

Swell Global Portfolio

Monthly Update



November 30 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)

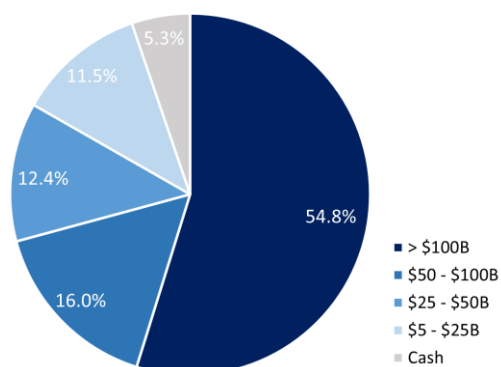
Alphabet Inc	Interactive Media and Services
Amazon.com Inc	Broadline Retail
Intercontinental Exchange Inc	Financial Exchanges and Data
Microsoft Corp	Systems Software
Zillow Group Inc	Real Estate Services

Portfolio performance

Period	Portfolio %
1 month	8.76%
3 months	-0.35%
1 year	40.13%
2 years (pa)	-6.77%
3 years (pa)	-1.50%
4 years (pa)	3.07%
5 years (pa)	7.84%
6 years (pa)	7.90%
7 years (pa)	9.88%
8 years (pa)	9.83%
Inception (pa)	10.19%
Inception	126.33%

Past performance is not indicative of future performance

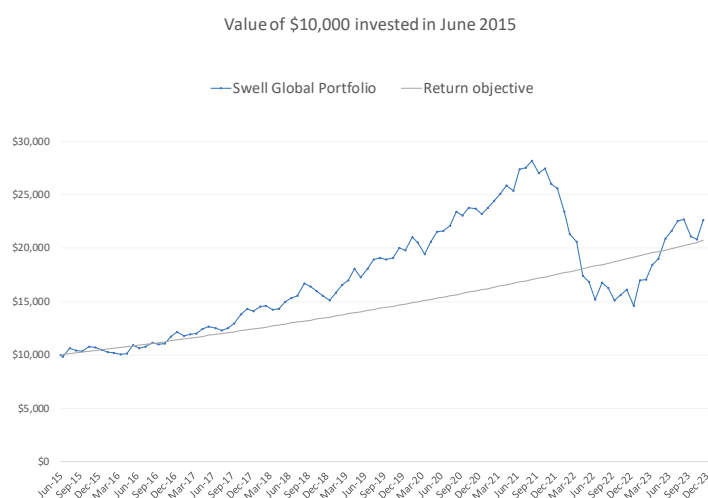
Market capitalisation (US\$)



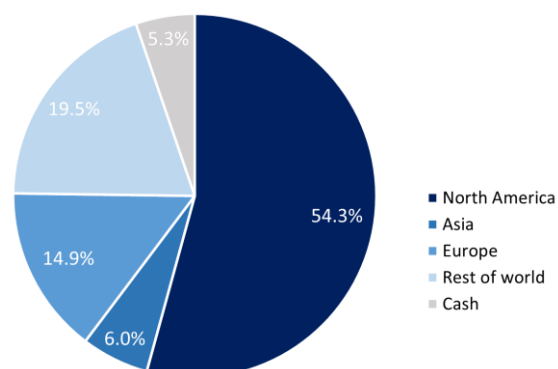
Key details

APIR	SWE0174A
Structure	SMA
Inception date	18-Jun-15
Strategy FUM	\$58.84 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

Market reaction to Block's third quarter results was very positive, pushing the share price more than 30% higher during the month. The sentiment was a response to the better than predicted guidance on full year earnings, as well as management's clear focus on improving revenue and profitability, as seen in the decisions to repurchase up to \$1 billion in shares and cap employee numbers at 12,000. Jack Dorsey's return to hands on leadership at Square added to the momentum, as did the renewed push for the rule of 40. Block's adaptation to the rule of 40 is targeting gross profit growth plus adjusted operating margin to exceed 40% by 2026.

Notification of the change to employee performance assessment strategies later in the month reinforced the company's drive forward with its emphasis on building a culture of excellence.

70 million Square and Afterpay transactions were processed over the Black Friday – Cyber Monday shopping weekend, 14% higher than last year. The average value of online transactions was nearly 4 times higher than for in person sales and more than 300,000 gift cards were sold, predominantly for restaurants, personal care and health and fitness providers. Shoppers were drawn to discounted goods and services and the number of sellers offering discounts over the weekend was substantially higher than in 2022, including 108% more beauty and wellness merchants. Across Square merchants the average discount offered was 22%. Afterpay transactions increased by 19% and 16% more shoppers used the Afterpay app for their complete shopping experience.

Shopify

The positive sentiment which greeted Shopify's Q3 results continued in the build up to the shopping extravaganza anticipated at the end of November. And the Black Friday – Cyber Monday event lived up to expectations, with Shopify merchants handling a record \$9.3 billion in sales over the 4 days, 24% higher than the 2022 weekend. Between Friday morning in New Zealand and Monday evening in California Shopify merchants processed more than 61 million transactions, peaking at \$4.2 million in sales per minute on Friday afternoon in the US.

Shopify's platform performed well, managing 99.999+% uptime. At peak sales time the platform processed nearly 1 million requests per second and across the weekend it handled nearly 30 petabytes (>30,000 TB) of data. The average transaction value was \$108 and Shop Pay transactions increased 60% from last year. Consumers predominantly shopped on phones, with 74% of sales completed on mobiles and only 26% on desktop PCs. Shopify purchased more than 56,000 tonnes of carbon credits to achieve carbon neutral freight across the weekend.

Salesforce

Salesforce was the last of our Portfolio companies to announce Q3 earnings, reporting an 11% increase in revenue to \$8.72 billion with operating margin of 17.2%. Full year revenue guidance increased to \$34.75 - \$34.8 billion, also an 11% increase on previous figures. The company's plan to repurchase stock has progressed, with \$1.9 billion spent during the quarter. President and COO Brian Millham told investors the average size of orders over \$1 million was 80% higher than for the same quarter last year. Additionally, the company's AI driven Data Cloud generated 1,000 net new customers and was integral to six of its top ten sales in the quarter.

Salesforce shared in the Black Friday – Cyber Monday success, with more than 1.5 billion shoppers accessing its Salesforce Customer 360 platform which is used by 29 of the top 30 US online retailers. The shopping statistics mirrored those reported by Shopify and Block, with most shoppers preferring mobiles and 10% searching from a social media app. AI adoption by retailers was evident in the 79% increase in the use of chatbot messaging and more than 3.7 billion Service Cloud customer interactions.

Bottom contributors this month *

GE HealthCare

Specialists attending the Society for Immunotherapy of Cancers annual conference were presented with results from a GE HealthCare collaboration demonstrating AI models successfully predicted the outcome of immunotherapies in cancer treatment in as many as 80% of cases. The positive result will improve patient care by assisting medical specialists to select the most appropriate treatment sooner and reduce often severe side effects and costs.

Similar advances in radiology and other scanning methodologies are improving patient outcomes in the face of severe shortages of technically trained clinicians. GE HealthCare has developed a number of deep learning models to analyse medical images across CT, MRI and x-ray technologies. An example is Sonic DL which reads high-quality magnetic resonance images up to 12 times faster than conventional methods, enabling cardiac imaging within a single heartbeat.

Intercontinental Exchange

On the Q3 earnings call ICE President Ben Jackson told investors the platform's Encompass digital mortgage solution was selected by JPMorgan Chase as its loan origination system, adding to acceptance of the platform by a number of major US banks. He commended the rapid and seamless integration of Black Knight's technology and people into ICE's mortgage business and believes it will quickly achieve a significant share of the US\$14 billion mortgage market.

During the month ICE's New York Stock Exchange expanded its relationship with the Abu Dhabi Securities Exchange (ADX). Initially they collaborated to create ICE Futures Abu Dhabi with the Abu Dhabi National Oil Company. Later they extended the partnership to enable ADX to offer services for global investors through the ICE Global Network which provides banks, asset managers, hedge funds and other market participants with direct market access to data and execution services from over 150 exchanges and marketplaces around the world. A subsequent agreement will advance dual listings and development of exchange traded funds, data and index products.

Alphabet

Google and Nvidia announced their latest collaboration at the *Better together* event during the month. Representatives from the two companies described the Nvidia L4 tensor core GPUs which include four video decoders, two video encoders and AVI support. They are designed for advanced, accelerated video and vision AI and AI workload acceleration and provide up to 120 times more AI video performance than CPU-only technology. The chips will run Google Writer, a full stack, complete generative AI platform for enterprises to develop their own AI applications.

eMarketer reported this month that YouTube TV is Google's fastest growing product, estimating it will reach 15.8 million subscribers this year. Nearly 3 billion people watch YouTube at least once a month, with 120 million or more watching daily. Industry analysts suggest YouTube advertising contributes around \$7-\$10 billion in revenue per quarter. Jimmy Donaldson, known as MrBeast, is YouTube's most popular content creator, has more than 200 million subscribers and reportedly earned more than \$50 million this year.

Google DeepMind is due to launch the Gemini multi-modal large AI model in December.

* Contribution is relative to other companies in the Portfolio

Further information

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