

Switzer Dividend Growth Fund

31st August 2018

MONTHLY INVESTMENT UPDATE FROM THE PORTFOLIO MANAGER

Global equity markets were mixed during August, with US and Asian markets trading higher. European markets were generally lower over the month. Trade war concerns continued to concern the market but has not had a significant impact on valuations. Some forward indicators, such as commodity prices, the Australian dollar and bond markets, all point to slowing world growth which impacted sector performance.

Results season in the Australian equity market was generally positive. Companies favoured paying out higher dividends on modestly growing earnings. The overall market was 1.4% higher, led by Healthcare (+11%) which has been strong all year.

Telecommunication (+13%) also bounced back after several months of poor performance as TPG and Vodafone announced a merger, possibly signalling an improvement in industry profits.

The Materials sector was lower, being the only sector in negative territory, due to the factors mentioned above regarding world growth. The Financials, in which the fund has a large position, were flat over the month, as domestic political uncertainty impacted the sector.

The portfolio kept pace with the market over the month, returning 1.3%. Generally, the portfolio was helped by being underweight the resource sector, while the banks' performance constrained returns.

Over the month, six stocks contributed returns greater than 10%. This included Magellan Financial, CSL Ltd, Telstra, Star Entertainment, Goodman Group, Brambles and Suncorp. Most of these reflected better results, of these stocks the largest holdings are in CSL and Suncorp.

The stocks which were down 10% or more over the month included Iluka and Challenger. Challenger continues to struggle after a lacklustre result, while the weak commodity complex impacted Iluka. We continue to review the positions. Both are modest holdings and Iluka was sold down earlier at higher levels.

Dividend growth for the fund over the year was 13% for those stocks reporting, a very commendable result. If all stocks are included, mainly the major banks, the dividend growth over the year was about 10%, which is, again, very good. An equal weighted portfolio of the major banks and Telstra would have returned a 6% decrease in dividends over the same period as a comparative.

| PERFORMANCE <i>(after management fees)</i> | SWTZ (%) | ASX 200 Accumulation (%) |
|---|-------------|--------------------------------|
| 1 Month | 1.3 | 1.4 |
| 3 Month | 6.4 | 6.2 |
| 6 Month | 5.5 | 7.3 |
| 12 Month | 11.2 | 15.4 |
| Inception ¹ (annualised) | 7.5 | 10.6 |

1. Inception date 22 February 2017

KEY DETAILS

| | |
|---------------------------|-------------------------------|
| Fund Fact Sheet Date: | 31 st August 2018 |
| ASX Code: | SWTZ |
| Fund Manager: | Contango Funds Management Ltd |
| Stock universe | ASX 200 |
| Number of Stocks: | 30 – 50 |
| Benchmark: | ASX 200 Accumulation Index |
| Target/Max cash position: | 1% / 20% |
| Shorting / Borrowing: | No |
| Net Asset Value (NAV) | \$2.634031 |
| Performance fee | None |
| Management fee: | 0.89% |

| PORTFOLIO CHARACTERISTICS June 2018 | SWTZ | ASX 200 ACCUM INDEX |
|--|--------|------------------------|
| Median market cap (\$m) | 12,205 | 3,797 |
| Portfolio price to earnings ratio | 16 | 17.3 |
| Earnings growth (%) | 7.3 | 11.1 |
| Portfolio Dividend Yield (net) | 4.9 | 4.1 |
| Portfolio Dividend Yield (gross) | 6.6 | 5.6 |
| Beta | 1.0 | 1.0 |

Source: Bloomberg, Contango Asset Management

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.

| SECTOR ALLOCATION | WEIGHT % |
|----------------------------|----------|
| Consumer Discretionary | 3.3 |
| Consumer Staples | 6.3 |
| Energy | 6.5 |
| Financials | 43.6 |
| Health Care | 6.0 |
| Industrials | 3.5 |
| Information Technology | 1.4 |
| Materials | 14.4 |
| REITs | 5.8 |
| Telecommunication Services | 2.6 |
| Utilities | 4.1 |
| [Cash] | 2.4 |
| [Futures] | 0.0 |

| TOP TEN HOLDINGS | | |
|------------------|-----------------------------|----------|
| CODE | STOCK | WEIGHT % |
| CBA | COMMONWEALTH BANK | 9.4 |
| WBC | WESTPAC BANKING CORP | 7.9 |
| ANZ | AUST AND NZ BANKING GROUP | 7.3 |
| BHP | BHP BILLITON LTD | 6.9 |
| NAB | NATIONAL AUSTRALIA BANK LTD | 6.2 |
| CSL | CSL LTD | 6.0 |
| WES | WESFARMERS LTD | 5.1 |
| WPL | WOODSIDE PETROLEUM LTD | 4.7 |
| MQG | MACQUARIE GROUP LTD | 3.7 |
| SUN | SUNCORP GROUP LTD | 3.2 |

Switzer Asset Management Limited ("Switzer") (ABN 26 123 611 978 and Australian Financial Services Licence Number 312247) is the Responsible Entity of the Fund. Switzer has prepared this Fact Sheet for information purposes only. It does not contain investment recommendations nor provide investment advice. Neither Switzer, Contango Asset Management Limited, their related bodies corporate, entities, directors or officers guarantees the performance of, or the timing or amount of repayment of capital or income invested in the Fund or that the Fund will achieve its investment objectives. Past performance is not necessarily indicative of future performance. It is recommended that investors seek professional investment and/or financial or other relevant and/or applicable advice to assist investors determine the individual tolerance to risk and the investors need to attain a particular return on your investment. In no way should the investor rely on the information contained in this Fact Sheet. We strongly encourage you to obtain independent professional, financial, investment, or legal advice and to read the Funds Product Disclosure Statement ("PDS") before making a decision to invest in the Fund. Applications for an investment can only be made by way of completing the application form accompanying a current Product Disclosure Statement which can be obtained by contacting on the Switzer or via the website www.switzerassetmanagement.com.au