

Monthly Update

February 28 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)

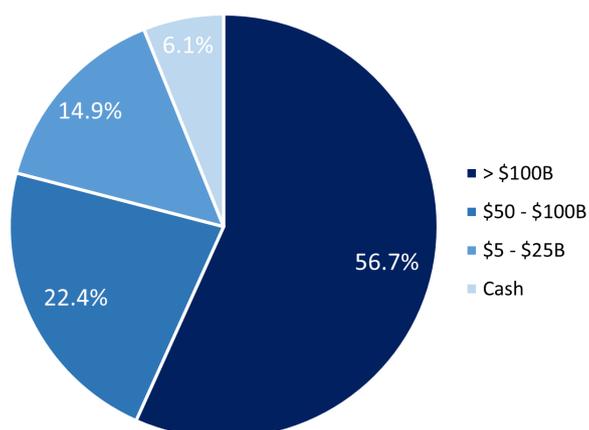
Alphabet Inc	Interactive Media & Services
Amazon.com Inc	Internet & Direct Marketing Retail
Block Inc	Data Processing & Outsourced Services
Shopify Inc	Internet Services & Infrastructure
Zillow Group Inc	Real Estate Services

Portfolio performance

1 month	-8.85%
3 months	-18.13%
1 year	-12.73%
2 years (pa)	1.85%
3 years (pa)	8.86%
4 years (pa)	9.85%
5 years (pa)	12.27%
6 years (pa)	13.01%
Inception	113.20%

Past performance is not indicative of future performance

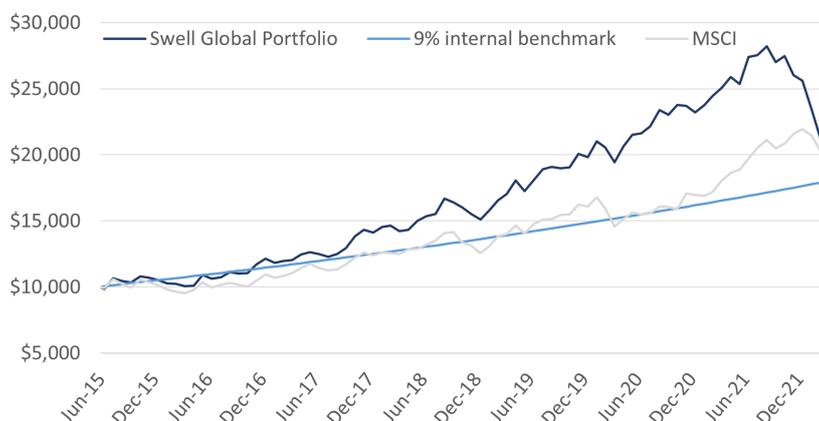
Market Capitalisation (US\$)



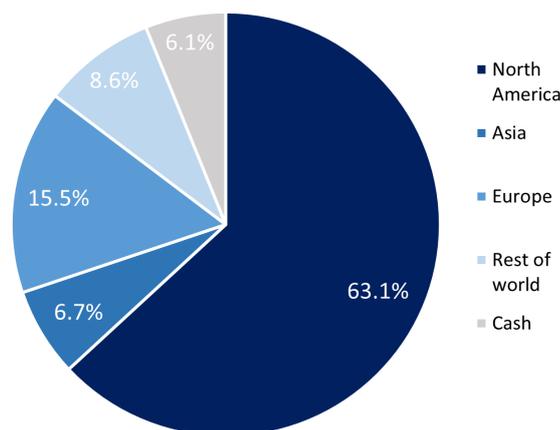
Strategy Facts

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 *

Zillow Group

As we reported last month, Zillow posted a strong fourth quarter 2021 results early in February, with revenue and EPS in excess of consensus estimates. The result was driven by better than expected progress in selling off inventory from the iBuying business it exited in November last year. In addition management revealed their vision for the future of online real estate as a housing super app.

During the month we saw progress towards this goal with the launch of a new tool enabling users to compare up to five homes, showing key listing details about each property. Such incremental improvements indicate Zillow has a very large opportunity within its core business to increase the number of users who transact through its platform. While Zillow attracts almost 70% of online real estate browsing traffic, only 3% of purchases and sales are transacted on the platform, and we believe it can leverage its digital competencies to substantially improve the transaction experience for buyers and sellers and grow its market share.

Block

Block posted earnings per share of \$1.71 and gross profit of \$1.18 billion for the fourth quarter, driven by growth in both the Cash App and Seller segments, and beating consensus forecasts of \$1.66 and \$1.16 billion. The company delivered strong growth in 2021, doubling gross profit on a two-year compound growth basis. The company continues to innovate at rapid speed and diversify its product base. In 2021, six of Square's revenue streams generated \$100 million or more in gross profit, and Cash App had four revenue streams delivering more than \$200 million in gross profit.

On the consumer side, Cash App ended the year with 70 million active accounts, 44 million monthly active users and 13 million monthly active users of its debit card. New features continue to be added to the fintech app including peer-to-peer functionality to send fractional shares and bitcoin, and Cash App Taxes which assists US users to complete tax returns and obtain early refunds. Cash App is well positioned to drive increased inflows, engagement and monetisation as Block continues to develop innovative features and position Cash App as a platform to serve all financial needs. The next catalyst for the company will be its Investor Day on May 18 to go deeper into its mission, products, strategy and long-term goals.

On the seller side, the Square ecosystem has seen a shift towards larger and more complex sellers, which has contributed to increased product adoption, better retention and improved profit per seller. Besides increasing product uptake, the Square ecosystem has resonated across global markets with gross profit growing faster than the overall business.

Disney

Disney reported improved revenue and earnings for the quarter ended December 2021. The rebound in the Parks, Experience and Products segment was a key driver behind the significant year on year improvement. Parks guest attendance increased more than 100% and spending per guest rose 32% over the year. This was largely driven by Disney's investments in technology, attractions and guest experiences over recent years which will continue to reap benefits as travel recovers. Disney+ added 12 million subscribers in the quarter, bringing total subscriber numbers across all streaming platforms to 196 million.

Disney was again recognised in Fortune's annual "world's most admired companies" lists, ranking fifth overall and retaining its position as the top-ranked media and entertainment company for the nineteenth consecutive year. Disney earned top marks in innovation; people management; use of corporate assets; social responsibility; quality of management; financial soundness; long-term investment value; quality of products/services; and global competitiveness.

Disney movies received 23 Academy Awards nominations from ten titles produced by seven of its studios: 20th Century Studios, Searchlight Pictures, Walt Disney Animation Studios, Walt Disney Studios Motion Pictures, Pixar Animation Studios, Marvel Studios and Onyx Collective.

Bottom contributors this month *

Meta

Meta reported its fourth quarter revenue in line with analyst expectations but missed on earnings and disappointed the market with weak guidance. Management expects revenue in the first quarter to reach \$27 to \$29 billion, growing only 3% to 11% over the prior year. Headwinds include competition from apps like TikTok, the shift to short-form video which is currently under-monetised, lapping strong ecommerce demand from 2020, the negative impact on digital advertising from Apple's iOS changes and macro trends.

The company's strong balance sheet and capacity to invest are supporting its focus on seven major investment priorities in 2022: Reels, community messaging, commerce, ads, privacy, AI, and the metaverse. \$90 to \$95 billion will be spent in total, including \$29 to \$34 billion in capital expenditure during the year.

Management believes the company can successfully navigate the transition to short form video with Reels, using a proven playbook from previous transitions from web to mobile and later from feed to Stories. COO Sheryl Sandberg told investors "As we enter 2022, our focus is where it has always been: building products that help people connect and businesses grow. We're making long-term investments to evolve our business and continue to drive real value for our partners."

Shopify

Shopify announced financial results for the fourth quarter and full year 2021 which exceeded analyst estimates for revenue, earnings and gross merchandise volume (GMV). Shopify's GMV for 2021 was \$174.5 billion, an increase of 47% over 2020 which reflects market share gains. Management guided to increased marketing and capital spending to expand both its global footprint and the Shopify Fulfillment Network to accommodate two-day or shorter delivery in the US. Despite the positive result and guidance on investments to boost long-term growth, the stock was sold off after the earnings call as the current market is favouring near-term profitability and cash flows.

The last two years have been transformational for Shopify as it tripled revenue, more than doubled GMV and nearly doubled its merchant base, positioning the business for a decade of growth. Amy Shapero, Shopify's CFO, noted "Our focus on building for the long term means that merchants have access to the most modern commerce technology, which gives them superpowers to compete globally while focusing on what matters most to them - their products and their customers."

PayPal

PayPal reported earnings and guidance that fell short of Wall Street estimates. The company posted fourth-quarter EPS of \$1.11 compared to an expected \$1.12, on sales of \$6.92 billion which topped estimates of \$6.89 billion. Management guided to earning between \$4.60 and \$4.75 per share in fiscal 2022, below forecasts of \$5.25. There are several short-term headwinds including covid variants, inflation weighing on consumer spending, supply chain issues impacting cross-border payments and the end of the business relationship with eBay.

CEO Dan Schulman noted during the earnings call "Our vision of becoming an essential consumer financial super app across payments, basic financial services, and shopping tools is more relevant than ever before, and our tens of millions of merchants continue to look to us to provide a comprehensive platform for them to navigate the digital economy where the lines between virtual and physical commerce are disappearing."

The company formed an advisory council on blockchain, crypto and digital currencies (BCDC) to support digital asset-related products and create a digital financial system. Jose Fernandez da Ponte, general manager of PayPal's BCDC division introduced the first six members of the council who are global experts in cryptography, distributed technology, regulation, economics and capital markets. He said the council will support PayPal's products in the space and also the company's "broader mission of leading the way towards a more affordable, efficient and inclusive digital financial system".

* Contribution is relative to other companies in the Portfolio.

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