

ASX: SWTZ

Fund Update: 30 November 2021

Key Fund Details

SWTZ Distribution Yield (net) ¹ 2.98%	Net Asset Value A\$2.6470	Fund Name Switzer Dividend Growth Fund (Quoted Managed Fund)	Blackmore Capital
		Investment Manager ² Responsible Entity	Switzer Asset Management Limited
		Inception Date	27 February 2017
		Stock Universe	ASX 300
		Number of Stocks	30 - 50
		Benchmark	ASX 200 Accumulation Index
		Target/Max Cash Position	1% / 20%
		Distribution Frequency	Quarterly
		Management Fee ³	0.89% p.a.
		Performance Fee	n/a
SWTZ Distribution Yield (gross) ¹ 4.21%			

Notes: 1. Yield calculation based on distributions attributable to the 12 months to the date of this report relative to SWTZ's closing unit price of at the beginning of the period. 2. Appointed on 21 April 2021. 3. Fees are inclusive of GST and less RITC.

Why Invest

The Switzer Dividend Growth Fund (**SWTZ** or the **Fund**) is an income-focused exchange traded managed fund with a mix of yield and quality companies. The objective of the Fund is to generate an above-market yield while maximising franking where possible and deliver capital growth over the long term.

- **Investment expertise**
- **Tax effective income**
- **Quarterly distributions**
- **ASX trading**

Performance¹

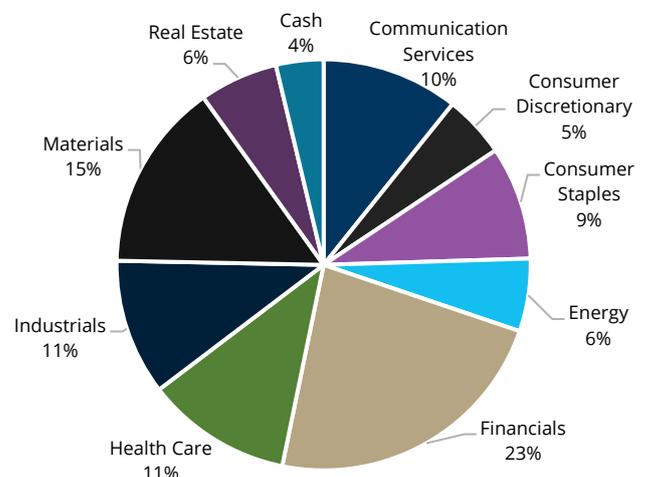
	1 Month	3 Months	6 Months	1 Year	3 Years	Inception ²
Portfolio	-1.02%	-2.50%	2.18%	14.25%	8.74%	5.94%
Benchmark ³	-0.54%	-2.48%	3.35%	15.48%	12.56%	8.97%

Notes: 1. Portfolio performance is calculated based on net asset value per unit, which is after management fees and expenses and assumes that all distributions are reinvested in the Fund. Periods greater than 1 year are annualised. 2. Inception date is 27 February 2017. 3. Benchmark is the ASX 200 Accumulation Index.

Top 10 Portfolio Holdings

Company	Weight %
BHP Group	8.19
Commonwealth Bank of Australia	6.89
Telstra Corporation	5.69
Woolworths Group	5.41
Spark New Zealand	5.01
Wesfarmers	4.89
Westpac Banking Corporation	4.83
Cleanaway Waste Management	4.69
Macquarie Group	4.36
Qube Holdings	4.14
Total	54.10

Sector Allocation



For More Information

Please visit our website at: www.contango.com.au/funds/swtz

If you have any questions, please contact our distribution team on 1300 001 750 or invest@contango.com.au.

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Value of A\$10K Invested



Source: Switzer Asset Management Limited. Calculations are based on the NAV prices with distributions reinvested, after ongoing fees and expenses but excluding tax and entry fees (if applicable).

Portfolio Update

The ASX 200 closed modestly lower in November for the third consecutive month. The portfolio delivered a return of -1.02% compared with the Benchmark return of -0.54%. The top contributor to returns over the month was Materials (+6.3%) whilst Financials (-6.9%) and Energy (-8.3%) were the underperformers. At a stock level, BHP Group (**BHP**), Goodman Group and Woolworths Group contributed most to returns, while earnings results from Commonwealth Bank of Australia and Westpac Banking Corporation and lower energy prices for Santos weighed on returns.

Banks have been a key beneficiary of the recovery in the housing market and the rally in cyclical stocks since the nadir of equity markets in early 2020. While banks have enjoyed a strong recovery in earnings and dividends, we believe that the tailwinds underpinning their performance are now firmly fading. During November we reduced our exposure to the banks as their most recent profit results highlighted a marked deterioration in earnings quality, with margins impacted by rising price competition in mortgage lending, combined with persistently high expense growth. Our cautious stance toward the banks was further reinforced by intervention from the Australian Prudential Regulation Authority (**APRA**) announcing a tightening of serviceability measures for new home loan applications. A further round of prudential measures is expected in the new year as APRA takes a "targeted and judicious" approach to strong housing loan growth. The effect of current and further prudential restrictions on borrowing is expected to dampen housing finance. Notwithstanding a more challenging backdrop, the banks still offer income investors an attractive dividend yield supported by strong capital buffers and will remain a core part of the portfolio.

We have used the proceeds from reduced bank holdings to add to our portfolio positions in BHP and Telstra. BHP's share price has declined ~25% since the iron ore benchmark price peaked at ~US\$224 in May. Although iron made up 57% of FY21 revenues for BHP, market expectations have already factored in a steep decline in iron ore prices during FY22. Since the FY21 result, BHP has announced the unification of its dual listed structure, the sale of BHP Petroleum to Woodside Petroleum and the approval of the US\$5.7bn Jansen Potash project. BHP also plans to exit its remaining coal assets. We view these developments favourably. With gearing below its target range and a simpler capital structure expected to be in place next year, we see potential for BHP to exceed its 50% dividend payout ratio and consider a share buyback.

Equity markets may be impeded in the near term by the uncertainty of the COVID-19 Omicron variant, and the prospect of more persistent inflationary pressures pushing central banks to consider tightening monetary policy settings. With this mind, the importance we place on investing in companies that continue to demonstrate earnings and balance sheet resilience remains steadfast.

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