

Switzer Dividend Growth Fund

ARSN 614 066 849

Interim financial report for the half-year ended 31 December 2018

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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 2018 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 6, 10 Spring Street, Sydney NSW 2000.

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 2018.

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 6, 10 Spring Street, Sydney NSW 2000.

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
Jarrold Deakin	Director
Paul Rickard	Non-Executive Director (Resigned 13 September 2018)
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
	2018	2017
Profit/(loss) for the half-year before finance costs attributable to unitholders (\$'000)	<u>(5,841)</u>	<u>5,049</u>
Distributions to unitholders - paid and payable (\$'000)	2,471	1,832
Distributions (cents per unit - CPU)	8.415	6.146

Events occurring after the reporting period

Except as disclosed in note 7 in the financial statements, no other matter or circumstance has arisen since 31 December 2018 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



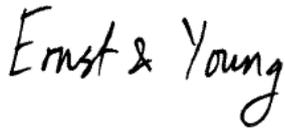
Jarrod Deakin
Director Switzer Asset Management Limited

Sydney,
6 March 2019

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 2018, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Luke Slater
Partner
6 March 2019

Condensed statement of profit or loss and other comprehensive income

		For the half-year ended	
	Notes	31 December 2018 \$'000	31 December 2017 \$'000
<i>Investment income</i>			
Interest income		10	6
Dividend/Distribution income		4,040	1,826
Net (losses)/gains on financial instruments held at fair value through profit or loss		(9,462)	3,627
Other income		4	2
Total investment income		(5,408)	5,461
<i>Expenses</i>			
Management fees		328	301
Market making costs		31	-
Transaction costs		74	111
Total operating expenses		433	412
Profit/(loss) for the half-year before finance costs attributable to unitholders		(5,841)	5,049
<i>Finance costs attributable to unitholders</i>			
Distributions to unitholders	3	2,471	1,832
(Decrease)/increase in net assets attributable to unitholders	2	(8,312)	3,217
Profit/(loss) for the half-year attributable to unitholders		-	-
Other comprehensive income for the reporting period attributable to unitholders		-	-
Total comprehensive income for the half-year attributable to unitholders		-	-

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

Condensed statement of financial position

		As at	
		31 December	30 June
		2018	2018
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents		2,668	1,279
Receivables		253	1,131
Financial assets held at fair value through profit or loss	4	<u>67,427</u>	<u>75,466</u>
Total assets		<u>70,348</u>	<u>77,876</u>
Liabilities			
Distributions payable	3	1,027	1,732
Payables		<u>88</u>	<u>551</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>1,115</u>	<u>2,283</u>
Net assets attributable to unitholders - liability	2	<u>69,233</u>	<u>75,593</u>

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

Condensed 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.

Condensed statement of cash flows

	For the half-year ended	
	31 December 2018	31 December 2017
	\$'000	\$'000
<i>Cash flows from operating activities</i>		
Proceeds from sale of financial instruments held at fair value through profit or loss	11,242	14,381
Purchase of financial instruments held at fair value through profit or loss	(12,640)	(24,862)
Transaction costs on financial instruments held at fair value through profit or loss	(74)	(111)
Dividends and distributions received	4,691	2,243
Interest received	10	6
Responsible Entity's fees paid	(327)	(289)
RITC paid	(33)	(24)
Other revenue received	4	2
Net cash inflow/(outflow) from operating activities	<u>2,873</u>	<u>(8,654)</u>
 <i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders	4,616	16,085
Payments for redemptions by unitholders	(3,580)	(5,567)
Distributions paid	(2,520)	(1,424)
Net cash (outflow)/inflow from financing activities	<u>(1,484)</u>	<u>9,094</u>
 <i>Net increase in cash and cash equivalents</i>	 1,389	 440
Cash and cash equivalents at the beginning of the reporting period	<u>1,279</u>	<u>904</u>
Cash and cash equivalents at the end of the half-year	<u>2,668</u>	<u>1,344</u>

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

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1 Basis of preparation of financial report

This general purpose financial report for the half-year ended 31 December 2018 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 2018 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 6 March 2019. 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.

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*.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments (2014)* became mandatorily effective on 1 July 2018. Accordingly, these standards apply for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

New standards adopted as at 1 July 2018

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018.

Interest and dividend income and gains and losses on investments are generated by transactions that are outside the scope of AASB 15. Accordingly, the adoption of AASB 15 has not had a material effect on the Company.

AASB 9 Financial Instruments

(a) Classification and measurement

AASB 9 *Financial Instruments* replaces AASB 139's 'Financial Instruments: Recognition and Measurement' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. AASB 9 has been applied retrospectively from 1 July 2018.

Financial assets:

The financial assets of the Fund are measured at either amortised cost or fair value depending on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are classified and measured at amortised cost when both of the following criteria are met:

- the business model objective is hold the financial asset to collect the cash flows; and
- the contractual cash flows consist solely of payments of principal and interest.

The Fund's investment portfolio continues to be classified as fair value through profit or loss. Other financial assets which are held for collection, such as receivables, continue to be measured at amortised cost.

Financial liabilities:

Classification of financial liabilities remains unchanged for the Fund.

(b) Impairment

Impairment of financial assets is recognised based on the lifetime expected credit loss which is determined when the credit risk on a financial asset has increased significantly since initial recognition.

For trade and other receivables, the simplified approach is used, which requires recognition of a loss allowance based on the lifetime expected credit losses.

1 Basis of preparation of financial report (continued)

AASB 9 Financial Instruments (continued)

(b) Impairment (continued)

Any change in expected credit losses between the previous reporting period and the current reporting period is recognised as an impairment gain or loss in profit or loss.

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		For the half-year ended	
	31 December 2018 No.'000	31 December 2017 No.'000	31 December 2018 \$'000	31 December 2017 \$'000
Opening balance	29,574	25,519	75,592	63,303
Applications	2,192	6,423	5,273	16,068
Redemptions	(1,277)	(2,184)	(3,320)	(5,553)
(Decrease)/increase in net assets attributable to unitholders	-	-	(8,312)	3,217
Closing balance	30,489	29,758	69,233	77,035

3 Distributions to unitholders

The distributions for the reporting period were as follows:

	For the half-year ended		For the half-year ended	
	31 December 2018 \$'000	31 December 2018 CPU	31 December 2017 \$'000	31 December 2017 CPU
Distributions				
30 September	1,444	5,047	1,113	3,728
31 December (payable)	1,027	3,368	719	2,418
Total distributions	2,471	8,415	1,832	6,146

4 Financial assets held at fair value through profit or loss

	As at	
	31 December 2018 \$'000	30 June 2018 \$'000
Designated at fair value through profit or loss		
Listed equities	59,961	68,284
Listed unit trusts	2,940	2,985
Listed property trusts	4,526	4,197
Total designated at fair value through profit or loss	67,427	75,466
Total financial assets held at fair value through profit or loss	67,427	75,466

5 Fair value of assets and liabilities

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.

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 2018	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	59,961	-	-	59,961
Listed unit trusts	2,940	-	-	2,940
Listed property trusts	4,526	-	-	4,526
Total financial assets held at fair value through profit or loss	67,427	-	-	67,427

As at 30 June 2018	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	68,284	-	-	68,284
Listed unit trusts	2,985	-	-	2,985
Listed property trusts	4,197	-	-	4,197
Total financial assets held at fair value through profit or loss	75,466	-	-	75,466

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.

5 Fair value of assets and liabilities (continued)

Fair value hierarchy (continued)

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. 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.

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 2018 (30 June 2018: Nil).

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

For all other financial assets and financial liabilities in the statement of financial position, the directors consider that the carrying amounts approximate their fair value due to their short-term nature.

6 Segment Information

The Fund operates solely in the business of investment in companies listed on the Australian share market. Revenue, profit, net assets and other financial information reported to and monitored by the Chief Operating Decision Maker (CODM) for the single identified operating segment are the amounts reflected in the Condensed statement of profit & loss and other comprehensive income, Condensed statement of financial position, Condensed statement of changes in equity and Condensed statement of cash flows. The CODM has been identified as the Chief Executive Officer.

7 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 2018 or on the results and cash flows of the Fund for the half-year ended on that date.

8 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2018 and 30 June 2018.

Directors' declaration

In accordance with a resolution of the directors of Switzer Dividend Growth Fund (the Fund), I state that:

In the opinion of the directors:

- (a) the interim financial statements and notes of the Fund are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (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.



Martin Switzer
Director Switzer Asset Management Limited



Jarrod Deakin
Director Switzer Asset Management Limited

Sydney
6 March 2019



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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 2018, 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 2018 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 Switzer Asset Management Ltd ("the Responsible Entity") 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 2018 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Luke Slater'.

Luke Slater
Partner
Melbourne
6 March 2019