

## Monthly Update

September 30 2021

### About

The Swell Global Portfolio is an absolute return, benchmark unaware global equities strategy with the flexibility to invest in companies listed in developed markets around the world. It targets a return of 9% per annum after fees over rolling three-year periods.

### Top 5 Holdings (alphabetical)

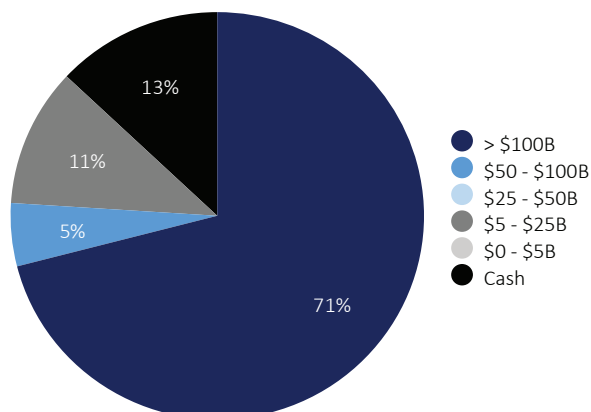
Alphabet	Interactive media and services
Amazon	Internet and direct marketing retail
Facebook	Interactive media and services
Microsoft	Systems software
Zillow	Interactive media and services

### Portfolio performance

Performance	Portfolio %	Benchmark %	Excess %
1 month	-4.19%	-3.02%	-1.16%
3 months	-1.34%	3.92%	-5.26%
6 months	7.81%	13.60%	-5.78%
1 year	17.25%	27.82%	-10.57%
2 years (pa)	19.34%	15.24%	4.11%
3 years (pa)	18.09%	13.20%	4.89%
4 years (pa)	20.18%	15.02%	5.17%
5 years (pa)	19.63%	15.06%	4.57%
6 years (pa)	17.33%	12.81%	4.53%
Inception	170.16%	105.03%	65.13%

Past performance is not indicative of future performance

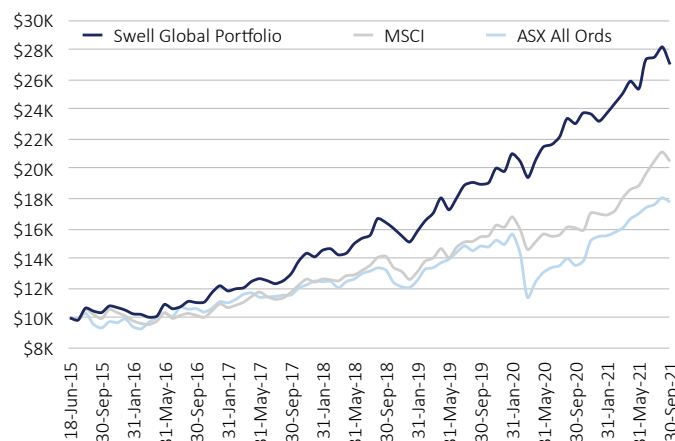
### Market Capitalisation (US\$)



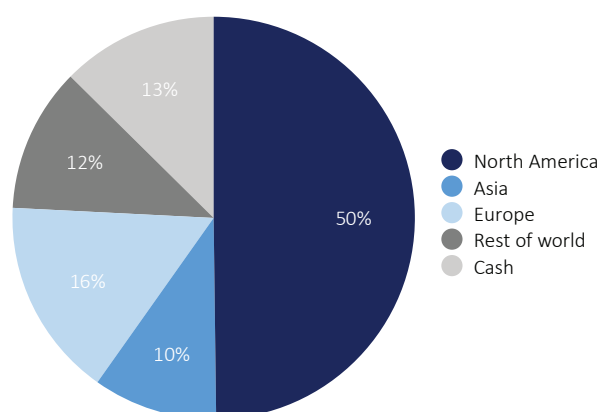
### Key Details

APIR	SWE0174A
Structure	SMA
Inception date	18-Jun-15
Strategy FUM	A\$103.1 m
Number of companies	14
Minimum investment	\$500,000
Benchmark	MSCI World net total return (AUD)
Currency	AUD unhedged
Management fee	1.25%
Performance fee	15%

### Portfolio Performance vs Benchmark



### Regional Allocation by Revenue



## Top contributors this month \*

### Netflix

Netflix has acquired the Roald Dahl Story Company which holds the global rights to Dahl's complete works, arguably some of the world's most valuable intellectual property in family oriented entertainment. A partnership between the two companies was formed three years ago to develop animated series, and Charlie and the Chocolate Factory is currently in production. A movie of Matilda the Musical is also in preproduction. With the full suite of Dahl characters and stories, Netflix plans to create "a unique universe across animated and live action films and TV, publishing, games, immersive experiences, live theatre, consumer products and more."

A free Netflix mobile plan in Kenya will allow Android phone users to access roughly a quarter of the Netflix library, including entire seasons of some shows. Underdeveloped countries have been slow to take up streaming services, and the free tier aims to boost user awareness of Netflix services.

The company has made inroads in gaming since announcing its strategy during the last earnings call. In mobile gaming, three titles were launched on Android to Netflix subscribers in Poland, Spain and Italy. In addition, Netflix acquired its first gaming studio, Night School Studio. Mike Verdu, VP of Game Development, said "We're inspired by their bold mission to set a new bar for storytelling in games. Their commitment to artistic excellence and proven track record make them invaluable partners as we build out the creative capabilities and library of Netflix games together."

### Intel

Intel CEO Pat Gelsinger told participants at the International Automobile Association (IAA) Mobility conference in Germany the share of semiconductors in the bill of materials for premium vehicles will increase from around 4% to more than 20% by 2030. This lifts the total addressable market for automotive semiconductors to \$115 billion, or around 11% of the entire silicon market.

Mr Gelsinger also confirmed the company will invest up to €80 billion in Europe over the next decade to build 8 new fabs as part of its IDM 2.0 strategy. In addition, he told the group Intel's driverless car business, Mobileye has supplied technology to more than 88 million cars globally. He highlighted the progress made towards full autonomy revealing the production ready self-driving system, Mobileye Drive, publicly for the first time.

### S&P Global

S&P presented at several conferences during the September quarter. A common thread was the IHS Markit merger which the company said is on track to close in the second half of this year, pending divestment concessions required by regulators.

Another regular theme was the opportunity presented by global interest in ESG investing. S&P sees heightened opportunity with ratings, benchmarks and energy transition data and analytics likely to benefit the most from this growing segment. The company also noted it had transitioned roughly 78% of its workloads to the cloud and is starting to benefit from partnering with cloud native peers such as Snowflake and Zscaler.

## Bottom contributors this month \*

### Facebook

Facebook made several new product announcements during the month, the most exciting of which was Ray-Ban Stories, Facebook's smart glasses designed in partnership with EssilorLuxottica, the maker of Ray-Ban. The smart glasses have dual integrated 5MP cameras, open-ear speakers and three-microphone audio array enabling users to share content with friends and social media followers through the new Facebook View app. The company also announced two new models

of its Portal video communication devices, including the first portable version of the product. New features such as integration with Microsoft Teams and 'Portal For Business' will enable business users to easily deploy and manage Portal devices. Facebook is also developing custom chips in-house to power machine learning and video transcoding.

Facebook provided an update on the impact of recent iOS updates which had been expected to adversely impact advertising targeting and measurement. In aggregate Facebook's measurement tools are "underreporting iOS web conversions by approximately 15%", but the company believes real world conversions are higher than reported. Facebook has provided additional guidance and new business tools to help advertisers navigate industry changes while it continues to adapt its systems to the new limitations.

The Wall Street Journal released a series of articles based on internal Facebook documents and research results taken from the company's internal network by Frances Haugen, a product manager at Facebook for two years. Ms Haugen subsequently gave evidence to a US Senate technology committee, calling for greater regulatory oversight of social media platforms. For some years Facebook has called for the imposition of tighter regulation on social media companies to combat the issues raised by Ms Haugen.

### Zillow Group

Zillow released further research this month confirming the trend it dubbed the "Great Reshuffling". The findings suggest job candidates prioritise increased flexibility around remote work policies when choosing between different employers and roles, and employers are expected to offer greater flexibility of work arrangements in the future to attract and retain talent. Zillow expects this trend to continue impacting its core housing markets in the US, as workers rank affordability and space over shorter commutes. A recent survey of 1,000 US workers found more than 80% want to work remotely at least occasionally, while 44% prefer to work from home all the time.

LinkedIn's latest Workforce Confidence survey further verifies the trend, with 50% of respondents stating flexibility around work hours and location were more important post-COVID when weighing up different job opportunities, ahead of work-life balance (45%), benefits such as health care (41%), pay (36%) and workplace culture (36%). Flexibility was the fastest growing and highest priority among all generations but most acute among millennials – the largest real estate buying group in the US, and Zillow's largest demographic.

Zillow finalised its \$500 million acquisition of industry leader ShowingTime, an online scheduling platform for home viewings. ShowingTime has facilitated more than 63 million home tours across its network of over one million agents in the past year alone. Its technology is used to streamline and improve the touring experience, an important step for home purchaser and seller alike.

### Alphabet

Google is negotiating terms with the parent companies of TikTok and Instagram, ByteDance and Facebook, to incorporate their data into its video search function. Currently users searching for a video on Google see results from YouTube, many of which are lower quality copies of original TikTok and Instagram videos. The agreements recognise the importance of short form video in the current and future media landscape.

Google is appealing against the \$5 billion fine handed down by the European Commission in 2018 for stifling competition through the Android operating system. The fine is a component of the aggregate \$8 billion in fines imposed by the EC between 2017 and 2019 for alleged anticompetitive actions. Google claims it has created more choice for everyone and its actions have helped support thousands of small businesses around the world. The appeal decision is not expected until next year, although a negative decision is unlikely to affect Alphabet's share price since the fines have already been factored in to the company's accounts.

\* Contribution is relative to other companies in the Portfolio.

## Further Information

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