

30 April 2019

### INVESTMENT OBJECTIVE

The Switzer Dividend Growth Fund (SWTZ) is an income-focussed exchange traded managed fund with a mix of yield and quality companies. 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

Over the past 12 months, SWTZ has paid a distribution yield of 7.5%, or 9.9% including franking credits. Distribution yield is calculated as the distributions received over the 12 months to 30 April 2019 relative to the price 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 portfolio performed well over the month being up 2.9% against a market move of 2.4%.

### PORTFOLIO COMMENTARY

The targeted cash level in the fund is usually 1.5-2%. At 30 April, cash was below this target at around 0.9%. The fund paid a 4.54c distribution (fully franked) on 16 April. The ex-date for this distribution was 1 April.

Activity was modest over the month. We sold some of our holdings in CSL and Charter Hall Group, both at a substantial profit. We trimmed our holding in CBA after a jump in the share price. CBA is the only major bank that will not pay a dividend this result season (it paid one earlier in the year). We exited our position in Magellan Financial Group after a very strong upward move in the share price.

We also increased our position in Unibail-Rodamco-Westfield (ASX:URW) as the company appears to have stabilised and is showing improving underlying growth. URW is the owner of some of the world's best shopping centres and the company has an attractive yield.

We have also added Lendlease to the portfolio. The company is a blue-chip property developer and has a huge work book. Over the last year, several contracts in its road building division encountered problems resulting in large losses. The share price subsequently fell from over \$21 to below \$13 and we see this as an opportunity. Importantly, the balance sheet remains sound and management has taken the initiative to wind down or sell the road division. We have added a modest position and will monitor the company's progress.

### MARKET COMMENTARY

Global markets again mostly pushed higher over April, led by the bellwether NASDAQ index up 4.7%. The German and Japanese markets were also higher by 7.1% and 5.0% respectively.

Whilst the bond market rally seems to have stabilised, interest rates remain near historical lows. The US earnings season has commenced and looks to have a positive skew at this stage. The Chinese economy appears to have stabilised with leading indicators starting to turn positive. All these factors

### KEY DETAILS

Portfolio Dividend Yield (net) <sup>1</sup>	7.53%
Portfolio Dividend Yield (gross)	9.91%
Median market cap (\$m)	15,616
Portfolio price to earnings ratio	16.07
Earnings growth (%)	2.51
Beta	1.01

Source: Bloomberg. 1) Yield calculation based on dividends paid during the 12-months to 30 April 2019 relative to closing unit price of \$2.51 at the beginning of the period.

### PERFORMANCE (AFTER MANAGEMENT FEES)

PERIOD	SWTZ (%)	ASX 200 ACCUM INDEX (%)
1 Month	2.85%	2.37%
3 Month	8.89%	9.29%
6 Month	8.41%	10.87%
12 Month	7.97%	10.41%
Inception <sup>1</sup> (annualised)	5.43%	8.63%

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:	30 April 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)	\$2.5168
Performance fee	None
Management fee:	0.89%

combined are giving investors confidence that the world's equity markets can continue to rally.

Sector performance was very tight with the best performing sector, Financials, being 1.4% higher while the poorest performer, Materials, was down 0.4%. The month was mainly about individual company share price performance.

The best performing company in the portfolio was Reliance Worldwide (ASX:RWC) (+13.2%). The company's share price was recently affected by a sell down by the Chairman, but now appears to have worked through this issue. Reliance also continues to make headway in its operations in the US and UK.

Other companies whose share prices performed well included Star Entertainment (+8.6%), Coles (+6.4%) and James Hardie (+6.3%). There were no companies in the portfolio whose prices fell more than -5% for the month.

### PORTFOLIO OUTLOOK

Given the strong rally post the large falls back in December, markets now look close to fair value in our view. The ongoing rally in bond markets implies that future growth is unlikely to be strong and low interest rates are likely to persist. The fund will focus on secure yield and growth companies where valuations appear reasonable.

The underlying earnings (and dividend) outlook for the companies in the fund remains solid. Moreover, their balance sheets remain very strong. These are both positive signs of the health of the portfolio. The fund participated in the Caltex buyback and intends to participate in the Woolworths buyback. These buybacks will help sustain the level of franking in the fund.

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

### SWITZER DIVIDEND GROWTH FUND

Level 6, 10 Spring Street, Sydney NSW 2000

T: 02 9016 5397

W: [www.switzer.com.au/invest](http://www.switzer.com.au/invest)

E: [invest@switzer.com.au](mailto:invest@switzer.com.au)

### SECTOR ALLOCATION

GICS SECTOR ALLOCATION	WEIGHT %
Financials	41.78
Consumer Discretionary	9.84
Materials	9.35
Real Estate	8.50
Energy	6.20
Industrials	5.91
Utilities	5.67
Communication Services	4.03
Consumer Staples	3.55
Health Care	2.63
Information Technology	1.63
Cash	0.92

### TOP TEN HOLDINGS

CODE	STOCK	WEIGHT %
WBC	WESTPAC BANKING CORP	8.21
CBA	COMMONWEALTH BANK	7.88
ANZ	AUST AND NZ BANKING GROUP	7.50
NAB	NATIONAL AUSTRALIA BANK LTD	6.08
WPL	WOODSIDE PETROLEUM LTD	4.51
BHP	BHP GROUP LTD	4.44
WES	WESFARMERS LTD	3.74
MQG	MACQUARIE GROUP LTD	3.52
SUN	SUNCORP GROUP LTD	3.45
TLS	TELSTRA CORP LTD	2.74

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)