

SWITZER HIGHER YIELD FUND (MANAGED FUND)

FUND DETAILS

Report Date	30 November 2018
Fund Investment	Cash, Debt and Hybrid Securities
Investment Objective	RBA Cash +1.50% - 2.00%
Minimum number of Securities	25
Sector Exposure Limits (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 *(net asset value - after fees and before taxes)*

PERIOD	FUND	RBA CASH	RBA CASH +2.00%
1 Months	-0.01%	0.12%	0.29%
3 Months	0.27%	0.38%	0.88%
6 Months	1.34%	0.75%	1.76%
1 Year	2.10%	1.51%	3.56%
3 Year (pa)	3.74%	1.60%	3.65%
Inception (pa)	5.25%	2.82%	4.89%
RETURN BREAKDOWN		INCOME	CAPITAL
1 Months		0.00%	-0.01%
3 Months		0.00%	0.27%
6 Months		1.60%	-0.25%
1 Year		3.24%	-1.14%
3 Year (pa)		2.46%	1.28%
Inception (pa)		4.61%	0.64%

PORTFOLIO CHARACTERISTICS

Number Holdings	56
Cash (Running) Yield	3.96%
Yield to Maturity	3.83%
Weighted Average Credit Rating ¹	BBB
Modified Duration (years)	1.04

1. S&P Long Term

FUND FACTS

Net Tangible Assets (NTA)	\$0.826700
Buy/Sell Spread	0.30%
Inception Date	31 st August, 2009
Fund Type	Unit Trust (Unlisted)

PORTFOLIO UPDATE

The Switzer Higher Yield Fund (Managed Fund) lost 1 basis point (0.01%) in November ending a succession of seven monthly gains. The cash (or running yield) of the portfolio (projected income divided by market value) declined slightly to 3.96% whilst the yield to maturity increased to 3.83% (the fall in running was due to the maturity in November of two high yielding bonds which increased the weighted average yield to maturity of the portfolio). Modified duration, which is a measure of portfolio risk, fell to 1.04 years.

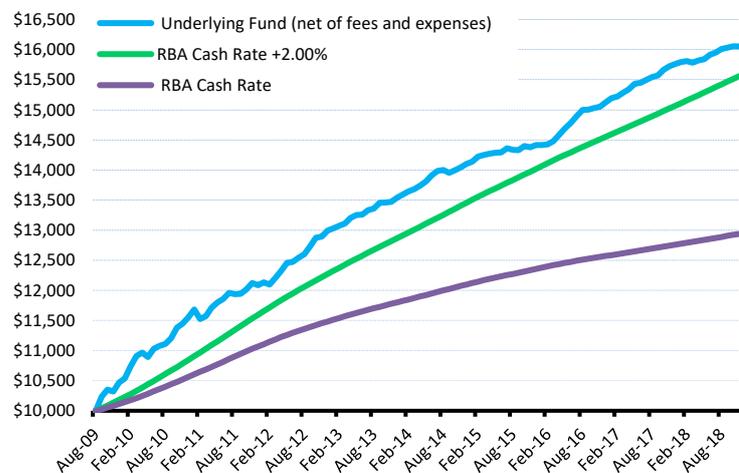
Overall, fixed income returned 0.28% in November as measured by the CBA Fixed Income Index. Peeling back a few layers highlighted that corporate credit was the worst performing sector, returning 0.13% with bank credit taking some serious body blows, in particular bank subordinated debt. With banks being the dominant local issuer and subordinated debt providing a major source of yield (low or unrated debt pays a higher interest rate), many investors would have been impacted negatively by this movement in credit.

Volatility in equity markets and continued uncertainty around the geopolitical backdrop proved to be too much for many investors who took risk off the table during the month. This was evidenced in the debt primary issues that priced in November – new issues priced higher than similar bonds in the secondary market, something not seen for a while. In terms of the geopolitical drivers, it was the old favourites that consumed headlines, namely: Brexit (which has come to a head in recent weeks); trade relations between the United States and China; and US politics (most notably Trump headlines and the new threat of a government shutdown). There was, however, a new and more impactful contender during November and that was Fed talk with the market interpreting speeches from several Fed Governors as increasing the risk the Fed may tighten rates too aggressively. All of these factors made for a difficult month for credit investors.

The Switzer Higher Yield Fund's investment objective is to pay a steady income and preserve investor's capital. Whilst November was a difficult month within an increasingly difficult (low interest rate) market, the fund preserved investors capital after costs. The portfolio maintains an overall investment grade quality. During the month both Caltex and Lendlease bonds held matured adding to the cash weight. We will look to reinvest these proceeds when the appropriate opportunities arise.

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 (31st August 2009).



Responsible Entity: Switzer Asset Management Management Limited
 AFSL 312 247 ABN 26 123 611 978
Investment Advisor: Contango Funds Management Limited
 AFSL 237 119 ABN 52 085 487 421

Phone 1300 794 893
E: invest@switzer.com.au
W: www.switzerassetmanagement.com.au
 Address: Level 6 10 Spring Street SYDNEY NSW 2000

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	5.13%
AA	9.90%
A	30.44%
BBB	28.21%
BB	6.80%
B	2.04%
Not Rated	17.48
Total	100.00%

SECURITY TYPE

SECURITY TYPE	WEIGHT
Floating Rate Bonds	54.75%
Fixed Rate Bonds	30.07%
Hybrid Securities	10.05%
Asset and Mortgage Backed Securities	0.82%
Cash	4.31%
Total	100.00%

TOP TEN HOLDINGS

TOP TEN HOLDINGS	WEIGHT
Cash	4.31%
Royal Bank of Canada Floating Rate Note	3.23%
Shopping Centres Aust. 3.75% Fixed Rate	3.23%
Adelaide Airport Floating Rate Note	3.23%
Verizon Floating Rate Note	3.23%
CBA Hybrid (CBAPD)	3.05%
National Australia Bank Hybrid (NABPB)	2.40%
Nufarm NZ Finance Ltd Floating	2.04%
Suncorp Metway Floating Rate Note	1.94%
Melbourne Airport 4% Fixed Rate Note	1.73%

Glossary:

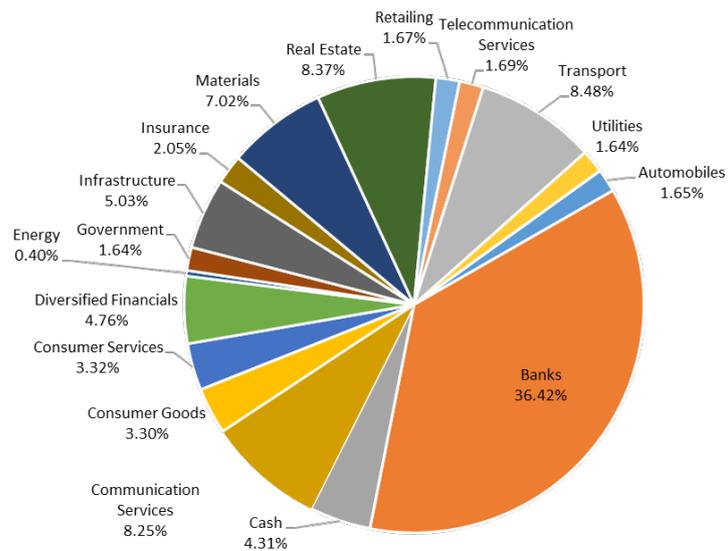
Yield To Maturity: The rate of return an investor would receive if the securities were held to the final maturity date;
Yield To Call: The rate of return an investor would receive if the securities were held to the call date in the case where an issuer has the right to call the securities;

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

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

☎ **1300 794 893**
 ✉ invest@switzer.com.au
 🌐 www.switzerassetmanagement.com.au

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