CI BRUNSWICK FUND
QUARTERLY REPORT

Cooper Investors Pty Limited AFS Licence Number 221794 ABN 26 100 409 890

DECEMBER 2011

"To make our economy sustainable, we have to relearn everything we have learnt from the past. That means making more from less and ensuring that governance strategy and sustainability are inseparable." Mervyn King

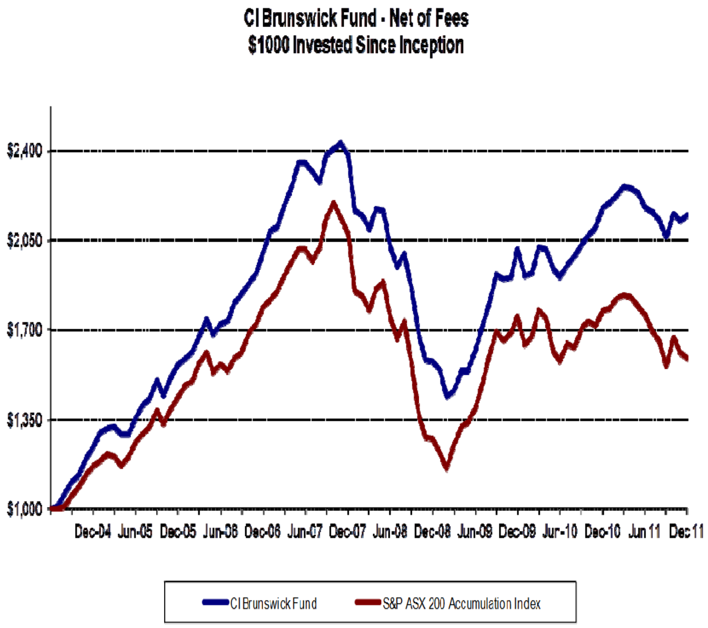
"Only buy something that you'd be happy to hold if the market shut down for ten years." Warren Buffett

"The road to success is always under construction." Lily Tomlin

"Tell me - I forget, show me - I remember, involve me - I Understand." Confucius 479 BC

Market and Fund Performance

	**FUND	BENCH-MARK	VALUE ADDED
ROLLING 3 MONTH	4.72%	2.12%	2.60%
ROLLING 1 YEAR	1.40%	-10.54%	11.94%
ROLLING 2 YEAR	5.26%	-4.68%	9.94%
ROLLING 3 YEAR	12.71%	7.59%	5.12%
ROLLING 5 YEAR	3.49%	-2.31%	5.80%
ROLLING 7 YEAR	11.50%	4.46%	7.04%
SINCE INCEPTION*	14.87%	6.38%	8.49%
SINCE INCEPTION^	182.92%	59.03%	123.89%



*Annualised
^Cumulative (1 July 2004)
**Before fees and expenses

The ASX200 Accumulation Index rose by 2.12% over the quarter but fell by –10.54% over the 12 months to 31 December 2011. The best performers in the portfolio over the quarter included Vitasoy, Hastings Diversified Fund, QR National and Telstra. Hastings Diversified has received a conditional bid valued at $2 per share. We are considering carefully our position given predators rarely win on the opening bid. Furthermore, the bid appears opportunistic in light of the fact that Hastings has just completed the 900km South West Queensland Pipeline. Contracted first gas commenced flowing on 1st January 2012, weeks after the bid. In other words, the $830m capex has been spent without the resultant cashflows which will ramp up starting in January 2012.

The poorer performers over the quarter were the stocks with exposure to resources and softer commodity prices; Alumina, Rio, ARB as well as Westpac. The banking sector continues to feel the pressures of a slowdown in asset prices, rising costs and liquidity and capital pressures.

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The Portfolio

Telstra's share price has performed well during the past 12 months due to the bedding down of the National Broadband Network (NBN) deal with the Government, relatively good financial performance, a trend towards better customer service and an improved business culture. We believe that the NBN deal that Telstra managed to negotiate with the Government is attractive and provides regulatory certainty for the first time since being privatized. The negotiated deal, in addition to improved customer service and business culture metrics, is testament to a sound management team and commercially savvy board of directors.

Over the quarter we accepted the takeover offer by Rio Tinto for the long held position in Coal and Allied. The proceeds from the sale have been reinvested into two new positions, both of which represent high yield opportunities. First, the Woolworths $100 Notes II offers an attractive yield based on a 3.25% margin over the bank bill rate with interest paid quarterly in arrears in cash. On purchase price this represented an attractive cash yield of 7.70%. Woolworths is Australia's leading supermarket chain and in addition has a portfolio of leading retail formats and brands that include Big W and Dan Murphy. Woolworth's debt coverage ratios are strong with net debt/net debt and equity of 33.83% and a fixed charge cover ratio (EBITDAR/fixed charges) of 3.03x.

The success of recent new listed debt securities such as Origin, AFIC and Woolworths is expected to be followed by a number of new issues in the early part of 2012. These listed debt issues are being used by investors as substitutes for both equity exposure and as an alternative to bank term deposits and bank bills. It is not surprising that there has been a strong response to the debt issuance of securities offering 7%+ cash yields given recent equity market returns which has seen both the Australian Equity market and Global markets down -1.33% p.a. and -2.41% p.a. respectively over the last 5 years. We expect fixed interest and other non equity investments to feature more prominently in investment portfolios generally and especially in Australia. Equity investors in Australia have been spoilt by returns over the last 20 years due to the decline in interest rates, expansion in household credit levels, government reforms (that date back 20 years in labour, currency and banking markets) the growth in legislated savings and importantly the once in a half century commodity boom. Most of these drivers have either peaked or are in reverse for Australian equity investors.

The other purchase we made is Transpacific SPS Non Cumulative Step Up Preference shares ("TPAPA's"). The security is effectively a perpetual instrument with a running yield including franking of 13.8%. Distributions are deferrable and non-cumulative however Transpacific has never deferred distributions on TPAPA's despite severe balance sheet stress in recent years. The recent rights issue places the Transpacific balance sheet in a reasonable shape and simplifies the financial structure. Gearing metrics should improve considerably over the next 12-24 months given potential asset sales and the use of free cash flow to further reduce Debt to EBITDA (which is currently 2.5x). Transpacific generates most of its cash from strong underlying and stable waste management businesses. Notably the former Wesfarmers CFO, Gene Tilbrook has been appointed to the role of Chairman. He has a strong history of financial management and capital discipline.

Ryman Healthcare ("RYM") reported its interim 6 monthly result to 30th September 2011. The highlights were:

- A record build rate of 369 units / beds in 1H12 – 199 retirement units and 170 aged care beds. The ongoing build rate is expected to be at least 550 units p.a.
- RYM acquired sites in Howick (Auckland), Waikanae (60km north of Wellington) and their first site in Australia at Wheelers Hill (Melbourne). RYM plan to build a 3-4 level building at the Wheelers Hill site commencing in 2HCY13. The site is attractive because the area has good demographics in the 65+ and 75+ populations, is under-bedded relative to expected needs/demand, is adjacent to a local shopping centre and has good house prices. The site is approx 2.2 hectares in size and RYM is looking to build 200+ independent living units, 50+ assisted living units, and 80+ aged care beds (low care/high care/dementia). RYM's initial pricing will be targeted to make their product attractive to customers. The median house price in Wheelers Hill is around A$700k.

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- RYM has a land bank consisting of 2,199 units / beds which equals approximately 4 years of development pipeline.
- Stronger future demand is expected for hospital and dementia beds, which are more profitable than rest home beds. RYM is adjusting its future aged care bed mix to meet this demand, as well as converting some existing rest home beds to hospital and dementia beds.
- RYM target demographic is persons aged 75+. Demographic research shows that the 75+ cohort is growing faster than the 65+ cohort, and that the 85+ cohort is growing faster than the 75+ cohort. Statistics for NZ show growth in the 75+ population of roughly double between 2011 and 2021, and approximately triple by 2026. This equates to around 12,000 – 20,000 more residents by 2026.
- RYM estimates its current market share to be approximately 8% of total units / beds, and expects this to grow to 13% in the future.
- Guidance for FY12 earnings and dividend growth is 15%.

Westpac reported its final year profit to 30th September 2011. Observations include:

- Reported cash profit for 2011 was $6.9b, up by 7% for the year, but down -1% on the March 2011 half
- Whilst bad and doubtful debts declined on a year ago these now appear to be at cycle lows. The 2H bad and doubtful debts to Sept 2011 increased by 14% on 1H2011.
- Dividends were up 12% on the previous corresponding period. The stock yields 7.8% fully franked and trades on a forward PER of 9.8x with modest earnings growth

The portfolio consists of high quality, low beta stocks that on average tend to out perform in falling markets. It was pleasing that over the last 12 months the Fund performed as expected given market conditions. The Fund continues to position itself to invest in three types of stocks:

1. **Yield Plays**, such as Transurban, which can grow their already high dividend yields and recoup inflation under the terms of their long life tolling concessions;

2. **Asset Plays**, with good balance sheets such as Jardine Strategic and Soul Pattinson, both of which sell below net replacement value;

3. **Growth Stocks** with focussed, prudent & experienced management teams operating in industries and product segments that can generate high sales and profit growth. Examples include Ryman (demographic and aged care play) and some of our Asian stocks such as Vitasoy. Importantly, for all stocks, we are looking for quality businesses, good value, strong balance sheets and focused management behaviour. We have no interest in growth without value and quality attributes.

The portfolio consists of 8% cash. We expect to be able to reinvest some of these proceeds into the market where we see emerging opportunities, thanks to the current global pessimism amongst equity investors.

The portfolio has 16% of assets invested in international markets. NZ represents half of our international positions with the balance spread amongst the UK, Singapore and Hong Kong listed stocks.

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Portfolio attributes as at December 2011 are summarized below.

PE	12x
Beta	0.75
Yield	5.0%
P/Book	1.4x
ROE	11.3%
Debt/equity	36%
Tracking error vs. ASX 200	6.8%
Stock Numbers	27

Major sector exposures are:

Sector	Portfolio Weight
Energy	3.2%
Materials	9.5%
Industrials	19%
Health & Aged Care	8.5%
Banks	11.5%
Utility & Infrastructure	11%
Telecommunications	4.2%
Foreign Equities	16%
Cash & Equivalents	8%

Industry Observations

The Brunswick Fund began investing in Asian equities in 2008, and today approximately 8% of the Fund is invested in companies which are either listed in Asia, or source the majority of their earnings from the Asian region. Our interest in Asia is twofold – firstly, due to the linkages back to Australia (e.g. CBA, Coca Cola Amatil, Ansell, etc.); and secondly due to investment opportunities which are complementary to those in Australia, from a geographic and industry stand-point. The following reasons shape our thinking about investing in Asia:

1. Concentration of Australian market in commodities & financials

An examination of the ASX 200 (being the Brunswick Fund's benchmark) highlights how much the Australian equity market has "narrowed" in the last 10 years. The combined weighting of Commodities and Financials in the ASX 200 today is approximately 70% (64% excluding REITs) up from 57% (51% excluding REITs) 10 years ago.

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% weighting	August 2001	August 2011	Change
Consumer	22.8	12.6	-10.2
Commodities	16.6	36.0	+19.4
Financials	39.9	34.4	-4.6
Industrials	7.2	7.4	+0.2
Info Tech	0.7	0.6	-0.1
Healthcare	3.7	3.5	-0.2
Telecoms & Utilities	9.0	5.6	-3.4

Source: Iress. Consumer – comprises Consumer Discretionary and Staples. Commodities – comprises Energy and Materials. Financials – comprises REITs as well as Non-REIT financials. The other sector classifications are self-explanatory.

The increase in the weighting of the commodities sector has coincided not just with a corresponding decrease in the weighting of non-commodities & financial companies, but also with a decrease in the actual number of investible companies.

There were 112 non commodities and financial companies listed on the ASX 200 10 years ago. This number has fallen to 92, and with recent corporate activity (Fosters and Connect East) is likely to fall further. Other examples of the “hollowing out” of the Australian index (some more recent than others) include Lion Nathan, casinos/gaming companies, Foodland, Corporate Express and Atlinta.

2. Exposure to manufacturing

As shown below, the weighting of the industrials and information technology industry in Australia is 8%, hence there is only minimal listed exposure to manufacturing in Australia available.

In Asia on the other hand, 28% of the index is represented by industrials and information technology, a large part of which comprises manufacturing. We view manufacturing as an area of expertise, not just in Korea, Taiwan and China, but also in other countries in South East Asia.

% weighting	ASX200	Asia ex Japan
Consumer	12.6	14.4
Commodities	36.0	17.2
Financials	34.4	30.7
Industrials	7.4	10.8
Info Tech	0.6	17.0
Healthcare	3.5	0.9
Telecoms & Utilities	5.6	9.1
No. of companies	200	617

Source: Iress, UBS. Consumer – comprises Consumer Discretionary and Staples. Commodities – comprises Energy and Materials. Financials – comprises REITs as well as Non-REIT financials. The other sector classifications are self-explanatory. Asia ex Japan (AXJ) refers to the MSCI AC Asia ex Japan index.

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3. Exposure to the Asian consumer

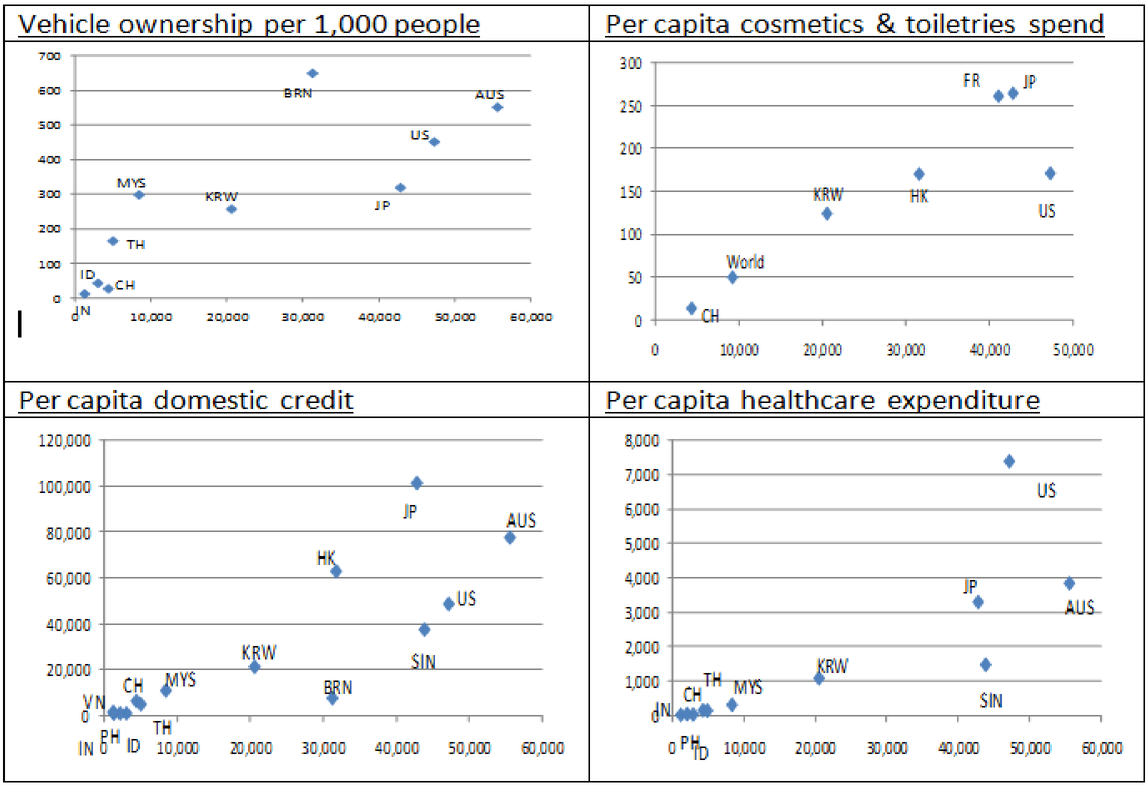
Whilst there does not seem an overly significant difference between the weighting of the Consumer sector between the two markets today, we note that approximately 50% of the Consumer sector in Australia comprises just two companies, being Wesfarmers and Woolworths. With the SABMiller takeover, Fosters, the fourth largest stock in this sector, will be removed shortly. In comparison, the consumer sector in Asia comprises 105 companies, with the largest, being Hyundai Motor Company with a 1.36% weighting.

The following charts highlight that there is significant potential for a number of consumer related industries in Asia, and that these opportunities reside not just in China, but also in other markets. Gaining exposure to these industries is only possible by investing directly.

The Brunswick Fund currently has exposure to three of the following sub-categories via:

Jardine Strategic: the largest automotive distributor in Indonesia and retail operator in South East Asia, Hong Kong and Southern China.

Standard Chartered: Emerging market banking.



Sources: Euromonitor, World Bank data base. Country codes – AUS (Australia), BRN (Brunei), CH (China), HK (Hong Kong), IN (India), ID (Indonesia), JP (Japan), KRW (Korea), MYS (Malaysia), PH (Philippines), TH (Thailand), TW (Taiwan). Per capita GDP (USD) represented on the on x-axis, with the relevant metric on the y-axis.

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4. Reduced stock concentration

The top 10 companies in ASX200 make up approximately 48% of the index, and the top 20 63%. This compares to 16% and 26% respectively in Asia. Therefore the investment "choice" is greater in Asia.

5. Geographical diversity

The Asian index is approximately split 35% China/Hong Kong, 36% North Asia (Taiwan, Korea), 18% South East Asia and 10% India.

The drivers for each of these regions are different. North Asia tends to be more export orientated. South East Asia and India in comparison are more domestically focused; albeit South East Asia has greater manufacturing and exposure to commodities, whereas India has a higher weighting in services. China has reduced its export dependency in the last three years, and is transitioning towards a more consumer-orientated industry. China is the biggest market for most goods and services in Asia.

Whilst it is "fashionable" to refer to Asia as a region, we would note that in any one year, stock market returns can vary quite significantly, or even be negatively correlated, as shown below.

%	**ASX**		**CH**	**HK**	**ID**	**IN**	**KRW**	**MYS**	**PH**	**SIN**	**TW**	**TH**	**AXJ**
1 yr	-11.0		-18.5	-16.1	6.7	-25.4	-10.7	2.9	-0.8	-17.0	-17.8	1.8	-14.9
3 yr	7.0		11.6	18.4	38.8	18.9	20.5	24.1	26.6	16.2	16.8	34.4	17.8
5 yr	-2.6		2.5	2.7	16.8	2.5	6.9	10.0	5.6	-0.1	-1.4	11.9	3.3
10 yr	5.2		15.0	8.6	30.4	17.3	12.0	11.7	11.7	7.6	2.6	18.2	10.2

Data is up to 31 December 2011.

Source: FactSet. Refers to respective MSCI country returns, denoted in local currency terms, with net dividends reinvested. Asia ex Japan (AXJ) refers to the MSCI AC Asia ex Japan index.

6. Complementary nature of investment options

We view investing in Asia as complementary to investing in Australia. Australia excels in the resources, healthcare, education and infrastructure & utilities sectors. In comparison, the prospects for the consumer, Industrials, information technology and financial sectors appear better in Asia.

And finally, as the following chart highlights, Australia's fortunes in the past 50 years have been inextricably linked to that of commodities. Investing directly in Asia provides diversification away from commodities, whilst still enabling us to capture the upside.

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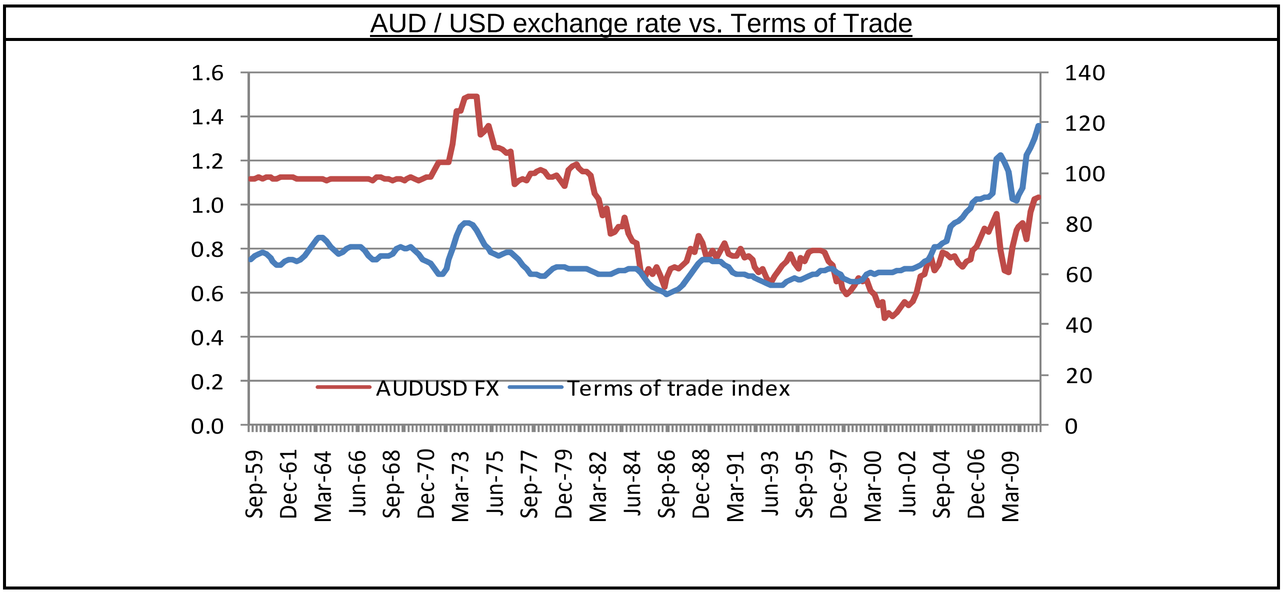

Source: ABS

Updated Information Memorandum

On 1 January 2012 CI issued an updated Information Memorandum for the Fund. The investment philosophy and process used by us, and the investment strategy and guidelines for the Fund are both unchanged. However details of our investment team have been updated, as has the Fund performance, and there are some administrative changes in the Additional Information section. In addition, the performance fee has been reduced from 15% of out performance of the benchmark to 10% effective 1 January 2012.

Please contact our client support team at info@cooperinvestors.com if you would like us to post or email you a copy of the new Information Memorandum. Alternatively, it may be downloaded from our website at www.cooperinvestors.com.