CI GLOBAL EQUITIES FUND
QUARTERLY REPORT

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

SEPTEMBER 2007

"The increase in China's demand for metals over this period (2000-2020) may be comparable to the total demand of the industrial world today." Charlie Lenegan MD Rio Tinto Australia

"Short of a few ambiguous incidents, I can think of no circumstances where the expanded rule of law and enhanced property rights failed to increase material prosperity" Alan Greenspan, The Age of Turbulence

"You can breed a thoroughbred racehorse to the point it dies of a common cold"

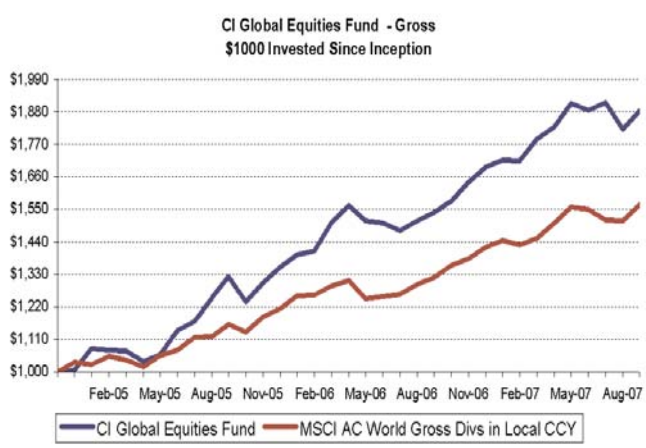
"There is an assumption that more information is better. We believe that enough information is appropriate…but too much information can be unhelpful in building clarity and confidence…"

"Queensland Rail was taking a more commercial approach to investment decision" QR CIO Dallas Stower

PORTFOLIO PERFORMANCE

	PORTFOLIO	BENCHMARK	VALUE ADDED
ROLLING 3 MONTHS	-0.09%	0.96%	-1.05%
ROLLING 6 MONTHS	5.30%	7.54%	-2.24%
ROLLING 1 YEAR	22.30%	18.16%	4.14%
ROLLING 2 YEAR	19.42%	15.69%	3.73%
SINCE INCEPTION#	25.07%	16.61%	8.46%
SINCE INCEPTION^	88.38%	54.52%	33.86%

\# Annualised
^ Cumulative (1 December 2004)



The CI Global Equities Fund returned -0.09% for the 3rd quarter. This is compared with the Benchmark, the MSCI World All Countries Net Divs in Local Currency which returned 0.96%. The quarter started very well with the Fund outperforming the Benchmark by 3.7% in July, however this out-performance was short lived as the credit crisis in August played a part in subsequently erasing the gains in July. Since August we have seen a modicum of normality return to the markets, however the volatility has remained, and large daily swings have been regular occurrences in nervous equity markets that have so far not regained focus or clarity in direction.

The Fund has invested in new stocks in the last few months as we have moved our focus away from a couple of emerging markets. Cash is currently just above 5%, however cash levels had been up towards 9% around the time of the credit crisis. Stocks in Asia make up 20% of the Fund, with Europe, Middle East & Africa (EMEA) at 50% and the rest in the Americas. We have reduced our weighting in Asia largely due to over-valuation concerns on some stocks. In particular, the Hong Kong market is "red hot". Although we do retain some positions there, we decided to reduce exposure from overweight to around index weight.

As at the end of the quarter, the portfolio held 43 stocks. By sector the portfolio is overweight Energy, Materials, Industrials, Consumer Staples, Healthcare and Utilities; while being underweight Consumer Discretionary, Financials, Information Technology and Telecommunication Services. Our largest positions are, in descending order, Tesco (5.4%), Reckitt Benkiser, Porsche, Veolia, Red Electrica de Espana, SGS, FPL Group, Umicore, QBE and Suncor (2.9%). Our positions vary from 5.4% down to a few stocks weighted at 1%.

CI portfolio managers have made two international trips this quarter to visit potential investments and companies in the portfolio, first to Hong Kong and China and, secondly, to UK and Switzerland. As a result of the second visit the following companies were added to the portfolio – BG, a UK company that has the dominant position in the LNG market globally; ABB, a Swiss manufacturer of electrical power systems; and Holcim, the largest cement manufacturer in the world with a strong exposure to emerging markets.

We are interested in a number of secular trends, in particular, energy and water.

A large part of the global energy story involves oil. As time goes by, it seems more and more inevitable that the only way the price of oil is headed is up. Total world liquids production has declined since July 2006, despite the huge capital expenditures being focused on exploration and production by oil companies worldwide. Globally new production is not sufficient to offset demand and depletion. The most recent International Energy Agency data clearly shows that global demand is on track to increase 1.6 million bpd year-on-year this quarter, whereas total supply could fall by as much as 500,000 bpd. Probable oil reserves not yet under production are not enough to cover future demand either, regardless of increased production.

So against a backdrop of less oil production, increased demand from developed as well as emerging markets, we have focused on a number of companies that may stand to benefit in this environment. One such company in the portfolio is Suncor Energy, the largest and to date most successful oil producer involved in the Athabasca oil sands region of Alberta. Canada has the second largest reserves of oil after Saudi Arabia, however they exist in technically challenging deposits that must first be mined and then processed into synthetic crude. Suncor have been operating commercially in the region since the 1960s and pioneered the oil recovery techniques. At current production levels they have recoverable reserves for the next 160 years, however are set to double production over the next 3 years. Higher oil prices make expensive recovery techniques like this much more feasible and open to capital spend. Suncor has the support of the Albertan government due to the large position the industry has in terms of employment in the state. Multiples being paid for the bituminous sands assets by other oil companies would place the value of Suncor around C$75b, compared to its current market cap of around C$45b. Bearing in mind that they are the most successful company so far to produce oil with these assets they have a very strong investment proposition within a climate of rising oil prices.

Another resource that is becoming increasing scarce for many peoples around the world is potable (ie drinking) water. Global urbanisation and demographic growth has stretched resources drastically to the point where governments have been forced to require the help of the private sector to assist in management of the most precious of all commodities. Leaving geopolitical issues aside, water is an indispensible part of society and the economy. Years of underinvestment and wasteful management in the developed world have left water supply in a parlous state to many major cities around the world.

We have taken a position in Veolia Environnement the leading water services company globally. The roots of Veolia can be traced back to the French Compagnie Générale des Eaux in 1853, when the company was awarded under imperial decree, the rights to supply water to Paris. Now Veolia serves over 110 million people worldwide and has operations across every continent. The key to Veolia is the scale within which they operate. Only Suez has a comparable footprint globally in the water services industry, where reputation and experience give Veolia the vital edge due to the complexity of the projects. They were pioneers of the reverse osmosis technique for water filtration and are now the leader in turnkey desalination and water recycling solutions. Currently only approximately 20% of the world's water municipal services are outsourced, and the biggest opportunities lie in Europe and US, where Veolia have critical mass from which to leverage. Their energy services and transport divisions stand to benefit from increased global emissions regulations and their waste management division similarly through increased outsourcing by local governments.

Allan says …

[Allan says… is a section dedicated to the research we have conducted in the previous three months. It will be used as an opportunity to provide an insight into some interesting findings or trends that relate to the portfolio.]

<u>Consumer Healthcare – turning chemicals into brands</u>

Over the past quarter we have looked in detail at the healthcare sector. One trend that has emerged is the focus of fast moving consumer goods (FMCG) companies on the consumer healthcare market. The consumer healthcare market, also known as the over the counter (OTC) drugs market, is a USD$124 billion market which is starting to be dominated by the FMCG companies. The Fund has positions in two FMCG companies which are leading the consumer healthcare charge - Reckitt Benckiser and Procter & Gamble.

OTC's are drugs that may be sold without a prescription at the front end of pharmacies (not to be confused with generics which are private label prescription drugs of off patent prescription drugs). OTC drugs which are considered very safe may also be available in general stores, supermarkets and petrol stations, depending on local government regulation.

The world OTC market has grown at 5% CAGR over the last 5 years. The sector has historically been controlled by the major pharmaceutical companies. However, over the last 5 years, FMCG companies, Reckitt Benckiser and Procter & Gamble showed the highest growth rates in the consumer health category with 5.4% and 8.7% CAGR respectively. On the other hand, the pharmaceutical market leaders in Johnson & Johnson and GlaxoSmithKline posted much lower growth rates for OTC's with 1% and 1.4% CAGR for the same period. In 2006 Pfizer, the world's largest pharmaceutical manufacturer, sold off its consumer health business in recognition that it cannot compete in a branding war.

The increasing deregulation of OTC products has led to the growth of retail sales through non-pharmacy outlets, such as supermarkets. In this retail environment branding becomes the key selling point. FMCG companies specialise in products that have a quick turnover and relatively low cost. Examples of FMCG generally include a wide range of frequently purchased consumer products such as toiletries, cosmetics and detergents. The move by FMCG companies into consumer health accelerated in 2006 when Reckitt Benckiser acquired Boots Healthcare International, which owns popular brands such as Dettol, Clearasil and Nurofen. Importantly OTC's generate higher margins than most quick turnover products making consumer healthcare an attractive industry for the FMCG companies.

The strength of FMCG companies is in their branding skills. Where the pharmaceutical majors invest in research and development, the FMCG companies invest in sales and marketing. As more OTC drugs make their way from the pharmacy to the supermarket shelf the FMCG companies will continue their consumer health focus.