

# ENDOWMENT FUND

QUARTERLY REPORT | DECEMBER 2021

## 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. The Fund is an equities portfolio designed for investors in the pension phase. The will invest in companies who provide sustainable and growing income and through portfolio construction will have the primary objectives of having lower portfolio volatility than the Australian stock market and out-performing the market during periods of market weakness. It 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 hold up to 20% of the portfolio in cash.

## FUND FACTS

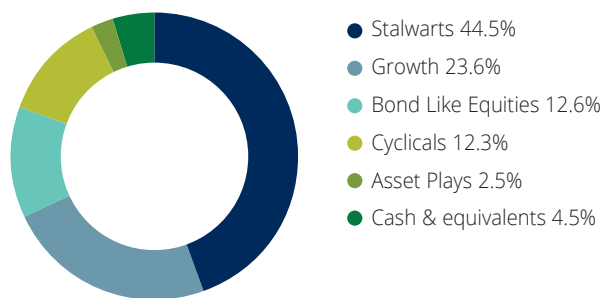
Portfolio Manager	Stephen Thompson and Ryan Riedler
Inception Date	3 March 2014
Benchmark MSCI	S&P/ASX 200 Accumulation Index, adjusted for franking credits
Management Fee	0.75% per annum of the Net Asset Value (before fees and expenses) plus GST calculated and paid monthly in arrears directly from the 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<sup>#</sup>

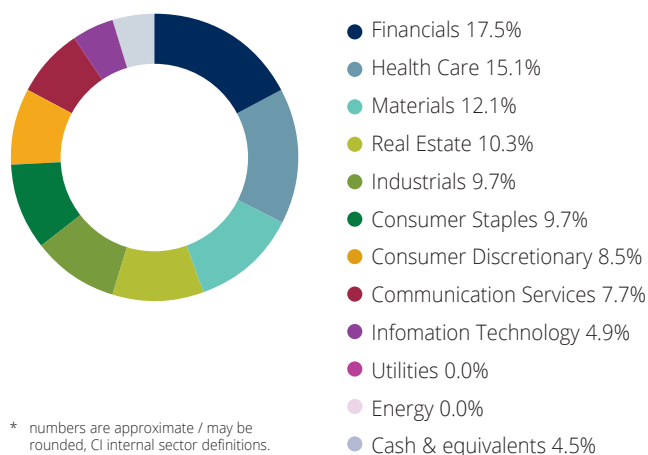
	Portfolio	Benchmark	Value Added
Since Inception <sup>*</sup>	12.05%	10.04%	2.01%
Since Inception <sup>^</sup>	143.90%	111.60%	32.30%
3 months	4.74%	2.26%	2.48%
Rolling 1 Year <sup>*</sup>	25.77%	18.75%	7.02%
Rolling 3 Year <sup>*</sup>	16.70%	15.08%	1.62%
Rolling 5 Year <sup>*</sup>	13.42%	11.25%	2.17%
Rolling 7 Year <sup>*</sup>	11.98%	10.52%	1.46%

<sup>\*</sup> Annualised  
<sup>^</sup> Cumulative (inception date was 3 March 2014).  
 Past performance is not a reliable indicator of future performance.  
<sup>#</sup> Returns are gross of fees and expenses

## HOLDINGS BY SUBSET OF VALUE<sup>\*</sup>



## CURRENT HOLDINGS BY SECTOR<sup>\*</sup>

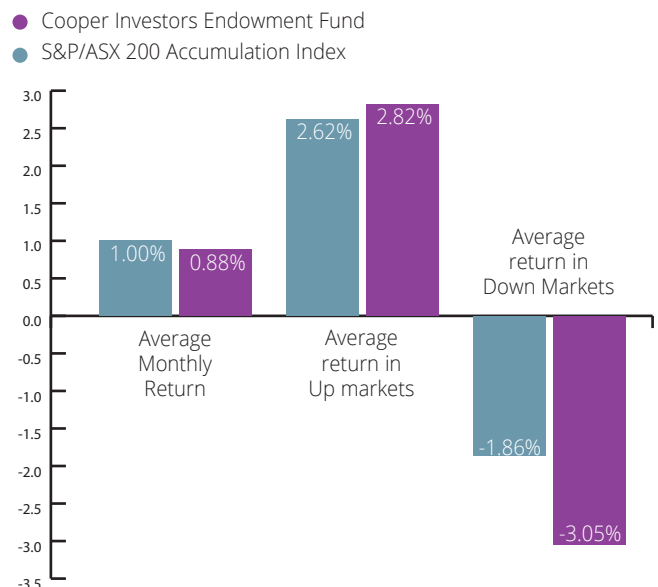


<sup>\*</sup> numbers are approximate / may be rounded, CI internal sector definitions.

## PORTFOLIO SNAPSHOT

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

## PERFORMANCE IN UP & DOWN MARKETS



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## MARKET AND PORTFOLIO PERFORMANCE

The ASX 200 Accumulation Index delivered a total return of 2.7% in December, the second-best month for 2021, bringing the benchmark back into positive territory over the quarter. The year-end rally resulted in an impressive total return (including dividends) of 17.2% for 2021. The share market is now over 70% higher than the pandemic lows of March 2020, a remarkable outcome given we are still in the midst of a pandemic.

Financial markets were volatile again in the December quarter. Inflation reached a 40 year high in the US, with the Federal Reserve now signalling a ‘tapering’ of monetary support and the beginning of interest rate increases from 2022. The broad consensus is that Australian interest rates will also begin to rise in 2022. It is clear that higher bond yields (in particular real yields) will be a key theme for investors in 2022.

Although economic growth is robust in many countries, the spread of COVID-19 is also still rampant, with cases rising during the winter months across the Northern Hemisphere and Australia now seeing the highest infections since the pandemic began. While most countries are now ‘learning to live’ with the virus, it seems likely COVID cases will remain elevated for an extended period of time.

The drivers of portfolio return in 2021 came from a diverse range of businesses and sectors, but in particular ARB Corp (+77%), Lifestyle Communities (+65%), Macquarie Group (+51%) and Costco (+50%).

In a year where the market has delivered strong returns we were pleased with our performance (~7% ahead), which we would describe as better than expected given the conservative nature of this portfolio.

## THE PORTFOLIO

During the quarter Baby Bunting was added to the portfolio and we increased our positions in EBOS and BHP. We sold our holdings in Brambles and Ampol reflecting reduced conviction in the investment

propositions as well as seeing better opportunities elsewhere for capital allocation.

There were 3 down months in 2021 and the portfolio outperformed on each occasion. Since inception the portfolio has outperformed on 25 of the 31 months (81% hit rate) that the benchmark has had a negative return. The portfolio has also outperformed on 95% of ‘meaningful’ down days where the market has fallen more than 50bps or more.

When assessed using monthly data the portfolio has captured 67% of the market’s downside and 89% of the market’s upside. Since inception the volatility of the portfolio has been around 80% of the market’s volatility. These metrics have improved over the last 12-18 months and we consider they meet our key objectives of performing relatively well in down markets and exhibiting lower volatility than the market.

The portfolio is highly diversified owning 35 securities including eight global stocks (~17%) and four New Zealand stocks (~10%). The cash weighting is 4.5%.

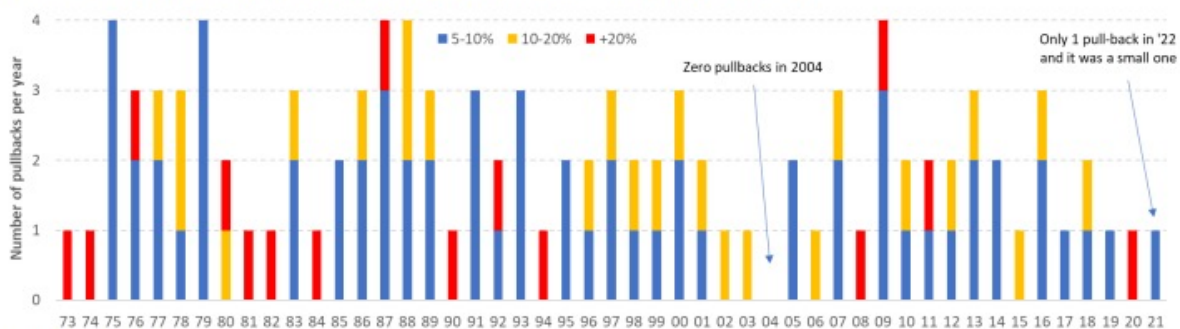
## DRAWDOWNS BEGINNING IN 2021

Despite widespread market volatility there was the distinct absence of any significant market drawdowns in 2021, as shown in the chart below, particularly when compared to the last 50 years in the Australian share market.

Our expectation is that markets will continue to be volatile in 2022 and accordingly we have continued to increase the diversification and defensiveness of our portfolio over the last 12 months.

We see this as being consistent with a portfolio construction strategy that aims to be highly diversified across quality businesses, provide downside protection and lower volatility, as well as growing dividend income over time.

Number of ASX 200 Index (or equivalent pre-1992) pullbacks/retracements per year and size



Source: Refinitiv, MST Marquee

### Terms and Conditions

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