

Cooper Investors Endowment Fund



QUARTERLY COMMENTARY | JUNE 2023

AFS LICENCE NUMBER 221794 ABN 26 100 409 890

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	Ryan Riedler
Inception Date	3 March 2014
Benchmark	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 day of the month.
Minimum Investment	\$500,000
Maximum Cash	20%

FUND PERFORMANCE#

	Portfolio	Benchmark	Relative
3 months	0.16%	1.21%	-1.05%
1 Year	12.12%	16.66%	-4.54%
3 Year*	11.51%	12.64%	-1.13%
5 Year*	9.01%	8.65%	0.36%
7 Year*	9.92%	10.47%	-0.55%
Since Inception*	10.12%	9.03%	1.09%
Since Inception^	145.74%	123.91%	21.83%

* Annualised

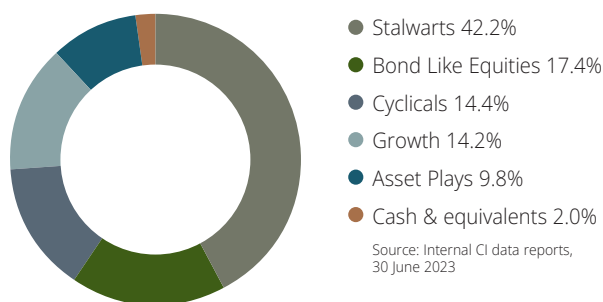
^ Cumulative (inception date was 3 March 2014).

Returns are gross of fees and expenses, and adjusted for franking credits.

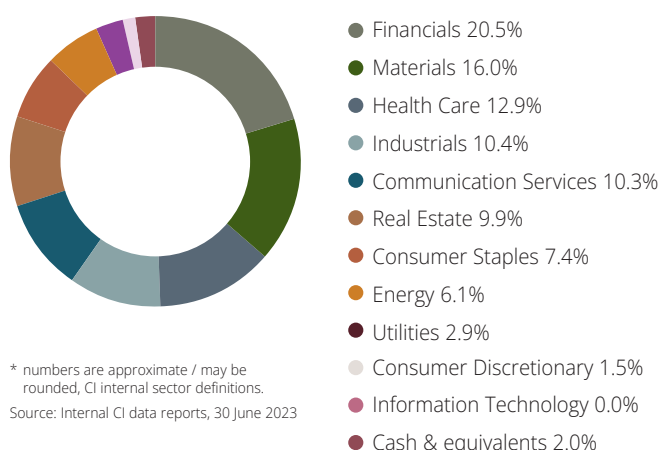
Past performance is not a reliable indicator of future performance.

Source: Internal CI data reports, 30 June 2023

HOLDINGS BY SUBSET OF VALUE*



CURRENT HOLDINGS BY SECTOR*

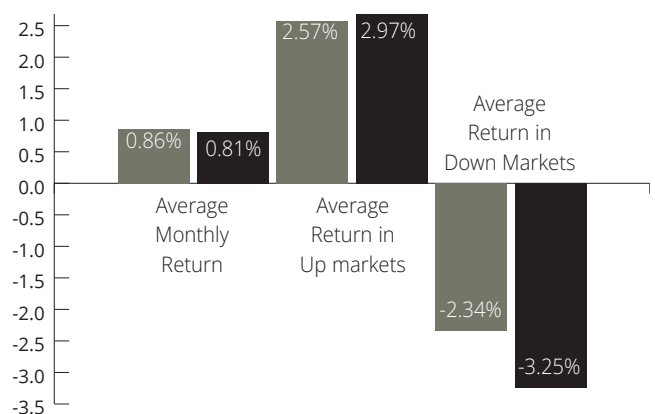


PORTFOLIO SNAPSHOT

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

Source: Internal CI data reports, 30 June 2023

GROSS PERFORMANCE IN UP & DOWN MARKETS



● Cooper Investors Endowment Fund (gross of fees and expenses, and adjusted for franking credits.)

● S&P 200 Accumulation Index (adj. FC)

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Source: Internal CI data reports, 30 June 2023

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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, participate in rising markets, be less volatile than the market, and provide a growing distribution 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

Portfolio performance was flat during the quarter.

Since inception the Fund has returned 145.7% versus the Reference Index which returned 123.9%.¹

We apply a risk framework over portfolio construction of ‘Protect & Grow’: stocks in ‘Protect’ are intended to assist in reducing downside capture and dampening volatility, while those in ‘Grow’ will drive most of the absolute returns. Risk metrics since inception:

	Grow	Protect	Fund	Index
Volatility	14%	11%	11%	14%
Downside Capture	92%	57%	72%	100%
Upside Capture	103%	79%	87%	100%
Beta	0.96	0.67	0.78	1.00
Correlation	0.95	0.83	0.95	1.00

Source: Internal CI Data reports, 30 June 2023

The Australian stock market continued its positive trajectory rising 1.2% over the quarter to finish the year up almost 17%, a welcome recovery after falling 5.1% in the prior year.

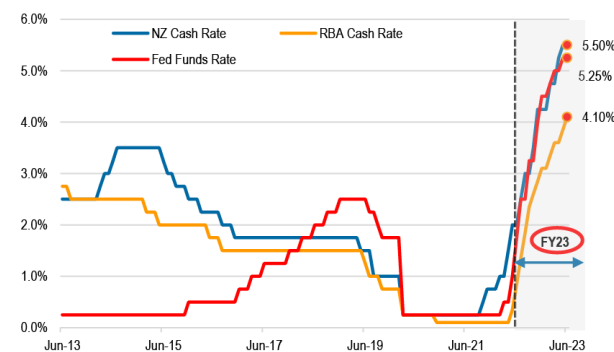
Technology was by far the best performing sector over the quarter (and year), driven by the NASDAQ rally and growing interest in Artificial Intelligence, with Healthcare and Materials lagging. Large and mid-caps continued to outperform small caps.

Equities faced a number of headwinds over the last 12 months including central banks raising interest rates to decade highs at an unprecedented pace, a US banking crisis, inverted yield curves, declining consumer confidence and rising bankruptcies, just to name a few.

While the lagged impact of this monetary tightening continues to filter

into the real economy there is a sense we are close to the end of the interest hikes with signs inflation is moderating, which was an important positive for equities.

Interest rates tightened aggressively in FY23



Source: J.P. Morgan, Bloomberg

Stocks that performed well over the last quarter included Arthur J Gallagher (strong premium rate environment continuing), Ryman Healthcare (better than expected full year result and improving housing market sentiment) and Infratil (acquisition of balance of One NZ (Vodafone) and successful equity raise).

Poor performers included EBOS (loss of Chemist Warehouse contract), Ramsay Healthcare (weak trading update and balance sheet concerns) and Mineral Resources (poor operational performance and project delays).

THE PORTFOLIO

The portfolio is highly diversified owning 34 securities including six global stocks (14%) and five New Zealand stocks (~13%). The cash weighting at the end of quarter was 2% and the portfolio remains unhedged.

During the quarter we exited Danaher due to lack of observable value latency and softening operating trends. We reduced our position in EBOS given the lofty valuation provided little margin of safety in the event of the speculated loss of the Chemist Warehouse contract (we subsequently topped up). We also took profits in Chorus and Franco Nevada after a run up in their share prices.

We initiated positions in Brickworks (Asset Plays, Family & Founder Linked), Infratil (Asset Plays, Specialist Focused Managers) and Hess Midstream (Bond-like Equities, Family & Founder Linked). These additions all sit in the Protect category and have strong track records of proprietorial management behaviour, conservative capital allocation and consistent dividend growth.

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

Terms and Conditions

Financial product advice contained in this document

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Past performance warning

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