

Monthly Update

January 31 2022

Investment Strategy

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

Top 5 Holdings (alphabetical)

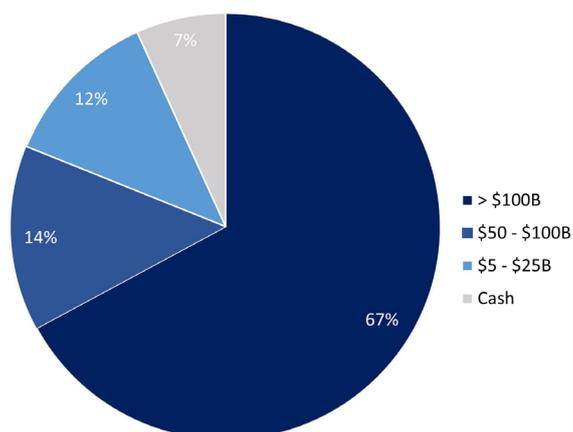
Alphabet Inc	Interactive Media & Services
Amazon.com Inc	Internet & Direct Marketing Retail
Block Inc	Data Processing & Outsourced Services
Meta Platforms Inc	Interactive Media & Services
Zillow Group Inc	Real Estate Services

Portfolio performance

1 month	-8.67%
3 months	-14.82%
1 year	-1.64%
2 years (pa)	5.49%
3 years (pa)	13.94%
4 years (pa)	12.62%
5 years (pa)	14.64%
6 years (pa)	14.71%
Inception	133.91%

Past performance is not indicative of future performance

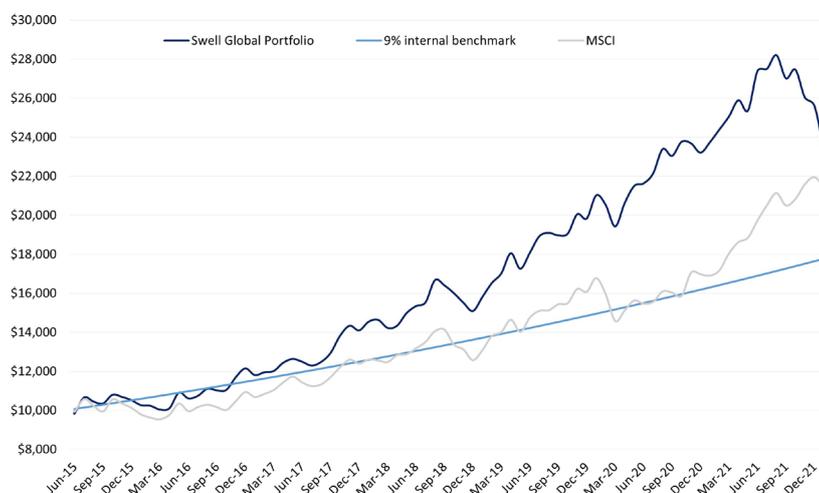
Market Capitalisation (US\$)



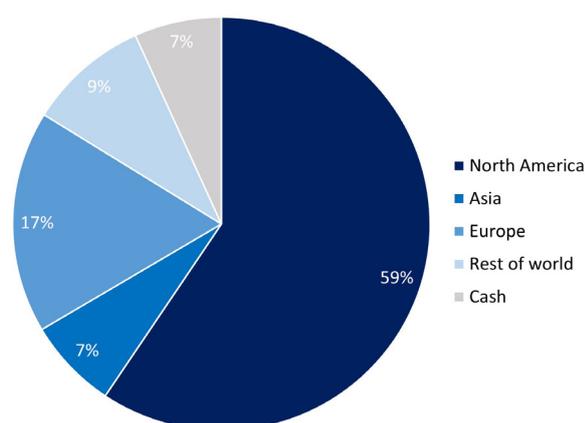
Strategy Facts

APIR code	SWE0174AU
Structure	SMA
Inception Date	18 June 2015
FUM	A\$98.9 million
Number of companies	13
Minimum investment	\$500,000
Performance fee hurdle	MSCI World net total return AUD ¹
Currency	AUD [unhedged]
Management Fee	1.25%
Performance Fee	15.0%

Portfolio Performance



Regional Allocation by Revenue



Top contributors this month *

John Deere

The annual Consumer Electronics Show welcomed 40,000 delegates in Las Vegas in January, after last year's event was held virtually. One of the highlights of the show was a demonstration of Deere's fully autonomous 8R tractor, to be released this year. The vehicle has twelve cameras enabling 360° vision, predominantly to avoid obstacles, but also for distance calculation. Its GPS system is accurate to within 2.5cm.

The technology has been developed initially to carry out repetitive field tilling, a slow and monotonous task which must be done after harvest to prepare soil for the next crop. With Deere's mobile app, a farmer can direct and monitor the work of the tractor while completing other farm activities. Most of Deere's farm machinery now incorporates automation, but this is the first fully autonomous machine, one solution to the shrinking rural labour market.

Confirming the company's focus on utilising technology to improve farm productivity, Deere's 2022 startup collaborator program includes several businesses improving farm sustainability and optimisation using AI and robotics. They include Burro, which provides robotic platforms to automate labour intensive farm tasks, and ViewAR which develops augmented reality apps.

Booking

Booking Holdings' financial results for fourth quarter and full year 2021 are yet to be reported but earnings reports from travel related companies indicate resilience despite continued travel disruption from the Omicron variant. In the last quarter major US carriers brought in record revenue since the beginning of the pandemic, and expect travel demand to continue to recover through 2022. Results from American Express, which is heavily weighted towards consumer travel, noted a rebound in travel spending, and Booking Holdings should benefit significantly from travel recovery as it continues to focus on providing value to both its travel provider partners and customers.

KAYAK for Business, a free corporate travel solution designed for small and medium sized businesses, has integrated Southwest Airlines into its platform. The integration further improves the booking experience and expands access to more travel options for business travellers.

Microsoft

Microsoft released its second quarter results on January 25, with strong performance across all business segments. Overall revenue increased 20% to \$51.7 billion and diluted EPS grew 22% to \$2.48. The result was again driven by the cloud, with revenue growing 32% to \$22.1 billion. In addition, Windows, LinkedIn, and Search advertising all had good quarters, growing ahead of expectations.

During the month Microsoft announced a cross platform logistics solution for e-commerce in partnership with FedEx. The solution will provide merchants and retailers logistics-as-a-service and will integrate with existing e-commerce platforms making it easier for businesses of all sizes to implement. Microsoft said in a statement the partnership will facilitate "faster, more cost-effective delivery; near real-time delivery status communications; and convenient, frictionless returns." The pandemic accelerated the adoption of e-commerce which has been both a boon and a source of massive headaches for logistics services. FedEx previously forecast the US domestic parcel market would reach 100 million items per day by 2026 however, due to the overwhelming trend activated by the pandemic, this mark is now expected to be surpassed in 2022.

Microsoft also announced it would acquire Activision Blizzard in an all-cash deal valued at \$68.7 billion. Activision's portfolio of games has over 400 million monthly active players in 190 countries and includes 3 franchises worth more than a billion dollars each (Call of Duty, World of Warcraft, and Candy Crush). Following the deal Microsoft will have 30 internal game studios and be the third largest gaming company by revenue, behind Tencent and Sony. The company plans to roll out Activision's games into its Game Pass subscription service, which recently passed 25 million users. The deal is expected to close in FY23 and will positively impact EPS upon close.

Bottom contributors this month *

Zillow

In the fourth quarter, Zillow posted revenue of \$3.9 billion, up 392% year on year and well ahead of consensus forecast. The strong results reflects better than expected progress on selling off inventory from its closed iBuying business. In a letter to shareholders the company stated "The wind-down process is running smoothly and efficiently, and we expect it to generate positive cash flow. We feel even more confident today that exiting iBuying and eliminating the housing market balance sheet risk to our company and our shareholders was the right decision". Zillow continues to grow its core business through innovative solutions and improving its partner network. It estimates that, of the 6.1 million US home transactions during 2021, 4.1 million were on Zillow's sites and apps while roughly 1.4 million homebuyers connected with a Zillow Premier Agent, demonstrating significant market reach.

During the earnings call, management highlighted Zillow's opportunity to create a "housing super app, an integrated digital experience in which Zillow connects all of the fragmented pieces of the moving process and brings them together on one transaction platform ... Our customers will be able to do everything within the Zillow ecosystem." This translates to a sizeable addressable market of over \$300 billion.

Netflix

Netflix fourth quarter results, announced after market on January 22, caused investors to desert the stock in after-hours trading. The company posted revenue of \$7.71 billion, in line with analyst expectations, and EPS of \$1.33, which beat consensus by 51 cents. The main driver of the share price plunge appears to have been slowing subscriber growth. In the quarter, Netflix added 8.28 million net subscribers, slightly short of management guidance of 8.5 million.

In addition, the company projected 2.5 million net additions for the first quarter of 2022, below the 3.98 million subscribers added in 1Q21 and analyst expectations of around 7 million. Despite short-term fluctuations in subscriber additions, we believe our investment thesis remains intact. Netflix will continue to generate superior returns from its global and local content investments through leveraging data and technology such as machine learning.

The company unveiled its Korean content lineup for 2022 after a record setting year in 2021. Netflix reported global viewing hours for its Korean programs grew six-fold in 2021 compared to 2019. Since starting in 2016, Netflix has gradually built up its content investments and knowhow through launching more than 130 Korean titles. The company plans to launch 25 Korean shows in 2022, the largest number to date, and early results indicate continued momentum. Korean thriller, All of Us Are Dead, made top 10 in 91 countries and became the most viewed title globally in the last week of January.

Block

Block successfully completed the Afterpay acquisition during the month. At the same time as the completion was announced, it launched its first integration with Afterpay to provide buy-now-pay-later functionality to sellers in the US and Australia using Square Online for ecommerce. Nick Molnar, Afterpay co-founder and now Afterpay Lead within the Square business, said "In joining with Square, Afterpay can now more meaningfully give small and midsize sellers the tools to attract young, engaged shoppers who prefer Afterpay and help these sellers compete alongside businesses of all sizes. And this is just the beginning. As part of Square's powerful ecosystem, we look forward to continuing to more deeply integrate the Afterpay platform to unlock even more value for sellers across the world in the coming weeks and months."

Square officially launched in Spain on January 25 after a successful early access program which began in September 2021. Spain follows Ireland, France and the UK as the fourth European nation to embrace the finance technology. Alyssa Henry, Head of Square said "We are thrilled to expand Square's solutions into Spain, helping merchants to run their entire business end-to-end with integrated software, hardware and data analytics, while making it easy for them to take card payments. Spanish businesses of all types and sizes will now be able to use our integrated ecosystem of products and services to grow, adapt, and run their businesses."

* Contribution is relative to other companies in the Portfolio.

Further Information

Manager	Swell Asset Management Pty Limited ABN 16 168 141 204 CAR No. 465285 AFSL 460572
Administrator	Mason Stevens Limited ABN 91 141 447 207 AFSL 351576
Custodian / Ssub-custodian	Mason Stevens Limited / National Australia Bank Limited ABN 12 004 044 937 AFSL 230686

Office

Suite 10.02
Level 10
Corporate Centre One
2 Corporate Court
Bundall Qld 4217
☎ 07 5551 0299
✉ info@swellasset.com.au



Signatory of:



Investment Partners



Ratings

Research available on request to approved advisers



Awards



IMAP
MANAGED ACCOUNT
AWARD FINALIST
INTERNATIONAL
EQUITIES



**International
Equities**
Finalist
2020 IMAP MANAGED
ACCOUNT AWARDS

Disclaimer

This document has been prepared and approved by Swell Asset Management ABN 16 168 141 204 authorised representative of Hughes Funds Management Pty Limited ACN 167 950 236 AFSL 460572. The information provided in this document is of a general nature only, is not personal investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). Investors should read and consider the investment in full and seek advice from their financial adviser or other professional adviser before deciding to invest.

The information in this document is for general information only. To the extent that certain statements contained in this document may constitute forward-looking statements or statements about future matters, the information reflects Swell Asset Management's intent, belief or expectations at the date of this document. This document is not a prospectus, product disclosure statement, disclosure document or other offer document under Australian law or under any other law and does not purport to be complete nor does it contain all of the information which would be required in such a document prepared in accordance with the requirements of the Corporations Act 2001 (Cwlth).

This document is not, and does not constitute, financial product advice, an offer to issue or sell or the solicitation, invitation or recommendation to purchase any securities and neither this document nor anything contained within it will form the basis of any offer, contract or commitment.

The MSCI information may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)