Switzer | Dividend Growth Fund

ASX:SWTZ

Fund Update: 30 November 2024

Key Fund Details

SWTZ Distribution Yield (net)[1]
11.31%

Benchmark Income Return[2]
4.04%

SWTZ Distribution Yield (gross)[1]
12.74%

Net Asset Value
A$2.5343

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 net asset value per unit 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. Benchmark is the S&P/ASX 100 Accumulation Index. Prior to 1 April 2024 the benchmark was the S&P/ASX 200 Accumulation Index. 3. Appointed on 28 March 2024. 4. Fees are inclusive of GST and less Reduced Input Tax Credits.

Fund Objective

The Fund aims to provide investors with an income return that exceeds the S&P/ASX 100 Accumulation Index (after fees) over rolling 12-month periods, while also maintaining a lower level of volatility relative to the Index.

Performance[1]

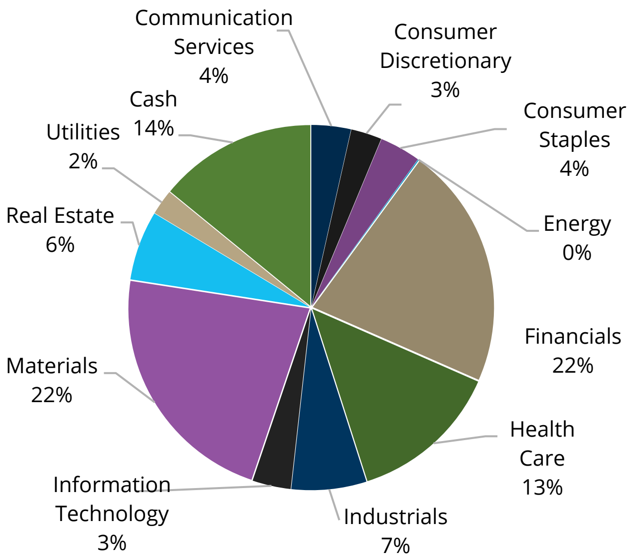
	1 Month	3 Months	Strategy Inception[2]	1 Year	3 Years	5 Years	Fund Inception[3]
Income[4]	0.36%	1.07%	9.18%	11.31%	6.26%	4.67%	4.71%
Growth	1.86%	0.67%	-6.02%	2.67%	-0.72%	0.02%	1.07%
Portfolio	**2.22%**	**1.74%**	**3.16%**	**13.98%**	**5.54%**	**4.69%**	**5.78%**
Income	0.43%	1.24%	2.49%	4.04%	4.42%	4.03%	4.27%
Growth	3.54%	4.03%	7.13%	18.55%	5.25%	4.32%	4.97%
Benchmark[5]	**3.97%**	**5.27%**	**9.62%**	**22.59%**	**9.67%**	**8.35%**	**9.24%**

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. Income is based on distributions for the period relative to the net asset value at the beginning of the period. Periods greater than 1 year are annualised. 5. Benchmark is the S&P/ASX 100 Accumulation Index. Prior to 1 April 2024 the benchmark was the S&P/ASX 200 Accumulation Index.

Top 10 Portfolio Holdings

Company	Weight %
BHP Group	10.49
ANZ Group Holdings	5.54
CSL	5.27
Westpac Banking Corporation	4.50
Brambles	4.39
Fisher & Paykel Healthcare Corporation	4.18
Orica	3.91
National Australia Bank	3.73
Xero	3.04
Mirvac Group	2.98
Total	**48.03**

Sector Allocation



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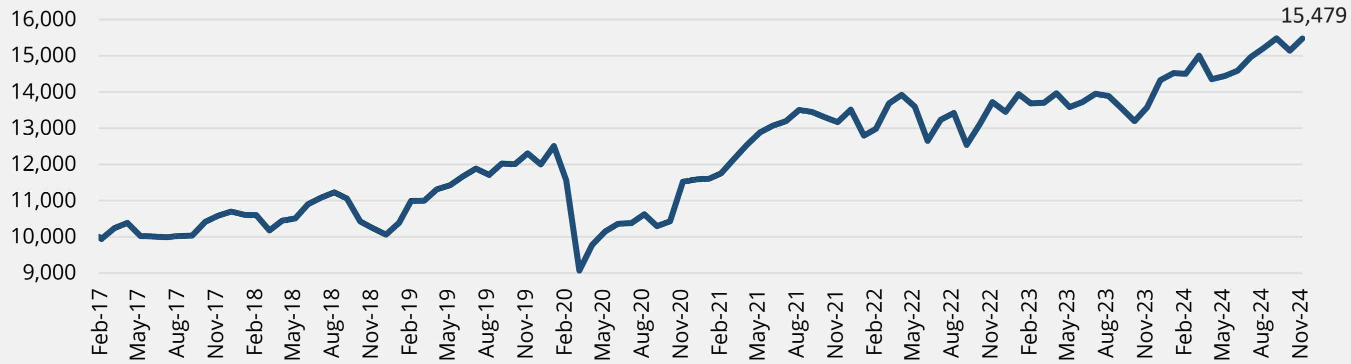
Value of A$10K Invested



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 Fund's portfolio delivered a return of 2.22% during the month, compared with the benchmark S&P/ASX 100 Accumulation Index (**ASX 100**) return of 3.97%. The rise in the ASX 100 was mainly driven by the Information Technology and Utilities sectors. However, these gains were partially offset by a decline in the Resources sector.

A significant drag to the Fund's relative performance was due to its defensive low beta nature, which makes it less sensitive to market movements. From a stock specific perspective, its zero holding in Commonwealth Bank of Australia (**CBA**) continued to be the biggest detractor to relative performance. CBA's valuation rose to record highs, as its price to earnings (or PE) ratio continued to expand beyond the underlying movement in its earnings prospects. This stretched valuation is a key reason why CBA is not held in the Fund. Over the last 12 months, CBA's share price has been fuelled by a 46% expansion in its PE ratio, despite a modest 6% increase in forward earnings. This substantial valuation expansion is highly unusual for a mature bank with significant exposure to a highly indebted household sector. The current PE ratio of 26x implies either minimal earnings risk or double-digit earnings growth, neither of which we believe is realistic.

Despite the underweight position in CBA, the Fund's performance was supported by investments in Block (**SQ2**), Xero (**XRO**) and Orica (**ORI**). SQ2's valuation continued to improve, driven by its attractive valuation and double-digit earnings growth prospects. The potential inclusion of SQ2 in the S&P500 index in December could further boost investor appeal. XRO's first-half FY25 result was rewarded by the market as it showed strong operating leverage. The company has achieved a good balance between revenue growth and profit margin and surpassed its aspirational 'Rule of 40' target (revenue growth plus free cash flow margin equalling 40%). ORI's FY24 results were in line with expectations. Importantly, the company raised medium-term return on net asset targets to 13-15% reflecting its positive outlook.

In November, global investor confidence was bolstered by Donald Trump's US election win, strong US economic growth, additional Chinese stimulus and central bank rate cuts which helped drive economic demand. In Australia, the Reserve Bank of Australia kept interest rates steady at 4.35%. Minutes from the RBA's meeting on 6 November revealed mixed signals, while emphasising the need for two consecutive strong quarterly inflation readings before cutting interest rates.

Looking ahead, the market landscape remains uncertain, with pockets of extreme overvaluation. By avoiding these areas and focusing on undervalued stocks, the Fund is well positioned to generate attractive income and sustainable long-term returns. The Funds remains focused on delivering higher income and lower volatility than the ASX 100, with the potential for capital growth.