

28 February 2019

### 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

We were pleased to see the SWTZ unit price break through \$2.50 for the first time since last year's correction recently.

Over the past 12 months, the Switzer Dividend Growth Fund (SWTZ) has paid a distribution yield of 6.45%, or 8.39% including franking credits. Distribution yield is calculated as the distributions received over the 12 months to 28 February 2019 relative to the closing unit price of \$2.56 at the beginning of the period.

Given its focus on income and capital preservation, over the long term we expect SWTZ to marginally underperform in rising markets and marginally outperform in falling markets. The fund was broadly in line with the market over February, with a return of 5.81%, against a market return of 5.98%. The recovery in the major banks was offset by lower returns in REITs and stronger returns in resources. SWTZ is underweight resources, index weight REITs and overweight financials.

### PORTFOLIO COMMENTARY

The targeted cash level in the fund is usually 1.5-2.0%. At the end of the month cash was slightly higher at 3.5%. Cash will be invested opportunistically.

The fund put some capital to work over the month and invested further in eleven existing holdings. These include Wesfarmers, Insurance Group Australia, Suncorp, Unibail Rodamco Westfield, and James Hardie. We added to James Hardie post their results on the back of an improved macro outlook for US housing.

The fund also made some sales over the month, with the position in CSL further reduced. CSL has attractive long-term prospects and has been a good performer for the fund, but at current prices has a low yield of about 1.3%. The current share price is over 60% above the fund's average entry price.

The fund exited its small position in Newcrest Mining (NCM) – a position we have held as a diversification play since 2017. Recent speculation in the sector has pushed the share price higher and we are happy to take profits. All funds raised will be reinvested into higher yield opportunities as they arise.

At time of writing 31 of the fund's holdings, which represents about 66% of the portfolio by value, have reported results and declared dividends. Of these 31 companies, 17 declared higher dividends, 7 were flat and 7 were lower. The median increase in dividend was 4.0% and weighted average increase was 10.8%. We consider this to be a good result.

### KEY DETAILS

Portfolio Dividend Yield (net) <sup>1</sup>	6.45%
Portfolio Dividend Yield (gross)	8.39%
Median market cap (\$m)	15,113
Portfolio price to earnings ratio	15.53
Earnings growth (%)	4.37
Beta	0.99

Source: Bloomberg. 1) Yield calculation based on dividends paid during the previous 12-months relative to closing unit price of \$2.56 at 28 February 2018

### PERFORMANCE (AFTER MANAGEMENT FEES)

PERIOD	SWTZ (%)	ASX 200 ACCUM INDEX (%)
1 Month	5.81	5.98
3 Month	7.29	9.95
6 Month	-2.28	-0.26
12 Month	3.50	7.05
Inception <sup>1</sup> (annualised)	4.36	7.72

1) Inception date 27 February 2017. SWTZ performance based off final net asset value price as determined by the custodian.

### KEY DETAILS

Fund Fact Sheet Date:	28 February 2019
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)	\$2.4899
Performance fee	None
Management fee:	0.89%

### MARKET COMMENTARY

Equity markets continued their recovery from last year's sell off throughout February. Almost all markets were significantly stronger with China's Shanghai index up double digits. The rally comes amidst a fall in volatility and a fall in credit spreads, both favourable metrics for markets.

There is a realisation that fears of a significant economic downturn – a popular view late last year – are unlikely to eventuate. Whilst rates of growth continue to slow and estimated earnings, although positive, also are being downgraded, we don't see this as a precursor to any significant economic downturn.

Global liquidity remains tight and, despite supportive rhetoric by central banks, there is likely to be a return of volatility at some stage in 2019. The fund remains skewed to quality yield. During rallies such as the one we are currently experiencing, we will work to enhance and upgrade the fund from its already strong position.

### PORTFOLIO OUTLOOK

We expect the market to recover most, if not all, of last year's falls. However, given global liquidity remains tight and growth is slowing, volatility is likely to persist over the first half of the year.

The underlying earnings (and dividend) outlook for the companies in the fund remain positive, and this month's earnings season proved that to be the case. Balance sheets of the companies held remain very good, a positive sign of its health. The strategy remains to focus on quality yield over the long term.

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 over the medium term.

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### SECTOR ALLOCATION

GICS SECTOR ALLOCATION	WEIGHT %
Financials	42.78
Materials	9.62
Consumer Discretionary	8.72
Real Estate	7.03
Energy	6.60
Utilities	5.55
Industrials	5.02
Communication Services	3.72
Health Care	3.05
Consumer Staples	2.76
Information Technology	1.62
Cash	3.53

### TOP TEN HOLDINGS

CODE	STOCK	WEIGHT %
CBA	COMMONWEALTH BANK	8.76
WBC	WESTPAC	7.98
ANZ	ANZ	7.65
NAB	NATIONAL AUSTRALIA BANK	5.97
WPL	WOODSIDE PETROLEUM	4.58
BHP	BHP GROUP	4.38
SUN	SUNCORP GROUP LTD	3.49
WES	WESFARMERS LTD	3.42
MQG	MACQUARIE GROUP LTD	3.33
CSL	CSL LTD	3.05

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](http://www.switzerassetmanagement.com.au)