

ENDOWMENT FUND

QUARTERLY REPORT | SEPTEMBER 2022

FUND STRATEGY

The objective of the Cooper Investors Endowment Fund (Fund) is to generate long term returns by investing in a range of listed securities. Whilst return is important the Fund also aims to outperform in down markets and to exhibit lower volatility than the market. The Fund may be appropriate as part of an overall portfolio for investors in the pensions (decumulation) phase, as well as charities or foundations looking for a conservative equities exposure. The Fund is a diversified, long-only portfolio of 30-50 stocks. The Fund will be managed on the basis that all unit holders have a zero tax rate and will report and be measured on an after tax basis (allowing for franking credits). The Fund invests in listed Australian and New Zealand securities together with a maximum exposure of 20% to listed securities in other international markets. The Fund can also hold up to 20% of the portfolio in cash.

FUND FACTS

Portfolio Manager	Ryan Riedler
Inception Date	3 March 2014
Benchmark MSCI	S&P/ASX 200 Accumulation Index, adjusted for franking credits
Management Fee	0.75% per annum of the Net Asset Value (before fees and expenses) plus GST calculated and paid monthly in arrears directly from the Fund
Performance Fee	10% of the Fund out-performance of the S&P/ASX 200 Accumulation Index after adjusting for franking credits plus GST. A high water mark applies
Unit Pricing	Every Thursday and the last business day of the month.
Minimum Investment	\$500,000
Maximum Cash	20%

FUND PERFORMANCE#

	Portfolio	Benchmark	Value Added
Since Inception*	9.69%	8.03%	1.66%
Since Inception^	121.22%	94.07%	27.15%
Rolling 3 months	0.94%	1.12%	-0.18%
Rolling 1 Year*	-5.01%	-6.22%	1.21%
Rolling 3 Year*	6.29%	4.01%	2.28%
Rolling 5 Year*	9.82%	8.26%	1.56%
Rolling 7 Year*	9.73%	9.54%	0.19%

* Annualised

^ Cumulative (inception date was 3 March 2014).

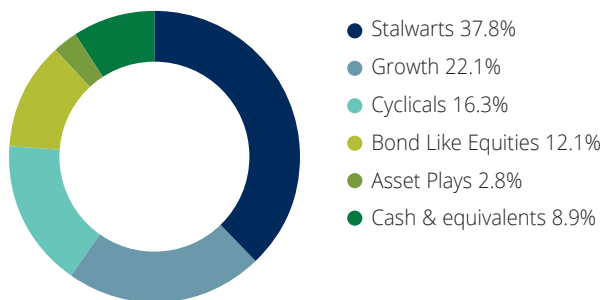
Past performance is not a reliable indicator of future performance.

Returns are gross of fees and expenses, and adjusted for franking credits.

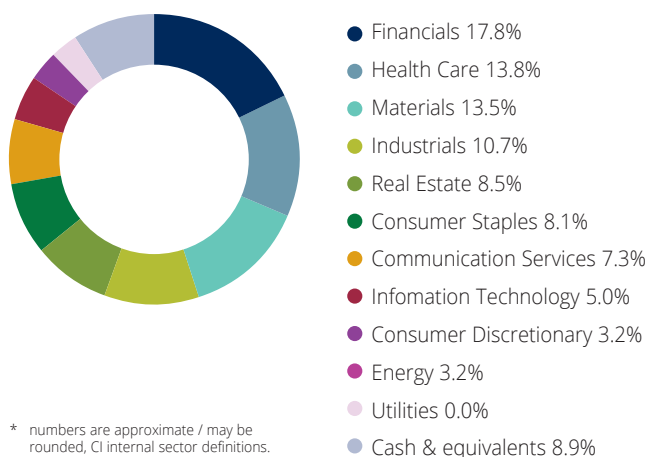
PORTFOLIO SNAPSHOT

Stock	Investment category
EBOS Group	Stalwarts
CSL Limited	Growth
Wesfarmers Limited	Cyclicals
Transurban	Bond Like Equities
Franco-Nevada Corp	Asset Plays

HOLDINGS BY SUBSET OF VALUE*



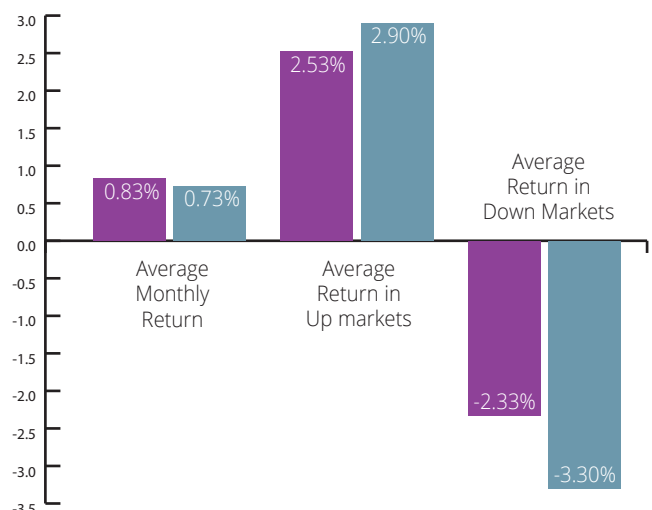
CURRENT HOLDINGS BY SECTOR*



* numbers are approximate / may be rounded, CI internal sector definitions.

PERFORMANCE IN UP & DOWN MARKETS

- CI Endowment Fund
- S&P 200 Accumulation Index (adj. FC)



ENDOWMENT FUND

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The CI Endowment Fund (“the Fund”) is a conservative equities portfolio that aims to steadily compound wealth over time.

Our key objectives are to perform relatively well in down markets, participate in rising markets, be less volatile than the market, and provide a growing distribution over time.

We aim to achieve these objectives by constructing a highly diversified portfolio with stocks that are, as far as possible, uncorrelated to each other.

The strategy of the Fund is unchanged since it commenced in March 2014.

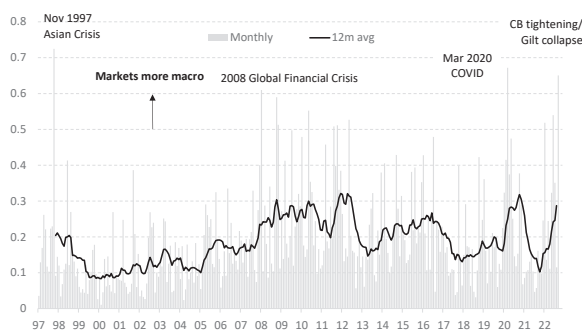
MARKET AND PORTFOLIO PERFORMANCE

The ASX 200 Accumulation Index tumbled 6.2% in September, giving back most of the gains for the quarter to finish marginally higher (+0.4%), and has now fallen 7.7% over the last 12 months.

Heightened market volatility has continued, driven by global recession fears, increasingly hawkish central banks and rising geopolitical risks.

Indeed, the chart below shows that intra-market correlations in September were amongst the highest seen over the last two decades, highlighting the macro-driven nature of the current share market.

ASX 200 intra-market correlation*



*Average daily correlation of each stock price to all other in ASX200. Source: MST Marquee

The portfolio has the following risk metrics (note that we apply a risk framework over portfolio construction of 60/40: stocks in the ‘60’ portion intended to drive the bulk of absolute returns and those in the ‘40’ portion assisting with downside protection and dampening volatility):

	“60”	“40”	Index
Volatility	14.0%	11.4%	14.0%
Sharpe	0.66	0.68	0.46
Downside Capture	88%	58%	100%
Upside Capture	104%	78%	100%
Beta	0.95	0.67	1.00
Correlation	0.95	0.82	1.00

While bear markets are unpleasant, 2022 is unprecedented for the fact that Treasuries (the risk-off asset) have actually fallen more than stocks. In our White Paper ‘*The Age of Endowment*’ we wrote that: “The traditional 60/40 framework no longer works in a world where bonds and equities become positively correlated.”

Unfortunately that has proven prescient – with the synchronised sell-off in 2022 (to date) the 2nd worst year in history for a traditional 60/40 fund, down 21% so far (the worst was -27% in 1931).

THE PORTFOLIO

The portfolio has navigated these turbulent markets relatively well reflecting its highly diversified construction across region, industry, size, ownership structure and business model. We studiously avoid concentration in portfolio construction.

This diversification of risk and return leads what we describe as *The Smoother Journey*. Thus, since inception portfolio NAV has compounded at +9.7% per annum versus the Reference Index at +8.0%, yet with only ~82% of the volatility of the broader market and downside capture of 71%.

There were some small changes to the portfolio during the quarter. We exited Coles and reduced positions in Mineral Resources, Computershare and Danaher, taking some profits after a period of very good performance.

The portfolio is highly diversified owning 33 securities including six global stocks (~14%) and four New Zealand stocks (~10%). The cash weighting is around 9%, which provides ballast for the portfolio in chaotic markets as well as dry powder to pounce on opportunities should they present themselves.

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