

# GLOBAL ENDOWMENT FUND

QUARTERLY REPORT | MARCH 2022

## FUND STRATEGY

The objective of the Fund is to generate long term returns by investing in a range of internationally-listed securities through the application of our VoF investment process. It is a diversified, long only portfolio of 25-50 stocks. The Fund aims to have lower volatility than the global equities market and to out-perform the market during periods of market weakness. It may be considered appropriate as part of an overall portfolio for people / entities in the pensions / decumulation phase as well as charities and endowments.

## FUND FACTS

Portfolio Manager	Chris Dixon and Allan Goldstein
Structure	Global Equities Fund, \$AUD hedged
Stock Restrictions	The Manager will not invest in companies whose primary business is the production of tobacco, controversial weapons or gambling
Inception Date	5 December 2016
Benchmark MSCI	MSCI AC World Index 100% Hedged to AUD Net Dividends
Management Fee	1.0% 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	Nil
Unit Pricing	Every Tuesday and the last day of the month
Minimum Investment	\$500,000
Maximum Cash	20%

## FUND PERFORMANCE#

	Portfolio	Benchmark	Value Added
Since Inception*	13.53%	11.94%	1.59%
Since Inception^	96.38%	82.22%	14.16%
Rolling 3 months	-8.85%	-5.09%	-3.76%
Rolling 1 Year*	10.78%	7.88%	2.90%
Rolling 3 Year*	12.30%	12.31%	-0.01%
Rolling 5 Year*	12.57%	10.80%	1.77%

\* Annualised

^ Since inception refers to the inception of the Strategy (5 December 2016).

The inception of the Fund was 1 May 2017.

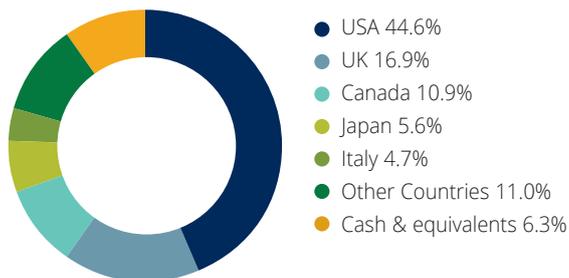
# Returns are gross of fees and expenses.

Past performance is not a reliable indicator of future performance.

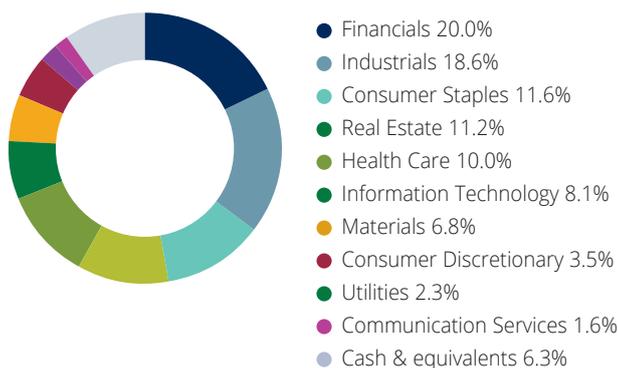
## PORTFOLIO SNAPSHOT

Stock	Subsets of Value
American Water Works	Bond Like Equities
Givaudan SA	Stalwarts
Franco-Nevada Corp	Asset Plays
IDEX Corporation	Growth
Fortive Corp	Cyclicals

## CURRENT HOLDINGS BY COUNTRY

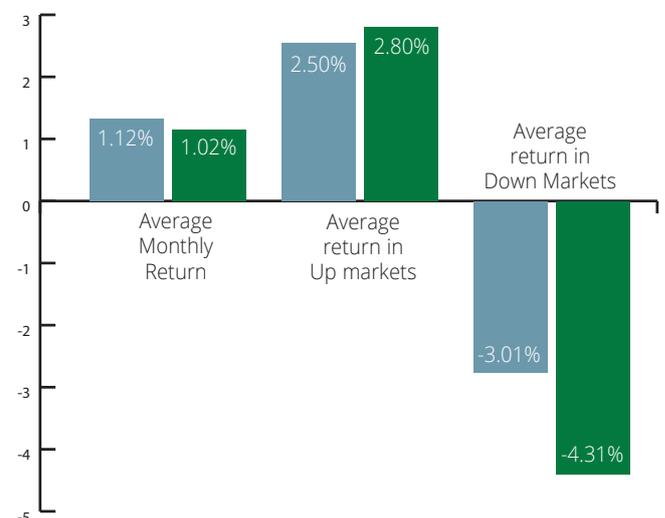


## CURRENT HOLDINGS BY SECTOR



## SINCE INCEPTION RETURNS IN UP AND DOWN MARKETS

- Cooper Investors Global Endowment Strategy
- MSCI AC World Index 100% Hedged to AUD Net Dividends



# GLOBAL ENDOWMENT FUND

The key Strategy objectives are to keep up in steadily rising markets, perform relatively better in down markets, and be relatively less volatile than the global index.

This has been achieved since inception with 13.53% annualised returns (vs Benchmark of 11.94%) downside capture of 72% and relative volatility of 88%.

We apply a risk framework over portfolio construction of 60/40, with the stocks in the '60' portion enabling the first objective (keep up in rising markets) and stocks in the '40' portion assisting with downside capture and reduced volatility. To that end, the constituent metrics of the 60 and 40 components are quite different as they play different roles in the portfolio. Thus:

Metric	"60"	"40"	Index
Volatility	14.7%	12.2%	13.7%
Sharpe	0.85	1.21	0.79
Downside Capture	95%	51%	100%
Upside Capture	104%	88%	100%
Beta	1.00	0.67	1.00
Correlation	0.93	0.75	1.00

Since inception to 31 March 2022

While the long-term investment horizon of the Strategy means we do not overly concern ourselves with short term point to point performance measures, this quarter was rare in that the portfolio underperformed in a down period, falling -8.85% versus the index of -5.09%.

The relative underperformance occurred almost entirely in the month of January when the portfolio NAV declined 8% versus the Benchmark -5%. In a potentially significant moment for market trends, both interest rate and inflation expectations have sharply inflected upwards.

The period saw a violent rotation from long duration assets and unprofitable growth into short cycle equities and inflation beneficiaries – energy, miners and banks. As the market

absorbed this new reality Russia invaded Ukraine in mid-February, pushing already elevated oil and gas prices even higher. Almost all sectors have sold off, with the exception of Energy which is up 40% in the quarter. While many portfolio holdings provided downside protection (e.g. Franco-Nevada, Aon, CME Group and Supermarket Income REIT all +5-15%) a number also fell 15-20% (e.g. Ferguson, Halma, Givaudan, IDEX).

Stocks that have sold off sharply in the quarter remain high conviction holdings. We cannot predict what the future holds but a combination of rising rates, high commodity prices, war in Europe and an inverted yield curve typically precedes a global slowdown of some degree. In that event the portfolio owns highly resilient businesses models:

- **Royalties** – Franco-Nevada, Royalty Pharma
- **Everyday needs** – Costco, American Water, Rentokil
- **Mission critical services** – S&P Global, Synopsys, Givaudan
- **Infrastructure with inflation protection** – Crown Castle, Supermarket Income REIT, Ferrovial

While characteristics like predictable growing cash flows and strong balance sheets were not in vogue during the commodity squeeze this quarter, we are highly attracted to them in an increasingly uncertain and risky world. Especially in the context of the objectives of this Strategy.

## PORTFOLIO UPDATES

The portfolio bought **Veeva Systems**, a founder-led business selling subscription software to the life sciences sector. As well as being a highly profitable growth business (growing 20% per annum with 35%+ margins and net cash) the business recently converted to a Public Benefit Corporation with legal responsibility to balance the interests of multiple stakeholders. Veeva is down 40% from its 2021 peak and is today at the cheapest valuation we've seen for many years.

The portfolio sold **Salesforce.com**, which has recently made several large acquisitions (i.e. Slack) increasing levels of execution risk.

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