Cooper Investors Family and Founder Fund

INVESTOR LETTER 2025

COOPER INVESTORS

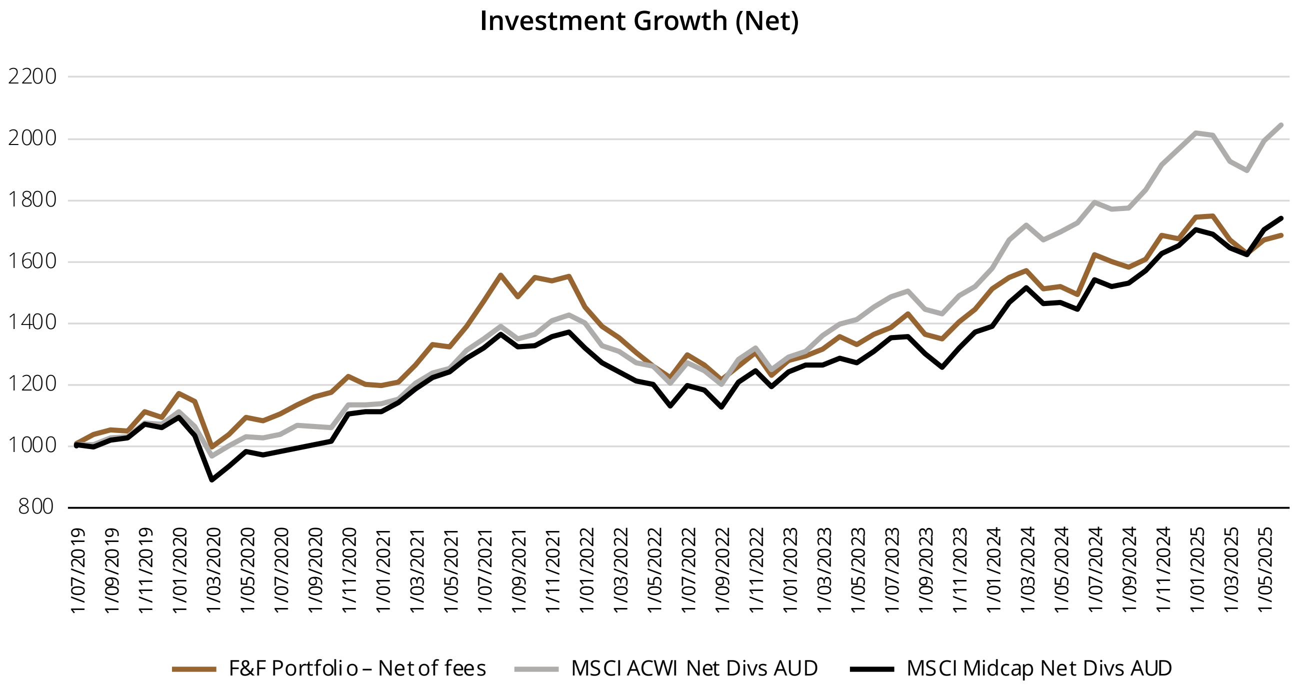
FAMILY AND FOUNDER FUND

Financial Year	Portfolio**	MSCI AC World AUD#	MSCI AC World Mid Cap##
2025	12.8%	18.4%	20.5%
2024	9.5%	19.0%	10.4%
2023	11.6%	20.4%	15.7%
2022	-12.0%	-8.0%	-12.0%
2021	28.4%	27.7%	32.1%
2020	8.3%	2.6%	-2.7%
Since Inception Annualised	**9.10%**	**12.7%**	**9.7%**
Since Inception*	**68.6%**	**104.5%**	**74.2%**

*Cumulative 2 July 2019
** Returns are net of fees and expenses
# MSCI AC World AUD Net Dividends: Fund benchmark
MSCI AC World Mid Cap AUD Net Dividends: Used for comparison purposes
Past performance is not a reliable indicator of future performance.
Source: Internal CI data reports, 30 June 2025

The Review of 2025

For the year to 30 June 2025, the Family & Founder Fund returned 14% p.a. on a before fees basis, and 12.8% after fees.[1] Since inception the fund has delivered 9.1% net returns p.a. This total return comprises of estimated cumulative distributions of 28c per unit or ~4% p.a. and unit price growth of ~5% p.a.[2]



Source: Internal CI Data, 30 June 2025
Past performance is not a reliable indicator of future performance.

The aim of the Family & Founder Fund is to generate long term returns by investing in a portfolio of listed family and founder led businesses with enduring qualities that align with our investment philosophy.

We invest in various types of companies, including those with substantial asset backing, which we categorise as the **Real Assets & Income** Capital Pool. These include businesses with monopolistic or oligopolistic assets, or asset-rich holding companies that generate attractive returns on capital with growth options. This category has consistently proven to be a rich source of investment returns and opportunities for the Fund, as their intrinsic value tends to grow regardless of the broader economic climate.

The other Capital Pool is the typical operating business we call **Compounding** ("Compounders"). Over the near 20-year history investing globally in this Compounder category, our successes have been buying value-predictable, quality growers, such as insurance brokers or quality cyclical businesses like HVAC equipment manufacturers or distributors. Despite often seeming unglamorous, these businesses consistently deliver double digit earnings growth.

Whether a business is asset-backed or asset-light, a core driver of value in all our investments is the capital allocation skill of management and the board. We are effectively trusting them to reinvest profits wisely or appropriately return capital to shareholders. This is why we place such high value on the stewardship and capabilities of the insiders we invest alongside, always seeking out leaders who echo the ethos of figures we have invested in like Bruce Flatt (Brookfield), J Powell Brown (Brown & Brown) or Mark Leonard (Constellation Software).

This year's returns were driven by the Real Assets & Income stocks, which we explore in greater detail later in this letter. Amid uncertain markets and volatile conditions, this group of companies remain the standout performers. The families and founders in this Capital Pool have continued to demonstrate both the strength of their business models and their investment acumen. Bruce Flatt at Brookfield, Pablo Legorreta at Royalty Pharma, and Kjell Inge Rokke at Aker are examples that have executed effectively in the near term while making strategic, value-enhancing investments with a clear focus on long-term growth.

1 Past performance is not a reliable indicator of future performance.
2 Please note these numbers are indicative and are subject to change.

For the year, the top returning stocks were:

- **Brookfield (BN)** +49%: Brookfield's asset management business – led by its infrastructure, real estate and credit operations – has continued to grow assets under management and fee earnings, while its insurance annuity business is expanding rapidly.
- **Royalty Pharma (RPRX)** +37%: Royalty Pharma has bought its management company in-house and continues to successfully manage its royalty portfolio. We spoke about this internalisation in detail in the prior quarter's report.
- **Paylocity (PCTY)** +37% and **Eurofins (ERF)** +30%: Both Paylocity and Eurofins have seen their stock prices recover from recent lows, with their businesses performing as expected. A year ago, Paylocity, a highly profitable Human Capital Management SaaS company, traded at a 20x P/E ratio, while Eurofins, a leader in food and pharma testing, reached a low of 14x P/E. The founders of both companies have remained resolute in their strategic approach following some difficult periods, with consistent execution increasingly recognized and rewarded by the market.

The largest detractors were **Bechtle** (BC8) (since sold) and **Danaher** (DHR), both impacted by prolonged post-COVID challenges. The anticipated recovery has not materialised, with Bechtle facing weakness in IT reselling to Small and Medium Businesses (SMB's) and Danaher experiencing headwinds in life sciences.

CAPITAL POOL SUMMARY

The Capital Pools assist our ability to compare and contrast the attributes of various opportunities.

Capital Pool	**Compounding**	**Real Assets & Income**
Features	*Growth + Stalwarts*	*Bond-Like Equities + Asset Plays*
Key Attributes	**UNDERAPPRECIATED GROWTH**	**UNCORRELATED, ENDOWMENT-LIKE ASSETS**
	• Runway for organic growth • Proprietorial managers (family's and founders and owner-operator cultures) • Pathway of value creation • Identifiable value based on traditional metrics	• Asset backing • Lower correlation to markets • Inflation protection (income or assets) • Ability to grow asset value over time • Evidence of valuation anomalies

As of 30 June 2025, the Fund's exposure across the main Capital Pools were 57% Compounding and 36% Real Assets & Income, Cash is at 7%.

REAL ASSETS & INCOME

The Real Assets & Income pool delivered the portfolio's highest returns, achieving a 26% gain for the year. Standout performers included Brookfield (BN), Royalty Pharma (RPRX), Aker ASA (AKER), News Corp (NWSA), and previously held positions in Ferrovial (FER) and Jardine Matheson (J36), now sold. These businesses are managed by disciplined stewards who allocate capital with a focus on quality and risk-adjusted returns. Notable examples over the last 12 months include:

- Royalty Pharma's $4 billion acquisition of royalties across treatments for lung cancer, pancreatic cancer, and lupus. These investments look to be in line with the company's historical teens IRR targets.
- News Corp divested its Foxtel stake, resulting in a pristine balance sheet, with its Dow Jones and book publishing segments driving strong growth.
- Aker ASA streamlined its portfolio by selling and consolidating assets to prioritise cash-generative businesses, boosting its share price by 13% in AUD over 12 months while delivering a 9% dividend yield.

These companies in the Real Assets & Income pool – spanning royalties, hard assets such as infrastructure and real estate, and investment holding companies – continue to offer significant value and opportunity. We are drawn to this category for its asset-backed growth, robust balance sheets, and valuations at substantial discounts to intrinsic or asset value. In this world of capital light growth, asset backed businesses can be forgotten. They own irreplaceable or quality assets with owners deploying capital at attractive rates of returns.

Real Assets & Income has been the strongest Capital Pool performer in our portfolio since inception, delivering **>13% annual returns, as its own portfolio**. This success primarily comes from our investments in the following areas and companies:

- Royalties: Franco Nevada in gold royalties
- Infrastructure: Ferrovial, a major player in toll roads
- Investment holding companies: Brookfield, Latour, and Investor AB

This area continues to offer significant opportunities, reflected by its **36% weighting in the portfolio.**

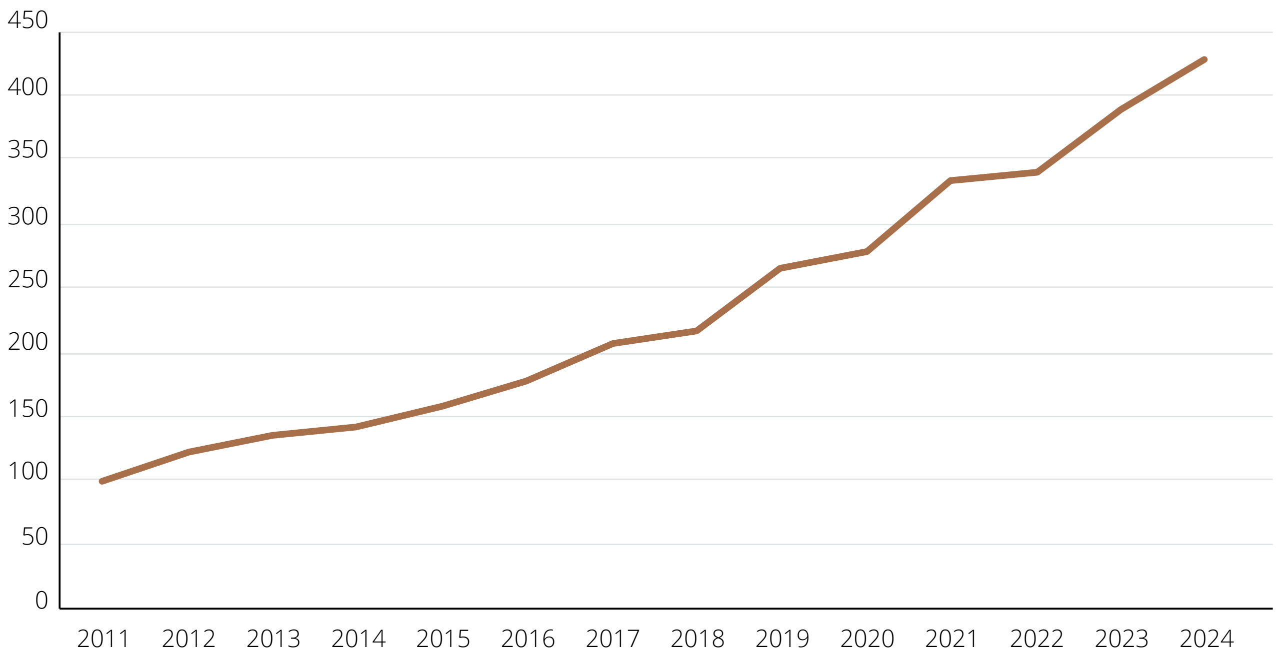
Holding Companies: A Unique Opportunity

We continue to see significant potential in quality holding companies. We diligently monitor a select group of 15 family and founder-run holding companies, and we are currently invested in seven of them. Since 2010, this group has achieved 12% annual growth in their Net Asset Value (NAV), on top of the dividend's shareholders have received.

These companies are effectively family office portfolios run by some of the best businesspeople and capital allocators. Currently, investors can purchase shares in these companies for less than 70 cents on the dollar compared to their underlying asset value. To illustrate, shareholders in Brookfield are effectively acquiring its $25 billion real estate portfolio for free when buying the stock at current prices.

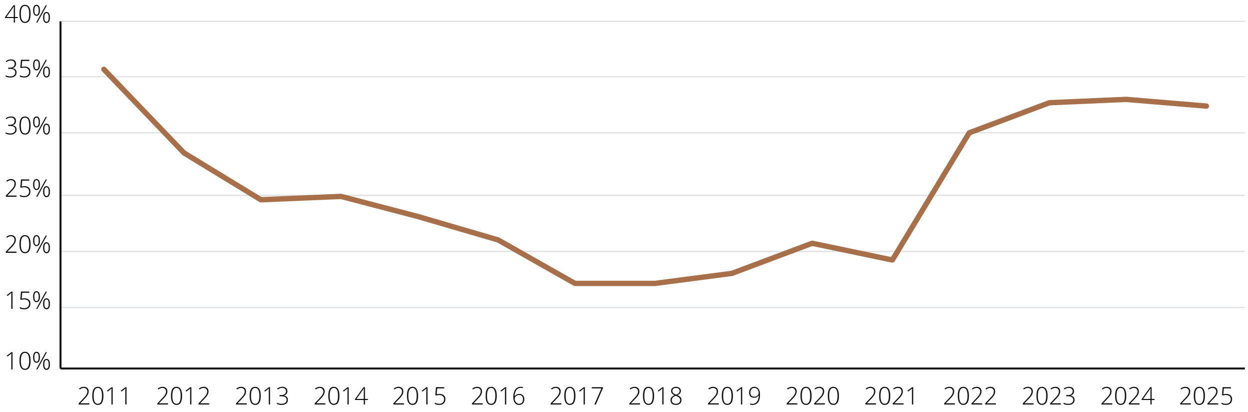
When evaluating opportunities, our checklist goes beyond simple discounts. We focus on companies with strong potential for Net Asset Value (NAV) growth, ensuring we're investing in quality assets overseen by top-tier capital allocators and responsible stewards.

15 Stock Watchlist: Net Asset Value: 12% CAGR



Source: Company data, Factset

15 Stock Watchlist: Discounts to NAV



Source: Company data, Factset

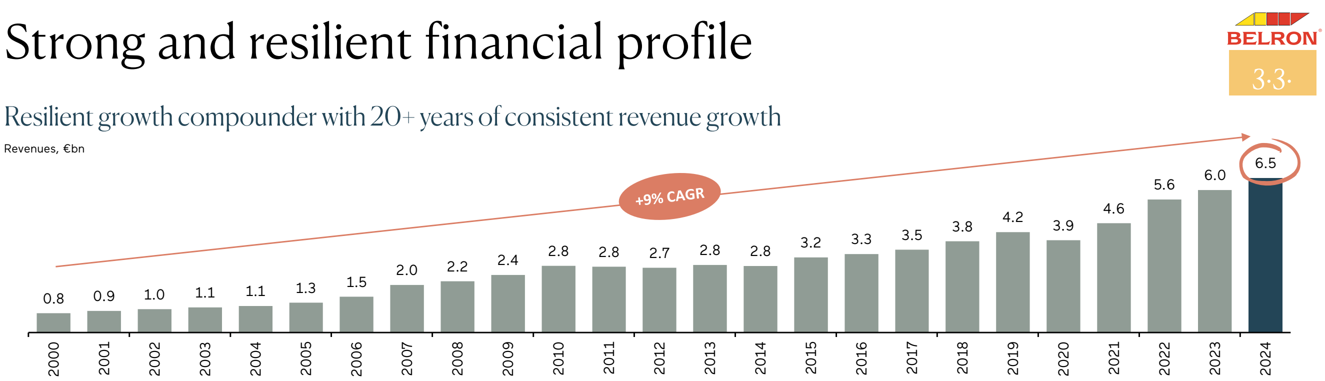
New Position: D'Ieteren Group

During the most recent quarter, we have added D'Ieteren (DIE) to this group. Headquartered in Belgium, D'Ieteren is a €9 billion market cap company majority-owned by the founding D'Ieteren family, who retain a 50% stake. The business has been chaired by Nicolas D'Ieteren since 2017; shareholder value creation has accelerated under Nicholas' leadership.

The company's key asset is Belron, the world's largest vehicle glass repair and replacement business (they own O'Brien Glass here in Australia). Belron is led by Carlos Britto, the former long-time CEO of Anheuser Busch Inbev, who built the world's largest brewery with the backing of 3G capital. This is no sleepy family company.

D'Ieteren also owns Belgium's leading auto dealership group and pan-European distribution businesses in auto aftermarket parts and industrial equipment aftermarket parts. In 2025, it is estimated that D'Ieteren will generate €1.3bn+ of EBIT, with approximately €750m from Belron and €600m from its other businesses.

D'Ieteren's origins date back to 1805 as a horse drawn carriage builder. The company has evolved over centuries, becoming the official Volkswagen distributor and dealer for Belgium, before acquiring Belron in 1999. Belron has evolved into a high-quality business with significant market leadership (with >30% share in its largest markets) in a repeat, non-discretionary business as glass chips need to be repaired or replaced on short notice. As vehicle technology advances, the complexity and value of these services have grown, contributing to steady industry tailwinds. For 24 years Belron has grown revenues at a 9% CAGR. See below.



Source: Company Reports

D'Ieteren owns 50% of Belron, with the remainder held by private equity investors. To illustrate Belron's value: in 2021, private equity firm CD&R sold a portion of its stake at a €32 billion enterprise value, implying D'Ieteren's stake alone is worth €16 billion EV and around €12 billion in equity – well above the company's current market cap of €9 billion, and that's before accounting for the value of its other assets. Despite the incredible track record and shareholder returns, D'Ieteren is trading at a >50% discount to its asset value.

We believe D'Ieteren is positioned to grow EPS and cash flows at mid-teens rates between 2026 and 2028, supported by Belron's quality, secular growth, and the strength of its other business segments.

COMPOUNDING

The Compounding Capital Pool consists of world-class global and regional leaders with preferential businesses and a pathway to future underappreciated value options. For 2025, The Compounding pool generated a 12% return for the year. This was below expectations given the market backdrop. Insurance brokers (Brown & Brown (BRO), Arthur J. Gallagher & Co (AJG)) and software (Constellation Software (CSU), Paylocity (PCTY), and Bentley Systems (BSY) which was repurchased during the year) were positive contributors. Conversely, consumer companies (Alimentation Couche-Tard (ATD), Heineken NV (HEIA – sold during the year) and niche industrials (Techtronic Industries (669) and since sold Bechtle (BC8)) underperformed, weighed down by macroeconomic headwinds that pressured their share prices. It was typically the non-US companies that struggled.

We expect the Compounding companies to continue growing their earnings more than double digits and seek to invest in undervalued and underappreciated champions.

New Positions: Puig Brands | Morningstar

During the year, investments were made in Puig Brands (PUIG) and Morningstar (MORN), two companies with strong yet underappreciated long-term growth potential.

Puig, a fast-growing company in the global beauty sector, owns a portfolio of well-known brands including Charlotte Tilbury, Carolina Herrera, and Rabanne. The Puig family, which brought the company public last year, still holds a significant 77% ownership stake in the €10 billion market cap business. Today, Puig shares trade approximately 30% below their IPO price – a level that we believe reflects undue pessimism. It's not uncommon for newly listed stocks to fall off investors' radar once they drop below their issue price, often resulting in valuations that are disconnected from fundamentals.

Despite delivering consistent high single-digit revenue growth, Puig currently trades at an attractive 15x price-to-earnings multiple – well below that of industry leaders like L'Oréal, which command premium valuations. Having followed the beauty industry closely for decades, including our prior investment in Estée Lauder during 2020–2021, we find the valuation gap striking. While Estée Lauder continues to grapple with both growth and profitability challenges, Puig trades at a discount on key financial metrics such as earnings, cash flow, and sales – despite demonstrating stronger operating momentum.

Family-owned businesses have a strong history of building successful brands. From hospitality giants like Marriott and Hyatt, to luxury icons such as LVMH and Ferrari, and leading spirits companies like Pernod Ricard and Brown-Forman, many family businesses have built enduring brand led businesses. Their long-term focus – driven by a commitment to future generations – ensures brands receive consistent care and strategic direction. This is evident in the beauty industry as well, with L'Oréal, the largest player, also being family-controlled. Similarly, Puig is well-positioned, with the right structure and brand portfolio to create lasting value.

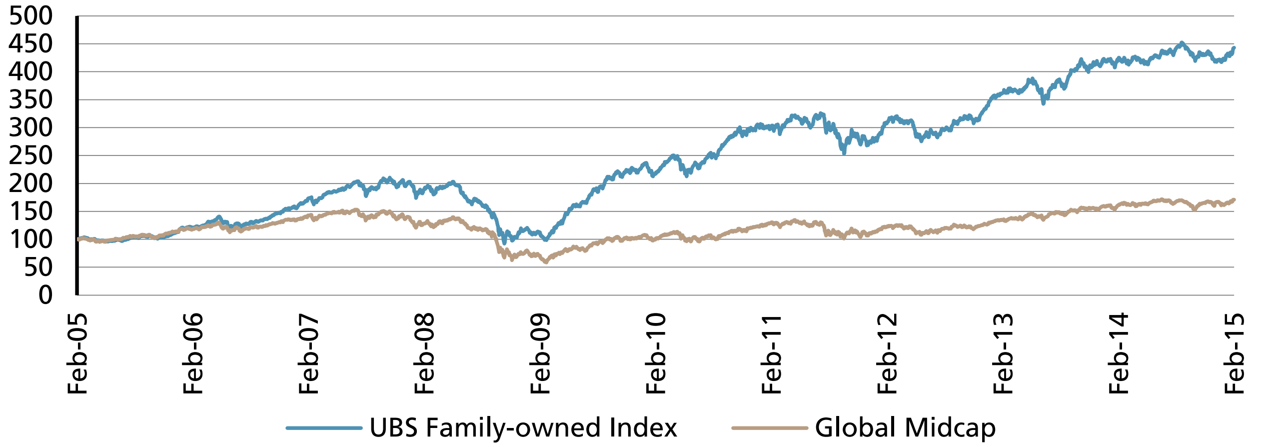
Morningstar, founded in the 1980s to rate mutual funds, has grown into an essential wealth management platform for financial advisors. The company has expanded into high-growth areas, including PitchBook, acquired in 2016, a leading data provider for private markets, and credit ratings for private credit and real estate funds. These moves position Morningstar to enhance transparency as private markets increasingly reach private wealth channels. Already, one quarter of Morningstar's credit business is related to private markets.

Founder Joe Mansueto has long been an advocate for investor empowerment, guiding the company's evolution from a mutual fund ratings provider to a full-scale investor and wealth advisory platform. Today, the firm is well-positioned to benefit from the increasing integration of private market investments into private wealth management. Despite its strong fundamentals, including an average of double-digit growth over the past decade, the stock is covered by only three analysts – reflecting the company's focus on business execution over market promotion. Notably, it continues to trade at a significant discount compared to other data and information services peers.

Portfolio insights and market observations

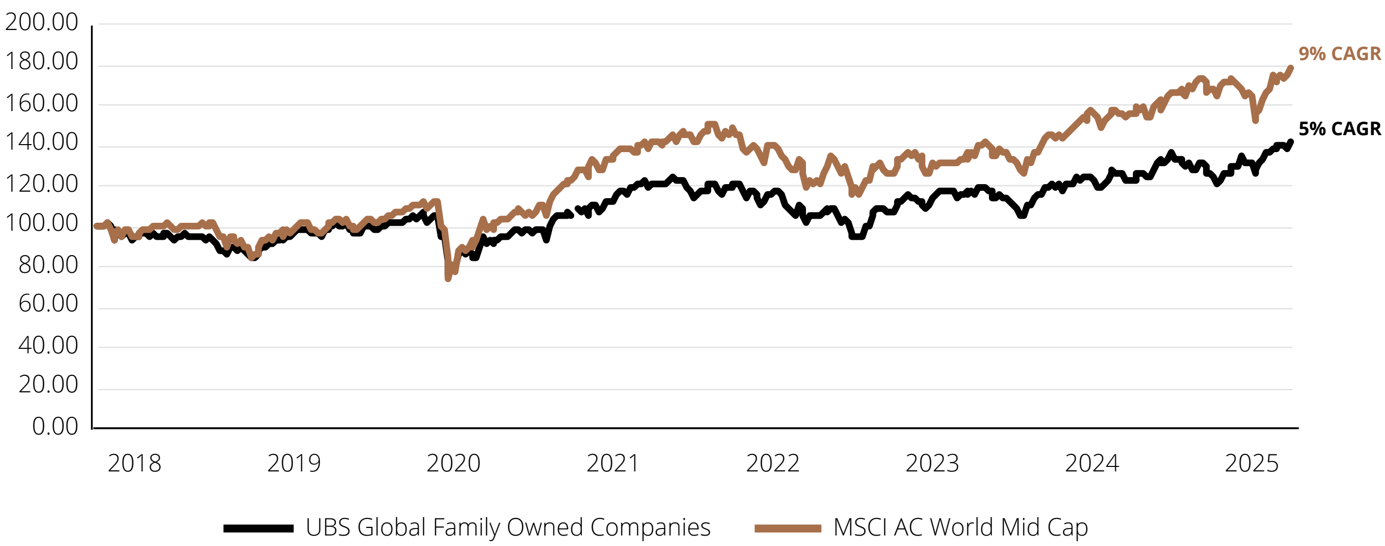
Family businesses have a long-term track record of success. According to UBS research owner-operated companies demonstrate greater long-term performance through disciplined cost management and strategic investments, driving superior growth and profitability. UBS developed the Global Family-Owned Companies Index, comprising 50 top-performing family businesses, including industry leaders like Wal-Mart, Thomson Reuters, and Investor AB. A 2015 UBS research paper underscored this outperformance, as illustrated in the accompanying chart.

Figure 1: Our in-house analysis indicates the outperformance of listed firms with a family stake for the past decade



Source: UBS

However, since 2018, the outperformance of family-owned companies as measured by the UBS Global Family-Owned Companies Index, has reversed.



Source: Factset

Our analysis indicates that the price-to-earnings (P/E) multiple expansion of these companies have not kept pace with the broader market's multiple expansion. This group of companies or index delivered superior earnings per share (EPS) growth over the long term, which was reflected in higher P/E multiples for an extended period. However, recent market shifts have diminished this premium valuation, despite these companies' strong EPS growth and exceptional stewardship. We anticipate that these family businesses will eventually regain their deserved market recognition.

What is clear, however, is that price-to-earnings (P/E) multiple expansion has played a significant role in driving equity market returns during this period. The long-term EPS growth for the S&P 500 is 6.8% (we use S&P 500 as it has the richest data set). Earnings growth has indeed accelerated above this level for the last 5-year period (as seen in the table below). It remains to be seen whether the recent higher growth rates were driven by inflation and companies' ability to pass on higher costs, or by technological advancements enabling the largest firms to grow faster than before. In saying that, a substantial portion of recent market gains can be attributed to investors' willingness to pay more for each dollar of earnings. This raises important questions about the sustainability of this performance.

S&P 500	**5-year**	**10-year**	**25-year**	**50-year**
Sales Per Share (CAGR)	6.8%	5.2%	4.9%	5.3%
EPS (CAGR)	7.7%	6.2%	6.3%	6.8%
Dividend yield (at start of period)	1.5%	1.9%	1.4%	3.6%

Source: Factset, NY Stern

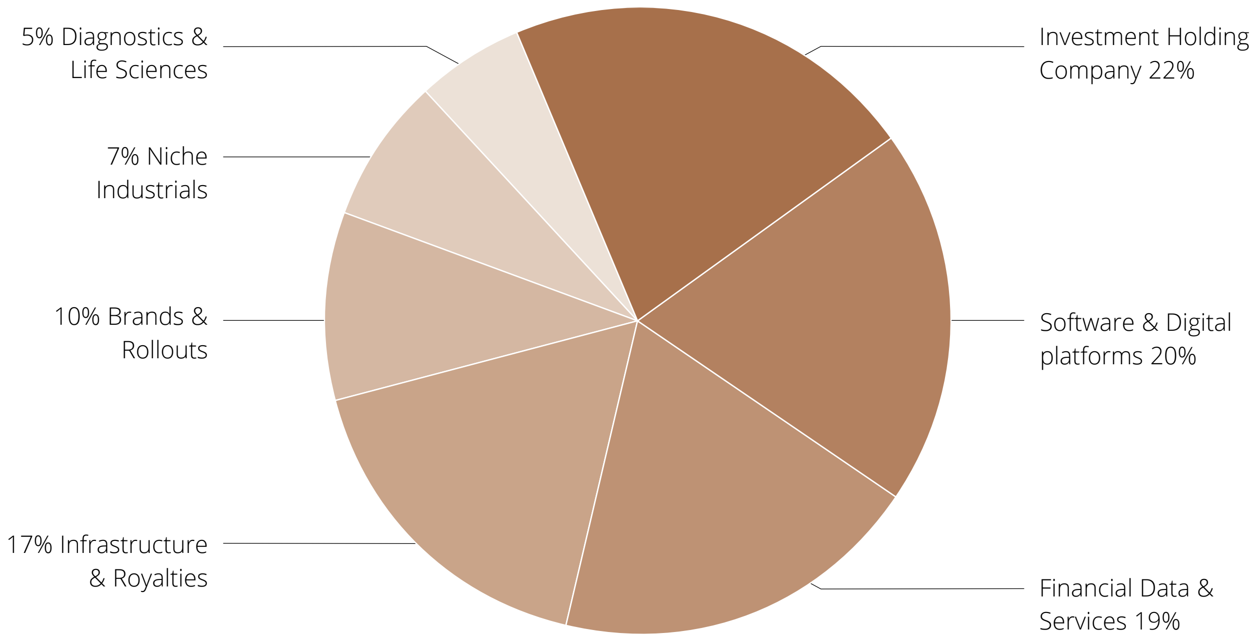
Portfolio Positioning: 30 June 2025

The Family & Founder Fund owns 29 stocks across a diverse range of businesses.

TOP 10 POSITIONS – 48% OF FUND WEIGHT

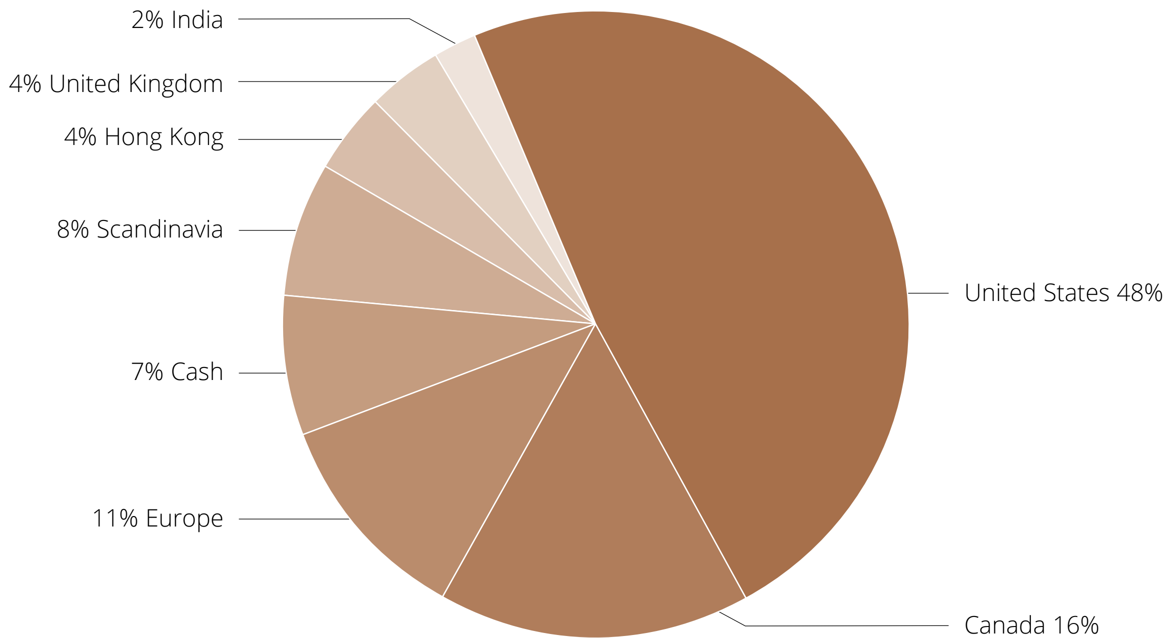
Holding
Brookfield
Brown & Brown
Coca-Cola Europacific
Constellation Software
Investor AB
Hess Midstream
Morningstar
News Corp
Royalty Pharma
SS&C Technologies Holdings

CLUSTER EXPOSURE



Source: Internal CI data, 30 June 2025

HOLDING WEIGHT BY GEOGRAPHY



Source: Internal CI data, 30 June 2025

The Fund maintains a strong focus on businesses that provide essential products and services across a diverse range of countries—ranging from insurance brokers and vertical software providers to royalties, infrastructure and life sciences. We also see compelling opportunities in investment holding companies, which continue to offer unique and compelling underappreciated value. A common thread across these investments is the quality of leadership: these are businesses run by individuals with deep conviction and strong values. On average, insiders own around 25% of the companies we're invested in, aligning their interests closely with ours. This alignment gives us confidence as stewards of your capital, and we remain committed to investing with discipline and a long-term mindset on your behalf.

We once again thank you for your ongoing support and please do not hesitate to contact us should you have any questions.

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