

# **Switzer Dividend Growth Fund**

ARSN 614 066 849

## **Interim financial report for the half-year ended 31 December 2021**

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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 2021 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.

## Switzer Dividend Growth Fund

### Directors' Report for the half-year ended 31 December 2021

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## Directors' Report

The Directors of Switzer Asset Management Limited (ABN 26 123 611 978), 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 2021.

### 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.

James McNally	Chairman and Non-Executive Director (appointed 7 December 2021)
Peter Switzer	Non-Executive Director (resigned as Chairman on 7 December 2021)
Andrew Meakin	Non-Executive Director
Martin Switzer	Director

### Review and results of operations

During the half-year ended 31 December 2021, 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.

For the half-year ended 31 December 2021, the Fund paid total distributions of 4.94 cents per unit. This equates to an annualised net distribution yield of 3.72% and an annualised gross distribution yield of 5.31% inclusive of franking credits. Distribution yield is calculated based on the annualised distributions attributable to the 6 months ended 31 December 2021 relative to the Fund's closing listed unit price of \$2.66 as at 30 June 2021.

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

	<b>31 December 2021</b>	31 December 2020
	<b>\$'000</b>	\$'000
Profit before finance costs attributable to unitholders (\$'000)	<b>2,589</b>	8,683
Distributions paid and payable (\$'000)	<b>1,392</b>	840
Distributions (cents per unit - CPU)	<b>4.942</b>	2.457

### Significant changes in the 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.

**Switzer Dividend Growth Fund**

**Directors' Report (continued)**

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**Events occurring after the reporting period**

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the Interim Condensed Statement of Financial Position as at 31 December 2021 or on the results and cash flows of the Fund for the half-year ended on that date.

**Rounding of amounts to the nearest thousand dollars**

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* the amounts in the Directors' Report and in the interim condensed financial statements have been rounded to the nearest thousand dollars (\$000's).

**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

Sydney,  
8 March 2022



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

As lead auditor for the review of the half-year financial report of Switzer Dividend Growth Fund for the half-year ended 31 December 2021, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

*Ernst & Young*  
Ernst & Young

*Luke Slater*

Luke Slater  
Partner  
8 March 2022

Switzer Dividend Growth Fund

Interim Condensed Statement of Profit or loss and Other Comprehensive Income  
for the half-year ended 31 December 2021

	Notes	31 December 2021 \$'000	31 December 2020 \$'000
<b>Investment income</b>			
Dividend/distribution income		1,686	1,181
Net gains on financial instruments held at fair value through profit or loss		1,371	7,948
<b>Total investment income</b>		<b>3,057</b>	9,129
<b>Expenses</b>			
Management fees		349	350
Transaction costs		88	57
Other expenses		31	39
<b>Total operating expenses</b>		<b>468</b>	446
<b>Profit for the half-year before finance costs attributable to unitholders</b>		<b>2,589</b>	8,683
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	3	1,392	840
Increase in net assets attributable to unitholders	2	1,197	7,843
<b>Profit/(loss) for the half-year attributable to unitholders</b>		<b>-</b>	-
Other comprehensive income for the reporting period attributable to unitholders		-	-
<b>Total comprehensive income for the half-year attributable to unitholders</b>		<b>-</b>	-

The above Interim Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Switzer Dividend Growth Fund****Interim Condensed Statement of Financial Position  
as at 31 December 2021**

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	<b>Notes</b>	<b>31 December 2021 \$'000</b>	<b>30 June 2021 \$'000</b>
<b>Assets</b>			
Cash and cash equivalents		<b>3,203</b>	2,590
Receivables	6	<b>226</b>	445
Financial assets held at fair value through profit or loss	4	<b>71,615</b>	79,867
<b>Total assets</b>		<b>75,044</b>	82,902
<b>Liabilities</b>			
Distributions payable	3	<b>583</b>	314
Payables	7	<b>292</b>	1,284
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>875</b>	1,598
<b>Net assets attributable to unitholders - liability</b>	2	<b>74,169</b>	81,304

The above Interim Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.

**Switzer Dividend Growth Fund**

**Interim Condensed Statement of Changes in Equity  
for the half-year ended 31 December 2021**

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In accordance with AASB 132 *Financial Instruments: Presentation*, net assets attributable to unitholders are classified as 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.

**Switzer Dividend Growth Fund**

**Interim Condensed Statement of Cash Flows  
for the half-year ended 31 December 2021**

	<b>31 December 2021</b>	31 December 2020
	<b>\$'000</b>	\$'000
<b><i>Cash flows from operating activities</i></b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	<b>29,998</b>	18,701
Purchase of financial instruments held at fair value through profit or loss	<b>(21,372)</b>	(15,022)
Transaction costs on financial instruments held at fair value through profit or loss	<b>(90)</b>	(70)
Dividends and distributions received	<b>2,021</b>	1,422
Other expense paid	<b>(32)</b>	(33)
Management fees paid	<b>(379)</b>	(369)
RITC received	<b>36</b>	41
<b>Net cash inflow from operating activities</b>	<b>10,182</b>	4,670
<b><i>Cash flows from financing activities</i></b>		
Proceeds from applications by unitholders	<b>1,255</b>	1,819
Payments for redemptions by unitholders	<b>(9,892)</b>	(4,850)
Distributions paid	<b>(932)</b>	(844)
<b>Net cash outflow from financing activities</b>	<b>(9,569)</b>	(3,875)
<b>Net increase in cash and cash equivalents</b>	<b>613</b>	795
Cash and cash equivalents at the beginning of the reporting period	<b>2,590</b>	479
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>3,203</b>	1,274
<b>Non-cash financing activities</b>	<b>191</b>	239

The above Interim Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

## 1 Basis of preparation of financial report

This general purpose financial report for the half-year ended 31 December 2021 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

The 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 2021 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 8 March 2022. 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 and the corresponding interim reporting period.

### 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*.

### New/Amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

### Rounding of amounts to the nearest thousand dollars

In accordance with ASIC *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* the amounts in the Directors' Report and in the interim condensed financial statements have been rounded to the nearest thousand dollars (\$000's).

## 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:

	<b>31 December 2021 No.'000</b>	31 December 2020 No.'000	<b>31 December 2021 \$'000</b>	31 December 2020 \$'000
Opening balance	<b>30,621</b>	35,054	<b>81,304</b>	75,579
Applications	<b>466</b>	796	<b>1,270</b>	1,819
Redemptions	<b>(3,640)</b>	(2,132)	<b>(9,793)</b>	(4,835)
Units issued upon reinvestment of distributions	<b>71</b>	111	<b>191</b>	239
Increase in net assets attributable to unitholders	<b>-</b>	-	<b>1,197</b>	7,843
<b>Closing balance</b>	<b>27,518</b>	33,829	<b>74,169</b>	80,645

### 3 Distribution to unitholders

The distributions for the reporting period were as follows:

	31 December 2021		31 December 2020	
	\$'000	CPU	\$'000	CPU
Distributions paid (30 September)	809	2.822	483	1.402
Distributions payable (31 December)	583	2.120	357	1.055
<b>Total distributions</b>	<b>1,392</b>	<b>4.942</b>	840	2.457

### 4 Financial assets at fair value through profit or loss

	31 December 2021	30 June 2021
	\$'000	\$'000
Listed equities	66,522	75,427
Listed property trusts	5,093	4,440
<b>Total financial assets at fair value through profit or loss</b>	<b>71,615</b>	79,867

### 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 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).

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 of assets and liabilities (continued)****Fair Value Hierarchy (continued)**

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:

<b>At 31 December 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets held at fair value through profit or loss:</b>				
Listed equities	66,522	-	-	66,522
Listed property trusts	5,093	-	-	5,093
<b>Total financial assets</b>	<b>71,615</b>	<b>-</b>	<b>-</b>	<b>71,615</b>
<b>At 30 June 2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets held at fair value through profit or loss:</b>				
Listed equities	75,427	-	-	75,427
Listed property trusts	4,440	-	-	4,440
<b>Total financial assets</b>	<b>79,867</b>	<b>-</b>	<b>-</b>	<b>79,867</b>

The pricing for 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 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 Level 2 and 3.

There were no Level 2 and 3 instruments as at 31 December 2021 (30 June 2021: Nil).

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

**6 Receivables**

	<b>31 December</b>	30 June
	<b>2021</b>	2021
	<b>\$'000</b>	\$'000
Due from brokers - receivable for securities sold	<b>122</b>	207
Dividend/trust distribution receivable	<b>57</b>	196
Unsettled applications	<b>16</b>	2
Other receivable	<b>11</b>	11
GST receivable	<b>20</b>	29
<b>Total receivables</b>	<b>226</b>	445

**7 Payables**

	<b>31 December</b>	30 June
	<b>2021</b>	2021
	<b>\$'000</b>	\$'000
Due to brokers - payable for securities sold	<b>122</b>	1,007
Unsettled redemptions	<b>105</b>	205
Management fees payable	<b>60</b>	59
Other fees payable	<b>5</b>	13
<b>Total payables</b>	<b>292</b>	1,284

**8 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 Interim Condensed Statement of Profit or Loss and Other Comprehensive Income, Interim Condensed Statement of Financial Position, Interim Condensed Statement of Changes in Equity and Interim Condensed Statement of Cash Flows. The CODM has been identified as the Responsible Entity.

**9 Contingent assets, liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2021 (30 June 2021: Nil).

## 10 Events occurring after the reporting period

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the Interim Condensed Statement of Financial Position as at 31 December 2021 or on the results and cash flows of the Fund for the half-year ended on that date.

**Switzer Dividend Growth Fund**

**Directors' Declaration  
for the half-year ended 31 December 2021**

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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 2021 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standards 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, and
- (c) the financial statements are in accordance with the Fund's Constitution.



Martin Switzer  
Director Switzer Asset Management Limited

Sydney,  
8 March 2022



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

### **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 2021, 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Fund's financial position as at [period date] 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*.

### **Basis for conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### **Directors' responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities for the review of the half-year financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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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.

*Ernst & Young*  
Ernst & Young

*Luke Slater*  
Luke Slater  
Partner  
Melbourne  
8 March 2022