

# Swell Global Portfolio

## Monthly Update

31 January 2024



### 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)

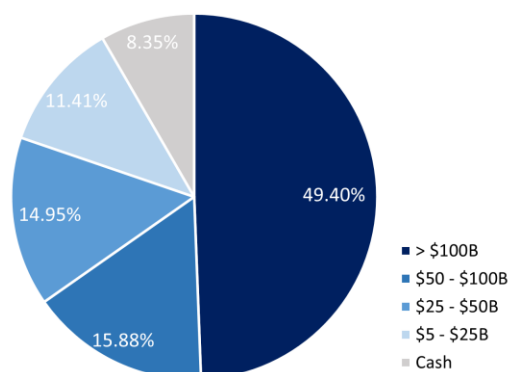
Alphabet Inc	Interactive Media and Services
Amazon.com Inc	Broadline Retail
Intercontinental Exchange Inc	Financial Exchanges and Data
Microsoft Corp	Systems Software
Zillow Group Inc	Real Estate Services

### Portfolio performance

Period	Portfolio %
1 month	3.47%
3 months	20.96%
1 year	47.94%
2 years (pa)	3.74%
3 years (pa)	1.91%
4 years (pa)	4.61%
5 years (pa)	9.75%
6 years (pa)	9.58%
7 years (pa)	11.42%
8 years (pa)	11.86%
Inception	151.71%

Past performance is not indicative of future performance

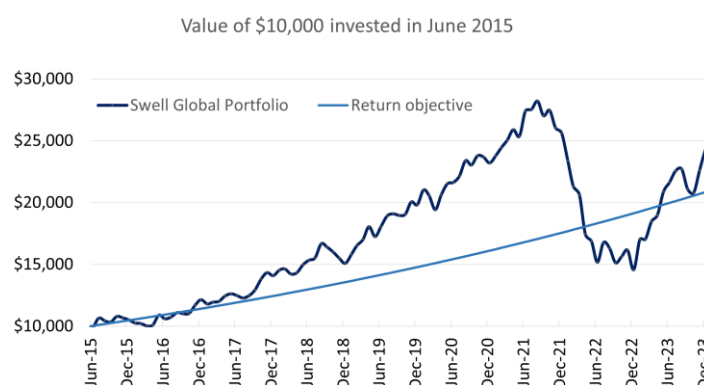
### Market capitalisation (US\$)



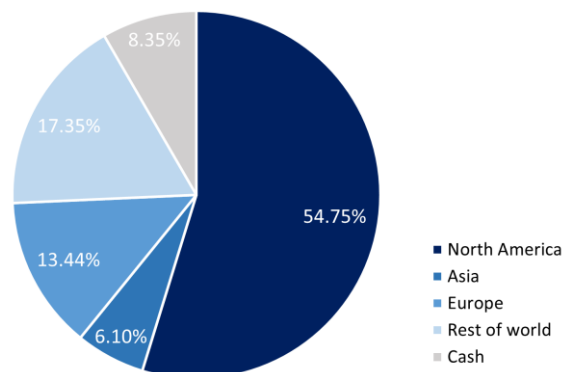
### Key details

APIR	SWE0174A
Structure	SMA
Inception date	18-Jun-15
Strategy FUM	\$65.97 million
Number of companies	14
Minimum investment	\$500,000
Currency	AUD unhedged
Management fee	1.25%
Performance fee	15%
Performance fee	MSCI World net total return (AUD)

### Portfolio performance since inception



### Regional allocation by revenue



## Top contributors this month \*

### Microsoft

Microsoft released December quarter results in January revealing revenue rose 18% to \$62 billion and operating income was \$27 billion, up 33%. Microsoft's three business segments recorded improvements with productivity and business processes up 13%, intelligent cloud up 20% and more personal computing, which includes gaming, up 19%. The number of paid Office 365 seats has passed 400 million and year on year Office 365 commercial seats rose 9%, predominantly from small and medium businesses, while consumer subscriptions rose 16%. CFO Amy Hood said the company was excited by the rate of early adoption of Copilot by enterprise customers. Gaming content and services revenue rose 61% year on year, propelled by finalisation of the Activision Blizzard purchase in October.

At CES 2024 in Las Vegas Microsoft and Walmart revealed enhanced search capabilities on Walmart's digital store enabling "goal searching" rather than "scroll searching". Using Microsoft's Azure OpenAI Service and Walmart's proprietary data a shopper can enter a question rather than searching for a specific product, reducing scrolling time and improving purchasing outcomes. The two companies have worked together since 2018 to drive Walmart's digital transformation and the retailer has already recorded significant efficiency improvements from AI enhanced business functions.

The release of new Copilot options boosted engagement in January. Copilot Pro will provide synchronised support across devices and operating systems for consumers for US\$20 per month. Copilot for Microsoft 365 is now available to all business users for US\$30 per month. It was previously only available to enterprises with more than 300 users.

Feedback from enterprises using Copilot for more than a year found four critical business areas had been transformed: Copilot had enriched employee experiences, reinvented customer engagement, reshaped business processes and driven faster innovation.

### Meta

Meta released Code Llama 70B, the largest and best performing version of its coding model originally released in August last year. The model generates code from natural language and coding inputs, and scored 53% on the HumanEval benchmark which evaluates the code generation capabilities of LLMs. As with previous releases, all three versions of the model will be open sourced.

In January Meta confirmed the critical role AI will play driving future growth when it relocated the Fundamental AI Research (FAIR) team from the research division to work alongside product developers. In an interview with The Verge CEO Mark Zuckerberg said the reorganisation was necessary because "to build the products that we want to build, we need to build for general intelligence". A post from him on Reels confirmed Meta's clear AI strategy with news 350,000 Nvidia H100 GPUs would be installed in its data centres by the end of 2024.

Meta will build a new 65,000m<sup>2</sup> data centre in Jeffersonville Indiana. Dedicated to AI workloads, the facility will house servers and networking equipment powered completely by renewable energy using state of the art cooling technology prioritising water efficiency. At a cost of \$800 million, the data centre is due to be operational by 2026.

### Amazon

At CES 2024 Amazon announced a new partnership with Siemens allowing customers to rapidly build and scale applications on Siemens Xcelerator platform using AI from Amazon's Bedrock managed service foundation model. At the same event Amazon and BMW demonstrated the new Alexa LLM-powered voice assistant which will answer questions about the car's operating systems and recommend driving and comfort features.

At the 2024 National Retail Federation's Retail's Big Show in New York Amazon announced Buy with Prime has been integrated in to the Salesforce Commerce Cloud enabling merchants to offer additional services to Prime members within their Salesforce store. It is available now by invitation and will be rolled out to all US Salesforce Commerce Cloud merchants by the end of the year. Adding Buy with Prime to an ecommerce site increases shopper conversion by 25%.

AWS will construct two new data centres in Mississippi at a cost of \$10 billion and invest \$15.2 billion to expand existing data centre infrastructure in Japan. It will purchase 473MW of renewable energy from the Ocean Winds offshore wind farm in Scotland consuming half the power generated by the farm which is due to be completed by the end of the year. Amazon had committed to being 100% powered by renewable energy globally by 2030, but is now on track to achieve the goal by 2025.

## Bottom contributors this month \*

### Block

Block has completed the reduction in employee numbers announced during its Q3 earnings call last year. At the time the company confirmed employee numbers would be capped at 12,000 globally, down from the 13,000 current count. A number of media outlets reported that Jack Dorsey informed employees the company had determined it would be done at once rather than being staggered over the year, and approximately 1,000 employees were laid off at the end of January.

Block has invested \$25 million through three community banking organisations in California to assist small business tackling climate change and promoting environmental sustainability. A survey of consumers and businesses commissioned by Block found overwhelming support for corporate actions on sustainability and the company has established the sustainable banking initiative in response. The funds will be used to provide loans for businesses involved in projects such as sustainable community housing, renewable energy and green building construction.

Square released its annual Future of Commerce report in January with data based on surveys of 2,000 retail business owners, 2,000 restaurant owners and 4,000 consumers from the US, UK, Canada and Australia conducted late in 2023. The results suggest business owners are optimistic about the year ahead and a majority have plans to expand their operations. Both businesses and consumers responded positively to increasing use of AI and technology, for example ordering through a self-serve tablet and voice ordering. Square GM for Restaurants Ming-Tai Huh said most restaurants are incorporating automation into marketing and kitchen workflows to save time and money.

### GE HealthCare

Celebrating its first anniversary as a standalone business on January 4, GE HealthCare CEO Peter Arduini reflected on the company's progress over its first year. He highlighted important collaborations with trusted partners to address patient and clinical needs and the critical role AI has played and will play in the future of patient centred care. He expressed confidence the company is "working towards a healthier future".

GE HealthCare will acquire MIM Software which develops AI-enabled image analysis and workflow tools. MIM's software systems integrate images from different modalities, automate repetitive tasks and manual functions and process diagnostic imaging and nuclear medicine to help determine therapy responses and create treatment plans. Taha Kass-Hout, Chief Technology Officer at GE HealthCare said merging the two businesses "is a fusion of innovative visions, aimed at evolving the way we detect, treat and manage disease." The acquisition will be funded from cash on hand.

The Prucka 3 Digital Amplifier for the CardioLab EP (electrophysiology) Recording system was launched this month. The amplifier improves fidelity of the heart measurement signal through signal-filtering and enhanced noise reduction to facilitate more accurate diagnosis of irregular heart rhythms. The technology is another component of GE HealthCare's image guided systems for cardiac imaging.

### Zillow

Zillow will support consumers who pay rent through the Zillow app by reporting on-time payments to US credit management bureau Experian, assisting renters to build a credit history. Announcing the service, Zillow noted hundreds of billions of dollars are spent on rent in the US but the payments have no impact on the credit rating of the renters.

At a real estate industry event in New York Zillow President Susan Daimler said the company has made substantial progress in developing the super app it announced two years ago. She described the Zillow platform as a valuable ecosystem providing a customised service for home sellers and buyers and agents and was enthusiastic about recent enhancements incorporating Showing Time and Follow Up Boss.

Integrated home buying is now active in nine Enhanced Markets where home buyers using the Zillow platform can access integrated mortgage processing and simplified real-time inspection scheduling in addition to the standard platform services. Four new enhanced markets are due to come online within weeks in Los Angeles, Portland, Sacramento and San Diego.

Venture capitalist Bill Gurley has been reappointed to the Zillow board. He was previously a board member between 2005 and 2015.

\* 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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