

Tuesday, 27 February 2024

Important Update for Investors - Switzer Dividend Growth Fund Change of Investment Manager – Vertium Asset Management

Dear Unitholder,

On behalf of the board of AGP Investment Management Limited (**the Board** or **AGP**), I am pleased to advise of a change to the Switzer Dividend Growth Fund (Quoted Managed Fund) (**SWTZ** or **the Fund**) with the appointment of Vertium Asset Management Pty Ltd (**Vertium**) as investment manager (**Investment Manager**) effective 28 March 2024.

Since inception in 2017, SWTZ has aimed to deliver on its objective of providing investors with reliable, tax-effective income. In this regard, the Board believes there is an opportunity to improve the performance of the Fund in terms of both income and capital growth through a change in investment manager.

The Board believes this initiative has the potential to enhance long-term portfolio performance and provide significant benefits to all investors. It follows a comprehensive review by the Board of the existing arrangements.

The potential benefits of the change include:

- access to an award-winning best of breed Australian equity income manager with a proven investment process;
- an expected continued reliable income stream. Since inception, the Vertium Equity Income strategy¹, on which the Fund will be based, has delivered a distribution yield of 6.0% per annum or 7.2% including franking credits with around a third less market volatility²;
- Income is derived from diversified sources including dividends and option income;
- An increased focus on downside protection. A central pillar of Vertium’s investment philosophy is to manage risk while providing equity like returns. Lonsec Research views Vertium’s risk management process to be superior to most of its peers; and
- access to an investment strategy with a recommended rating from leading research houses including Zenith Investment Partners and Lonsec Research.

Changes to investment strategy for the Fund

There are two main changes to the investment strategy for the Fund, being:

1. changing the investment benchmark from the S&P/ASX 200 to the S&P/ASX100 index. This will impact some stock weightings within the portfolio; and
2. allowing the investment strategy to use derivatives up to a maximum of 10% of the Fund. This will provide an efficient way for managing market exposure and allowing the Fund to maximise option income for investors.

For full details about the investment strategy and objective that Vertium will apply to the Fund from the effective date, please refer to Appendix A.

¹ The performance of the Fund will be different to the Vertium Equity Income Strategy due to timing of cashflows, cash and security weightings, the level of derivatives exposure, and management fees and costs.

² Inception April 2017. Portfolio return is calculated before expenses and after investment management and performance fees are paid. Performance includes the reinvestment of dividends and income. Past performance is not an indicator of future performance. The yield period is calculated from April 2017 to June 2023.

About Vertium Asset Management

Established in 2017, Vertium Asset Management is a Sydney-based Australian equity fund manager. Its founder, Jason Teh, successfully managed a portfolio with a similar investment style at another Australian fund manager before launching Vertium.

Vertium was created to fill a perceived void in the market for retirement portfolios: a strategy that can provide income (and capital growth potential) from investing in Australian shares, with a genuine focus on capital preservation and lower sensitivity to volatile market movements.

Vertium is a well-regarded, award-winning investment manager which has been recognised across the industry. In the last 12 months, Vertium has been awarded the Best Investment Manager in the Australian Equities Income category for the 2024 Money Magazine 'Best of the Best' Awards and the Financial Standard Leadership Award in the Australian Equities Income Focused category.

The Board is delighted to be working with a leading Australian equity manager with the potential to provide a superior investment outcome for investors.

What does this mean for you?

AGP, as responsible entity for the Fund, believes this change has the potential to provide significant benefits to investors and enhance the prospects of the Fund continuing to meet its investment objective.

Current investors do not need to take any action. The investment manager of the Fund will continue to be Blackmore Capital Pty Ltd until 27 March 2024. The Fund will continue to be managed under the current investment strategy and objective as disclosed in the Product Disclosure Statement issued on 30 September 2022.

There is no change to the total management fee payable by the Fund. However, investors will now benefit from Vertium's specialised funds management skills, in addition to continuing to receive the support from AGP's successful marketing and distribution platform.

For more detailed information on the Fund, contact us directly via email at invest@associateglobal.com or by phone on 1300 052 054.

Thank you for your ongoing support.

Sincerely,



Peter Switzer

Non-executive Director

AGP Investment Management Limited

Appendix A – Investment Objective and Strategy

Investment objective

The Fund aims to provide investors with an income return that exceeds the S&P/ASX 100 Accumulation Index (**Index**) (after fees) over rolling 12-month periods, while also maintaining a lower level of volatility relative to the Index over rolling 12-month periods. There is the potential for capital growth over the long term. Income is generally paid monthly to the Fund and franked to a material extent.

Investment strategy and approach

The Investment Manager is an active portfolio manager. Vertium's investment approach focuses on income generation and volatility management without compromising capital growth potential over the long term. Vertium aims to invest in high-quality stocks that are mispriced by the market.

Vertium's investment philosophy is based on the premise that markets are efficient over the long term, with share prices reflecting company fundamentals.

However, over the short term, the market can overreact and underreact to company fundamentals. Vertium believes that sustainable risk-adjusted performance can be achieved when the price paid for a security is at a sufficient discount to intrinsic value, which can offset the effects of unpredictable events, volatility from a rapidly changing world and valuation forecasting error. Vertium adopts a fundamental research-based approach to determining a company's underlying value.

Vertium's investment process includes screens to remove non-investment grade stocks from its investment universe. Potential stock opportunities are then reviewed and prioritised for further analysis. Vertium's fundamental research process focuses on what Vertium considers to be a stock's most important investment drivers: quality, valuation, risk assessment and clarity assessment. Securities that are considered investable based on these factors are then assessed for yield potential through the consideration of dividend yield, franking yield and option yield.

The portfolio construction process leverages the output of the security selection process. Specifically, strong consideration is placed upon the margin of safety of each position. Holding all else equal, the greater the margin between estimated intrinsic value and market price, the greater a security's weight will be in the portfolio.

Asset allocation

The Fund is actively managed and aims to take advantage of investment opportunities, and assets which are considered mispriced, within the Australian equity market.

The Fund will typically consist between 20 to 40 securities with allocation as follow:

Asset classes	Asset allocation range (Min/Max)
Australian listed equity securities	20% to 100%
Derivatives	0% to 10%
Cash and cash equivalents	0% to 20%

Vertium may use options, futures and other derivatives to manage risk and to gain exposure to particular securities. Derivatives are not used speculatively, to gear the portfolio, or to short positions.

Investments

The Fund invests in:

Australian listed equity securities: being the equity securities of any company that is listed on an Australian Securities Exchange.

Cash and cash equivalents: including cash investments and term deposits, including exchange traded funds or trusts that invest solely in Australian dollar denominated deposits issued by ADI's that are regulated by APRA.

Derivatives: including futures, options and other derivatives listed on Australian Securities Exchange.

Investor suitability

The Fund may be suitable for investors who are seeking an exposure to an actively managed Australian equity portfolio with a long-term investment objective of capital and income returns with lower volatility and greater downside protection relative to the Index.

Risk level of the Fund

Risk Level				
Low	Low to Medium	Medium	Medium to High	High

Minimum suggested timeframe

The suggested investment timeframe is a minimum of seven years.

Labour, environmental, social and ethical considerations

The investment mandate with the Investment Manager does not specifically require labour standards or environmental, social or ethical considerations to be taken into account in the selection, retention or realisation of investments relating to the Fund. However, Vertium has an established Responsible Investment Policy. The identification of environmental, social and governance (ESG) issues can be reflected in a company's quality assessment and risk, which if deemed to be significant, can preclude the company from potential investment.

Therefore, labour standards and environmental, social and ethical considerations are integrated into the investment process as part of the risk assessment for the selection, retention and realisation of investments relating to the Fund, however these factors are not assessed in accordance with any predetermined weighting and methodology.

Fund performance

The Investment manger will provide monthly Fund performance updates and details of portfolio holdings periodically to investors at www.associateglobal.com/funds/swtz

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