

## SWITZER HIGHER YIELD FUND (MANAGED FUND)

### FUND DETAILS

<b>Report Date</b>	<b>28 September 2018</b>
Fund Investment	Cash, Debt and Hybrid Securities
Investment Objective	RBA Cash +1.50% - 2.00%
Minimum number of Securities	25
Sector Exposure Limit (GICS)	35% Banks, 25% Other
Maximum Single Issuer Limit	15% for CBA, WBC, ANZ, NAB, 7.5% Others
Duration Limit	Maximum 2 years
Recommended Investment Period	At least 3-year
Unit Price	Variable, calculated daily
Access to Funds	Within 5 business days
Management Fee	0.90%
Distributions	Half-yearly (Dec, June)
Application/Withdrawal Fee	Nil
Minimum Investment	\$5,000
APIR Code	SWI001AU

### PERFORMANCE *(after fees and before taxes)*

PERIOD	FUND	RBA CASH	RBA CASH +2.00%
1 Months	0.13%	0.12%	0.29%
3 Months	0.74%	0.38%	0.88%
6 Months	1.57%	0.75%	1.76%
1 Year	2.95%	1.51%	3.56%
3 Year (pa)	3.81%	1.63%	3.68%
Inception (pa)	5.33%	2.85%	4.92%

RETURN BREAKDOWN	INCOME	CAPITAL
1 Months	0.00%	0.13%
3 Months	0.00%	0.74%
6 Months	1.60%	-0.04%
1 Year	3.27%	-0.31%
3 Year (pa)	2.33%	1.48%
Inception (pa)	4.69%	0.64%

### PORTFOLIO CHARACTERISTICS

Number Holdings	59
Cash (Running) Yield	4.11%
Yield to Maturity	3.76%
Weighted Average Credit Rating <sup>1</sup>	BBB
Modified Duration (years)	1.07

1. S&P Long Term

### FUND FACTS

Net Tangible Assets (NTA)	\$0.82560
Buy/Sell Spread	0.30%
Inception Date	31 <sup>st</sup> August, 2009
Fund Type	Unit Trust (Unlisted)

### PORTFOLIO UPDATE

The Switzer Higher Yield Fund (Managed Fund) posted a modest gain of 0.13% for the month of September. The cash (or running yield) of the portfolio (projected income divided by market value) was 4.11% and the yield to maturity 3.76%. Modified duration, which is a measure of portfolio risk, is low at 1.07.

Having rallied hard (yields lower) in August, the Australian bond market reversed course in September with the benchmark 10-year bond closing 15 basis points (bps) higher at 2.67%. The Overnight Index Swap (OIS) rates, which is often referred to as a predictor of the RBA Cash Rate were relatively unchanged on the month, suggesting no near-term Reserve Bank moves.

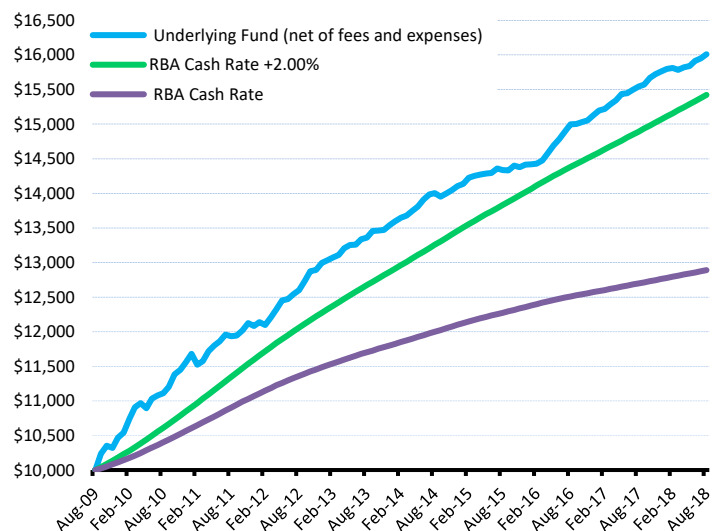
Like the August commentary, trade concerns were on investors' minds. Whilst the US, Mexico and Canada managed an agreement, the trade relationship between the US and China appeared to deteriorate further. There was plenty of good news for the US economy with improving labour and wages data which was reflected in the higher US bond rates and USD. Australia also posted some positive data points with Q2 GDP hitting 3.4% and jobs data showed improvement. Though the Reserve Bank of Australia remains upbeat on the economy, they held rates steady at 1.50% at their September meeting and appear in no rush to move which may tie into to a tighter credit environment courtesy of the big banks tweaking lending standards in the wake of the Royal Commission.

With major benchmark bond rates moving higher in major markets, the capital values of bonds fell. Australia government bonds took the biggest hit with credit performing best (least worst). Within the credit universe, the higher "A" rated bonds performed best. The Switzer Higher Yield Fund (SHYF) is mostly invested in short-dated (lower risk) floating corporate bonds which tend to outperform in rising interest rate markets

There were no major changes to the portfolio during the period. The portfolio strategy continues to be defensive by maintaining a short duration at 1.07 years.

### WEALTH CHART

The chart illustrates what your investment would be worth today after fees and expenses but before tax if you invested \$10,000 at inception (31<sup>st</sup> August 2009).



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## INCOME DISTRIBUTION

HALF-YEAR ENDING	CENTS PER UNIT	REINVEST PRICE
Jun 2018	1.2335	\$0.821900
Dec 2017	1.2766	\$0.827100

## CREDIT ALLOCATION (S&P Long Term)

CREDIT ALLOCATION (S&P Long Term)	WEIGHT
AAA	4.33%
AA	9.58%
A	29.37%
BBB	29.03%
BB	6.67%
B	2.05%
Not Rated	20.71%
Total	100.00%

## SECURITY TYPE

SECURITY TYPE	WEIGHT
Floating Rate Bonds	53.20%
Fixed Rate Bonds	32.61%
Hybrid Securities	9.86%
Asset and Mortgage Backed Securities	0.84%
Cash	3.49%
Total	100.00%

## TOP TEN HOLDINGS

TOP TEN HOLDINGS	WEIGHT
Cash	3.49%
SCA Property Retail Trust 3.75% Fixed	3.24%
Royal Bank of Canada Floating Rate Note	3.22%
Adelaide Airport Floating Rate Note	3.21%
Verizon Floating Rate Note	3.18%
CBA Hybrid (CBAPD)	3.04%
National Australia Bank Hybrid (NABPB)	2.38%
Nufarm NZ Finance Ltd Floating	2.05%
Lend Lease Finance 5.50% Fixed Rate	1.94%
Suncorp Metway Floating Rate Note	1.93%

## Glossary:

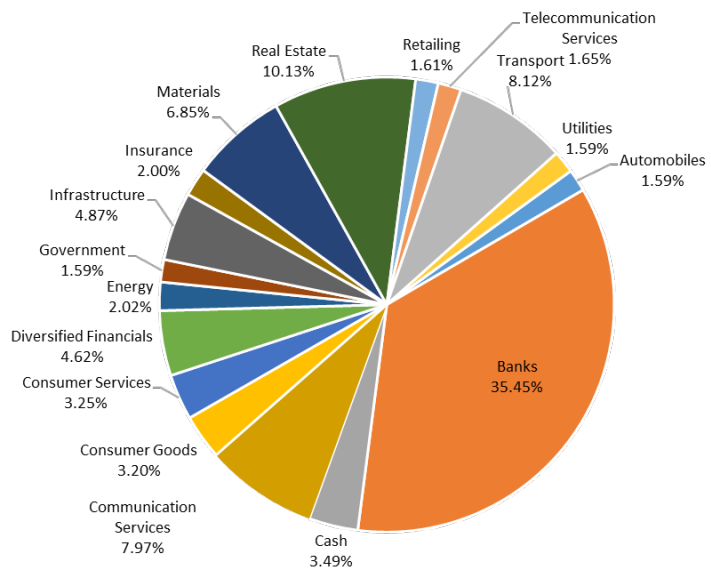
**Yield To Maturity:** The rate of return an investor would receive if the securities were held to the final maturity date;  
**Yield To Call:** The rate of return an investor would receive if the securities were held to the call date in the case where an issuer has the right to call the securities;

**Modified Duration:** The percentage price of a security for a given change in the yield. The portfolio duration is the sum of the weighted average duration for each security in the portfolio;

**Cash or Running Yield:** The annual dollar interest income or coupon divided by the market value;

**Credit Rating:** A measure of portfolio quality and risk using the Standard & Poors Long Term Ratings scale. The highest investment grade rating is AAA and the lowest is BBB-

## SECTOR EXPOSURE



## INVESTMENT OBJECTIVE AND SUITABILITY

The Switzer Higher Yield Fund ("Fund") was established in 2009. The Fund's investment objective is to provide the investor with low-risk, quarterly income and total return which is 1.5% to 2.0% greater than the Reserve Bank of Australia's Overnight Cash Rate on a rolling 12-month basis.

The Fund invests in a diverse range of fixed income assets including cash, debt and hybrid securities and is suitable for those investors seeking a sustainable income stream, who wish to protect their capital and are prepared to hold their investment for at least three years. The Fund seeks to provide an attractive cash yield with minimal capital volatility. It aims to maintain investment grade credit quality by ensuring a minimum weighted average portfolio credit rating of BBB- (S&P Long Term).

## WHO IS SWITZER ASSET MANAGEMENT

Switzer Asset Management Limited ("SAM") is the responsible entity and investment manager of the Halidon Yield Enhanced Fund and the Switzer Dividend Growth Fund (ASX:SWTZ). It currently manages funds more than \$100m. SAM is jointly owned by the Switzer Financial Group Limited and Contango Asset Management Limited (ASX:CGA) and is chaired by Peter Switzer. Peter is supported on the board by Paul Rickard, Marty Switzer and Jarrod Deakin.

## INVESTMENT PHILOSOPHY AND STYLE

The investment philosophy is based on the premise that value can be created by using a combination of top down macro-economic and bottom up issuer and security analysis to uncover and profit from the mispricing of debt and hybrid securities. The Fund's active style provides yield and some potential for capital gain. There is a cap on exposure to higher risk sectors and credit.

## BENEFITS OF INVESTING IN THE FUND

Benefits of investing in the Halidon Yield Enhanced Fund include: sustainable income, capital protection and a low correlation to equities. The Fund can play a significant role as part of a "balanced" investment strategy.

## HOW TO INVEST

The Product Disclosure Statement and Application Forms can be reviewed and downloaded at [www.switzerassetmanagement.com.au](http://www.switzerassetmanagement.com.au)

For more information and to have any questions answered, please contact us at –



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