Cooper Investors Global Endowment Fund

COOPER INVESTORS

QUARTERLY COMMENTARY | JUNE 2023

AFS LICENCE NUMBER 221794 ABN 26 100 409 890

FUND STRATEGY

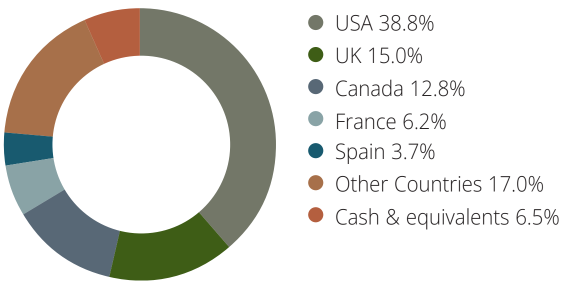
The objective of the Fund is to generate long term returns by investing in a range of internationally-listed securities through the application of our VoF investment process. It is a diversified, long only portfolio of 25-50 stocks. The Fund aims to have lower volatility than the global equities market 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

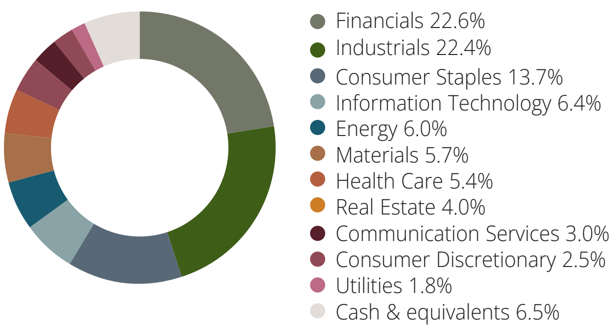
Portfolio Manager	Chris Dixon
Stock Restrictions	The Manager will not invest in companies whose primary business is the production of tobacco, controversial weapons or gambling
Inception Date	5 December 2016
Benchmark**	MSCI AC World Net Divs AUD
Management Fee	1.0% per annum of the Net Asset Value (before 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%

** From 1 November 2022 the Fund is benchmarked against MSCI AC World Net Divs AUD. Prior to this, the Fund was benchmarked against MSCI ACWI 100% Hedged to AUD Net Dividends.

CURRENT HOLDINGS BY COUNTRY*



CURRENT HOLDINGS BY SECTOR*



*numbers are approximate / may be rounded, CI internal sector definitions
Source: Internal CI data reports, 30 June 2023

FUND PERFORMANCE#

	Portfolio	Benchmark	Relative
3 months	3.38%	6.83%	-3.45%
1 Year	8.90%	13.56%	-4.66%
3 Year*	8.06%	9.90%	-1.84%
5 Year*	8.25%	7.16%	1.09%
Since Inception*	10.36%	9.11%	1.25%
Since Inception^	91.14%	77.34%	13.80%

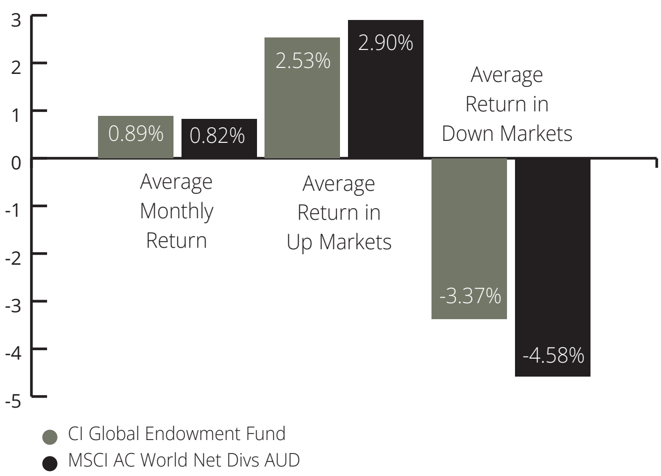
* Annualised
^ Cumulative since inception refers to the inception of the Strategy (5 December 2016). The inception of the Fund was 1 May 2017.
# Returns are gross of fees and expenses.
Past performance is not a reliable indicator of future performance.
Source: Internal CI data reports, 30 June 2023

PORTFOLIO SNAPSHOT

Stock	Subsets of Value
American Water Works	Bond Like Equities
Rentokil	Stalwarts
Franco-Nevada Corporation	Asset Plays
IDEX Corporation	Growth
Ferguson Plc	Cyclicals

Source: Internal CI data reports, 30 June 2023

GROSS PERFORMANCE IN UP AND DOWN MARKETS



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The portfolio returned 3.38% during the quarter.

Since inception the Strategy has returned 91.1% versus the Index which has returned 77.3%.[1]

We apply a risk framework over portfolio construction of 'Protect & Grow': stocks in 'Protect' are intended to lower downside capture and dampen volatility, while we intend those in 'Grow' to drive more of the absolute returns. We draw reader's attention to the 61% downside capture of the 'Protect' allocation since inception.

	Grow	Protect	Fund	Index
Volatility	16%	13%	13%	15%
Sharpe ratio	0.61	0.77	0.72	0.54
Downside Capture	98%	**61%**	**74%**	100%
Upside Capture	**106%**	83%	**87%**	100%
Beta	1.01	0.69	0.78	1.00
Correlation	0.94	0.78	0.91	1.00

Source: Internal CI data reports, 30 June 2023

Equity markets have maintained their upward trajectory in the face of data that typically indicate a recession is nigh – inverted yield curves, negative US Conference Board LEI, declining consumer confidence, falling money supply and rising bankruptcies. Central banks across the world continue to hike policy rates though the sense is we're close to the end of this phase with inflation declining and the lagged effect of tightening still filtering into the real economy.

The prevailing trends of the year continued in the quarter with mega-caps outperforming mid-caps and small-caps, and Technology stocks leading all other sectors with Energy and Healthcare lagging.

The biggest contributors to return in the quarter were Ferguson (+18%) and LSE Grp (+7%), while the biggest detractors to return were Crown Castle (-14%) and Royalty Pharma (-14%).

PORTFOLIO UPDATES

The portfolio owns 33 listed securities and is highly diversified across region, industry, size, ownership structure and business model. At period end cash is 6% and the portfolio remains fully unhedged.

During the quarter the portfolio invested in **Alimentation Couche-Tard** (ATD), With 14,000 service station locations today ATD is one of the largest global operators of convenience stores.

Based in Montreal, the group is still 24% owned by the original four founders including Chairman Alain Bouchard who has built an excellent track record of shareholder wealth creation, generating 20% earnings per share growth per annum over the last decade. The financial profile is highly attractive and best thought of as a low-beta compounder. While there is some inherent gross margin volatility around fuel margins, the story for ATD is all about the merchandise opportunity.

High-single-digit growth is increasingly driven by convenience stores where sales of goods, food and beverage drive positive margin mix. The balance sheet is in strong shape and allows the group to make bolt-on acquisitions, a recent example being the purchase of 2,000 stores across Germany and Benelux from French oil giant TotalEnergies. ATD's superior global procurement scale means acquisitions tend to be quickly accretive.

On top, the business returns 5-6% of capital a year to shareholders through dividends and buybacks.

The portfolio also invested in **Union Pacific**, a US railroad operator. With arguably the best freight rail network in the US, UNP dominates the long cross-country routes from Californian seaports to the Mid-West hubs of Chicago and Kansas City.

Operating metrics have been poor in recent years under the stewardship of an unpopular CEO and a headwind from declining coal volumes. Both these issues are likely to abate in coming years as the current CEO departs and coal now represents less than 10% of volume. UNP owns 32,000 miles of track and represents an investment in the real economy of the US, with upside leverage through pricing power, volume recovery and a strong balance sheet. As we await operational improvements, shareholders are rewarded with 6-9% annual returns from dividends and buybacks.

Both investments were at attractive multiples below the prevailing S&P500 which is ~20x FY23.

The portfolio sold **Supermarket Income REIT** where rising debt costs will likely inhibit scope for dividend growth for the foreseeable future.

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