ENDOWMENT FUND

COOPER INVESTORS

AFS LICENCE NUMBER 221794
ABN 26 100 409 890

QUARTERLY REPORT | JUNE 2022

FUND STRATEGY

The objective of the Cooper Investors Endowment Fund (Fund) is to generate long term returns by investing in a range of listed securities. The Fund is an equities portfolio designed for investors in the pension phase. The Fund will invest in companies who provide sustainable and growing income and through portfolio construction will have the primary objectives of having lower portfolio volatility than the Australian stock market and out-performing the market during periods of market weakness. It is a diversified, long only portfolio of 30-50 stocks. The Fund will be managed on the basis that all unit holders have a zero tax rate and will report and be measured on an after tax basis (allowing for franking credits). The Fund invests in listed Australian and New Zealand securities together with a maximum exposure of 20% to listed securities in other international markets. The Fund can hold up to 20% of the portfolio in cash.

FUND FACTS

Portfolio Manager	Stephen Thompson and Ryan Riedler
Inception Date	3 March 2014
Benchmark MSCI	S&P/ASX 200 Accumulation Index, adjusted for franking credits
Management Fee	0.75% per annum of the Net Asset Value (before fees and expenses) plus GST calculated and paid monthly in arrears directly from the Fund
Performance Fee	10% of the Fund out-performance of the S&P/ASX 200 Accumulation Index after adjusting for franking credits plus GST. A high water mark applies
Unit Pricing	Every Thursday and the last business day of the month.
Minimum Investment	$500,000
Maximum Cash	20%

HOLDINGS BY SUBSET OF VALUE*

- Stalwarts 41.1%
- Growth 21.0%
- Cyclicals 16.1%
- Bond Like Equities 13.0%
- Asset Plays 3.0%
- Cash & equivalents 5.8%

CURRENT HOLDINGS BY SECTOR*

- Financials 17.5%
- Health Care 15.9%
- Materials 13.7%
- Industrials 8.9%
- Real Estate 8.7%
- Consumer Staples 8.1%
- Communication Services 7.2%
- Infomation Technology 5.6%
- Consumer Discretionary 5.4%
- Energy 3.2%
- Utilities 0.0%
- Cash & equivalents 5.8%

* numbers are approximate / may be rounded, CI internal sector definitions.

FUND PERFORMANCE#

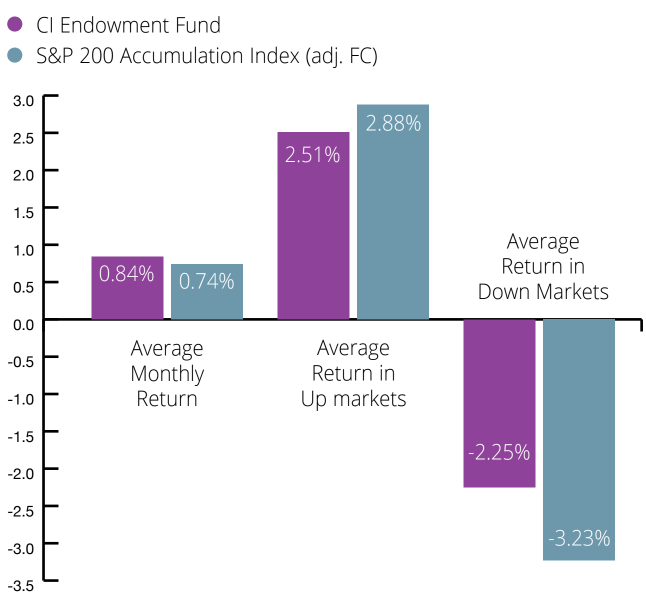
	Portfolio	Benchmark	Value Added
Since Inception*	9.88%	8.14%	1.74%
Since Inception^	119.17%	91.93%	27.24%
Rolling 3 months	-8.38%	-11.75%	3.37%
Rolling 1 Year*	0.53%	-5.13%	5.66%
Rolling 3 Year*	6.93%	4.60%	2.33%
Rolling 5 Year*	9.93%	8.27%	1.66%
Rolling 7 Year*	9.51%	8.40%	1.11%

* Annualised
^ Cumulative (inception date was 3 March 2014).
Past performance is not a reliable indicator of future performance.
Returns are gross of fees and expenses, and adjusted for franking credits.

PORTFOLIO SNAPSHOT

Stock	Investment category
ASX Ltd	Stalwarts
CSL Limited	Growth
Wesfarmers Limited	Cyclicals
Transurban	Bond Like Equities
Franco-Nevada Corp	Asset Plays

PERFORMANCE IN UP & DOWN MARKETS



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The CI Endowment Fund ("the Fund") is a conservative equities portfolio that aims to steadily compound wealth over time.

Our key objectives are to perform relatively well in down markets, provide reasonable returns in rising markets, be less volatile than the market, and provide a growing distribution profile over time. We aim to achieve these objectives by constructing a highly diversified portfolio with stocks that are, as far as possible, uncorrelated to each other.

The strategy of the Fund is unchanged since it commenced in March 2014.

MARKET AND PORTFOLIO PERFORMANCE

The ASX 200 Accumulation Index fell 8.8% in June, its worst month since March 2020, and ended the year down 6.5%. The June quarter was particularly nasty, declining 11.9% on fears that aggressive policy tightening would pressure equities valuations and potentially lead to recession over the next 12-18 months.

In the last year, the best performing sectors tended to be relatively defensive or late cycle, most notably Utilities (+36%) and Energy (+30%). Laggards were interest rate sensitive or Covid beneficiaries, with Technology (-38%), Consumer Discretionary (-21%), Banks (-13%) and REITs (-12%).

The portfolio has held up relatively well over the last 12 months despite the turbulent markets. However, this was a tale of two halves as the Fund was up almost 11% in the first half of the financial year before giving much of this back in the second half.

The March quarter was particularly tough for the portfolio being underweight Resources, Energy and Banks; and overweight Growth and Stalwarts i.e. 'Quality'. Some of this underperformance unwound in the June quarter highlighting the benefits of a diversified portfolio.

Stocks that performed well over the year include Computershare (beneficiary of rising interest rates), EBOS (highly defensive), and Arena REIT (inflation protection). Poor performers over the last 12 months included Seek, ARB Corp and Ryman Healthcare which are all Growth companies and therefore sensitive to rising interest rates.

THE PORTFOLIO

The intention is for the Fund to have relatively low turnover where a substantial research effort is complemented by the aim of making a small number of good decisions. Nonetheless, we don't want too little turnover or we will get stuck with yesterday's portfolio. We consider an appropriate level of turnover broadly in the range of 15-25% - turnover for the portfolio for the year to June 2022 was 14%.

The Fund received a small position in **Woodside Energy (WDS)** as a result of the merger between BHP-Petroleum and WDS, which we subsequently added to. WDS now boasts a world class portfolio of oil and gas assets in low-risk jurisdictions, which are diversified by product, asset and geography.

The Fund was underweight Energy so we considered WDS would be a good diversifier– particularly if backed by a company with quality assets, industry tailwinds and a rock-solid balance sheet. WDS will improve portfolio yield, with expected dividends and franking alone providing an attractive return, augmented by the potential for capital management and the release of excess franking credits.

We exited our holding in **Cosmos Pharma** given the increasingly difficult operating trends observed following a recent trip to Japan. Rising input and labour costs will be challenging to offset for players with already skinny margins. In addition, price competition continues to be intense amid oversaturation of retail stores. In our view there are better opportunities elsewhere in Japan.

The portfolio is highly diversified owning 34 securities including six global stocks (~14%) and four New Zealand stocks (~10%). The cash weighting is around 6%.