Cooper Investors Global Endowment

COOPER INVESTORS

QUARTERLY REPORT March 31, 2025

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 %	2.56	11.58	6.78	3.70	9.85	9.07	4.28	7.58	-10.41	26.34	1.98
MSCI AC World Net Divs AUD %	-1.96	11.63	12.18	8.93	15.68	10.83	18.98	13.56	-13.64	35.32	0.79
Relative %	4.52	-0.05	-5.40	-5.23	-5.83	-1.76	-14.70	-5.98	3.23	-8.98	1.19

Past performance is not a reliable indicator of future performance

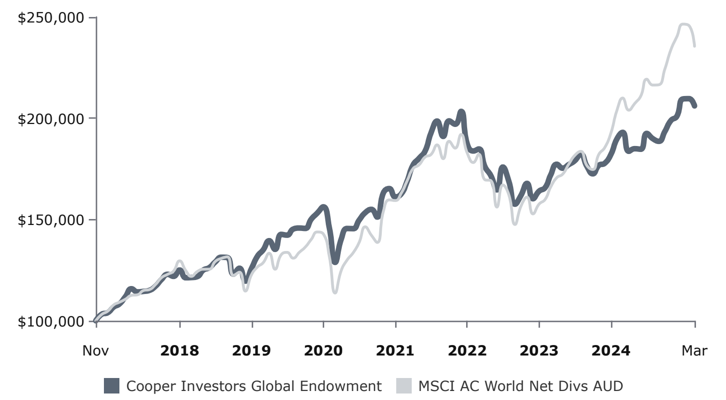
Source: Internal CI data reports, March 31, 2025

Inception Date: 5 December 2016

*Annualised

Download Data

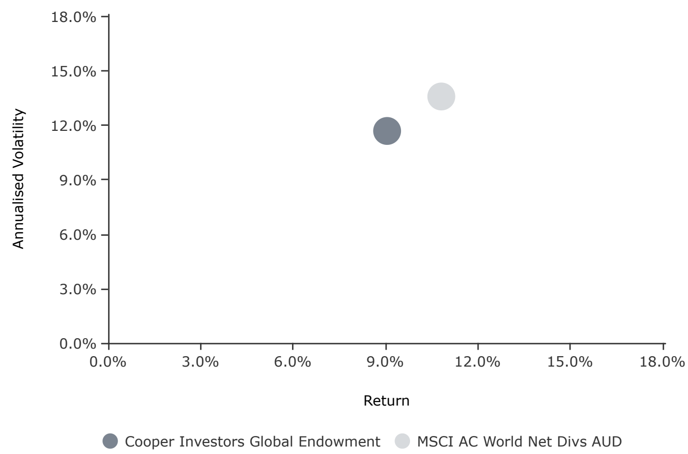
$100K INVESTED SINCE INCEPTION (NET)



Past performance is not a reliable indicator of future performance

Source: Internal CI data reports, March 31, 2025

RISK/RETURN SINCE INCEPTION (PER ANNUM)



"Offence wins games, defence wins championships." Paul 'Bear' Bryant

Quarterly Highlights

- The Fund returned +2.6% in the quarter.[1]
- Notable contributors to return included **Franco-Nevada (FNV)**(+160bps), **CME Group (CME)**(+72bps) and **Hess Midstream (HESM)**(+71bps).
- Notable detractors to return included **Microsoft (MSFT)**(-70bps), **Infratil (IFT)**(-60bps) and **Taiwan Semiconductor Manufacturing Co (2330)**(-58bps)
- The Australian dollar rose slightly, gaining ~1% versus the US Dollar.
- The quarter saw a rotation away from the established momentum trade of AI and Large-cap US tech leaders, into index laggards in the US (Energy, Pharma, Materials, Utilities), Europe (Cyclicals and Defence) and China (Cyclicals, Large-cap tech). The NASDAQ and S&P500 fell -10% and -5% respectively, while the S&P Equal Weighted fell only 2%, the STOXX Europe 50 gained +6%, and the Hang Seng gained +15%.
- Gold prices have soared in response to the uncertainty unleashed by the Trump administration, gaining +19% YTD and closing the quarter at an all-time high of $3,123/oz. Shares of gold royalty and streaming company **Franco-Nevada (FNV)** (the fund's largest holding) have benefitted, gaining +34% in the quarter.
- Bond yields have drifted lower as markets digest the crosscurrents of tariff-driven inflation risk offset by a slowing US economy that opens the door for more Fed rate cuts into 2025. The US 10 Year at 4.2% is down 40bps since the turn of the year.

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

Portfolio Insights & Market Observations

A key objective of this Fund is to outperform during periods of weakness. Our opening quote when applied to markets and investing could equally read, 'Defence wins championships, and in a bear market defensive stocks keep you in the game'. Periods of weakness have been few and far between in recent years though as we noted in our December update the rally since mid-2022 appeared close to extremes:

"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 the 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… the top 10 in the MSCI Quality Index represent 37% of its weight."

It was the context of this environment (and the difficulty in observing Risk Adjusted Value Latency in many listed companies) that had influenced our positioning discussions for most of the last 12-18 months. Early into 2025 there are signs that some of the overstretched index concentration is beginning to unwind.

While the rationale for selloffs always feel fresh at the time (in this case tariffs, trade wars and recession risks) for now this drawdown is nothing out of the ordinary. The S&P500 is ~10% off its highs, an occurrence that happens every 1.6 years on average. Were the index to drop another 10% into 'bear market territory' even that wouldn't be too unusual, occurring once every 4 years. Indeed, it is this frequency of drawdown that drives our focus on how the Fund behaves in these events. The 'maths of drawdowns' dictate that an asset must recover by more than what it fell just to breakeven. The bigger the loss, the bigger the required bounce-back - a Fund that halves must double to restore parity.

Thus far in this drawdown the Fund is behaving as designed, with the resilience of businesses like **CME Group (CME)** (+14% YTD), **Franco-Nevada (FNV)** (+34%), and **American Water (AWK)** (+18%) driving material outperformance and representing effective 'risk hedges' to some of the Fund's more growth-oriented investments which typically see weaker price action in a correlated sell-off.

The current drawdown in the global index of MSCI All Countries World Index is around -5.7%, with the fund at -2.6% representing around 47% 'downside capture' (currently besting the ~75% Fund average since inception).

Regarding concentration risk the Fund has limited exposure to the largest index constituents. With an aggregate allocation of 14% of capital invested across three world class businesses – **Microsoft (MSFT)**, **Taiwan Semiconductor Manufacturing Co (2330)** and **Visa (V)**, this represents a 25% 'underweight' to the top 50 stocks in the standard global equity benchmark. The fund's relatively uncorrelated return profile continues to compound away, and we are pleased with the underlying performance of the businesses we own. At the aggregate Fund level for 2025 we estimate around +7-8% revenue growth, +8-9% earnings growth, and cash distributions to owners (dividends plus buybacks) of a further +3%.[2]

Top five fund holding **Visa Inc's (V)** Q1 results saw net revenue growth of +12%, earnings per share growth of +17%, and dividend growth of +13%. The business hosted its first investor event in 5 years which we attended in person in San Francisco. We find a physical presence at these events immensely helpful – while the 'prepared remarks' are available for any webcast participant there is no substitute for sitting next to an exec at lunch who hasn't been trained to speak through an 'IR filter' – we have gleaned many insights from this kind of informal exchange. We also attended an invitation-only gathering of payments industry leaders and overall left the event with renewed conviction on the investment, with two high level conclusions.

Firstly, the core payments business still has plenty of runway for growth – the US$18tn of global payment volumes processed by Visa and Mastercard has a further US$23tn of unaddressed payments, of which US$11tn is physical cash still in the system. As the best way to pay and be paid for cardholders, merchants and issuing banks with unparalleled network scale, we believe Visa continues to be the dominant industry leader.

Secondly, Visa has two additional growth engines that are now at substantial scale and have become more important to their growth algorithm - New Flows and Value-Added Services. For the first time Visa allowed investors a peek under the hood for these. Both are growing at +20% CAGR, with economics comparable to the core business and in aggregate now represent almost ~30% of Visa's total revenues.

Returning to the Fund, which operates two pools of risk, 'Grow' and 'Protect'. We present the Table 1 below to inform investors of historic risk and return metrics in these pools.

[2] Please note that this is a forecast only, based upon Cooper Investors' current views and assumptions, and is not guaranteed to occur. Any value latency forecast may differ materially from the results ultimately achieved.

Table 1: Risk and Return Metrics

	Grow	Protect	Fund	Index*
Volatility	15.2%	12.3%	11.7%	13.6%
Sharpe Ratio	0.61	0.77	0.72	0.66
Downside Capture	107%	**66%**	**76%**	100%
Upside Capture	**101%**	79%	**84%**	100%
Beta	1.04	0.73	0.78	1.00
Correlation	0.93	0.80	0.91	1.00

*MSCI AC World Net Divs AUD

Source: Internal CI data reports, 31 March 2025

The fund is today positioned 56% in the 'Protect' bucket and 44% in 'Grow'.

The 'Protect' bucket consists of three groups of investments (including dry powder in the form of cash):

- **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 7% 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.B)**, 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. **Accenture (ACN)**, the world's leading IT consulting and managed services outsourcing business, that essentially represents a toll on technology innovation.

- **Financial Infrastructure** – E.g. **CME Group (CME)**, the world's leading derivatives exchange with monopolistic positions in its key markets and a 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.

There were no material buys or sells during the quarter, with turnover equivalent to an annualised rate around 10%.

Observations From The Road

2025 marks 106 years of operations since the founding of **Canadian National Railway (CNR)** and 30 years of being a publicly listed company. Since listing in 1995, Canadian National has been a compounding machine, returning a total of 18% CAGR to shareholders. A long-term perspective is important when discussing CN today given the noise around tariffs, trade wars and geopolitics. In the preceding 106 years the CN has operated through 26 US presidential terms, 21 Canadian Prime Ministers, 2 World Wars, the toppling of Russia's monarchy, China's industrialization and formation of a 'People's Republic'. Despite all the turmoil, CN has seen tremendous success in growing freight volumes, operating income and benefits to employees.

We dug out CN's operating and financial metrics dating back to 1923 - in that 101-year period freight revenue grew +4.5% CAGR and operating income ~9% CAGR driven by a roughly 30 basis point p.a. improvement in margins. At the same time, wages grew nearly 5% p.a. making the productivity gains even more impressive. Driving these metrics were 15 company presidents over the journey, starting with government bureaucrats who were forced to manage the needs of rail bankruptcies and wartime shipping efforts giving way to professional operators like the legendary Hunter Harrison. 2024 was an unusually disruptive year for CN which faced the worst operating environment in a decade. Managing on the ground operations for the year was Chief Field Operating Officer Derek Taylor, a 25-year veteran at CN.

A highlight of our recent 2 week visit to the US was the two hours we spent touring CN's Kirk Yard in Gary, Indiana with Derek and his team, with three key aims: firstly, to test our conviction on the management quality of CN. Second, to better understand the operational challenges last year and how the Kirk Yard is a key element of debottlenecking the network. Finally, to understand how CN is positioning itself for volume growth.

The standard of talent and training at CN is exceptional - Derek Taylor's journey at CN has been a 25-year success story starting as a management trainee, moving through 11 different locations. A few key themes emerged in our time with him. Foremost, that Derek's primary role at the railroad is to pass on Hunter Harrison's gift to the next generation of railroaders - from the time he was a superintendent in Memphis, he had the opportunity to absorb the unfiltered lessons of Hunter that can now be passed on in the "Derek Taylor way" to his operating team.

In addition, the open communication at the railroads has never been stronger. Jim Vena (CEO of Union Pacific), Keith Creel (CEO of Canadian Pacific Kansas City) and John Orr (COO of Norfolk Southern) all sat under Hunter at CN and Derek Taylor worked with all of them. Given how interwoven the railroad networks are, the entire system and network benefits from these open backchannels. The level of knowledge Derek showed, and the respect he commanded from his team was a sight to behold.

2024 operations were the most difficult since the polar vortex of 2013 with labour uncertainty at the ports, nasty weather, a general rail strike in Canada and now anti-trade sentiments from its largest neighbour and trading partner. The key issue was not operating challenges per se, rather the uncertainty customers faced when choosing how to move their freight. CN remained flexible but robust enough to prepare for the volumes returning and 2025 faces much easier comparisons as customers return.

The future of railroads is not in cost cutting but in volume growth. CN's operations are highly optimized - the last two decades have seen tremendous efficiency gains across the network. It is now 'a game of inches' to extract costs.

The playbook is to maintain the network efficiencies and grow, as 'revenue growth is a force multiplier' where margin expansion will be a function of revenue growth. It was quite the experience to talk through the network map with Derek and his team to whiteboard out where the bottlenecks to growth are and how they would spend capital to take in additional carloads at the yard.

Through our visit, the investment proposition for CN became even clearer and we observed several value latencies. This is a business that has survived and thrived for over a century with shareholders being handsomely rewarded since its listing. Today, the deep bench of talent at CN is operating the network well in the face of operating headwinds that are abating. With growth as top of mind for the company and the right leadership in place to do it, we are excited about the future of Canadian National Railway led by Derek Taylor.

Stock In Focus

Fund holding **Games Workshop PLC (GAW)** released a brief update in March stating that trading in January and February was ahead of expectations. Since investing in December 2023, the position is up +65% versus the index which is +12%. As a reminder the company owns fantasy and science-fiction intellectual property (IP) manifested through tabletop wargames and monetised through the sale of miniatures, paints and accessories as well as licensing the IP to digital content creators (e.g. video games).

Over the summer holidays the Portfolio Manager spent a focused period engaging more deeply with the Warhammer 40,000 hobby, the major sci-fi content IP owned by the group. This involved visiting multiple owned retail stores around Melbourne as well as several independent hobbyists, meeting with fellow tabletop gamers, attending a Comic-Con & role-playing game conference and purchasing 'starter kits' of miniatures, paints, brushes and tools. The period of focused work led to a few insights.

Firstly, that the hobby itself is thriving. Driven by the success of recent video game Space Marine 2 along with media coverage of the upcoming Amazon-led Warhammer series the stores were busy and many core miniature sets (such as the iconic Space Marines) and base paints were sold out across the local network.

Secondly the economic model is elite – the ecosystem and value in the IP allows the business to generate gross margins of +70%. They sell items that cost relatively little to make (the injection-moulded 'sprues' on which the miniatures come weigh just a few grams of material) yet can be priced very highly to hobbyists who are price insensitive. A box of 5 infantry miniatures or even a single 'hero' character model can fetch well over $100, while the 18ml pots of Citadel paint (models require dozens of colours to painted well) can cost $5-10 each. The collector must spend additional money on the Codex to get the ruleset for each 'unit', in the form of a physical book or a monthly app subscription. These are Hermes and Louis Vuitton-like gross margins.

Thirdly, the moat around the IP is incredibly strong. Unlicensed or generic miniatures can be bought cheap or even 3D printed, but the quality is inferior and the 'geek snobbery' of the gaming community would not tolerate unofficial models at a gaming night or painting competition. The range of Citadel paints is highly distinctive, and each shade of every colour has its use – from primers to base paints, shades to contrast washes, metallics and edge highlights. While there are several competing paint ranges, for all but professional painters who may stray non-Citadel for the odd application, most will stick with the Citadel colours displayed on the box art and encouraged through free paint guide apps.

Finally, the Portfolio Manager discovered that spending evenings painting miniatures turned out to be surprisingly therapeutic. In an age when many are experiencing attention span shrink from screen overload during both workdays and evenings, a hobby that is tactile and requires fine motor skills and an almost meditative focus is to be commended.

Painting these Space Marine Terminators required ~A$220 paint spend

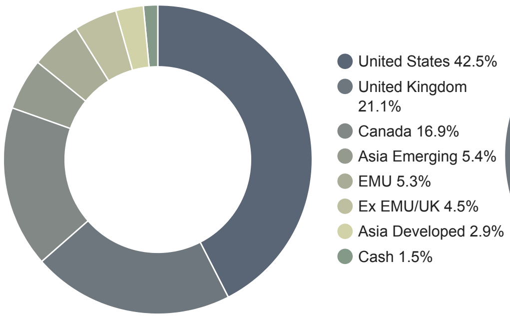
Portfolio Snapshot

Past performance is not a reliable indicator of future performance

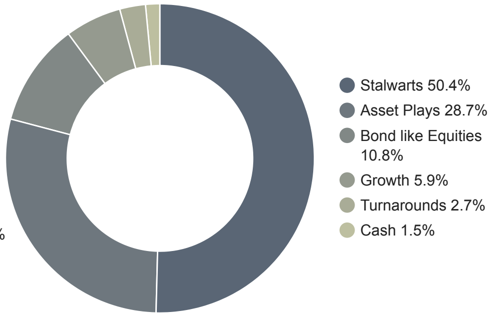
Source: Internal CI data reports, March 31, 2025

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

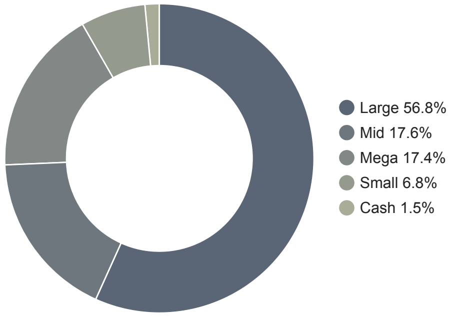
REGIONAL EXPOSURE



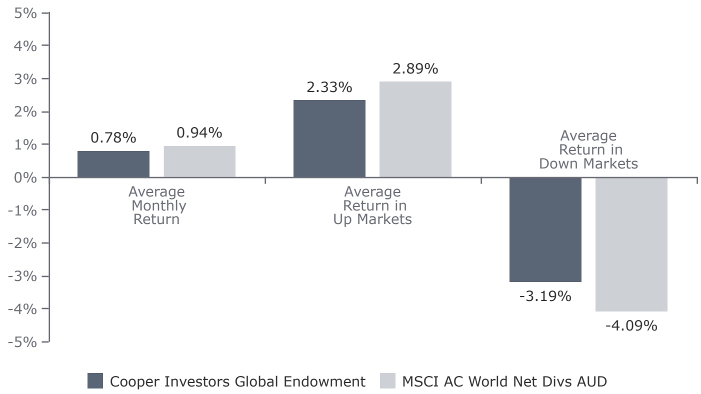
SUBSETS OF VALUE



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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