

Monthly Update

28 February 2023

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)

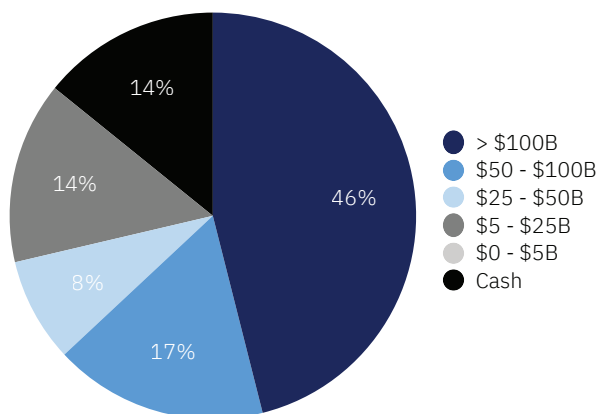
Amazon.com Inc	Internet & Direct Marketing Retail
Meta Platforms Inc	Interactive Media & Services
Microsoft Corp	Systems Software
Shopify Inc	Internet Services & Infrastructure
Zillow Group Inc	Real Estate Services

Portfolio performance

Performance	Portfolio %
1 month	0.10%
3 months	5.48%
1 year	-20.12%
2 years (pa)	-16.50%
3 years (pa)	-6.07%
4 years (pa)	0.76%
5 years (pa)	3.07%
6 years (pa)	6.08%
7 years (pa)	8.86%
Inception	70.32%

Past performance is not indicative of future performance

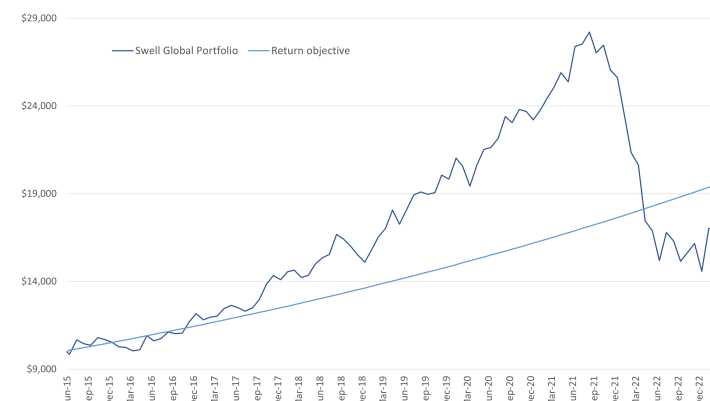
Market Capitalisation (US\$)



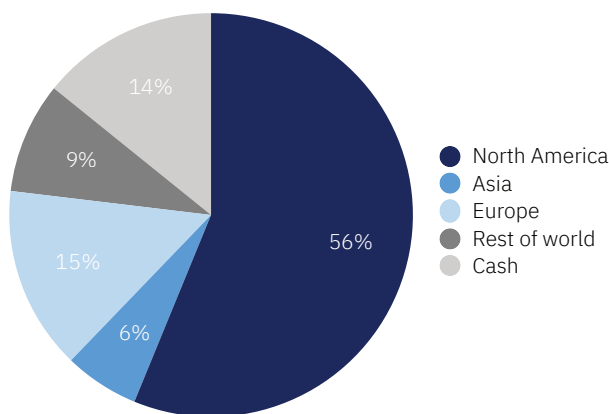
Key Details

APIR	SWE0174A
Structure	SMA
Inception date	18-Jun-15
Strategy FUM	A\$48.74 million
Number of companies	11
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 since inception



Regional Allocation by Revenue



Top contributors this month *

Meta

Meta had a strong month in February 2023 with major announcements and better than expected Q422 results. Revenue reached \$32.165 billion for the quarter and \$116.609 billion for the year. Notably management guided to 1Q23 revenue above analyst predictions, sending the stock more than 20% higher following the call. During the earnings call CEO Mark Zuckerberg told investors the company's management theme for 2023 was the year of efficiency, focussing on "becoming a stronger and more nimble organisation".

A new monthly subscription service for Facebook and Instagram called Meta Verified offers users exclusive features and content for \$9.99 per month. In addition to verification badges, subscribers will receive improved account support and increased visibility and reach across Meta's platforms. The service aims to help creators grow their presence on Facebook and Instagram and protect them from impersonators.

Meta has established a top-level product group to fast-track developments in generative artificial intelligence (AI), led by Chief AI Scientist Yann LeCun. Facebook achieved 2 billion daily active users in the last quarter, driven by Meta's AI discovery engine and Reels. It hopes to become a leader in the emerging field of AI-powered content creation and demonstrated its large language model, LLaMA, with around 65 billion parameters.

Booking Holdings

Booking Holdings Inc. announced its financial results for the fourth quarter and full year 2022 on February 23. Revenue was \$17.1 billion and net income \$3.1 billion for 2022, which was lower than 2019 levels but a significant improvement on the last two years. Importantly the company generated \$6.2 billion in free cash flow for the year, 38% higher than 2019, allowing it to repurchase \$6.5 billion worth of common stock.

It noted January 2023 bookings were 74% higher than January 2022, suggesting continued momentum. In interviews following the earnings release, CEO Glenn Fogel expressed confidence in the "travel environment" noting people are becoming more optimistic about future travel opportunities. Evidence for this comes from the extension of time between people booking and taking travel, which now exceeds pre-pandemic levels. The company's stock price reached a 52-week high following the earnings release.

Microsoft

Microsoft revealed Windows 11 will receive a major update in March 2023 introducing new features such as iOS connectivity, improved multitasking, redesigned widgets and AI powered Bing search from the taskbar.

The EU Digital Services Act came into force in November 2022, requiring online platforms with more than 45 million users to publish the number of active EU users. Initial reports were required by February 17 and Microsoft reported 33 million people in the EU use its Windows app store, while 4 million use its Xbox console store and 107 million use its Bing search engine.

New features were added to Teams Premium including live transcription and improved security controls such as watermarking. Additionally, Microsoft announced a partnership with Nvidia to bring Xbox PC games to the GeForce Now service, allowing gamers to stream their favourite titles on any device. This is a positive sign for the proposed acquisition of Activision Blizzard which the company remains confident will close in the first half of this year.

Bottom contributors this month *

Shopify

Shopify announced fourth-quarter and full-year 2022 financial results, which showed strong revenue growth of 21.4% year over year and positive adjusted net income. The earnings result was marred by the company's failure to provide a long-term revenue estimate, instead opting to guide revenue to grow "in the high teen percentages" for the first quarter only.

Winter '23 Editions was launched during the month, incorporating more than 100 product updates to help merchants grow their businesses online. Increasing competition from rivals like Amazon and Walmart as well as macro-economic headwinds have seen investor sentiment wane. However, we remain bullish on Shopify's long-term prospects, with a loyal customer base, continuing innovation and global expansion plans.

Amazon

Amazon's net sales increased 9% to \$149.2 billion in the December quarter compared to the previous year. The annual figure was also a 9% increase on 2021, to \$514.0 billion. Highlights from the quarter included record breaking sales of \$1 billion over the US Thanksgiving weekend, and 100 million viewers for the first season of Lord of the Rings: The Rings of Power. The \$3.9 billion acquisition of One Medical, a primary care provider, was finalised during the month. It will enhance Amazon's healthcare mission "to make it dramatically easier for anyone to find, choose, and afford what they need to get and stay healthy".

Amazon celebrated the fifth anniversary of its voice assistant Alexa in India and introduced new voice options for local users. It will integrate its logistics and SmartCommerce offerings on ONDC, an open network for digital commerce that aims to create a seamless online shopping experience in India.

Amazon Prime Video added several popular movies and shows to its streaming library in February including Despicable Me 2, Fifty Shades of Grey, Trainwreck, How to Train Your Dragon 2 and Gary and His Demons.

Alphabet

Alphabet reported lower than expected earnings for Q422, as its core advertising business faced headwinds from the global economic slowdown and increased competition from other digital advertising platforms.

The US Department of Justice (DoJ) announced it is preparing a lawsuit against Google Maps for allegedly abusing its dominant position in online mapping and navigation. The suit accuses Google Maps of stifling competition, harming consumers and violating antitrust laws. It would be the third antitrust case against Alphabet in less than a year, following previous cases relating to its search and advertising practices.

Alphabet shares were further impacted by the release of Microsoft's AI powered Bing and Google's less than inspiring demonstration of its Bard AI engine later the same week. While we see Bing's early dominance as a potential long-term threat, we believe the new search competition will have limited impact in the short term. Nevertheless, we will continue to monitor it as it progresses.

Despite negative news flow, we have stressed the downside for Alphabet in our model and continue to believe it is one of the best value stocks in the market.

* Contribution is relative to other companies in the Portfolio.

Further Information

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