

ASX:SWTZ

Fund Update: 31 January 2023

## Key Fund Details

SWTZ Distribution Yield (net) <sup>1</sup>	Benchmark Dividend Yield (net) <sup>2</sup>	Fund Name	Switzer Dividend Growth Fund (Quoted Managed Fund)
<b>5.74%</b>	<b>4.38%</b>	Investment Manager <sup>3</sup>	Blackmore Capital Pty Ltd
		Responsible Entity	AGP Investment Management Limited
		Fund Inception Date	23 February 2017
		Stock Universe	ASX 300
		Number of Stocks	30 - 50
		Benchmark	ASX 200 Accumulation Index
SWTZ Distribution Yield (gross) <sup>1</sup>	Net Asset Value	Target/Max Cash Position	1% / 20%
<b>7.60%</b>	<b>A\$2.6253</b>	Distribution Frequency	Monthly
		Management Fee <sup>4</sup>	0.89% p.a.
		Performance Fee	n/a

**Notes:** 1. SWTZ Distribution Yield is based on distributions attributable to the 12 months to the date of this report, relative to the closing unit price at the beginning of the period. 'Net' takes no account of the benefits of franking credits received on the Fund's dividend income. 'Gross' takes into account the benefits of franking credits received on the Fund's dividend income. 2. Source: Bloomberg. 3. Appointed on 21 April 2021. 4. Fees are inclusive of GST and less Reduced Input Tax Credits.

## Why Invest

The Switzer Dividend Growth Fund (**SWTZ** or the **Fund**) is an income-focused 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 deliver capital growth over the long term.

## Performance<sup>1</sup>

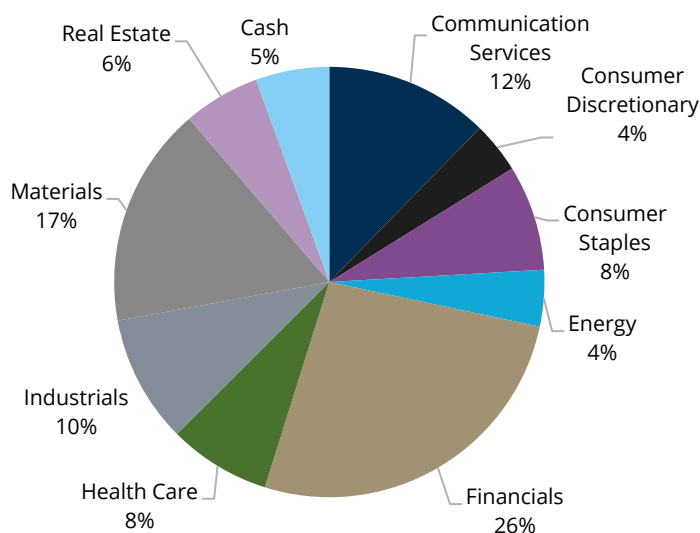
	1 Month	3 Months	6 Months	1 Year	Strategy Inception <sup>2</sup>	5 Years	Fund Inception <sup>3</sup>
Portfolio	3.67%	6.35%	5.35%	8.97%	7.16%	5.61%	5.76%
Benchmark <sup>4</sup>	6.23%	9.59%	10.32%	12.21%	7.99%	8.51%	8.54%
Value Added <sup>5</sup>	-2.56%	-3.24%	-4.97%	-3.24%	-0.83%	-	-

**Notes:** 1. Portfolio performance is calculated based on net asset value per unit, which is after management fees and expenses and assumes that all distributions are reinvested in the Fund. Periods greater than 1 year are annualised. 2. Blackmore Capital Pty Ltd was appointed Investment Manager of the Fund on 21 April 2021. 3. Inception date is 23 February 2017. 4. Benchmark is the S&P/ASX 200 Accumulation Index. 5. Value added since Blackmore Capital Pty Ltd was appointed.

## Top 10 Portfolio Holdings

Company	Weight %
BHP Group	9.31
Spark New Zealand	6.17
Telstra Corporation	6.14
Westpac Banking Corporation	5.24
Commonwealth Bank of Australia	5.13
Medibank Private	4.77
National Australia Bank	4.68
Macquarie Group	4.66
Woolworths Group	4.32
Amcor	4.24
<b>Total</b>	<b>54.66</b>

## Sector Allocation



## For More Information

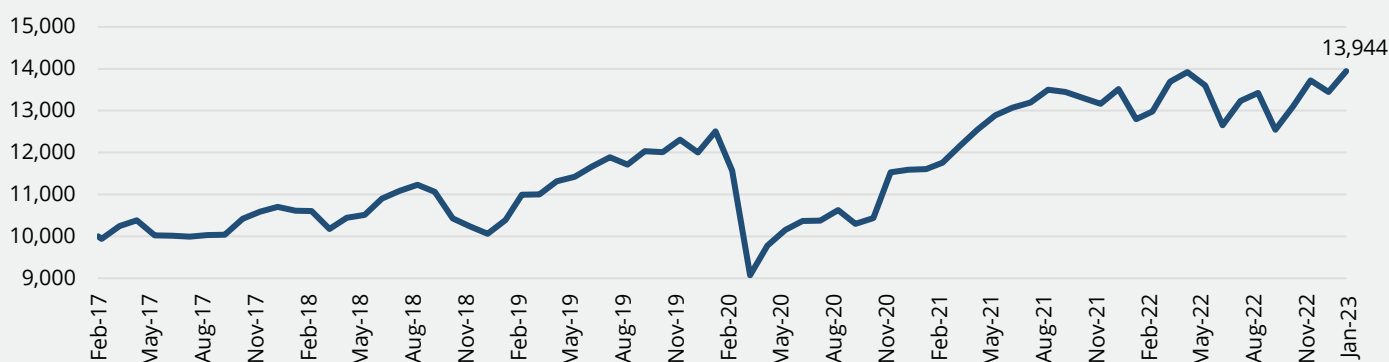
Please visit our website at: [www.associateglobal.com/funds/swtz/](http://www.associateglobal.com/funds/swtz/)

If you have any questions, please contact our distribution team on 1300 052 054 or [invest@associateglobal.com](mailto:invest@associateglobal.com).

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## Value of A\$10K Invested



**Source:** AGP Investment Management Limited. Calculations are based on the Net Asset Value prices with distributions reinvested, after ongoing fees and expenses but excluding tax and entry fees (if applicable).

## Portfolio Update

The portfolio delivered a return of 3.67% in January 2023 compared with the S&P/ASX 200 Accumulation Index benchmark return of 6.23%. Global equity markets had a strong start to the year, with the ASX 200 rally in January being the best start in over three decades. The strength in the ASX 200 was broad-based with all sectors (except Utilities) contributing to a positive performance. The cyclical sectors of Consumer Discretionary, Materials and Real Estate led the ASX 200 higher.

At a portfolio level, BHP Group, Macquarie Group and Northern Star were notable strongly performing stocks. Whereas the defensive stocks of Spark NZ, Amcor and Brambles weighed negatively on performance – these companies ironically being some of the best performing stocks in the portfolio in 2022.

The start of 2023 has been markedly different to 2022 where risk assets were progressively priced lower by the weight of inflation, the unprecedented rise in interest rates and a Chinese economy closed due to COVID-19.

The recent appetite for risk has been driven by an improvement in global macroeconomic data that has eased financial conditions with expectations of inflation having peaked and a slower pace of interest rate rises. Moreover, the change in the mood of the markets has been further supported by a surprising COVID-19 U-turn by Chinese policy makers to reopen their economy to the world, a pivotal driver for higher commodity prices. Significantly, the resilience in consumer and employment data, combined with China's reopening, suggests that the Australian economy will continue to grow this year, providing the foundation for corporate earnings to expand also (albeit at more moderate levels).

Nonetheless, the rapid rise in risk assets at the start of 2023 has largely priced in a 'goldilocks' scenario (not too hot, not too cold) whereby central banks successfully navigate a 'soft' landing for the global economy and avoid a serious global recession.

As such, much of the good news reflecting a more stable outlook, is largely priced into equity market valuations. In fact, valuations now sit comfortably above their long-term historical average. The ASX 200 Index is trading on a 12-month forward Price Earnings Ratio (PE) of ~15.5 times, well above its recent low point of ~12 times in June 2022, and above its 30-year average of ~14 times. This is at a time when the cost of capital (higher interest rates) is still rising and corporate earnings revisions are negative, highlighting further pressure on the outlook for corporate earnings. We expect in 2023 that the absolute level of interest rates will progressively weigh on equity market valuations.

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