

Monthly Update

31 March 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)

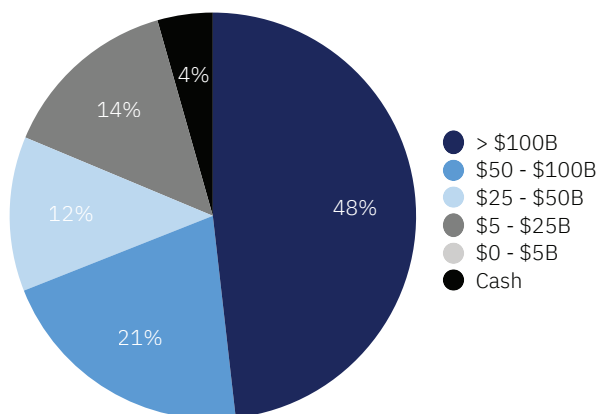
Amazon.com Inc	Broadline Retail
Meta Platforms Inc	Interactive Media & Services
Microsoft Corp	Systems Software
Shopify Inc	Internet Services & Infrastructure
Zillow Group Inc	Real Estate Services

Portfolio performance

Performance	Portfolio %
1 month	8.43%
3 months	26.74%
1 year	-10.44%
2 years (pa)	-14.15%
3 years (pa)	-1.67%
4 years (pa)	2.06%
5 years (pa)	5.35%
6 years (pa)	7.43%
7 years (pa)	10.69%
Inception	84.72%

Past performance is not indicative of future performance

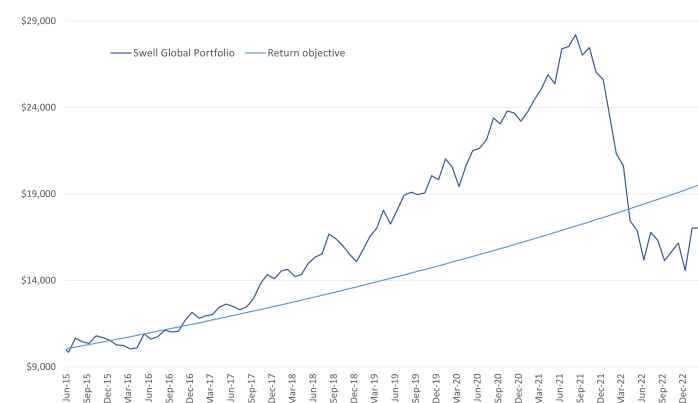
Market Capitalisation (US\$)



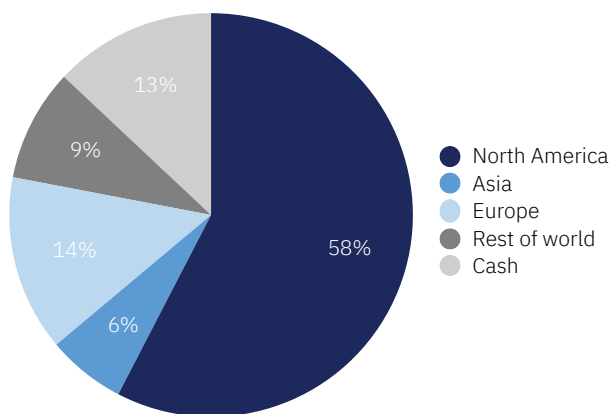
Key Details

APIR	SWE0174A
Structure	SMA
Inception date	18-Jun-15
Strategy FUM	A\$51.71 million
Number of companies	13
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

During the month Mark Zuckerberg informed Meta employees of plans to cut another 10,000 jobs globally. This second wave of layoffs, impacting recruitment, technology and business teams, expands the Year of Efficiency he announced at the last earnings call. Zuckerberg said the decision to streamline further was made because the company achieved improved workflows after the workforce reductions last year, and he had “underestimated the indirect costs of lower priority projects”. Meta revised its FY23 expense guidance lower to \$86-\$92 billion to reflect its cost reduction efforts.

Instagram introduced two new ad products in March to help businesses increase awareness and connect more meaningfully with users. Creators and brands can now build anticipation for upcoming events with Reminder ads. Users have the option to receive reminders from Instagram for scheduled events such as performances, TV show premieres and sporting events. Instagram is also testing ads in search results to reach users actively searching for businesses, products and content. The company plans to launch the new ad formats globally in coming months.

Shopify

Shopify has deepened its long-standing partnership with Google to bring Google Cloud’s search and discovery tools to enterprise brands using Commerce Components by Shopify. The partnership allows companies to integrate Discovery AI solutions directly with their online stores, enabling Retail Search and AI-powered personalisation. Retailers can now create best-in-class product discovery experiences that reduce the likelihood of search abandonment, a key pain point which costs retailers an estimated \$2 trillion annually.

Shopify’s cultural change initiative known as Chaos Monkey 2023, introduced in January, has delivered appreciable productivity increases in its first three months. The company expects to complete 25% more projects this year with employees more focussed on tasks and spending up to one third less time in meetings.

Microsoft

Microsoft has accelerated the integration of large language models into its software applications. Image creator has been added to the Bing AI search engine. 365 Copilot, currently being tested by a group of enterprise customers, adds the AI large language model to Microsoft’s office productivity apps. And Business Chat goes a step further to harness the power of AI to work across a user’s applications, calendar and files to generate documents, emails and notes.

Dragon Ambient eXperience (DAX) Express was also introduced in March. It combines the natural language capabilities of GPT-4 with Dragon’s clinical voice recognition technology to create draft clinical notes for medical practitioners, analyse clinical workflows and improve patient outcomes. Doctors involved in testing DAX Express reported less fatigue, reduced time to identify the need for follow up patient care and better adherence to care plans by patients.

Microsoft’s acquisition of Activision Blizzard moved a step closer in March after the UK Competition and Markets Authority disclosed it was satisfied the deal would not lessen competition in the console gaming market. It continues to investigate the likely impact of the merger on cloud gaming competition in the UK as do competition regulators in the US and EU. Microsoft has signed a number of agreements to distribute Call of Duty and other Activision games with console and cloud providers including Nintendo and Boosteroid.

Bottom contributors this month *

Block

Prominent short-seller Hindenburg Research released a lengthy report on Block this month, based on a two-year investigation. Among its allegations were that Cash App understates its customer acquisition costs, inflates its user metrics and facilitates fraud. Hindenburg alleged poor compliance procedures allowed users to create multiple fake accounts to fraudulently claim US government stimulus payments during COVID19.

Block’s stock fell 18% immediately following the report’s release, however it has since recovered most of its losses as investors digest the unverified claims. A number of analysts have rallied behind Block and have assessed many of Hindenburg’s claims as lacking credibility.

Block issued a response last week, claiming the report was “designed to deceive and confuse investors”. The company will work with the SEC on resolving issues raised in the report and will also explore legal action against Hindenburg.

Deere and Co

Deere unveiled its new P-Tier excavator models at CONEXPO 2023 in March. The 85 P-Tier features a larger, redesigned cab, improved hydraulic performance and higher horsepower compared to the existing model. The updated 510 P-Tier machine for mass excavation and deep underground applications has a more efficient powertrain, consumes 20% less fuel and reduces maintenance costs by up to 25% and repair costs by 15%.

Deere also announced major upgrades for its 2024 tractor line up during the month. The Series 7, 8 and 9 tractors will feature new base equipment with improved processing power, as well as optional automation features including AutoTrac Turn Automation and AutoPath.

Deere featured on the 2023 world’s most ethical companies announced by Ethisphere this month. It is the sixteenth time Deere has been recognised for its contribution to supporting an ethical and sustainable future for the world.

S&P Global

Kensho Technologies, acquired by S&P in 2018, announced the launch of Kensho Classify, a natural language processing (NLP) solution. It uses AI to scan documents, analyse text and provide smart search and recommendations. Classify will unlock insights faster, including voice-to-text transcription, data extraction from documents and natural language processing to comprehend and analyse human language.

The release follows the launch of the Named Entity Recognition and Disambiguation (NERD) UI, an NLP solution optimised to extract and understand all types of entities in text documents using a context-aware model. The NERD UI allows users to gain insight into the who, what and where of any document, making research and analysis easy while Classify provides insight on more abstract topics spanning sentences or paragraphs. Together, NERD and Classify can quickly analyse and summarise large amounts of text.

S&P Global Market Intelligence was recognised by the A-Team Insight Innovation Awards for the most innovative sanctions and PEPs (politically exposed persons) data solution. The company’s sanctions screening product provides access to timely and reliable data to help customers comply with sanctions policies. It was also acknowledged for diversity, equity and inclusion and two senior executives were named in the Waters Technology Women in Technology and Data Awards.

Further Information

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