

# Swell Global Portfolio

## Monthly Update



October 31 2024

### About

The Swell Global Portfolio is an absolute return, benchmark unaware global equities strategy with flexibility to invest in companies listed in developed markets globally. It targets a return of 9% per annum after fees over three-year periods.

### Top 5 holdings (alphabetical)

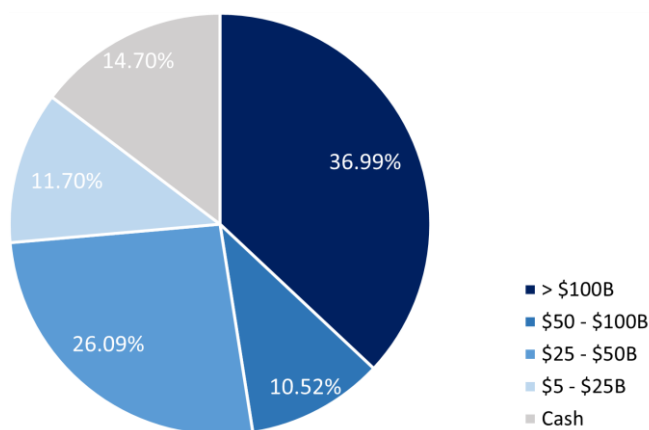
Amazon.com Inc	Broadline Retail
Block Inc	Transaction & Payment Processing
Intercontinental Exchange Inc	Financial Exchanges & Data
Microsoft Corp	Systems Software
Zillow Group Inc	Real Estate Services

### Portfolio performance

Period	Portfolio %
1 month	2.84%
3 months	3.72%
1 year	36.88%
2 years (pa)	34.91%
3 years (pa)	1.23%
4 years (pa)	4.61%
5 years (pa)	8.37%
6 years (pa)	10.09%
7 years (pa)	10.88%
8 years (pa)	12.56%
9 years (pa)	11.16%
Inception	184.88%
Inception (pa)	11.87%

Past performance is not indicative of future performance

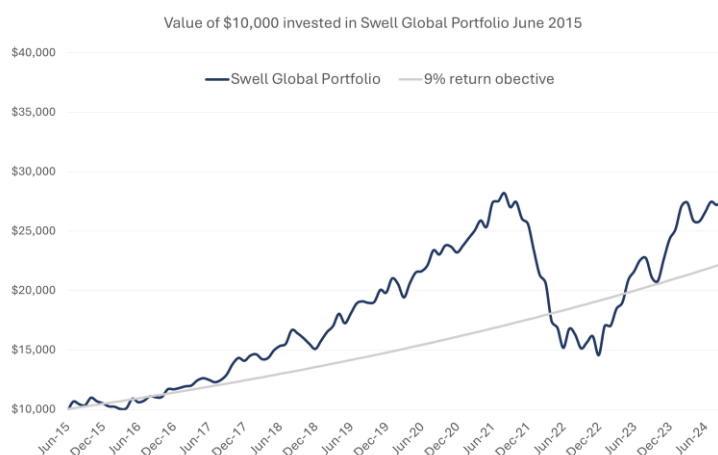
### Market capitalisation (US\$)



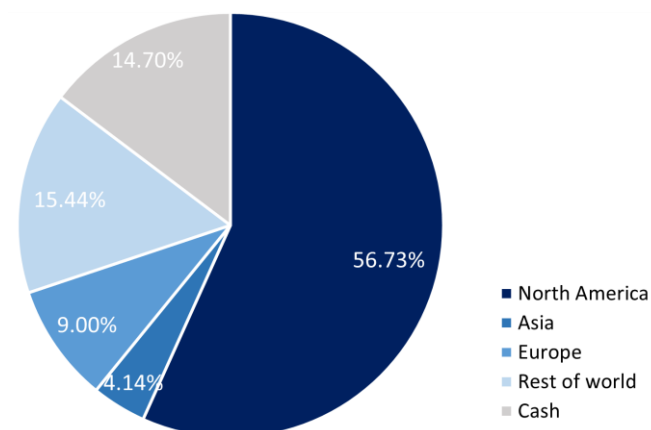
### Key details

Structure	SMA
Inception date	18-Jun-15
Strategy FUM	\$72.82 million
Number of companies held	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 \*

### Block Inc

Third quarter revenue was \$5.9 billion and gross profit rose 18.5% to \$2.3 billion. Cash App gross profit rose 21.2% to \$1.3 billion and Square gross profit rose 15.8% to \$932.4 million. CFO Amrita Ahuja told investors Square GPV trends have improved in recent months and in October global GPV was showing double digit growth. Block raised its guide on adjusted operating income and adjusted EBITDA for the full year and maintained the gross profit guidance it provided in August.

Jack Dorsey's letter to shareholders focussed on the company's lending products and the imminent launch of Afterpay on Cash App Card which will provide a better alternative to credit cards for the 24 million current Card users. He said the company's lending products provide Block with an ecosystem that can increase access to multiple customer types and grow both sides of the counter, all at a scale unmatched in the industry.

Block has partnered with ride sharing business Lyft so users can pay for their ride with Cash App Pay, seamlessly linking Cash App to the Lyft app for its 23.7 million active riders.

Square announced a new integration with SalonCentric, the largest beauty product B2B distributor in the US with more than 1 million active customers and over 600 brick-and-mortar stores. Sellers can purchase a Square Reader in SalonCentric stores, receive promotional pricing for Square Appointments Plus and earn additional revenue from drop shipped hair and beauty products from SalonCentric. The integration also reduces admin tasks for merchants by handling logistics from packing and shipping to delivery within the Square app.

Square has released Orders Platform, completing a major infrastructure upgrade announced during the Q2 earnings call. Orders Platform is available to all US merchants and provides more flexible options including pre authorisations, order ahead, open a bar tab or set up a subscription. It offers improved functionality for merchants and greater efficiency for Square developers to create and integrate new features and services. Saumil Mehta, Head of Product for Square said "we expect this will accelerate product velocity going forward."

### Amazon.com Inc

Third quarter revenue rose 11% to \$158.9 billion. AWS was up 19% to \$27.5 billion, North America rose 9% to \$95.5 billion and International gained 12% to \$35.9 billion. Advertising revenue continues to climb, rising 19% to \$14.3 billion this quarter. Net income rose 55% to \$15.3 billion and diluted EPS reached \$1.43. The company revealed its AI business is growing three times faster at its current stage of evolution than AWS did.

CEO Andy Jassy said AWS is critically assessing customer plans and developing capacity to address their AI data needs while maintaining margins, although he believes margins in the AI space will grow over time as the market matures.

Expanding AI capacity necessitates continued capital expenditure, and he said growing demand for Amazon's new Trainium 2 chip has required a significant ramp up in production.

A new line of Kindle readers was released in October. The Kindle Colorsoft provides faster performance and higher contrast in both colour and black and white content. Kindle Scribe enables users to add written notes to books. The notes become part of the page, and the book text dynamically flows around them. Kindle Paperwhite offers 25% faster page turns and a high contrast 7-inch display. It is the thinnest Paperwhite ever, with up to three months of battery life.

Amazon launched a beta version of its AI creative studio and audio generate in the US. The tools are designed to help advertisers be more creative and design more dynamic and engaging experiences for customers. Advertisers can use AI creative studio to generate, refine and publish high-quality ads produced from a single product shot, product page or existing ad. An AI gallery offers inspiration for designs and themes, and Amazon provides unlimited storage for advertisers to manage campaigns.

### ResMed Inc

First quarter revenue increased 11% to \$1.2 billion with devices generating 52%, masks and accessories 35% and software 13%. Globally, device sales increased by 10%, while masks and other sales increased by 11%. Gross margin increased 320 basis points to 59.2%, primarily driven by manufacturing efficiencies, component cost improvements and an increase in average prices. CFO Brett Sandercock confirmed the company expects to maintain gross margin in the range of 59-60% for the full year. Operating income was \$406.4 million, an increase of 27%.

During the quarter ResMed celebrated 35 years of operations and the 25th anniversary of its listing on the New York Stock Exchange.

The AirTouch N30i nasal mask was launched this month. It is the first mask with a frame wrapped in fabric, designed for optimal adjustment to the face and head shape for an easy fit and a tube-up design to keep tubing out of the way so users can sleep in any position. A quick-release elbow makes it easy to disconnect the mask from tubing if users need to get up at night.

US and Canadian users of the newer Air11 devices have access to updated features in ResMed's myAir app. The Personal Therapy Assistant offers video instructions to guide patients through equipment setup and experience how it feels to receive PAP therapy using an acclimation tool. Once the patient is setup with a device Care Check-In supports them to self-resolve common therapy issues. Patients using myAir receive a nightly score based on the length of time they used the device, the firmness of the mask seal, number of adverse breathing events per hour and the number of times during the night the mask was removed and refitted.

## Bottom contributors this month \*

### GE HealthCare

Third quarter revenue was \$4.9 billion and net income rose 25% to \$470 million. Revenue growth in the US and in Pharmaceutical Diagnostics was offset by continued market softness in China. Adjusted EPS rose 15% to \$1.14. Business segments were amended this quarter, with image guided therapies moving from Imaging to Ultrasound which has been renamed Advanced Visualisation Solutions. Revenue in those two segments was in line with last year while Pharmaceutical Diagnostics revenue grew 6% and Patient Care Solutions grew 2%. The focus on improving margins continues, as gross margin increased 150 basis points to 42.5% and adjusted EBIT margin rose 90 basis points to 16.3% driven by diligent cost control, targeted price increases and higher margins on new AI enhanced products.

GE HealthCare is collaborating with radiology services company Blackford to facilitate quicker diagnosis and treatment. GE HealthCare sees AI orchestration as an enterprise capability enabling healthcare providers to access a curated selection of clinical imaging applications with minimal effort and overhead. The collaboration provides a single contact for sourcing a variety of clinical applications and a validated and easier process for integrating AI into workflows.

GE HealthCare's CareIntellect applications use cloud-based infrastructure to combine patient data from disparate systems into a single view. Generative AI is used to summarise clinical notes and reports and identify relevant data to assess disease progression and inform proactive interventions.

The first application targeting oncology will organise structured and unstructured data (medical images, medical records, notes and device readings), summarise complex medical histories, support treatment response assessments, help assess clinical trial eligibility and track adherence to treatment protocols. CareIntellect enables clinical teams to complete one integration then incorporate additional data streams into the cloud application to minimise costly and time consuming product-by-product integrations.

### Zillow Group

Third quarter revenue rose 17% to \$581 million, with residential up 12% to \$405 million, rentals up 24% to \$123 million and mortgages up 63% to \$39 million. Net loss for the quarter was \$20 million on adjusted EBITDA of \$127 million. 2.4 billion visitors used the mobile apps, an increase of 3%. Enhanced markets have been rolled out in 43 cities, ahead of Zillow's target of 40 by the end of 2024, and more than 80% of enhanced market connections are being managed through Follow Up Boss.

Zillow now has 47,000 multifamily properties (with at least 25 separate rental units) on the platform, having added nearly 10,000 in 2024. Multifamily revenue was up 38% and is expected to be the main driver of future rental revenue growth. Costs increased 14% during the quarter, predominantly due to expansion of the Rentals and Showcase sales teams, additional loan officers in Zillow Home Loans and spending on the Rentals marketing campaign.

Zillow Group finalised its acquisition of Virtual Staging AI on October 7. Its AI-powered technology generates listing photos that are nearly indistinguishable from traditionally staged listings. Agents can upload room photos, select a room type and furniture style and create high-quality, fully staged images with the click of a button. Zillow is currently integrating the technology into its Showcase platform.

Zillow and Realtor.com announced an agreement to share Zillow 3D Home tours, interactive floor plans and photos in listings syndicated to Realtor.com. The collaboration means agents can share immersive virtual content on both sites. Cynthia Taylor, Zillow VP of product confirmed the arrangement was a win win, noting "At Zillow, we have long believed that more rich, interactive listing content benefits buyers, sellers and agents. That's why we provide our Zillow 3D Home technology to the industry for free, and it's why we're excited about collaborating with Realtor.com to share our 3D tours and interactive floor plans with more shoppers."

### Heineken NV

Third quarter revenue rose 3.3% to €9.1 billion. Beer volume grew 0.7% overall, with premium brands up 4.5% and the Heineken brand up 8.7%. Heineken 0.0 grew 3.4%, led by Brazil, USA and Vietnam while Heineken Silver grew just under 30% with continued strong growth in China and Vietnam, and non-alcoholic beer and cider grew 11.0%. Net revenue was €7.7 billion, which was up 3.3%.

CEO Dolf van den Brink confirmed the company remains on track to grow operating profit 4-8% and realise €0.5 billion in gross savings over the year. On the earnings call CFO Harold van den Broek told analysts that in aggregate the company is cautious on the outlook, but he believes they have levers to pull to create predictable and consistent performance into 2025.

Heineken 0.0 is a major sponsor of the year long festivities planned to commemorate Amsterdam's 750<sup>th</sup> birthday on October 27 2025. The celebrations began on October 27 with an open air concert and will continue through 2025.

At the Silver Live Out Festival in Mexico and Amsterdam Dance Event in the Netherlands Heineken introduced new technology to reiterate its message to leave smart phones at home and enjoy the moment. An infrared display above bands at the events, invisible to the naked eye but visible on smartphone cameras, read "Keep the moment in your memory not on your phone". Heineken has made the technology publicly available to any artists who wish to display it at their performances.

\* Contribution is relative to other companies in the Portfolio

## Further information

Manager Swell Asset Management Pty Limited  
 ABN 16 168 141 204  
 CAR No. 465285  
 AFSL 460572

Administrator Mason Stevens Limited  
 ABN 91 141 447 207  
 AFSL 351576

Custodian Mason Stevens Limited  
 AFSL 351576

Sub-custodians Citibank N.A. New York and  
 Citigroup Pty Limited

## Investment partners



## Signatory



## Office

Suite 10.02  
 Level 10  
 Corporate Centre One  
 2 Corporate Court  
 Bundall Qld 4217  
 07 5551 0299  
[info@swellasset.com.au](mailto:info@swellasset.com.au)

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