

Swell Global Portfolio

Monthly Update



December 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)

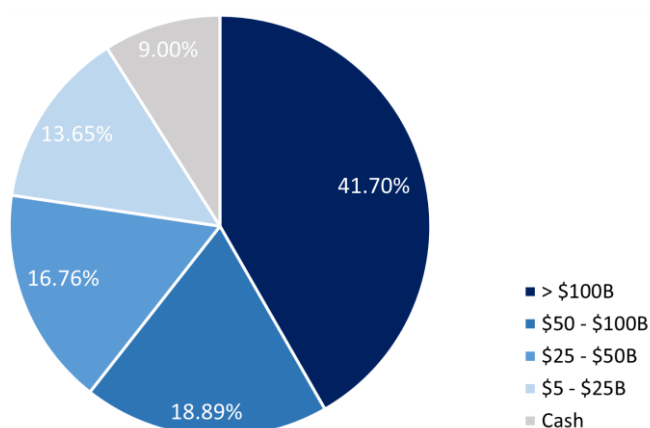
Amazon.com Inc	Broadline Retail
Block Inc	Transaction & Payment Processing
Intercontinental Exchange Inc	Financial Exchanges & Data
Microsoft Corp	Systems Software
Zillow Group Inc	Real Estate Services

Portfolio performance

Period	Portfolio %
1 month	0.88%
3 months	14.09%
1 year	29.90%
2 years (pa)	47.25%
3 years (pa)	7.26%
4 years (pa)	8.03%
5 years (pa)	9.77%
6 years (pa)	13.11%
7 years (pa)	12.22%
8 years (pa)	13.22%
9 years (pa)	13.00%
Inception	216.05%
Inception (pa)	12.88%

Past performance is not indicative of future performance

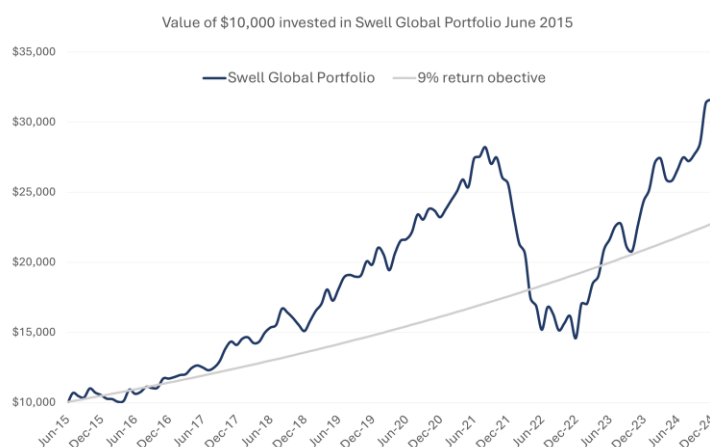
Market capitalisation (US\$)



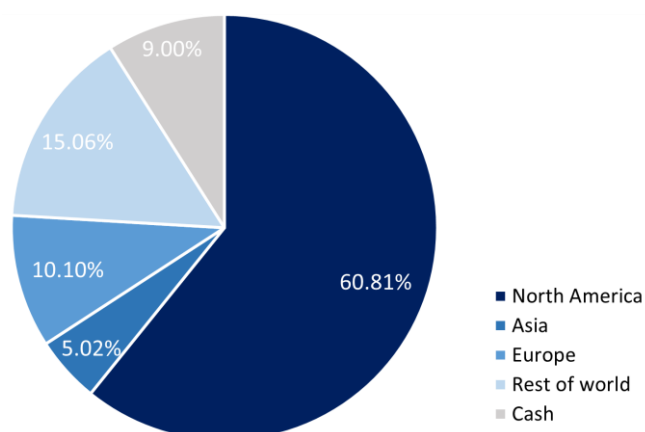
Key details

Structure	SMA
Inception date	18-Jun-15
Strategy FUM	\$80.70 million
Number of companies held	18
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 *

Amazon.com Inc

At its Re:Invent conference in Las Vegas AWS CEO Matt Garman announced the general availability of Trainium2-powered Amazon Elastic Compute Cloud (EC2) and the release of Trn2 UltraServers. EC2 are virtual servers that provide adaptable compute capacity for high-performance deep learning training of generative AI models, and Trn2 is the highest performing Amazon EC2 instance which combines 16 Trainium2 chips with ultra-fast NeuronLink high-bandwidth low-latency chip-to-chip connections. Trn2 UltraServers connect four Trn2 servers into one giant server for customers needing to scale generative AI workloads across 64 Trainium2 chips.

The release of Trainium3 chips in 2025 will allow even faster development and larger models with superior performance. It will be the first AWS chip made with a 3-nanometer process node with superior performance, power efficiency and density. Trainium3-powered UltraServers are expected to perform at four times the capacity of Trn2 UltraServers.

Amazon Autos launched in December, offering new vehicles from Hyundai dealers in 48 US cities. Customers can search available vehicles from local participating dealers and once they select a vehicle can secure financing, e-sign paperwork and complete their order with a few clicks. After finalising their payment customers select a time to pick up their new car from the local dealer. Amazon expects additional dealers and brands to be added this year.

On December 4 Amazon tested its first drone delivery flight in San Salvo in Italy's central Abruzzo region. The company hopes to begin commercial drone deliveries in Italy this year and is working with regulators to progress approval. UK authorities have selected Amazon and five other companies to test drones for deliveries and other services although they have not suggested a timeframe.

Microsoft Corporation

Mercedes Benz has expanded its MBUX Voice Assistant capabilities in all production vehicles with a new general knowledge function using Microsoft Bing search and ChatGPT through Microsoft Azure OpenAI Service. The voice assistant is currently available in German, British English and US English and was released as an update during the month.

Microsoft released the Phi-4 small language model in December which specialises in complex reasoning. It was trained on high-quality synthetic datasets and curated organic data and has outperformed comparable and larger models on mathematical reasoning tasks.

Following General Motors decision to discontinue development of the Cruise robotaxi Microsoft revealed its second quarter results, due to be released on January 29, will reflect an \$800 million impairment charge relating to its investment in the project. It is estimated to have a negative impact of approximately \$0.09 to second quarter diluted earnings per share.

Alphabet Inc.

During the month Google released the latest versions of its AI model, Gemini 2.0 and its video and image generating models Veo 2 and Imagen 3. Gemini 2.0 supports an agentic interface which generates text, speech and images from diverse inputs while Veo 2 is finetuned for cinematography, enabling users to specify a genre, lens and cinematic effects for video output. Imagen 3 can render more diverse art styles with greater accuracy, following prompts more faithfully and rendering richer details and textures.

Google's sixth generation Trillium tensor processing units (TPUs) were released to Google Cloud customers in December, offering improved training performance and inference throughput and a 67% increase in energy efficiency. Trillium TPU is a major component of Google Cloud's AI Hypercomputer that utilises an integrated system of performance-optimised hardware, open software, leading ML frameworks and flexible consumption models.

Waymo announced it will partner with Japanese taxi company Nihon Kotsu and Go to introduce its self driving vehicles to Tokyo in 2025. Initially, Nihon Kotsu drivers will operate the vehicles manually to map the city and provide data on left hand driving strategies. The company also plans to expand operations in the US to another seven cities during the year.

Bottom contributors this month *

Zillow Group Inc

At the BrainstormAI conference Nicholas Stevens, VP of Product AI joined a panel addressing the topic “using AI to meet customers where they are”. He outlined how Zillow was using AI-powered tools to help real estate professionals work faster and more efficiently by automating tasks like summarising phone calls, sending follow-ups and setting reminders. He said it was also transforming the home moving experience by removing friction for buyers, sellers and renters.

On December 18 Zillow completed the redemption of 1.375% Convertible Senior Notes due in 2026. The Notes valued at around \$500 million were converted into 4.5 million Class C shares.

Zillow's 2024 review found Manchester, New Hampshire was the most popular location in the country for a new home, and the Northeast dominated the list for the second consecutive year. The list is compiled from housing metrics assessing consumer demand through page-view traffic, home value growth and how quickly homes sell.

The Midwest also performed well, while only one West Coast market made the top 10. The majority of the most popular cities were exurbs — smaller towns situated beyond the suburbs but within commuting distance of a major metropolitan area. Zillow believes the increase in hybrid work is contributing to the trend, leading more people to consider locations they may have previously overlooked when a daily commute was mandatory, in communities which strike a balance between affordability and lifestyle. The top five locations were Manchester New Hampshire, Rockford Illinois, Stamford Connecticut, Columbia Maryland and Bridgeport Connecticut.

Intercontinental Exchange

The December 2024 ICE Mortgage Monitor Report, based on the company's mortgage, real estate and public records data sets found a brief “boomlet” in borrowing activity in September and October this year. When 30-year mortgage interest rates fell to the low 6% range the industry experienced a burst of refinance activity. Andy Walden, VP of Research and Analysis said “Homeowners pounced on their incentive to refinance as rates fell through August and September, and more than 300,000 mortgage holders closed on refinance transactions in September and October, the most we've seen in two-and-a-half years. What's more, almost half of that activity involved the homeowner refinancing into a better rate, with October marking the first time in three years that there were more rate/term than cash-out refinances in a given month.”

ICE data also showed average closing times among all loan types reached their lowest October levels in the five years ICE has been tracking the metric. This translated into higher retention rates, with servicers retaining more than a third of customers refinancing to improve their rate or term, the best in two and a half years.

ICE has signed an agreement with the city of Jacksonville in Florida to locate the head office of its Mortgage Technology division in the city, which was home to Black Knight prior to its acquisition. The city council is providing financial incentives for the move which will also entail growing the 1,500 person mortgage tech workforce by one third over seven years.

ICE launched MSCI MarketAxess Tradable Corporate Bond Index futures on December 12 based on MSCI and MarketAxess' corporate bond indices. They aim to provide a performance benchmark for the corporate bond market, incorporating sector and credit allocation to reduce tracking error to the MSCI parent indices and reliably replicate the credit market. The new contracts complement three other futures contracts for institutional investors to integrate corporate bond hedges into the investment process

ResMed Inc

CEO Mick Farrell and the executive team visited Singapore during the month to formally launch the ResMed 2030 strategy and announce the planned expansion of its manufacturing facility in the country. The 2030 strategy focusses on delivering respiratory relief to up to 500 million people living with obstructive breathing disorders.

The ResMed Kontor Head Strap for Apple's Vision Pro was released. It is designed to overcome the discomfort of existing head straps for the Apple device, distributing the significant weight of the Vision Pro with modular counterweights. The strap is available from Apple's website for US\$119.95.

Eli Lilly received FDA approval for its weightloss drug Zepbound as a treatment for sleep apnoea this month. In clinical trials patients taking Zepbound had significantly fewer breathing disruptions than those on a placebo. Additionally, the trials tested the drug in combination with use of a CPAP device, and again found significant improvement. Both CEO Mick Farrell and CMO Carlos Nunez have previously welcomed the proliferation of weightloss drugs in treating sleep apnoea as they are expected to increase awareness of the disorder and encourage more people to seek treatment.

* Contribution is relative to other companies in the Portfolio

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