

Swell Global Portfolio

Monthly Update



29 February 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)

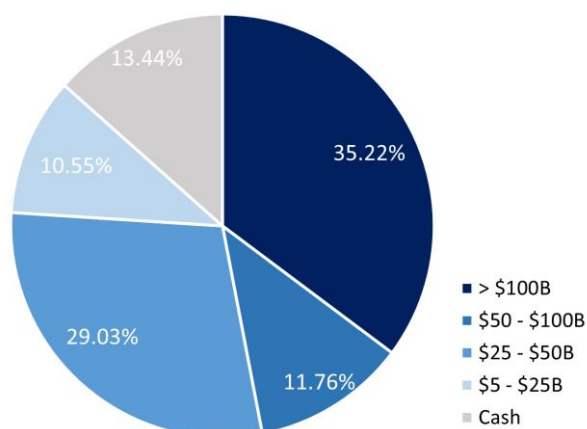
Amazon.com Inc	Broadline Retail
GE Healthcare	Health Care Equipment
Intercontinental Exchange Inc	Financial Exchanges and Data
Microsoft Corp	Systems Software
Zillow Group Inc	Real Estate Services

Portfolio performance

Period	Portfolio %
1 month	7.64%
3 months	19.72%
1 year	59.05%
2 years (pa)	12.73%
3 years (pa)	3.51%
4 years (pa)	7.16%
5 years (pa)	10.39%
6 years (pa)	10.80%
7 years (pa)	12.40%
8 years (pa)	12.94%
Inception	170.96%

Past performance is not indicative of future performance

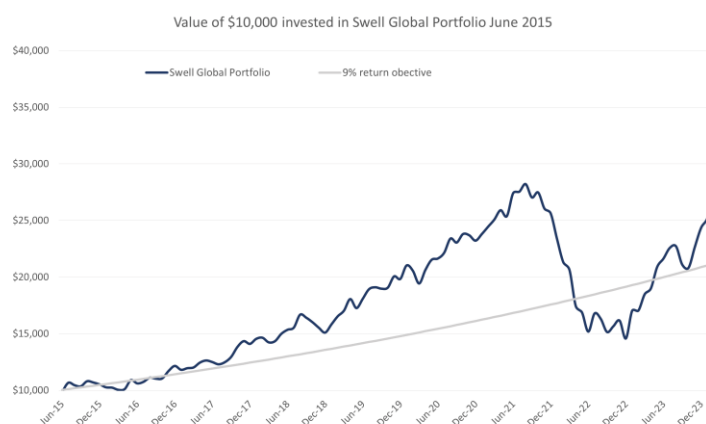
Market capitalisation (US\$)



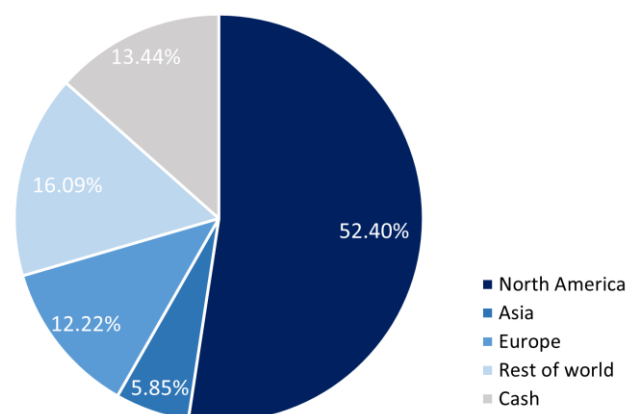
Key details

APIR	SWE0174A
Structure	SMA
Inception date	18-Jun-15
Strategy FUM	\$75.84 million
Number of companies	15
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 *

GE HealthCare Technologies

Revenue was \$5.2 billion and operating income was \$689 million for the fourth quarter of operation following its separation from GE. Against comparable figures for Q422, revenue was up 5% while operating income fell. Margins improved across the four market segments and \$1 billion in debt has been repaid. The company expects revenue growth of 4% for the year ahead and further margin expansion reflecting an improved capital equipment landscape.

The acquisition of MIM Software which develops AI-enabled image analysis and workflow tools will enhance existing precision equipment and automated systems. MIM Software features include integrating diagnostic images from multiple modalities, automating repetitive tasks and manual interventions and advanced processing in diagnostic imaging and nuclear medicine to help determine therapy responses.

GE HealthCare received approval from the US Food and Drug Administration for its Novii+ wireless patch which monitors foetal and maternal heart rates and contractions during labour and birth. The device enables care teams to monitor the mother and her baby without confining her to a bed.

A ten year partnership with two medical service providers in the US states of Michigan and Illinois will embed GE HealthCare's technology in hospital processes and procedures. The partners will be the first to implement the latest version of GE HealthCare's Digital Expert Access, a real-time virtual solution enabling collaboration among radiology teams within a hospital and across multiple locations.

Management have guided to 4% revenue growth in 2024 with improved operating leverage driving adjusted EPS growth between 7% and 11%. We continue to be impressed with GE HealthCare's business strategy and long term outlook.

Amazon.com

A record black Friday cyber Monday shopping weekend propelled Amazon's fourth quarter revenue up 14% to \$170.0 billion. Operating income reached \$13.2 billion well ahead of the \$2.7 billion reported in Q422. AWS revenue rose 13% to \$24.2 billion and the company expects growth to continue with significant interest in its generative AI services. Advertising revenue grew 26% to \$14.6 billion and with the introduction of advertising on Prime's streaming service, growth is expected to accelerate.

The rationalisation of Amazon's fulfilment capacity in the US is largely complete with the creation of eight regional distribution centres. The network has resulted in less handling, shorter delivery times and more cost effective delivery systems which in turn have driven improved retail sales and margins.

Amazon has begun rolling out Rufus, an AI powered shopping assistant to US mobile customers. It is trained on the company's product catalogue and information from across the web including customer reviews and recommendations.

Amazon joined the 30 companies comprising the Dow Jones Industrial Average on February 26, replacing Walgreens Boots Alliance. Announcing the change S&P Dow Jones Indices said it reflects "the evolving nature of the American economy, ... (and will) ... increase consumer retail exposure as well as other business areas" in the index.

Meta Platforms

Fourth quarter revenue rose 25% to \$40.1 billion, operating income was 156% higher than Q422 at \$16.4 billion and Meta will pay its first ever dividend of \$0.50 per share. Management also announced a \$50 billion increase in its share repurchase authorisation.

Investments in technology and AI have advanced both Meta's ad targeting capabilities, leading to a 21% increase in ad impressions in the quarter, and its discovery algorithms, driving improved daily and monthly active user numbers across the family of apps.

Device sales exceeded \$1 billion in the quarter although the Reality Labs division recorded a loss. Following the year of efficiency head count has reduced 22% and expenses were reduced by 8%, leading to a 41% improvement in operating margin.

During the month Meta released the Video Joint Embedding Predictive Architecture (V-JEPA) model, another open source AI resource. The model learns by predicting missing or masked parts of video images and is trained on selectively masked videos with little or no context or supervision. Meta considers the model to be a step towards Yann LeCun's vision of advanced machine intelligence.

Two new board appointments will reinforce Meta's AI strategy. Hock Tan, President and CEO of Broadcom since March 2006 and venture capitalist and energy industry specialist John Arnold joined the board on February 14.

Instagram's creator marketplace operating in the US since 2022 is launching in Canada, Australia, New Zealand, the UK, Japan, India and Brazil. The marketplace enables brands to partner with Instagram creators, and will be enhanced with AI based recommendations for collaborators.

Management have guided to revenue in 1Q24 of between \$34.5 and \$37 billion an increase of around 25% at the midpoint. We expect 2024 to see increased capital investments from running a larger infrastructure footprint and for Reality Labs operating losses to increase meaningfully year over year.

Bottom contributors this month *

ResMed

Second quarter revenue rose 12% to \$1.2 billion and operating income reached \$365.5 million, an increase of 20% from the same quarter last year. Sleep and respiratory care products contributed \$1.1 billion to revenue, up 11% on last year, and SaaS added \$0.1 billion, which was 24% above Q223. Demand for the company's medical devices continues to expand globally.

CEO Michael Farrell provided details of a longitudinal study of more than 500,000 patients taking GLP-1 drugs such as Ozempic. Contrary to market expectations the drugs would reduce demand for CPAP devices, the study found patients taking them were more likely to commence CPAP therapy and to maintain their recommended CPAP treatment regime over time. The post study follow up found the number of patients persisting with their CPAP treatment was even greater over two years for those on GLP-1 drugs than over one year.

ResMed launched the AirCurve 11 series devices, bilevel PAP machines providing higher pressure during inhalation and lower pressure during exhalation. The design aligns more closely with the patient's natural breathing pattern improving comfort and compliance. The devices support continuous monitoring of the user's breathing to stabilise pressure.

The US Food and Drug Administration has approved a sleep apnoea feature on the Samsung watch Health Monitor app. The app monitors breathing to detect signs of moderate to severe obstructive sleep apnoea. It has also been approved by Korean health authorities and is expected to be available in both markets later this year. ResMed consistently points to the large untapped global market for its CPAP products, with estimates of up to 1.4 billion undiagnosed people suffering from a form of obstructive sleep disorder.

Heineken

Heineken recorded a 4.9% increase in revenue in 2023 from 2022, reaching €36.4 billion while operating profit rose 1.7% to €3.2 billion. It held or gained volume market share in over half its markets during the year as the Heineken brand celebrated 150 years of operating. 2023 marked the fourth year of its productivity programme which delivered €0.8 billion in gross savings during the year, reaching a cumulative €2.5 billion gross savings overall.

The company is seeing tangible results from digital transformations, capturing data and customer insights from operations around the globe and driving operational efficiencies and sales growth. It cited a 50% increase in productivity from the Mexican sales team driven by AIDDA, an AI application used to predict customer churn, identify price discrepancies and suggest optimal sales routes.

European and UK rights to the Foster's Lager brand are held by Heineken and this month it launched Foster's Proper Shandy. The low alcohol (3%) lager caters to the 40% of younger people who prefer to drink less alcohol and packs of four or ten 440ml cans are available at supermarkets.

Continuing to make strides towards its Brew a Better World strategy for 2030, this month Heineken opened a 6 km² solar thermal field in Spain. The 4MW plant will store up to 1.5MWh and power the local brewery with more than 40% renewable energy. Spanish beer operations are targeting 100% renewable energy by 2025 and hope to reach more than 60% this year.

Management have guided to revenue growth in 2024, balanced between volume and value. We expect improved operating leverage to deliver mid single digit operating profit growth in 2024.

S&P Global

Q4 revenue was \$3.2 billion, 7% higher than Q422 and operating profit reached \$1.4 billion, 15% above last year. Revenue in all business segments rose in the quarter and over the year, increasing 8% for the full year. Cost synergies flowing from the IHS Markit merger in 2022 exceeded the \$600 million targeted for the year with an additional \$19 million in savings. The Company returned \$4.4 billion to shareholders in 2023, including \$1.1 billion in dividends and \$3.3 billion in share repurchases.

Investments in technology and AI will be driven by two key executive appointments to develop an AI flywheel driven by S&P's proprietary data and Kensho tools which transform unstructured data into meaningful business insights.

Christopher Craig has been appointed interim CFO following the departure of Ewout Steenberg. He has been with the company for more than thirteen years and was previously Chief Accounting Officer. Internal and external candidates are still being evaluated for the role.

S&P will acquire Visible Alpha, a finance technology business providing industry and segment data, sell-side analyst models and analytics. The acquisition will create a premium offering of fundamental investment research capabilities on S&P Global Market Intelligence's Capital IQ Pro platform.

The S&P 500 Biodiversity Index and S&P Global Large Mid Cap Biodiversity Index were launched in February. Both track equities from the S&P 500 and S&P Global Large Mid Cap indices which align with environmental and biodiversity objectives. Selection is based on S&P Global Sustainable1's Nature & Biodiversity Risk dataset, which assesses nature-related impacts and dependencies across a company's direct operations.

Management have guided to revenue growth in 2024 in the range of 7% to 9% together with 100 basis points of operating margin expansion. This guidance will deliver double digit adjusted EPS growth in 2024.

*Contribution is relative to other companies in the Portfolio

Further information

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