

EQT EIGHT BAYS GLOBAL FUND

FUND OBJECTIVE

The EQT Eight Bays Global Fund's (The Fund) investment objective is to deliver gross performance (less fees) above the benchmark over rolling 3-year periods.

The Fund is designed to give investors exposure to global growth industries and world leading companies, primarily through a portfolio of US Exchange Traded Funds (ETFs).

FUND PERFORMANCE

The Fund recorded a total net return of 15.41% in the March 2024 quarter outperforming the Benchmark MSCI All Country World Index (ACWI) ex Australia index by 1.86%.

Over the last 12 months the Fund has delivered a very strong total net return of 29.91% outperforming the benchmark by 3.12%.

PERFORMANCE ¹	3 MONTHS	6 MONTHS	1 YEAR	SINCE INCEPTION (P.A.) ²
Income return ¹	0.00%	0.00%	0.00%	0.00%
Capital return	15.41%	22.36%	29.91%	7.88%
Total net return	15.41%	22.36%	29.91%	7.88%
Benchmark return ³	13.55%	18.73%	26.79%	10.08%
Active return	1.86%	3.63%	3.12%	-2.20%

Table 1

¹ Performance: Income and total net returns are fund returns after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions. Results greater than one year are annualised

² Inception date is 1 July 2021.

³ Benchmark return is the MSCI ACWI ex Australia net return Index (AUD).

Past performance is not an indicator of future performance.

ETF PERFORMANCE SUMMARY

The best performing Exchange Traded Fund (ETF) positions in the March 2024 quarter were Semiconductors (up 17%), Communication Services (up 12%) and Financials (up 12%).

All ETF positions performed well with the lowest ETF returns for the March quarter from Healthcare (up 8%) and Information Technology (up 8%).

FUND ACTIVITY

There were only minor adjustments to the ETF portfolio in the March 2024 quarter. Robotics/Artificial Intelligence, Information Technology and Semiconductors were trimmed after performing strongly, while Broad Healthcare, Industrials and Financials were increased.

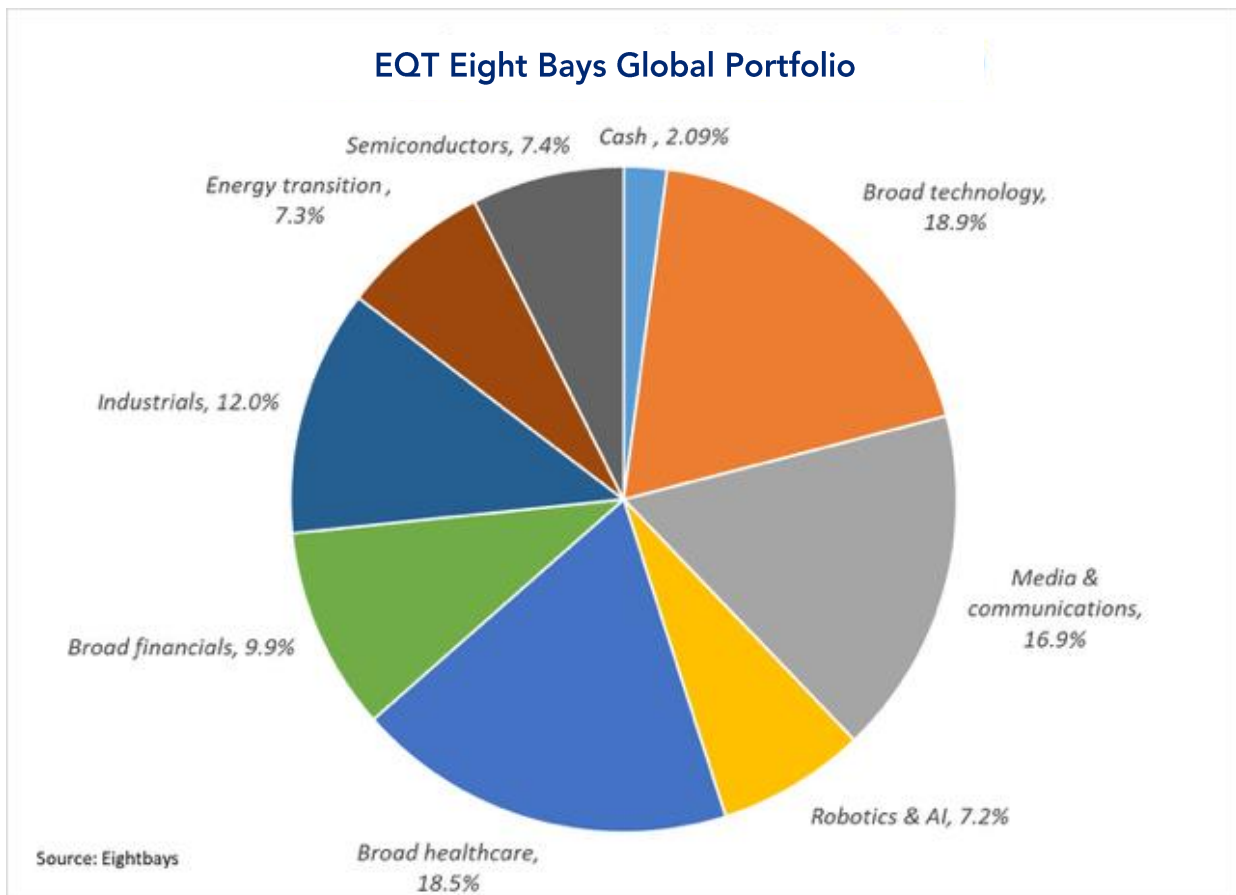


ETF CONSTITUENT COMPANIES

We highlight significant companies in each Exchange Traded Fund (ETF) as follows:

INDUSTRY ETF EXPOSURE	MAJOR COMPANY EXPOSURE
ROBOTICS / ARTIFICIAL INTELLIGENCE	NVIDIA, Intuitive Surgical, ABB, Keyence
SMART GRID / ENERGY TRANSITION	ABB, Schneider Electric, Johnson Controls, Eaton PLC
SEMICONDUCTORS	Advanced Micro Devices, Broadcom, QUALCOMM, NVIDIA
INFORMATION TECHNOLOGY	Apple, Microsoft, NVIDIA, Adobe
HEALTHCARE	United Health, Eli Lilly, Johnson & Johnson, Merck
COMMUNICATIONS	Alphabet, Meta Platforms, Netflix, Electronic Arts
FINANCIALS	Berkshire Hathaway, JP Morgan, Visa, Mastercard
INDUSTRIALS	Caterpillar, GE Aerospace, Honeywell, UBER Technologies

SECTOR EXPOSURE



Source: Eight Bays 31 March 2024



EQ T EIGHT BAYS INDIVIDUAL LOOK THROUGH STOCK EXPOSURE

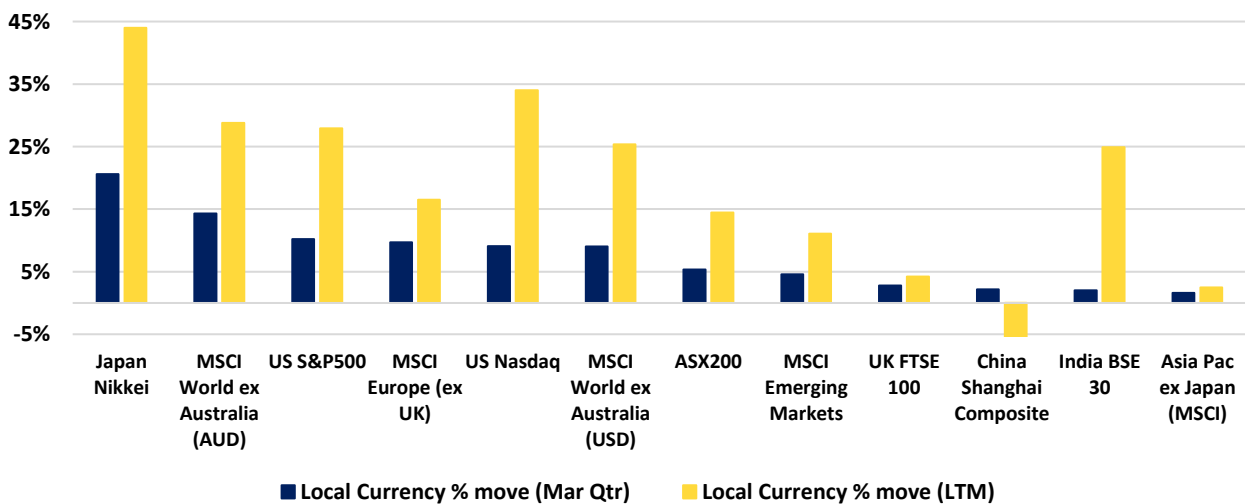
Holding	Weight
1 Meta Platforms Inc Class A	4.96%
2 NVIDIA Corporation	3.57%
3 Microsoft Corporation	3.39%
4 Apple Inc.	3.05%
5 Alphabet Inc. Class A	1.92%
6 Eli Lilly and Company	1.87%
7 Alphabet Inc. Class C	1.63%
8 UnitedHealth Group Incorporated	1.40%
9 Broadcom Inc.	1.38%
10 Berkshire Hathaway Inc. Class B	1.33%
11 Johnson & Johnson	1.19%
12 ABB Ltd.	1.16%
13 Advanced Micro Devices, Inc.	1.13%
14 Merck & Co., Inc.	0.99%
15 Intuitive Surgical, Inc.	0.99%
16 JPMorgan Chase & Co.	0.99%
17 AbbVie, Inc.	0.95%
18 Eaton Corp. Plc	0.95%
19 QUALCOMM Incorporated	0.91%
20 Netflix, Inc.	0.89%
21 Visa Inc. Class A	0.81%

Source: Eight Bays 31 March 2024

MARKET COMMENTARY

In \$A terms, the MSCI ACWI ex Australia Index rose 13.6%. In local currency terms, the Japanese Nikkei was the standout equity market surging 20%. The US S&P500 also contributed strongly jumping 10%, while the MSCI Asia Pacific ex Japan market underperformed (+1.6%).

Global equity market performance - March Quarter and last 12 months (LTM)



Source: Equity Trustees



At an aggregate level, global economic data has been robust with economists raising their 2024 growth forecasts. Global inflation is easing, and headline rates are now running close to 2019 levels.

The US Federal Reserve (Fed) kept rates steady at 5.25-5.5%. While the Fed has seemingly reiterated their intention to move forward with rate cuts, investors progressively wound back their expectations for US rate cuts in 2024 due to resilient economic indicators along with signs of sticky inflation in the services sector. As at the end of the quarter the market was pricing in ~75bp of rate cuts versus 150bps in December.

The European Central Bank (ECB) indicated they could cut rates in June following lower than expected inflation and subdued economic growth. While growth has been depressed, it appears that indicators may be bottoming.

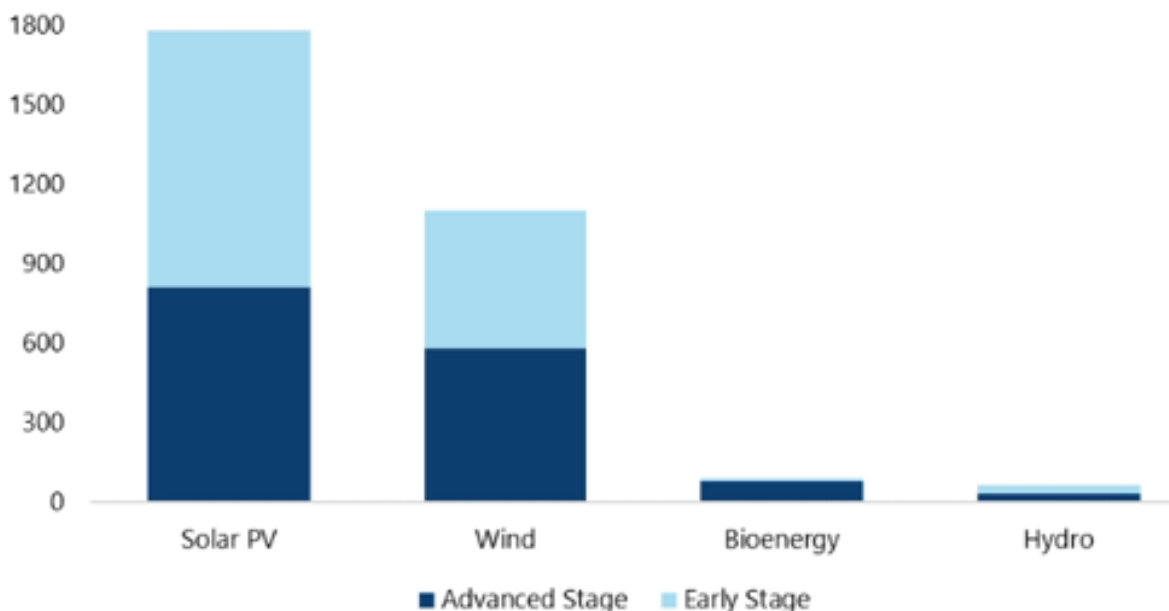
Chinese economic data looks to have troughed but remains fragile. As the quarter progressed the activity data improved. Manufacturing data is improving; however, property sector investment remains subdued as does consumer confidence. Exports and imports both appear to be picking up. There is policy stimulus but no “big bang” support appears likely.

ETF IN FOCUS – CLEAN EDGE SMART GRID INFRASTRUCTURE ETF (GRID)

The GRID ETF was added to the EQT Eight Bays portfolio in mid-2023 and has performed well, rising over 9% in the March quarter. It was recognised that with the rush to add carbon free electricity sources there had been insufficient attention and investment given to electricity grids and the infrastructure covering generation, transmission, and distribution.

There are an increasing number of clean power projects coming online but unable to be connected to the grid. The industry is now in catch up mode after too much focus on the renewable projects without upgrading the grid to support them.

AT LEAST 3,000 GW OF CLEAN POWER PROJECTS, OF WHICH 1,500 GW ARE IN ADVANCED STAGES, ARE IN GRID CONNECTION QUEUES – EQUIVALENT TO 3X SOLAR + WIND ADDITIONS IN 2023.



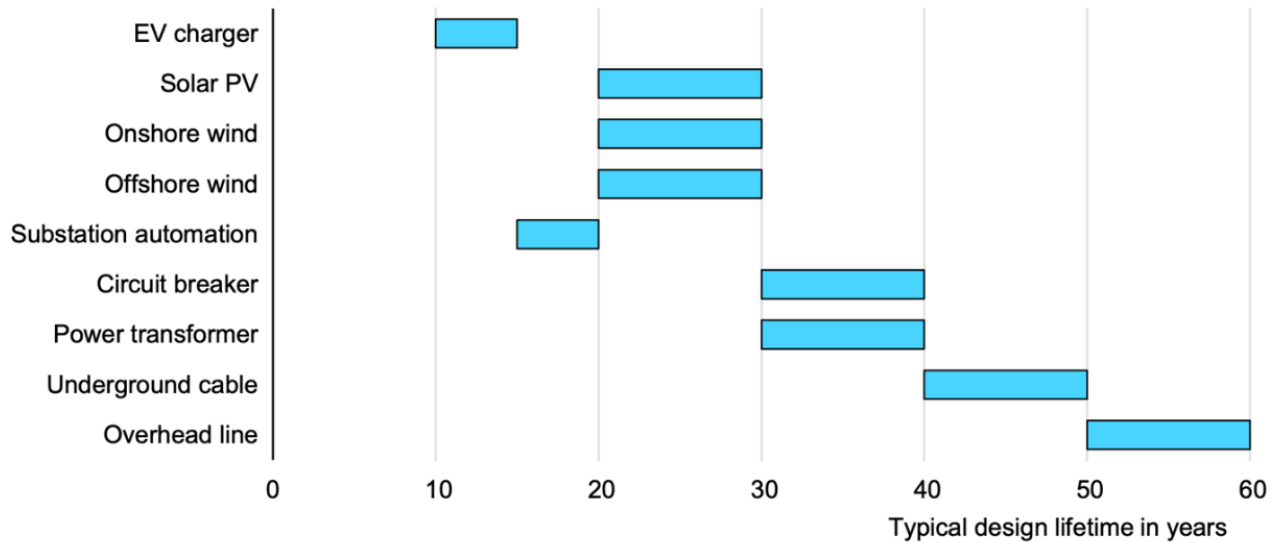
Source: IEA Electricity Grids & Secure Energy Transitions, Jefferies

Source: Jefferies Research 5 February 2024

The constituent companies of the GRID ETF are essential to building and upgrading infrastructure such as transmission lines, transformers, and substation equipment. Adding complexity to the task is the realisation that the change in generation sources to renewables has increased the volatility of supply so investment in system flexibility will be needed.



Typical design lifetimes for high-voltage equipment, solar PV, wind and EV charging stations



Source: IEA Electricity Grids and Secure Energy Transitions October 2023

In addition to the need for greater flexibility and engineering solutions, much power infrastructure is reaching the end of “design lifetime”. Further, we consider the impact of decisions made by politicians or corporate leaders driven by climate change policy and reactions.

In 2021 California Utility PG&E announced that it would bury 10000 miles of powerlines in areas with the highest risk of fires. The sheer enormity and expense of this task (\$US5.9 billion for first 2000 miles) saw the regulator approve 1230 miles of undergrounding in November 2023. No surprise then that GRID ETF companies such as **Quanta Services** are reporting a record backlog and the acquisition of Pennsylvania Transformer Technology in November 2023.

The banning of gas stoves for new household constructions was enthusiastically announced in New York City, followed by a belated recognition that would exempt local areas where the electricity grid was unable to cope with the increased demand. A similar ban in Victoria, Australia from 2024 has been accompanied by the reality that electric stoves will be largely powered by coal burning source, such that the policy will increase emissions for several years at least. (The Age 28 July 2023)

US Electricity demand growth

In recent years a combination of factors such as simple energy saving measures and reduced demand in the pandemic has muted electricity demand growth in the USA. This is changing rapidly as the decarbonising and electrification surge is accompanied by two factors that will increase electrical demand and the need for the technical services provided by companies in the GRID ETF.

Data Centres and Artificial Intelligence

Artificial Intelligence and their associated Large Language Models require millions of computations – with the microchips requiring power and generating considerable heat, requiring cooling systems (and often water) which uses more power.



Growing electricity demand requires additional backup generation

Electrification of heating and transport, data centers and AI-driven future will create growth in power demand not seen in past two decades

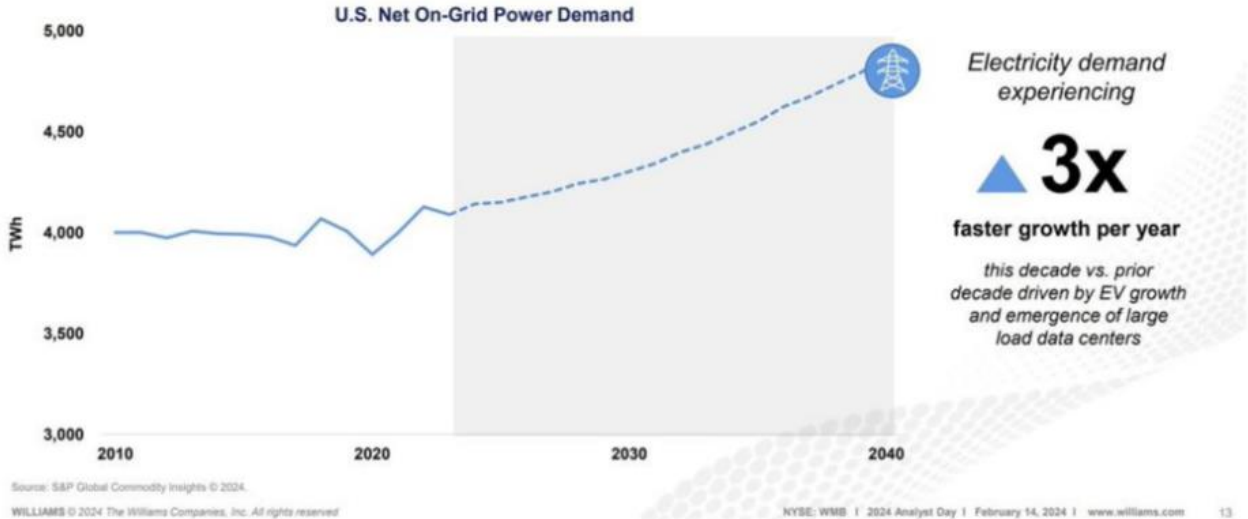


Image source: Williams.

The chart below illustrates the challenge in replacing gas with variable renewable sources of energy.

Power grid regulators assign 100% reliability to natural gas capacity

U.S. Annual Average Capacity Values Assigned by Power Grid Regulators to Assess Reliability for Future Demand Needs

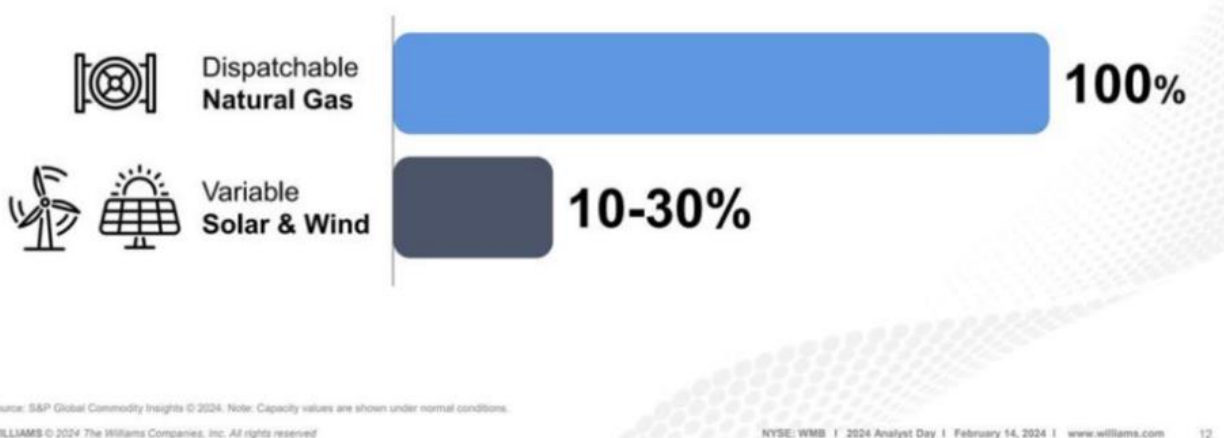


Image source: Williams.

Source: Yahoo Finance 18 Feb 2024



Manufacturing and Industrial Facilities

Since the passing of the US Inflation Reduction Act more than 300 new manufacturing facilities have been announced. We must look at the massive capital investment in US Semiconductor Fabrication facilities by Intel, TSMC and Samsung from Arizona to Texas and Ohio to understand the imminent surge in industrial power demand. In addition, the established trend of deglobalization and onshoring of manufacturing to the USA increases electricity demand that is only accelerated by increasing automation. Initiatives to drive manufacturing reshoring to neighbouring Mexico have led to the realisation that the electricity grid in Mexico requires a significant uplift in maintenance and investment.

TOP HOLDINGS CLEAN EDGE SMART GRID INFRASTRUCTURE ETF

Symbol	Holding	% Assets ▼
ETN	Eaton Corp. Plc	8.54%
NG	National Grid plc	7.93%
ABBN	ABB Ltd.	7.73%
JCI	Johnson Controls International plc	7.56%
SU	Schneider Electric SE	7.53%
PWR	Quanta Services, Inc.	4.12%
HUBB	Hubbell Incorporated	3.89%
APTIV	Aptiv PLC	3.65%
006400	Samsung SDI Co., Ltd	3.00%
ENPH	Enphase Energy, Inc.	2.82%

Source: ETFDB.COM 5 April 2024

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