

# Swell Global Portfolio

## Monthly Update



31 July 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)

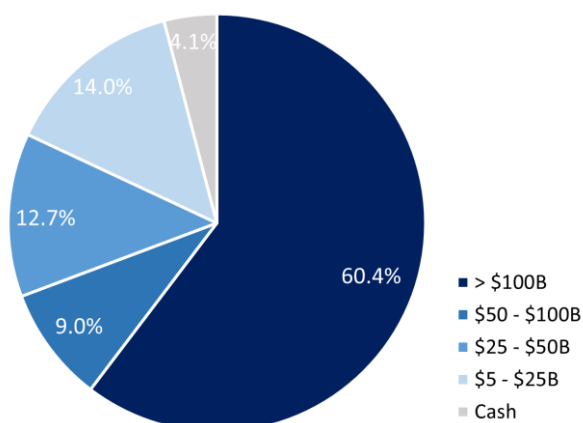
Alphabet Inc	Interactive Media and Services
Amazon.com Inc	Broadline Retail
Meta Platforms Inc	Interactive Media and Services
Microsoft Corp	Systems Software
Zillow Group Inc	Real Estate Services

### Portfolio performance

Period	Portfolio %
1 month	4.33%
3 months	18.74%
1 year	34.46%
2 years (pa)	-9.48%
3 years (pa)	-0.63%
4 years (pa)	4.49%
5 years (pa)	7.75%
6 years (pa)	10.65%
7 years (pa)	11.18%
8 years (pa)	9.82%
Inception	125.60%

Past performance is not indicative of future performance

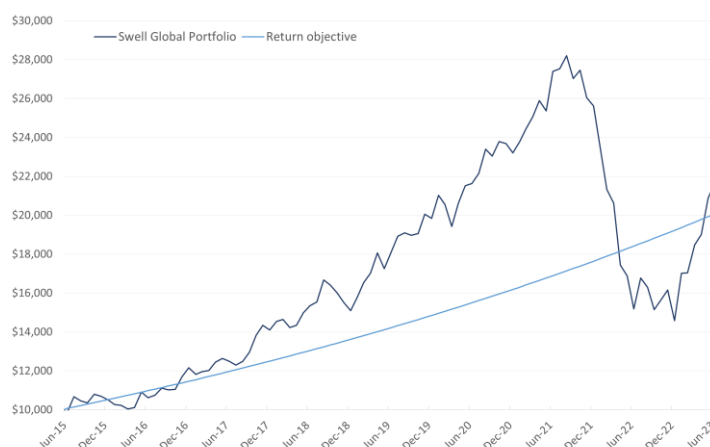
### Market capitalisation (US\$)



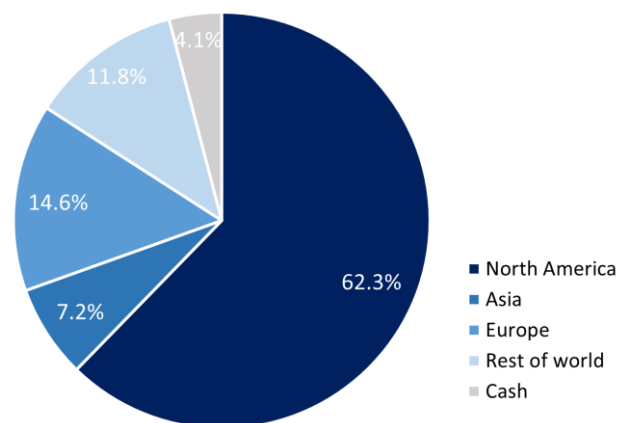
### Key details

APIR	SWE0174A
Structure	SMA
Inception date	18-Jun-15
Strategy FUM	\$59.71 million
Number of companies	14
Minimum investment	\$500,000
Currency	AUD unhedged
Management fee	1.25%
Performance fee	15%
Performance fee hurdle	MSCI World net total return (AUD)

### Portfolio performance since inception



### Regional allocation by revenue



## Top contributors this month \*

### Block

Block extended its Pay Monthly Afterpay solution to thousands of new US merchants in July, following its introduction in October 2022 to selected businesses. The service enables users to split repayments over six or twelve months on purchases valued between \$400 and \$4,000. It saw a threefold increase in users between December 2022 and May 2023, and merchants reported increased sales and higher average order values from customers using the Pay Monthly option.

Neha Narula, director of the digital currency initiative at the MIT Media Lab has joined Block's board of directors. She was previously a software engineer at Google and has a PhD in computer science from MIT. She serves on the Federal Reserve Bank of New York's Innovation Advisory Council and is a member of the World Economic Forum's Global Futures Council on Blockchain.

Winners of the Square Hackathon for emerging technologies were announced on July 20. The winning team received \$20,000 for developing the Payable Kiosk which integrates Square software into Google Workspace apps to seamlessly track customer data. \$5,000 went to Table Book, a 3D table booking app built on Square Bookings API that enables users to view a 3D layout of a restaurant with 360° virtual views when making a reservation. Other winners designed apps to track fair trade supply chains and streamline invoicing and account management for merchants. More than 1,000 developers competed for \$81,000 in prize money.

Block reported strong second-quarter results in early August, with revenue increasing 26% and gross profit up 27%.

### Meta

Meta posted stronger-than-expected second-quarter results and provided guidance ahead of market expectations. Revenue was up 11% year-on-year to \$32 billion while earnings increased 21% to \$2.98 per share. The strong outperformance reflected improved stability in advertising demand, the attractiveness of Meta's platforms for both users and advertisers and signs of the "year of efficiency" yielding results.

Total daily active users across Meta's family of apps (Facebook, Instagram, WhatsApp, Messenger) in June reached 3.07 billion. In addition, Reels is driving engagement and ramping monetisation as it generates more than 200 billion daily views on Facebook and Instagram at an annual revenue run rate of \$10 billion, up from just \$3 billion a year ago. Meta continues to focus its investments on AI infrastructure, features and systems in the near term while the metaverse will have a longer-term impact.

The release of Threads in early July was historic. 5 million people had joined the new site within four hours of its launch, and it reached 100 million subscribers within five days. Global media reports referred to Threads as a "Twitter killer" and many high profile users commended the platform's quality in their early Threads posts. Retaining users on the platform will be a key measure of its success for Meta, driving future monetisation options.

Meta has open sourced its large language model, Llama 2. Announcing the release, Mark Zuckerberg said "Giving businesses, startups, entrepreneurs, and researchers access to tools developed at a scale that would be challenging to build themselves, backed by computing power they might not otherwise access, will open up a world of opportunities for them to experiment, innovate in exciting ways, and ultimately benefit from economically and socially."

### Zillow Group

President Biden commended Zillow's new Cost of Renting Summary in a statement on rental housing in July. Zillow developed the tool to provide greater clarity on expenses for renters, incorporating often hidden add-on costs such as parking, pet fees, security deposits and application fees.

The company's last consumer housing trends report found 80% of renters rated their rental budget as the most important factor in choosing rental accommodation, surpassing property location and condition. The tool is built in to the details page of each rental home and future enhancements will enable users to customise it to their individual circumstances.

Zillow's Market Report released on July 12 found the average US home price rose in the prior month by 1.4% to reach \$350,213, the highest level recorded since Zillow launched the report in 2018. The increase was predominantly due to lack of supply, with the number of new listings falling by 28% in the year to June 2023. Zillow senior economist Jeff Tucker attributed the result to higher interest rates making sellers reluctant to move from a lower fixed rate mortgage. He also suggested home owners could be holding out for higher prices, waiting to regain the peaks of mid 2022.

Zillow reported its second-quarter results in early August with revenue of \$506 million and adjusted operating income of \$111 million, both better than expected. Notably it was the first quarter Zillow was able to achieve year-over-year revenue growth since the first quarter of 2022. The strongest segment was Rentals which grew 28% while the Residential and Mortgages segments declined less than last quarter, showing signs of recovery.

## Bottom contributors this month \*

### Microsoft

Microsoft reported fourth quarter and full year 2023 results on July 25. Despite some glum commentary in the news media, revenue and earnings came in above both company guidance and market expectations and the outlook pointed to continued growth. Total revenue grew 8% to \$56.2 billion and earnings per share increased 21% to \$2.69.

Microsoft 365 Copilot was released to 600 paid customers through an early access program recently and will be gradually released globally over the next twelve months. On the recent earnings call the company confirmed Copilot and other AI integrations will not generate significant revenue until the second half of FY24.

US District Court Judge Jacqueline Scott Corley ruled this month the FTC had failed to show Microsoft's acquisition of Activision Blizzard would harm competition in the cloud or console gaming markets, allowing the deal to progress. After initially rejecting the deal earlier in the year, the UK regulatory authority accepted additional submissions from Microsoft during July and will consider responses until August 4. The new submissions reference the ruling against the FTC, Microsoft's agreement with the EU and licensing agreements with rival game providers including Sony, Nvidia and Cloudware.

### GE HealthCare

GE HealthCare released its second quarter earnings after spinning out from GE in January, reporting a 7% increase in revenue to \$4.8 billion, reflecting strong global demand across business segments. Management raised full-year revenue guidance to 6-8% from 5-7% to reflect the strong performance so far this year. It also upgraded full-year adjusted earnings per share guidance to represent 9-14% growth over 2022.

Profitability will improve into the second half of the year as it pursues several operational and productivity initiatives to streamline processes post-spinoff. The company highlighted its AI-powered technologies which will drive future upselling into its large device install base.

The development of drugs to treat Alzheimer's disease was signalled as a growth opportunity during the earnings call. The drugs target amyloid beta plaques, which form in the brains of Alzheimer's sufferers. The plaques are identified by MRI and PET scans using a tracer agent and GE Healthcare's Vizamyl is currently the only FDA approved amyloid imaging agent for colour image interpretation. 6.5 million people in the US suffer from Alzheimer's.

### S&P Global

S&P Global reported second quarter results on July 27 beating analyst expectations for revenue but slightly missing on earnings. Revenue grew 4% to \$3.1 billion while adjusted earnings per share increased 11% to \$3.12. Analysts on the call questioned margin contraction across several key segments which management attributed to changes in incentive compensation, noting their full-year and long-term margin targets remain unchanged.

During the month S&P Market Intelligence expanded its Capital IQ Estimates dataset, adding 60 industry specific operating forecasts across 14 industries. It now incorporates estimates for more than 19,800 companies and guidance from nearly 10,000, with historical data stretching back 25 years. The flexible dataset is accessible through a range of channels providing subscribers with immediate access to critical analysis.

S&P also completed the integration of RatingsDirect onto the Capital IQ Pro platform in July, combining the ratings data base with visualisation tools from Capital IQ Pro. The new platform will provide business critical credit risk data enabling users to screen investment grade status changes and monitor risk.

\* Contribution is relative to other companies in the Portfolio

## Further information

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Research available on request to approved advisers

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