

Cooper Investors Endowment Fund



QUARTERLY COMMENTARY | MARCH 2024

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	Kent Mackieson
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	4.19%	5.76%	-1.57%
1 Year	7.30%	15.96%	-8.66%
3 Year [*]	9.96%	11.20%	-1.24%
5 Year [*]	8.93%	10.61%	-1.68%
7 Year [*]	9.97%	10.11%	-0.14%
Since Inception [*]	10.08%	9.80%	0.28%
Since Inception [^]	163.26%	156.54%	6.72%

^{*} Annualised

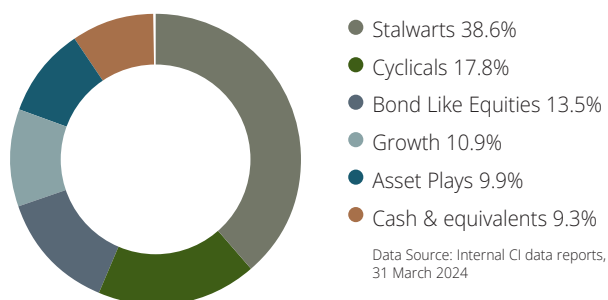
[^] Cumulative (inception date was 3 March 2014).

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

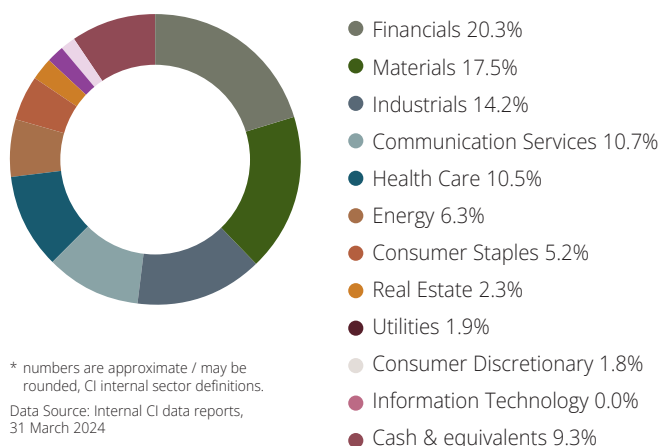
Past performance is not a reliable indicator of future performance.

Data Source: Internal CI data reports, 31 March 2024

HOLDINGS BY SUBSET OF VALUE*



CURRENT HOLDINGS BY SECTOR*

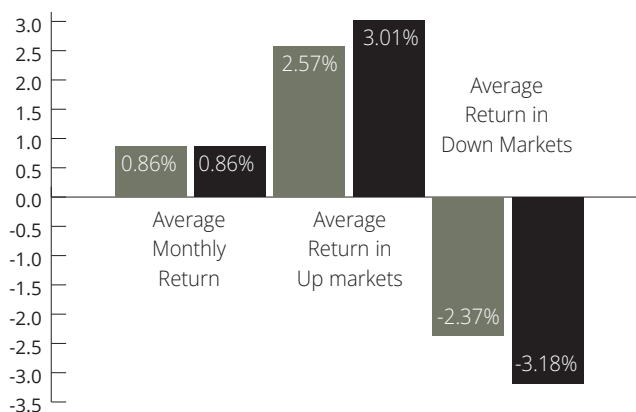


PORTFOLIO SNAPSHOT

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

Data Source: Internal CI data reports, 31 March 2024

GROSS PERFORMANCE IN UP & DOWN MARKETS



● Cooper Investors Endowment Fund (gross of fees and expenses, and adjusted for franking credits.)

● S&P 200 Accumulation Index (adj. FC)

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Inception date was 3 March 2014.

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The Cooper Investors Endowment Fund ("the Portfolio") 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 are focused on the enduring nature of the capital in the portfolio and are focused on long-term outcomes.

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 Portfolio is unchanged since it commenced in March 2014.

MARKET AND PORTFOLIO PERFORMANCE

The portfolio returned 4.19% over the March quarter and 163.26% since inception versus its benchmark, the S&P/ASX 200, which returned 5.76% and 156.54% respectively.¹

Risk metrics since inception

	Fund	Index*
Volatility	11.4%	13.9%
Downside Capture	75%	100%
Upside Capture	86%	100%
Beta	0.78	1.00
Correlation	0.95	1.00

Source: CI internal data

* S&P/ASX 200 Accumulation Index, adjusted for franking credits

Technology and Real Estate Investment Trusts (REITs) were the best performing sectors during the quarter, up 24.23% and 16.05% respectively.

Materials lagged the index as concerns surrounding a slowdown in China saw the sector return -7.94% during the period.

Reporting season was the primary focus for the Australian market during the period, providing a pulse check on corporate Australia as the outlook for sales growth and ongoing cost control were key areas of discussion and analysis. Towards the back end of the quarter, attention turned to the US Federal Reserve commentary and outlook for interest rate cuts over CY23, as services inflation appears more entrenched versus market expectations, and rate cut forecasts have been pushed further out in CY23.

Against this backdrop, stocks that performed well over the quarter included Wesfarmers (WDS), Resmed (RMD), and EQT Holdings (EQT). Detractors included Ryman Healthcare (RYM), Lifestyle Communities (LIC) and BHP Group (BHP).

THE PORTFOLIO

The Portfolio is highly diversified, owning 30 securities with key active sector weight positions in Industrials, Communication Services, and Energy.

During the quarter we added **Metcash (MTS)** to the Portfolio following the equity raise and acquisitions of Superior Food, Bianco, and Alpine Truss for upfront consideration of AUD\$536.2m (combined) in February. We believe these acquisitions enhance the MTS investment proposition with added capabilities across both MTS' Food and Trade divisions, allowing MTS to capitalise on its existing market positioning.

The inclusion of Superior Foods is complimentary to MTS' current Food strategy (~\$14m of identified synergies) and provides a solid foundation for wholesale and distribution growth capacity, via increased diversification across customers and product range of offering.

During the period we also added to CSL following an unfavourable outcome of its CSL112 trial, where the study did not meet its primary efficacy of reducing the risk of major adverse cardiovascular events in patients following an acute myocardial infarction. Whilst a disappointing outcome, the market reaction provided an attractive entry point, in our view. CSL is a high-quality Stalwart with resilient revenue streams, as highlighted by the 1H24 result, with CSL reiterating FY24 guidance and medium-term expectations of double-digit earnings growth.

We exited our position in **Arthur J. Gallagher & Co** and **Hess Midstream**, reducing our global exposure during the period. The premium rate hardening cycle has provided a supportive operating environment for Arthur J. Gallagher & Co, however with the stock now trading near peak valuations, we believe value latency has reduced. Similarly, the investment attributes which attracted us to Hess Midstream (Bond-like Equities, Family/Founder links) remain intact, however recent strong performance has shifted the risk/reward profile versus our identified value latency. Both companies remain on our watchlist as we look for more compelling risk-adjusted entry opportunities.

Consistent with our key objectives we also added **AGL Energy (AGL)**, **EVT Ltd (EVT)**, and **Iluka (ILU)**, which display all attractive VoF attributes in the current economic cycle.

Terms and Conditions

Financial product advice contained in this document

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Past performance warning

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