

Cooper Investors Endowment Fund



QUARTERLY COMMENTARY | DECEMBER 2023

AFS LICENCE NUMBER 221794 ABN 26 100 409 890

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 Fund 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	Ryan Riedler
Inception Date	3 March 2014
Benchmark	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 day of the month.
Minimum Investment	\$500,000
Maximum Cash	20%

FUND PERFORMANCE[#]

	Portfolio	Benchmark	Relative
3 months	5.26%	8.61%	-3.35%
1 Year	6.70%	14.05%	-7.35%
3 Year [*]	9.23%	10.84%	-1.61%
5 Year [*]	10.49%	11.81%	-1.32%
7 Year [*]	9.96%	10.04%	-0.08%
Since Inception [*]	9.89%	9.43%	0.46%
Since Inception [^]	152.68%	142.56%	10.12%

^{*} Annualised

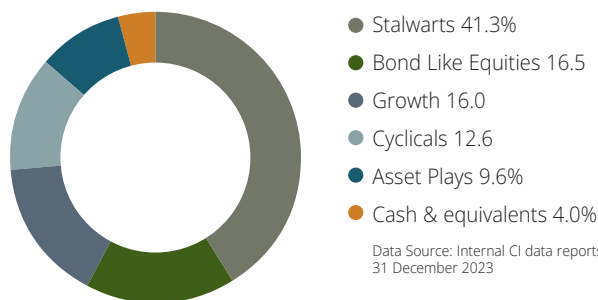
[^] Cumulative (inception date was 3 March 2014).

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

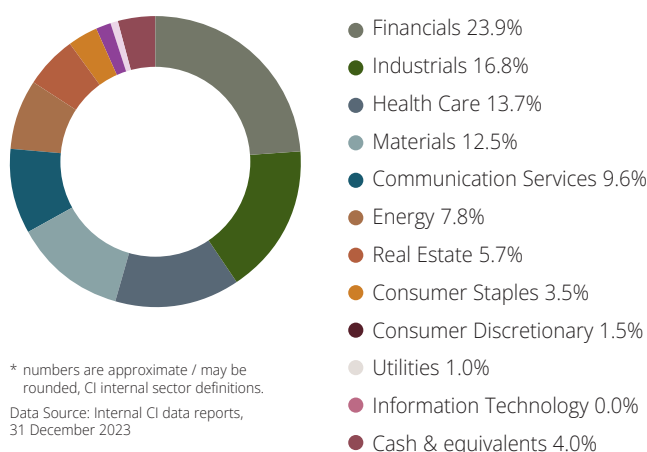
Past performance is not a reliable indicator of future performance.

Data Source: Internal CI data reports, 31 December 2023

HOLDINGS BY SUBSET OF VALUE*



CURRENT HOLDINGS BY SECTOR*

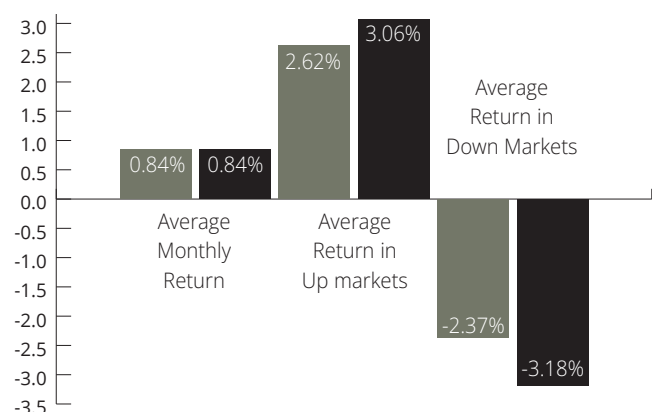


PORTFOLIO SNAPSHOT

Stock	Investment category
Medibank Private	Stalwarts
CSL Limited	Growth
Wesfarmers Limited	Cyclicals
Transurban	Bond Like Equities
Brickworks	Asset Plays

Data Source: Internal CI data reports, 31 December 2023

GROSS PERFORMANCE IN UP & DOWN MARKETS



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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 portfolio returned +5.26% over the December quarter.¹

Since inception the Fund has returned +153% versus the Reference Index which returned +143%.¹

	Grow	Protect	Fund	Index
Volatility	14.1%	11.3%	11.4%	13.9%
Downside Capture	94%	61%	75%	100%
Upside Capture	102%	77%	86%	100%
Beta	0.96	0.68	0.78	1.00
Correlation	0.95	0.83	0.95	1.00

Source: CI internal data

The local bourse finished 2023 strongly delivering total returns of 8.6% and 14% for the quarter and year respectively.

The market rallied 12% in the last two months of the year, including the best December in three decades. Market ebullience was premised on moderating inflation data, interest rates potentially peaking, and risks of recession reducing.

Stocks that performed well over the quarter included Seek, Lifestyle Communities and Brickworks. These stocks benefited from the improved rate outlook and a more sanguine view for the domestic economy.

Poor performers included Jardine Matheson (China recovery concerns), Franco Nevada (discussed below) and Equity Trustees (EQT).

THE PORTFOLIO

The portfolio is highly diversified, owning 33 securities including six global stocks (~14%) and six New Zealand stocks (~14%). The portfolio is close to fully invested with cash at ~4% and remains unhedged.

During the quarter we added the **London Stock Exchange Group (LSEG)** to the portfolio. LSEG is a subscription data and analytics leader that owns systemically important financial infrastructure, yet is valued like a regional exchange. We believe this is too cheap for a mission critical product that is deeply embedded in customer workflows.

The strategic partnership announced with Microsoft in late 2022 is another significant value latency that we believe is underappreciated, particularly as it relates to LSEG's ability to push out their vast data sets to more clients, more often.

LSEG is a high-quality Stalwart with resilient recurring revenue streams that will act as a volatility hedge in the portfolio.

We exited our position in **Franco-Nevada (FNV)** early in the quarter. In November the Panama Supreme Court ruled the operating contract on Cobre Panama, one of the world's largest open-pit copper mines, as unconstitutional. Local workers have protested on labour rights and environmental concerns, encouraging the local government to shut the mine down.

While FNV neither owns or operates the mine, it has gold and silver streaming rights that equate to ~20% of NAV. Our initial assessment was that a) we expect international arbitration to ultimately realise some value for investors but, b) the issue will rumble on and represent a negative ESG overhang on the stock for some time. We continue to engage with management and monitor the situation as it develops.

We also added to our positions in **Arena REIT (ARF)**, **Auckland Airport (AIA)**, **Brickworks (BKW)**, **Mainfreight (MFT)**, **Resmed (RMD)**, and **Telstra (TLS)**, taking advantage of share price weakness and where we observed signs of improving operating trends.

¹. Past performance is not a reliable indicator of future performance.

Terms and Conditions

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Past performance warning

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