

**ASX:SWTZ**

Fund Update: 31 July 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>3.74%</b>	<b>4.41%</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	20 - 50
		Benchmark	ASX 200 Accumulation Index
SWTZ Distribution Yield (gross) <sup>1</sup>	Net Asset Value	Target/Max Cash Position	1% / 20%
<b>5.02%</b>	<b>A\$2.5791</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>

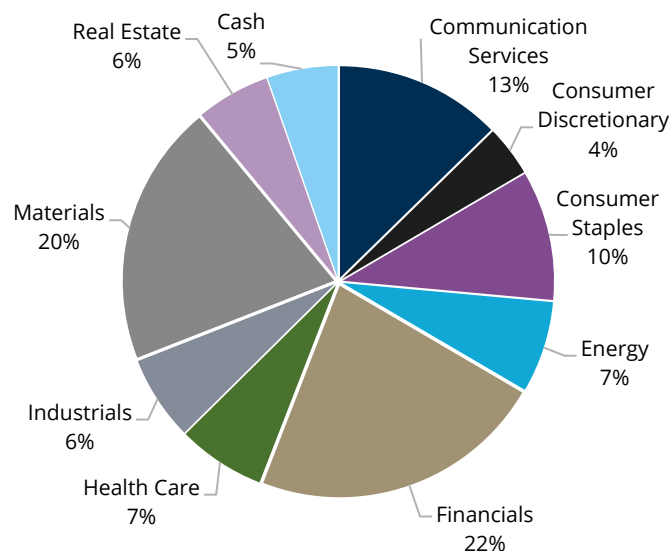
	1 Month	3 Months	6 Months	1 Year	Strategy Inception <sup>2</sup>	5 Years	Fund Inception <sup>3</sup>
Portfolio	1.60%	-0.08%	0.06%	5.42%	5.59%	4.71%	5.31%
Benchmark <sup>4</sup>	2.88%	2.04%	1.22%	11.67%	6.76%	7.47%	8.06%
Value Added <sup>5</sup>	-1.28%	-2.12%	-1.16%	-6.25%	-1.17%	-	-

**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	8.68
Telstra Corporation	6.49
Spark New Zealand	6.19
National Australia Bank	5.50
Commonwealth Bank of Australia	4.99
Westpac Banking Corporation	4.99
Woodside Energy Group Ltd	4.70
Woolworths Group Ltd	4.65
Rio Tinto	4.55
Macquarie Group	4.40
<b>Total</b>	<b>55.14</b>

## Sector Allocation



## For More Information

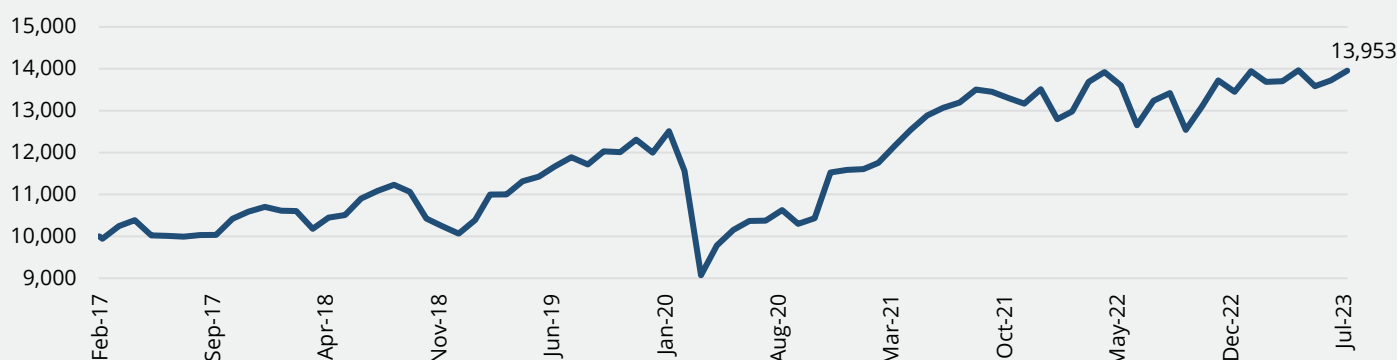
Please visit our website at: [www.associateglobal.com/funds/swtz/](http://www.associateglobal.com/funds/swtz/)

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 1.60% in July 2023 compared with the S&P/ASX 200 Accumulation Index benchmark return of 2.88%. The rise of the ASX 200 in July was supported by the belief that central banks are now close to the end of the interest rate tightening cycle thus avoiding a hard landing for the global economy.

With interest rates at a two-decade high, there was warranted concern that a broad-based contraction was inevitable. We believed that the cumulative effect of multiple rate rises would have a harmful impact on the economy and equity market valuations. Our proposition was that in an environment where interest rates moved from virtually zero to be up over 400 basis points in 14 months, corporate balance sheets and earnings would be strained. As such, we prepared the portfolio to have more defensive characteristics - to be overweight in Consumer Staples, Health Care and the Telecommunication sectors.

Instead, what has transpired has been a more benign outcome where the economy has remained resilient, supported by strong employment and high migration levels. At the same time, inflation has peaked and now is in an orderly decline, suggesting that monetary policy could achieve a soft landing for the economy.

Under this backdrop, cyclical Industrials (Energy, Materials and Discretionary) and Information Technology companies have been strong outperformers relative to quality and defensive companies. Moreover, the July bounce in the ASX 200 has now pushed valuations above average, with the price earnings ratio trading on more than 15 times for the 12 months to December 2023.

Nevertheless, we remain cautious heading into the upcoming FY23 earnings season. Recent company announcements and an increase in downward earnings revisions suggest Australian companies have begun to experience a slowdown, as higher interest rates and cost of living pressures weigh on the consumer. We expect a moderate downturn in corporate profits, with bottom-up expectations for the ASX 200 EPS forecasting a low single digit contraction for the 12 months to December 2023.

At a portfolio level, Industrials, Banks and Energy sectors led by Cleanaway Waste Management, National Australia Bank and Woodside Energy were strong performing stocks. Notably, the major banks (+6.6%) outperformed the broader equity market (+2.9%) following the RBA's decision to hold the cash rate steady. Whereas CSL, Woolworths Group and Northern Star Resources weighed negatively on performance. Overall, the Health Care sector was the weakest sector for the second month in a row, weighed down CSL (-3.2%) where the pace of recovery post-COVID is slower than expected. While the Health Care sector has lagged materially over the last six months, we do expect a strong recovery in earnings over FY24-25.

In an environment where corporate profits are expected to slow, we remain defensively positioned in the key defensive Industrials sectors (Consumer Staples and Telecommunications) and Health Care, which should offer greater earnings resilience.

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