

30 November 2018

INVESTMENT OBJECTIVE

SWTZ is an income focussed exchange traded managed fund, with a mix of yield and quality stocks. The objective of the fund is to generate an above market yield while maximising franking where possible and to deliver capital growth over the long-term. We select companies that, in aggregate, generate sustainable dividend income. The fund is characterised by a strong and diverse portfolio of companies that exhibit good cash flows and strong business models.

PERFORMANCE SUMMARY

The Australian share market continued to decline in November. **The Switzer Dividend Growth Fund (SWTZ) managed to outperform over the month, returning -1.8%, against a market return of -2.2%. The portfolio's trailing 1-year distribution yield is 6.0% or 7.8% including franking credits.** Distribution yield is calculated as the distributions received over the past 12 months relative to the closing unit price of \$2.59 on 30 November 2017.

Given its focus on income and capital preservation, we expect the SWTZ portfolio to underperform marginally in rising markets and marginally outperform in falling markets. This was demonstrated in November with outperformance of 0.5%.

The targeted cash level in the fund is usually run at 1.5-2%. At the end of the month cash was slightly higher at 2.75% due to fund inflows. Cash will be invested as opportunities arise.

The investment strategy is to continually seek to improve the quality and defensiveness of the fund by either taking profit on investments that are trading above our estimate of intrinsic value or exiting those positions where the outlook has deteriorated. Over the month the fund exited a couple of its smaller positions (less than 1% of the total portfolio) where we believed the outlook changed for the worst.

We used the proceeds to concentrate on companies that we believe have stronger fundamentals. Examples of stocks in which we increased our holdings in were Orora, Suncorp and Insurance Australia Group. The fund also initiated positions in two new stocks, these were carsales.com.au (ASX:CAR) and Dexus (ASX:DXS).

CAR has a dominant position in Australian online auto sales. The share price has come back with the worldwide sell off in tech stocks, which presents an opportunity to buy at an attractive entry point. DXS exposes the fund to the attractive office market and is a defensive stock with a reasonable yield.

PORTFOLIO COMMENTARY

November saw mixed returns in global equity markets. The US and Japan rallied, while China and the UK struggled. The Australian market was a poor performer in a global context.

Of some significance late in the month were statements by the Federal Reserve Chair, Jerome Powell, that interest rates settings were close to neutral. There is an expectation by some that interest rates have much higher to climb.

PORTFOLIO CHARACTERISTICS

November 2018	SWTZ
Portfolio Dividend Yield (net) ¹	6.0%
Portfolio Dividend Yield (gross)	7.8%
Median market cap (\$m)	15,335
Portfolio price to earnings ratio	14.42
Earnings growth (%)	6.9
Beta	0.98

Source: Bloomberg.

Note: 1) Yield calculation based on dividends paid during the previous 12-months relative to closing unit price of \$2.59 at 30 November 2017

PERFORMANCE (AFTER MANAGEMENT FEES)

PERIOD	SWTZ (%)	ASX 200 ACCUM INDEX (%)
1 Month	-1.76	-2.21
3 Month	-8.92	-9.28
6 Month	-3.11	-3.67
12 Month	-3.86	-0.96
Inception ¹ (annualised)	0.96	3.16

Inception date 22 February 2017

KEY DETAILS

Fund Fact Sheet Date:	30 November 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)	\$2.351060
Performance fee	None
Management fee:	0.89%

The US bond market took the statement positively and rallied from 3.2% to around 3%. This in turn supported equity markets.

On a sector level, the fund was well positioned. After several tough months the financial sector, in which SWTZ is overweight, rallied while Energy and Materials, in which SWTZ is underweight, lagged.

The best performing stocks in the portfolio were Insurance Australia Group, ANZ Banking Group and Sydney Airport. The recent performance of the banks may be indicative that the worst of the Royal Commission is behind them, which would be great news for the fund.

The poorest performing stocks were James Hardie and Woodside Petroleum (on a weaker oil price). Woodside is our only exposure to this sector. We also participated in the RIO Tinto buyback which generated a large fully franked dividend.

PORTFOLIO OUTLOOK

The current portfolio offers a historical net yield of 6.0% and a gross yield of 7.8%. The decline in the market over the last month offered up relatively attractive investment opportunities for SWTZ and we have invested most of the excess cash.

The underlying earnings (and dividend) outlook for the companies in the fund remain positive. Balance sheets of the companies held remain very good, a positive sign of the health of the portfolio.

Interest rates remain low and economic activity, although slowing, remains positive. While volatility in equity markets is expected to continue, indications of inflation remain largely benign giving confidence that **the investment outlook remains favourable**.

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SECTOR ALLOCATION

GICS SECTOR ALLOCATION	WEIGHT %
Communication Services	3.7
Consumer Discretionary	7.8
Consumer Staples	2.5
Energy	6.0
Financials	43.9
Health Care	3.9
Industrials	4.7
Information Technology	1.6
Materials	12.6
REITs	6.4
Utilities	4.2
[Cash]	2.8

TOP TEN HOLDINGS

CODE	STOCK	WEIGHT %
CBA	COMMONWEALTH BANK	9.0
WBC	WESTPAC BANKING CORP	8.2
ANZ	AUST AND NZ BANKING GROUP	7.8
BHP	BHP BILLITON LTD	6.6
NAB	NATIONAL AUSTRALIA BANK	6.2
WPL	WOODSIDE PETROLEUM LTD	4.2
CSL	CSL LTD	3.9
SUN	SUNCORP GROUP LTD	3.4
WES	WESFARMERS	3.3
MQG	MACQUARIE GROUP	3.2

Yield calculation is based on the dividends received over the last 12 months. 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