

Monthly Update

30 June 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 |

Key Details

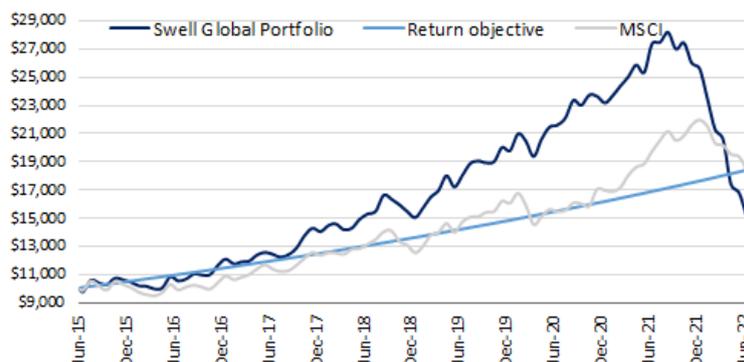
| | |
|------------------------|-----------------------------------|
| APIR | SWE0174A |
| Structure | SMA |
| Inception date | 18-Jun-15 |
| Strategy FUM | A\$55.10 million |
| Number of companies | 12 |
| Minimum investment | \$500,000 |
| Performance fee hurdle | MSCI World net total return (AUD) |
| Currency | AUD unhedged |
| Management fee | 1.25% |
| Performance fee | 15% |

Portfolio performance

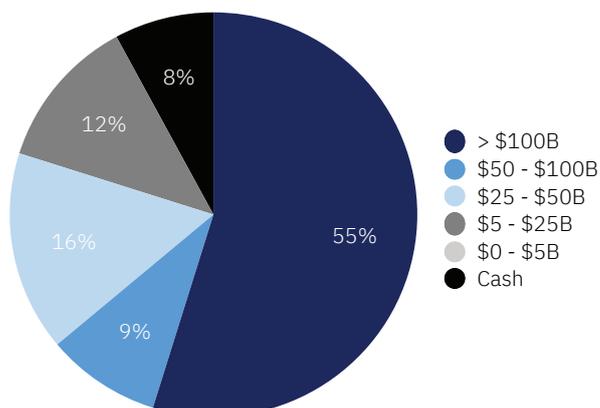
| Performance | Portfolio % |
|--------------|-------------|
| 1 month | -10.04% |
| 3 months | -26.39% |
| 1 year | -44.57% |
| 2 years (pa) | -16.23% |
| 3 years (pa) | -5.64% |
| 4 years (pa) | -0.27% |
| 5 years (pa) | 3.98% |
| 6 years (pa) | 6.15% |
| 7 years (pa) | 7.49% |
| Inception | 51.81% |

Past performance is not indicative of future performance

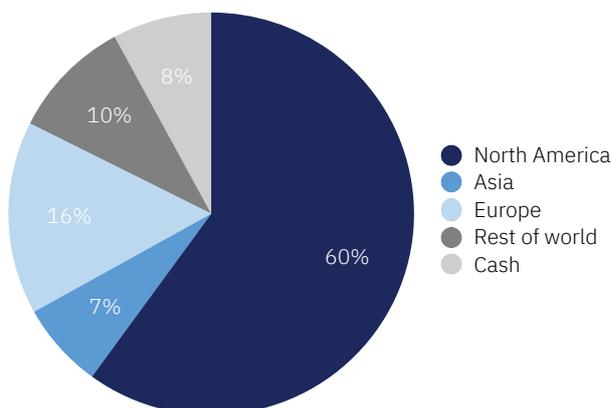
Portfolio Performance vs Benchmark



Market Capitalisation (US\$)



Regional Allocation by Revenue



Top contributors this month *

S&P Global

S&P Global was the top contributor in June despite the company suspending its 2022 financial guidance on June 1 due to “extraordinarily weak market conditions for its ratings business”. New guidance will not be issued until the next earnings call which is scheduled for the end of July.

Announcing the suspension, S&P confirmed debt issuance levels have been extremely weak this year and are not expected to improve in the second half. However, the impact has been diminished because ratings is no longer the company’s dominant revenue source. In the last quarter ratings contributed around 28% of total revenue, compared to almost 50% in 2017. Expansion of the market intelligence business together with the acquisition of IHS Markit increased recurring revenue to more than 70% of the total.

Alphabet

Google appears likely to allow rival advertising companies to place ads on YouTube, relaxing its requirement that all advertisers use its proprietary Ad Manager tool. Google has not confirmed the change, but Reuters reported it was being considered in talks between Google and the European Commission to resolve an antitrust investigation which the EU commenced last year. Reuters claimed the talks were progressing well although it is expected additional remedies will be necessary to conclude the enquiry.

Google has introduced ads for YouTube Shorts which will be developed to make ads shoppable, later this year, by enabling advertisers to connect their product feeds to campaigns. TikTok is already doing this, but it is the first time Google has monetised short form content on the platform. YouTube Shorts has grown rapidly in the past year, reaching more than 1.5 billion monthly viewers with 30 billion daily views, up from 15 billion in December 2021.

Global fashion retailer H&M Group has selected Google Cloud to optimise its supply chains and customer interactions. In addition to providing enhanced data storage and retrieval capacity, Google Cloud’s artificial intelligence and machine learning capabilities will enable the chain to improve its purchasing and manufacturing functions as well as logistics and fulfilment.

Microsoft

Microsoft and DocuSign have signed a strategic partnership through which applications like SharePoint, Word, Dynamics 365 and Power Automate will seamlessly integrate with the DocuSign Agreement Cloud, allowing Microsoft users to generate and collect e-signatures without leaving the apps. In addition, Azure will be integrated more deeply into DocuSign’s business processes including use of the Power Platform to automate a wide variety of business processes such as payroll, payables management and employee experiences.

Microsoft announced the Xbox Game Pass ultimate subscription, which costs \$15 per month, will be accessible on Samsung 2022 model smart TVs, without the need for a console. And later this year users will be able to play games they already own on Samsung TVs, without needing to download the game first.

Microsoft will acquire cyber threat analysis and research company Miburo. Announcing the acquisition Microsoft said it “will enable Microsoft to expand its threat detection and analysis capabilities to address new cyber-attacks and shed light on the ways in which foreign actors use information operations in conjunction with other cyber-attacks to achieve their objectives.” At its most recent earnings call, Microsoft identified cyber security as a major business driver, reporting it processes more than 24 trillion threat signals per day. Azure Active Directory monthly users now number more than 550 million, and subscriptions to its security solutions have increased by over 50% in the last 12 months.

Bottom contributors this month *

Block

Square is working with Apple to enable Tap to Pay on iPhone within the Square Point of Sale app. The feature will enable merchants to accept in-person contactless payments with only an iPhone and Square’s POS app and will be integrated with Square’s broader ecosystem of tools. It is being tested with select US merchants over the summer, for general release later in the year.

HBX, a global ecommerce platform owned by Hypebeast with more than 250 luxury and streetwear brands, hopes to attract Gen Z and Millennial shoppers with the inclusion of Afterpay on its platforms. These consumers, born between 1980 and 2004, are enthusiastic users of buy now pay later, with spending up 925% in the last two years. The platform joins Afterpay’s network of over 144,000 global retailers.

Block has made the first private investment in Canada’s Indigenous Growth Fund (IGF Inc), providing C\$3 million as part of its US\$100 million commitment to support minority and underserved communities. IGF Inc is focused on improving prosperity for Canada’s indigenous communities, and Block will make loans available to business startups. Courtney Robinson, Global Head of Financial Inclusion at Block, said “Our investment in the Indigenous Growth Fund puts our commitment to economic reconciliation into action and reflects Block’s purpose to increase access to the economy.”

Amazon

Amazon held its annual re:MARs conference, focused on machine learning, automation, robotics and space, in Las Vegas from June 22 to 24 and several demonstrations from the conference are worth highlighting.

- Amazon’s Just Walk Out technology, which enables shoppers to skip the checkout queue, has been simplified to run more cost effectively. The sensors and algorithms used by the technology have been enhanced to detect a broader range of products as well as differences in shopper behaviour in full size supermarkets. Amazon’s research teams built millions of sets of photorealistic data to train the computer vision and sensor algorithms.
- Amazon is aspiring to take Alexa’s automated reasoning to a whole new level to enable “conversational explorations”. Deep-learning advancements using a large dataset of common social dialogue gathered by Amazon have enabled the development of dialogue flow prediction. Combined with Alexa’s existing capacity for information retrieval from a range of media sources, the result will be Alexa conversations.
- Amazon CodeWhisperer, a service powered by machine learning, “helps improve developer productivity by providing code recommendations based on developer’s natural comments and prior code.”
- Amazon showcased the power of edge computing in its partnership with Axiom Space and NASA to remotely operate an AWS solid-state drive device on the International Space Station. Clint Crosier, director of Aerospace and Satellite at AWS, told participants “Performing imagery analysis close to the source of the data, on orbit, is a tremendous advantage because it can improve response times and allow the crew to focus on other mission-critical tasks. This demonstration will help our teams assess how we can make edge processing a capability available to crews for future space missions.”

Amazon is launching Prime Air deliveries for customers living in parts of California later this year. Prime Air is one of only three drone-delivery companies to have earned a Federal Aviation Administration (FAA) air carrier certificate, which is required to operate drones using an industry-leading sense-and-avoid system that enables Amazon's drones to operate at greater distances while reliably avoiding obstacles. Feedback from customers will help Amazon further improve the service as it expands the program.

Zillow

Zillow improved its AI-powered interactive tours to give digital home shoppers a deeper in-person perspective. New AI-generated floor plans enable users to seamlessly navigate through photos, 3D home tours and other listing information to obtain a more accurate sense of a home's flow and space, effectively replacing many hours of viewing homes in person. Zillow applies computer vision and machine learning models to photos to generate the interactive floor plans and dynamically imports listing photos into the floor plan to further improve the user experience.

Zillow's latest market report suggests demand for homes has reduced in response to higher mortgage costs driven by increased interest rates and prices, in turn easing price growth and boosting inventory. Zillow economist Nicole Bachaud said "we are already seeing signs of waning demand, and expect these recent rate hikes to quicken the market's needed rebalancing. While shoppers will likely experience less competition for homes than the frenzied recent months, their purchasing power has dwindled."

Further Information

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|-------------------------------------|---|
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