Cooper Investors Global Endowment

COOPER INVESTORS

QUARTERLY REPORT December 31, 2024

AFS LICENCE NUMBER 221794 ABN 26 100 409 890

Performance Summary

Net of fees and expenses	3M	FYTD	1Y	3Y*	5Y*	Inception*	FY2024	FY2023	FY2022	FY2021	FY2020
Cooper Investors Global Endowment %	6.55	8.80	13.04	-0.40	5.59	9.02	4.28	7.58	-10.41	26.34	1.98
MSCI AC World Net Divs AUD %	10.94	13.86	29.48	7.76	10.80	11.45	18.98	13.56	-13.64	35.32	0.79
Relative %	-4.39	-5.06	-16.44	-8.16	-5.21	-2.43	-14.70	-5.98	3.23	-8.98	1.19

Past performance is not a reliable indicator of future performance
Source: Internal CI data reports, December 31, 2024

Inception Date: 5 December 2016
*Annualised

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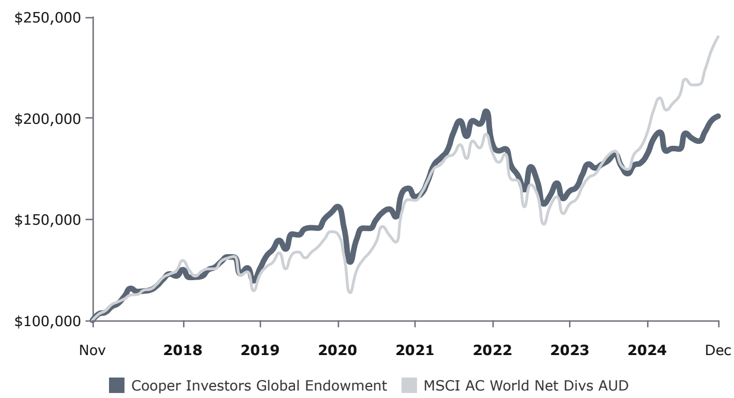
$100K INVESTED SINCE INCEPTION (NET)



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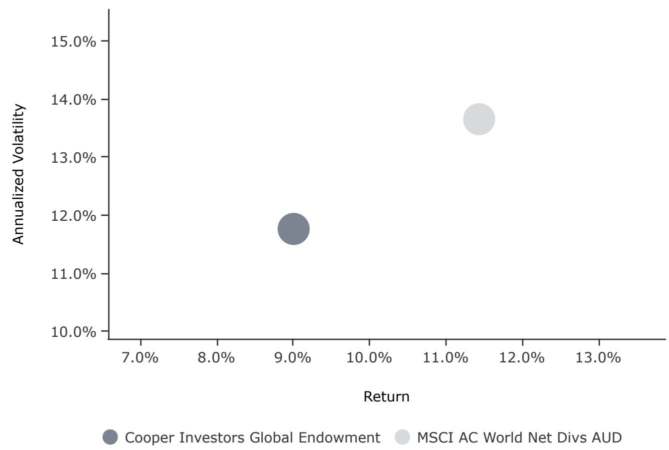
Source: Internal CI data reports, December 31, 2024

RISK/RETURN SINCE INCEPTION (PER ANNUM)



"Berkshire buys when the lemmings are heading the other way." - Warren Buffett

Quarterly Highlights

- The portfolio returned +6.5%[1] in the quarter.
- Notable contributors to return included Visa (V) (+131bps), CME Group (CME) (+98bps) and Brookfield Asset Management (BAM) (+92bps).
- Notable detractors to return included CDW Corporation (CDW) (-46bps), L'Oreal (OR) (-41bps) and Rexford (REXR) (-38bps).
- The Australian dollar weakened markedly during the quarter, falling -9% versus the US Dollar, so while in local currency terms the benchmark rose only +1% for the quarter, the AUD denominated benchmark rose +11%.
- In 2024 the portfolio returned +13.0%[1], a solid year in the context of the annual compounding return of ~9% pa since inception.
- US-tech dominated equities indices surged this year with MSCI All Countries World index gaining +29.5%. In the final quarter markets were mixed with 'risk-on' and momentum-themed assets like Mega cap technology, AI proxies and cryptocurrency meme stocks rallying hard post Trump's election victory.
- Assets with weak price momentum such as Healthcare, Energy, Materials and Europe in general continued to lag into year end with a flat to down quarter.
- Bond yields have risen post the election as Trump policy promises on immigration and tariffs have been interpreted as inflationary. At 4.6% the US 10 Year has gained ~100bps from its low of 3.6% in September.

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

Portfolio Insights & Market Observations

The portfolio operates two pools of risk, 'Grow' and 'Protect'. We present the table below to inform investors of historic risk and return metrics in these pools.

	Grow	Protect	Fund	Index*
Volatility	15.2%	12.5%	11.8%	13.6%
Sharpe Ratio	0.66	0.74	0.71	0.70
Downside Capture	105%	**69%**	**78%**	100%
Upside Capture	**105%**	81%	**83%**	100%
Beta	1.03	0.73	0.69	1.00
Correlation	0.93	0.80	0.91	1.00

*MSCI AC World Net Divs AUD

Source: Internal CI data reports, December 31, 2024

The fund is today positioned 52% in the 'Protect' bucket and 44% in 'Grow' with 4% in cash.

The 'Protect' bucket consists of three groups of investments:

- **Real Assets** – e.g. **Hess Midstream (HESM)**, the owner of premium pipeline and terminal infrastructure in the North American oil and gas industry. Revenues are largely guaranteed by minimum volume contracts, the stock trades on an attractive 8% dividend yield today.
- **Royalties & Resources** – e.g. **Franco Nevada (FNV)**, a leading gold-focused royalty and streaming business, providing exposure to the gold price and exploration optionality with minimal operating and capex risk.
- **Founder-Led Investment Trusts – e.g. Investor AB (INVE)**, the listed holding company of the Swedish Wallenburg family that owns a portfolio of listed and unlisted Nordic businesses that are typically world leaders in their niche (such as ABB and Atlas Copco).

The 'Grow' bucket also consists of three groups of investments:

- **Technology Infrastructure** – e.g. **Taiwan Semiconductor Manufacturing (2330)**, which through its foundries manufacture most the world's leading-edge microchips.
- **Financial Infrastructure** – e.g. **CME Group (CME)**, the world's leading derivatives exchange with monopolistic positions in its key markets, and counter-cyclical revenue model.
- **Emerging Market Aspirants** – e.g. **HDFC Bank (500180)**, the leading private sector retail and commercial bank in India and the best way to invest in the secular growth of credit in the world's largest democracy.

Equity market concentration is at multi-decade highs. The growing disparity between the performance of market cap weighted indices and equal-weighted indices is captured by S&P500, which has now gained +53% over the last two years, versus the S&P500 Equal Weighted gain of +24%. This marks the biggest ever 2-year underperformance by the Equal Weighted index, of almost 30% - the closest comparable was 25% underperforming period of 1998 and 1999, just before the bursting of the dot-com bubble.

The top 10 stocks in the MSCI All Countries World Index are now 25% of its weight - all bar one of which are Technology stocks. Worth noting is that the top 10 in the MSCI Quality Index represent 37% of its weight. As these are largely the same stocks an unsuspecting investor buying an ETF on MSCI Quality merely owns an even more concentrated risk exposure to the US tech sector.

Granted the earnings growth of many of these stocks has been spectacular in recent years, but that is decelerating – in the case of the biggest index weight Apple (not held in the portfolio, 5% and 5.7% of MSCI All Countries World and MSCI Quality respectively) there has been zero GAAP EPS growth for the past two years. Yet this has not stopped the shares rallying to all-time highs to trade at a current forward PE of 33x. It is notable that Buffett sold the majority of Berkshire's stake in Apple this year.

Through diversification of sources of value latency, the portfolio seeks to compound investor capital whilst aspiring to have less correlation to global equity markets. The portfolio currently has an active share of 95% and a beta of 0.69. As such we would expect portfolio returns to differ materially from the index, with the bias towards steady compounding over time and protecting capital on the downside.

Observations From The Road

During a recent trip, we visited the HQ of **Microsoft (MSFT)**, a top 5 fund holding, in Seattle. This was our second in person meeting with them during 2024 as we seek to gain a deep understanding of their increased capital outlay toward the AI opportunity.

Microsoft's AI capex spend will likely exceed $80bn in 2025 from a combination of physical infrastructure such as data centres and the semi, power and cooling kit that fills them. For Microsoft, the capital spend is multi-faceted.
First it strengthens their moat as a cloud infrastructure provider; very few companies can spend $20bn per quarter to enhance their existing incumbent bundle of cloud and productivity services.

Second it opens new revenue opportunities that can accelerate and prolong the growth runway - Microsoft is on track for an annualized $10bn (and growing) of AI-related revenues in addition to the acceleration of their Azure business.

Finally (and critically in our view) the spend is flexible and deployed based on customer demand - if demand for AI products decelerates then compute capacity can be pivoted into existing Azure services. Microsoft is uniquely positioned as both incumbent and innovator in this technology shift and aims to keep it that way.

Stock In Focus

During the quarter we built a position in **Willis Towers Watson (WTW)**. The business is currently emerging from a Hubris-to-Humility cycle. The final years of former CEO John Haley's era saw great disruption with the merging of Willis and Towers Watson generating distraction and leading to a talent exodus. This was followed by the failed acquisition of WTW by Aon, accelerating further loss of talent, sales of assets and a complete re-shaping of board, management, strategy and structure.

We met with CEO Carl Hess earlier this year and believe him to be a calm head who has stabilised the business and rebuilt its ability to compete. The core assets remain highly attractive, revenue is largely recurring in nature, and remarkably the business has not lost brand equity or reputation with its customers. Due to the WTW merger swiftly followed by the (unconsummated) Aon deal, much of the optimisation work around organisational efficiency that has driven outsized economic gains for peers like Aon and Marsh & McLennan in recent years remains unfinished.

As such margins and returns lag peers and represent material latency for the management team to work through. The balance sheet is in good shape and the $1bn deal break fee that WTW received from Aon was wisely used to buyback and cancel shares trading that were trading a big discount.

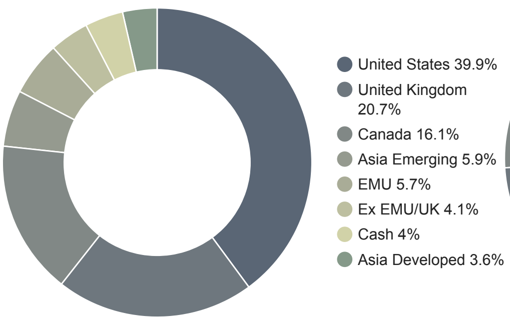
Recent quarters have brought improved growth and margin trends, and WTW is starting to earn back the market's trust. Free cash flow margin guidance of 16% by 2026 looks achievable and more of a milestone than a ceiling. WTW trades at a 30-40% discount to major peers today which we think is undeserved given the business is in a much better place than 3-4 years ago with a pragmatic CEO in place, material value latency across the financial statements and a brighter future ahead of it.

Portfolio Snapshot

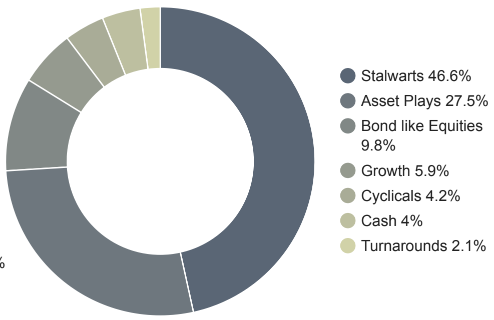
Source: Internal CI data reports, December 31, 2024

NAME	REGION	SUBSET
Visa Inc. Class A	North America	Stalwarts
London Stock Exchange Group plc	Europe	Stalwarts
Microsoft Corporation	North America	Stalwarts
CME Group Inc. Class A	North America	Stalwarts
Franco-Nevada Corporation	North America	Asset Plays

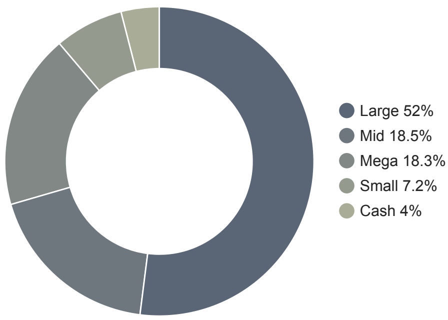
REGIONAL EXPOSURE



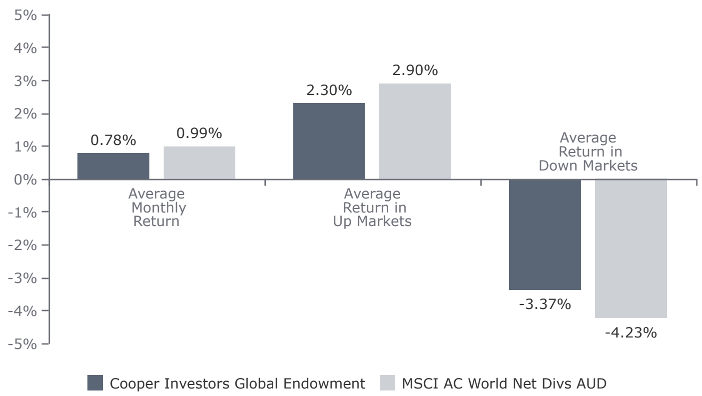
SUBSETS OF VALUE



MARKET CAPITALISATION



SINCE INCEPTION NET RETURNS IN UP/DOWN MARKETS



Further Information

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

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Financial product advice contained in this document

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