Switzer | Dividend Growth Fund

ASX:SWTZ

Fund Update: 31 May 2024

Key Fund Details

SWTZ Distribution Yield (net)[1]
3.74%

Benchmark Dividend Yield (net)[2]
3.90%

SWTZ Distribution Yield (gross)[1]
5.28%

Net Asset Value
A$2.5878

Fund Name	Switzer Dividend Growth Fund (Quoted Managed Fund)
Investment Manager[3]	Vertium Asset Management Pty Ltd
Responsible Entity	AGP Investment Management Limited
Fund Inception Date	23 February 2017
Stock Universe	ASX 100
Number of Stocks	20 - 50
Benchmark	ASX 100 Accumulation Index
Target/Max Cash Position	0% / 20%
Distribution Frequency	Monthly
Management Fee[4]	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 28 March 2024. 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[1]

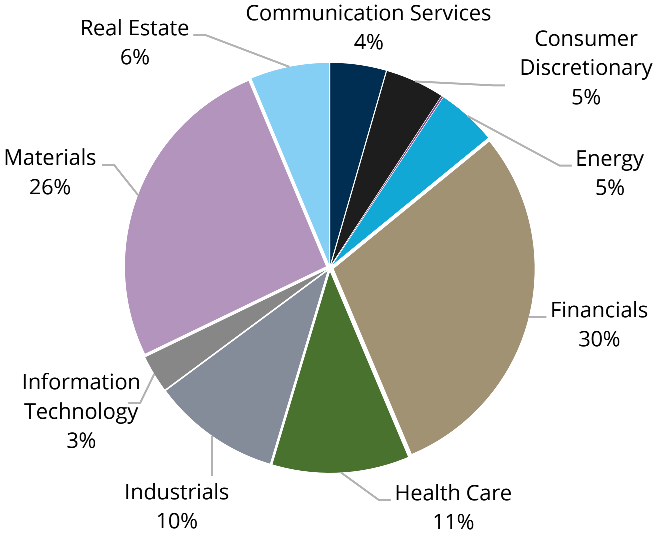
	1 Month	Strategy Inception[2]	3 Months	6 Months	1 Year	5 Years	Fund Inception[3]
Portfolio	0.60%	-3.75%	-0.44%	6.34%	6.31%	4.80%	5.19%
Benchmark[4]	0.96%	-1.97%	1.30%	11.00%	13.32%	7.84%	8.23%
Value Added[5]	-0.36%	-1.78%	-	-	-	-	-

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. Vertium Asset Management Pty Ltd was appointed investment manager of the Fund on 28 March 2024. 3. Inception date is 23 February 2017. 4. Benchmark is the S&P/ASX 100 Accumulation Index. Prior to 1 April 2024 the benchmark was the S&P/ASX 200 Accumulation Index. 5. Value added since Vertium was appointed.

Top 10 Portfolio Holdings

Company	Weight %
Westpac Banking Corporation	9.35
BHP Group	7.68
Amcor	5.36
ANZ Group Holdings	4.93
CSL	4.69
Fisher & Paykel Healthcare Corporation	4.21
Steadfast Group	4.11
Woodside Energy Group	3.78
Downer EDI	3.18
National Australia Bank	2.88
Total	**50.17**

Sector Allocation



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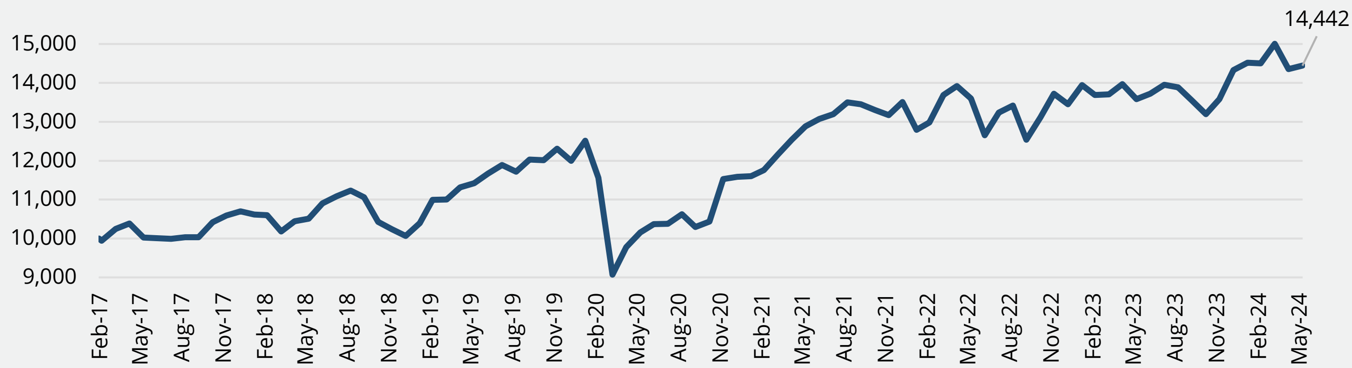
Value of A$10K Invested



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 0.60% during the month, compared with the S&P/ASX 100 Accumulation Index (ASX 100) return of 0.96%. The rise in the ASX 100 was mainly driven by the Information Technology and Utilities sectors, up by 4.5% and 3.4% respectively. However, the fall in the Telecommunications sector (-2.8%) partially dampened these gains.

Australian inflation unexpectedly rose to 3.6% in May, pushing back hopes of interest rate cuts and potentially leading to a hike. The relatively flat performance of the Australian share market consisted of large companies performing better than smaller ones. While US inflation remained steady at 2.7%, Australia's higher inflation suggests a slower economic slowdown and potential policy changes.

At the portfolio level, AGL Energy (AGL), Xero (XRO) and Fisher and Paykel Healthcare Corporation (FPH) were notable positive contributors. AGL continued to perform well as investors are recognising the persistence of high electricity prices as coal is replaced by renewable power generation. XRO and FPH reported their FY24 results, which were well received by the market. XRO delivered stronger-than-expected profits and continues to show discipline in managing growth and improving profitability. FPH's focus on new products and margin recovery bodes well for future earnings.

Weighing on performance were the underweight position in Commonwealth Bank of Australia (CBA), and the overweight positions in Block (SQ2) and Seek (SEK). CBA rallied despite lacking any new developments, pushing its valuation to an all-time high. It is currently the priciest bank globally and relative to its own history. SQ2 reported its 1Q2024 results which showed a good balance between growth and profitability. Despite exceeding profit expectations for six straight quarters, it trades at a record low valuation. SEK remains the IT sector laggard as job ads stay uninspiring. Market expectations are extremely low, reflected in its historically cheap valuation (only surpassed during the Global Financial Crisis).

The recent market volatility presented opportunities. Amcor (AMC) is a new addition to the portfolio. 2023 was a rough year for AMC as destocking by customers impacted volumes. However, recent management comments suggest this trend is nearing its end. The stock appears extremely undervalued, given its depressed PE multiple on trough earnings.

The market presents a mixed picture, with pockets of extreme overvaluation like CBA and Wesfarmers (WES). By avoiding these areas and focusing on undervalued stocks like AMC and AGL, the portfolio is well-positioned for sustainable returns.