

# Swell Global Portfolio

## Monthly Update



31 July 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)

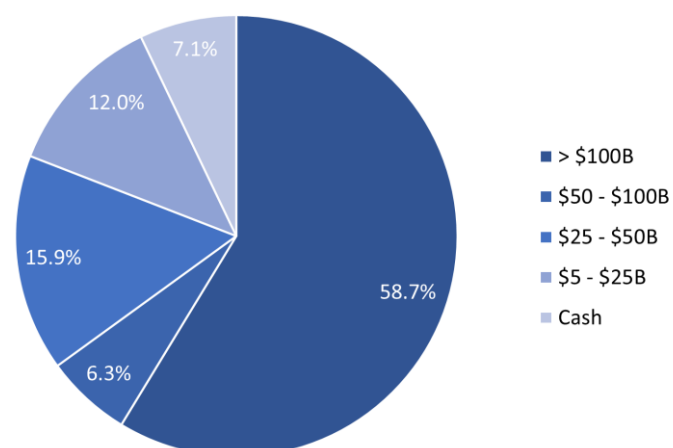
Alphabet Inc	Interactive Media and Services
Amazon.com Inc	Broadline Retail
Microsoft Corp	Systems Software
Shopify Inc	Internet Services & Infrastructure
Zillow Group Inc	Real Estate Services

### Portfolio performance

Period	Portfolio %
1 month	10.52%
3 months	-3.82%
1 year	-39.06%
2 years (pa)	-12.95%
3 years (pa)	-3.93%
4 years (pa)	1.94%
5 years (pa)	6.42%
6 years (pa)	7.71%
7 years (pa)	7.85%
Inception	67.78%

Past performance is not indicative of future performance

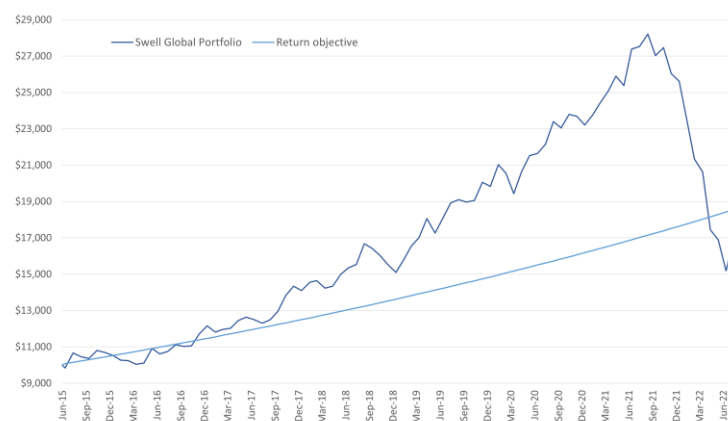
### Market Capitalisation (US\$)



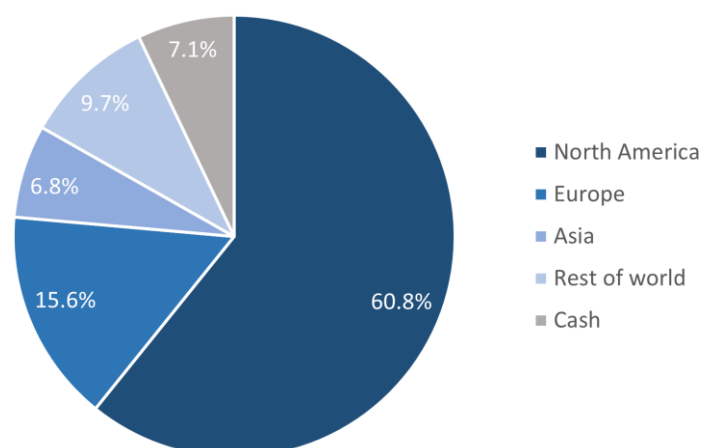
### Key Details

APIR	SWE0174A
Structure	SMA
Inception date	18-Jun-15
Strategy FUM	\$62.20 million
Number of companies	12
Minimum investment	\$500,000
Currency	AUD unhedged
Management fee	1.25%
Performance fee	15%
Performance fee hurdle	MSCII World net total return (AUD)

### Portfolio performance since inception



### Regional allocation by revenue



## Top contributors this month \*

### Amazon

Amazon's second quarter revenue grew 7% year over year to \$121.2 billion, beating consensus expectations by \$2.04 billion. Revenue growth was driven by AWS and advertising, up 33% and 18% respectively over 2021. The cloud business has reached annualised sales of nearly \$79 billion, driven by another strong quarter of innovation and customer engagement.

Amazon's ad business recorded \$8.8 billion in revenue despite a challenging advertising environment. The retail business, compared to a period of tremendous growth in 2021, saw improvement in many key operational metrics, including in-stock levels, delivery speed and consumer demand. In addition, the company has made significant progress in logistics productivity, following substantial investments over the last two years.

Amazon is to acquire membership-based primary healthcare company One Medical in an all-cash deal valued at \$3.9 billion. One Medical is currently available to employees at more than 8,000 US companies, enabling 24/7 on-demand virtual care and same-day appointments at clinics in more than 15 US metropolitan areas. Neil Lindsay, SVP of Amazon Health Services, said "We love inventing to make what should be easy easier and we want to be one of the companies that helps dramatically improve the healthcare experience over the next several years."

Customers in the US will begin to see Rivian electric vehicles delivering Amazon packages, with thousands planned to roll out in more than 100 cities by year end and 100,000 vehicles expected to be operating across the US by 2030. Amazon's partnership with Rivian is an important component of decarbonising its last mile logistics as well as accelerating innovation to help each business reach net-zero.

### Block

Block reported second-quarter earnings that topped analysts' estimates. Total revenue was \$4.4 billion for the quarter, down 6% from the prior year due to a decline in bitcoin revenue. Excluding bitcoin, net revenue reached \$2.62 billion, up 34% year over year, driven by the contribution from Afterpay and solid performance from Cash App. Total gross profit rose 29% to \$1.47 billion which includes \$755 million from Square and \$705 million from Cash App.

Total gross payment volume reached \$52.5 billion in the quarter, up from \$42.8 billion in the prior year, as Square continues to expand in the US and internationally. 47 million transacting accounts were active on Cash App in June, and the recently launched Cash App Borrow feature has already reached more than one million monthly active users.

Afterpay announced a partnership with leading beauty retailer Sephora to offer US customers pay in four instalments options. Alex Fisher, Head of Sales, North America at Afterpay and Cash App said "Customers search for Sephora on our shop directory app every two minutes and it ranks among one of our most requested retailers with US consumers."

### Zillow

Zillow beat expectations in second quarter earnings, with consolidated revenue of \$1 billion and Adjusted EBITDA of \$164 million. The result was largely due to better-than-expected unit economics on a higher-than-expected volume of homes sold from closure of the iBuying business which is expected to be completed during next quarter.

The company announced an exclusive, multi-year partnership with Opendoor to make cash offers to potential sellers on Zillow's platforms. Zillow will receive a referral fee from the transaction, allowing it to share in the financial returns of iBuying while remaining capital light. Additionally, Zillow will have the opportunity to monetise multiple touch points in the seller journey with the ability to introduce customers to premier agent partners and offer bundling with Zillow home loans and Zillow closing services.

Internet, media and technology (IMT) segment revenue remained flat year-on-year as macroeconomic headwinds prevailed during the quarter. Affordability challenges and weaker buyer sentiment are expected to impact overall premier agent lead volumes in Q3 and Zillow forecasts premier agent revenue will decline 21% year on year. Despite this, the company remains focused on its goal to connect high-intent customers to its partners, and is committed to ongoing investments in touring, seller services, and financing. Bottom Contributors this month \*

### Meta

Meta posted second quarter revenue and earnings per share of \$28.8 billion and \$2.46, both coming in below analyst expectations. Meta's monthly active users reached 3.65 billion, up 4% year-over-year and management highlighted stronger than anticipated engagement trends but noted weaker advertising demand due to broader economic uncertainty. Considering the trajectory of revenue expectations, the company is slowing the pace of multiyear investments, reducing headcount growth over the next year and being more rigorous in measuring returns and assessing investments.

Meta continues to focus on long-term investments that position the company to rebound strongly from the downturn, including work on the discovery engine and Reels, the new ads infrastructure and the metaverse. The company's efforts are showing encouraging results with Reels engagement up over 30% and contributing to more than 50% of the content share in messages on Instagram. Management noted during the call that AI recommends around 15% of the content consumed on Facebook and more on Instagram and this is set to double by the end of next year.

The company's recent announcements highlight continued strength in product innovation. One breakthrough is Meta's latest AI model named NLLB-200, which translates 200 languages, improves the quality of translations by an average of 44% and will make virtual experiences more accessible. Facebook introduced a new tab, Feeds, which lets users easily see recent posts from friends, pages and groups. The home tab has been refitted to be more of a personalised discovery engine which leverages Meta's machine learning ranking system to reflect data from thousands of signals.

Instagram also launched new features enabling users to purchase directly from small businesses using Meta Pay, track orders and ask follow-up questions all within chat. New options for users to collaborate, create and share Reels were also introduced.

## Netflix

Netflix reported better than expected subscriber trends and earnings in the second quarter. The company confirmed it will launch an ad-supported tier in early 2023 and recently selected Microsoft to be the technology partner for its advertising business. Netflix management said “We’ll likely start in a handful of markets where advertising spend is significant ... our intention is to roll it out, listen and learn, and iterate quickly to improve the offering. So, our advertising business in a few years will likely look quite different than what it looks like on day one.”

The company also announced an agreement to acquire Animal Logic, an Australian-based animation studio which worked on films such as Happy Feet, Legend of the Guardians: The Owls of Ga’Hoole, the LEGO movies and Peter Rabbit 1 and 2. It also created visual effects for The Matrix, Moulin Rouge!, 300 and The Great Gatsby. The company established a studio in Vancouver, Canada in 2015, and has worked with Netflix on a number of Academy Award nominated animated feature films.

## Deere & Co

John Deere has been named a 2022 honouree of The Civic 50, which recognises the 50 most community-minded companies in the US each year. Deere joins companies with annual revenue of at least \$1 billion who are selected based on four dimensions of corporate citizenship and social impact programs – investment resources; integration across business functions; institutionalisation through policies; and system and impact measurement. Nate Clark, Global Director for Corporate Social Responsibility at John Deere and President of the John Deere Foundation said “This humbling recognition affirms a powerful belief that we share at John Deere – we must be community-minded because we are community-made.”

The company has invested in Hello Tractor based in Nairobi, Kenya. The ag-tech start-up connects tractor owners with small-hold farmers with no equipment of their own in Africa and Asia through a farm-equipment-sharing app, which allows farmers to track and manage their fleet, book customers and access financing options. Hello Tractor participated in Deere’s collaborator program in 2019, and the two have been working together since then, with Deere providing technical support and equipment to expand the reach of Hello Tractor’s farm equipment sharing service.

\* Contribution is relative to other companies in the Portfolio

## Further information

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## Rating



Research available on request to approved advisers

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