

### Investment Strategy

The Swell Global Portfolio is an absolute return, benchmark unaware global equities manager with the flexibility to invest in companies listed in developed markets around the world. We target a return of 9% per annum after all fees over rolling three-year periods.

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### Strategy Facts

APIR code	SWE0174AU
Inception Date	18 June 2015
FUM	A\$77.40 m
Number of companies	14
Minimum investment	\$500,000
Benchmark	MSCI World net total return AUD <sup>1</sup>
Currency	AUD [unhedged]
Management Fee	1.25%
Administration Fee	0.225%
Performance Fee	15.0% of excess return above benchmark (subject to high water mark)

### Portfolio Performance

	Portfolio	Benchmark	Excess
1 month	-2.02%	-0.46%	-1.56%
3 months	0.70%	5.85%	-5.15%
6 months	7.25%	9.74%	-2.49%
1 year	17.00%	5.58%	11.41%
2 years (pa)	23.99%	16.19%	7.80%
3 years (pa)	18.06%	11.04%	7.02%
4 years (pa)	17.54%	11.61%	5.94%
5 years (pa)	17.13%	10.88%	6.25%
Inception	132.02%	69.79%	62.22%

(Past performance is not necessarily indicative of future performance)

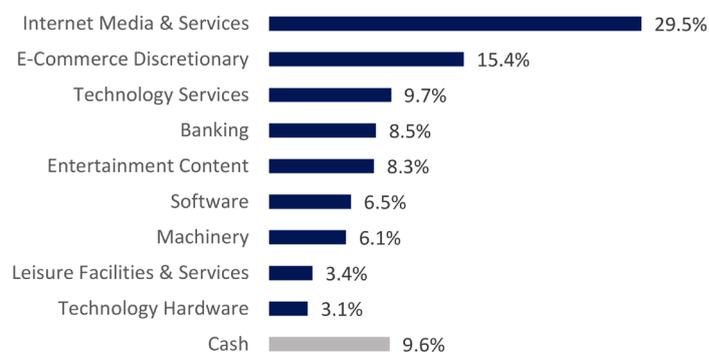
### Portfolio Performance vs Benchmark



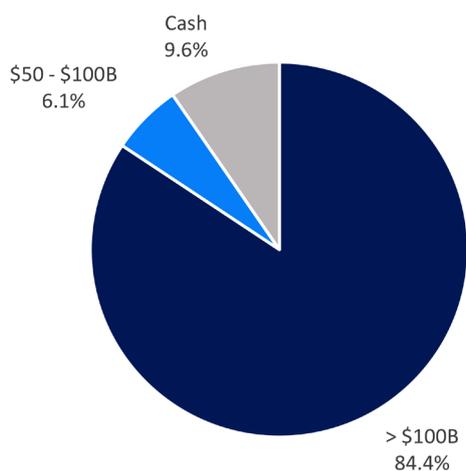
### Top 10 Holdings (alphabetically)

Alibaba Group Holding Ltd	E-Commerce Discretionary
Alphabet Inc	Internet Media & Services
Amazon.com Inc	E-Commerce Discretionary
Deere & Co	Machinery
Facebook Inc	Internet Media & Services
JPMorgan Chase & Co	Banking
Microsoft Corp	Software
PayPal Holdings Inc	Technology Services
Tencent Holdings Ltd	Internet Media & Services
Walt Disney Co/The	Entertainment Content

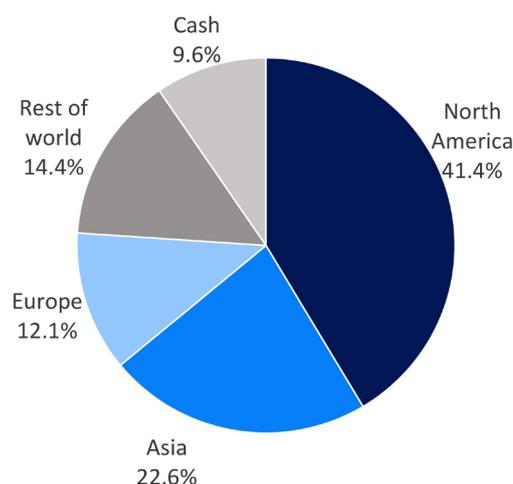
### Sector allocation by BICS Industry



### Market Capitalisation (USD)



### Regional Allocation by Revenue



### Portfolio and Risk Summary

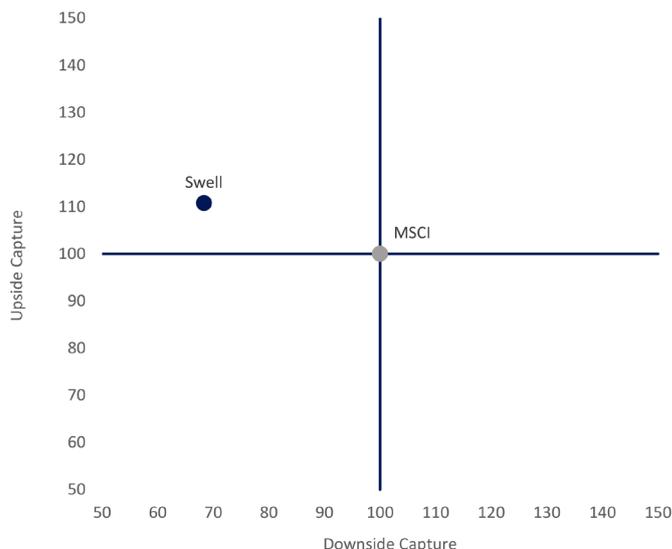
Active share is measured at September 30 2020  
All other metrics are based on a rolling 3-year period

Active share	84.40%
Upside capture ratio	111
Downside capture ratio	68
Excess return	9.39%
Portfolio standard deviation	11.88%
Benchmark standard deviation	12.00%
Sharpe ratio	1.44
Benchmark Sharpe ratio	0.84

See definitions overleaf

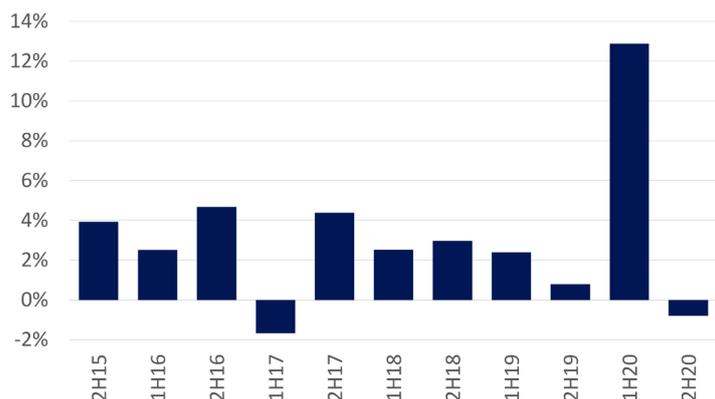
### Upside - Downside

The position of the Swell Global Portfolio in the upper left-hand quadrant indicates its return was higher than the benchmark with lower volatility.



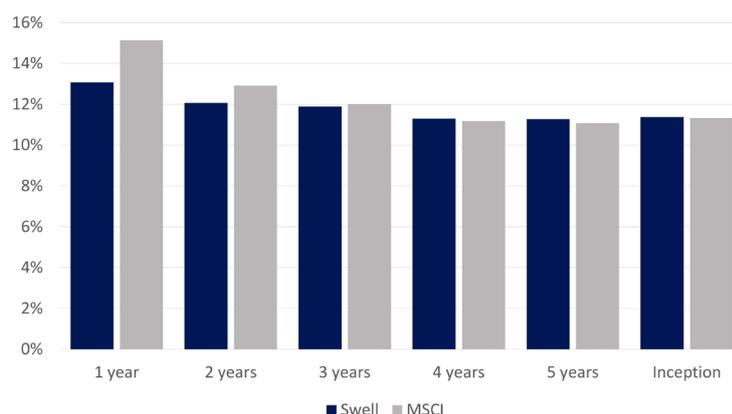
### Excess Returns over Benchmark

The chart shows the excess return of the Swell Global Portfolio over the benchmark since inception calculated over six-month periods. The Portfolio has outperformed the benchmark in 9 of 10 periods.



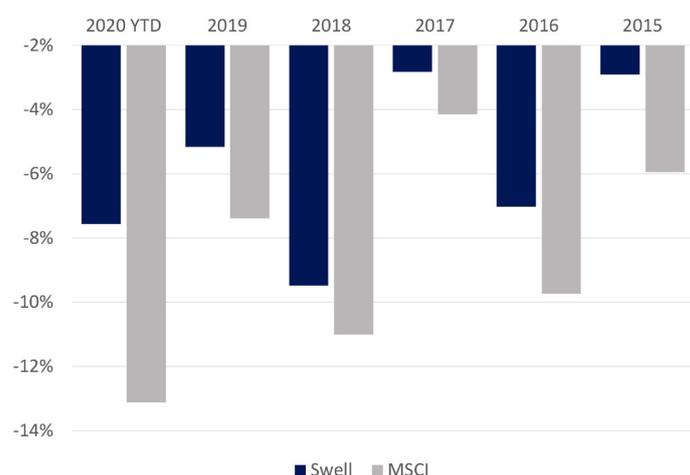
### Volatility (% pa)

The annualised volatility since inception for the Swell Global Portfolio was 11.7% compared to 11.5% for the benchmark. Over time the Portfolio volatility has remained largely in-line with the benchmark despite its concentration.



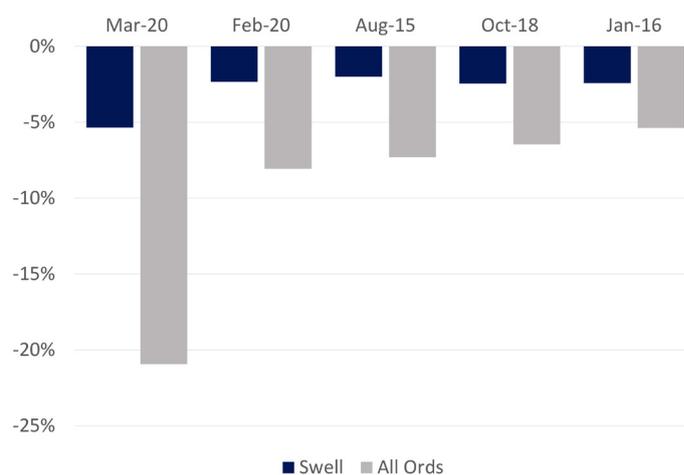
### Maximum Drawdown

The chart shows the maximum declines from peak to trough each (calendar) year since inception for the Swell Global Portfolio and the benchmark. The Portfolio's maximum drawdown has been lower than the benchmark every year since inception, demonstrating its capital preservation focus.



### Diversification Benefits

The chart details the Swell Global Portfolio returns in the five largest negative months for the ASX All Ordinaries Index demonstrating a low correlation with the All Ordinaries Index in times of equity market stress.



## Definitions

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<b>Active Share</b>	A measure of the proportion of stock holdings in a portfolio that differ from the benchmark index. It is calculated as the sum of the absolute value of weighting differences between the portfolio and the benchmark, multiplied by 0.5.
<b>Upside-Downside Capture</b>	A measure of overall manager performance. The ratios are calculated by dividing the portfolio's returns by the benchmark returns for periods when the benchmark return was positive (upside capture) and negative (downside capture) and multiplying by a factor of 100. A ratio of 110 indicates the portfolio captured 110% of the benchmark performance while a ratio of 90 indicates the portfolio captured 90% of the benchmark performance.
<b>Standard Deviation</b>	A measure of volatility which calculates the dispersion of the returns relative to its mean.
<b>Sharpe Ratio</b>	A measure of risk-adjusted return calculated by dividing the average return earned in excess of the risk-free rate by volatility as measured by standard deviation.
<b>Maximum Drawdown</b>	The maximum decline experienced from peak-to-trough during a specific period. It is usually quoted as the percentage decline between the peak and subsequent trough.

## About Swell

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I established Swell Asset Management with the explicit aim of delivering strong absolute returns. Our investment strategy is predicated on the acquisition of outstanding globally listed companies at a discount to their conservatively estimated intrinsic value. This ensures that in situations where a business does not meet our expectations, we have reduced the risk of impairing our investors' capital.

Preservation of capital is a key tenet of our investment philosophy. In periods of speculative euphoria, we maintain the flexibility to invest in cash thereby insulating the portfolio against the risk of capital impairment.

We seek companies with a clearly defined strategy and market opportunity. We require them to generate an attractive return on their invested capital and we avoid businesses that are capital intensive or require significant investment to generate their profit. It makes no sense to invest in companies that do not generate a worthwhile return on their shareholders' money.

Further, we favour companies that are conservatively managed and maintain appropriate capital structures. Throughout history excessive financial leverage has proved time and again to destroy investment capital. While its use is seductive, significantly enhancing the amplitude of returns, it ultimately increases business risk, often leading to impairment of investment capital.

Accordingly, we adopt a strict approach to financial leverage and exclude businesses that over-borrow. This means we may underperform our benchmark during episodes of irrational exuberance, however this is medicine we are happy to take.

We encourage our clients to invest for a minimum of five to seven years. This time frame is consistent with an average business cycle, thereby removing the element of timing and its impact on investment outcomes.

*Lachlan Hughes*

## Further Information

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## Investment Partners



## Ratings



Research available on request to approved advisers

## Awards



**International Equities**  
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