

Cooper Investors Endowment Fund



QUARTERLY COMMENTARY | SEPTEMBER 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	-2.31%	-0.26%	-2.05%
1 Year	8.51%	15.08%	-6.57%
3 Year*	10.84%	12.58%	-1.74%
5 Year*	7.84%	8.16%	-0.32%
7 Year*	9.22%	9.58%	-0.36%
Since Inception*	9.57%	8.75%	0.82%
Since Inception^	140.05%	123.33%	16.72%

* Annualised

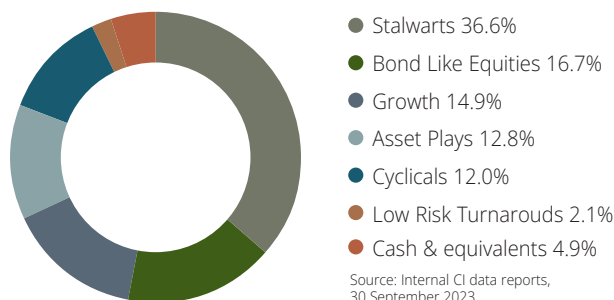
^ Cumulative (inception date was 3 March 2014).

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

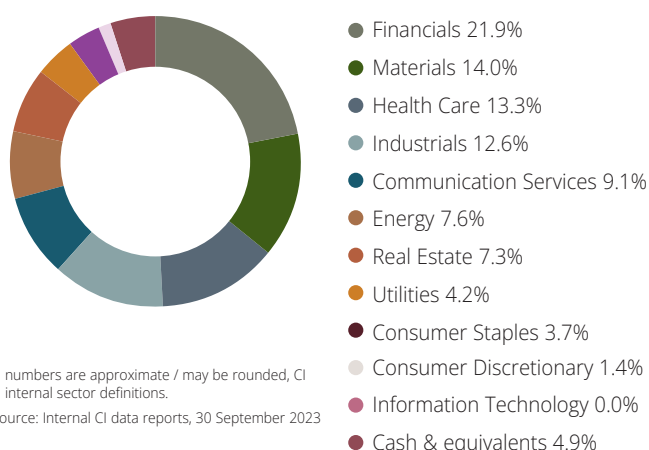
Past performance is not a reliable indicator of future performance.

Source: Internal CI data reports, 30 September 2023

HOLDINGS BY SUBSET OF VALUE*



CURRENT HOLDINGS BY SECTOR*

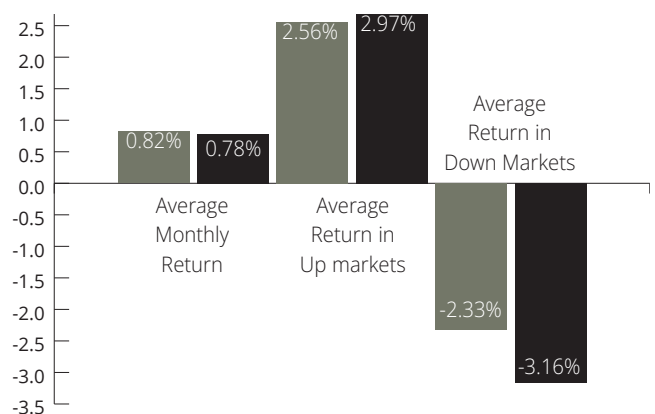


PORTFOLIO SNAPSHOT

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

Source: Internal CI data reports, 30 September 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)

Past performance is not a reliable indicator of future performance

Source: Internal CI data reports, 30 September 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

The portfolio return declined 2.31% over the quarter.

Since inception the Fund has returned 140.1% versus the Reference Index which returned 123.3%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%	60%	74%	100%
Upside Capture	102%	78%	86%	100%
Beta	0.96	0.68	0.78	1.00
Correlation	0.95	0.83	0.95	1.00

Source: Internal CI Data reports, 30 September 2023

The Australian stock market fell 0.8% over the quarter but is still up 13.5% over the last year.

Energy was the best performing sector over the quarter supported by Brent Crude prices surging by over 20% in the quarter.

The typically defensive Healthcare and Staples sectors were the largest laggards over the quarter, as a stronger than expected underlying economy supported the performance of more cyclical and consumer discretionary sectors.

The volatile markets over the last quarter have been driven by rising bond yields reflecting the market’s view that inflation is more

entrenched (higher for longer), and that further interest rate increases will be needed to contain inflation.

US 10 year bond yields are now back to pre-financial crisis levels however, we don’t expect central banks will cut interest rates in the near-term unless economic conditions deteriorate significantly.

The surge in bond yields suggests share markets will likely remain volatile, and accordingly, we will continue to increase the proportion of the portfolio in the ‘Protect’ capital pool.

Stocks that performed well over the last quarter included Arthur J Gallagher (strong premium rate environment), Lifestyle Communities (improving housing market sentiment) and RELX Plc (reported strong operating results).

Poor performers included ResMed (concerns that obesity drugs pose a competitive threat), Transurban and Waypoint REIT (rising bond yields).

THE PORTFOLIO

The portfolio is highly diversified owning 34 securities including six global stocks (~16%) and five New Zealand stocks (~12%). The cash weighting at the end of quarter was 5% and the portfolio remains unhedged.

It was a relatively active quarter for the portfolio. We initiated positions in Equity Trustees which has built a reputation as a stable, trusted and enduring organisation providing funds management and trustee services. RELX Plc was added as a high quality, low-volatility compounder with strong incumbent market positions providing decision making tools to knowledge industries. The portfolio also invested in Jardine Matheson which is a 200-year old family run company providing low-beta exposure to China/Asia that is trading on a single digit PER multiple and a 5% dividend yield.

We exited positions in ASX, Costco, Unicharm and Qube. Costco and Unicharm have both performed well over the journey but had simply become too expensive. Qube lacked observable value latency and was sold to fund new positions. The ASX has been a disappointing holding and we could not see this improving, with ongoing challenges around its operations.

Consistent with our key objectives of downside protection and lower volatility, we will continue to look to increase the proportion of the portfolio in the Protect category. These are companies we identify as having strong track records of proprietorial management behaviour, conservative capital allocation, and good prospects for 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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