

SWITZER DIVIDEND GROWTH FUND

ARSN 614 066 849

Financial Report **for the reporting period ended 30 June 2017**

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Annual financial report for the reporting period ended 30 June 2017

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This financial report covers Switzer Dividend Growth Fund as an individual entity.

The Responsible Entity of Switzer Dividend Growth Fund is Switzer Asset Management Limited ABN 23 123 611 978. The Responsible Entity's registered office is Level 27, 35 Collins Street, Melbourne, VIC, 3000.

Directors' report

The directors of Switzer Asset Management Limited (ABN 23 123 611 978), the Responsible Entity of Switzer Dividend Growth Fund ("the Fund"), present their report together with the financial statements of Switzer Dividend Growth Fund for the period from 18 August 2016 to 30 June 2017 ("the reporting period").

The Fund is an Australian registered Fund which listed on the Australian Stock Exchange on 24 February 2017.

Responsible Entity

The Responsible Entity of Switzer Dividend Growth Fund is Switzer Asset Management Limited (ABN 23 123 611 978). The Responsible Entity's registered office is Level 27, 35 Collins Street, Melbourne, VIC 3000.

Principal activities

The Fund aims to provide Australian resident investors with tax effective income and long term capital growth by investing in a core portfolio of blue-chip Australian shares. The Fund's investment portfolio is expected to comprise between approximately 30 and 50 stocks, drawn from within the largest 200 companies (by market capitalisation) listed on the ASX. The portfolio will be managed to deliver capital growth while providing investors with a quarterly income stream.

The Fund did not have any employees during the reporting period.

There were no significant changes in the nature of the Fund's activities during the reporting period.

Directors

The following persons held office as directors of the Responsible Entity during the reporting period or since the end of the reporting period and up to the date of this report:

Peter Switzer	Chairman and Non-Executive Director
George Boubouras	Director
Jarrod Deakin	Director (Appointed 27 July 2016)
Paul Rickard	Non-Executive Director
Martin Switzer	Director

Review and results of operations

There have been no significant changes to the operations of the Fund during the reporting period. The Fund continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The performance of the Fund, as represented by the results of its operations, was as follows:

	For the period ended 30 June 2017 \$'000
Profit/(loss) before finance costs attributable to unitholders (\$'000)	<u>(75)</u>
Distributions paid and payable (\$'000)	543
Distributions (cents per unit - CPU)	2.191

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the reporting period.

Directors' report (continued)

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Switzer Dividend Growth Fund or the auditors of the Fund. So long as the officers of Switzer Dividend Growth Fund act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the reporting period are disclosed in note 14 of the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the reporting period.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the reporting period are disclosed in note 14 of the financial statements.

Interests in the Fund

The movements in units on issue in the Fund during the reporting period are disclosed in note 7 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory Law.

Events occurring after the reporting period

Except as disclosed in note 16 in the financial statements, no other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future reporting periods, or
- (ii) the results of those operations in future reporting periods, or
- (iii) the state of affairs of the Fund in future reporting periods.

Rounding of amounts to the nearest thousand

The Fund is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Instrument, unless otherwise indicated.

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporation Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors.



Martin Switzer
Director Switzer Asset Management Limited



Jarrod Deakin
Director Switzer Asset Management Limited

Melbourne
27 September 2017

Auditor's Independence Declaration to the Directors of Switzer Asset Management Limited as Responsible Entity of the Switzer Dividend Growth Fund

As lead auditor for the audit of Switzer Dividend Growth Fund for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young



Maree Pallisco
Partner
Melbourne
27 September 2017

Switzer Dividend Growth Fund
Statement of comprehensive income
For the reporting period ended 30 June 2017

Statement of comprehensive income

	Notes	30 June 2017 \$'000
<i>Investment income</i>		
Interest income	3	17
Dividend/Distribution income	4	940
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	<u>(638)</u>
Total investment income		<u>319</u>
<i>Expenses</i>		
Management fees	14	174
Transaction costs		<u>220</u>
Total expenses		<u>394</u>
Profit/(loss) before finance costs attributable to unitholders		<u>(75)</u>
<i>Finance costs attributable to unitholders</i>		
Distributions to unitholders	8	543
Increase/(decrease) in net assets attributable to unitholders	7	<u>(618)</u>
Profit/(loss) for the reporting period attributable to unitholders		<u>-</u>
Other comprehensive income for the reporting period attributable to unitholders		<u>-</u>
Total comprehensive income for the reporting period attributable to unitholders		<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	30 June 2017 \$'000
Assets		
Cash and cash equivalents	9	904
Receivables	11	1,358
Financial assets held at fair value through profit or loss	10	<u>62,655</u>
Total assets		<u>64,917</u>
 Liabilities		
Distributions payable	8	311
Payables	12	<u>1,303</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>1,614</u>
 Net assets attributable to unitholders - liability	 7	 <u>63,303</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

In accordance with AASB 132 *Financial Instruments: Presentation*, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the beginning and the end of the reporting period.

Changes in net assets attributable to unitholders are disclosed in Note 7.

Switzer Dividend Growth Fund
Statement of cash flows
For the reporting period ended 30 June 2017

Statement of cash flows

	Notes	30 June 2017 \$'000
<i>Cash flows from operating activities</i>		
Proceeds from sale of financial instruments held at fair value through profit or loss		4,359
Purchase of financial instruments held at fair value through profit or loss		(67,030)
Transaction costs on financial instruments held at fair value through profit or loss		(229)
Dividends and distributions received		367
Interest received		17
Responsible Entity's fees paid		<u>(142)</u>
Net cash inflow/(outflow) from operating activities	15(a)	<u>(62,658)</u>
<i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders		65,450
Payments for redemptions by unitholders		(1,656)
Distributions paid		<u>(232)</u>
Net cash inflow/(outflow) from financing activities		<u>63,562</u>
Net increase/(decrease) in cash and cash equivalents		904
Cash and cash equivalents at the beginning of the reporting period		<u>-</u>
Cash and cash equivalents at the end of the reporting period	9,15(b)	<u>904</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

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1 General information

These financial statements cover Switzer Dividend Growth Fund ("the Fund") as an individual entity. The Fund was constituted on 18 August 2016 and listed on the Australian Stock Exchange on the 24th of February 2017. The Fund will terminate on 17 August 2096 unless terminated earlier in accordance with the provisions of the Fund's Constitution. The Fund's investment portfolio comprises stocks drawn from within the largest 200 companies (by market capitalisation) listed on the ASX.

The Responsible Entity of the Fund is Switzer Asset Management Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 27, 35 Collins Street, Melbourne, VIC 3000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are presented in the Australian currency.

The financial statements are for the period from 18 August 2016 to 30 June 2017 ("the reporting period").

The financial statements were authorised for issue by the directors on 8 September 2017. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all reporting periods presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia.

The Fund is a for-profit entity for the purposes of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders where the amount expected to be recovered or settled within twelve months after the end of the reporting period cannot be reliably determined.

Compliance with Australian Accounting Standards and International Financial Reporting Standards

The financial statements of the Fund comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

New/Amended standards adopted by the Fund

The Fund applied the following accounting standard amendments which became effective for the first time for the reporting period:

AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*. AASB 2015-3 completed the withdrawal of references to AASB 1031 *Materiality* in all Australian Accounting Standards and Interpretations, allowing AASB 1031 to be effectively withdrawn. The adoption of AASB 2015-3 did not have any impact on the Fund for the current period and will not impact any future periods.

AASB 2015-2 amends AASB 101 *Presentation of Financial Statements* to clarify that entities should not disclose immaterial information and that the presentation in notes to the financial statements can and should be tailored to provide the report users with the clearest story of an entity's financial performance and financial position. No significant impact is expected upon adoption of the amendments. The Fund does not intend to early adopt AASB 2015-2. The adoption of AASB 2015-2 did not have any significant impact on the presentation of the Fund's financial statements for the year ended 30 June 2017.

There were no other new or amended standards and interpretations that became effective for the first time for the reporting period that were relevant to the Fund.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

- *Financial assets and liabilities held at fair value through profit or loss*

The Fund's investments are categorised as held at fair value through profit or loss. They comprise:

- *Financial instruments held for trading*

These may include derivative financial instruments including futures and options. The Fund does not designate any derivatives as hedges in a hedging relationship.

- *Financial instruments designated at fair value through profit or loss upon initial recognition*

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These may include investments in exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments and commercial paper.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

The information on the fair value basis is provided internally to the Fund's key management personnel. In addition, the designation of financial assets and financial liabilities at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

- *Loans and receivables/payables*

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Fund has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statement of comprehensive income in the reporting period the asset is derecognised as realised gains or losses on financial instruments.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

- *Financial assets and liabilities held at fair value through profit or loss*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

- *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

A financial instrument is regarded as quoted in active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund's financial instruments that are valued based on active markets generally include listed instruments, ranging from listed equity and/or debt securities to listed derivatives, where applicable.

- *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used in a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period.

There may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, which market participants would consider in setting a price.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the most appropriate option valuation model.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts

The Fund's financial instruments that are valued based on inactive or unquoted markets generally include unlisted instruments from investments in unlisted unit trusts, unlisted equity and/or debt securities where applicable.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

- *Loans and receivables/payables*

Loans and receivables/payables are measured initially at fair value plus transaction costs.

Subsequently, loans are carried at amortised cost using the effective interest method, less impairment losses, if any. Short term receivables/payables are carried at their initial fair values.

Loan assets are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. If any such indication of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If in a subsequent period the amount of an impairment loss recognised on the asset decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders option and are classified as financial liabilities due to mandatory distributions. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to put the units back to the Fund. As the Fund's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the statement of comprehensive income as they arise.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments on an accruals basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

Dividend income is recognised on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the end of the reporting period and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

(f) Expenses

All expenses, including Responsible Entity's fees and custodian fees are recognised in the statement of comprehensive income on an accruals basis.

2 Summary of significant accounting policies (continued)

(g) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

The benefit of imputation credits and foreign tax paid is passed on to unitholders.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the statement of comprehensive income.

(h) Distributions

In accordance with the Fund's Constitution, the Fund distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(i) Increase/(decrease) in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

(j) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The Fund does not isolate that portion of unrealised gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

(k) Receivables

Receivables may include amounts for dividends, interest, trust distributions and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

(l) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

Trades are recorded on trade date, and normally settled within two business days. Purchases of financial instruments that are unsettled at the end of each reporting period are included in payables.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

2 Summary of significant accounting policies (continued)

(m) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined by reference to the net assets of the Fund divided by the number of units on issue.

(n) Goods and Services Tax (GST)

Expenses of various services provided to the Fund by third parties such as custodial services and investment management fees etc. are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the related expense or cost item.

Accounts payable and receivable are stated inclusive of the GST receivable and payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in receivables or payables in the statement of financial position.

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(o) Use of judgments and estimates

The preparation of the Fund's financial statements requires it to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. However, estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Fund's financial instruments are valued primarily based on the prices provided by independent pricing services.

When the fair values of the reported financial instruments cannot be derived from active markets, they are determined using prices obtained from inactive or unquoted markets and/or other valuation techniques. The inputs to these valuation techniques (if applicable) are taken from observable markets to the extent practicable. Where observable inputs are not available, the inputs may be estimated based on a degree of judgments and assumptions in establishing fair values.

Where appropriate, the outcomes of the valuation techniques that are used in establishing fair values are validated using prices from observable current market transactions for similar instruments (without modification or repackaging) or based on relevant available observable market data.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

In addition, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates and judgments. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers, accounts payable and accounts receivable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

2 Summary of significant accounting policies (continued)

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not yet been applied in the financial statements. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has now also introduced revised rules for hedge accounting and impairment. The Standard is not applicable until 1 January 2018 but is available for early adoption. The Fund does not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Fund. The Fund does not intend to early adopt AASB 9. The Fund will apply AASB 9 in its financial statements for the reporting period commencing from 1 July 2018.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. Once applied or effective, AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the notion that revenue is recognised when control of a good or service transfers to a customer. This notion of control replaces the existing notion of risks and rewards. The Fund's main source of income includes interest, dividends/distributions and gains on financial instruments held at fair value through profit or loss. All of these are outside the scope of the Revenue standard. Consequently, the Fund does not expect AASB 15 to have a significant impact on the Fund's financial statements. The Fund does not intend to early adopt AASB 15. The Fund will apply AASB 15 in its financial statements for the reporting period commencing from 1 July 2018.

(iii) AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* (effective from 1 January 2017)

AASB 2016-2 amends AASB 107 *Statements of Cash Flows* to require entities to provide disclosure that enable users of financial statements to evaluate cash and non-cash changes in their financing activities. No significant impact is expected upon adoption of the amendments. The Fund does not intend to early adopt AASB 2016-2. The Fund will apply AASB 2016-2 in its financial statements for the reporting period commencing from 1 July 2017.

(iv) AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* (effective from 1 January 2018)

AASB 2016-3 amends AASB 15 *Revenue from Contracts with Customers* to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. It also provides further practical expedients on transition to AASB 15. No significant impact is expected upon adoption of the amendments. The Fund does not intend to early adopt AASB 2016-3. The Fund will apply AASB 2016-3 in its financial statements for the reporting period commencing from 1 July 2018.

(q) Rounding of amounts

The Fund is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (formerly Class Order 98/0100 (as amended)), issued by the Australian Securities and Investments Commission ("ASIC"), relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, unless otherwise indicated.

(r) Comparative information

There is no comparative information for Switzer Dividend Growth Fund as it commenced operations on 18 August 2016.

3 Interest income

	30 June 2017 \$'000
Cash at bank	<u>17</u>
	<u>17</u>

4 Dividend/Distribution income

	30 June 2017 \$'000
Dividends	812
Trust distributions	<u>128</u>
Total	<u>940</u>

5 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	30 June 2017 \$'000
Financial Assets	
Net realised gains/(losses) on financial instruments designated as at fair value through profit or loss	242
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	<u>(880)</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>(638)</u>

6 Auditor's remuneration

During the reporting period the following fees were paid or payable for services provided by the auditor to the Fund:

	30 June 2017 \$
<i>Audit and other assurance services</i>	
Audit and review of financial statements	12,000
Total remuneration for and other assurance services	12,000
 <i>Taxation services</i>	
Taxation compliance services	9,200
Total remuneration for taxation services	9,200
 Total auditor's remuneration	 21,200

7 Net assets attributable to unitholders

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Movements in number of units and net assets attributable to unitholders during the reporting period were as follows:

	30 June 2017 No.'000	30 June 2017 \$'000
Opening balance	-	-
Applications	26,180	65,591
Redemptions	(661)	(1,670)
Increase/(decrease) in net assets attributable to unitholders	-	(618)
Closing balance	25,519	63,303

The quoted price of the Fund's units at 30 June 2017 was \$2.50.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a financial liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

8 Distributions to unitholders

The distributions for the reporting period were as follows:

	30 June 2017 \$'000	30 June 2017 CPU
Distributions paid (31 March)	232	0.980
Distributions payable (30 June)	<u>311</u>	<u>1.211</u>
Total distributions	<u>543</u>	<u>2.191</u>

9 Cash and cash equivalents

	As at 30 June 2017 \$'000
Cash at bank	<u>904</u>
	<u>904</u>

10 Financial assets held at fair value through profit or loss

	As at 30 June 2017 \$'000
Designated at fair value through profit or loss	
Listed equities	56,184
Listed unit trusts	2,518
Listed property trusts	<u>3,953</u>
Total designated at fair value through profit or loss	<u>62,655</u>
Total financial assets held at fair value through profit or loss	<u>62,655</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 13.

11 Receivables

	As at 30 June 2017 \$'000
Trade receivables	622
Dividend/Trust distribution receivable	573
Unsettled applications	141
GST receivable	<u>22</u>
	<u>1,358</u>

12 Payables

	As at 30 June 2017 \$'000
Trade payables	1,244
Responsible entity's fee	45
Unsettled redemptions	14
	1,303

13 Financial risk management

(a) Objectives, strategies, policies and processes

The Fund's activities may expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by an Investment Manager ("the Investment Manager") under policies approved by the Board of Directors of the Responsible Entity ("the Board").

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ratings analysis for credit risk.

As part of its risk management strategy, the Fund may use derivatives and other investments, including share price and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks, and exposures arising from forecast transactions.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign exchange risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Fund's direct investments and not on a look-through basis for investments held in the Fund.

The sensitivity of the Fund's net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk, foreign exchange risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Fund's investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

At 30 June 2017, the overall market exposures were as follows:

	30 June 2017 \$'000
Securities designated at fair value through profit or loss	62,655
	62,655

13 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk

Price risk is the risk that the fair value or future cash flows of listed securities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Fund's investment portfolio. The investments are classified on the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund is not permitted to short sell equities reducing the funds risk to price fluctuations.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Fund's overall market positions are monitored on a regular basis by the Fund's Investment Manager. This information and the compliance with the Fund's Product Disclosure Statement are reported to the relevant parties on a regular basis as deemed appropriate such as the compliance manager, other key management personnel, compliance committees and ultimately the Board.

At 30 June 2017, if prices of listed securities had increased/(decreased) by the percentage indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	As at 30 June 2017	
	Increased by	Decreased by
	10%	10%
	\$'000	\$'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	6,265	(6,265)

(ii) Foreign exchange risk

At period end the fund only held Australian dollar denominated assets it therefore had no exposure to foreign exchange risk.

(iii) Interest rate risk

There was no significant direct interest rate risk in this Fund as at 30 June 2017.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase of the securities has been received by the broker. The trade will fail if either party fails to meet its obligations.

There was no significant credit risk in the Fund as at 30 June 2017.

13 Financial risk management (continued)

(d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are monitored by the Investment Manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Concentrations of risk are managed by industry sector for equity instruments and by counterparty for debt instruments and selected derivatives.

Based on the concentrations of risk that are managed by industry sector, the following investments can be analysed by the industry sector and/or counterparty as at 30 June 2017:

At 30 June 2017	%
Financials	41.04
Materials	18.09
Health care	7.31
Real Estate	6.31
Industrials	6.18
Energy	5.46
Consumer Staples	5.18
Other	10.43
Total	<u>100.00</u>

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Fund may be exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily holds investments that are traded in active markets and can be readily disposed of.

The Fund's investments mainly consist of listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Fund may invest in investments in unlisted unit trusts that expose the Fund to the risk that the Fund or Investment Manager of those trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Fund.

The Fund's policy is to hold a significant proportion of its investments in liquid assets.

Under the terms of its constitution, the Fund has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Units are redeemed on demand at the unitholders option. However, the Board of Directors does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a regular basis. This information and the compliance with the Fund's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

13 Financial risk management (continued)

(e) Liquidity risk (continued)

(i) Maturity of non-derivative financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

At 30 June 2017	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
Distribution payable	311	-	-	-
Payables	1,303	-	-	-
Net assets attributable to unitholders	<u>63,303</u>	-	-	-
Total financial liabilities	<u>64,917</u>	-	-	-

The Fund manages its liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within 7 days or less. Liquid assets include cash and cash equivalents and listed equities.

(f) Estimation of fair values of financial assets and liabilities

The carrying amounts of all the Fund's financial assets and financial liabilities at the end of the reporting period approximated their fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fund's accounting policy on fair value measurement is set out in note 2(b). The methods and assumptions used in the determination of the fair value of each class of financial instruments are also set out in note 2(b).

Note 2(o) outlines further the nature of management's judgments, estimates and assumptions that might have been used in the determination of the fair values of these financial instruments.

(g) Fair value hierarchy

The Fund is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

13 Financial risk management (continued)

(g) Fair value hierarchy (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

At 30 June 2017	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Listed equities	56,184	-	-	56,184
Listed unit trusts	2,518	-	-	2,518
Listed property trusts	3,953	-	-	3,953
Total	62,655	-	-	62,655

The pricing for the majority of the Fund's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices.

Level 2 investments could include those that are not traded in active markets and/or are subject to transfer restrictions (e.g. redemption restrictions). Valuations for these investments may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 instruments could include those that have stale price that is, where the pricing for a particular security has remained static for an extended period of time.

Level 3 valuations are reviewed quarterly by the relevant management. The management considers the appropriateness of the valuation inputs, methods and techniques used in the valuations. The valuation inputs are generally sourced from independent third party pricing sources without adjustment such as stock exchanges, pricing agencies and/or fund managers. Where the inputs are considered stale, unobservable, proprietary or from an inactive market, they are categorised as level 3.

Where a valuation model technique is used, the Fund considers other liquidity, credit and market risk factors, and adjusts the model as deemed necessary. There have been no changes to the valuation techniques used for financial instruments classified as levels 2 and 3.

There were no transfers between any levels for the year ended 30 June 2017.

14 Related party transactions

(a) Responsible Entity

The Responsible Entity of Switzer Dividend Growth Fund is Switzer Asset Management Limited.

(b) Key Management Personnel

The Responsible Entity is the key management personnel of the Fund at any time during the reporting period.

(c) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the reporting period.

(d) Other transactions within the Fund

From time to time directors of Switzer Dividend Growth Fund, or their director related entities, may invest in or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors.

At 30 June 2017

Peter and Martin Switzer and their immediate family held 42,008 units in the fund, which represented 0.16% of the total fund.

(e) Responsible entity's/manager's fees and other transactions

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive a 0.89% per annum management fee. The Management Fee is calculated each Business Day based on the Gross Asset Value of the Fund on that Business Day and is payable at the end of each month. The Management Fee described above is inclusive of the estimated net effect of GST and RITC.

In the interests of investors the Switzer Dividend Growth Fund does not charge a performance fee.

Expenses in connection with the preparation of accounting records and the maintenance of the unit register are paid by the Responsible Entity.

The transactions during the reporting period and amounts payable at reporting period end between the Fund and the Responsible Entity were as follows:

	30 June 2017 \$
Management fees for the reporting period paid by the Fund to the Responsible Entity	<u>174,159</u>
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	<u>44,941</u>

(f) Related party Fund's unitholdings

During the period, the Responsible Entity or its related parties did not hold units in the fund.

(g) Investments

During the period, the fund did not hold investments in funds owned or managed by the Responsible entity or its related parties.

15 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	30 June 2017 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	
Increase/(decrease) in net assets attributable to unitholders	(618)
Proceeds from sale of financial instruments held at fair value through profit or loss	4,359
Purchase of financial instruments held at fair value through profit or loss	(67,030)
Distribution to unitholders	543
Net (gains)/losses on financial instruments held at fair value through profit or loss	638
Net change in receivables and other assets	(595)
Net change in payables and other liabilities	45
<i>Net cash inflow/(outflow) from operating activities</i>	<u>(62,658)</u>
(b) Components of cash and cash equivalents	
Cash as at the end of the reporting period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:	
Cash and cash equivalents	<u>904</u>
	<u>904</u>
(c) Non-cash financing activities	
During the reporting period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	
	<u>-</u>

16 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2017 or on the results and cash flows of the Fund for the year ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2017.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 27 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its performance, as represented by the results of its operations and cash flows, for the reporting period ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the Fund's Constitution.
- (d) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



Martin Switzer
Director Switzer Asset Management Limited



Jarrod Deakin
Director Switzer Asset Management Limited

Melbourne
27 September 2017

Independent Auditor's Report to the Unitholders of Switzer Dividend Growth Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Switzer Dividend Growth Fund (the Fund), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

Investment valuation and existence

Why significant

As disclosed in note 10 to the financial statements, the Fund's investment portfolio as at 30 June 2017 includes equities, property trusts and unit trusts listed on the Australian Stock Exchange as well as some cash holdings.

Investment valuation and existence is a key area of focus for our audit for an investment fund as investments are a material balance to the Fund. In particular the inherent risks relating to investments include:

- ▶ Impacts on valuation of securities arising from fluctuations in equities markets and foreign exchange rates which can have a significant impact on the financial position and performance of the Fund;
- ▶ Market and pricing risk in relation to any hedging or derivative trading activity undertaken; and
- ▶ Impact on deferred tax provisions.

How our audit addressed the key audit matter

We have conducted the following procedures in relation to Fund's investments:

- ▶ obtained and evaluated the GS007 *Audit Implications of the Use of Service Organisations for Investment Management Services* report over the control environment of the Fund's custodian. We also examined the controls used by the client in relation to investments held in custody.
- ▶ tested the quoted prices of the Fund's investments included in the custody reports to independent pricing sources.
- ▶ agreed portfolio valuation reports from the Fund's custodian to reports from the Fund's investment manager.
- ▶ assessed custody reports to determine whether there are any investments with stale or infrequent pricing.
- ▶ assessed investment valuations and investment disclosures for compliance with Australian Accounting Standards.

Information Other than the Financial Report and Auditor's Report Thereon

The directors of the Responsible Entity of the Fund (Switzer Asset Management Limited) are responsible for the other information. The other information comprises the information included in the Fund's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

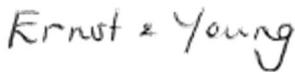
The directors of the Responsible Entity of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity of the Fund to determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity of the Fund are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity of the Fund either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our auditor's report.



Ernst & Young



Maree Pallisco
Partner
Melbourne
27 September 2017