

ASX:SWTZ

Fund Update: 28 February 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>5.80%</b>	<b>4.58%</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>7.68%</b>	<b>A\$2.5688</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>

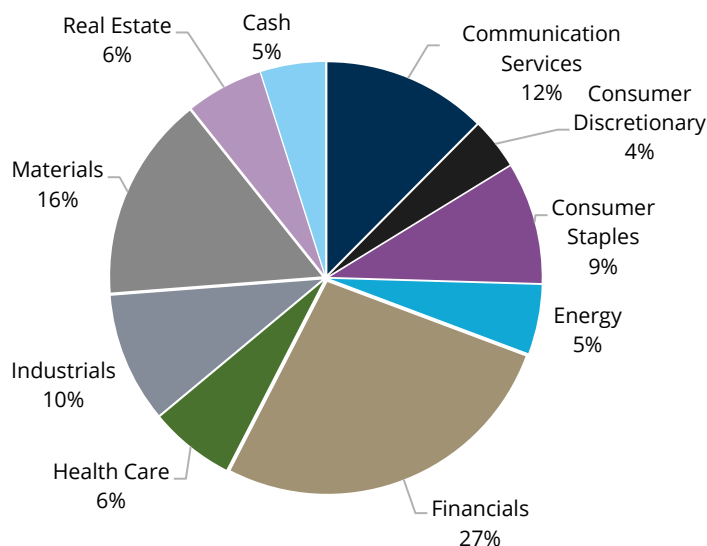
	1 Month	3 Months	6 Months	1 Year	Strategy Inception <sup>2</sup>	5 Years	Fund Inception <sup>3</sup>
Portfolio	-1.85%	-0.25%	1.98%	5.44%	5.78%	5.24%	5.36%
Benchmark <sup>4</sup>	-2.45%	0.30%	6.37%	7.16%	6.22%	7.90%	7.98%
Value Added <sup>5</sup>	0.60%	-0.55%	-4.39%	-1.72%	-0.44%	-	-

**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	8.69
Telstra Corporation	6.42
Spark New Zealand	6.01
Medibank Private	5.52
Westpac Banking Corporation	5.07
Macquarie Group	4.81
Commonwealth Bank of Australia	4.79
Woolworths Group	4.51
National Australia Bank	4.51
Amcor	4.26
<b>Total</b>	<b>54.59</b>

## Sector Allocation



## For More Information

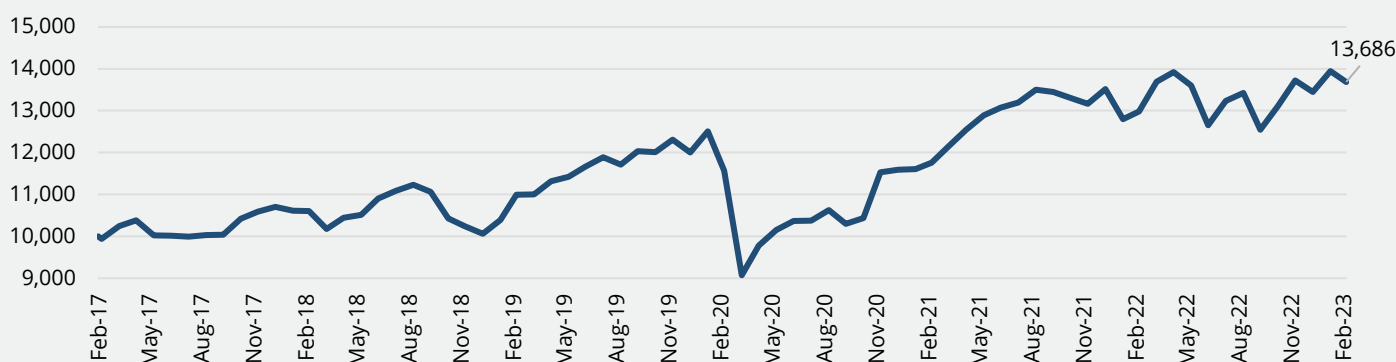
Please visit our website at: [www.associateglobal.com/funds/swtz/](http://www.associateglobal.com/funds/swtz/)

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 -1.85% in February 2023 compared with the S&P/ASX 200 Accumulation Index benchmark return of -2.45%. The ASX 200 fall in February was on the expectation that global central banks will need to raise interest rates further to control inflation. At a sector level, the combination of a stronger US Dollar and rising real bond yields was a major headwind for mining stocks which fell 7.5% for the month. By contrast, the strongest performing industry group was Insurance +6.5%, where rising bond yields supported higher investment income returns. At a portfolio level, Brambles, Woolworths group and Medibank Private were the notable strongly performing stocks, whereas the resource and bank stocks weighed negatively on performance, led by BHP Group, Northern Star Resources and National Australia Bank.

The February 2023 reporting period highlighted solid growth in company revenues, but 'cost inflation' weighed on operating margins. While there was evidence that input costs have peaked, wage pressure and a higher cost of debt were significant headwinds for margins. As such, there were slightly more earnings downgrades than upgrades for the ASX 200 during the 1H23 reporting period.

For the portfolio, the company results that were better than expected were: Brambles, CSL, Goodman Group, Macquarie Group, Medibank Private, Ramsay Health Care, Telstra Group and Woolworths Group. The stand-out result was delivered by Brambles which upgraded its constant-FX basis FY23 guidance for revenue growth of +12-14% (previously +7-10%) and Underlying Profit growth of +15-18% (previously +8-11%).

Conversely, softer volumes and/or elevated costs weighed on the results of: Amcor, Healius, Integral Diagnostics, News Corp and Spark NZ. The Health Care service providers' (Healius & Integrated Diagnostics) results were impacted by a slower recovery in operating volumes and inflation cost pressures that materially diluted operating margins. While both companies expect a "materially stronger" 2H23 as operating leverage improves with a recovery in their respective base businesses, no formal guidance was provided.

We believe that with higher inflation remaining more persistent than expected, borrowing costs have yet to peak, which will pose an ongoing headwind for equity valuations. Nonetheless, earnings for the ASX 200 companies are expected to deliver modest growth of ~4%-5% for the FY2023. The resilience of labour markets and the reopening of the Chinese economy should provide an important ballast to the global economy and company earnings for the remainder of FY23. There is no doubt that the backdrop for equity markets is challenging (cost inflation, further rate rises, the energy transition & a fractured geo-political environment), which is contributing to heightened uncertainty. Our strong preference is to position the Fund's portfolio to be weighted toward companies that have consistently exhibited earnings resilience and strong balance sheets (Brambles, Goodman Group and Woolworths Group) and industry leaders well positioned to grow through the economic cycle (CSL, Ramsay Health Care and Macquarie Group).

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