

Switzer Dividend Growth Fund

30th April 2018

MONTHLY INVESTMENT UPDATE FROM THE PORTFOLIO MANAGER

Global equity markets modestly rebounded after a weak March. Australia led the world markets higher being up 3.9% (ASX 200), but this was led by materials and energy. The S&P500 was 0.4% higher, while other world markets were 5-6% higher.

The issues that concerned the markets a month ago eased to some extent. A trade war between the US and China looks to have become less likely, while political tensions in Korea also took a turn for the better.

Global bond yields also rose over the month with the US 10 year treasury briefly rising above 3%. However, equity markets handled this sell off in the bonds. A higher bond yield usually helps economically sensitive sectors as opposed to financials, REITS and Utilities.

The hearings at the Financial Services Royal Commission continued to reverberate across the Australian equity markets. The banks were given a break this month and non-bank financial were the focus, as financial advice was examined. The banks again lagged the market being broadly flat, while the financial advice firms fell away.

The ultimate conclusions from the RC are difficult to gauge at this stage. Actual breaches do not look to be wide spread. However, the level of avoiding reporting and lack of respect shown to the regulatory authorities by the financial institutions has been a surprise.

The portfolio was 2.8% higher for the month compared to the market of 3.9%. The best performers were the month were the resource stocks in the portfolio. The fund holds a large position in Woodside which was 10% higher. Also, Alumina and Iluka were 12% and 11% higher, closely followed by Rio Tinto and BHP Billiton. As a group the portfolio holds these as modest diversifying holdings as they have variable and usually low yields.

The poor performers were in the non-bank financials, such as Perpetual, AMP and IOOF. Although they are quite modest holdings in the fund they do offer very high yields with good balance sheets.

PERFORMANCE (after fees but before taxes)

PERFORMANCE (after fees)	SWTZ	ASX 200 accum	VALUE ADD (%)
1 Month	2.67	3.91	-1.24
3 Month	-1.58	0.34	-1.92
6 Month	0.08	3.37	-3.29
12 Month	0.39	5.46	-5.07
Inception (Feb 2017)	3.67	7.14	-3.47

KEY DETAILS

Fund Fact Sheet Date:	30 th April 2018
ASX Code:	SWTZ
Fund Manager:	Contango Funds Management Limited
Stock universe	ASX 200
Number of Stocks:	30 – 50
Benchmark:	ASX 200 Accumulation Index
Target/ Maximum cash position:	5% / 50%
Shorting / Borrowing:	No
Net Asset Value (NAV)	\$2.506006
Performance fee	None
Management fee:	0.89%

PORTFOLIO CHARACTERISTICS

March 2018	SWTZ	ASX 200 ACCUM INDEX
Median market cap (\$m)	14981	3431
Portfolio price to earnings ratio	13.4	13.4
Earnings growth (%)	6.76	20.30
Portfolio Dividend Yield (net)	4.96	4.27
Portfolio Dividend Yield (gross)	6.66	5.81
Return on equity (%)	16.81	17.38
Beta	1.0	1.0

Source: Bloomberg, Bloomberg AIM, Heuristic Investment Systems

The **Switzer Dividend Growth Fund** (the Fund) is a simple to use, low-cost vehicle that gives investors access to some of the most experienced investment professionals in Australia such as Peter Switzer, Charlie Aitken and Paul Rickard.

The Fund aims to provide investors with tax-effective income and long-term capital growth by investing in a core portfolio of blue-chip Australian shares.

Investors can access the Fund through one easy trade on the ASX using the ticker code SWTZ and settle via CHESS.

The Fund intends to pay franked distributions from the profits sourced as income from investments and gains from the trading and revaluation of the stocks within the portfolio.

The Fund seeks to bring together the best elements of a low-cost investment that provides market returns, skilled investment management and an expert investment committee, made available through an ASX-quoted fund.

Investors in an ASX-quoted fund may have more investment control through liquidity, regular communications and operational transparency that an exchanged traded structure provides. The Switzer Dividend Growth Fund is intended to be a cost-effective way to maintain control of your share market investments.

Features of the fund include:

- **Investment expertise** – Along with its expert investment committee, SWTZ has access to the full resources of Contango Funds Management. Contango has both retail and institutional mandates with proven success in managing Listed Investment Companies.
- **Tax effective income** – The Fund has been designed to help meet the needs of self-managed superannuation fund (SMSF) investors and other Australian residents looking for tax effective income with the potential for long term capital growth. The Fund expects that distributions will be fully franked or close to being fully franked.
- **Sustainable distributions** – The Fund will be investing in companies that have attractive and sustainable dividend streams and the capability to grow these dividend streams.
- **Quarterly payments** – Distributions will be paid quarterly, in January, April, July and October. They will be based on the Fund's net income at the end of the distribution period.
- **Distribution re-investment plan**– Holders can choose to have their distributions paid into an Australian dollar bank account, or alternatively, have their distributions automatically re-invested into additional Units of the Fund.
- **CHESS statements** - Holders will receive a CHESS holding statement showing the numbers of Units that they own. Holders will receive an updated CHESS holding statement upon the occurrence of any changes to their holding.

ASSET ALLOCATION

SECTOR	WEIGHT %
Consumer Discretionary	3.13
Consumer Staples	6.63
Energy	5.97
Financials Ex-REITs	42.95
Health Care	5.51
Industrials	4.55
Information Technology	1.25
Materials	16.24
REITs	5.47
Telecommunication Services	2.69
Utilities	3.81
[Cash]	1.8
[Futures]	0.0

TOP 10 HOLDINGS

CODE	STOCK	WEIGHT %
CBA	COMMONWEALTH BANK	8.4
WBC	WESTPAC BANKING CORP	8.3
ANZ	AUST AND NZ BANKING GROUP	7.2
BHP	BHP BILLITON LIMITED	7.0
NAB	NATIONAL AUSTRALIA BANK LTD	6.4
WES	WESFARMERS LTD	5.4
CSL	CSL LTD	4.9
WPL	WOODSIDE PETROLEUM LTD	4.5
MQG	MACQUARIE GROUP LTD	3.9
SUN	SUNCORP GROUP LTD	3.3

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