

## Monthly Update

30 April 2022

### 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 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

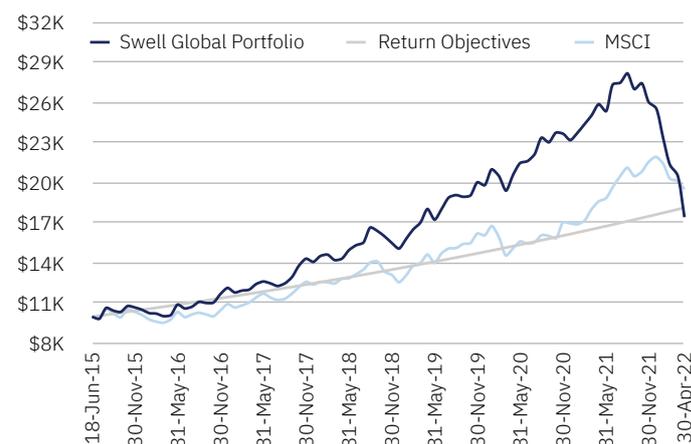
Performance	Portfolio %
1 month	-15.42%
3 months	-25.43%
1 year	-32.64%
2 years (pa)	-8.02%
3 years (pa)	-1.14%
4 years (pa)	5.02%
5 years (pa)	6.99%
6 years (pa)	9.52%
Inception	74.43%

Past performance is not indicative of future performance

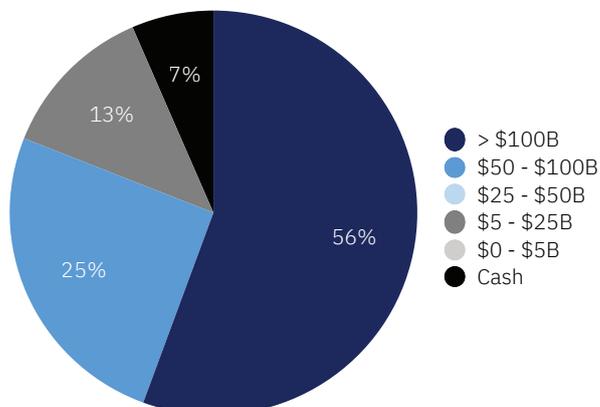
### Key Details

APIR	SWE0174A
Structure	SMA
Inception date	18-Jun-15
Strategy FUM	A\$65.60 million
Number of companies	13
Minimum investment	\$500,000
Performance Fee Hurdle	MSCI World net total return (AUD)
Currency	AUD unhedged
Management fee	1.25%
Performance fee	15%

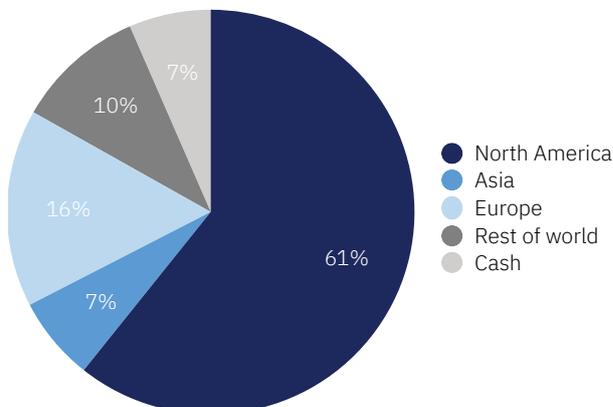
### Portfolio Performance vs Benchmark



### Market Capitalisation (US\$)



### Regional Allocation by Revenue



## Top contributors this month \*

### Booking Holdings

Booking reported its highest quarter of gross bookings in the first quarter of 2022, reaching \$27.3 billion. Earnings per share was \$3.90, well ahead of analyst estimates of \$0.90. Comparing results with the first quarter of 2019, prior to the pandemic, Booking noted room night bookings were down 6%, although they improved in April 2022 to be up 10% on April 2019 and the northern summer is expected to recover further. During the month the company repurchased approximately \$325 million of its common stock, having repurchased 486,112 shares in Q1.

Chewy CEO Sumit Singh has been nominated to join the board of Booking Holdings, replacing Robert van Dijk who is retiring at the June meeting. Mr Singh has extensive ecommerce experience, and was included in the 2020 Bloomberg 50 annual list of innovators, entrepreneurs, and leaders who have changed the global business landscape over the past year.

### S&P Global

First quarter revenue rose 18% (1.7% excluding the IHS Merger) from Q121 to \$3.1 billion, with growth in five of the company's six business divisions. Revenue in the Ratings division declined 15% due to the global slowing in debt issuance while Market Intelligence rose 7%, Commodity Insights rose 14%, Mobility rose 10%, S&P Dow Jones Indices rose 14% and Engineering Solutions rose 7%. Diluted EPS increased 0.3% from Q121 to \$2.89. In determining their guidance for Q2 and the remainder of 2022, S&P have reduced their expectations for global GDP growth by around 1% and increased their outlook for inflation from 3.9% to 5.8%. Their revenue guidance has reduced from a mid to low single digit increase and diluted EPS has come back from \$13.30- \$13.50 to \$13.00 - \$13.25.

At the conclusion of the merger Daniel Yergin was appointed Vice Chairman of S&P Global, reporting to President and CEO Doug Peterson. He was Vice Chairman of IHS Markit and is a Pulitzer Prize winning author with extensive experience in energy policy, having served on the US Secretary of Energy advisory board for four administrations. The final divestiture from the merger, the Leveraged Commentary and Data business, was agreed during April. Morningstar will purchase the business for \$650 million in cash.

### Deere & Co

Deere will report first quarter earnings on May 20. In April the company released the Earthmoving Productivity System which can be installed on a range of earthmoving equipment to provide real time load data. The technology includes a camera to take images of loads, and systems to measure incremental load volume which are sent to the machine operator and a central co-ordinator. The information improves the accuracy of volume load measurement, and thereby machine and operator efficiency and billing.

A joint venture with California based Global Unmanned Spray Systems (GUSS) will provide opportunities in high value crops such as orchards, vineyards and vegetables. A single operator can control multiple sprayers, providing a more efficient spraying system and avoiding the need for skilled labourers to do the work. The joint venture is further confirmation of Deere's commitment to improving farm productivity through technology.

## Bottom contributors this month \*

### Netflix

Netflix released first quarter results on April 19, revealing a reduction in subscriber numbers for the first time in more than ten years, and forecasting another drop in subscribers in Q2. Despite revenue increasing 9.8% year on year to \$7.9 billion, markets reacted savagely. The company identified four factors contributing to the result. First, the slowing expansion of its addressable market, being households with smart televisions and reasonably priced broadband services, which is beyond its control. Second, the widespread use of shared passwords, with up to 100 million non-paying share accounts globally including

more than 30 million in the US. The third factor is greater competition and the fourth is a combination of economic and geopolitical issues.

Responding to the factors within its control, Netflix will continue to pursue new quality content and extend partnerships with successful creators. It is currently trialling a new subscription tier for those wishing to share their account with friends or family outside their home and plans to target all sharing accounts over time. The new tier adds to the cost of the original subscription, rather than charging the external users. Over the long term, the company expects most of its subscriber growth to be outside north America and investments in programming in more than 50 countries will facilitate that expansion.

### Shopify

Early in the month Shopify announced plans for a 10 for 1 stock split to "make ownership more accessible to all investors" and proposed a new class of share to be awarded to CEO Tobi Lutke. The founder share, which will exist as long as Mr Lutke remains at the company, will increase his voting power to 40%, up from the 34% held in his Class B shares which he and other company executives received at the IPO. Each Class B share holds 10 times the voting weight of a Class A share. Approval of the founder shares requires a two thirds majority of shareholder support at the June AGM.

Shopify's stock was also hit following Amazon's launch of 'Buy with Prime'. The new service will allow Amazon's US prime members to receive free delivery and other deals from online retailers outside Amazon.com. Amazon said merchants currently using 'Fulfillment by Amazon' (FBA) will be invited to join but will eventually the facility will be extended to more sellers, potentially including Shopify merchants.

Shopify reported first quarter results on May 6, posting revenue and earnings that missed analyst expectations. Management noted several factors impacted the quarterly numbers including lapping strong Q121 results which were fuelled by the peak of government stimulus, variations in Omicron easing and mobility resuming at an accelerated pace in 2022 compared to the prior year, and record inflation levels. Despite these factors, Shopify continues to demonstrate healthy long term growth trends, with gross merchandise volume up 57% and revenue up 60% on a two-year compound annual basis.

Shopify also announced the acquisition of Deliverr, an asset-light end-to-end fulfillment management software start-up, for approximately \$2.1 billion. This will help accelerate its fulfillment strategy which aims to empower merchants to offer and achieve fast delivery across all sales channels.

### Block

Block reported increased revenue of \$2.2 billion, up 44% excluding Bitcoin, and gross profit of \$1.29 billion, which was up 34% in Q122. The result confirmed the strength of Square's two-sided network with both the Square seller and Cash app ecosystem driving higher revenues and gross profit. Merchants continue to expand their use of the Square seller ecosystem with subscription and service based revenue increasing 80%, aided by strength in Square Loans which facilitated 90,000 loans totalling \$756 million in the quarter. Afterpay reported \$65 million revenue and \$46 million in gross profit in the quarter.

The Cash App ecosystem demonstrated higher engagement and higher revenue per user as it expands the range and interoperability of products including Cash Boost, Cash App Card, Bitcoin and BNPL. Management have been experimenting with Cash App and Afterpay and have sent more than 350,000 leads to Afterpay merchants highlighting the complementary nature of their two distinct ecosystems. We expect these developments to be a central focus of the Block investor day later this month.

A new Square Stand was launched this month combining Square's POS software and hardware by integrating the contactless chip card reader which speeds up checkout processing. On April 20 Jack Dorsey changed his title from Chief Executive to Block head and chairperson. The company's bylaws were amended to record the change, removing the requirement to have a CEO and president from its executive structure.

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

## Further Information

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