

Switzer Dividend Growth Fund

31st May 2018

MONTHLY INVESTMENT UPDATE FROM THE PORTFOLIO MANAGER

May was generally mixed for global equity markets. The strongest markets were the S&P500 (+2.4%) and FTSE100 (+2.8%). Most of the rest of the world was modestly higher, except for Europe and Japan which were 1-2% lower.

Global markets continue to remain nervous over US-China trade tensions, while political instability in Italy emerged. The bond market initially continued its sell off with yield going higher, with the benchmark US bond yield reaching 3.1% mid-month, its highest level in a few years, before rallying strongly (lower interest rates) driven by the re-emergence of trade and political uncertainty.

The domestic market was mixed with those sectors mainly exposed to overseas influences, Health Care (+5.6%) and Materials (+2.0%) doing best. There was a bounce in Consumer Discretionary (+5.1%) after a period of poor performance, and the REIT's (+3.1%) and Utilities (+1.1%) did better as bonds rallied. Telco's stood out as the poor performer again (-9.9%)

Domestic-focussed stocks have been negatively impacted by changes (and threats of changes) to Government policy. Most significant of these is the Royal Commission into Financial Services, which is impacting banking, wealth management and insurance, while other policies are affecting telecommunications, gas, electricity, fund administration, gaming and infrastructure management.

The portfolio was 0.6% higher over the month, slightly below the 1.1% increase in the ASX200 accumulation index. Of the stocks held, Challenger (+19.4%) benefited from favourable Budget policy comments regarding future product opportunities. Alternatively, Link Administration (-17.4%) was impacted by negative Budget comments that will likely shrink their market opportunity.

Overall the expected dividend payments for the next quarter are trending within expectations, with no significant downgrades so far.

PERFORMANCE (after fees but before taxes)

PERFORMANCE (after fees)	SWTZ	ASX 200 accum	VALUE ADD (%)
1 Month	0.59	1.09	-0.50
3 Month	-0.87	1.08	-1.95
6 Month	-0.77	2.81	-3.59
12 Month	4.62	9.63	-5.01
Inception (Feb 2017)	3.90	7.57	-3.66

KEY DETAILS

Fund Fact Sheet Date:	31 st May 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)	\$2.52034
Performance fee	None
Management fee:	0.89%

PORTFOLIO CHARACTERISTICS

March 2018	SWTZ	ASX 200 ACCUM INDEX
Median market cap (\$m)	14434	3511
Portfolio price to earnings ratio	16.4	17.7
Earnings growth (%)	7.1	18.4
Portfolio Dividend Yield (net)	5.0	4.3
Portfolio Dividend Yield (gross)	6.7	5.8
Return on equity (%)	18.5	18.0
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	3.1
Consumer Staples	7.0
Energy	6.0
Financials	42.9
Health Care	5.7
Industrials	3.9
Information Technology	1.0
Materials	17.0
REITs	5.6
Telecommunication Services	2.4
Utilities	4.0
[Cash]	1.6
[Futures]	0.0

TOP 10 HOLDINGS

CODE	STOCK	WEIGHT %
CBA	COMMONWEALTH BANK	8.4
WBC	WESTPAC BANKING CORP	8.2
BHP	BHP BILLITON LTD	7.5
ANZ	AUST AND NZ BANKING GROUP	7.4
NAB	NATIONAL AUSTRALIA BANK LTD	6.0
WES	WESFARMERS LTD	5.7
CSL	CSL LTD	5.2
WPL	WOODSIDE PETROLEUM LTD	4.6
MQG	MACQUARIE GROUP LTD	3.8
SUN	SUNCORP GROUP LTD	3.2

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