

# Swell Global Portfolio

## Monthly Update



31 August 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)

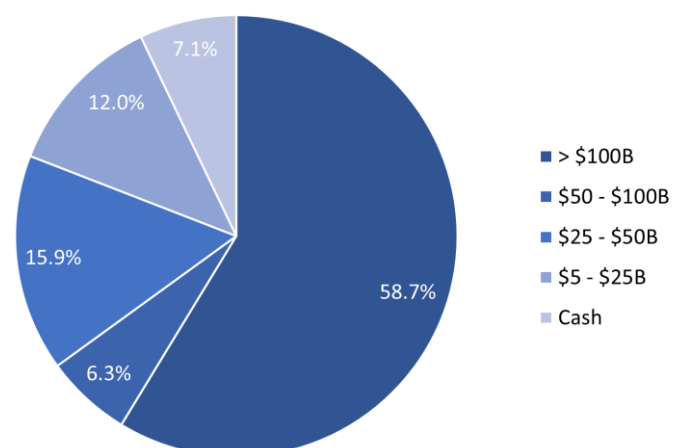
Alphabet Inc	Interactive Media and Services
Amazon.com Inc	Broadline Retail
Microsoft Corp	Systems Software
Shopify Inc	Internet Services & Infrastructure
Zillow Group Inc	Real Estate Services

### Portfolio performance

Period	Portfolio %
1 month	-2.89%
3 months	-3.44%
1 year	-42.22%
2 years (pa)	-16.53%
3 years (pa)	-5.15%
4 years (pa)	-0.57%
5 years (pa)	5.47%
6 years (pa)	6.59%
7 years (pa)	7.68%
Inception	62.94%

Past performance is not indicative of future performance

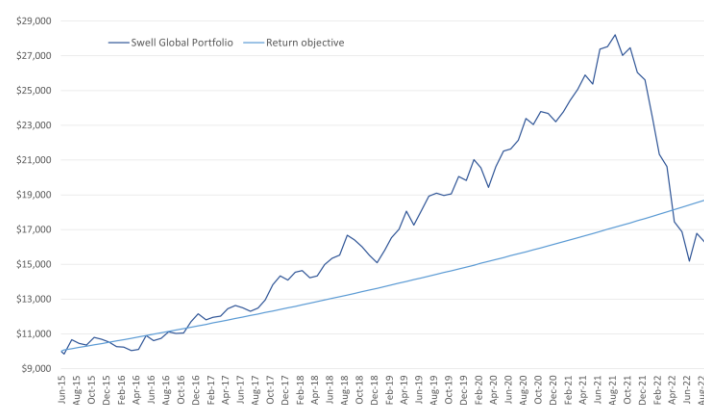
### Market Capitalisation (US\$)



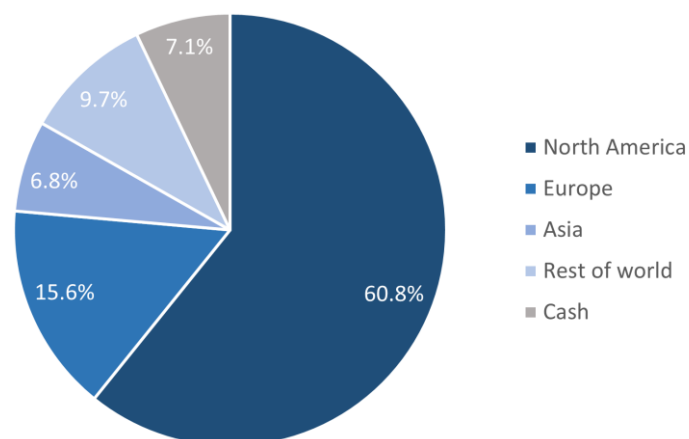
### Key Details

APIR	SWE0174A
Structure	SMA
Inception date	18-Jun-15
Strategy FUM	\$60.84 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 \*

### Disney

Disney's results for Q3 fiscal 2022 exceeded market expectations, recording \$21.5 billion revenue and \$1.09 earnings per share. Outperformance was driven by record results from Disney's parks, experiences and products division, which saw revenue increase 72% year over year to \$7.4 billion. Post-pandemic recovery continued, with per capita spending at domestic parks up more than 40% over 2019, and occupancy at its US hotels and resorts reaching 90%. Management noted demand is still outstripping available venue capacity and Disney is leveraging its real time reservation system to tweak availability and pricing.

Another positive contributor was Disney's streaming performance. Disney+ subscriptions rose to 152.1 million, surpassing analyst estimates of 147 million. Combining all its streaming services, Disney has over 221 million subscribers, making it the largest US-based streaming platform.

Disney will launch new pricing tiers for its service in the US on December 8 2022. The ad-supported tier will be \$7.99 per month, the current price of ad-free Disney+, which will rise 38% to \$10.99. The new pricing structure reflects the strength of Disney's service as it continues to expand its content library. More than 500 original titles are in development and production, and 180 of those are due to premiere before the end of the fiscal year.

### Meta

Meta has partnered with India's Jio Platforms to launch an end-to-end shopping experience inside WhatsApp. The messaging platform is used by more than 500 million people in India and recently received approval to extend its UPI-powered payments service to roughly 100 million people in the country. Users can start shopping on JioMart through WhatsApp by sending 'Hi' to the JioMart number, then browse the catalogue, add products to a cart and pay within the WhatsApp chat.

As part of its global rollout of default end-to-end encryption for private messages, Messenger is testing a new storage feature to hold backups of end-to-end encrypted chat threads. In addition, Meta is expanding end-to-end encryption to more features and applications including the Calls tab on Messenger, hands-free chats using Ray-Ban Stories and Instagram messages and calls.

The company plans to launch its new VR headset in October. The device, named Cambria, will be offered at a higher price point than the Quest product line as it is a "completely new advanced and high-end product" which has sophisticated technologies such as eye and facial tracking and augmented reality features. Surrounded, an immersive VR comedy special on Meta Quest 2 headsets will air in Horizon Worlds on September 9.

### Deere & Co

Deere's Q3 results were again impacted by supply chain problems, unfinished inventory and increased costs. Despite that, Deere made solid progress on reducing the number of partially completed machines, working through one-third of inventory during the quarter, totalling around \$300 million. It is focused on finishing and shipping the remaining stock by the end of the year.

Equipment Operations net sales for the quarter were up 25% year on year to \$13.0 billion and operating income was \$2.6 billion. Net sales growth was largely driven by a rebound in productivity levels, with many of Deere's large agricultural factories having reached their highest production line rates this year during the quarter.

Management guided to full year net income between \$7.0 and \$7.2 billion, down from its previous outlook of \$7.0 - \$7.4 billion, as increased material and freight costs and supply chain headwinds weigh on earnings growth. Deere maintains a healthy outlook for demand based on solid agriculture fundamentals, supported by elevated crop prices and a reduction in input costs. Order books are full for the remainder of 2022, with some already full through the first half of next year.

## Bottom Contributors this month \*

### Amazon

Amazon announced the acquisition of iRobot, which designs and manufactures robots and smart home devices, well known for its Roomba robot vacuums. Dave Limp, SVP of Amazon Devices, said "Over many years, the iRobot team has proven its ability to reinvent how people clean with products that are incredibly practical and inventive ... Customers love iRobot products—and I'm excited to work with the iRobot team to invent in ways that make customers' lives easier and more enjoyable."

Plug Power will supply Amazon with 10,950 tons of green hydrogen annually to replace grey hydrogen, diesel and other fossil fuels as Amazon works to decarbonise its operations. The hydrogen will power 30,000 forklifts or 800 long-haul trucks over a year.

Amazon is the largest corporate purchaser of renewable energy and continues to invest in a range of technologies to meet its Climate Pledge commitment to be net-zero carbon across operations by 2040. Dean Fullerton, VP Global Engineering and Security Services, noted "We already have more than 70 fulfillment centres outfitted with hydrogen storage and dispensing systems, which will allow us to start using green hydrogen to replace fossil fuels. Today, we use that system to power over 15,000 fuel-cell propelled forklifts, with plans to grow that number to 20,000 across 100 fulfillment centres by 2025."

### Shopify

Shopify launched its merchant financing service, Shopify Capital in Australia, providing up to A\$2.5 million to eligible merchants. Shopify uses historical sales data to qualify merchants for loans, and merchants repay the funds as a percentage of daily sales. Shopify research found although 62% of Australian merchants are willing to take on debt to invest in their business, 67% are deterred by high interest rates and 53% by the lengthy application process and approval timeframe. Shopify Capital can be approved in as little as 48 hours.

Since launching in 2016, Shopify Capital has provided more than US\$3.8 billion to tens of thousands of entrepreneurs in the US, UK and Canada. It has seen a 90% increase in total funding in the past 15 months. In 2021, Shopify's Australian merchants

generated A\$39 billion in economic activity and supported 154,000 jobs.

The company launched Shopify Collabs to help creators monetise their social media presence by discovering and partnering with Shopify merchants. Creators can browse for Shopify merchants that align with their audience, partner with the merchants and use Linkpop, Shopify's free link-in-bio tool built for commerce, to build curated shops and share products on social platforms. Merchants can use Collabs to manage their relationships with creators and access a new sales and marketing channel, aligning with Shopify's goal to bring economic independence to the new generation of entrepreneurs.

## Block

Square launched its first integration with Clearpay in the UK (Afterpay globally), providing Buy Now Pay Later (BNPL) functionality. BNPL is the fastest growing online payment method in the UK, accounting for nearly £13 billion in ecommerce sales in 2021, and is expected to double by 2025 to reach 12% of total UK ecommerce spend.

The inclusion of Afterpay with Square has attracted new shoppers and driven incremental revenue for merchants across the US and Australia, increasing the average transaction size by three times the value of non-BNPL purchases. Alyssa Henry, Head of Square, said. "The integration across platforms furthers our goal to give sellers of all sizes omnichannel tools that help them to grow by meeting consumer shopping habits, whatever and wherever they are."

Afterpay is again the official presenting partner of the 2022 New York Fashion Week: The Shows, joining with IMG for a third season to bring the September event to more consumers than ever before. It has partnered with five notable designers to offer limited edition NFTs, a range of one-of-a-kind digital collectibles that will unlock access to New York Fashion Week in person and which consumers can purchase in four interest-free instalments. Proceeds from the sale of the designer NFT Keys will be donated to Free Arts NYC, which brings art and mentoring programs to children in underserved communities in New York City.

\* Contribution is relative to other companies in the Portfolio

## Further information

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Research available on request to approved advisers

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