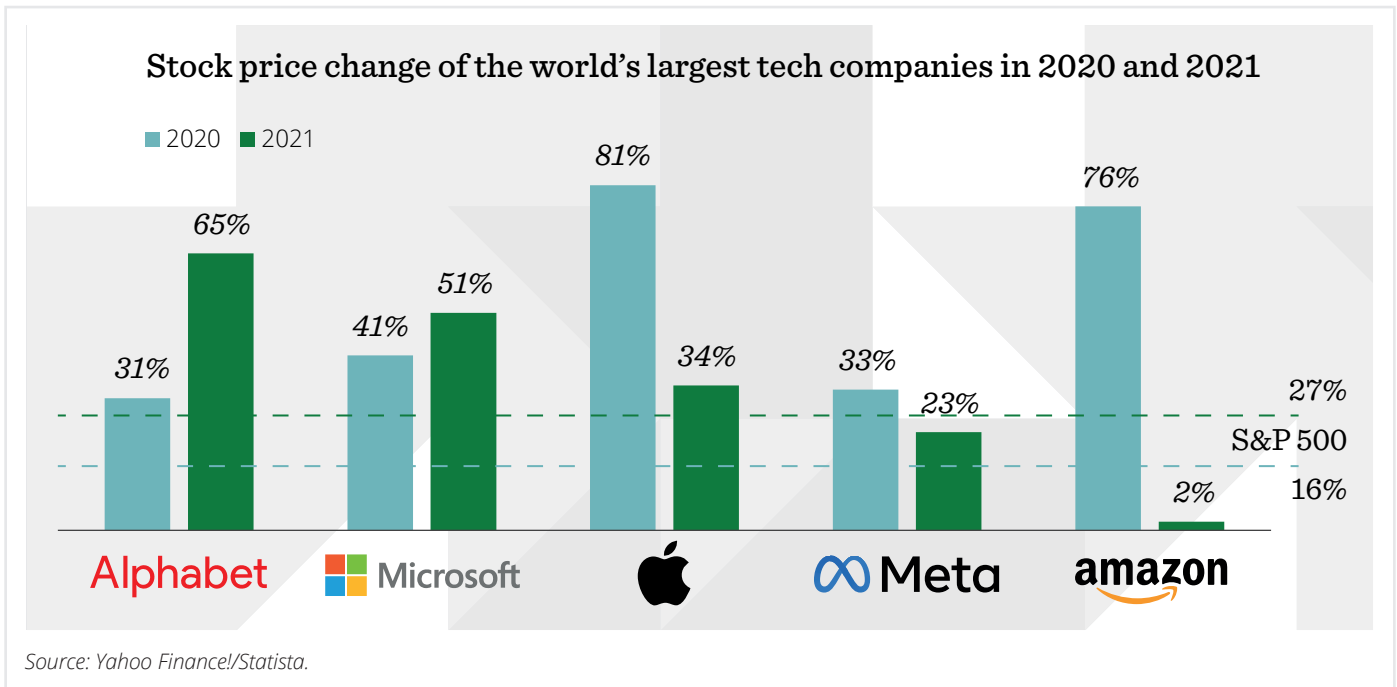


Between the lines

Week
04

Past its *Prime*?

After outperforming the S&P 500 by 60% in 2020, last year saw Amazon lag the market by 25%. Its fellow tech titans fared far better with Alphabet (*Google*) raking in a 65% gain, Microsoft up north of 50% and Apple's 34% rise bringing it to within a hair's breadth of the historic \$3trn milestone.



Microsoft forecast reassures skittish investors

On Tuesday (25 Jan) anxious investors initially punished another powerful set of earnings numbers from Microsoft with the stock dropping some 5% before a subsequent earnings call restored optimism leaving the shares with a modest gain for the day.

In the fourth quarter (Microsoft's second fiscal quarter), the company delivered \$2.48 in earnings per share with revenue of \$51.7bn. The latter was up 20% from a year ago and the first time quarterly sales have ever topped \$50bn. Both earnings and revenues comfortably beat analysts' expectations.

However, it took a subsequent earnings call, where the company forecast first quarter 2022 revenue north of \$49bn on the back of its Azure cloud-computing business, and improving full-year margins, to turn around the stock's progress.

Even so, by the close on Tuesday it was still 14% down in 2022 and on course for its worst month in over a decade as investors have rotated away from big tech names in the expectation of higher US interest rates.



Netflix's biggest hit of the decade

On Friday (21 Jan) shares in the streaming giant Netflix plunged 22%, to suffer their worst one-day drop since 2012, after the company reported its fourth quarter earnings. Its shares fell again on Monday (24 Jan) to be some 45% down from the record November high that followed the shock success of the South Korean series *Squid Game*.

Investors, who were already abandoning many of the big 'stay-at-home' winners, were further rattled when Netflix shared its fourth-quarter earnings report after the bell last Thursday.

Although it beat profit expectations and was in line with revenue forecasts, the news that it expected to add only 2.5 million subscribers during the first quarter of 2022, after garnering almost 8.3 million in the fourth quarter, sent the shares plummeting. Related worries as to subscriber growth also hit Disney, ViacomCBS and Roku shares.

Competition in the streaming market has become intense with Disney, WarnerMedia, NBCUniversal and ViacomCBS all investing heavily in their migration to streaming in the last two years.

Important information

This communication is issued by Quilter Investors Limited ("Quilter Investors"), Senator House, 85 Queen Victoria Street, London, England, EC4V 4AB. Quilter Investors is registered in England and Wales (number: 04227837) and is authorised and regulated by the Financial Conduct Authority (FRN: 208543)

This communication is for information purposes only. Nothing in this communication constitutes financial, professional or investment advice or a personal recommendation. This communication should not be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either expressed or implied, is

provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the document.

Any opinions expressed in this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or companies within the same group as Quilter Investors as a result of using different assumptions and criteria.

Quilter Investors is not licensed or regulated by the Monetary Authority of Singapore ("MAS") in Singapore. This document has not been reviewed by MAS.

222-0001/SK18218