

Switzer Dividend Growth Fund

ARSN 614 066 849

Interim financial report for the half-year ended 31 December 2017

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Contents

	Page
Directors' report	2
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	10
Directors' declaration	14
Independent auditor's report to the unitholders of Switzer Dividend Growth Fund	15

This interim financial report does not include all the notes of the type normally included in a set of annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2017 and any public announcements made in respect of Switzer Dividend Growth Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 26 123 611 978). The Responsible Entity's registered office is Level 27, 35 Collins Street, Melbourne, VIC 3000.

Directors' report

The directors of Switzer Asset Management Limited, the Responsible Entity of Switzer Dividend Growth Fund, present their report together with the interim financial report of Switzer Dividend Growth Fund ("the Fund") for the half-year ended 31 December 2017.

Responsible Entity

The Responsible Entity of Switzer Dividend Growth Fund is Switzer Asset Management Limited (ABN 26 123 611 978). The Responsible Entity's registered office is Level 27, 35 Collins Street, Melbourne, VIC 3000.

Directors

The following persons held office as directors of Switzer Asset Management Limited 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 (Resigned 30 October 2017)
Jarrold Deakin	Director
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 since the previous financial 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 half-year ended	
	31 December	31 December
	2017	2016
Profit/(loss) before finance costs attributable to unitholders (\$'000)	<u>5,049</u>	<u>-</u>
Distributions paid and payable (\$'000)	1,832	-
Distributions (cents per unit - CPU)	6.146	-

Events occurring after the reporting period

Except as disclosed in note 6 in the financial statements, no other matter or circumstance has arisen since 31 December 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 dollars

The Fund is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (formerly Class Order 98/100 (as amended)) issued by the Australian Securities and Investments Commission ("ASIC") relating to the "rounding off" of amounts in the directors' report. 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)

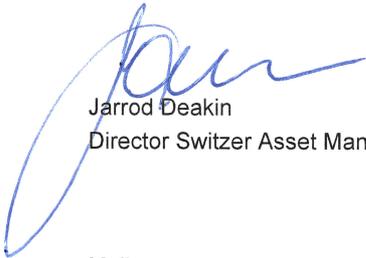
Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporation Act 2001*, is set out on page 4.

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
7 March 2018

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

As lead auditor for the review of Switzer Dividend Growth Fund for the half-year ended 31 December 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
Date: 7 March 2018

Switzer Dividend Growth Fund
Statement of comprehensive income
For the half-year ended 31 December 2017

Statement of comprehensive income

		For the half-year ended	
		31 December 2017	31 December 2016
	Notes	\$'000	\$'000
Investment income			
Interest income		6	-
Dividend/Distribution income		1,826	-
Net gains/(losses) on financial instruments held at fair value through profit or loss		3,627	-
Other income		<u>2</u>	<u>-</u>
Total investment income		<u>5,461</u>	<u>-</u>
Expenses			
Management fees		301	-
Transaction costs		<u>111</u>	<u>-</u>
Total operating expenses		<u>412</u>	<u>-</u>
Profit/(loss) for the half-year before finance costs attributable to unitholders		<u>5,049</u>	<u>-</u>
Finance costs attributable to unitholders			
Distributions to unitholders	3	1,832	-
Increase/(decrease) in net assets attributable to unitholders	2	<u>3,217</u>	<u>-</u>
Profit/(loss) for the half-year attributable to unitholders		<u>-</u>	<u>-</u>
Other comprehensive income for the reporting period attributable to unitholders		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year attributable to unitholders		<u>-</u>	<u>-</u>

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

Statement of financial position

		As at	
	Notes	31 December 2017 \$'000	30 June 2017 \$'000
Assets			
Cash and cash equivalents		1,344	904
Receivables		327	1,358
Financial assets held at fair value through profit or loss	4	76,141	62,655
Total assets		77,812	64,917
Liabilities			
Distributions payable	3	719	311
Payables		58	1,303
Total liabilities (excluding net assets attributable to unitholders)		777	1,614
Net assets attributable to unitholders - liability	2	77,035	63,303

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 half-year.

Changes in net assets attributable to unitholders are disclosed in note 2.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	For the half-year ended	
	31 December 2017 \$'000	31 December 2016 \$'000
<i>Cash flows from operating activities</i>		
Proceeds from sale of financial instruments held at fair value through profit or loss	14,381	-
Purchase of financial instruments held at fair value through profit or loss	(24,862)	-
Transaction costs on financial instruments held at fair value through profit or loss	(111)	-
Dividends and distributions received	2,243	-
Interest received	6	-
Responsible Entity's fees paid	(289)	-
RITC received/(paid)	(24)	-
Other revenue received	2	-
Net cash inflow/(outflow) from operating activities	<u>(8,654)</u>	<u>-</u>
 <i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders	16,085	-
Payments for redemptions by unitholders	(5,567)	-
Distributions paid	(1,424)	-
Net cash inflow/(outflow) from financing activities	<u>9,094</u>	<u>-</u>
 <i>Net increase/(decrease) in cash and cash equivalents</i>	 440	 -
Cash and cash equivalents at the beginning of the reporting period	<u>904</u>	<u>-</u>
Cash and cash equivalents at the end of the half-year	<u>1,344</u>	<u>-</u>

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

Contents

	Page
1 Basis of preparation of financial report	10
2 Net assets attributable to unitholders	10
3 Distributions to unitholders	10
4 Financial assets held at fair value through profit or loss	11
5 Fair value hierarchy	11
6 Events occurring after the reporting period	13
7 Contingent assets, liabilities and commitments	13

1 Basis of preparation of financial report

This general purpose financial report for the half-year ended 31 December 2017 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in a set of annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2017 and any public announcements made in respect of Switzer Dividend Growth Fund during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial statements were authorised for issue by the directors on xx February 2018. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The accounting policies adopted are consistent with those of the previous financial year.

On 23 February 2017 the fund listed on the ASX. Therefore as this will be the first time the fund has been required to produce a half-year general purpose financial report no comparative information relating to 31 December 2016 will be available.

Compliance with International Financial Reporting Standards

Compliance with AASB 134 ensures that the interim financial report of the Fund, comprising the financial statements and notes thereto, complies with International Accounting Standard IAS 34 *Interim Financial Reporting*.

2 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 half-year were as follows:

	For the half-year ended			
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	No.'000	No.'000	\$'000	\$'000
Opening balance	25,519	-	63,303	-
Applications	6,423	-	16,068	-
Redemptions	(2,184)	-	(5,553)	-
Increase/(decrease) in net assets attributable to unitholders	-	-	3,217	-
Closing balance	29,758	-	77,035	-

3 Distributions to unitholders

The distributions for the reporting period were as follows:

	For the half-year ended			
	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	\$'000	CPU	\$'000	CPU
Distributions				
30 September	1,113	3.728	-	-
31 December (payable)	719	2.418	-	-
Total distributions	1,832	6.146	-	-

4 Financial assets held at fair value through profit or loss

	As at	
	31 December 2017 \$'000	30 June 2017 \$'000
Designated at fair value through profit or loss		
Listed equities	67,455	56,184
Listed unit trusts	3,155	2,518
Listed property trusts	5,531	3,953
Total designated at fair value through profit or loss	76,141	62,655
Total financial assets held at fair value through profit or loss	76,141	62,655

5 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.
- 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).

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.

5 Fair value hierarchy (continued)

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

All fair value measurements disclosed are recurring fair value measurements.

As at 31 December 2017	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets held at fair value through profit or loss				
Designated at fair value through profit or loss:				
Listed equities	67,455	-	-	67,455
Listed unit trusts	3,155	-	-	3,155
Listed property trusts	<u>5,531</u>	<u>-</u>	<u>-</u>	<u>5,531</u>
Total financial assets held at fair value through profit or loss	<u>76,141</u>	<u>-</u>	<u>-</u>	<u>76,141</u>

As at 30 June 2017	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets held at fair value through profit or loss				
Designated at fair value through profit or loss:				
Listed equities	56,184	-	-	56,184
Listed unit trusts	2,518	-	-	2,518
Listed property trusts	<u>3,953</u>	<u>-</u>	<u>-</u>	<u>3,953</u>
Total financial assets held at fair value through profit or loss	<u>62,655</u>	<u>-</u>	<u>-</u>	<u>62,655</u>

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, eg 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. The level 2 instruments include investment grade corporate bonds, and over-the-counter derivatives.

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. Typically, prices of units in unlisted managed investment trusts that are either published on the investment manager's website and/or circulated among market participants as executable quotes are categorised as level 2.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted unit trusts and corporate debt securities. As observable prices are not available for these securities, the Fund will use valuation techniques to derive fair value.

5 Fair value hierarchy (continued)

Level 3 instruments could include distressed debt instruments, certain private equity and real estate investments that are not based on market inputs or securities that are in an inactive/illiquid market and are valued using models and internal data. Level 3 investments may be adjusted to reflect illiquidity and/or restrictions, however, the adjustments are not based on available market information. Level 3 instruments also 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. 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, and 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 levels 2 and 3 instruments as at 31 December 2017 (30 June 2017: Nil).

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

6 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 31 December 2017 or on the results and cash flows of the Fund for the half-year ended on that date.

7 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2017 and 30 June 2017.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial report and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards as it relates to AASB 134 *Interim Financial Reporting*, 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 31 December 2017 and of its performance, as represented by the results of its operations and cash flows, for the half-year 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; and
- (c) the financial statements are in accordance with the Fund's Constitution.

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
7 March 2018

Independent auditor's report to the unit holders of Switzer Dividend Growth Fund

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Switzer Dividend Growth Fund (the Fund), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Fund are responsible for the preparation of the half-year 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 determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

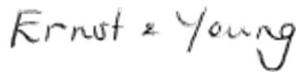
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the Responsible Entity of the Fund a written Auditor's Independence Declaration, a copy of which is included in the Directors Report.



Ernst & Young



Maree Pallisco
Partner
Melbourne
Date: 7 March 2018