

Monthly Update

31 May 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)

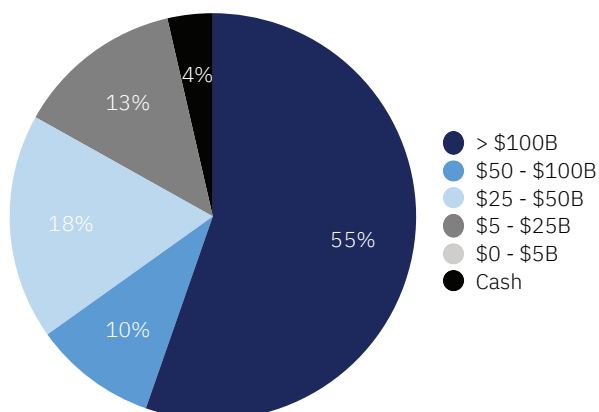
Alphabet Inc	Interactive Media & Services
Amazon.com Inc	Internet & Direct Marketing Retail
Microsoft Corp	Systems Software
Shopify Inc	Internet Services & Infrastructure
Zillow Group Inc	Real Estate Services

Portfolio performance

Performance	Portfolio %
1 month	-3.28%
3 months	-20.88%
1 year	-33.49%
2 years (pa)	-11.45%
3 years (pa)	-0.75%
4 years (pa)	3.02%
5 years (pa)	5.96%
6 years (pa)	7.54%
Inception	68.71%

Past performance is not indicative of future performance

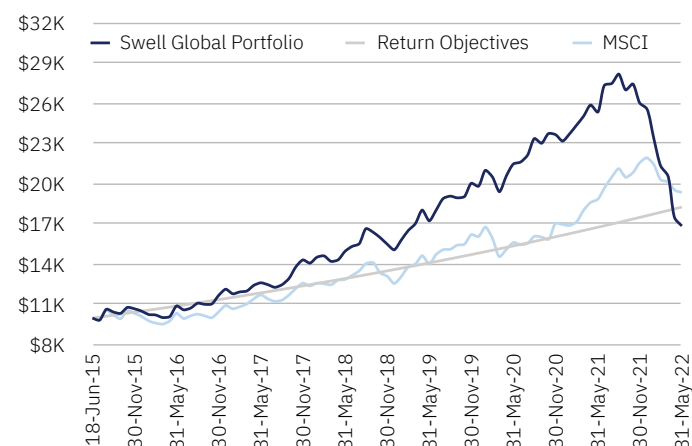
Market Capitalisation (US\$)



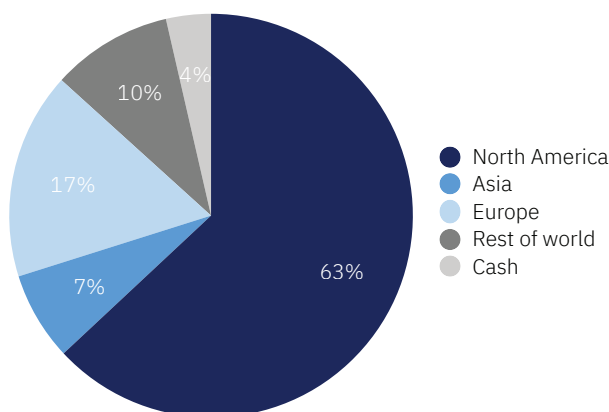
Key Details

APIR	SWE0174A
Structure	SMA
Inception date	18-Jun-15
Strategy FUM	A\$63.60 million
Number of companies	12
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



Regional Allocation by Revenue



Top contributors this month *

Zillow Group

Zillow reported strong first quarter results on May 5, with consolidated revenue up 250% year on year to \$4.3 billion, well ahead of market expectations. The result was largely driven by Homes segment revenue of \$3.7 billion as the iBuying wind-down continued to progress faster than anticipated. Zillow expects the sale of remaining inventory (around 1,300 homes) to be substantially complete next quarter, with a small quantity carrying through into early Q3.

The core IMT segment reported \$490 million in revenue, up 10% YoY, and an EBITDA margin of 43%, despite softer housing conditions toward the end of the quarter. The company is developing its product offering, confirming progress in its five key growth pillars – touring, financing, seller services, partner network and service integration. Zillow is expected to increase customer transactions and revenue per customer transaction as the company strives to reach its 2025 target of 6% market share of home transactions.

Zillow is well-positioned for anticipated headwinds and softer macro conditions, with its robust balance sheet and strong net cash position of \$2.1 billion. During the Q1 earnings call management announced a \$1 billion share repurchase program to return excess capital to shareholders, in addition to the \$750 million repurchase program announced in December 2021, of which \$100 million remains outstanding.

Netflix

The first volume of season four of Netflix's hit series Stranger Things was released on May 27, creating the biggest opening weekend for an English language series on Netflix, with a record-breaking 287 million hours viewed. To celebrate the return of the series, Netflix created immense visual exhibitions and light shows through 15 global landmarks including New York's Empire State Building, Wawel Castle in Poland and Australia's Bondi Beach. The larger-than-life rifts take fans inside the alternate universe of the series. Netflix leverages these in-person experiences to both attract new audiences and promote deeper engagement with existing fans.

Netflix wrapped its biggest live, in-person event 'Netflix Is a Joke: The Festival' on May 10. The 9-day festival, the largest in the US, included shows from some of the world's best comedians. More than 300 performed at venues throughout Los Angeles during the event, and the best of the shows will be streamed in coming months. Since Netflix's first stand up special in 2012, it has continued to provide new and established comedians with access to a large and engaged audience base.

Booking Holdings

Booking Holding's APAC-focused online travel agency, Agoda, announced a partnership with Visa to offer payment by interest-free credit card instalments. Currently available in Malaysia, Agoda will progressively roll out the offering regionwide to Australia, Hong Kong, Singapore and more. CEO Thi-Mai-Linh Bui said "We are happy to be working with a global leader like Visa to empower travellers who might have previously found it inconvenient to pay for their booking in one lump sum, to spread their purchases over multiple payments – allowing for greater flexibility and peace of mind".

Mastercard Economics Institute released 'Travel 2022: Trends and Transitions' which found both domestic and international travel were returning to pre-pandemic levels. Global leisure flight bookings have surpassed 2019 levels by 25% while business flight bookings exceeded pre-pandemic levels for the first time in March. The global return to office and easing pandemic related restrictions are key drivers fuelling growing travel demand.

Bottom contributors this month *

Block

Block held its investor day on May 18, the first in five years, and the management team took the opportunity to update investors on future targets as well as new products and services since the last investor day. Some of the highlights were that Block's addressable market based on gross profit has increased to \$120 billion for the merchant focused

Square ecosystem and \$70 billion for the consumer focused Cash App ecosystem. Importantly these figures largely represent the opportunity in the US, and should grow as the company expands internationally.

Square's strategic priorities include growing omnichannel by improving connections between analogue and digital channels, growing globally by expanding the number of products and services in markets where Block already operates, and growing relationships with larger merchants. Larger merchants typically use many more products than smaller merchants, which, together with their larger transaction volumes makes them a valuable target market.

On the Cash App side, management stated the product creates increasing engagement with each new feature added, and they believe new features such as Cash App pay will enable the monetisation of flows that stay in the ecosystem as opposed to just inflows and outflows. 15 million users were added to Cash App in the quarter ending March 31.

Discussing Afterpay, management emphasised the low-risk economics of the portfolio, with an average transaction size of \$117 and a risk loss ratio of 1.1%. They also gave an update on integration efforts, confirming Afterpay Shop and account management will be integrated directly into Cash App. With the release of a new single global API, Square sellers will be able to easily integrate Afterpay, which should drive uptake within the existing merchant base and be an appealing benefit to new merchants.

Shopify

Shopify introduced a new marketing tool, Shopify Audiences, to help independent merchants reach new customers more effectively in response to the rapidly changing digital environment that has made advertising more difficult and expensive. The tool taps into the collective power of Shopify's platform to help merchants find new customers who have high purchase intent. Shopify Plus merchants can use the Audiences tool with advertising networks of choice. This includes Facebook and Instagram at launch and will later extend to platforms such as TikTok, Snap, Pinterest, Microsoft Advertising, Criteo, and others. In addition, Shopify Audiences gives merchants audience-level measurement, providing transparent, unique and granular insights to help merchants more efficiently allocate advertising spend.

The latest Adobe Digital Price Index report found price increases for online shopping products are showing early signs of slowing. In April 2022, online prices were down 0.5% from March, but still 2.9% higher than April 2021 and 10 of the 18 categories Adobe tracks online saw monthly price decreases between March and April. Adobe also found online consumer spending in April was \$77.8 billion, down 6.8% on the March figure of \$83.1 billion.

Amazon

Amazon Elastic Compute Cloud (Amazon EC2) C7g instances were released on AWS in May. They enable a wide range of compute-intensive workloads to run more efficiently, and offer 25% better performance than the previous C6g instances. Announcing the release David Brown, Vice President of Amazon EC2 at AWS, said "Customers of all sizes are seeing significant performance gains and cost savings using AWS Graviton-based instances. Since we own the end-to-end chip development process, we're able to innovate and deliver new instances to customers faster."

Amazon announced the next generation of its popular tablet, Fire 7 and Fire 7 Kids, will be faster than previous models, with 40% longer battery life. The Fire 7 Kids ships with a protective case, two year warranty and one year subscription to Amazon Kids+, an add free service offering entertainment, books, games and videos. Amazon holds around 4% of the global tablet market.

A number of social initiatives were announced in May. Amazon pledged another \$2.2 million to help students in underserved communities in the Puget Sound region where it is headquartered, bringing its total donation to the project to \$8 million. The company committed \$10.6 million to create 130 affordable homes and expand social services in Nashville, bringing its total commitment to affordable housing to nearly \$100 million. It is also doubling the size of its Global Disaster Relief hub in Atlanta to help communities affected by natural disasters in preparation for the 2022 hurricane season.

* 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/ Sub-custodian	Mason Stevens Limited/ National Australia Bank Limited

Office

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

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