

TRANSACTION RATIONALES

Purchases / Increases

Paypal: Adding to the initial position

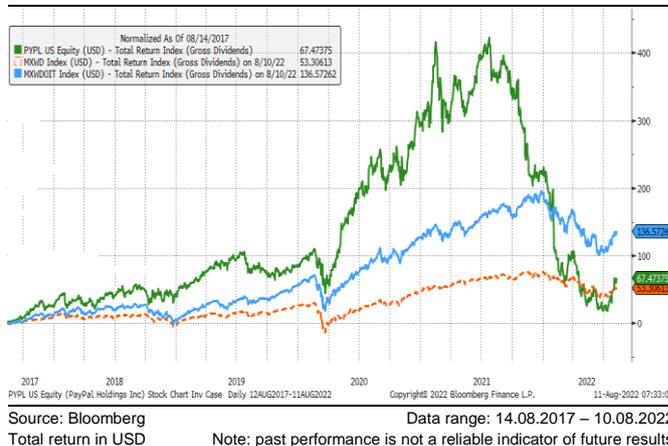
Paypal is down more than 12% since we initiated a position in April. Sentiment has remained negative since and investors were hesitant to come back despite a correction of more than 60% from the peak.

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.

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.

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

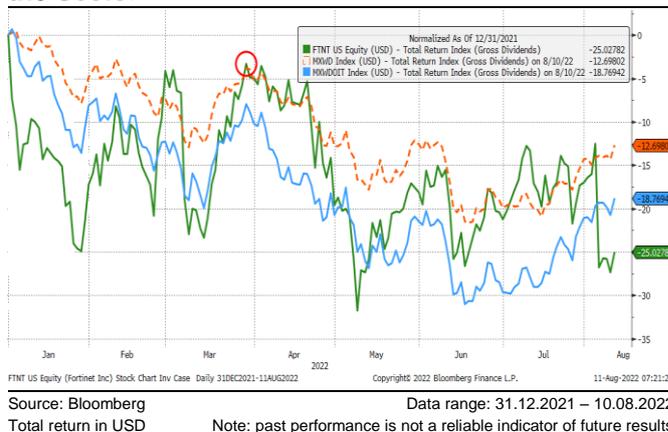


Fortinet: Taking advantage of the recent decline to buy back the positions that we reduced in March

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 to 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



AUGUST 11, 2022

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.

With kind regards,

Emerald Wealth Partners AG, Investment Office

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