Cooper Investors Global Equities Fund (Hedged)

QUARTERLY REPORT September 30, 2024

AFS LICENCE NUMBER 221794 ABN 26 100 409 890

Performance Summary

Net of fees and expenses	3M	FYTD	1Y	3Y*	5Y*	10Y*	Inception*	FY2024	FY2023	FY2022	FY2021	FY2020
CI Global Equities Strategy (Hedged) %	6.41	6.41	16.88	0.81	7.39	9.08	9.90	7.35	13.66	-16.85	32.87	0.26
MSCI ACWI 100% Hedged to AUD net dividends %	4.67	4.67	28.49	7.52	10.83	9.76	9.08	19.42	14.64	-13.64	35.32	0.79
Relative %	1.74	1.74	-11.61	-6.71	-3.44	-0.68	0.82	-12.07	-0.98	-3.21	-2.45	-0.53

Past performance is not a reliable indicator of future performance

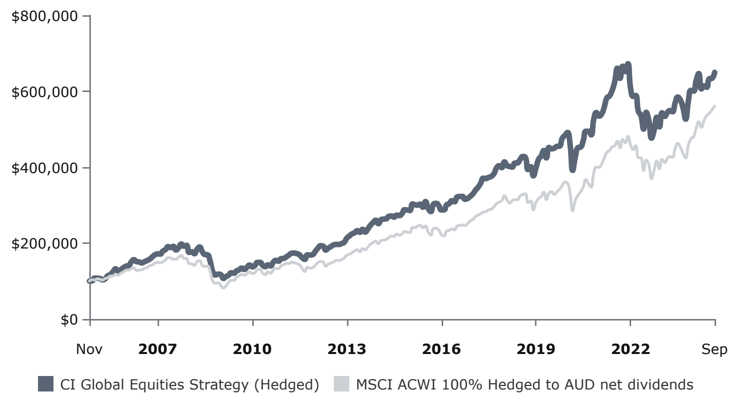
Source: Internal CI data reports, September 30, 2024

Inception Date: 1 December 2004. Initially, the Fund invested predominately in Australian equities. However since May 2006, the Fund has been invested in a broad range of global equities. With effect from 1 October 2020, the benchmark changed to the MSCI ACWI 100% Hedged to AUD Net Dividends (previously MSCI AC World net dividends in local currency).

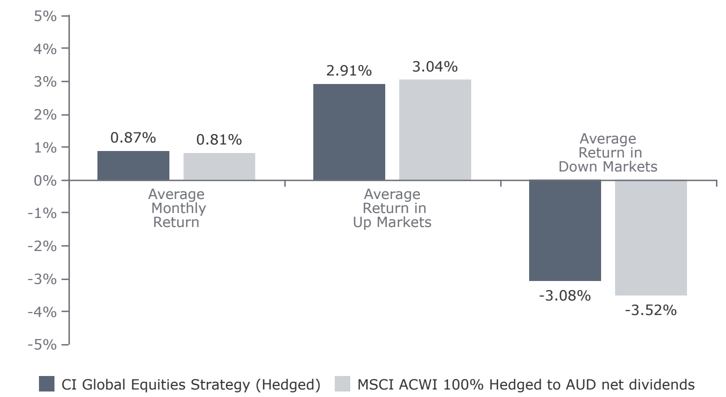
*Annualised

Download Data

$100K INVESTED SINCE INCEPTION (NET)



SINCE INCEPTION NET RETURNS IN UP/DOWN MARKETS



Past performance is not a reliable indicator of future performance

Source: Internal CI data reports, September 30, 2024

> *"Every time you make the hard, correct decision, you become a bit more courageous, and every time you make the easy, wrong decision, you become a bit more cowardly."*
>
> – Ben Horowitz's 'The Hard Thing About Hard Things: Building a Business When There Are No Easy Answers.'

Performance

The portfolio returned 6.4% for the September quarter compared to the benchmark return of 4.7%.[1]

The largest contributors were **Frontier Communications (FYBR)** and **Eurofins Scientific (ERF)**.

Frontier is a US based broadband company converting its legacy copper network into future-proof fibre infrastructure. The completed network is likely to produce highly resilient cash flows which we believe may be worth multiples of the company’s current market value. Frontier began its multi-billion dollar network upgrade in 2021 and is expected to complete the build in mid-2026, at which point cash flows may inflect positively.

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

During the quarter, leading US telco **Verizon** entered into an agreement to acquire Frontier for US$38.50 per share, circa 38% above the undisturbed price. The shares have settled at a price of circa US$35.50 reflecting the roughly 18-month approval process required to close the transaction. Despite this premium it is our view that the US$38.50 price presents opportunity, coming at a time when the risks of the network build (funding, costs) are decreasing in advance of the inflection in cash flows, which we believe will persist for decades.

Frontier has one of the highest calibre management teams in global telecommunications and we have observed them execute their strategy over the three years accordingly, such that the standalone prospects and value of the company are not reflected in the offer price, let alone any synergies on offer via a combination with Verizon.

Eurofins is a global leader in lab testing. Its key end markets are food, pharmaceuticals, and environmental testing. Customers rely on Eurofins for fast turnaround times, quality analysis and high service levels. The average cost to a client for product or sample testing is very small, while the benefit they get is significant – it significantly lowers customer reputational and financial risks (e.g. through reducing the risk of a food product recall).

In order to provide this service CEO/Founder Gilles Martin has methodically built out an optimised lab network across North America and Europe through both organic and acquisition related investment. These investments have created long dated competitive advantages and open the opportunity for further significant organic growth at highly attractive margins as this intense investment phase winds down.

Eurofins' progress on harvesting the value in their network has been obscured by COVID, which turned from a significant tailwind to headwind for Eurofins in 2022 and 2023. This has created confusion as to the true (incremental) economics of the business. Last quarter a well-publicised short report pressured the stock price, to which the company subsequently responded thoroughly and convincingly. More importantly, Eurofins' half year results showed very strong progress on its transition to a mature market leader as solid 6% organic sales growth flowed through to 28% earnings per share growth.

The largest detractors to performance were **Alphabet (GOOGL)** and **Rentokil (RTO)**.

Alphabet's operating performance remains strong with sales growing 14% in the most recent quarter. Highlights included the ongoing secular growth of digital advertising driving Google search (+14%), YouTube's continued success as a leading content platform (+13%) and the performance of the Cloud business (+29%). In conjunction with this strong sales momentum, Alphabet's increased focus on expenses is delivering margin expansion such that Operating Income grew 26%.

Despite this operational momentum, Alphabet's share price declined 11% in the quarter as a federal judge ruled against the company in its case with the US Department of Justice. The case pertains to Google's monopolisation of both the search and digital advertising markets which is claimed to limit competition and innovation and/or inflate costs for advertisers.

Potential remedies include fines, prohibiting exclusive agreements which make Google the default search engine on Apple or Samsung devices, forcing Alphabet to share its advertising technology with rivals, or in the extreme breaking the company apart. The timing and outcomes remain somewhat uncertain however we remain of the belief that at the fundamental level Alphabet's products are best of breed across several verticals and are benefitting from secular industry trends and that these factors will be the ultimate determinant of long-term shareholder returns.

Pest control company **Rentokil** continues to have difficulties with acquired US asset Terminix. The deal was closed in 2022 and nearly two years later management are still struggling with resourcing and branch integration. The result of which is a continued erosion in market share, in many ways undermining the rationale of the deal. Our investment approach is long-term, which means we assess risks and opportunities over a three to five year period. However, in order for companies to keep our capital, they must execute relentlessly in the interim. In the case of Rentokil, management have failed this test and we exited the position accordingly.

Investment Example

During the quarter we established an investment in **TKO Group Holdings**, the owner and operator of the two leading combat sport content assets – the UFC and WWE.

FOCUSED MANAGEMENT BEHAVIOUR

TKO was formed in late 2023 via the merger of UFC and WWE and so the company's history is a story of the two brands.

The UFC (Ultimate Fighting Championship) is the leading mixed martial arts league. The UFC is 30 years old and was acquired by current president Dana White and his childhood friends in 2001. The brand struggled for much of the first decade of its existence until fortunes changed around 2005 when the first season of 'The Ultimate Fighter' reality show aired. This kicked off the evolution of UFC from a niche combat league into a legitimate sport with mainstream and global appeal. An important step in this process was the signing of a landmark deal with Fox Sports in 2011.

Around this time, Ari Emanuel, who was the CEO of talent agency Endeavour, noticed the ratings performance of 'The Ultimate Fighter'. Endeavour first signed Dana as a client and then in 2016 acquired a 50.1% stake in the UFC. In 2018 UFC signed a media deal with ESPN, rubber stamping its position in the world's premier combat sport. Endeavour subsequently purchased the remaining 49.9% in 2021 which was funded by its IPO.

WWE (World Wrestling Entertainment) traces its history back to the 1950s when Vince McMahon's father was a regionally focused promotor of wrestling events. Vince took over in the 1980s with the vision to create the leading consolidated player, aggressively working to get his content syndicated across national television networks which disrupted the pre-existing regional broadcast models. With this additional revenue he was able to attract talent from rival promotors (e.g. Hulk Hogan). As the business scaled Vince was able to take the live events across the country. Throughout the 90s and 00s the WWF (eventually WWE) proved it was able to consistently re-invent its roster of talent and see off competitor promotors (e.g. WCW). Despite WWE's enduring appeal and success on the media rights front, there remains significant latency to monetise the asset when run by a professional and aligned management team.

In 2023 Endeavour merged UFC with WWE in a stock for stock deal to create TKO.

"It's UFC2.0, we took that business [UFC] from great owners in Las Vegas doing $150M of EBITDA and we've increased by a significant amount [c.5x]…our flywheel, whether it be international rights, domestic rights, sponsorship, site fees." – TKO CEO Ari Emmanuel in October 2023.

The TKO management team consists of executives with deep domain expertise who have contributed meaningfully to the success of the assets. They are passionate about the business and totally aligned to maximising the opportunities in front of them. It is a no-nonsense culture where execution is all that matters.

I'm the bells and whistles guy. I make sure that as many people that we can possibly let know that you're fighting on Saturday know that you're fighting on Saturday. Who you are, who you're going against, and why people should give a shit. That's what I do. Then the night you show up, ***I put on the best live event that I possibly can, and I put on the best television show that I possibly can****. Once that door shuts, it's all up to you.* – UFC President Dana White March 2024.

Sport is ingrained in the fabric of society and *live* sport is by definition appointment viewing – you cannot binge watch and churn and for the most part you cannot avoid advertising. It is also often best enjoyed in-person. This means owners of unique sport assets (like the UFC and WWE) are able to monetise these assets globally and across mediums (media rights, live events, site fees etc.). Further, these cash flows are for the most part highly predictable - either contractually (e.g. multi-year broadcast and sponsorship deals) or behaviourally (ritualised attendance of live events).

We continue to see increased demand for sports media rights from traditional broadcasters/cable as well as global streaming platforms (Netflix, YouTube, Amazon, Apple). These media companies see Live Sport as a crucial mechanism to maintain and grow viewers and/or subscribers. The increasingly fragmented distribution landscape across legacy media and streaming platforms has created a more competitive environment for sports rights. We believe a key inflection in competitiveness was Netflix's entrance into sports (on top of Amazon, Apple etc). This started with an evolution of their business model to introduce advertising supported tiers which then paved the way for the company to monetise sport assets appropriately (subscription + advertising). In fact, their first move into live sports was a landmark decade long deal with the WWE (subsequently followed by boxing, NFL deals). A key observation for Netflix was the value they have created for rights owners such as Formula 1 with "shoulder" content like 'Drive to Survive'.

As legacy media clings to sport as its last bastion of resilience and/or a bridge to streaming (e.g. ESPN Streaming, NBCU Peacock) and global streamers compliment their existing offerings with live sports, we believe sports rights owners should continue to enjoy growth in the value of their media rights, despite nearly doubling in aggregate value over the last decade. "Lock out" risk is also a material concern for media players, as sports rights deals tend to be 7-10 years in length. The work we have done suggests that sports rights in many cases remain *under monetised* when taking into account the targeted advertising opportunities and churn benefits which become increasingly relevant in a digital streaming world.

TKO's ability to ability to benefit from these trends starts and ends with its proposition to the fan base(s), which amount to c.700M globally across each brand. TKO monetises these fans directly through ticket sales and indirectly through the sale of media rights to media companies. The fans also form part of the media product by creating atmosphere at the live events.

Media rights are the most significant portion of TKO's revenue (c.65%) and the flexibility of UFC and WWE content is what makes it highly attractive - *These are year-round calendar sports with a lot of volume... They are unicorns because of how flexible, dynamic, and modular they are, and that's going to play well as our renewals come to pass.*

Increasingly local governments are also becoming customers as they look to use these events as economic stimulators. For example Perth generated $29M in economic impact from the UFC event alone in 2023, which we estimate cost the city about $8M in site fees paid to TKO. These site fees are effectively pure profit revenue streams as TKO were already monetising the event via ticket sales.

VALUE LATENCY

TKO is trading at about a 5% FCF yield and is a business which we have high conviction can grow sustainably at a mid-high single digit rate. We view this as about fair value for high quality content assets. However we believe there is material (de-risked) latency in the business which the TKO management team will unlock over the next few years.

- Media Rights – upcoming renewals of UFC's domestic rights in 2025 and WWE's domestic premium events (e.g. Wrestlemania) in 2026 should in significant step-ups driven by current industry trends described above and the unique flexibility of the content.
- Sponsorship – the UFC derives c.3x the sponsorship revenue of the WWE. This is despite the WWE averaging c.5x the annual viewers in the US alone. TKO management are laser focused closing this gap.
- Live Events and Site Fees – TKO puts on hundreds of events across the WWE and UFC each year. There are 24 premium events (one for each brand per month) where TKO are attracting seven figure site fees from local governments across the globe. Today only six of these events receive a site fee. In time, all of these events and potentially the additional hundreds of events (albeit smaller) will generate site fees.

TKO is already producing its content with an EBITDA margin of circa 40%. These incremental revenue opportunities flow through with very minimal incremental costs. We can see a de-risked upside of 50% to Free Cash Flow from just the initiatives outline above.

Beyond this, the medium-term latency in the business from the combined brands unlocks new opportunities such as multi-day festivals across brands (increasing attendance/ticket sales and site fees and positively impacting sponsorship revenues). We would note the decade long international deal that TKO signed with Netflix for the WWE which we think will drive a material boost to engagement, further driving the content flywheel.

Organisation Update

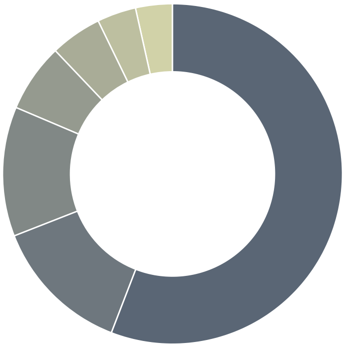
"During the quarter Marcus Guzzardi and Geoff Di Felice took over Portfolio Management responsibility for the Fund. Marcus and Geoff have each been with CI for more than a decade, during which time they have significantly contributed to the development of the CI Way and the global platform. Their stock picking performance has been exemplary and I have every confidence that they will repeat the dose in steering the Global Fund" - Peter Cooper, Founder and Chief Investment Officer.

Portfolio Snapshot

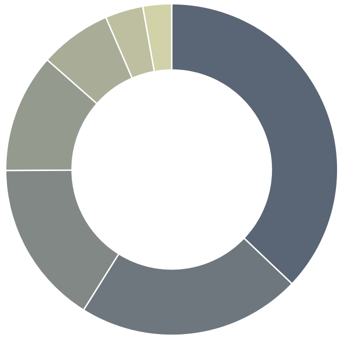
Source: Internal CI data reports, September 30, 2024

NAME	REGION	SUBSET
Ryan Specialty Holdings, Inc. Class A	North America	Growth
Frontier Communications Parent, Inc	North America	Turnarounds
Booking Holdings Inc.	North America	Growth
London Stock Exchange Group plc	Europe	Stalwarts
Visa Inc. Class A	North America	Stalwarts

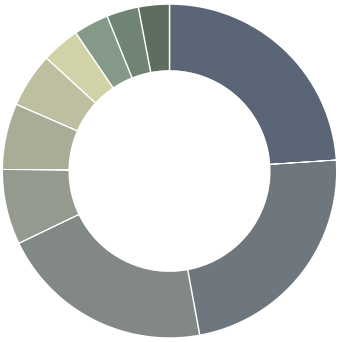
REGIONAL EXPOSURE



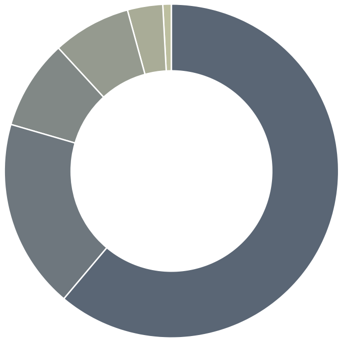
SUBSETS OF VALUE



SECTOR EXPOSURE



MARKET CAPITALISATION



Further Information

Looking for further information regarding the Fund, please don't hesitate to get in touch:

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