CI BRUNSWICK FUND
QUARTERLY COMMENTARY REPORT

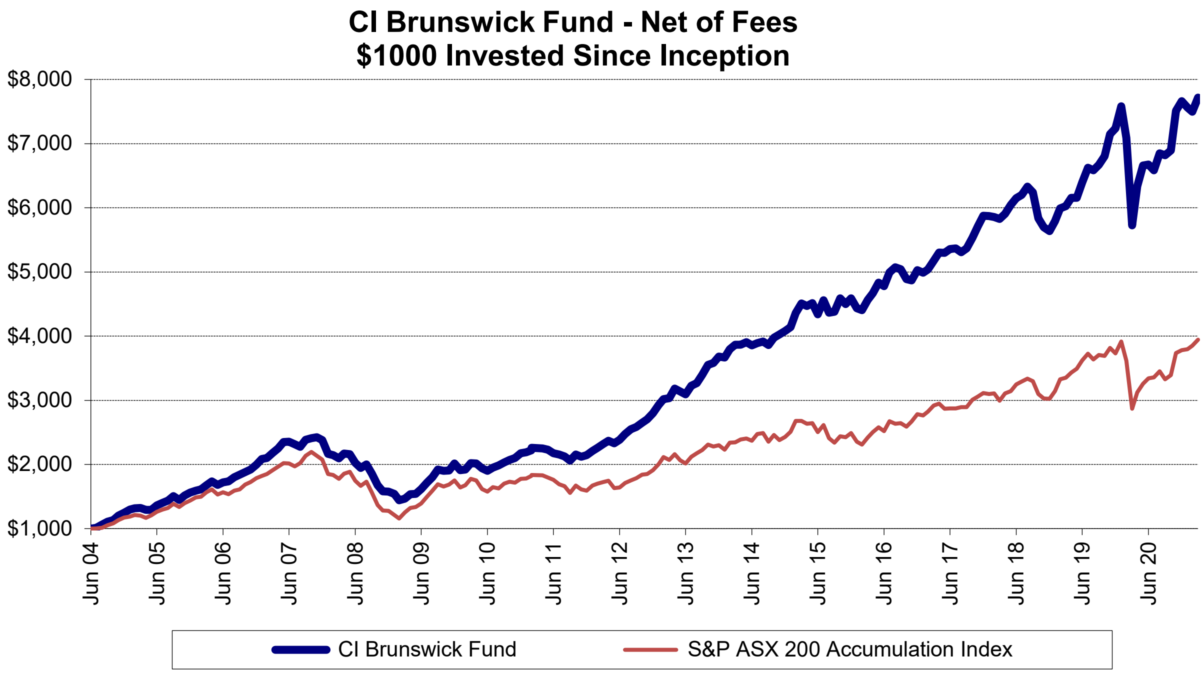
Cooper Investors Pty Limited AFS Licence Number 221794 ABN 26 100 409 890

For current performance information please refer to the Monthly Performance Report.

MARCH 2021

	**PORTFOLIO	#BENCHMARK	VALUE ADDED
FY 2021 YTD	16.54%	18.02%	-1.48%
FY 2020	6.1%	-7.7%	13.8%
FY 2019	5.1%	11.5%	-6.4%
FY 2018	16.0%	13.0%	3.0%
FY 2017	13.4%	14.1%	-0.7%
FY 2016	12.5%	0.6%	11.9%
FY 2015	14.3%	5.7%	8.6%
FY 2014	26.8%	17.4%	9.4%
FY 2013	32.0%	22.8%	9.2%
FY 2012	12.4%	-6.7%	19.1%
FY 2011	16.1%	11.7%	4.3%
FY 2010	18.7%	13.1%	5.6%
FY 2009	-19.4%	-20.1%	0.8%
FY 2008	-12.9%	-13.4%	0.5%
FY 2007	45.7%	28.7%	17.1%
FY 2006	35.3%	23.9%	11.4%
FY 2005	47.6%	26.4%	21.2%
SINCE INCEPTION*	15.78%	8.54%	7.24%
SINCE INCEPTION^	1,063.62%	294.43%	769.19%

*Annualised ^Cumulative (1 July 2004) **Before fees and expenses # S&P ASX 200 Accumulation Index
Past performance is not necessarily a reliable indicator of future performance



Source: NAB Asset Servicing

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"The lowering of the rate of interest stimulates economic activity. Projects which would not have been thought "profitable" if the rate of interest had not been influenced by the manipulations of the banks, and which, therefore, would not have been undertaken, are nevertheless found "profitable" and can be initiated."

— Ludwig Von Mises

"The primary cause of cyclical fluctuations must be sought in changes in the volume of money which, by their occurrence, always bring about a falsification of the pricing process, and thus a misdirection of production. The 'elasticity' of the volume of money at the disposal of the economic system forms the 'necessary and sufficient' condition for the emergence of the Trade Cycle."

— Friedrich Hayek

The Brunswick Fund

Brunswick Fund Mission
1. Leverage CI's VoF stock research **2. Back proprietorial management** **3. Allocate across Compounder, Reversionary & Real Assets capital pools**

The Brunswick Fund is differentiated by its ability to invest in a relatively unconstrained universe of small, medium and large Australian and NZ companies and up to 25% international stocks. Our intention is to purely apply CI's VoF investment philosophy across this universe via a small dedicated team, leveraging CI's domestic and global investors all working with the same investment philosophy and platform. Increasingly we see the advantage this provides for genuine compare and contrast of stocks to improve risk adjusted returns for investors.

The Fund is capacity constrained (**currently hard closed**), which means we are not taking any more net external applications after taking into account redemptions and cash distributions, to ensure it can take advantage of liquidity events (IPOs, secondary raisings, other dislocations), and invest in quality small and mid-cap stocks.

CI's VoF process leans into qualitative research, deep relationships, and people. Our aim is to back management teams that display proprietorial behaviours – teams that think and act like owners of businesses. We categorise these managers into three groups including Family linked and Founder led (40% of the Fund at present), Owner-Operator Cultures (30% of the Fund), and Specialist Focussed Managers (27% of the Fund).

The Fund is focused on 3 broad pools of opportunity – compounder, reversionary and real asset and income securities.

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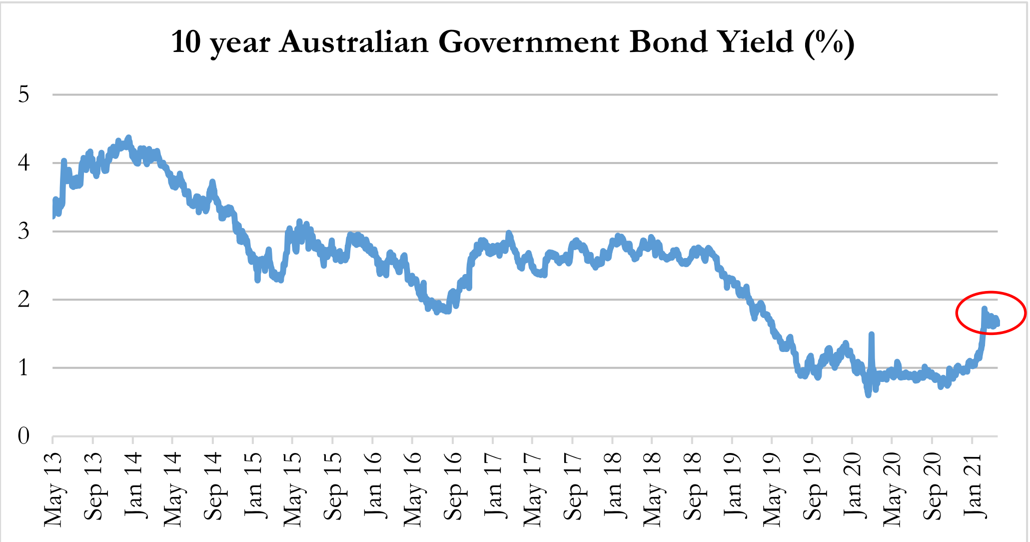
Market and Portfolio Performance

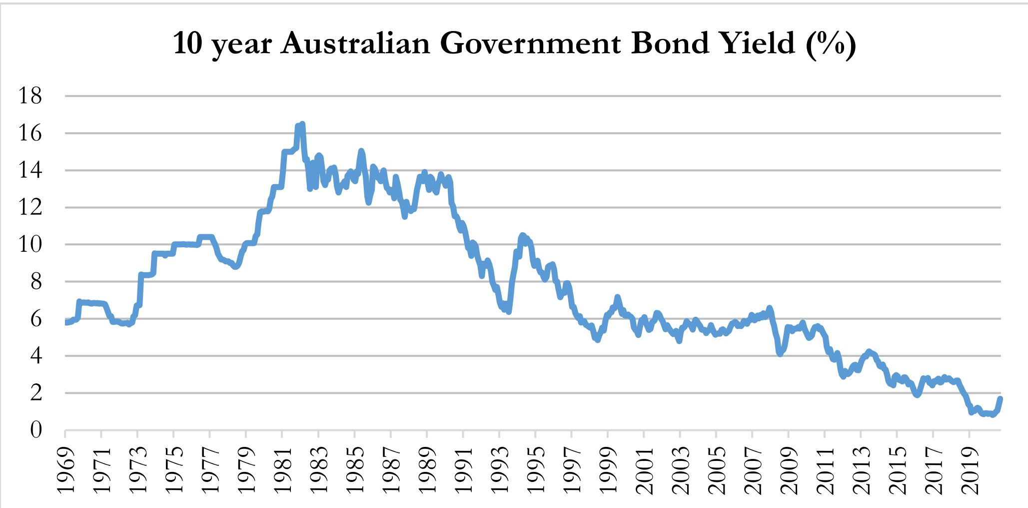
The ASX200 Accumulation Index continued its recovery during the March 2021 quarter as vaccine rollouts accelerated and both monetary and fiscal stimulus remain highly supportive of most global economies.

Of note, bond markets experienced a rise in long-term yields as confidence in the recovery translated to expectations of higher interest rates. In Australia the 10-year bond yield retraced to levels above where they were pre-covid:



Source: RBA

While the retracement was significant in the context of recent trends, it was small relative to the long-term trend – a 40 year fall in yields:



Source: RBA

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Higher bond yields are not in themselves a concern for stock markets, particularly as Australia's Reserve Bank has signalled that expansionary policy (near zero rates) will remain in place until at least 2023, which should be broadly positive for companies and the economy.

However, higher/lower yields impact certain stocks disproportionately. For example, some higher growth stocks have benefitted from very low yields in recent years. These stocks 're-rated' on the view they provided access to scarce growth. During the March quarter some of these stocks 'de-rated' as yields reverted.

While some stocks in the Fund were impacted, there were positives and negatives at a stock level which broadly netted off. CI's investment beliefs are not anchored to any of the traditional styles of growth, value or income, for example. Rather, our 'CI Way' of investing is focused on building portfolios of companies with risk-adjusted value latency ~ stocks with identifiable latent value, where operating, industry and strategic trends are positive and management teams display focused behaviour ("VoF"). The Fund's relatively unconstrained universe allows us to go to where we find the best risk adjusted value.

Over its 17 year history, the Brunswick Fund has positioned broadly similarly across three pools of capital: 1) compounders, 2) reversionary stocks and 3) real assets and income securities. Our experience is this allocation is optimal across longer-term time horizons and the vagaries of various macroeconomic conditions. Across each of these pools, we continue to find and deploy the fund's capital into the most attractive stocks.

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During the March 2021 quarter, the ASX200 Accumulation Index returned +4.3% and for the 12 month period to March 2021 returned +37.5%.

At the time of writing, the ASX200 had fully recovered the losses of the covid-19 pandemic. When the Brunswick Fund was reopened 12 months ago, our view was that a lot of the uncertainty related to covid-19 was likely priced into the stock market. However, the speed of the recovery has far exceeded our expectations.

During the March quarter the portfolio returned +1.0% and +36.5% for the 12 month period.

The Fund's performance for the March quarter was a little disappointing. Most of the difference between the Fund and the ASX200 related to the strong performance of the "Big 4" Banks, which the Fund does not hold. Put simply, the Fund's stocks did not perform as well as the Banks.

The big 4 Banks recovery reflects firstly the now benign outlook for bad debts, a dramatic turnaround from the depths of the covid-19 crisis, as well as an improved outlook for lending to the residential housing market. More recently the increase in longer-term rates has created an opportunity for the Banks to make a better margin on lending to business customers.

Key to the Brunswick Fund's strategy is our relatively unconstrained universe with the result that the Fund's portfolio of stocks looks very different to the index (which is dominated by the Banks and Iron Ore miners). Close to 40% of the Fund is invested in stocks with either low correlation to the overall market, or with very specific or idiosyncratic sources of value latency. These stocks don't always respond in the same way to the big top-down forces that drive the largest companies of the ASX200.

During the quarter key contributors to portfolio performance include **Eureka Group (EGH)** (improved profitability and outlook for growth), **Reece (REH)** (solid 1H21 result, improved outlook for housing) and **Graincorp (GNC)** (strong harvest, cost out and improved outlook for through cycle earnings).

Portfolio stocks that performed relatively poorly include **Ampol (ALD)** (refining uncertainty, fuel margin pressure), **TPG Group (TPG)** (sudden resignation of founder and Non-executive Chairman David Teoh) and **Elmo (ELO)** (growth stock de-rating, UK acquisitions).

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Infratil (IFT), one of our real asset and income securities, owns a collection of businesses across 4 key verticals: 1) Renewable Energy; 2) Digital infrastructure; 3) Airports & 4) Social Infrastructure. During the quarter, Infratil announced the sale of one of its major Renewable investments, Tilt Renewables, for $3.1bn. This reflected a >100% premium to its "un-touched" trading price and a 35% CAGR since listing in 2016.

Tilt Renewables has been another example of IFT creating value from capital allocation at both the headstock and the invested company level combined with IFT adding strategic value as highlighted by the decision to de-merge Tilt Renewables from Trustpower (a NZ gentailer).

While there has been no additional news on AustralianSuper's proposed takeover of Infratil which was first announced in December, we continue to view the existing Infratil portfolio as possessing value latency (CDC and Vodafone in particular), positive operating trends and being overseen by a management team with a track record of producing >20% shareholder returns over both 5 and 10 years and 19% since inception 27 years ago.

During the quarter **Eureka Group (EGH)** announced its half year results and updated its full year guidance to be at the top end of its range (EBITDA circa +20%) which we view as conservative given the strength exhibited in the first half (+27%).

This result was particularly pleasing given our active involvement with the company over the past few years, which included refreshing the Board of Directors and management with the support of current Executive Chairman Murray Boyte. New management have led the sale of non-core assets and a refocus on its core rental product, delivering a significant improvement in operations (occupancy >95%, EPS +40%).

EGH, which sits in our real asset and income securities pool, now provides all the characteristics that we originally sought ~ asset backing, demographic tailwinds, and an essential service with a link to government pension payments.

Having improved the profitability of its existing asset base, the company is now more meaningfully pivoting towards growth, with a brownfield expansion underway, two new greenfield opportunities and a growing M&A pipeline. The conditions for value creation are in place at the company level in our view given EGH has the opportunity to deploy significant levels of capital at attractive returns (>15%

IRR). Importantly, these earnings should also attract high multiples given the low risk nature of the assets and earnings.

United Malt Group (UMG), a reversionary stock (a spin-off) released a soft AGM trading update in February. United Malt was de-merged from GrainCorp in March 2020 and is a predominantly North American business. It is heavily exposed to on-premise craft beer consumption which has been impacted by covid restrictions on bars and restaurants. The significant increase in North American covid infection rates over the North American winter months further impacted on-premise openings of bars and restaurants, giving us an opportunity to increase our exposure to the stock following the AGM update.

Although there could be future disruptions for UMG due to limited shipping container availability particularly in Australia, we expect the strong vaccination rates in North America and the increase in on-premise activity now occurring will likely be positive catalysts for the company's earnings and stock price. We continue to see United Malt as a quality business impacted by a significant exogenous event and are monitoring for signs of increased focus and efficiency which often arises following a de-merger.

Graincorp (GNC), another reversionary stock (also a spin-off), hosted an Investor Day in March where they outlined a further $25m in targeted cost efficiencies (following the achievement of ~$100m outlined during the de-merger of United Malt). GNC also released a 'through-the-cycle' EBITDA forecast of $240m by 2023/24, which was ahead of expectations. Since United Malt group was de-merged, GNC has demonstrated many of the characteristics we look for post a spin-off:

- Latent value opportunities in refocusing via the NewCo's cost structure, capital investment process and the optionality often provided by a conservative balance sheet; and
- Improved Management focus and highly aligned incentives.

Many of these attributes were on show at the Investor Day and reinforced via management commentary.

Pleasingly operating trends remain strong for GNC, with this increased focus coinciding with a very strong harvest and recent rainfall auguring well for the 2021/22 crop and the company's earnings.

One of the drags on the Fund's performance during the quarter were our positions in petrol station owner/operators **Ampol (ALD)** and **Z Energy (ZEL)**. Both are everyday needs, stalwart businesses, with reversionary sources of latent value linked to the covid-19 impact of lower fuel volumes, particularly jet fuel, which has hit profitability in both refining and the fuel infrastructure businesses.

Our position in New Zealand based ZEL was established as part of a capital raising conducted during Covid. The original thesis was that ZEL is a dominant (>40% of volumes, >50% of infrastructure), everyday needs business which had been impacted by three industry events (regulatory review, refining margin collapse and covid-19), compounded by loss of focus of management, in particular in relation to recent non-core investments. In effect with the balance sheet fixed and the majority of these risks in the rear-view, new shareholders had a more attractive outlook while bearing less risk.

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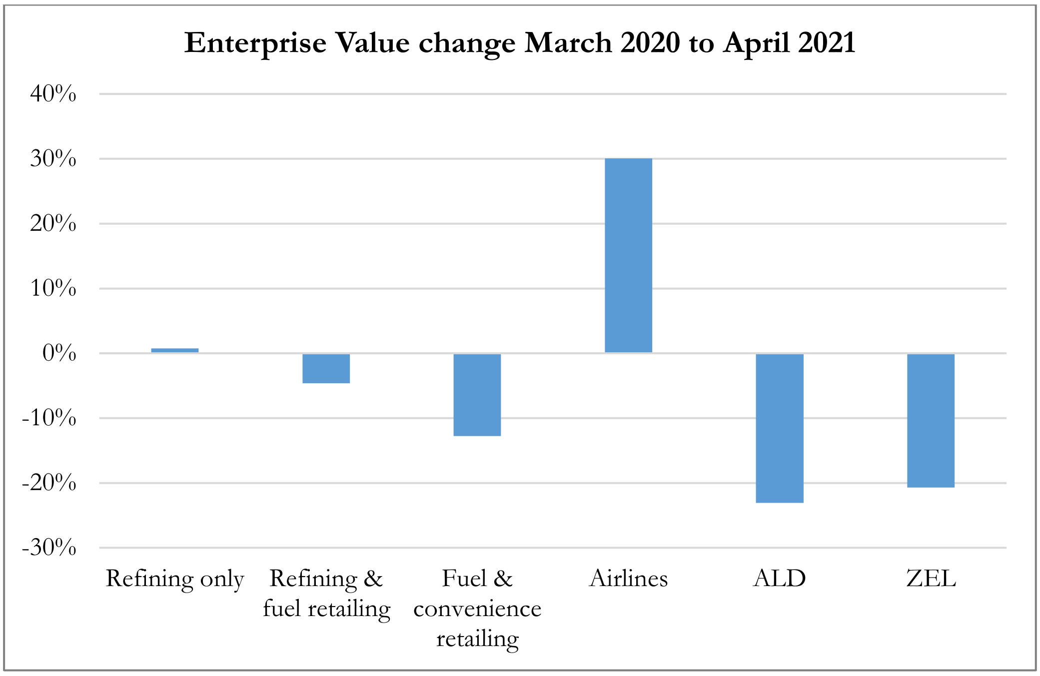
There was also evidence that management were increasing their focus on the core business, taking costs-out (with more to do) and putting greater intentionality on exploiting ZEL's powerful market share position. While there may be further work on the cost efficiency front and removing non-core distractions, we have been largely pleased operationally with how ZEL has performed.

One of the major drivers of the relative under-performance of both ZEL and ALD in our view is their meaningful exposures to jet fuel volumes, which remain depressed due to Covid restrictions. Despite jet volumes being "low margin" at a group level, their incremental contribution is meaningful.

An intriguing aspect currently is that the enterprise value (equity plus debt) of QAN is >10% higher than pre-covid, Air New Zealand is largely flat while ALD and ZEL are both down ~20%. This is despite the far greater impact on the aviation sector and its balance sheets compared with these Fuels & Infrastructure businesses.

In addition, ALD and ZEL remain outliers globally. Below is a chart displaying the change in enterprise value (debt and equity) pre and post-covid, of a compilation of companies focused on refining, fuel retailing, and airlines relative to ZEL and ALD:



Source: Credit Suisse Refinitiv

Some of the difference in performance could relate to Australian and New Zealand market specific concerns that ALD and ZEL are operating in sunset industries. While this is no doubt a long-dated risk, there are a number of reasons why we believe the structure of the industry and the profitability of leading operators is likely to remain supportive for many years to come:

- The barriers to exit in the service station industry are quite low particularly with housing a 'higher and better use' option in many locations.

- The economics of the industry are driven by the micro-economics at a site level where profitability is a function of not just volume but also margin.

- A large proportion of the industry retail sites are sub-scale. For instance, in NZ 15% of the industry is sub 2.5ML per annum. In effect, much of this volume is likely to migrate to stronger sites driving higher incremental margins as the fixed costs of the stronger sites won't change materially.

- Internal combustion engine (ICE) vehicles currently have asset ages of ~20 years and the number of brand new cars purchased relative to existing stock is only 5% which likely drives a long sunset period for the industry.

- Taxes or other financial imposts on ICE vehicle usage is unlikely to be politically palatable and is likely to disadvantage the poorest and the most vulnerable.

In the near term we see value latency from a recovery in jet fuel volumes and from both companies addressing their significantly loss-making refining assets, either through conversion to import terminals or via government subsidy. Converting to import terminals has the benefit of releasing working capital, reducing complexity, and reducing earnings volatility. This should see both companies trade on higher multiples (albeit with some offset via lower earnings) and an increased ability to optimize their capital structure.

* * * *

During the quarter the Fund initiated a position in **Orica (ORI)** following a material profit downgrade and stock de-rating. In short our view is this loss of earnings is temporary, and that ORI is in fact likely to be a later cycle beneficiary of the current strength in commodity prices (which are a leading indicator for stronger mining activity). Our purchase of the shares was at a low price relative to ORI's asset value, in a manner similar to our purchase of BHP during the height of the pandemic.

ORI's earnings have been under pressure over the last 12 months due to the effects of the pandemic on ORI's customers, particularly in South/Central America, Europe and Africa. This resulted in lower levels of production at mines and thus lower demand for drill & blast products and services. The pandemic related effects have been further exacerbated by disruptions in Indonesia (weather related mine disruption), Peru (social unrest disrupting Las Bambas mine) and Australia (Chinese coal bans) and increased costs associated with a company-wide SAP implementation that has not gone to plan.

We believe most of these issues are transitory. Indonesia and Peru are already back or on the way back to normal. In recent months NSW thermal coal exports are back to slightly above last year, even with China still refusing to allow the importation of Australian coal, having found an end-market outside of China. The impact of the pandemic will reduce as the world moves forward with the rollout of the vaccine and/or mine processes adjust to deal with the pandemic risks.

On a positive note, the earnings downgrade came with the announcement of a new CEO in Sanjeev Gandhi. Sanjeev is relatively new to Orica having been the head of the Australia Pacific Asia region for six months. His previous role was in a senior position at the global chemical company BASF, a company he had been with for 26 years. He is very experienced and we see this as a positive move for the company.

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We expect a significant improvement in performance as the pandemic abates and mining operations get back to normal. The heightened level of commodity prices is evidence of the improved demand environment and supports a strong return to mining activity. That said, we would not be surprised to see an additional rebasing of earnings when the interim result is released, however we see this as the bottom from a cyclical perspective. Despite all the challenges, Orica continues to improve the business through investment, rationalising operations and implementation of new enterprise planning software. This will put the business in a position, post-pandemic, to take full advantage of improving end-markets. This opportunity for self-help, combined with the company's investment in technology that has the potential to transform the drill and blast operations of mining companies and improve end-to-end mine process productivity, underpin our investment proposition for Orica.

The Portfolio – Strategy, Process and Structure

Objective & Structure

Provide long-term returns above the ASX200 Accumulation Index via:

- Long-only, focused portfolio (20-40 stocks) with VoF qualities.
- No leverage, no derivatives, no shorting.
- Non-index, endowment-like philosophy across domestic and international markets.
- Small team leveraging CI's well-resourced research platform and back-office strength.

Differentiated Strategy

1. "Pure" application of CI's VoF Philosophy:
   - Benchmark unaware.
   - 3 competing pools of capital – Compounding, Reversionary, and Real Assets and Income.
   - Focus on companies with proprietorial VoF behaviour.

2. Limited capacity:
   - Event and liquidity opportunities (ELOs), sell downs, IPOs and spin-offs.
   - Quality small and mid-cap opportunities.

3. Access to the CI global stocks:
   - Leverage to CI's global research (up to 25% of portfolio).
   - World-class global and regional champions.
   - Australian equities global comparison companies.

Process

Our singular goal is to identify 'risk-adjusted value latency' diversified across 'subsets of value' by focusing on businesses that have:

1. Identifiable value latencies.
2. Good operating trends and strong industry/strategic positions (with enduring qualities).
3. Focused Management Behaviour ('proprietorial' managers with skin and soul in the game).

The portfolio stocks can be grouped into three key areas or capital pools:

1. **Compounding sources of value – Growth and Stalwart companies**
   - World-class global, regional and domestic companies with preferential businesses or assets and a pathway to future underappreciated value options.
   - Currently, we are focused on companies exposed to:
     - Ageing and Health.
     - New Economy (particularly software businesses).
     - Data and Telco infrastructure.
     - Everyday needs.

- **Stalwarts** (27% of the portfolio)
  - Sturdy, reliable and generally larger companies with world-class privileged markets and competitive positions. (Mainfreight, TPG Group)
- **Growth companies** (28%)
  - Growing companies with value propositions identifiable by traditional value metrics and run by focused, prudent and experienced management. (Lifestyle Communities, CSL)

2. **Reversionary sources of value – Cyclicals and Quality Turnarounds**
   - In particular, we like spin-offs, privatisations and large-cap liquidity events (such as sell-downs) where management is in place with a plan for unlocking value, with follow-on value creating opportunities, and the assets are attractive to other potential owners.
   - At the moment, we are focused on:
     - Quality companies impacted by the Covid-19 pandemic.
     - Cyclicals in the agriculture sector exposed to drought.
     - Cyclicals exposed to US housing.
     - Infrastructure privatisations.
   - **Cyclicals** (12%)
     - Stocks showing upside leverage to the cycle with experienced and contrarian managers who can allocate capital prudently and with good balance sheets. In other words growth cyclicals who can go to higher highs over multiple cycles. (BHP, Ferguson)
   - **Quality turnarounds** (9%)
     - Sound businesses with good management and balance sheets. We especially like spin-offs and government-to-private turnarounds. (United Malt, Napier Port)

3. **Real asset and income sources of value – Bond-Like Equities, and Asset Plays**
   - Stocks with specific risk and non-correlating attributes that make them very different to broader equities indices. These securities are traded public securities. Our hope is these stocks will provide relative and perhaps absolute protection to the portfolio in times of monetary inflation, economic upheavals, and stock market corrections. Note: without hedging we cannot promise that outcome.
   - This includes holding companies, Listed Investment Companies (LICs), infrastructure and specialised real-estate companies and other asset-rich companies with growth and hidden value options, and catalysts for capturing value.
   - At present, we are focused on:
     - Social infrastructure.
     - Family-linked holding companies.
     - Gold companies
     - Agriculture
   - **Bond-like equities** (9%)

    - Stocks backed by assets (infrastructure, property, utilities etc) with secure, low-volatile earnings and dividends that can be grown and recapture inflationary effects over time. (Arena REIT)

- **Asset plays** (11%)
    - Owner, operator managers with long term commitment to shareholders growth in asset value. Stocks with strong or improving balance sheets trading at discounts to net asset value or replacement value. (Brickworks, Infratil)

We seek to partner with focused managers that display enduring proprietorial qualities with the ability to deliver the value latency options afforded by good operation, industry and strategic position/trends. The management and governance cultures of the companies we seek fall into 3 broad categories:

1. Family-linked and founder-led companies.
2. Owner-operator cultures.
3. Specialised, focused managers who are resetting governance and management priorities.

All of these proprietorial management styles have the following behavioural qualities:

- Focus – intentional and know what they are doing.
- Humility – authentic, energetic and focussed on long-term value.
- Alignment with and respect for shareholder interests.
- Deep, nuanced knowledge of the business/industry.
- Value and risk-based capital allocation (often counter-cyclical).
- Invest in skills, talent and innovation.

Currently, the portfolio holds around 4% cash and has around 12% of assets invested in overseas stocks that own businesses in USA, Canada, and UK.

Portfolio attributes as at March 2021 are summarised below:

P/E*	23.9
Beta	0.86
Yield	2.6
P/Book	2.3
ROE	9.5
Tracking error vs. ASX 200	6.03
Stock Number	34

*Note PE ratio distorted by Infrastructure stocks and some under-earning turnarounds and cyclicals.

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Portfolio Risk Metrics

The portfolio's volatility remains below the benchmark, driven by its more diverse stock holdings and lower concentration risk compared to the big four banks and large resource companies:

	*PORTFOLIO	#BENCHMARK
Total Return	+1,064%	+294%
Max Drawdown	-40.0%	-47.2%
Best Month	+10.9%	+10.2%
Worst Month	-18.9%	-20.7%
Positive Months	68.7%	64.7%
Negative Months	31.3%	35.3%
Annualised Volatility	+12.0%	+14.0%

*Cumulative (1 July 2004), before fees and expenses
S&P ASX 200 Accumulation Index
Max Drawdown for the Brunswick Fund occurred December 2007 to February 2009.
Max Drawdown for the ASX200 Accumulation Index occurred November 2007 to February 2009.
Best Month for the Brunswick Fund was November 2004, for the ASX200 Accumulation Index, it was March 2009.
Worst Month for both the Brunswick Fund and the ASX Accumulation Index was October 2008.