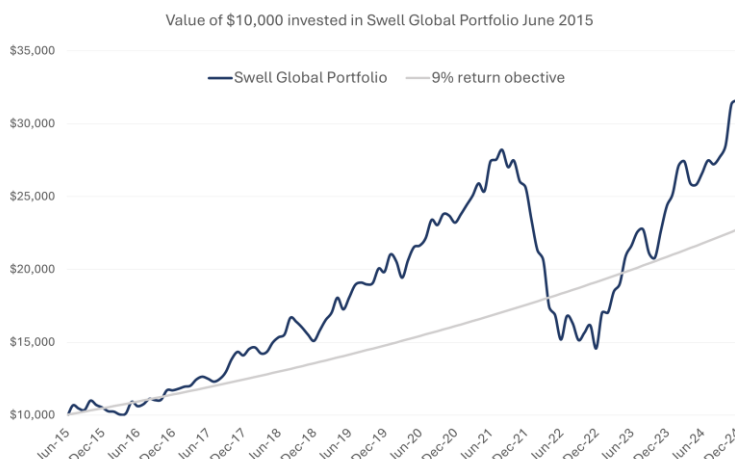


## Portfolio performance

Period	Return
6 months	18.88%
1 year	29.90%
2 years (p.a.)	47.25%
3 years (p.a.)	7.26%
4 years (p.a.)	8.03%
5 years (p.a.)	9.77%
6 years (p.a.)	13.11%
7 years (p.a.)	12.22%
8 years (p.a.)	13.22%
9 years (p.a.)	13.00%
Inception	216.05%



2024 was a year of strong market performance, buoyed by resilient earnings and optimism across sectors. The Swell Global Portfolio increased 29.90% over the calendar year.

## Market conditions

The investment landscape in 2025 presents new challenges, including volatile interest rates, pockets of economic uncertainty and a fluid political landscape. Despite these headwinds, we see bright spots in technology, healthcare and real estate that position our portfolio well for the future.

## Portfolio investments

During the half we reduced our holding in Alphabet following Judge Mehta’s landmark ruling that Google maintained an illegal monopoly in online search. He is yet to determine remedies, but the Department of Justice has filed a brief for his consideration which includes recommendations for both behavioural and structural remedies. Behavioural remedies, for example forcing Google to share data with competitors, would damage Google’s competitive position. Structural remedies involving breaking up segments of the company would materially impact its ability to collect data and would therefore compromise ad targeting and thus revenue. As most potential remedies are detrimental to Google’s business, and since the first rule of investing is to protect capital, we have taken a cautious approach.

We added Accenture PLC, Danaher Corporation and Intuit Inc. Accenture is a professional services company which works with businesses and governments to optimise their operations and improve their profitability. Danaher develops life science processes and diagnostics. Intuit operates financial and business software and service platforms. They are all global leaders in their sectors exhibiting the high quality we demand of Portfolio investments.

Previously their valuations were too high to pass our investment threshold but with their stock prices falling recently, they reached our conservative estimation of their intrinsic value. As the market is focussed on short term revenue potential we see an opportunity over our expected holding period of 5-7 years. Additionally, we believe management at each company has the expertise to turn around the specific problems which drove the share price decline.

Our initial investments in these companies are small as we continue to assess their long term potential and value relative to other portfolio holdings. At the end of the half our cash weighting was 9.00%.

Our top three performers in the half were Zillow, Block and Amazon, and we discuss each company below.

### Zillow

At the Q2 results event Rich Barton revealed he handed the role of CEO to Jeremy Wacksman, who joined Zillow from Microsoft in 2009 and had been COO for the last three years, leading significant innovation in marketing and operations. Barton joins his founding partner Lloyd Frink as co-executive chair of the Zillow board.

Second quarter revenue rose 13% to \$572 million, with residential up 8% to \$409 million, rentals up 29% to \$117 million and mortgages up 42% to \$34 million. Net loss for the quarter was \$17 million on adjusted EBITDA of \$134 million. During the quarter 2.5 billion visitors used the mobile apps, an increase of 4%. Additionally Zillow doubled the number of markets offering real time touring, which significantly

improves the transaction conversion rate over other app interactions, achieving its target of 20% of conversions coming from real time touring six months earlier than planned. The number of multifamily rental properties on the platform increased to 44,000 and visitors to the rental site grew by 20%.

Between 2015 and 2024 Zillow's rental market revenue CAGR reached 42% and it is estimated to be a \$1 billion revenue opportunity over time. Zillow calculates there are three times as many renter movers as for-sale movers in the US and in an interview with Bloomberg Television's Open Interest program Mr Wacksman described the rental market as counter-cyclical to housing markets, with a strong tailwind.

He said "There's no national database out there. What we've been able to pull together is the most listings, not just the big buildings, but the millions of single family homes out there that are for rent. And that's driven the largest audience. We have the most renters coming to Zillow, to Streeteasy, other sites to find their place. That's now what's attracting advertisers, these big folks trying to fill their buildings, and that's what's driving revenue growth. We see that business continuing to grow."

Zillow improved its AI natural language tool so users can search in the app by simply describing their ideal home. They can specify details such as home layout, style, location or commute time, affordability and proximity to schools and destinations. Zillow analyses listings to deliver the most relevant homes or rentals based on the user's preferences and users can save searches and ask the app to notify them when new listings matching their search criteria come online. Natural language search is currently delivered on iOS and Android apps and will soon be available on the web platform.

Zillow extended its US homes for sale data base to include climate risk data provided by First Street, the standard for climate risk financial modelling. It incorporates five key risks — flood, wildfire, wind, heat and air quality — with risk scores, interactive maps and insurance requirements, offering insurance recommendations with historical insights, showing if or when a property has experienced past climate events, such as flooding or wildfires.

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.

By the end of the quarter Zillow had 47,000 multifamily properties 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.

The acquisition of Virtual Staging AI closed 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 images with the click of a button. Zillow is integrating the technology into its Showcase platform.

The Zillow app added BuyAbility, an affordability tool from Zillow Home Loans which gives buyers an up to date estimate of the home price and monthly repayment they can afford and their likelihood of qualifying for a loan. Home searchers enter basic financial information and BuyAbility generates an estimate of the mortgage value for which they might qualify and a recommended maximum purchase price based on their preferred monthly payment limit.

#### Block

Second quarter revenue reached \$6.16 billion and gross profit was up 20% to \$2.23 billion. Cash App gross profit rose 23% to \$1.3 billion and Square gross profit rose 15% to \$923 million. A major Square upgrade was forecast to be live by September, minimising the time it takes merchants to sign up and reducing the number of separate apps from four to one. CFO Amrita Ahuja told investors it "moves us from a payment-oriented platform towards a sales-oriented platform".

The initiative to position Cash App as the preferred financial service for households earning up to \$150,000 continues and the company is testing marketing and incentives to encourage users to sign up. Afterpay co-founder Nick Molnar will establish a high performing sales culture as leader of a centralised Square sales team, reporting to Jack Dorsey.

In October Square completed the major infrastructure upgrade announced during the Q2 earnings call. Orders Platform was made available to all US merchants providing 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."

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 improved in recent months and in October global GPV was showing double digit growth. Block raised guidance 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 at a scale unmatched in the industry.

Block 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.

Block's bitcoin self custody wallet Bitkey introduced an inheritance plan enabling wallet owners to transfer funds held in their Bitkey wallet to a designated beneficiary after their passing. Bitkey was created to extend access to self-custody and empower people to manage their bitcoin simply and securely. Unlike other cryptocurrency accounts it does not use long and complex passwords and has a simple onboarding process.

Block was an early adopter of Anthropic's new Model Context Protocol (MCP), an open standard used by developers to build secure, two-way connections between their data sources and AI-powered tools. Block CTO Dhanji Prasanna said "open source is the foundation of our work and a commitment to creating technology that drives meaningful change and serves as a public good for all. Open technologies like the Model Context Protocol are the bridges that connect AI to real-world applications, ensuring innovation is accessible, transparent, and rooted in collaboration."

Block's annual impact investments were established in 2019 to improve financial security in minority and under resourced communities. In 2024 the Community Bank of the Bay in California named Block its sustainability partner of the year. The Bank cited an impact investment which enabled a 7% increase in focused lending through the Bay Area Green Fund, fuelling sustainable growth across the bank's operating region.

### Amazon

Second quarter revenue rose 10% to \$148.0 billion. AWS was up 19% to \$26.3 billion, North America rose 9% to \$90.0 billion and the International segment gained 7% to \$31.7 billion. Net income was \$13.5 billion and diluted EPS reached \$1.26. A major driver of the growth in North America revenue was

Prime customers utilising same day delivery to purchase everyday essentials like nonperishable foods as well as health, beauty and personal care items.

CEO Andy Jassy identified three macro trends driving AWS growth: companies in the cloud seeking greater functionality; second companies continuing to move their IT spend from on-premises to the cloud; and third companies seeking opportunities to leverage AI in their businesses. Capital expenditure in the first half of the year was \$30.5 billion, and second half expenditure will be higher to support AWS

The AWS Asia Pacific (Malaysia) Region came online in August, the first in Malaysia and the thirteenth in Asia Pacific. It will play a pivotal role in supporting the government's Madani Economy Framework which aims to improve Malaysian living standards by 2030 while supporting innovation across ASEAN countries. The construction and operation of the centre is estimated to add approximately US\$12 billion to Malaysia's GDP and will support more than 3,500 jobs.

Amazon hired three of the four founders and one quarter of the research and engineering employees of AI robotics startup Covariant and licensed its robotic foundation models. Covariant Brain, the company's premium product, powers the capabilities of robots in logistics and fulfilment centres allowing them to perform tasks such as picking, sorting and packing by utilising a vast dataset that includes real-world and synthetic data. Joseph Quinlivan, VP Fulfilment Technologies & Robotics explained "embedding Covariant's AI technology into our existing robot fleet will make them more performant and create real world value for our customers."

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 in the quarter. Net income rose 55% to \$15.3 billion and diluted EPS reached \$1.43.

The company revealed its AI business was growing three times faster at its current stage of evolution than AWS did. Addressing capital expenditure outlays, 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 will grow as the market matures. He said AI capacity must be expanded, and highlighted growing demand for Amazon's new Trainium 2 chip which has required a significant ramp up in production.

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 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.

## Outlook

We have positioned the Portfolio to withstand sector specific swings, leveraging major growth factors impacting technology, healthcare and real estate.

### Technology: generative AI driving a new era

The hyperscale cloud providers Google, Amazon and Microsoft form a cornerstone of our portfolio because they continue to meet the three critical requirements for success: billions of users, tens of billions of capital to invest and leading edge data centre technology and capacity.

Generative AI has moved from concept to reality, accelerating its use cases across industries and we increased our exposure with the addition of Accenture to the portfolio. Daily, we hear from portfolio companies about the tangible impact AI is having in driving innovation and productivity. The technology is no longer theoretical — it is a critical component of economic growth and business transformation.

### Real Estate: finding opportunity amid uncertainty

The US real estate market remained under pressure in 2024, but even in this challenging environment our investments performed. Zillow achieved double-digit revenue growth this year, and we forecast another strong year in 2025, despite the soft housing market. Should conditions improve faster than anticipated, Zillow's value could rise substantially.

In addition, we expanded our housing recovery theme, increasing our investment in Intercontinental Exchange (ICE). Already a leader in global exchanges and clearing houses, ICE is uniquely positioned to benefit from trading in oil and gas

contracts. Beyond that, its innovative approach to mortgage origination and servicing places it at the forefront of a housing recovery. The stock represents 10% of our portfolio, underscoring our belief in the US housing market recovery, which aligns with our competitive advantage: patience and a long-term investment horizon.

### Healthcare: resilient and reliable

Our third significant focus is healthcare, a deliberate strategy to de-risk the portfolio. With its demographic tailwinds from ageing populations and dependable income streams, healthcare offers resilience in varied macroeconomic environments.

Our investments in ResMed, GE Healthcare and Danaher target high-growth areas such as sleep apnoea treatment, advanced medical imaging and biotechnology processing. These companies align with long-term trends and provide stability should broader markets falter. We aim to ensure our companies are positioned to perform in all market conditions, reflecting lessons learned from 2022 when technology was disproportionately impacted by the Covid recovery.

### Diversification and long-term thinking

Beyond our key themes, we maintain a diverse portfolio that also includes Berkshire Hathaway, Heineken and Intuit. These companies demonstrate strong balance sheets, superior returns on invested capital and exceptional management. Importantly, we acquired them at a substantial discount to our estimates of intrinsic value, further protecting our downside risk.

While we are steadfast in our long-term outlook, we remain disciplined in the short term.

Our goal remains to compound our investors wealth over the long term by focusing on high-quality businesses that thrive regardless of market cycles. We are excited about the opportunities ahead and confident in our portfolio's ability to navigate challenges while capitalising on innovation and growth.

This document has been prepared and approved by Swell Asset Management Pty Limited (ABN 16 168 141 204) Corporate Authorised Representative (CAR No. 465285) of Hughes Funds Management Pty Limited (ABN 42 167 950 236) (AFSL No. 460572). The information in this document is of a general nature only, is not personal investment advice and has been prepared without taking into account your investment objectives, financial situation or particular financial or taxation needs. Investors should read and consider the investment in full and seek advice from a financial adviser or other professional adviser before deciding to invest.

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