TRANSACTION RATIONALES

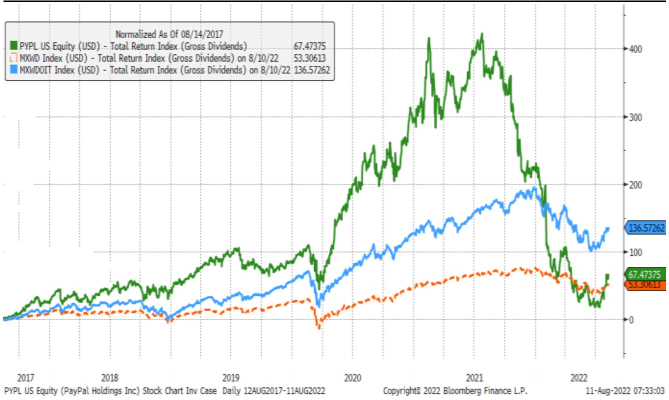
Purchases / Increases

Paypal: Adding to the initial position

Paypal is down more than 12% since we initiated a position in April. Sentiment has remained negative since and investors were hesitant to come back despite a correction of more than 60% from the peak.

While an attractive valuation provides the basis solid and safe returns over the long run, short-term stock prices are driven by emotions and predicting the bottom of a down turn is very difficult, if not impossible because of that. Hence our strategy is to build the position in steps. The stabilisation of the stock in June and July, a stronger focus of management on the core business and profitability, the entry of hedge fund activist Elliott, an additional share buy-back and a set of solid results have increased our confidence levels in the investment case to take another step and add to our position.

5-year chart: Paypal vs. the MSCI World and the Sector



Source: Bloomberg — Data range: 14.08.2017 – 10.08.2022
Total return in USD — Note: past performance is not a reliable indicator of future results

After the re-set of expectations in recent months and the latest corporate update, investors are expected to slowly starts looking more closely at the intrinsic quality of Paypal that is a unique player within the payments space, connecting 34 million merchants to 426 million consumers across over 200 markets. The franchise has built a fair moat in a competitive industry thanks to its scale (biggest user base, highest customer awareness and most comprehensive set of features within the e-wallet industry) and the fact that it has information on both sides of the transaction (edge in combating fraud and highly valuable insights into consumer's buying habits). We have always thought the management's focus on leveraging its customer base and expanding its reach was the right strategy. We now think that the stake built up by Elliott has reinforced the pressure to execute. They have already sharpened their communication, announcing cost savings of $1.3bn and a $4bn extension to the share buyback program.

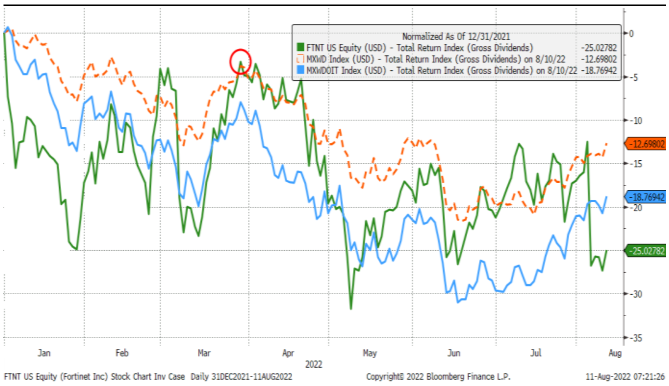
The stocked continues to be priced at market multiple which we consider a bargain given its superior earnings compounding ability, driven by the structural expansion of e-commerce and Paypal's ability to expand its offering.

Fortinet: Taking advantage of the recent decline to buy back the positions that we reduced in March

Fortinet delivered solid Q2/2022 results, with revenue up 29% at $1.03bn, slightly ahead of consensus. Bookings increased 42% y/y to $1.38B and billings advanced 36% to $1.3B. Despite those solid results the stock fell 16% after the Q2-report.

Demand was broad-based across geographies, customer sizes, industries and use cases. Particularly sales to larger enterprises continue be a key growth driver with bookings growing more than 55% y/y and total billings of deals of over $1M more than doubling. What's more, FTNT believes it is gaining market share thanks to (1) an elevated threat environment, (2) convergence of security and networking, and (3) customer's desire to consolidate their security vendors to reduce complexity, which helps FTNT with its all-encompassing offering. Also, FTNT believes it is continuing to gain market share in the important Secure SD-WAN segment, with bookings up over 60% y/y.

Chart YTD 2022: Fortinet vs. the MSCI World and the Sector



Source: Bloomberg — Data range: 31.12.2021 – 10.08.2022
Total return in USD — Note: past performance is not a reliable indicator of future results

Therefore, we view the sharp decline of the stock more as the result of the strong performance relative to the sector in 2022 and FTNT's stiff valuation (the reason we cut our positions back in March, red circle) rather than anything being wrong with the company's performance. As a case in point, we upgraded our long-term estimates recently due to better-than-expected operative performance of the business. This together with the 21% decline since cutting back our holdings renders the stock attractively valued again with relative upside of 45%. Consequently, we buy back the shares sold in March.

Service Corp: Taking advantage of the recent decline to further increase positions

Service Corp reported EPS in line with expectations, while revenue came in 5% above estimates. Still, the stock declined 9% on the news, mainly because of pre-need sales coming in slightly below estimates. Also, concerns of consumers regarding inflation and a focus on activities that were not possible during Covid seems to have been a concern for investors. While a combination of low consumer confidence and a pull forward effect from Covid can slow down pre-need sales short-term, the long-term outlook of the company continues to get stronger. The continued progress that Service Corp. makes on sales productivity and sales closing rates bodes well for further market share gains and, thus, for long-term growth.

SCI not only reported a solid set of results, but management re-iterated their 2022 guidance and the long-term growth outlook with high confidence. Hence, the large-scale decline of the stock following the report was not justified, offering a good opportunity to add to positions in the ultra-long-term growth story with very high visibililty.

Chart since inception: ServiceCorp vs. the MSCI World and the Sector

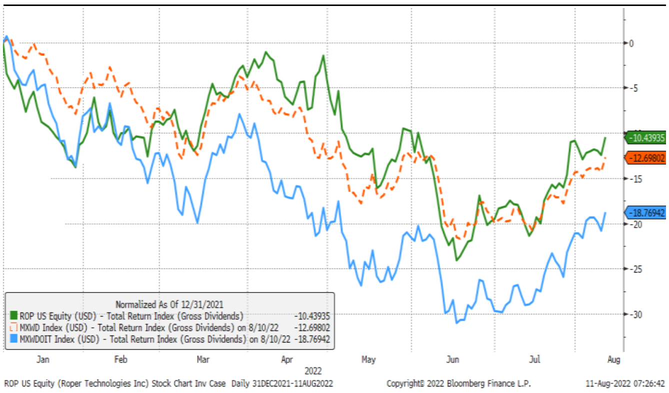
Source: Bloomberg | Data range: 20.05.2020 – 10.08.2022
Total return in USD | Note: past performance is not a reliable indicator of future results

Sells / Reductions

Roper: Taking advantage of the outperformance in 2022 and switching into more attractive investment opportunities

Roper's diverse business mix has provided relative stability during a period of increasing global economic uncertainty in 2022. As a result, the stock outperformed both the industrial and the technology sectors in 2022. However, the dilutive divestment of its industrial assets and as the company's business model of growing through acqusitions of niche software companies looks increasingly challenged, the investment case has turned less compelling. Adding premium valuation to higher quality, higher growth software companies and higher leverage leaves Roper stock, other than many software players that are current growing mostly organicallyc, with a less options to drive future growth. Therefore, we sell the position and re-invest the sales proceeds into more attractive investment alternatives.

Chart YTD 2022: Roper vs. the MSCI World and the Sector



Source: Bloomberg | Data range: 31.12.2021 – 10.08.2022
Total return in USD | Note: past performance is not a reliable indicator of future results

With kind regards,

Emerald Wealth Partners AG, Investment Office

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