

Switzer Dividend Growth Fund

ARSN 614 066 849

Annual financial report for the year ended 30 June 2020

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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 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 (ABN 26 123 611 978), the Responsible Entity of Switzer Dividend Growth Fund, present their report together with the financial statements of Switzer Dividend Growth Fund ("the Fund") for the year ended 30 June 2020.

The Fund is an Australian registered managed investment scheme 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 26 123 611 978). The Responsible Entity's registered office is Level 6, 10 Spring Street, Sydney NSW 2000.

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 comprises between approximately 30 and 50 stocks, drawn from within the largest 200 companies (by market capitalisation) listed on the ASX. The portfolio is managed to deliver capital growth while providing investors with a quarterly income stream.

The Fund did not have any employees during the year.

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

Directors

The following persons held office as directors of the Responsible Entity during the year and up to the date of this report:

| | |
|----------------|-------------------------------------|
| Peter Switzer | Chairman and Non-Executive Director |
| Jarrold Deakin | Director |
| Martin Switzer | Director |

Review and results of operations

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.

In March 2020, the World Health Organisation ("WHO") officially declared COVID-19 a pandemic.

The Directors acknowledge the current outbreak of COVID-19 and the increased market volatility it has created within the markets the Fund operates. This volatility has had a corresponding impact on the fair value of the Fund's investment portfolio both during the financial year as well as subsequent to the reporting date.

The Responsible Entity are monitoring developments closely, noting that given the nature of the outbreak and the ongoing developments, there is a high degree of uncertainty and therefore it is not possible at this time to predict the extent and nature of the overall future impact on the Fund. The Fund however, actively manages the financial risks that it is exposed to, with the approach outlined further within Note 13 of these Financial Statements and the Net Asset Values of the Fund continue to be valued in accordance with the frequency set out in the Fund's Offer Documents, applying valuation policies reflective of the prevailing market conditions.

For the year ended 30 June 2020, the Fund paid total distributions of 9.27 cents per unit. This equates to a net distribution yield of 3.58% and a gross distribution yield of 4.87% inclusive of franking credits. Distribution yield is calculated based on the distributions attributable to the 12 months ended 30 June 2020 relative to the Fund's closing listed unit price of \$2.59 as at 30 June 2019.

Directors' report (continued)

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

| | 30 June 2020 \$'000 | 30 June 2019 \$'000 |
|---|---------------------------|---------------------------|
| (Loss)/profit before finance costs attributable to unitholders (\$'000) | <u>(9,010)</u> | <u>5,374</u> |
| Distributions paid and payable (\$'000) | 2,983 | 5,934 |
| Distributions (cents per unit - CPU) | 9.270 | 20.373 |

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 year.

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 regard 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 year 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 year.

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

Interests in the Fund

The movements in units on issue in the Fund during the year 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.

Directors' report (continued)

Events occurring after the year

Except as disclosed in note 18 in the financial statements, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

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

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* issued by the Australian Securities and Investments Commission ("ASIC"), relating to the "rounding off" of amounts in the director's report. Amounts in the director's report have been rounded to the nearest thousand dollars in accordance with that ASIC Instrument, unless otherwise indicated.

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

Sydney, 25 September 2020



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 audit of the financial statements of Switzer Dividend Growth Fund for the financial year ended 30 June 2020, 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.

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
25 September 2020

Statement of profit or loss and other comprehensive income

| | Notes | 30 June 2020 \$'000 | 30 June 2019 \$'000 |
|---|-------|---------------------------|---------------------------|
| Investment income | | | |
| Interest income | 3 | 9 | 19 |
| Dividend/distribution income | 4 | 3,359 | 6,418 |
| Net losses on financial instruments held at fair value through profit or loss | 5 | (11,398) | (216) |
| Total investment income | | (8,030) | 6,221 |
| Expenses | | | |
| Management fees | 14 | 686 | 655 |
| Transaction costs | | 233 | 130 |
| Other expenses | | 61 | 62 |
| Total operating expenses | | 980 | 847 |
| (Loss)/profit before finance costs attributable to unitholders | | (9,010) | 5,374 |
| Finance costs attributable to unitholders | | | |
| Distributions to unitholders | 8 | 2,983 | 5,934 |
| Decrease in net assets attributable to unitholders | 7 | (11,993) | (560) |
| Profit/(loss) for the year attributable to unitholders | | - | - |
| Other comprehensive income for the year attributable to unitholders | | - | - |
| Total comprehensive income for the year attributable to unitholders | | - | - |

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

| | Notes | 30 June 2020 \$'000 | 30 June 2019 \$'000 |
|---|-------|---------------------------|---------------------------|
| Assets | | | |
| Cash and cash equivalents | 9 | 479 | 1,126 |
| Receivables | 11 | 1,505 | 760 |
| Financial assets held at fair value through profit or loss | 10 | 74,663 | 71,782 |
| Total assets | | 76,647 | 73,668 |
| Liabilities | | | |
| Distributions payable | 8 | 599 | 2,095 |
| Payables | 12 | 469 | 356 |
| Total liabilities (excluding net assets attributable to unitholders) | | 1,068 | 2,451 |
| Net assets attributable to unitholders - liability | 7 | 75,579 | 71,217 |

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 year.

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

Statement of cash flows

| | 30 June 2020 | 30 June 2019 |
|---|-----------------------|-----------------|
| Notes | \$'000 | \$'000 |
| <i>Cash flows from operating activities</i> | | |
| Proceeds from sale of financial instruments held at fair value through profit or loss | 56,881 | 30,497 |
| Purchase of financial instruments held at fair value through profit or loss | (72,091) | (27,004) |
| Transaction costs on financial instruments held at fair value through profit or loss | (230) | (130) |
| Dividends and distributions received | 3,593 | 6,645 |
| Interest received | 12 | 16 |
| Other income received | (124) | (67) |
| Management fees paid | (684) | (653) |
| RITC received/(paid) | 41 | 44 |
| Net cash (outflow)/inflow from operating activities | 15(a) <u>(12,602)</u> | <u>9,348</u> |
| <i>Cash flows from financing activities</i> | | |
| Proceeds from applications by unitholders | 22,668 | 5,749 |
| Payments for redemptions by unitholders | (7,264) | (10,989) |
| Distributions paid | (3,449) | (4,261) |
| Net cash inflow/(outflow) from financing activities | <u>11,955</u> | <u>(9,501)</u> |
| Net decrease in cash and cash equivalents | (647) | (153) |
| Cash and cash equivalents at the beginning of the year | <u>1,126</u> | <u>1,279</u> |
| Cash and cash equivalents at the end of the year | 9,15(b) <u>479</u> | <u>1,126</u> |
| Non-cash financing activities | 15(c) <u>1,030</u> | <u>1,310</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 6, 10 Spring Street, Sydney NSW 2000. The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors on 25 September 2020. 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 years 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 year 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 standard adopted as at 1 July 2019

AASB 16 Leases became mandatorily effective on 1 July 2019. Accordingly, these standards apply for the first time to this set of financial statements.

AASB 16 supersedes AASB 117 Leases and AASB Interpretation 4 Determining whether an Arrangement contains a Lease. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The Fund is not a Lessee and there is no impact of adopting this standard.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification and measurement

Financial assets:

The Fund measures its financial assets at either amortised cost or fair value depending on the fund's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is to evaluate the information about these financial assets on a fair value basis together with other related financial information.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using effective interest rate (EIR) method and are subject to impairment.

Financial Liabilities:

Classification of financial liabilities remains unchanged for the Fund.

(ii) Impairment

The Fund holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore, the Fund does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Fund uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Any change in expected credit losses between the previous year and the current year is recognised as an impairment gain or loss in profit or loss. There is no material impairment during the year and as at 30 June 2020 (June 2019: Nil).

(iii) Offsetting financial instruments

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

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders option and are classified as financial liabilities due to mandatory redemptions. 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 year 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 interest bearing 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 year 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 are recognised in the Statement of comprehensive income on an accruals basis.

(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 profit or loss and other comprehensive income.

2 Summary of significant accounting policies (continued)

(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 profit or loss and other 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of profit or loss and other 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 interest, dividends, 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 year 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 year.

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 year are included in payables.

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

(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.

2 Summary of significant accounting policies (continued)

(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 judgements and estimates

The preparation of the Fund's financial statements requires it to make judgements, 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 traded in active markets and are valued based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs. The Fund uses independent pricing services to obtain these prices.

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 judgements 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 judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including cash and cash equivalents, 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.

(p) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020 and have not been early adopted in preparing these financial statements.

The Directors have assessed that the implementation of these standards does not have a material impact on the financial report in the year of initial application.

2 Summary of significant accounting policies (continued)

(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*, 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.

3 Interest income

| | 30 June 2020 \$'000 | 30 June 2019 \$'000 |
|---------------------------------|---------------------------|---------------------------|
| Interest income on cash at bank | 9 | 19 |
| Total interest income | 9 | 19 |

4 Dividend/distribution income

| | | |
|---|--------------|--------------|
| Dividends | 2,819 | 6,375 |
| Distributions | 540 | 43 |
| Total dividend/distribution income | 3,359 | 6,418 |

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:

| | | |
|--|-----------------|--------------|
| Net realised losses on financial instruments designated at fair value through profit or loss | (5,143) | (1,050) |
| Net unrealised (losses)/gains on financial instruments designated at fair value through profit or loss | (6,255) | 834 |
| Total net losses on financial instruments held at fair value through profit or loss | (11,398) | (216) |

6 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor, Ernst & Young, to the Fund:

| | 30 June 2020 \$ | 30 June 2019 \$ |
|---|-----------------------|-----------------------|
| Audit and review of financial reports | | |
| Audit and review of financial reports | 39,498 | 30,750 |
| Total audit and review of financial statements | 39,498 | 30,750 |
| Non-Audit Services | | |
| Taxation advice | - | - |
| Taxation compliance advice | 12,000 | 8,000 |
| Consulting services | - | - |
| Total non-audit services | 12,000 | 8,000 |
| Total remuneration of Ernst & Young | 51,498 | 38,750 |

Audit fees for Switzer Dividend Growth Fund are paid by the Responsible Entity of the Fund.

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 year were as follows

| | 30 June 2020 No.'000 | 30 June 2019 No.'000 | 30 June 2020 \$'000 | 30 June 2019 \$'000 |
|--|----------------------------|----------------------------|---------------------------|---------------------------|
| Opening balance | 28,244 | 29,574 | 71,217 | 75,593 |
| Applications | 9,638 | 2,391 | 22,668 | 5,749 |
| Redemptions | (2,894) | (4,252) | (7,343) | (10,875) |
| Units issued upon reinvestment of distributions | 422 | 531 | 1,030 | 1,310 |
| Decrease in net assets attributable to unitholders | - | - | (11,993) | (560) |
| Closing balance | 35,410 | 28,244 | 75,579 | 71,217 |

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 year were as follows:

| | 30 June 2020 \$'000 | 30 June 2020 CPU | 30 June 2019 \$'000 | 30 June 2019 CPU |
|-----------------------------------|---------------------------|------------------------|---------------------------|------------------------|
| Distributions paid (30 September) | 1,010 | 3.419 | 1,444 | 5.047 |
| Distributions paid (31 December) | 753 | 2.355 | 1,027 | 3.368 |
| Distributions paid (31 March) | 621 | 1.785 | 1,368 | 4.542 |
| Distributions payable (30 June) | 599 | 1.711 | 2,095 | 7.416 |
| Total distributions | 2,983 | 9.270 | 5,934 | 20.373 |

9 Cash and cash equivalents

| | 30 June 2020 \$'000 | 30 June 2019 \$'000 |
|--|---------------------------|---------------------------|
| Cash at bank | 479 | 1,126 |
| Total cash and cash equivalents | 479 | 1,126 |

10 Financial assets held at fair value through profit or loss

| | 30 June 2020 \$'000 | 30 June 2019 \$'000 |
|---|---------------------------|---------------------------|
| Designated at fair value through profit or loss | | |
| Listed equities | 62,367 | 67,848 |
| Listed unit trusts | 7,071 | 2,715 |
| Listed property trusts | 5,225 | 1,219 |
| Total designated at fair value through profit or loss | <u>74,663</u> | <u>71,782</u> |
| Total financial assets held at fair value through profit or loss | <u>74,663</u> | <u>71,782</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

| | | |
|---|--------------|------------|
| Due from brokers - receivable for securities sold | 1,107 | 146 |
| Dividend/distribution receivable | 349 | 583 |
| Interest receivable | - | 3 |
| Other receivable | 11 | 11 |
| GST receivable | 38 | 17 |
| | <u>1,505</u> | <u>760</u> |

12 Payables

| | | |
|---|------------|------------|
| Due to brokers - payable for securities purchased | 175 | 145 |
| Unsettled redemptions | 225 | 146 |
| Management fees payable | 61 | 59 |
| Other fees payable | 8 | 6 |
| | <u>469</u> | <u>356</u> |

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.

(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, the overall market exposures were as follows:

| | 30 June 2020 \$'000 | 30 June 2019 \$'000 |
|--|---------------------------|---------------------------|
| Securities designated at fair value through profit or loss | <u>74,663</u> | <u>71,782</u> |
| | <u>74,663</u> | <u>71,782</u> |

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 Investment Manager mitigates this price risk through diversification and a careful selection of securities 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 2020, 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 2020 | | As at 30 June 2019 | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Increased by 10% \$'000 | Decreased by 10% \$'000 | Increased by 10% \$'000 | Decreased by 10% \$'000 |
| Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) | <u>7,466</u> | <u>(7,466)</u> | <u>7,178</u> | <u>(7,178)</u> |

(ii) Foreign exchange risk

At year end the Fund only held Australian dollar denominated assets and it therefore had no exposure to foreign exchange risk (2019: Nil).

(iii) Interest rate risk

There was no significant direct interest rate risk in this Fund as at 30 June 2020 (30 June 2019: Nil).

(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 arises from cash and cash equivalents, deposits with banks and other financial institutions and receivables.

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 2020 (30 June 2019: Nil).

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.

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 2020 and 30 June 2019:

| | 30 June 2020 | 30 June 2019 |
|------------------------|---------------------|--------------|
| | % | % |
| Financials | 26.58 | 40.95 |
| Materials | 16.42 | 9.65 |
| Consumer Discretionary | 9.58 | 10.26 |
| Industrials | 8.65 | 5.68 |
| Utilities | 6.97 | 5.11 |
| Real Estate | 6.84 | 8.76 |
| Communication Services | 6.46 | 4.23 |
| Health Care | 6.19 | 2.08 |
| Energy | 5.20 | 6.19 |
| Consumer Staples | 4.78 | 3.52 |
| Cash | 2.33 | 2.48 |
| Information Technology | - | 1.09 |
| Total | 100.00 | 100.00 |

(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. 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. There were no investments in unlisted unit trusts at 30 June 2020 (2019: Nil).

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. No redemptions to unitholders were delayed for the year ended 30 June 2020 (2019: Nil).

13 Financial risk management (continued)

(e) Liquidity risk (continued)

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.

(i) Maturity of 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 year to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| At 30 June 2020 | Less than 1 month \$'000 | 1-3 months \$'000 | 3-12 months \$'000 | More than 12 months \$'000 |
|--|--------------------------------|----------------------|--------------------------|----------------------------------|
| Distribution payable | 599 | - | - | - |
| Payables | 469 | - | - | - |
| Net assets attributable to unitholders | 75,579 | - | - | - |
| Total financial liabilities | 76,647 | - | - | - |

| At 30 June 2019 | Less than 1 month \$'000 | 1-3 months \$'000 | 3-12 months \$'000 | More than 12 months \$'000 |
|--|--------------------------------|----------------------|-----------------------|----------------------------------|
| Distribution payable | 2,095 | - | - | - |
| Payables | 356 | - | - | - |
| Net assets attributable to unitholders | 71,217 | - | - | - |
| Total financial liabilities | 73,668 | - | - | - |

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 year 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 judgements, estimates and assumptions that might have been used in the determination of the fair values of these financial instruments.

13 Financial risk management (continued)

(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).

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 2020 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Financial assets | | | | |
| Financial assets designated at fair value through profit or loss at inception: | | | | |
| Listed equities | 62,367 | - | - | 62,367 |
| Listed unit trusts | 7,071 | - | - | 7,071 |
| Listed property trusts | 5,225 | - | - | 5,225 |
| Total financial assets | 74,663 | - | - | 74,663 |

| At 30 June 2019 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Financial assets | | | | |
| Financial assets designated at fair value through profit or loss at inception: | | | | |
| Listed equities | 67,848 | - | - | 67,848 |
| Listed unit trusts | 2,715 | - | - | 2,715 |
| Listed property trusts | 1,219 | - | - | 1,219 |
| Total financial assets | 71,782 | - | - | 71,782 |

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.

13 Financial risk management (continued)

(g) 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.

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 2020 (30 June 2019: Nil).

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 a related party and considered the Fund's key management personnel.

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

| | |
|----------------|-------------------------------------|
| Peter Switzer | Chairman and Non-Executive Director |
| Jarrod Deakin | Director |
| Martin Switzer | Director |

(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 year.

14 Related party transactions (continued)

(d) Key management personnel unitholdings

During the year to 30 June 2020, the Responsible Entity did not hold investments in the Fund (2019: nil).

(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 impact 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 year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

| | 30 June 2020 \$ | 30 June 2019 \$ |
|--|--------------------------------|-----------------------|
| Management fees for the year paid by the Fund to the Responsible Entity | <u>685,675</u> | <u>655,075</u> |
| Aggregate amounts payable to the Responsible Entity at the end of the year | <u>60,604</u> | <u>58,931</u> |

(f) Related party Fund's unitholdings

During the period, the Responsible Entity or its related parties did not hold units in the Fund (2019: nil).

(g) Investments

During the period, the Fund did not hold investments in funds owned or managed by the Responsible entity or its related parties (2019: nil).

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

| | 30 June 2020 \$'000 | 30 June 2019 \$'000 |
|---|---------------------------|---------------------------|
| (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities | | |
| Decrease in net assets attributable to unitholders | (11,993) | (560) |
| Proceeds from sale of financial instruments held at fair value through profit or loss | 56,881 | 30,497 |
| Purchase of financial instruments held at fair value through profit or loss | (72,091) | (27,004) |
| Distribution to unitholders | 2,983 | 5,934 |
| Net losses on financial instruments held at fair value through profit or loss | 11,398 | 216 |
| Net change in receivables and other assets | 216 | 371 |
| Net change in payables and other liabilities | 4 | (106) |
| Net cash (outflow)/inflow from operating activities | (12,602) | 9,348 |
| (b) Components of cash and cash equivalents | | |
| Cash as at the end of the year as shown in the Statement of cash flows is reconciled to the Statement of financial position as follows: | | |
| Cash and cash equivalents | 479 | 1,126 |
| | 479 | 1,126 |
| (c) Non-cash financing activities | | |
| During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan | 1,030 | 1,310 |

16 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 Statement of profit & loss and other comprehensive income, Statement of financial position, Statement of changes in equity and Statement of cash flows. The CODM has been identified as the Responsible Entity.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2020 (2019: Nil).

18 Events occurring after the year

No significant events have occurred since the end of the year which would impact on the financial position of the Fund disclosed in the Statement of financial position as at 30 June 2020 or on the results and cash flows of the Fund for the year ended on that date.

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 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 30 June 2020 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards 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, 25 September 2020

Independent Auditor's Report to the Members 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 2020, 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 of the Fund.

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 2020 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 (including Independence Standards)* (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 each 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 matters below, provide the basis for our audit opinion on the accompanying financial report.

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| Existence and valuation of the investment portfolio | |
| Switzer Dividend Growth Fund's investment portfolio as at 30 June 2020 includes listed equities, listed unit trusts, listed property trusts and cash holdings. | We assessed the effectiveness of controls relating to the recognition and valuation of investments. |
| Investment valuation and existence is a key audit matter as the investment balance of \$74,663,125 represents 97% of total assets. | We obtained and considered the assurance report on the controls of the Fund's administrator and custodian in relation to the fund administration and custody services for the year ended 30 June 2020 and considered the auditor's qualifications, competence and objectivity and the results of their procedures. |
| As detailed in the Fund's accounting policy, described in Note 2(b) of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards. | We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2020. |
| Pricing and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter. | We assessed the fair value of all investments in the portfolio held at 30 June 2020. For listed securities, the values were verified against independently sourced market prices. |
| | We assessed the adequacy of the disclosures in Note 5 and Note 10 of the financial report. |

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 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do 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, 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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity of the Fund.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the Responsible Entity of the Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of the Responsible Entity of the Fund with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors of the Responsible Entity of the Fund, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne
25 September 2020