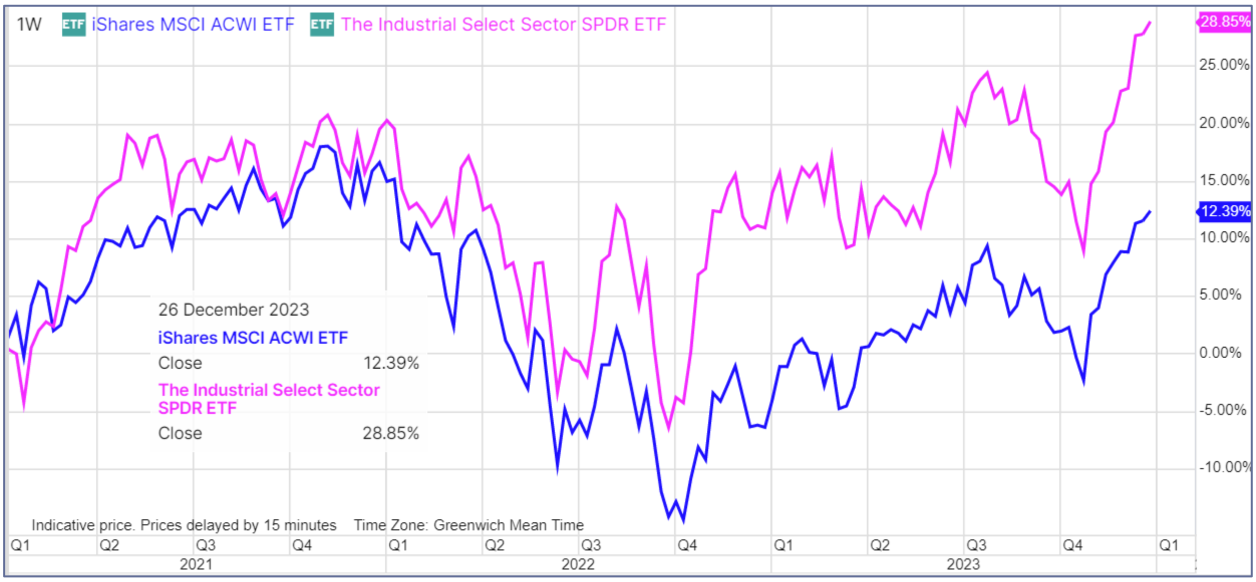


Source: Saxo Capital

Industrials

The XLI ETF performed well in 2023 with a 16% uplift, though being devoid of "magnificent seven" stocks it couldn't match the 24% gain of the S&P 500 benchmark. Defence Stocks underperformed with Raytheon down 16% largely due to a costly engine recall in the Pratt and Whitney aero division, while Lockheed Martin fell 5% in 2023.General Electric stood out with a 92% annual increase driven by the successful spinoff of GE Healthcare and anticipation of the final demerger in 2024 of Power/Renewable Energy and Aerospace. The outlook for Industrials in 2024 is underwritten by infrastructure spending on renewable energy projects and manufacturing onshoring and strong order backlogs in aerospace and defence. In 2023 the recovery of Boeing continued despite some ongoing technical setbacks. These were largely outweighed by very strong orders across the Airline industry, with both Boeing (and Europe's Airbus) receiving some huge orders for new aircraft which will underwrite several years production with the benefit spread across a range of aviation suppliers held by the XLI ETF including Honeywell. Industry bellwether Caterpillar rose 24%, while agriculture machinery leader Deere declined 5% in 2023, reflecting a slowdown in ag commodities and a cyclical easing after very strong orders in 2020-22.

SPDR The Industrial Select vs MSCI ACWI – 3-year performance



Source: Saxo Capital

2023 US Equity ETF Market Review

In 2023, the US industry or thematic ETF market was valued at US$1020bn ($735bn at Dec 2022). There were 50 new industry/thematic ETFs listed on US exchanges in 2023 with a year market value of $7bn.

Industry ETFs represent about 16% of all US equity ETFs ($6328bn). Equity ETF inflows were $349bn in 2023. A total of 330 new equity ETFs were listed with a total market value of US$31bn. New issues were dominated by smart beta/active ETFs. iShares Climate Conscious & Transition MSCI USA was the largest listing with a market value of $2.4bn, followed by Xtrackers MSCI USA Climate Action Equity ETF ($2.4bn).

Top 10 new industry ETFs listings by asset value

Symbol	ETF Name	Style	Total Assets	Expense ratio	# of Holdings	% In Top 1
USCA	Xtrackers MSCI USA Climate Action Equity ETF	Active	$ 2,408,170,000	0.07%	309	31.5%
USCL	iShares Climate Conscious & Transition MSCI USA ETF	Active	$ 2,378,520,000	0.08%	309	31.6%
VGSR	Vert Global Sustainable Real Estate ETF	Active	$ 347,423,000	0.45%	142	42.9%
EMC	Global X Emerging Markets Great Consumer ETF	Active	$ 205,294,000	0.75%	73	37.7%
FWD	AB Disruptors ETF	Active	$ 195,955,000	0.65%	103	21.4%
JTEK	JPMorgan U.S. Tech Leaders ETF	Active	$ 189,178,000	0.65%	62	35.0%
URNJ	Sprott Junior Uranium Miners ETF	Active	$ 188,727,000	0.80%	33	75.5%
KLIP	KraneShares China Internet and Covered Call Strategy ETF	Active	$ 114,345,000	0.95%	3	100.0%
FDTX	Fidelity Disruptive Technology ETF	Active	$ 107,193,000	0.50%	47	45.3%
FBOT	Fidelity Disruptive Automation ETF	Active	$ 102,751,000	0.50%	49	47.5%

Source: etfdb.com

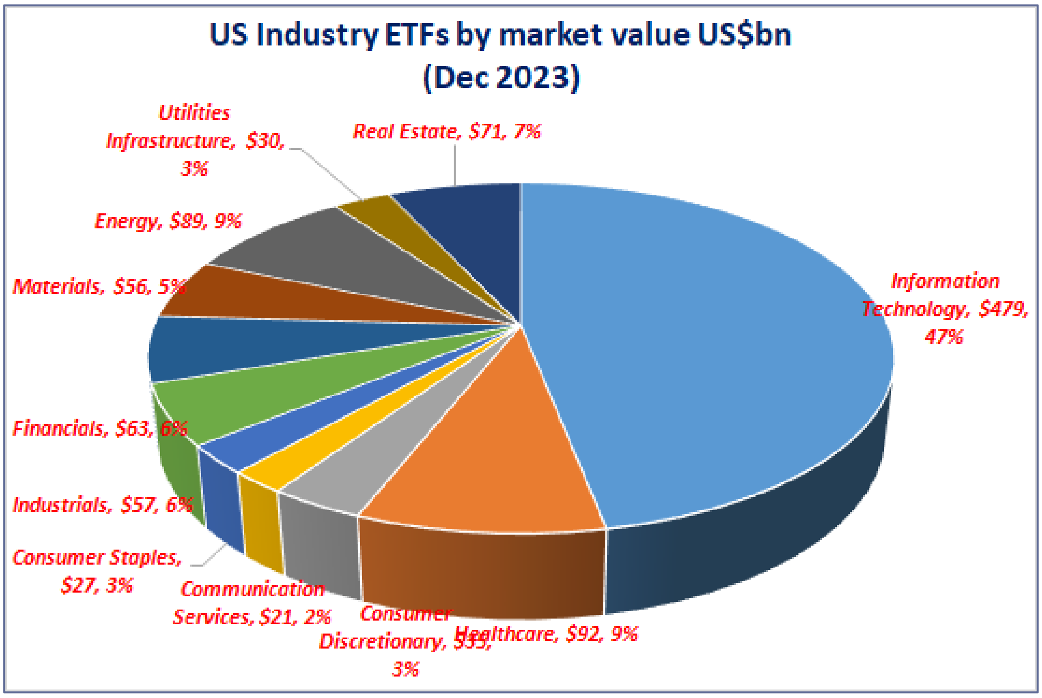
The universe of industry ETFs includes over 320 funds, excluding leveraged and short strategy ETFs. The technology sector remains the largest with a market value of approximately $479bn up from $170b as at YE 2022. Tech now accounts for 47% of the industry universe (23% YE 2022) and is the most populous sector with over 60 funds. Funds flow in tech ETFs were positive in the second half of 2023. Healthcare ETFs were valued at $92bn ($108bn YE 2022) or 9% of all industry ETFs (15% YE 2022) and includes 37 funds.

In terms of net flows Consumer Staples, Energy and Materials recorded outflows. Consumer Staples, a star performer in 2022 recording the highest outflows (-$3.9bn) or 14% share of sector end market value. Communication Services received the greatest inflows (+$3.5bn) which equates to 17% of the sector's year-end market value.

Key Sector Data – December 2023

Sector	No. of ETFs	Market Value $bn	% ot total	YTD Funds Flow ($bn)	Average change YTD	Average Div yield	PE (x)	Yield	Average Beta	Funds Flow/MV	Expense Ratio
Information Technology	63	$479	47%	$7.3	66.0%	0.21%	18.4	0.21%	1.15	2%	0.55%
Healthcare	37	$92	9%	$0.0	-3.7%	0.62%	16.1	0.66%	0.85	0%	0.50%
Consumer Discretionary	29	$35	3%	$3.4	30.7%	0.68%	15.0	0.68%	1.29	10%	0.50%
Communication Services	7	$21	2%	$3.5	29.2%	0.97%	16.1	0.97%	1.01	17%	0.35%
Consumer Staples	14	$27	3%	-$3.9	-0.3%	2.16%	20.1	2.16%	0.60	-14%	0.43%
Industrials	37	$57	6%	$3.6	21.9%	0.71%	19.0	0.71%	1.13	6%	0.52%
Financials	33	$63	6%	-$1.2	20.6%	2.58%	10.9	2.58%	1.10	-2%	0.60%
Materials	37	$56	6%	-$3.5	7.6%	1.95%	9.4	1.95%	1.11	-6%	0.52%
Energy	19	$89	9%	-$3.8	6.5%	2.71%	6.5	2.71%	1.39	-6%	0.60%
Utilities Infrastructure	16	$30	3%	-$2.0	0.5%	2.61%	17.9	2.61%	0.62	-7%	0.42%
Real Estate	34	$71	7%	-$1.8	9.5%	3.51%	13.0	3.51%	0.92	-3%	0.40%
Total industry ETFs	326	$1,020	100%	$1.8	17.1%	1.70%	14.8	1.70%	1.02	0%	0.49%

Source: etfdb.com, Eight Bays



Source: etfdb.com

Sector Highlights

Technology

TOP GAINERS	CHANGE	AUM	TOP LOSERS	CHANGE	AUM
ROM ProShares Ultra Technology	+132%	$634m	CQQQ Invesco China Technology	-17%	$670m
ARKW ARK Next Generation Internet	+99%	$1717m	KWEB KraneShares CSI China Internet	-9%	$5451m
BLOK Amplify Transformational Data Sharing	+93%	$894m	ITEQ BlueStar Israel Technology ETF	4%	$84m

Source: etfdb.com

The technology sector includes industries such as semiconductors, cloud services, AI & robotics, software and cybersecurity. The semiconductor ETFs performed strongly throughout 2023. Nvidia, now a one trillion-dollar company, is the largest company in this space and is benefiting from accelerated demand for advanced GPU chips which are needed for the build out of generative Ai infrastructure. Nvidia experienced a wave of earnings upgrades during the year. Given the continued digitalization of the economy and with generative Ai representing a new force for growth we continue to maintain our overweight position in Information Technology.

Selected Technology ETFs

Source: Saxo Group

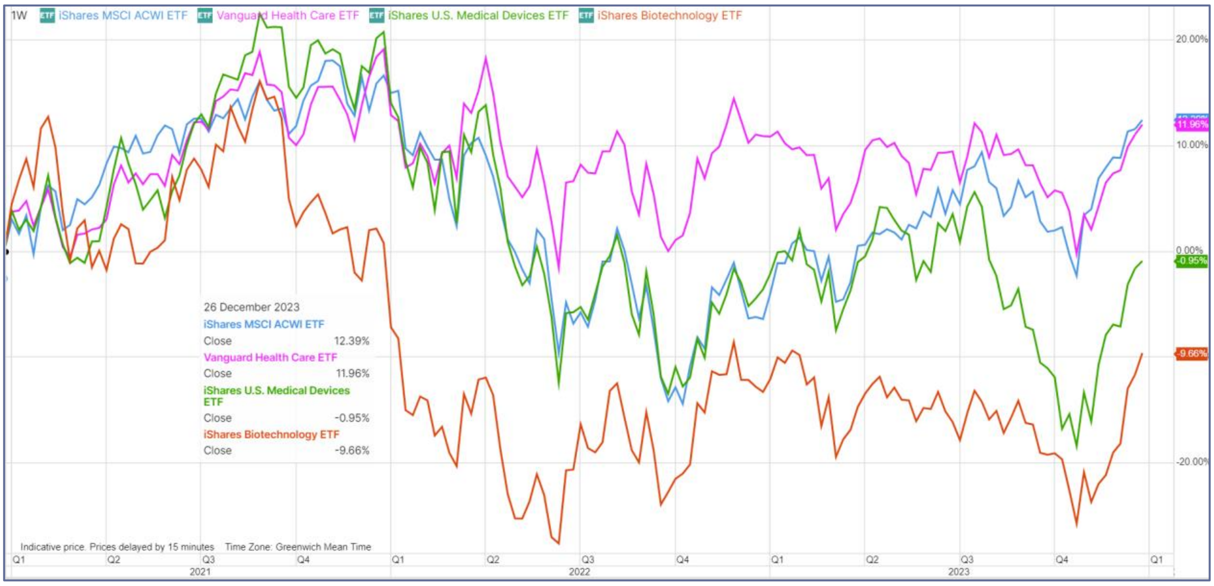
Healthcare

TOP GAINERS	CHANGE	AUM	TOP LOSERS	CHANGE	AUM
ARKG ARK Genomic Revolution	+16%	$1874m	POTX Global X Cannabis	-48%	$29m
AGNG Global X Aging Population	+8%	$54m	CNBS Amplify Seymour Cannabis	-22%	$26m
XHS SPDR S&P Health Care Services	+5%	$95m	YOLO AdvisorShares Pure Cannabis	-20%	$37m

Source: etfdb.com

Industries within the healthcare sector include medical devices, pharmaceuticals, biotechnology, healthcare services and genomics. XLV is the largest healthcare ETF ($37bn market value) and underperformed the MSCI ACWI in 2023, only rising 2% vs MSCI ACWI +22%. Broad Healthcare ETFs performed better than specialized health ETFs such as genomics, biotech and medical devices which suffered from concerns that GLP-1 (weight loss) drugs that are being rapidly rolled out will lesson demand for treatments for conditions such as heart and kidney disease, sleep apnea, and even hip replacements. Inflows in 2022 have turned to modest outflows in the period. We retain our overweight position in broad healthcare as valuations are now looking relatively attractive.

Selected Healthcare ETFs



Source: Saxo Group

Financials

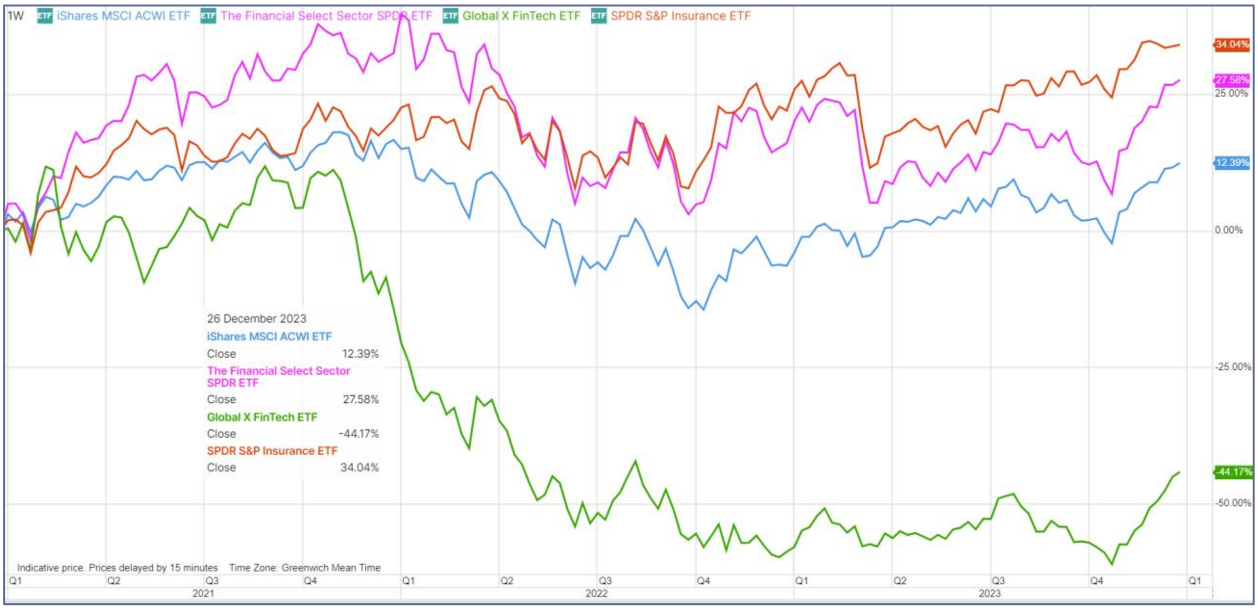
TOP GAINERS	CHANGE	AUM	TOP LOSERS	CHANGE	AUM
BITQ Bitwise Crypto Industry Innovators	+222%	$131m	IAT iShares U.S. Regional Banks	-8%	$735m
PSP Invesco Global Listed Private Equity	+49%	$218m	KRE SPDR S&P Regional Banking	-7%	$3912m
FINX Global X FinTech	+32%	$390m	CHIX Global X MSCI China Financials	-7%	$20m

Source: etfdb.com

The financial sector includes retail & commercial banks, investment banks, asset managers, credit cards, payment services and insurance. During the period the banking sector experienced extreme volatility. Some US regional banks faced liquidity issues (a run on deposits), including Silicon Valley Bank, First Republic Bank and Signature Bank. Ultimately these banks ended up being acquired by larger banks such as JP Morgan and New York Community Bancorp.

We retain an underweight position in the financial sector. We switched our holding in FNCL into XLF. XLF is the largest ETF (market value $33bn) and during the period the ETF was reconstituted to include the major payment companies – Visa, Mastercard and American Express. We view this change as being positive for this ETF as we see the credit cards and payments sector as an attractive sub-industry. The XLF underperformed the MSCI ACWI, but appreciated by 12% over 2023 - a good outcome given the events of the period.

Selected Financial ETFs



Source: Saxo Group

Industrials

TOP GAINERS	CHANGE	AUM	TOP LOSERS	CHANGE	AUM
ARKQ ARK Autonomous Tech & Robotics	+42%	$1045m	VEGI iShares MSCI Agriculture Producers	-9%	$164m
BOTZ Global X Robotics & Artificial Intelligence	+39%	$2455m	HAIL SPDR S&P Kensho Smart Mobility	+9%	$44m
IRBO iShares Robotics & Ai	+36%	$578m	EVX VanEck Environmental Services	+12%	$74m

Source: etfdb.com

This sector covers a broad collection of industries including aerospace and defense, transport, building and infrastructure, industrial products, water and environmental services, capital equipment and robotics. Robotics and autonomous vehicle ETFs experienced strong price gains on the back of a very weak 2022. The largest industrial ETF ($14bn), the XLI rose 17% (vs MSCI ACWI 22%) and received inflows of $0.5bn.

We retain an overweight position in the industrial sector ETFs and during the period we added GRID, First Trust Nasdaq Clean Edge Smart GRID Infrastructure Index ETF. This fund's portfolio includes primarily large cap industrial enterprises that are at the forefront of the global transition in transport and energy infrastructure. Companies in this fund include ABB, Schneider Electric, Eaton Corporation and Johnson Controls.

Selected Industrial ETFs

Source: Saxo Group

Communication services

TOP GAINERS	CHANGE	AUM	TOP LOSERS	CHANGE	AUM
XLC - Communication Services	+52%	$15874m	XTL SPDR S&P Telecom ETF	-3%	$60m
FCOM Fidelity MSCI Communication Services	+44%	$848m	IYZ iShares U.S. Telecommunications	+2%	$259m
VOX Vanguard Communication Services	+44%	$3490m	NXTG First Trust Indxx NextG	+27%	$399m

Source: etfdb.com

Industries in this sector include telecommunications, social and traditional media, film/television, on-line gaming, cloud services and video streaming. The XLC (+54%, market value $16bn) is the largest ETF in this sector and includes companies such as Alphabet, Meta (previously Facebook), Disney and T Mobile. Meta (+192%) and Netflix (+67%) both experienced strong share price gains due to efficiency gains and growth in user numbers resulting in marked earnings upgrades.

We retain an overweight position in Communication Service. We believe media services will be one of the primary beneficiaries of the roll-out generative Ai processes from both a cost and revenue perspective. Alphabet and Meta have leading positions in terms of consumer data and technological infrastructure.

Selected Communications ETFs

Source: Saxo Group

Consumer discretionary

TOP GAINERS	CHANGE	AUM	TOP LOSERS	CHANGE	AUM
ITB iShares U.S. Home Construction	+68%	$2423m	GAMR Wedbush Video Game Tech	+7%	$44m
UCC ProShares Ultra Consumer Discretionary	+67%	$17m	HERO Global X Video Games & Esports	+10%	$134m
XHB SPDR S&P Homebuilders	+59%	$1691m	BFIT Global X Health & Wellness	+11%	$9m

Source: etfdb.com

This sector is very broad and includes traditional and on-line retailing (Amazon), automotive (Tesla), home building & improvement, casinos, travel services and online gaming. XLY (+40% Y/Y) is the biggest ETF ($16bn) in this sector and has a large holdings in TSLA (+112%) and AMZN (+83%). Figuring in the outperformers in this sector are the US Homebuilder ETFs as US housing activity is experiencing a recovery. A 1% fall in mortgage rates in the 4th quarter of 2023 also helped lift the home building related stocks such as DR Horton and Home Depot.

We hold an underweight position in this sector and during the period sold our holding in a travel services ETF. We remain cautious on this sector as we think high interest rates are still yet to fully impact on consumer spending.

Selected Consumer Discretionary ETFs

Source: Saxo Group

Consumer staples

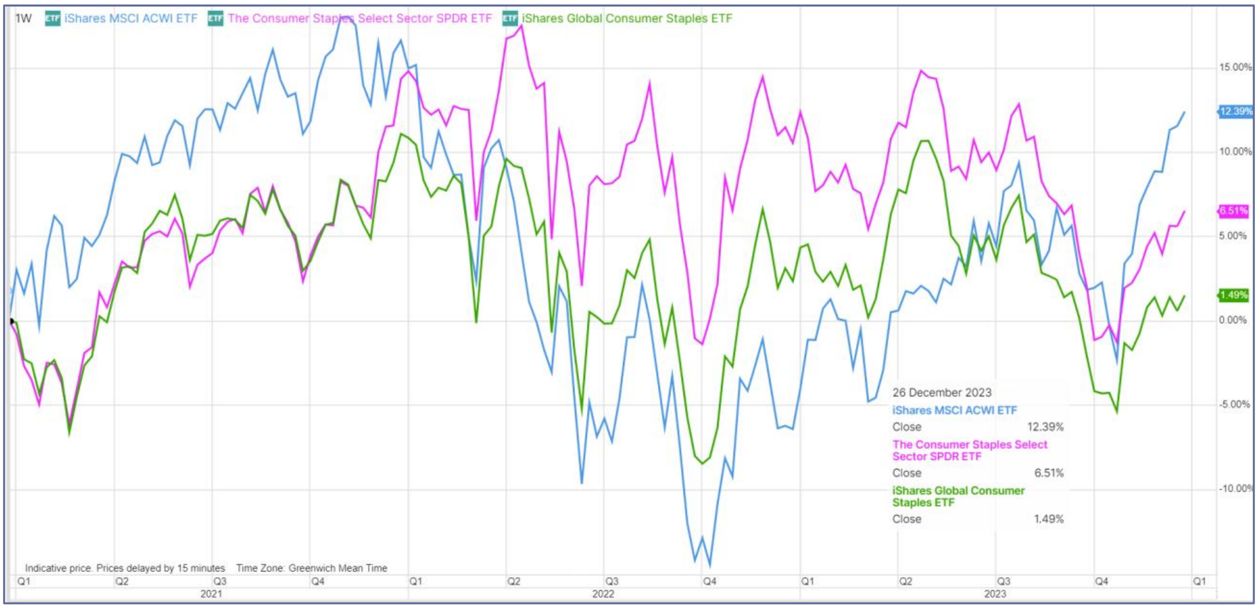
TOP GAINERS	CHANGE	AUM	TOP LOSERS	CHANGE	AUM
PSCC Invesco S&P SmallCap Cons Staples	+15%	$92m	CHIS GlobalX MSCI China Cons Staples	-25%	$9m
PSL Invesco DWA Consumer Staples	+12%	$83m	FTXG First Trust Nasdaq Food & Bev	-7%	$80m
ECON Columbia Emerging Mkts Consumer	+6%	$64m	RSPS Invesco S&P 500 Equal Wtg Cons.	-6%	$544m

Source: etfdb.com

This sector includes food & beverages (Coca-Cola, Pepsi), consumer goods (P&G, Nestle) and grocery retailers (Walmart, Costco). The largest ETF, XLP ($16bn market cap) declined 1% over the 12-month period vs MSCI ACWI +22%. Net outflows of $3.9bn were driven by a switching out of defensive stocks into higher beta sectors ETFs.

We retain an underweight position in this sector. Inflation has resulted in consumers shifting their buying patterns to lower value home brands and reported sales growth figures across the major staples companies P&G, Coca-Cola, Nestle and Unilever have scarcely exceeded inflation.

SPDR Consumer Staples ETF



Source: Saxo Group

Materials

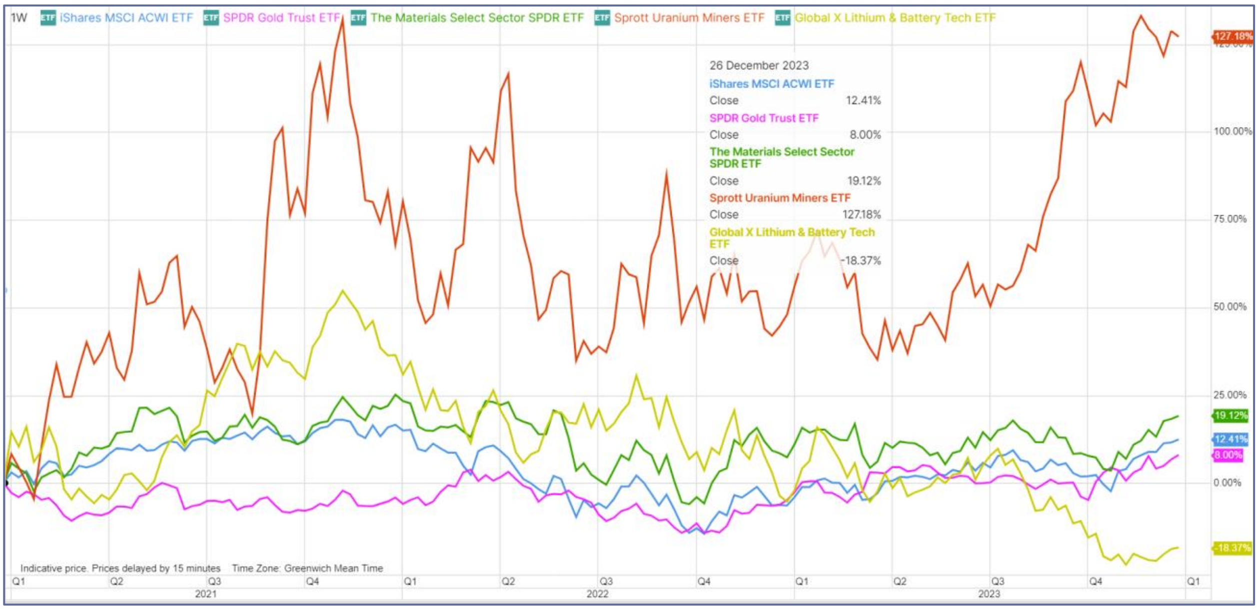
TOP GAINERS	CHANGE	AUM	TOP LOSERS	CHANGE	AUM
URNM Sprott Uranium Miners	+52%	$1634m	REMX VanEck Rare Earth/Strategic Metals	-21%	$395m
URA Global X Uranium	+42%	$2661m	LIT Global X Lithium & Battery Tech	-15%	$2040m
SLX VanEck Steel	+31%	$138m	MOO VanEck Agribusiness	-10%	$910m

Source: etfdb.com

This highly diverse set of mostly extractive industries includes precious metals, base metals, steel, timber and agriculture. GDX (Van Eck Vectors Gold Miners) is the largest ETF in this sector ($13bn) and, reflecting a slightly firmer gold price, rose 12% over 2023. The broad materials ETF, the XLB rose 12%. Stand out performances were recorded by uranium miners whilst softer lithium prices hit the battery materials-based stocks.

We retain a neutral position in this sector. We prefer industrials companies involved in the energy transition sector.

Selected Materials ETFs



Source: Saxo Group

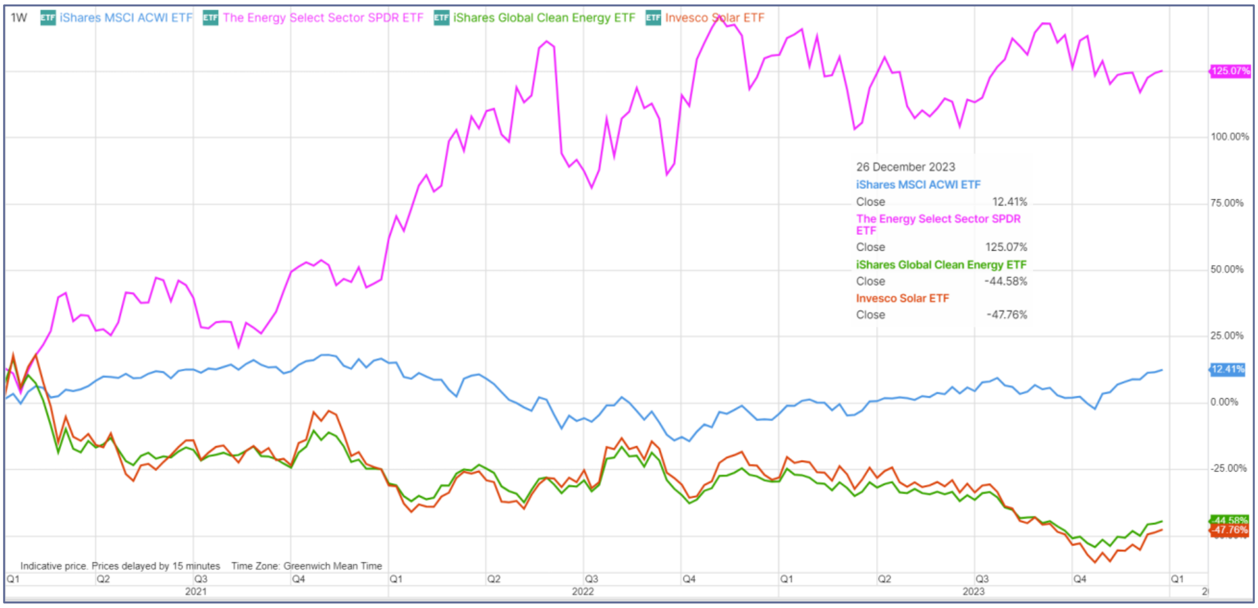
Energy

TOP GAINERS	CHANGE	AUM	TOP LOSERS	CHANGE	AUM
NLR VanEck Uranium+Nuclear Energy	+34%	$131m	CTEC Global X CleanTech	-28%	$61m
AMZA InfraCap MLP	+23%	$335m	TAN Invesco Solar	-27%	$1597m
AMLP Alerian MLP	+21%	$7264m	ICLN iShares Global Clean Energy	-21%	$2939m

Source: etfdb.com

This sector encompasses oil & gas producers, coal and clean energy (solar, wind). The largest ETF – the XLE ($37b) rose 1% YTD after a 68% increase through 2022. Typically, energy equities and oil price moves are closely correlated, given oil prices have fallen over 6% since to $74/bbl (crude) over the year, the energy ETFs have held up well in a relative sense. Clean energy ETFs, part of this sector, have suffered falls. The outlook for energy stocks will depend upon the rate at which the world transitions to non-carbon related energy sources. That said, it is likely that existing conventional energy sources gas as oil and gas will be needed for some years and that the lack of investment in these sources should support prices. We are underweight this sector.

Selected Energy ETFs



Source: Saxo Group

Utilities & infrastructure

TOP GAINERS	CHANGE	AUM	TOP LOSERS	CHANGE	AUM
IFRA iShares U.S. Infrastructure	+13%	$2220m	VPU Vanguard Utilities	-8%	$4794m
NFRA FlexShares STOXX Global Broad Infrastructure Fund	+8%	$2197m	FUTY Fidelity MSCI Utilities Index	-7%	$1346m
IGF iShares Global Infrastructure	+6%	$3716m	XLU Utilities Select Sector SPDR Fund	-7%	$14208m

Source: etfdb.com

This sector can be split into regulated utilities, toll roads, pipelines and other energy infrastructure. XLU is the largest ETF ($14b) and declined 7% over the 12-month period. The XLU dividend yield is 3.4% which compares with the US 10-year bond yield of 3.8%. Infrastructure recorded outflows ($2bn) and given the interest rate sensitivity of this sector higher interest rates continue to weigh on performance. Infrastructure ETFs have tended to outperform the utility ETFs over the course of three years. Eight Bays retains an underweight position in the sector.

Selected Utilities & Infrastructure ETFs

Source: Saxo Group

Real Estate Investment Trusts (REITs)

TOP GAINERS	CHANGE	AUM	TOP LOSERS	CHANGE	AUM
MORT VanEck Mortgage REIT Income	+17%	$248m	BLDG Cambria Global Real Estate	-1%	$24m
REM iShares Mortgage Real Estate	+16%	$646m	NETL NETLease Corporate Real Estate	1%	$66m
INDS Pacer Industrial Real Estate	+16%	$218m	IFGL iShares Int'l Developed Real Estate	3%	$117m

Source: etfdb.com

VNQ is the dominant ETF in this space ($33bn). Over 2023 the VNQ appreciated 12%, despite the challenging conditions facing the commercial real estate (CRE) market which is experiencing record vacancy rates in many major cities. The rally in the US 10-year treasuries resulted in a significant December quarter recovery in REIT prices. Over a 3-year history REITs have underperformed the MSCI ACWI. We hold no REIT exposure.

Selected REIT ETFs

Source: Saxo Group

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

The EQT Eight Bays Global Fund can be accessed by visiting
www.eightbays/invest
www.eqt.com.au/eightbays