



Swell Asset Management

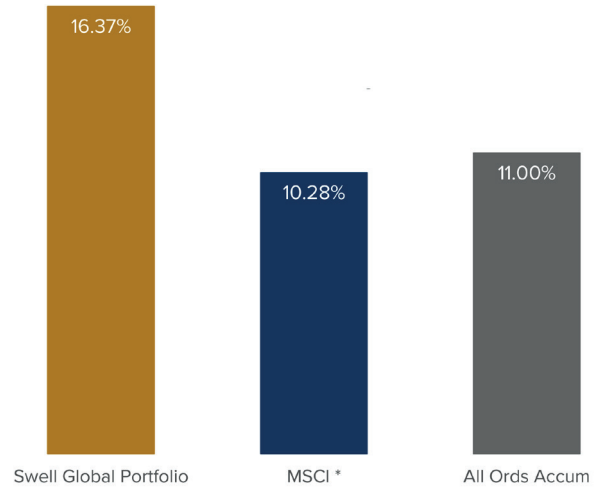
The Swell Global Portfolio

In the four years to August 31 2019, the Swell Global Portfolio returned 16.37% pa

Our points of difference and therefore our competitive advantages are:

- Capital preservation through risk control
- Concentrated quality
- Alignment of interest with investors
- Rational unbiased analysis
- Long term orientation

We target an absolute return of 9% per annum over rolling three-year periods. Our principal objective is capital preservation thus we place a greater emphasis on preventing losses than reaching for higher returns.



Our Guiding Investment Principles

Quality

Exceptionally managed companies with a clearly articulated strategy for creating value over the long term.

These companies are likely to carry substantially less risk than the overall market.

Conviction

Concentrated approach to portfolio construction allocating meaningful weights to each holding.

The search for quality yields very few outstanding companies.

Value

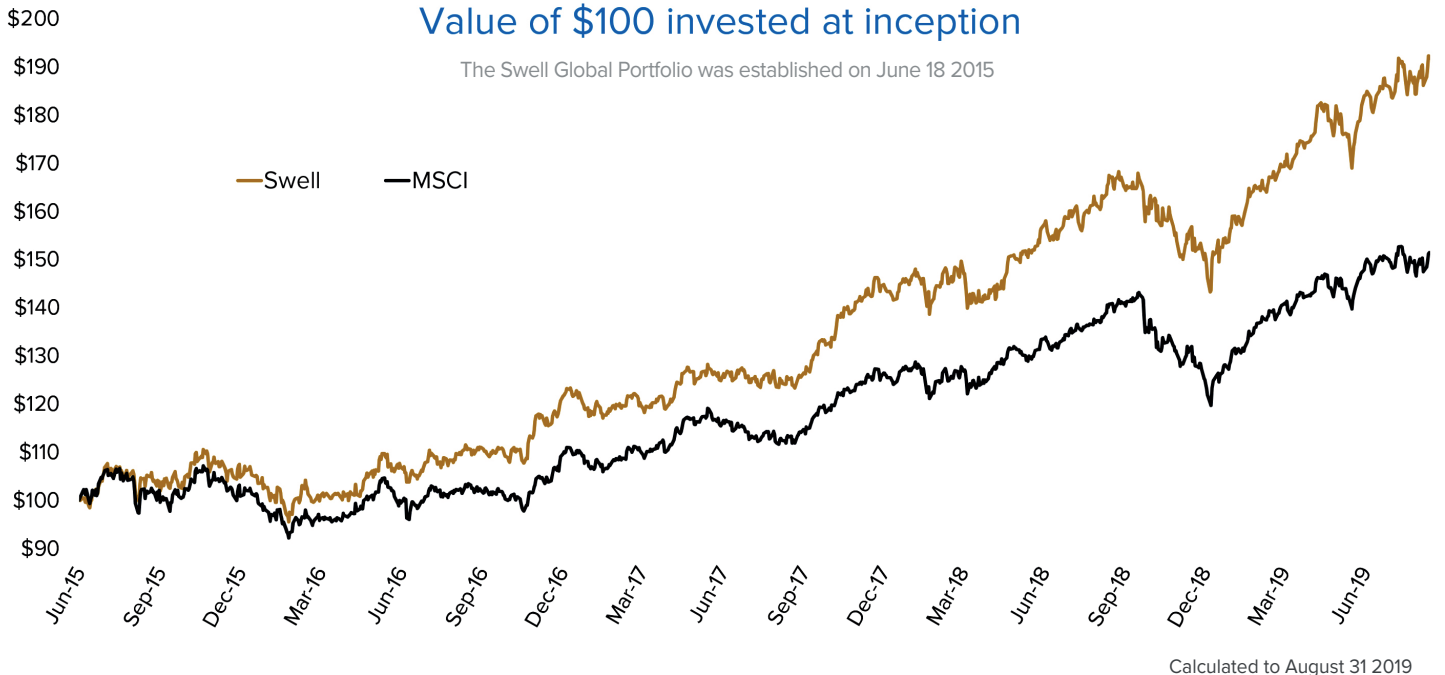
Acquisition of companies at discounts to their conservatively estimated intrinsic value.

Purchasing companies below their intrinsic value helps to preserve investment capital.

Horizon

Invest in high quality companies that can be held for more than three years.

Price efficiency declines as the investment horizon lengthens.



Investment Team

Lachlan Hughes Founder and CIO

Lachlan founded Swell in 2014. He is the Chief Investment Officer and responsible for investment decisions. He has more than seventeen years' experience in the financial services sector. He is a CFA charterholder and his professional qualifications include Bachelor of Commerce (Finance), Bachelor of Laws, Member of Responsible Investment Association Australasia.

Alex Clunies-Ross Investment Analyst

Alex holds a Bachelor of Commerce (Finance) from Griffith University and is a CFA Level 3 candidate. He was an inaugural member of the Griffith University Student Investment Fund and continues his involvement in the Fund as a student mentor.

Mike Hall Investment Analyst

Mike holds a Diploma of Business and Bachelor of Commerce (Finance), both from Bond University. While completing his studies Mike was a part of the team which represented Bond University in the CFA Institute research challenge and placed third nationally. Mike has passed all three levels of the CFA Program and may be awarded the charter upon completion of the required work experience.

Swell Global Portfolio strategy

Objective	9% per annum over rolling 3 year periods
Holdings	10 – 25 high quality international companies
Assets in top 10	50% – 80%
Concentration	High
Portfolio turnover	Low
Time horizon	5 – 7 years
Cash allocation	Up to 25%
Investment universe	Companies listed in developed countries
Company focus	Predominantly large capitalisation
Index	Portfolio construction is not determined by reference to any index or benchmark

Swell controls risk at various levels. Our fundamental process means we are motivated by the mitigation of risk at the stock level. However, we use cash allocation, industry limits, market capitalisation, and scenario analysis to aid the risk management process. Portfolio sector or country allocation are an outcome of the process and not an input.

Portfolio construction and constraints

Number of stocks	Swell targets a portfolio of 10-25	
Cash weighting	Swell may hold up to 25% of the Portfolio in cash	
Company market capitalisation (on acquisition)	Market capitalisation (A\$)	Portfolio range
	Up to \$5 billion	0% – 15%
	\$5 billion - \$50 billion	0% – 30%
	More than \$50 billion	55% – 100%
Industry weighting	Swell may hold up to 25% of the Portfolio in each industry on acquisition	
Country weighting	Swell is not constrained by a country allocation threshold within developed markets	

We adopt a concentrated approach to portfolio construction, allocating meaningful weights to our investments. Our investment philosophy and our search for quality yields very few outstanding investment ideas. Therefore, when we identify an opportunity, we must make a concentrated investment. By unleashing conviction on our best ideas, we can significantly enhance performance.

We consider the tax consequences of our investments and acknowledge that our investors pay tax on earnings. Our longer term investment horizon reduces our portfolio turnover thereby increasing after tax returns.

Our **buy discipline** is based on the outcome of our investment research strategy and investment scorecard measuring three primary factors:

- Management quality
- IRR conviction
- Investment downside protection

The resulting **investment score** is scaled by our final analysis of the company's competitive position and this metric is used to determine the weight of the stock in the **Swell Global Portfolio**.

Each investment is selected based on fundamental analysis. Industry and country weightings are an outcome

of the process. Our cash weighting is determined by available opportunities.

Every investment must produce a pre-tax IRR of at least 10.5% to be eligible for inclusion in the Portfolio. This is consistent with our objective to produce a return of 9% per annum after fees over rolling three year periods.

Invest in the Swell Global Portfolio

Direct investment with Swell Asset Management

Direct investment minimum	\$500,000
Management fee	1.5%
Performance fee	15%
Qualification	Wholesale investor

Invest through an adviser on the HUB24 platform

Minimum investment	\$25,000
Fees	Determined by your adviser

Our disciplined investment process is focused on preserving and building investors wealth

Performance data relates to the Swell Global Portfolio. Past performance is not necessarily indicative of future performance.

Important: This document has been prepared without consideration of any specific clients investment objectives, financial situation or needs. While this document is based on the information from sources which are considered reliable, Swell Asset Management, its directors and employees do not represent, warrant or guarantee, expressly or impliedly, that the information contained in this document is complete or accurate.

Swell Asset Management authorised representative of Hughes Funds Management Pty Limited AFSL 460572 (ACN 167 950 236)